

PRESS RELEASE

October 07, 2024

Securitisation volumes witness strong growth; likely to reach ~Rs. 60,000 crore in Q2 FY2025: ICRA

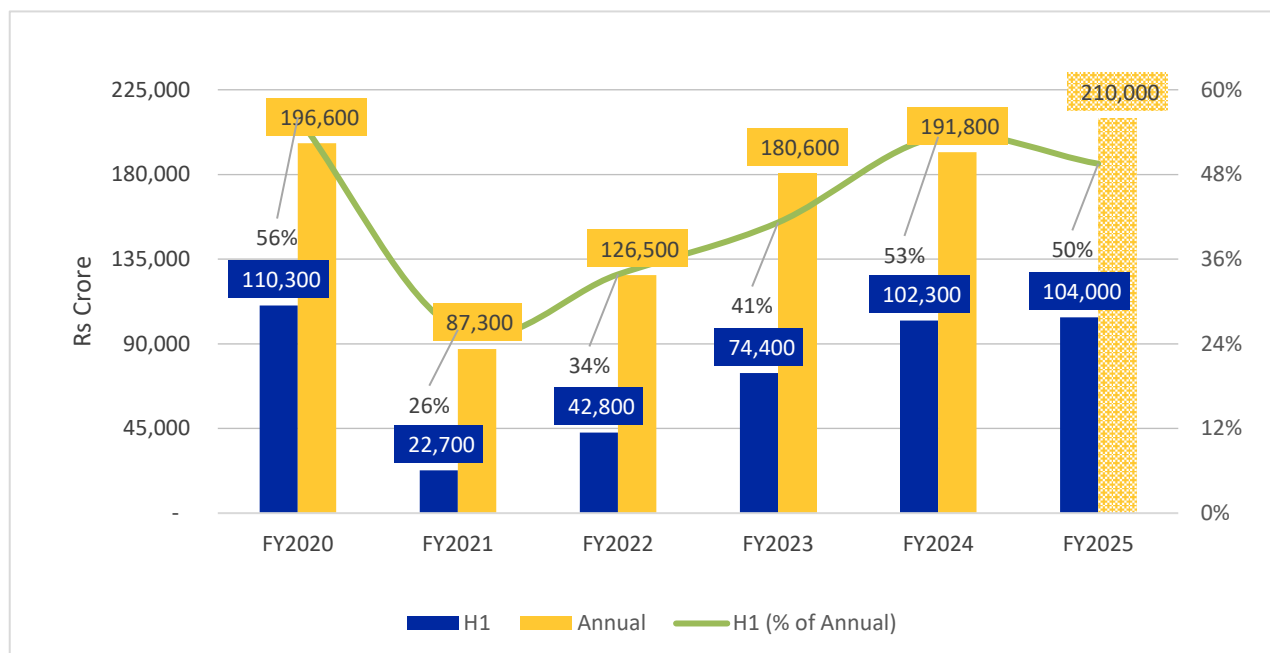
- Large ticket transactions by private sector banks led the steep growth in overall securitisation volumes for Q2 FY2025
- ICRA expects the market volumes to reach ~Rs 2.1 trillion in FY2025

As per ICRA's estimates, the securitisation volumes of standard assets for Q2 FY2025 touched ~Rs. 60,000 crore, which is a growth of ~36% on quarterly basis and ~31% on a YoY basis. The sharp increase in the quarterly volumes has been fuelled by large private sector banks selling down their portfolio to improve their credit-to-deposit ratio, given the relatively lower pace of deposit accretion being witnessed. The securitisation volumes for H1 FY2025 are estimated at about Rs. 104,000 crore, reflecting a modest YoY growth of ~2% as the volumes had been relatively muted in Q1.

Abhishek Dafria, Senior Vice President and Group Head, Structured Finance Ratings, at ICRA, said: *"The securitisation volumes in the current year would benefit from participation of private sector banks as originators, given the challenges being faced to raise deposits while the credit demand remains strong. In Q2 FY2025, about 35% of the assets securitised had been originated by private sector banks, which is a significant boost, compared to previous years when banks used to be almost non-existent in this market as originators. The non-banking financial companies (NBFCs) also continue to raise funding through securitisation as it diversifies their borrowing liabilities and improves the asset-liability mismatch. The sustenance of volume growth in the coming quarters though remains to be seen, given the appetite for large-size transactions as seen in Q2 may be limited. We believe the market is on track to reach our estimate of ~Rs 2.1 trillion in FY2025 compared to ~Rs 1.9 trillion in FY2024."*

Securitisation is largely being done through the issuance of pass-through certificates (PTCs) in the current fiscal while the proportion of direct sell-down or direct assignments (DA) has reduced. Vehicle loan receivables continue to form the highest market share among the various asset classes being securitised, given the presence of large-size NBFCs in this space in the market as well as the moderate tenure of the product. On the other hand, mortgage-backed loans such as home loans or loan against property continue to face challenges in the PTC market, given their longer tenure as well as interest rate risks, which act as a deterrent for investors. Volumes of personal loan securitisation remain healthy as certain banks are selling down these loans to maintain their desired mix of unsecured loans in the overall portfolio, whereas investors benefit from a higher yield on these products.

"The securitisation market has been widening over the past few years with the emergence of new originators as well as investors, and this development has continued in the current fiscal as well. There is a wide divergence among the asset classes too though the development of the retail mortgage-backed securitisation market should remain a key priority of the industry. We expect microfinance loan securitisation to witness some momentary challenges due to the recent spike in delinquency levels seen in this asset class, but the introduction of guardrails by the industry body to avoid overleveraging of the borrowers would help regain confidence in H2. Overall, the presence of adequate credit enhancements in the PTC structures and a long track record of low rating downgrades compared to rating upgrades would continue to support the securitisation market," added **Dafria**.

EXHIBIT 1. Securitisation market volume (PTC + DA)


Source: ICRA Research, Industry

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