

**PRESS RELEASE**  
**July 15, 2019**

## **ICRA: Securitisation continues to be an integral fund-raising avenue for NBFCs**

### **Q1 FY2020 volumes leapfrog 56% year-on year**

In Q1 FY2020, the Indian securitisation market clocked the highest issuance volumes seen in the first quarter of any financial year at Rs. 50,300 crores (56% y-o-y growth over the same period in the previous fiscal). In comparison, the securitisation volumes were Rs. 32,300 crores in Q1 FY2019 and Rs. 1.99 lakh crores for the entire FY 2019. The securitisation market continues to soar as the liquidity crisis in the NBFC sector -- the key originator segment in the securitisation market -- shows no immediate signs of abetting.

Says **Mr. Vibhor Mittal, Group Head – Structured Finance Ratings at ICRA**, “NBFCs and HFCs continue to rely heavily on securitisation as a tool for raising funds and manage liquidity. Other on-balance sheet funding avenues from both banks and capital market investors continue to be limited for most entities (barring a few entities with a strong credit profile). Banks (especially public sector banks) continue to remain the largest investor segment demonstrating strong appetite for acquiring both PSL and non-PSL assets through retail loan portfolio buy outs.”

The securitisation market in India can be segregated into two types of transactions – rated Pass Through Certificate (PTC) transactions, and unrated Direct Assignment (D.A) transactions (bilateral assignment of pool of retail loans from one entity to another). As per ICRA estimates, the PTC transaction volumes increased by a whopping 95% to Rs. 22,000 crores (Rs. 11,300 crore in Q1 FY2019) while the volumes for D.A transactions increased by around 35% to Rs. 28,300 crore (Rs. 21,000 crore in Q1 FY2019). It is notable that the market volumes have increased despite lukewarm participation from a few originators (that have traditionally been large and active participants) due to their weakened credit profile, that may also have impacted their ability to securitise.

Mortgage loans constituted the largest asset class with around in D.A. market with around 46% share in Q1 FY2020. Other asset classes like micro loans (around 20% share) and vehicle loans (around 17% share) continued to receive strong appetite from investors due to priority nature of these assets. Even gold loans that are non-priority in nature found investor interest and constituted around 13% share in D.A. volumes.

The PTC market also witnessed strong and widespread participation from various issuer and investor segments. The number of issuers that participated increased from 27 in Q1 FY2019 to 34 in Q1 FY 2020. Nonetheless, the top 5 issuers continued to have a sizeable share (around 71%) in the overall PTC volumes. Vehicle loans alone contributed to around 51% share in overall PTC volumes. Other dominant asset classes include mortgage loans, small business (MSME) loans, micro loans and tractor loans.

Exhibit 1: Asset class wise share in PTC volumes

<b>Asset class</b>	<b>Q1 FY20 share</b>	<b>Q1 FY19 share</b>	<b>FY 19 share</b>
Vehicle (CV, CE and Car)	51%	57%	49%
Mortgages (HL and LAP)	20%	0%	10%

Tractor	6%	0%	3%
MSME	5%	1%	4%
Micro Loans	4%	23%	16%
Lease rentals	0%	13%	17%
Others*	14%	6%	1%
<b>Total volume (Rs. crores)</b>	<b>22,000</b>	<b>11,300</b>	<b>70,900</b>

\* Others includes cash loans, consumer durable loans, two-wheeler loans, gold loans and term loans

ICRA expects securitisation market to remain buoyant for the remainder of this fiscal and touch an all-time high (estimated volume of more than Rs. 2.0 lakh crores in FY2020).

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