

## STRUCTURED FINANCE

**Securitisation volumes for FY2023  
expected to be closer to pre-  
pandemic levels**

**FEBRUARY 2023**



*Securitisation volumes for 9M FY2023 were 1.58x compared to 9M FY2022. YTD securitisation has surpassed retail securitisation volumes of FY2022.*

*Mortgage loans and vehicle loans continue to dominate the overall securitisation market; vehicle loans were slightly more than mortgage loans after a long gap.*

*Annual volumes are expected to be around Rs. 1.7 lakh crore, which is closer to pre-pandemic levels.*



- Due to the healthy credit growth of non-banking finance companies (NBFCs) and housing finance companies (HFCs), securitisation volumes are estimated to have grown by 58% YoY in 9M FY2023. Volumes are estimated to be ~Rs. 43,000 crore and ~Rs. 117,000 crore in Q3 FY2023 and 9M FY2023, respectively.



- In 9M FY2023, the securitisation volume of ~Rs. 117,000 crore (entirely retail loans) has already surpassed the volumes of ~Rs. 112,000 crore for the previous full year (excluding ~Rs. 14,500 crore of wholesale loans). ICRA expects FY2023 securitisation to be at around Rs. 170,000 crore.



- Mortgage loans (MBS) have traditionally dominated securitisation, followed by vehicle loans. The trend reversed in Q3 FY2023 when vehicle loans, at ~33% of the total volumes, inched slightly ahead of mortgage loans. This was due to high volumes of PSL loan securitisation by a few large players.



- Microfinance (MFI) loans also saw an increased share of ~18% in Q2 FY2023 and Q3 FY2023 compared to 11% in FY2022 and 10% in FY2021. Increasing activity in MFI space indicates easing of investor concerns for the asset class.



- Amongst the three major asset classes, MBS and MFI securitisation is mostly done through the direct assignment (DA) route, whereas vehicle loan securitisation is predominantly done through the pass-through certificates (PTC) route.



- Rating actions have followed the overall macroeconomic scenario; upgrades have gained pace this year and downgrades remain limited as Covid-19 pandemic related concerns have subsided.



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