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Priority Sector Lending Certificate Market Jumps to ₹1.84 lakh crore

Indian banks shun securitisation of loans to meet priority sector targets in favour of Priority Sector Lending Certificates (PSLC), data from rating firm Icra showed. The volume of PSLC market leapfrogged to around ₹1.84 lakh crore in FY18 from a mere ₹50,000 crore in FY17, diminishing the reliance of securitisation market and squeezing its volume 7%.

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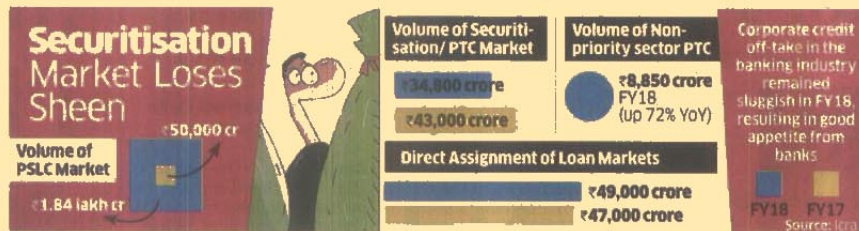
A BETTER DEAL In PSLC trading, seller banks earn a fee without reduction in the loan portfolio unlike in securitisation

Securitisation for Priority Sector Loans Off

Our Bureau

Kolkata: Indian banks shun securitisation of loans to meet priority sector targets in favour of Priority Sector Lending Certificates (PSLC), data from rating firm Icria showed. The volume of PSLC market leapfrogged to around ₹1.84 lakh crore in FY18 from mere ₹50,000 crore in FY17, diminishing the reliance of securitisation market and squeezing its volume 7%.

Trading of PSLC was introduced in 2016 and FY18 was the first full year of its use. Here, banks needed to meet priority sector loan targets to buy the priority sector obligation certificate from the seller



bank without the transfer of risks or loan assets. Seller banks earn a fee without reduction in the loan portfolio unlike in securitisation or direct assignment deals.

Icria estimated that securitisation or Pass Through Certificate (PTC)

market volumes fell 24% in FY18 to ₹34,800 crore from ₹43,000 crore in FY17 despite a rise in non-priority sector loan securitisation. "Achieving priority sector loan target is the main motive for investors in PTC transactions, while for di-

rect assignment deals, the motive is usually loan book growth. Thus, a dip in PTC volumes pursuant to the advent of PSLCs is on expected lines," Icria's head for structured finance Vibhor Mittal was quoted as saying in a press note. Non-priori-

ty sector PTC volume grew 72% to ₹8,850 crore in FY18, making it one-fourth of overall PTC volumes.

The overall loan sell-downs in India are segregated into two types of transactions – rated securitisation or PTC transactions, and unrated direct assignments of pooled pools

Direct assignment of loan markets grew modestly by about 4% to an estimated ₹49,000 crore in FY18 from ₹47,000 crore in FY17.

The corporate credit off-take in the banking industry remained sluggish in FY18, resulting in good appetite from banks, especially the public sector ones, to acquire retail assets under the direct assignment of loans to achieve balance sheet growth, Icria said.