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Securitisation volumes at an all-time high of Rs 1.44 trillion in Apr-Dec

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The securitisation market volumes in the country touched a life-time high of Rs 1.44 trillion in the nine months of the current fiscal, with around Rs 78,000 crore generated in the third quarter, says a report.

The securitisation market remained buoyant in the third quarter driven by the prevailing liquidity crisis, following defaults by IL&FS and its subsidiaries.

INVESTOR APPETITE, PARTICULARLY FROM PUBLIC SECTOR BANKS AND PRIVATE BANKS, IS HIGH AT PRESENT

"Domestic securitisation market volumes have touched an all-time high of Rs 1.44 lakh crore (monthly run-rate of Rs 16,000 crore) during the period April-December as compared to market volumes of Rs 84,000 crore (monthly run-rate of Rs 7,000 crore) for the entire fiscal 2018," according to a report by domestic rating agency Icra.

Of this, around Rs 73,000 crore was raised by non-bank financial companies (NBFCs) and housing finance companies (HFCs) through sell-down of their retail and SME loan portfolio to various investors (primarily banks).

"Funds raised by NBFCs and HFCs through the securitisation route helped meet sizeable repayment obligations of the sector in an otherwise difficult market," the rating agency's group head (structured finance ratings), Vibhor Mittal, group head, structured finance ratings, Icra said.

Investor appetite, particularly from public sector banks and private banks, is high at present, considering investors are not exposed to entity level credit risk, and are seen taking exposure to the underlying pool of retail and SME borrowers.

The securitisation market in the country can be segregated into two types of transactions, rated Pass Through Certificate (PTC) transactions, and unrated Direct Assignment (DA) transactions.

In the nine months of FY19, direct assignment transaction volumes soared Rs 94,000 crore, with Rs 53,000 crore in the third quarter. PTC transaction volumes also surged to Rs 25,000 crore in Q3 of FY19 and Rs 50,000 crore in April-December.

Securitisation volumes were further boosted by the Reserve Bank of India's relaxation of the minimum holding period (MHP) criteria for long-tenure loans, which increased the quantum of assets eligible for securitisation in the system.

The report said priority sector lending (PSL) requirements of banks have remained the driving force behind securitisation volumes.

However, in recent years, the share of non-PSL backed transactions is on the rise with increasing participation from mutual funds, insurance companies and NBFCs investor segments.

In the nine months of FY19 and FY18, the share of non- PSL transactions has increased to 35 per cent compared to 24 per cent in FY17 and less than 20 per cent in the periods prior to that.

The rating agency further said while the liquidity position for NBFCs and HFCs has started easing, the momentum in the securitisation market is likely to remain strong in the last quarter of the current fiscal.