

Securitisation market clocks 56% growth in Q1

SUBRATA PANDA
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With the non-banking financial company (NBFC) sector, especially housing finance companies (HFCs), battling a liquidity crisis, the securitisation market has got a shot in the arm and continues to soar. It has clocked an impressive 56 per cent growth in the first quarter (Q1) of 2019-20 (FY20).

In the June quarter of FY20, the securitisation volume stood at ₹50,300 crore, as opposed to ₹32,300 crore in the same quarter in the preceding financial year. In 2018-19 (FY19), the securitisation volume stood at ₹1.99 trillion.

According to 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. Banks (especially public sector banks) continue to remain the largest investor segment, demonstrating strong appetite for acquiring both priority sector lending (PSL) and non-PSL assets through retail loan portfolio buyouts."

Rating agency ICRA said

ASSET CLASS-WISE SHARE IN PTC VOLUMES

Asset class	Q1FY20 share (%)	Q1FY19 share (%)
Vehicle (CV, CE and Car)	51	57
Mortgages (HL and LAP)	20	0
Tractor	6	0
MSME	5	1
Micro loans	4	23
Lease rentals	0	13
Others	14	6
Total volume (₹crore)	22,000	11,300

Note: PTC stands for pass-through certificate

Source : ICRA

the pass-through certificate transaction, one of the two ways of securitisation, volumes increased 95 per cent to ₹22,000 crore, while it was ₹11,300 crore in Q1FY19. On the other hand, the direct assignment route of securitisation saw a 35 per cent increase to ₹28,300 crore, while it was ₹21,000 crore in Q1FY19.

"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," said ICRA.

Mortgage loans constitut-

ed the largest asset class, with around 46 per cent share in Q1FY20. Other asset classes such as micro loans (around 20 per cent share) and vehicle loans (around 17 per cent share) continued to receive strong appetite from investors due to the priority nature of these assets.

Even gold loans that are non-priority in nature found investor interest and constituted around 13 per cent share in direct assignment volumes.

ICRA expects the securitisation market to remain buoyant for the remainder of this financial year and touch an all-time high (estimated volume of more than ₹2 trillion in FY20).