

## Securitisation market may cross ₹2 lakh cr: Icra

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With non-bank financial companies and housing finance players relying more on securitisation for raising funds, the volume in the market is likely to cross Rs 2 lakh crore in FY-2020, says an Icra report.

The NBFC sector has been facing a liquidity crunch since September 2018 following a series of default by Infrastructure Leasing and Financial Services (IL&FS).

"We expect that the size of the securitisation market would cross Rs 2 lakh crore for FY-2020 which would be an all-time high," Icra vice-president and head (structured finance ratings) Abhishek Dafria said in a report.

In the nine months ended 31 December 2019, non-banking finance companies (NBFCs) and housing finance companies (HFCs) together raised Rs 1.57 lakh crore through securitisation route compared to Rs 1.44 lakh crore in the year-ago period.

In the third quarter of FY-20, the securitization volumes stood at Rs 47,000 crore. While the volumes in Q3 FY-20 have been high, the market has faced some headwinds due to muted growth in the NBFCs' books, which reduces the eligible assets available for sale, he said.

The default on pools of an originator due to on-going bankruptcy proceedings against it may have made some investors cautious.

### RESEARCH REPORT

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"The liquidity challenges being faced by the NBFCs and HFCs coupled with a push by the government through the extension of its

partial credit guarantee (PCG) scheme as well as extension on relaxation of minimum holding period (MHP) criteria for NBFCs/HFCs for another

six months to June 2020 would support the securitisation market," Mr Dafria said.

The securitisation market

can be segregated into three types of transactions - rated pass through certificate (PTC) transactions, unrated direct assignment (DA) transactions (bilateral assignment of pool of retail loans from one entity to another) and rated DA transactions.

During April-December 2019, the PTC transaction volumes were around Rs 64,000 crore as compared to around Rs 71,000 crore for FY-19. Volumes for DA transactions were around Rs 93,000 crore in the past nine months as against around Rs 128,000 crore for FY-19.

The DA volumes have witnessed a decline in the nine months of FY-20 primarily due to non-participation of a few large mortgage loan orig-

inators who were active participants previously, the report said.

Within PTCs, commercial vehicle loans continued to remain the most preferred asset class accounting for 41 per cent of the total PTC volumes in the nine months of FY-20, it said.

Under DAs, other asset classes accounted for 11 per cent of nine months FY-20 volumes, largely due to higher preference for gold loans amongst the investors.

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