

Press Release

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Securitised pool collections healthy despite macro headwinds
Revival in economic activity has cushioned borrowers

Monthly collection ratios (MCRs) of securitised pools rated by CRISIL Ratings have remained largely unaffected by macroeconomic challenges like elevated commodity costs, interest rates and energy prices in recent months. Retail borrowers in the securitised pools have been demonstrating a strong repayment record benefiting from traction in economic activity.

Says Krishnan Sitaraman, Senior Director and Deputy Chief Ratings Officer, CRISIL Ratings, “In the past few months, retail borrowers have faced challenges like higher interest rates and inflation. Despite that pool collections have largely remained stable, which is an indication of the superior quality of cherry-picked securitised loans, their post-securitisation performance as well as resilience in economic activity.”

Mortgage-backed securitisation (MBS) pools displayed median MCRs (*refer to chart in annexure*) of ~100% during the pay-out months of April-July 2022, reflecting the inherent strength and reliability of property-backed loans as a retail asset class.

Collections of commercial vehicle (CV) loan pools saw a slight sequential dip from the peak of 105% during the April 2022 pay-outs, but remained robust at ~98% due to better freight realisations despite higher fuel costs.

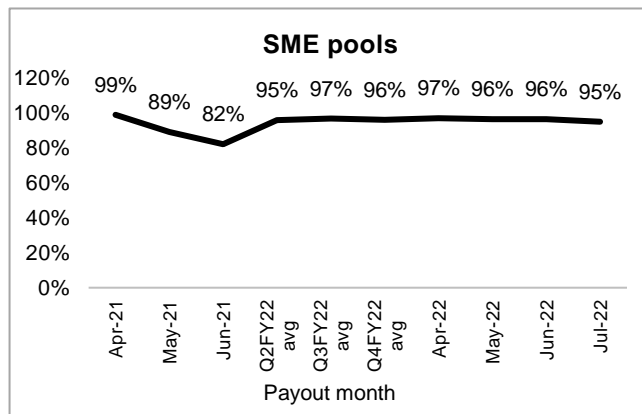
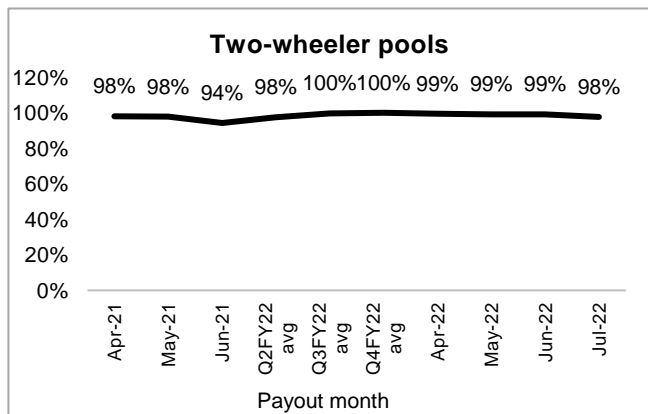
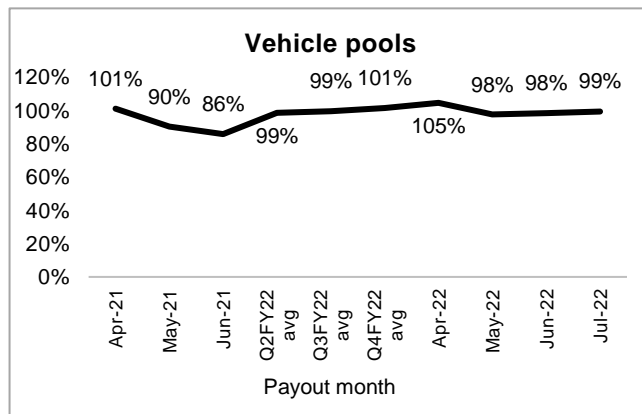
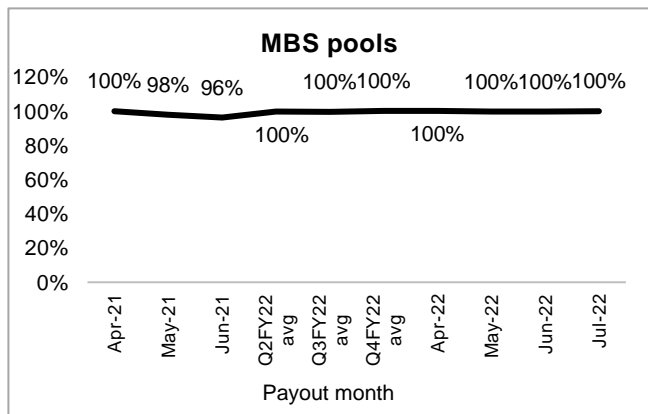
Moderation in tax and duties on crude derivatives lightened the burden of the higher cost of energy in the international market on end consumers. Also, seasonal demand for CVs increased capacity utilisation, resulting in higher-than-average realisations for vehicle owners.

Collections of two-wheeler loans remained stable, with MCRs at 98-99% over the past few months. Collection efficiency of small and medium enterprise (SME) loans was 97% in the April 2022 pay-outs and has stayed put since then, though July 2022 MCRs dipped marginally to 95%.

Improved economic activity during the first quarter of fiscal 2023, with GDP growth of 13.5%, have cushioned borrowers in the past few months, thereby supporting collections of securitised pools. Subsidy and transfer payments continued to supplement agricultural and rural income, while sovereign-guaranteed, lower-than-market cost funds remained available to SME entities through government sponsored schemes.

Says Rohit Inamdar, Senior Director, CRISIL Ratings, “Revival in economic growth has alleviated some of the stress faced by borrowers in recent times. That said, the trajectory of further movement in interest rates and inflation will be a key monitorable in the ability of borrowers to continue their solid repayment trends and hence of securitised pool collections.”

Annexure
Collection efficiency trends in securitisation transactions rated by CRISIL Ratings



Notes:
 Pay-out months lag collection months by one. Consequently, July 2022 payouts pertain to June 2022 collections
 Source: CRISIL Ratings

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