Press Release

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Retail securitisation volume doubles to Rs 1.9 lakh crore

Provides key support to the resource-raising efforts of non-banks in challenging times

Retail securitisation volume more than doubled to an all-time high of Rs 1.9 lakh crore in fiscal 2019, compared with Rs 85,000 crore for the whole of fiscal 2018 (*see chart 1 in annexure*), a CRISIL study shows.

There were three drivers to the spurt in volume.

One, a few large mortgage players returned to the market in the first quarter of fiscal 2019 after clarification that securitised assets are not liable to Goods and Services Tax (GST).

Two, non-banks (housing finance companies and non-banking finance companies) rushed to securitise receivables as conventional sources of resource mobilisation came under pressure after September 2018.

Three, the Reserve Bank of India's (RBI's) notification relaxing guidelines on minimum holding period requirement in securitisation transactions backed by long-tenure loans increased the availability of eligible securitisable assets.

Said Krishnan Sitaraman, Senior Director, CRISIL Ratings, "Three asset classes – mortgages, vehicle loans and microfinance loans – constituted ~84% of the securitisation volume. While growing investor comfort with these asset classes and steady asset quality metrics supported growth, we also saw relatively newer asset classes such as gold loans, small and medium enterprises loans and personal loans also getting securitised, underscoring a potential broad-basing of the market."

Direct assignments (DAs) continued to be the preferred route, accounting for 64% of the total securitisation volume (*see chart 2 in annexure*). Mortgage-backed transactions originated by housing finance companies and invested in primarily by public sector banks accounted for a bulk of the DA volume as 92% of mortgage transactions are happening through the DA route.

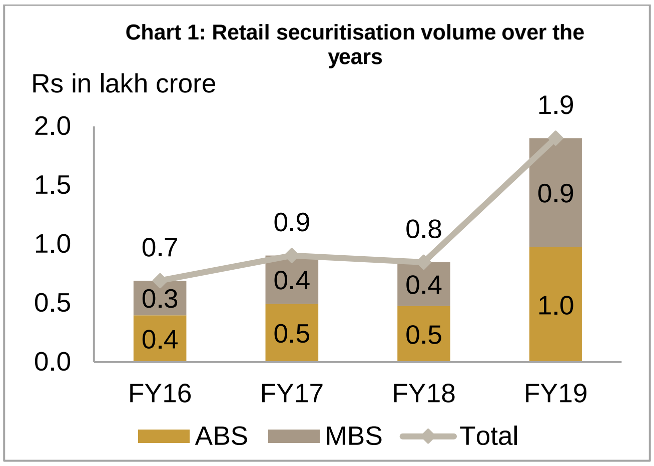
While DA transactions rocketed 146%, pass-through certificates (PTCs) soared 95%. The volume of PTCs reached Rs 69,000 crore.

Heading into fiscal 2020, some of the tailwinds that aided the market in fiscal 2019 are abating. Among other factors, pent-up supply following GST implementation has exhausted, regulatory relaxation on minimum holding period is available only till May 2019, and the funding environment for non-banks is gradually stabilising. But new supportive factors are emerging in their place.

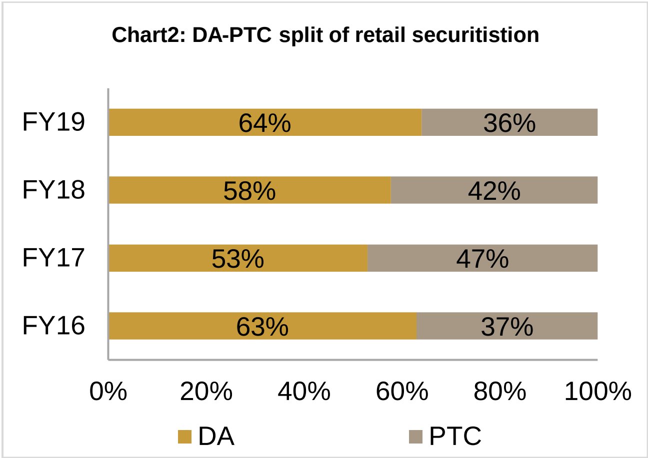
Said Rohit Inamdar, Senior Director, CRISIL Ratings, "We believe securitisation will continue to clock decent volumes despite changing market dynamics. The spotlight shone on asset-liability maturity management by the recent liquidity crunch should result in non-banks reducing their dependence on short-term funding sources. That could spur healthy appetite for securitisation transactions, which have no negative asset-liability maturity mismatches. Furthermore, the RBI constituting a committee to enable development of housing finance securitisation also augurs well for the market."

The growth in securitisation volume, which was driven by non-priority sector assets, did not hamper the market for priority sector lending certificates (PSLCs). The PSLC volume rocketed to Rs 3.3 lakh crore, up from Rs 1.9 lakh crore in fiscal 2018 and Rs 50,000 crore in fiscal 2017. PSLCs relating to the small and marginal farmers segment continued to be in most demand (*see chart 3 in annexure*).

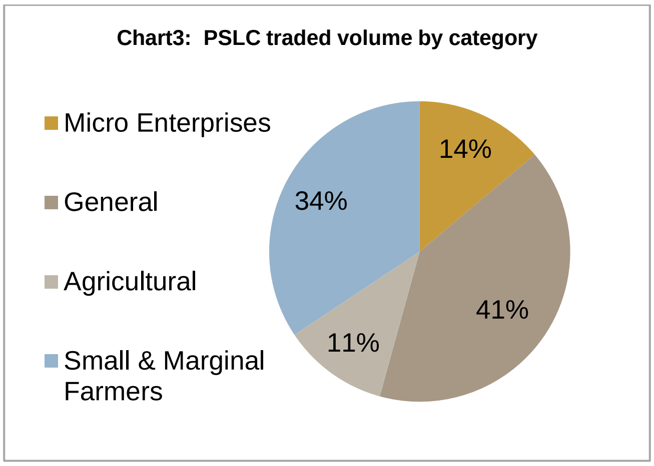
Annexure



Source: CRISIL estimates



Source: CRISIL estimates



Source: CRISIL estimates

For further information contact:

Media relations	Analytical contacts	Customer service helpdesk
Saman Khan Media Relations **CRISIL Limited** D: +91 22 3342 3895 M: +91 95 940 60612 B: +91 22 3342 3000 saman.khan@crisil.com **Naireen Ahmed** Media Relations **CRISIL Limited** D: +91 22 3342 1818 M: +91 90 040 84769 B: +91 22 3342 3000 naireen.ahmed@crisil.com	**Krishnan Sitaraman** Senior Director - CRISIL Ratings **CRISIL Limited** D: +91 22 3342 8070 krishnan.sitaraman@crisil.com **Rohit Inamdar** Senior Director - CRISIL Ratings **CRISIL Limited** D:+91 22 4040 2985 rohit.inamdar@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

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