

Press Release

April 05, 2019 | Mumbai

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.

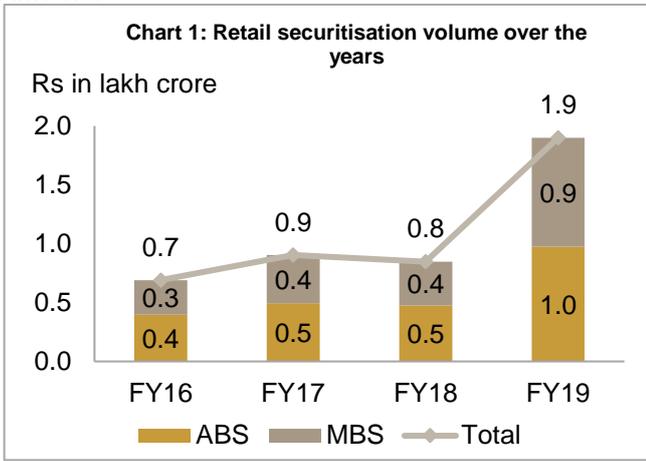
While DA transactions rocketed 146%, pass-through certificates (PTCs) soared 95%. The volume of PTCs reached Rs 69,000 crore.

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.

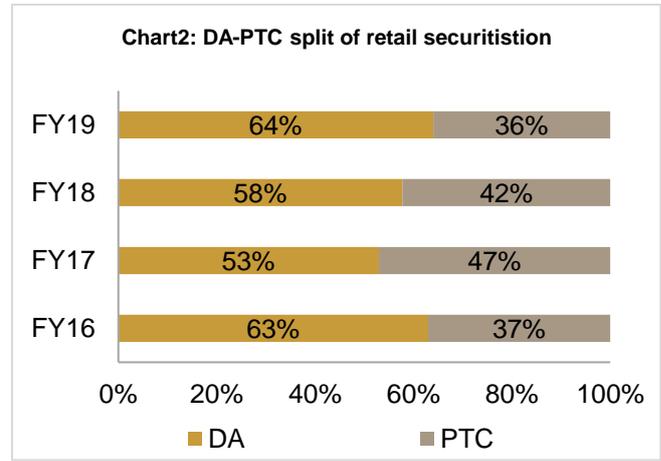
Said Rohit Inamdar, Senior Director, CRISIL Ratings, "We believe securitisation will continue to clock decent volumes despite changing market dynamics. The spotlight shone on asset-liability maturity management by the recent liquidity crunch should result in non-banks reducing their dependence on short-term 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*).

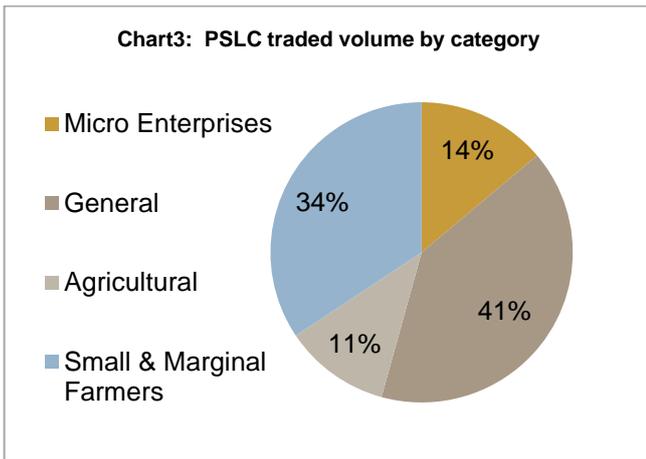
Annexure



Source: CRISIL estimates



Source: CRISIL estimates



Source: CRISIL estimates

For further information contact:

Media relations	Analytical contacts	Customer service helpdesk
<p>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</p> <p>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</p>	<p>Krishnan Sitaraman Senior Director - CRISIL Ratings CRISIL Limited D: +91 22 3342 8070 krishnan.sitaraman@crisil.com</p> <p>Rohit Inamdar Senior Director - CRISIL Ratings CRISIL Limited D:+91 22 4040 2985 rohit.inamdar@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestor@crisil.com</p>

About CRISIL Limited

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India’s foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [LINKEDIN](#) | [TWITTER](#) | [YOUTUBE](#) | [FACEBOOK](#)

About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 110,000 MSMEs have been rated by us.

CRISIL PRIVACY

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This Press Release is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press release may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its Press Releases for consideration or otherwise through any media including websites, portals etc.

CRISIL has taken due care and caution in preparing this Press Release. Information has been obtained by CRISIL from sources which it considers reliable. However, CRISIL does not guarantee the accuracy, adequacy or completeness of information on which this Press Release is based and is not responsible for any errors or omissions or for the results obtained from the use of this Press Release. CRISIL, especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Press Release. CRISIL or its associates may have other commercial transactions with the company/entity.