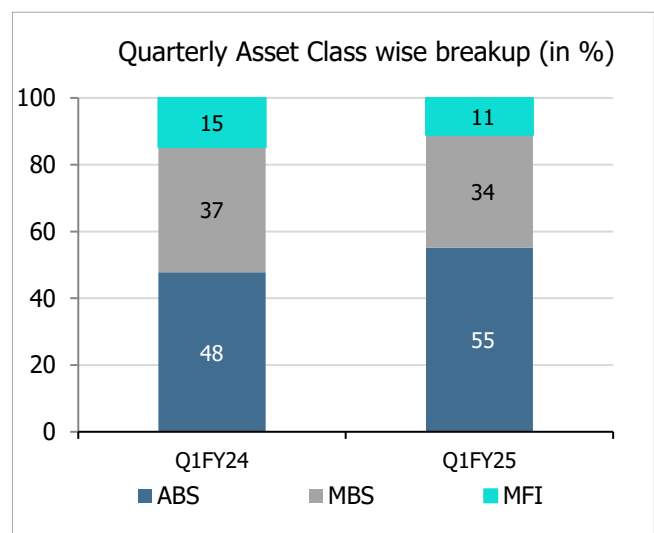
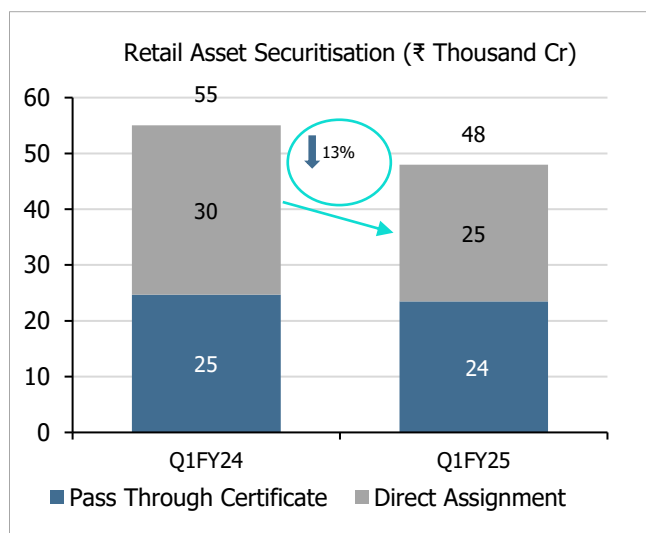


Retail Asset Securitisation: Volumes at ₹48,000 crore in Q1FY25

July 10, 2024 | Ratings

The retail asset securitisation market for Q1FY25 contracted by around 13% compared to the same period in the previous year. The primary reasons could be the surfeit of liquidity available with originators. However, high credit growth, originators' aim to diversify their funding sources, the continued increase in investor demand for retail Priority Sector Lending (PSL) assets, and confidence in the performance of rated transactions—reinforced by the stability exhibited during the pandemic have contributed to the volume of retail asset securitisation transactions. This quarter was marked by several universal banks tapping the securitisation market.

In Q1FY25, the market witnessed a total volume of approximately ₹48,000 crore (CareEdge Ratings estimate), showing a drop of 13% compared to around ₹55,000 crore in Q1FY24. Direct assignment (DA) transactions and pass-through certificates (PTC) accounted for almost equal proportion as was witnessed in the latter half of last fiscal. The split between DA and PTC transactions that was largely in favour of DAs has altered in recent times.



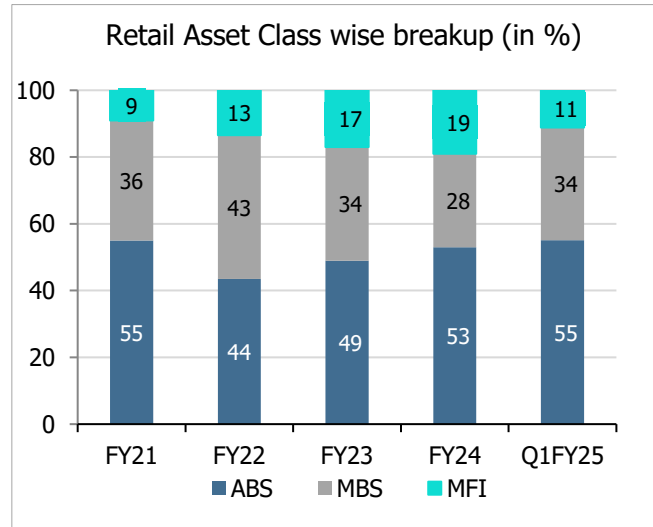
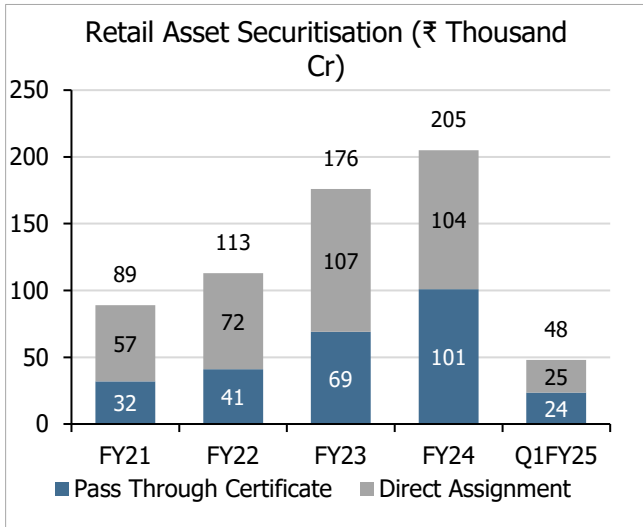
Source: CareEdge Ratings

Asset Class-wise Break-up

Mortgage-backed securitisation (MBS) transactions comprised 56% of DA volumes during Q1FY25, followed by Asset-backed securitisation (ABS) transactions at 30%, with the remaining being microfinance loans (MFI). The big change in the overall asset class-wise breakup is that MFI loan transactions contributed around 11% of the total volumes for Q1FY25, down from 15% in the previous year (Q1FY24).

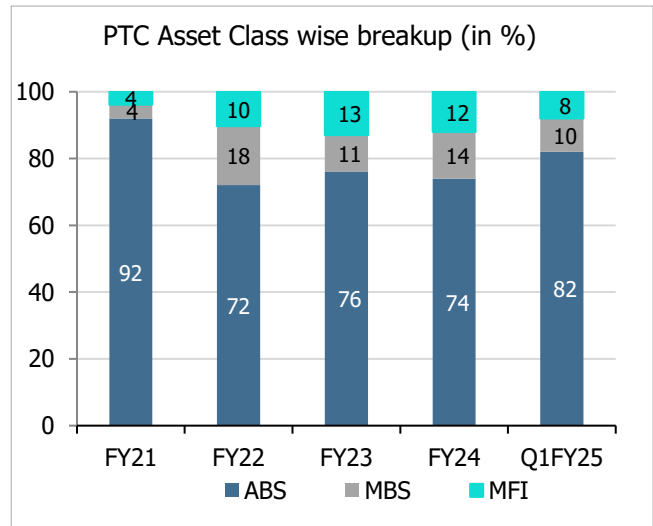
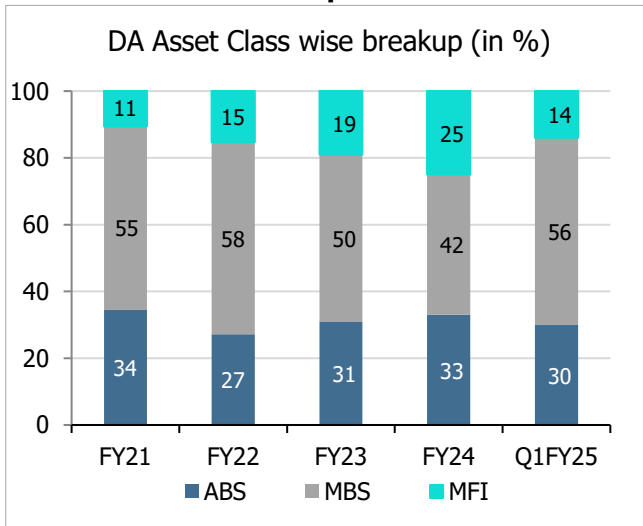
ABS pools constituted a lion's share of around 82% of the total PTC issuances followed by MBS and MFI pools, contributing close to 10% and 8%, respectively. The share of MFI transactions as a proportion of PTC issuances also saw a decline (12% in Q1FY24). Vehicle loan financing (includes pools backed by loans against commercial vehicles, cars, two-wheeler construction equipment, tractors, etc.) accounted for around ₹16,200 crore (67% of PTC issuance).

Retail Securitisation Volumes and Asset Class-wise Breakup



Source: CareEdge Ratings

Asset Class-wise Breakup of PTC and DA Volume



Source: CareEdge Ratings

Outlook

The prediction of above-average rainfall in 2024 by the IMD bodes well for a revival in rural consumption demand. The slow start to the monsoon has been offset by the heavy rainfall experienced nationwide in early July 2024, leading to expectations of robust agricultural output. Along with a healthy projected credit growth of 14%-14.5% and increasing demand for PSL assets, the Indian securitisation market is likely to exhibit strong volumes in FY25.

Contact

| | | | |
|--------------------|--------------------|--------------------------------|--|
| Sanjay Agarwal | Senior Director | sanjay.agarwal@careedge.in | +91 - 22 - 6754 3582 / +91 - 81080 07676 |
| Vineet Jain | Senior Director | vineet.jain@careedge.in | +91 - 22 - 6754 3623 / +91 - 99876 88674 |
| Sriram Rajagopalan | Director | sriram.rajagopalan@careedge.in | +91 - 22 - 6754 3652 / +91 - 98928 11172 |
| Chirag Gambhir | Associate Director | chirag.gambhir@careedge.in | +91 - 22 - 6754 3423 / +91 - 90220 58905 |
| Mradul Mishra | Media Relations | mradul.mishra@careedge.in | +91 - 22 - 6754 3596 |

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone : +91 - 22 - 6754 3456 | CIN: L67190MH1993PLC071691

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