

MFI loan securitisation more than doubles to Rs. 11,500 crore

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Kolkata, May 19:

Microfinance institutions (MFIs) have securitised Rs. 11,500-crore loan receivables in fiscal 2016 compared with Rs. 5,075 crore in 2015.

In a note, credit rating agency Crisil said that the 125-per cent growth in securitisation in the previous fiscal occurred as MFIs opted for this funding route to churn capital faster and fuelling growth.

PTCs preferred

Crisil observed that pass-through certificates (PTCs) continued to be the preferred route (85 per cent in fiscal 2016), whereas in the overall securitisation market, direct assignments rule the roost, accounting for two-thirds of new transaction volumes.

Krishnan Sitaraman, Senior Director, Crisil Ratings, said: “A clutch of factors contributed to the more-than-doubling in volume.”

First, banks are increasingly using this route to achieve their priority sector lending target. Second, negligible delinquencies and higher yields (up to 11.5 per cent), have made transactions attractive and helped expand the investor base. Third, in the last 12-15 months, MFIs have seen a spurt in assets under management; so they have used securitisation to fund growth. According to data from the Microfinance Institutions Network, gross loan portfolio of MFIs rocketed 84 per cent between December 2014 and December 2015.

Earlier, investors for PTCs were mostly private banks, and public sector banks invested in direct assignments.

MFs, FIIs game

“But last fiscal saw many non-banking finance companies investing in microfinance pools, as also the Micro Units Development and Refinance Agency (MUDRA) Bank,” Crisil pointed out. With the distribution tax issue resolved, the rating agency expected renewed interest from institutional investors, especially mutual funds and foreign portfolio investors.

Crisil has rated more than 100 microfinance pools and their collection ratios have been more than 99 per cent on average. “Despite the December floods in Tamil Nadu, collection ratios in Crisil-rated pools remained robust showing no — or negligible — deviation from historical trends,” the note said.

The credit collateral in Crisil-rated microfinance pools continues to remain unutilised and over-dues in the pools remain negligible.

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