

Retail securitisation volume doubles to Rs 1.9 lakh cr in FY19

PTI Mumbai | Updated on April 05, 2019 Published on April 05, 2019



Problems faced by the non-bank lenders and clarity on GST applicability resulted in retail securitisation doubling to Rs 1.90 lakh crore in 2018-19, a study said Friday.

Securitisation, where a lender sells its future receivables from a loan or a pile of loans, from the retail sector had stood at Rs 85,000 crore, the study by Crisil ratings said.

Explaining the reasons for the massive jump in volumes, it said there was a “rush” among the non-bank lenders including mortgage finance companies as conventional sources of resource mobilisation came under pressure after September 2018.

It can be noted that the default by infra lender IL&FS had led to wider sectoral worries about the NBFCs, where there were potential asset quality mismatches as the players were borrowing short for long term loans. “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,” it said.

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. "Mortgages, vehicle loans and micro-finance loans constituted 84 per cent of the securitisation volume," its senior director Krishnan Sitaraman said.

He added that growing investor comfort with these asset classes and steady asset quality metrics supported the growth. "Newer asset classes like gold loans, small and medium enterprises loans and personal loans also witnessed some activity," he said.

Direct assignments (DAs) continued to be the preferred route, accounting for 64 percent of the total securitisation volume, the agency said.

Mortgage-backed transactions originated by housing finance companies and invested in primarily by public sector banks accounted for a bulk of the direct assignments volume as 92 percent of mortgage transactions are happening through the DA route.

The pass through certificates (PTC) route witnessed a slower growth at 95 percent as against 145 percent for direct assignments, and stood at Rs 69,000 crore. The growth has not hampered the market for priority sector lending certificates, it said, adding that PSLC volumes shot up to Rs 3.3 lakh crore in FY19 from 1.9 lakh crore in FY18 and Rs 50,000 crore in FY17. However, on its outlook, the company said, some of the tailwinds that aided the market in fiscal 2019 are "abating".

It elaborated that 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.

Its senior director Rohit Inamdar said despite the changing market dynamics, the agency believes securitisation volumes will be "decent".

Published on April 05, 2019



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