

Loan sell-downs help NBFCs, HFCs raise Rs 2.4 lakh crore in one year: Icra

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Sales of loan pools have emerged as a chief source of funds for non-bank lenders. Since the IL&FS crisis in September 2018, non-banking finance companies (NBFCs) and housing finance companies (HFCs) together have raised as much as Rs 2.36 lakh crore through sell-down of their loan assets, according to a note by ratings agency Icra.

This unprecedented increase in sell-down volumes reflects the choking up of traditional on-balance sheet borrowing channels such as loans, bonds and commercial paper issuances, the agency said.

“NBFCs and HFCs continue to rely heavily on securitisation as a tool for raising funds, manage liquidity and to correct any ALM (asset liability management) mismatch. With the public-sector banks having been directed to disburse funding of Rs 1 lakh crore under the partial credit guarantee scheme by February 2020, we believe that the size of the securitisation market would be at an all-time high, in excess of Rs 2 lakh crore for FY20,” said Abhishek Dafria, vice-president and head — structured finance ratings, Icra.

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The DA volumes have witnessed a 33% decline in H1FY20 to Rs 58,400 crore from Rs 87,450 crore in H2FY19 mainly due to the weakened credit profile of a few originators that were traditionally large and active participants, the report said.

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Within PTCs, while commercial vehicle loans remained the most sought-after. Small business loans have seen the sharpest pick-up, accounting for 11% of the PTC volumes in H1FY20. Within DA, gold loans have gained greater acceptance among purchasing banks and accounted for 10% of sell-down volumes in H1FY20.

The report pointed to a reduction in priority sector lending (PSL)-driven transactions in the PTC space over the past three-four fiscals. The share of PSL certificates in PTCs stood at 52% in H1FY20, down from 88% in FY17, mainly due to a change in the investor base in PTC transactions.

While private banks were previously the major investor category looking at acquiring PSL assets through PTCs, in recent years, NBFCs, foreign portfolio investors, high networth individuals (HNIs) and insurance companies have also been participating in the market of late. The latter set of investors does not have a specific focus on PSL assets. As a result, non-PSL asset segments, such as two-wheeler loans, small business loans and gold loans, are being increasingly securitised, Icra said.