

Home Credit India completes first-ever consumer durables loan securitization, raises Rs. 1.53 bn

ANI | New Delhi [India] November 22, 2017 Last Updated at 18:35 IST

Home Credit India Finance Pvt. Ltd, one of India's fastest growing non-banking financial company (NBFC) and part of The Czech Republic-based Home Credit Group, has raised Rs. 1.53 billion in a first-ever securitization transaction of consumer durable asset loan receivables by the company in India.

It is also the first ever consumer durables loan securitization deal rated by any credit rating agency in India.

The issue has been subscribed by DCB Bank and IFMR Capital. As part of the transaction, the special purpose vehicle (Tarini IFMR Capital 2017) issued two tranches of pass through certificates. IFMR Capital is the arranger for the issue.

"The market for loan securitization transactions in India has been growing steadily over the last few years, both in volume and ticket size. The consumer durables loan securitization is a milestone transaction for Home Credit India and reflects our commitment in helping broaden the market for such transactions. Both DCB Bank and IFMR Capital are valued investors and we hope to carry forward our relationship in future securitization transactions as well," said chief financial officer Home Credit India, Mariusz Dabrowski.

"The transaction is an example of using IFMR Capital's structuring expertise to create innovative products that suit the needs of our clients. It was a challenging securitization deal as it was a new category of asset class with a very short residual tenure. We believe that there will be increased investor interest in similar transactions and the structure can be adapted to other asset classes with short tenure loans as well. We are also excited to partner with Home Credit in their India growth story and for providing them another product to raise capital and accelerate their expansion," said Kshama Fernandes, CEO, IFMR Capital.

In the current fiscal, this is the third successful loan securitization transaction for Home Credit India. Earlier in July, Home Credit India had raised Rs. 413 million in a first-of-its-kind two-wheeler loan securitization deal. The company recently completed another two-wheeler loan securitization through which it raised financing of Rs. 453 million.

The senior tranche of the issue has been rated A-(SO) by CARE Ratings. "Securitization of consumer durable asset receivables will further broaden the asset class choices available for securitization market and cater to new investor classes looking at shorter tenure instruments. It reflects the deepening of the industry as a whole," said Rajesh Mokashi, MD & CEO, CARE Ratings.

According to IFMR, this is the first pure play consumer durable securitisation transaction to be placed in India in over a decade. These are typically shorter tenure loans maturing in six to 10 months and are used to fund the purchase of assets like mobile phones, home appliances and so on through tie ups with various retail stores.

Loan securitisation is a process in which the underlying pool of assets are structured or packaged and sold as financial instruments to investor(s) either directly or through a special purpose vehicle. Typically in India, the originators or sellers are banks, non-banking finance companies, housing finance companies and similar other investors.

Home Credit Group is developing its footprint in Asia's fast-growing, high-potential markets and in the U.S., while maintaining its role as a market leader in Central and Eastern Europe and CIS. Its distinctive business model of providing consumer finance products which are easily accessible even at the lower end of the economic scale is a formula which has been successfully rolled out in China, India and South East Asia.

Home Credit Group has developed both bricks-and-mortar and online distribution that makes it very attractive to manufacturers and retailers who are seeking a consumer finance partner. This in turn supports the rapid development of Home Credit's loan portfolio.