

Retail Asset Securitisation: FY23 Volumes likely to cross ₹1.6 lakh crore

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Synopsis

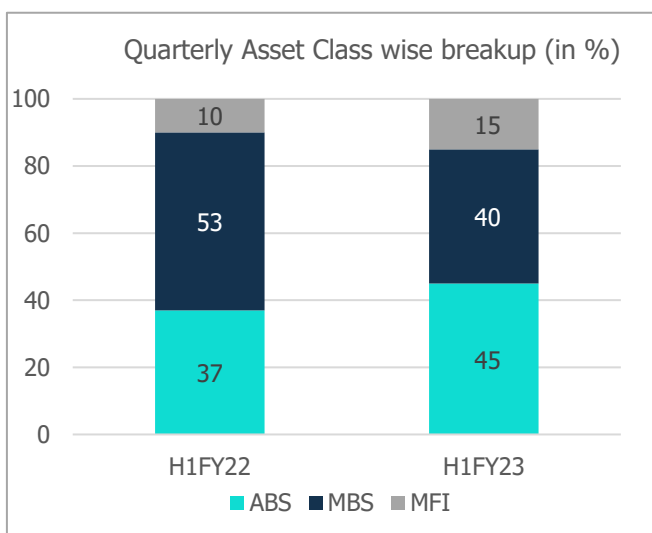
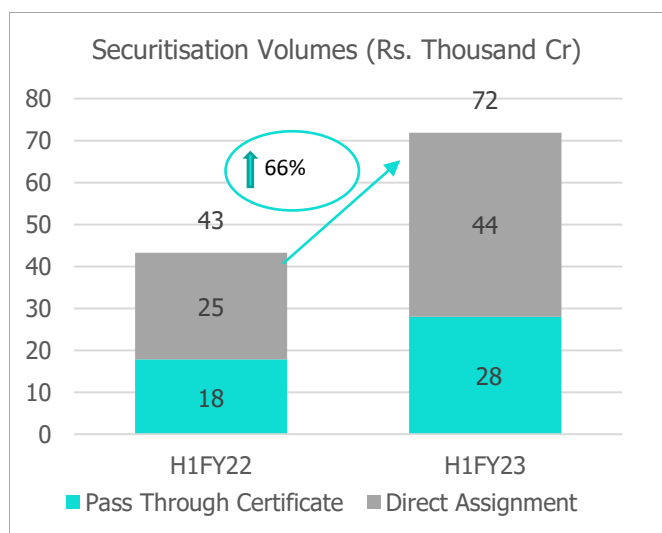
The overall securitisation market volume grew by 66% in H1FY23.

The securitisation market kept up the momentum gained in Q1FY23, with the overall volume of around ₹39,000 crore (CareEdge Ratings' estimate) in the second quarter of the fiscal (39% growth over Q2FY22).

Securitisation Volume Zooms

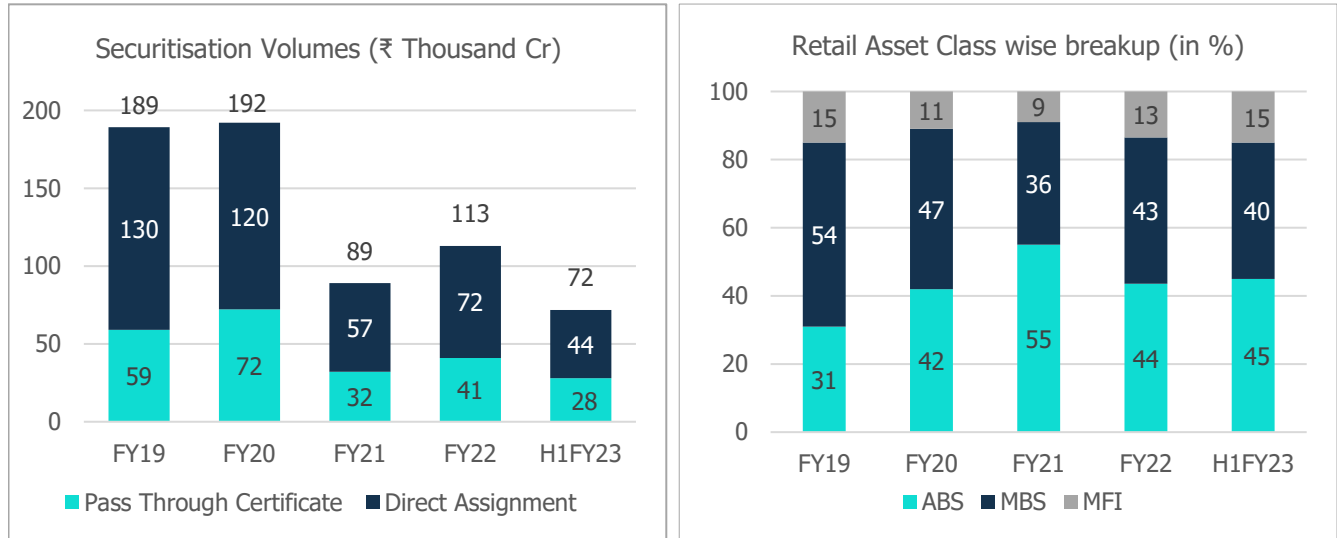
"The retail asset securitisation market in India has bounced back from lows seen during the pandemic-led credit slowdown and risk aversion. The market has registered a growth of 66% in H1FY23 compared to the same period last year. The rated securitisation market has shown resilience in terms of rating stability and is attracting investors and issuers back to market. We expect the market to continue this momentum and expect market grow by 40% to ₹1.6 lakh crore" said Vineet Jain, Senior Director, CareEdge Ratings.

The securitisation market showed no signs of stopping with overall volume growth continuing into Q2FY23. The securitisation market kept up the momentum gained in Q1FY23, with the overall volume of around ₹39,000 crore (CareEdge Ratings' estimate) in the second quarter of the fiscal (39% growth over Q2FY22). Direct assignment (DA) transactions accounted for the bulk of the volume at ₹16,500 crore with securitisation (pass-through certificate [PTC]) transactions making up the rest.



Source: CareEdge

Retail Securitisation Volumes and Asset Class-wise Breakup



Source: CareEdge

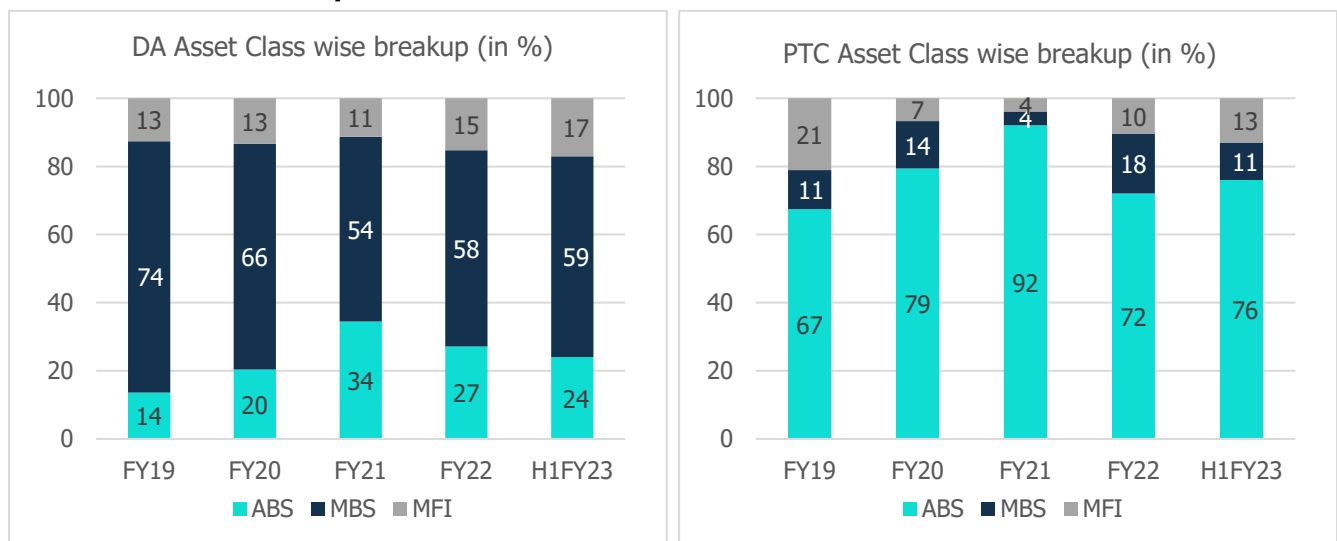
Asset Class-wise Break-up

DA transactions continued to dominate the retail securitisation market volume with a share of 61% of the overall volume in H1FY23.

Mortgage-backed securitisation (MBS) transactions constituted around 59% of the DA volume, while asset-backed securitisation (ABS) transactions at around ₹10,800 crore, which includes pools backed by all the asset classes (except mortgage loans and microfinance [MFI] loans). MFI loans made up around 17% of the DA volume.

PTC volume was mainly driven by ABS pools contributing around 76% of the total issuances. Vehicle loan financing continued to be the main asset class driving PTC issuances at around ₹16,400 crore accounting for around 59%.

Asset Class-wise Breakup of PTC and DA Volumes



Source: CareEdge

Outlook

Amid economic uncertainty, fears of a global recession, and the domestic inflation that is driving the current interest rate scenario, credit growth has been strong through the festive season. There has been robust domestic demand with increased household consumption spending as well as passenger vehicle sales have reached pre-Covid levels. CareEdge Ratings believes the healthy growth in credit bodes well for the securitisation market.

Sriram Rajagopalan, Associate Director at CareEdge Ratings, said "Securitisation continues to be a promising avenue for inorganically growing the retail portfolio for both banks and NBFCs. The regulatory requirement to meet priority sector lending norms for banks will continue to fuel the growth of the securitisation market."

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