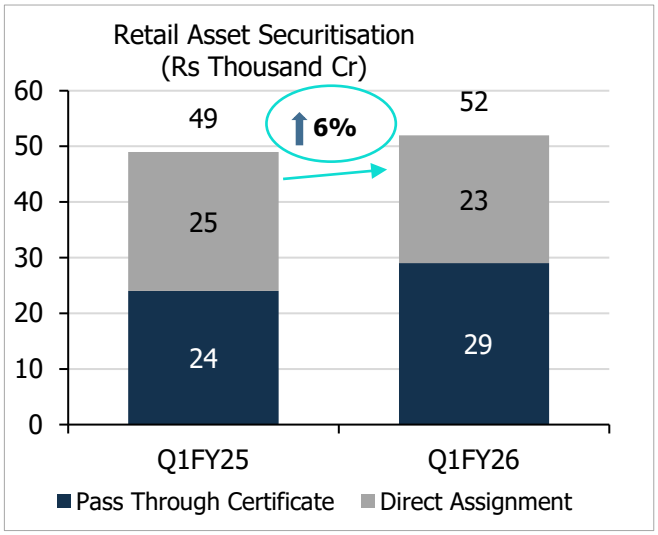
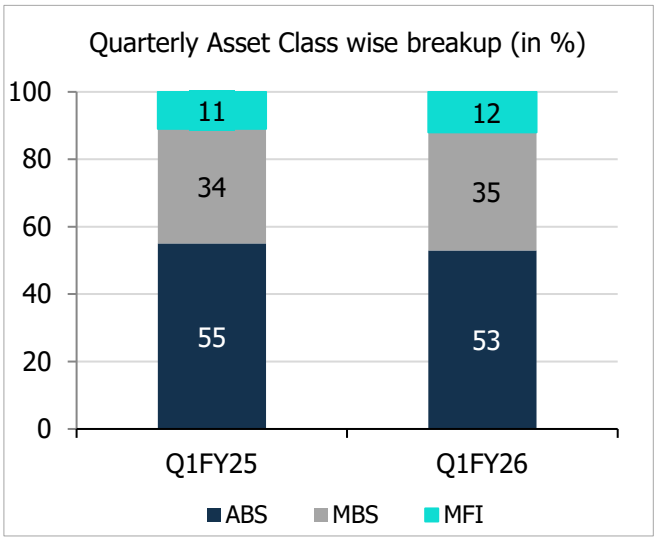
Retail Securitisation: Market Sustains Momentum in Q1FY26 with Rs 52,000 crore of volumes

July 09, 2025 I Ratings

The retail asset securitisation market has demonstrated resilience and consistency in Q1FY26, with a total transaction volume of Rs 52,000 crore, comprising both pass-through certificate (PTC) issuances and direct assignment (DA) transactions. This represents a modest 6% growth recorded in Q1FY25, indicating a stable yet slightly subdued expansion. The sustained momentum reflects the underlying strength of the securitisation ecosystem, supported by robust credit demand, investor confidence, and originators' strategic efforts to diversify funding sources.

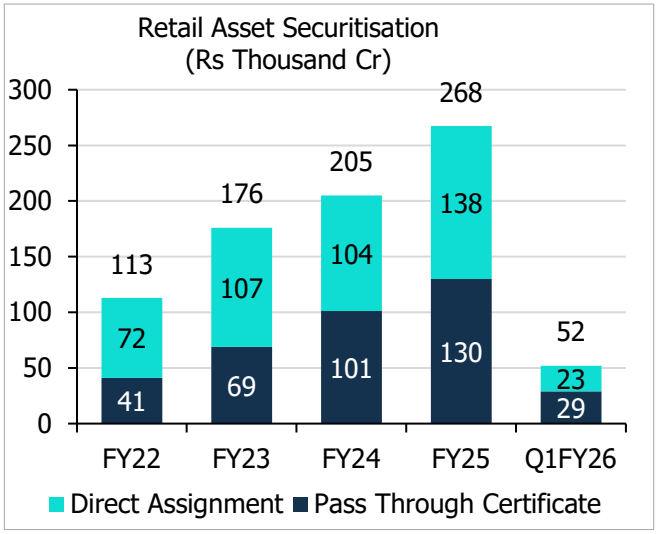
A major milestone in Q1FY26 was consummation of India's first residential mortgage-backed securitisation (RMBS) transaction driven by RMBS Development Company Limited (RDCL). This was also the first securitisation transaction bided on the Electronic Book Provider (EBP) platform. This marks a new chapter in the evolution of the domestic securitisation landscape and may act as catalyst for wider investor participation in RMBS over medium term. The deal expands the range of securitised products available to wider investors. It is expected that this RMBS transaction will encourage more innovation and participation in mortgage-backed securities, opening new opportunities for long-term funding and risk transfer.

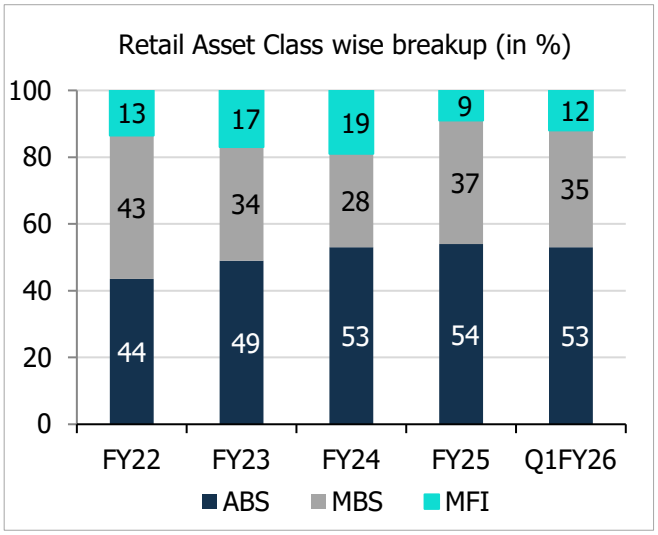




Source: CareEdge Ratings

In Q1FY26, the deal composition shifted, with PTC transactions making up 56% of total volume. This significant change contrasts with earlier periods, where DA transactions usually dominated. The rising popularity of PTCs likely reflects changing investor preferences, regulatory factors, and a preference for more standardised and tradable instruments. It may also indicate that originators are trying to reach a wider investor base.



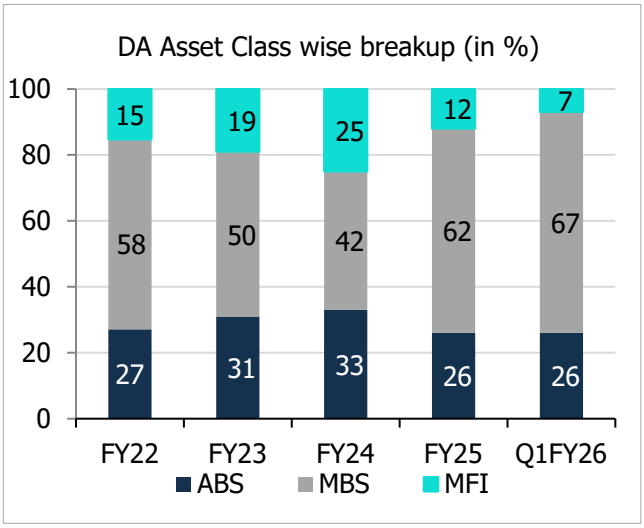


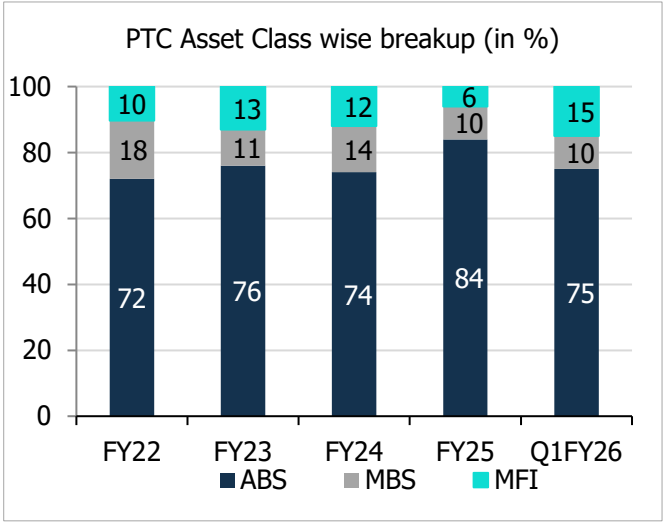
Source: CareEdge Ratings

Asset-backed securitisation (ABS) pools constituted a substantial portion of the total PTC issuances, accounting for almost 75% in terms of volume. Meanwhile, the share of Mortgage-backed securitisation (MBS) transactions remained at similar levels to those of previous years, at 10% (10% in Q1FY25). A notable development in Q1FY26 was the rise in PTC issuances originated by Microfinance Institutions (MFIs), which increased to 15% of total PTC volumes, up from 8% in Q1FY25. This growth signals expected stabilisation in asset quality and renewed investor confidence in the microfinance sector.

Within the ABS segment, vehicle loan financing remained a key contributor, with over Rs 14,600 crore, or approximately 51% of total PTC issuances in Q1FY26. This category includes loans backed by commercial vehicles, passenger cars, two-wheelers, construction equipment, and tractors. However, the share of vehicle loans has declined compared to previous quarters, primarily due to the increased volume of other asset classes such as unsecured personal and business loans, as well as gold loans. Notably, unsecured personal and business loans alone comprised around 15% of total PTC issuances, reflecting diversification in securitised asset pools and growing investor interest in alternative retail credit segments.

Mortgage-backed transactions dominated the DA segment in FY25, comprising 67% of DA volumes, while Asset-backed DA transactions accounted for 26%. The overall proportion of DA transactions backed by MFI loans decreased to around 7%, compared to 14% in Q1FY25.





Source: CareEdge Ratings

Outlook

CareEdge Ratings expects the retail asset securitisation market to be poised for moderate growth in FY26, as indicated by the volumes of Rs 52,000 crore in Q1FY26 and a notable shift towards PTC issuances. The successful launch of India's first listed RMBS transaction, placed on the EBP platform, marks a transformative step that is likely to deepen investor engagement in mortgage-backed instruments. Rising investor confidence in microfinance (loan) rated pools, reflected in their increased share of PTC issuances, and the continued dominance of vehicle loan-backed securitisation underscore the market's diversification and resilience. As originators seek broader funding avenues and investors favour standardised instruments, the market is expected to evolve with greater transparency, product variety, and long-term funding potential.

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