

# 7<sup>th</sup> Securitisation Summit, 2018

## Indian Securitisation Awards, 2018



**25 MAY 2018**  
MVIRDC World Trade Centre  
MUMBAI



## Key Findings and Takeaways

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# Genesis and trajectory of the Summit

- \$ Over the years, the Securitisation Summit organised by Indian Securitisation Foundation and Vinod Kothari Consultants has been the most noted event in the structured finance industry in the region. Not only does it provide an excellent platform for networking and collective thinking on topical issues, points are picked up for advocacy, policy making and furtherance of interest of the industry, and then actions are taken on the same.
- \$ Indian securitisation market which has long been driven by priority sector lending, now seems to be emerging with new asset classes, new investors, and of course, new motivations for both issuers and investors. It is apparent that the market is searching for new economic drivers. The 7th Securitisation Summit held on 25th May 2018, at MVIRDC World Trade Center, Mumbai focused on these drivers.
- \$ The Summit was coming together of participants from various stakeholders in the market including bankers, financial institutions, NBFCs, law firms, market participants/ investors, regulators, etc.
- \$ The Summit also witnessed the second edition of **the Indian Securitisation Awards**, presented by the Indian Securitisation Foundation, to incentivize and acknowledge pursuit towards excellence of originators, arrangers, law firms and trustees who are working to take the securitisation industry to new heights.
- \$ Year on year, the Securitisation Summit has been an unrivalled specimen of meaningful discussions, burning issues and concerns of the structured finance industry. The Summit is not merely a small one day endeavour, but is most importantly followed by advocacy and representations by ISF, emerging from the event's exceptional deliberations.
- \$ Above all, the Summit is a neutral industry forum- giving opportunity of expression to one and all.

# Welcome Address

- \$ The proceedings started with a welcome address by **Ms. Vinita Nair, Director, Indian Securitisation Foundation.**
- \$ She spoke about the current global market scenario on securitisation, and that the fact that after distribution tax was relaxed, there was significant renewed interest in India. With the opening of the market to foreign portfolio investors, there is globalisation of the Indian market.
- \$ The global financial crisis is more than 10 years old and the market globally is picking up its pieces.
- \$ She slightly touched upon the second addition of Indian Securitisation Awards and launch of the three reports, the Indian Securitisation Report by VKCPL, Knowledge Report by India Ratings and Green Securitisation Report by Climate Bonds Initiative, scheduled further during the day.
- \$ She emphasized on the need to address some unwarranted issues such as GST on assignment of receivables, etc., thereon setting the right tone to move forward with the event's primary discussions.

**Ms. Vinita Nair**  
Director, Indian  
Securitisation  
Foundation



# Session 1: Taking stock of the developments so far, and way forward

- \$ Mr. R V Verma, being the moderator of the session, kick-started the discussion underlying the theme of the session, which goes back to the Global Financial Crisis (GFC). The GFC was at least in part caused by regulatory apathy; the good part is that in India, the Regulators acted in right time, even though there were no concerns of the nature seen in global markets, the regulatory framework was sound. He further referred to the RBI Guidelines of 2006 read with 2012. He made a mention about the work done by NFB on covered bonds, and that now, it is high time to take it forward.
- \$ Furthering the discussion, Mr. Peeyush Pallav, touched upon the aftermath of GFC, and the mixed reactions to the same, of different countries. In many asset classes, the volumes are where they were before the GFC. He drew the focus on a fascinating growth of securitisation volumes of China, which was almost at par with India till about 5 years back, but is now the second largest issuer globally. The moral likes in India opening up its markets; while India went from US \$ 4 to 7 billion in terms of issuance, China moved from US \$ 4 billion to US \$ 200 billion.
- \$ Mr. Peeyush also briefly covered the covered bonds and their emergence in the European market and other parts of the world, and how they can essentially be used in India as significant growth prospect of the Indian securitisation industry. Being able to withstand every single global and local crisis, covered bonds can prove to be an asset and aid towards 'Housing for All' slogan of the Indian Government.

## *Speakers*

**Moderator - Mr. R V Verma,**  
Former CMD, NHB

**Mr. Sunil Srivastava,** Former Dy.  
Managing Director, SBI

**Mr. Peeyush Pallav,** Senior Vice  
President, DBS Bank

**Mr. Vibhor Mittal,** Head, Structured  
Finance, ICRA

**Mr. Mithilendu Jha,** Director -  
Structured Finance, India Ratings

- \$ Mr. R V Verma further emphasised on the need of institutionalizing in the structured finance industry. The key to effective securitisation and covered bonds market, is a mix of simplicity, transparency and standardisation. The need is to look beyond the mainstream priority sector and move the securitisation market in its natural form, rather than strict regulatory form, based on factors such as inherent strength of the product.
- \$ In agreement with Mr. Pallav, Mr. Vibhor put his perspective on covered bonds, earmarking them as safer in terms of no history of default, and from risk and credit perspective. A satisfactory legislation supporting the cause of covered bonds, can certainly be factored to higher rating of such bonds. Until then, the transactions must be structured in a way, which is well within the existing legal framework. The trust structure is the best way to do it. There has to be robust legal structure passing on title on the receivables to a bankruptcy remote entity. Mr. Mittal also touched upon the volumes of the PTC market, apprising, that it has shrunk today in comparison to FY 2017, while PSLCs have grown from INR 50k crores to INR 1.84 lakhs crores. The PSLC market was giving a tough competition to PSL-driven securitisation.
- \$ Mr. Sunil Srivastava on the other hand, emphasised on the need to an under-confident environment to a trustful environment, through a culture of trust and reliance for market players. He also highlighted that lending and investment must be aligned.
- \$ With the background of GFC, and the need for a transparent and simple mechanism, the desired actionable is to implement the revised Basel III Framework, which would lead to lower risk weights for investors, as per to the views of Mr. Mithilendu Jha. Further, the challenge lies in technological intermediation.



# Panel for Session 1



# Launch of Knowledge Report and Knowledge Report Address

- \$ One of the reports highlights non-PSL securitisation, insights from discussion with issuers and investors, the reasons for lack of such transactions given the dynamics, positive suitability and conducive market.
- \$ Second report touches upon pooled partial credit enhanced bonds.
- \$ The partially credit enhanced structure combines the merits of both credit strength of the issuer and collateral pool, hypothecated to the investor, further the operation ability of the product.
- \$ He further touched upon the benefits of the product, including the non-requirement of creation of a bankruptcy remote vehicle, lesser dependency on the servicer given credit guarantee provided, etc.
- \$ Mr. Jha also underlined the need to explore the size of the market and issuers in terms of their ratings ranging from AAA to BBB.



**Mr. Mithilendu Jha,**  
Director  
Structured Finance  
India Ratings



# Launch of the Knowledge Report



# Launch of the Indian Securitisation Report

- \$ Mr. Ghosh began the address by underlying the theme of the Summit, i.e. *“In search for new economic drivers”*.
- \$ The Report is a comprehensive package on securitisation covering state of the markets, globally and in India, with specific focus on developed economies.
- \$ Importantly, the Report incorporates contemporary concerns, haunting the structured finance industry, like GST on assignment of receivables and the implications of IFRS on securitisation transactions.
- \$ The Report has comprehensive coverage on the Indian and global markets, and in particular, some innovative transactions in the recent past.
- \$ The report also covers possibility of investment by foreign portfolio investors in the ABS market in India.

**Mr. Abhirup Ghosh,**  
AVP  
Vinod Kothari  
Consultants P. Ltd.



# Launch of the Indian Securitisation Report



# Session 2: Asset classes in the market

- \$ Mr. Vinod Kothari initiated the discussion, underlining the focus of the session on traditional and innovative asset classes. He directed the discussion starting with traditional asset classes such as residential mortgage transactions, moving to interesting innovative transactions, including CDO transactions and other innovative classes. He reiterated the point while the market volumes were slightly down in FY 18, there was an impressive growth in non-PSL volumes, thereby indicating the tradewinds .
- \$ Mr. Prosenjit Gupta threw light upon the most haunting concern of todays time, which has been a deterrent for players like HDFC, i.e. doubts as to applicability of GST on assignment of receivables. He said this issue needs clarity from GST council.
- \$ Mr. K. Chakravarthy further deliberated and briefed insights on few of the studies conducted by NHB on covered bonds and credit enhancement of bonds issues by housing finance companies. Accordingly, covered bonds are likely to see the light of the day in case of housing finance companies in the near future.

## *Speakers*

**Moderator - Mr. Vinod Kothari**

Director, Vinod Kothari & Consultants P. Ltd

**Mr. Prosenjit Gupta**

Senior General Manager, HDFC Ltd.

**Mr. Kulasekhara Chakravarthy**

General Manager, National Housing Bank

**Dr. Kshama Fernandes**

CEO, Northern Arc Capital

**Mr. Mitul Budhbhatti**

Associate Director, Care Ratings

**Ms. Divya Chandran**

Associate Director, CRISIL

**Ms. Priya Kapoor**

Senior Vice President – Business Development & Sales  
IMGC

- \$ Ms. Priya Kapoor extended the discussion on credit enhancement. She emphasised that credit enhancement requirement in form of cash collateral currently, is beyond 8-9%. Credit enhancement in form of mortgage guarantee may reduce the requirement for cash collateral, leading to a significant release of the cost of the transaction. In case of instruments rated lesser than AAA, the mortgage guarantee enhances the ratings, leading to a reduced borrowing rate, which is eventually passed on to the borrowers.
- \$ Dr. Kshama Fernandes stated the most important challenge is pooling of issues, particularly smaller ones, making the structure diversified and interesting to the investors and the issuers both, and credit enhancement/ skin in the game, irrespective of the structure. While senior and subordinate tranche investors are interested and aware, the missing class is that of the mezzanine class of investors. So the need is to structure a product which is equally interesting from risk return point of view and also, interesting to the mezzanine investors.
- \$ Ms. Divya Chandran stressed upon the fact that over the years of securitisation, the investor base has widened basis difference in risk appetite and return aspirations. Newer asset classes such as gold loans, car loans, educational loans, consumer durables all being non-PSL, have emerged in the market. As of today in FY 18, the overall non-PSL market share is 40% compared to 25-30% two years back.
- \$ Mr. Mitul Budhbhatti gave some useful insights on new and interesting asset classes. He threw light upon securitisation of Consumer durable loans, which were rated by CARE, whereby zero EMI loans were pooled and interest bearing PTCs were issued against them.



# Panel for Session 2



# Session 3: Regulatory and taxation aspects

- \$ To begin with, Mr. Ian De Souza touched upon the volumes. Accordingly, FY 2015 – 17k crores in PTC to around 34,800 crores as per March, 2017. There are challenges in terms of both existing regimes to fresh laws such as GST, introduction of IFRS exist in the market.
- \$ Ms. Leena Chacko gave a brief background on the RBI guidelines of 2006 and the revised guidelines of 2012, which codified prevalent concepts and had been apt to regulate market practices during that time. She also touched upon issues revolving around securitisation of bullet loans, single asset transactions, etc. to name a few.
- \$ Mr. Karan put his clear perspective on understanding IndAS 109: Financial Instruments and the complexities revolving around the standard. He discussed the implications, including the derecognition criteria, and the three step approach to off-balance sheet treatment, i.e. risk, rewards and control.
- \$ Further light on IndAS was thrown by Mr. Nihás, who enlightened up the audience on the steps being taken by companies in foreign jurisdictions to tackle the issue of contradiction between the accounting standards and securitisation regulations.
- \$ Mr. Anant Barua gave insights on the background of SEBI Regulations on listing of SDIs and the issuances in 2013, which were mainly micro-finance loans. He also touched upon the reasons which stopped PTCs from being listed so far, and the incentives to list given the tax transparency under sec. 115TCA. Mr Barua cited from his experience several instances where bankruptcy remoteness of the trust structure has been tested.
- \$ Over to GST, one of the day's major concerns, Mr Nihás Basheer tracked the history from the days of service tax. He said while the intent of the regulators could not have been to tax assignment of receivables, the language is not clear, and therefore, a clarity is desired.

## *Speakers*

**Moderator - Mr. Ian De Souza**  
CFO, IMGC

**Mr. Ananta Barua**  
Executive Director  
Securities and Exchange Board of India

**Ms. Leena Chacko**  
Partner, Cyril Amarchand Mangaldas

**Mr. Karan Shah**  
Manager, Deloitte Haskins & Sells LLP

**Mr. Nihás Basheer**  
Partner, Wadia Ghandy & Co.

# Panel for Session 3



# Special session: Prospects of Green Securitisation

- \$ The Special Session on Green Securitisation was the showstopper of the entire event. Mr. Sean Kidney, is one of the most noted names in the Climate Bonds' industry worldwide.
- \$ His session provided eye opening details and statistics on deteriorating climate and its impact in India and the means and ways to minimize the consequences of the on-going climate changes in the future. The entire discussion was linked on two very important parameters, mainly, finance and salvation.
- \$ He schooled on the imperative need of the hour to shift the financial industry and capital expenditure towards green assets, in order to foster the positive change in the world.
- \$ To begin with, Mr. Kidney explained the concept of green bonds, and how any bond can be a green bond: it is all a question of application of the money, no matter who is the issuer – a bank, corporate, municipality or anyone else. In case of green ABS, if the underlying cashflows are from green assets, the transaction is a green ABS.
- \$ Sean gave details of the rapid growth of green securitisation worldwide, with insights on share of each participant country and the size and type of the green asset class.
- \$ The major incentives to green securitisation would be the huge investor appetite for such assets, and the likely impact on the costs.
- \$ Further, Mr. Kidney touched upon the future prospects of green securitisation and the challenges it poses. He marked, that green securitisation, apart from being a business and financial opportunity, is also a salvation opportunity.

**Mr. Sean Kidney,**  
CEO, Climate Bonds  
Initiative



# Session 4: Investors' flavour

- \$ Ms. Bekxy Kuriakose, being the moderator for the session kick started the discussion and brief upon the topics to be covered.
- \$ Mr. Jatin Nanaware enlightened the audience on the PTC and PSL transactions in the country, and the kind of investors. He further informed on the growth of the market and reasons driving the growth, including the opportunity spread in case of PSLC.
- \$ Mr. Devang Gada touched upon the history of securitisation and growth of PSL market. The objective of banks to do securitisation post PSLC has shifted, without affecting the market per se. He deliberated upon the positives and limitations of PSLC, scope of the market and the deterrents in the recent past for the market including demonetization.
- \$ The importance to diversify the portfolio was highlighted by Mr. Maneesh Dangi. Adding, he underscored the need to originate products of premier quality post the demonetization. Mr Dangi elaborated the major incentives of the investors – yield, OAS and diversity.
- \$ As a representative of investor, Mr. Rizvi provided insights on factors which lead to increased investments, such as good ratings, diversified pool.
- \$ To further the discussion, Mr. Ghosh shed interesting light on the fact that event risks cannot be eliminated. The need is also to geographically spread the portfolios; the pool must be diversified at the bank level and not the transaction level. He also highlighted the differences of pricing between PLC v PTC v. DA transaction.

## *Speakers*

**Moderator - Ms. Bekxy Kuriakose**, Head-Fixed Income, Principal PNB Asset Management Co. Ltd.

**Mr. Maneesh Dangi**  
Co-Chief Investment Officer  
Aditya Birla Sunlife Mutual Fund

**Mr. Devang Gada**  
Proprietor, Sattva consultants

**Mr. Shadab Rizvi**  
AVP, ICICI Prudential Mutual Fund

**Mr. Jatin Nanaware**  
Director - Structured Finance  
India Ratings

**Mr. Soumendra Ghosh**  
Founding member,  
Head - Capital Markets, Vivriti Capital



# Panel for Session 4



# Indian Securitisation Awards, 2018

Most Innovative Deal of the Year

Vivriti Capital Private Limited

Arranger of the Year

Northern Arc Capital Limited

Trustee of the Year

Catalyst Trusteeship Limited

Law Firm of the Year

Wadia Ghandy & Co.

For further details on the awards and categories, please visit [here](#).  
The awards were given away by our special guest **Mr. Sean Kidney**.



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# Securitisation Summit 2019

- \$ See you all at the Securitisation Summit, 2019.
- \$ The Summit is typically hosted in Mumbai – quite likely in the first week of June 2019.
- \$ For sponsorship opportunities, write to [fintrain@vinodkothari.com](mailto:fintrain@vinodkothari.com)

