

8th Securitisation Summit, 2019

Indian Securitisation Awards, 2019

10th May, 2019
Four Seasons, Mumbai

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Post Summit Report



Genesis and trajectory of the Summit

- Over the years, the Securitisation Summit organised by Vinod Kothari Consultants P. Ltd. and Indian Securitisation Foundation 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 8th Securitisation Summit held on 10th May 2019, at Four Seasons, 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 third edition of the Indian Securitisation Awards, presented by the Indian Securitisation Foundation, to incentivize and acknowledge pursuit towards excellence of originators, arrangers and law firms 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

Vinita Nair Dedhia
Director
Indian Securitisation Foundation

Key Note Address
R. V. Verma
Former CMD
National Housing Bank



Glimpses of video messages from structured finance professionals



Sid Kusuma
Senior Vice President – Head of Securitisation
PT Sarana Multigriya Finansial, Indonesia.



Luke Mellor,
Founding Principal
Creative Capital Partners, Sweden.

Message from the Chief Economic Adviser of India

Securitisation offers the opportunity for optimal risk-transfer and thereby reducing the costs of capital for the borrowers in the economy. Securitisation is not only important for widening the set of fixed income instruments available to investors but also for furthering financial inclusion in India. Given the significance of securitisation to India's financial sector, I wish this conference all success.

Dr. K. V. Subramanian
Chief Economic Adviser
Government of India

Session 1: The year in retrospect

- Securitisation and DA volumes reached Rs. 1.9 lakh crores in FY 19
- The NBFC liquidity crisis in 2018 led to several new structures. Mutual funds took a slip back after the liquidity crisis.
- In 2018, 110 entities were active in the market, earlier around 80.
 - Several small ticket players which would have been rated B or maximum BB availed funding through MOSEC, when banks declined to extend credit lines to them
- In future investors are expected to become more demanding –new structures shall be based on investor's preference.
- Globally market is stable – the approach has changed from originate to transfer to a more prudent approach.
 - European market –the instrument available at times of crisis is covered bonds. India can adopt the European model to support mortgage market in India
 - From Chinese market – we can adopt their auto ABS model. In India Auto ABS has a strong potential in additions to mortgage space.
- While the securitisation market is upbeat, however, the volumes in FY 20 may not be as great as volumes in FY 19, however, the same should be more than what was in FY18.
- Co-lending can eat up the space of Direct Assignment to some extent.

Prof Vaidyanathan Krishnamurthy
Asst. Prof. in-residence, Finance,
University of Connecticut
[Moderator]

Vibhor Mittal
Head-Structured Finance, ICRA Ratings

Ardhanarieswaran VK
Vice President, DBS Bank, Singapore

Jatin Nanaware
Director, India Ratings and Research

Sanjeev Sancheti
Chief Strategy Officer, SREI Infrastructure
Finance Limited



Session 2: Traditional and innovative asset classes & structures

- MOSEC have performed well during the FY 19, especially during the liquidity crisis, as several small NBFCs raised funds through this structured
- The country witnessed the first instance of Covered Bonds during the year
- The country also witnessed the first instance of revolving structure securitisation after the introduction of the 2012 Guidelines. This had a replenishment period of 6 months and an amortization period of 2 years. Transactions with longer replenishment period are being tried, however, there is need for strong credit enhancements to sail the transactions through.
- Co-lending emerging as a new product, however, there is no chance of cannibalism
- New asset classes and structures are coming in, but unless the investor base increases, it will be difficult to multiply the transactions
- Large entities are not interested in innovative structures, only the smaller entities are currently open for innovative structures
- Green financing and green securitisation will become increasingly important in times to come
- Stamp duty continues to be a deterrent for the RMBS transactions in India

R. V. Verma
Former CMD, National Housing Bank
[Moderator]

Remika Agarwal
Director & Head- Structuring, Northern Arc
Capital

Sandeep Bhattacharya
India Project Manager, Climate Bonds Initiative

Divya Chandran
Associate Director, CRISIL

Sanjay Kumar Agarwal
Senior Director, CARE Ratings

Mona Bhide
Managing Partner, Dave & Girish & Co.



Session 3: Off-balance sheet, gain on sale and capital relief

- Currently, there is a commingling risk –if that can be taken care of, better rates can be fetched for AAA rated bonds.
- Simple, Transparent and comparable papers –Globally they are following this model and this attracts lower risk weighting and lower costs.
- On-balance sheet securitisation –Investors not interested, banks are interested in taking the assets on their books.
- There is no clarity with respect to capital treatment in case of securitisation transactions after Ind AS
- Representation must be made to seek clarifications with respect to impact of Ind AS on regulatory compliances
- Stamp Duty and Registration is an impediment for RMBS. Ordinance missed Stamp Duty on securitisation. Further representations. The upfronting is forcing the NBFCs to do more securitisation in order to stabilise the income so as to stabilise the level of income.
- Necessary changes may be made under the IBC to ensure that the assets failing to satisfy the conditions of de-recognition under Ind AS, are immune from bankruptcy remoteness of originators

Vinod Kothari
Director, Vinod Kothari Consultants P. Ltd
[Moderator]

Shrenik Baid
Partner, Deloitte Haskins and Sells LLP

Kailash Baheti
Chief Financial Officer, Magma Fincorp
Limited

Nihlas Basheer
Partner, Wadia Ghandy & Co.



Session 4: Investors diversity

- Non PSL investments have picked up –both banks and MFs have been interested.
- MFs are now looking forward to PTCs, though, they had to pull out soon after the liquidity crisis
- In case of innovative transactions, MFs are more receptive than banks
- Gold loans, LAP, CV are some asset classes MFs are interested
- Considering the liquidity crisis of 2018, going forward, MFs will like to consider easiness to change servicer as a key parameter.
- Insurance companies and pension funds are currently out of the market, it is imperative to bring them into the industry, considering the strong potential they hold

Bekxy Kuriakose
Head- Fixed Income, Principal PNB Asset
Management Company
[Moderator]

Vineet Sukumar
Founder and Director, Vivriti Capital

Dwijendra Srivastava
Head-Fixed Income, Sundaram Mutual Fund

Shadab Rizvi
Fund Manager & AVP, ICICI Prudential Asset
Management Company Limited

Jayesh Modi
Head – Inclusive Banking Unit, HSBC

Debraj Banerjee
Vice President – Investor Relations , Strategy &
Capital Management, Lakshmi Vilas Bank





Special Address on liquidity crisis faced by NBFCs
Mahesh Thakkar
Director General, Finance Industry Development Council

Indian Securitisation Awards, 2019



Most Innovative Deal of the Year –
“Persistent Securitisation”
Northern Arc Capital Limited



Best Law Firm of the Year
Wadia Ghandy & Co

Indian Securitisation Awards, 2019



Best Arranger of the Year
Northern Arc Capital Limited



Special appreciation for arranging over INR 7000
crores in just 21 months
Vivriti Capital Private Limited

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