



Indian Securitisation Market

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May 2016

Agenda

- Overview of Indian securitisation market
- Prominent Asset class in Indian securitisation market
- Securitisation Market- Way Forward

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Overview of Indian Securitisation – 45% growth in PTCs

Trends in retail loan securitisation in India

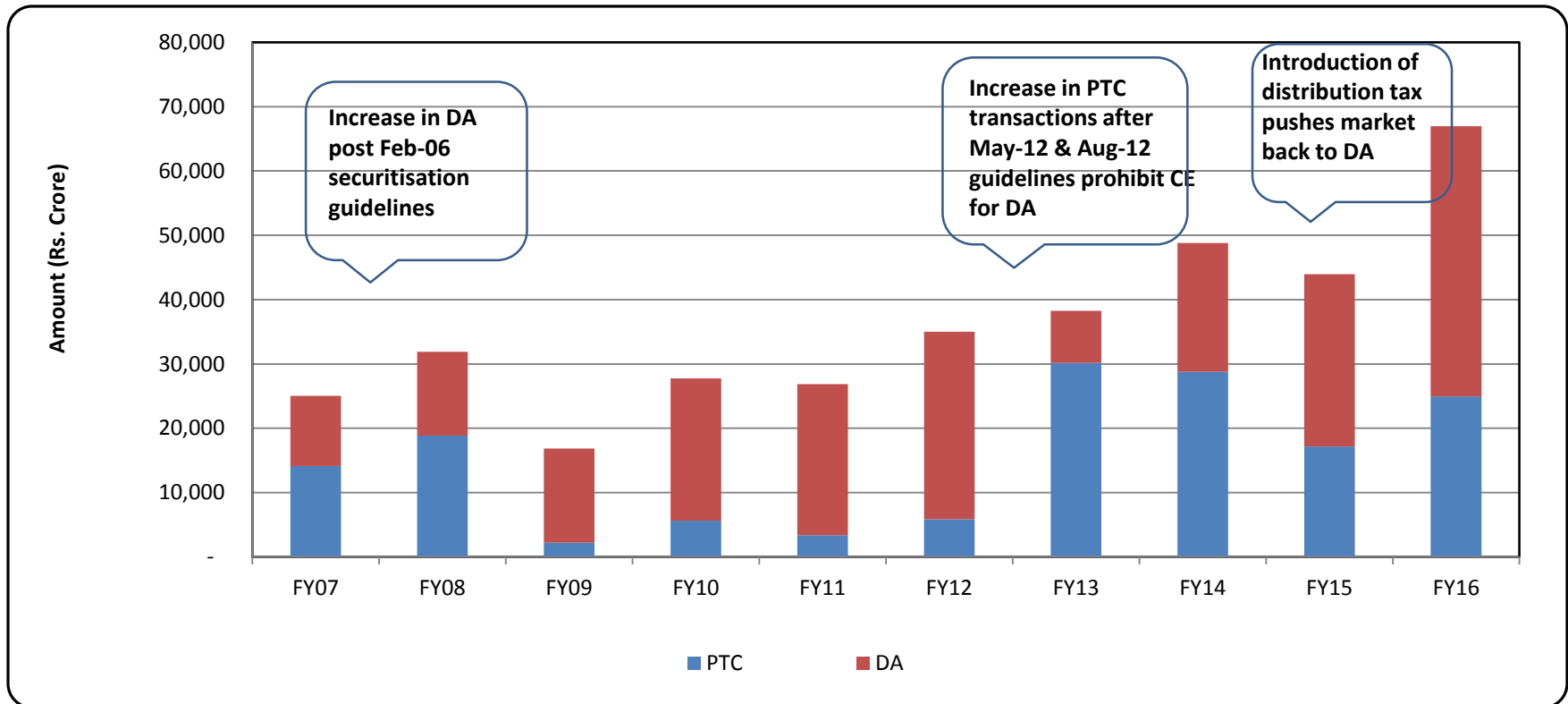
	FY 12		FY 13		FY 14		FY 15		FY 16	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
ABS	27,344	72%	27,230	90%	23,504	82%	16,330	95%	24,686	99%
RMBS	7,680	20%	3,025	10%	5,296	18%	840	5%	270	1%
Total Retail Securitisation	35,024	92%	30,255	100%	28,800	100%	17,170	100%	24,956	100%
LSO	2,217	6%	-	-	-	-	-	-	-	-
Others	635	2%	-	-	-	-	-	-	-	-
Overall total	37,876	100%	30,255	100%	28,800	100%	17,170	100%	24,956	100%
Growth	19%		(20%)			(5%)		(40%)		45%
Avg. Deal size	174		151			149		104		117

Source: ICRA's Securitisation Market Update Note- May 2016

- Securitisation market grew by 45% in FY2016 owing to surge in ABS volumes by 51%
- RMBS reduced to negligible levels, although direct assignment of mortgage loans continued to be popular
- Even for other asset classes, the assignment volumes increased; overall assignment volumes increased by 56% to Rs. 42,000 in FY16.

Overview of Indian Securitisation – A Dual Structure Market

Trends in retail loan securitisation and assignments in India



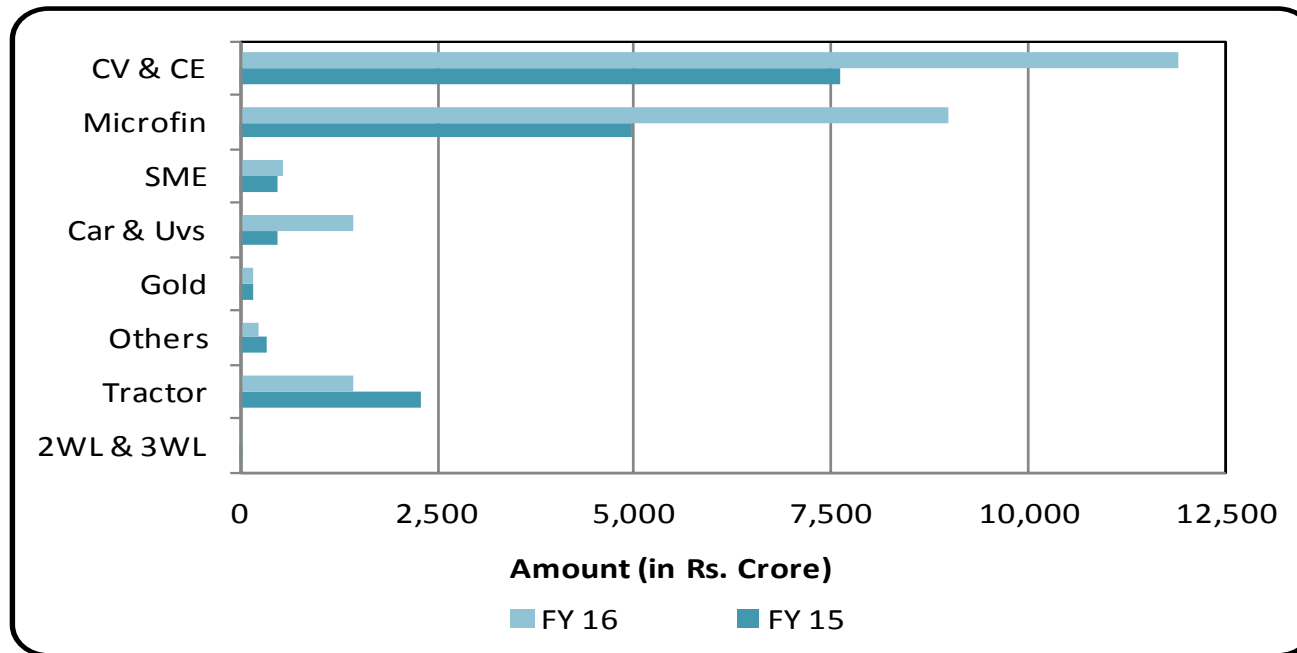
Source: ICRA Estimates

- Regulatory prescriptions have been a key driving factor in deciding the preferred investment route- through DA or PTC
- D.A helps in balance sheet growth

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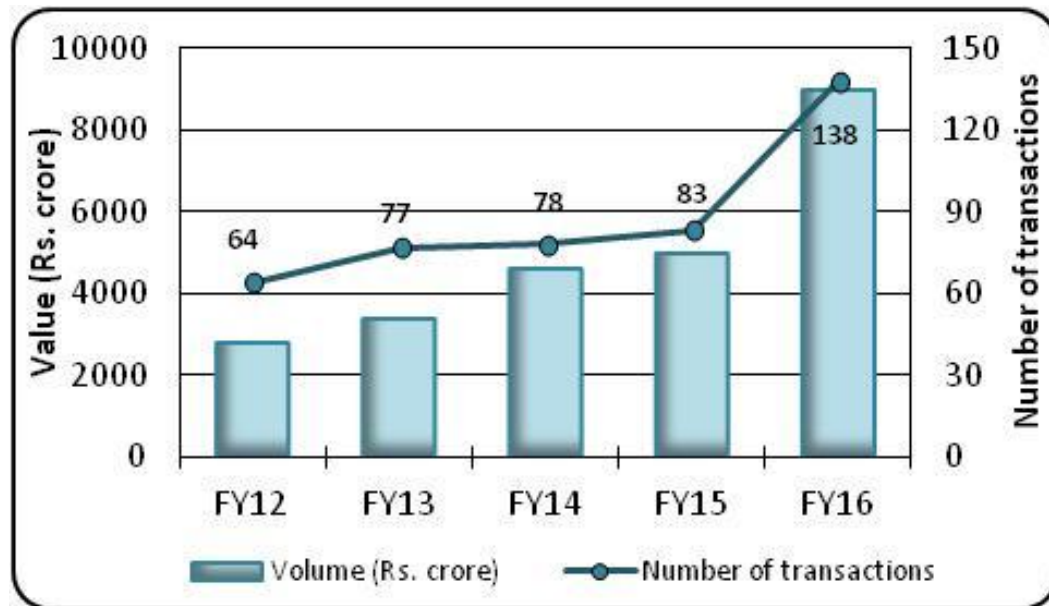
Prominent asset class in securitisation



Source: ICRA's Securitisation Market Update Note- May 2016

- CV continues to remain dominant asset class in retail securitisation
- Share of micro loans securitisation increasing; ~36% share in FY16 (31% and 22% resp in FY15 and FY14)
- Choice of asset class linked with the PSL motive. Also, performance of underlying loans of previous pools acts as a motivator or inhibitor for further securitisation

Micro loan securitisation gaining prominence



Source: ICRA's Securitisation Market Update Note- May 2016

- In FY2016, the number and volume of micro loan transactions increased by 66% and 80% respectively
- 30 of the 52 Originators in ABS space were MFIs
- PSL motive key for micro loan securitisation; share of commercial investments increasing. Performance of ICRA rated micro loan transactions has been good.

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Securitisation Market – Way Forward

Distribution tax being replaced by tax deducted at source

- 👍 Will increase post tax return for investors and make securitisation more attractive than keeping funds in RIDF and other deposits that yield low returns
- 👍 Some shift from assignment to securitisation likely in the medium term
- 👍 Can expect more transactions driven by pure commercial motivation in addition to transactions for PSL criteria alone
- 👎 **Mutual Funds' stance uncertain yet**

The RBI permits trade in Priority Sector Lending Certificates (PSLCs)

- 👎 **No credit risk when trading in PSLCs- only PSL credit gets transferred**
- 👎 **Operational convenience is high (due diligence, monitoring not needed)**
- 👎 **No mark to market requirement as for PTCs**
- 👍 Supply of PSLCs could be constrained as NBFCs and HFCs not allowed to issue these; SFBs to start operations later in the year.
- 👍 Portfolio diversification or balance sheet growth can't be achieved through PSLCs

Securitisation Market – Way Forward

Revised PSL guidelines largely negative for securitisation issuance volumes

- 👎 Introduction of new PSL segments (medium enterprises, social infra, renewable energy etc) could help banks in meeting PSL organically to a greater extent
- 👍 Sub-target for small and marginal farmers, and new target for micro enterprises
- 👍 Foreign banks to meet PSL in a phased manner

FPIs (Foreign Portfolio Investors) permitted to invest in securitisation

- 👍 This should widen the investor base and deepen the securitisation market

Other avenues for meeting PSL targets

- 👎 IBPCs and PSLCs alternate avenues
- 👎 Business Correspondence (BC) model with NBFCs another avenue to meet PSL targets



Any Questions

Thank You!