

PRESS RELEASE

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ICRA: Annual securitisation volumes estimated at Rs. 1.88 lakh crore for FY2024

- *Securitisation volumes for FY2024 estimated at ~Rs. 1.88 lakh crore, in line with ICRA estimates*
- *Increase in participation by banks as originators likely to boost volumes in FY2025*

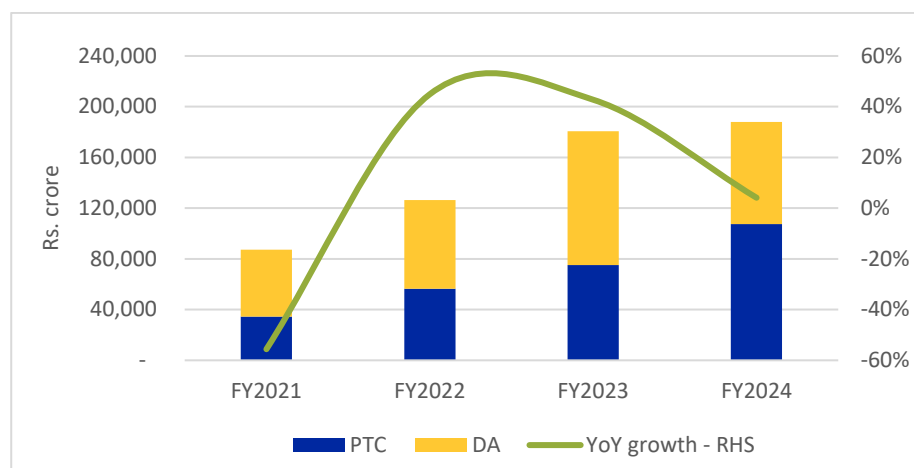
According to ICRA's estimates, the overall securitisation volumes originated mainly by financial institutions, stood at ~Rs. 1.88 lakh crore in FY2024, in line with ICRA's projections for the year. The securitisation volumes in Q4 FY2024 witnessed a healthy growth of 26% over the preceding quarter, rising to ~Rs 48,000 crore. Nonetheless, the volumes were much lower compared to Q4 FY2023, when securitisation had touched ~Rs 63,000 crore; 10% of the latter in volume terms was attributed to wholesale loan securitisation, that has not been repeated subsequently. The overall annual volumes for FY2024, however, grew by ~4% YoY despite the exit of previous year's largest originator, viz HDFC Limited, following the entity's merger with a bank.

The continued growth of the securitisation market for the last four fiscals in a row (i.e. post Covid period) reflects the high retail credit demand in the country being catered to by the non-banking financial companies (NBFCs) and the housing finance companies (HFCs), increased reliance on securitisation by the originators as a funding tool, and growing investor base.

Mr. Abhishek Dafria, Senior Vice President and Group Head, Structured Finance Ratings, at ICRA, said: *"The securitisation market volumes expanded by ~25% YoY in FY2024, if we exclude HDFC Limited, which exited the market in Q2 FY2024. The increase in volumes was driven by both existing large originators, who securitised higher volumes during the year, and new originators. We witnessed a sharp increase in securitisation by small finance banks as well as initial steps taken by a few private sector banks in this space to support their portfolio growth, given the recent challenges in deposit growth rates. If similar trends continue, ICRA projects the volumes to comfortably cross Rs 2 lakh crore in FY2025. Nonetheless, the increasing share of co-lending by the NBFCs and HFCs would challenge the growth in the securitisation market, though at this juncture we expect an increase in both forms of funding."*

The share of pass-through certificates (PTCs) rose to ~57% of the market for FY2024 against ~40% observed in the past couple of years, mainly due to the exit of HDFC Limited, which sold mortgage loans through the direct assignment (DA) route. Vehicle loans continue to form the biggest asset class in PTC issuances, whereas microfinance and mortgage loans are largely securitised through the DAs. Small business loans and personal loans have been consistently increasing their participation in the market, while the current proportion remains relatively lower in the overall volumes. ICRA also saw a rise in securitisation volumes originated by non-financial sector entities, where trade receivables and lease rentals are being securitised, thus helping in widening and diversifying the PTC market in the future.

EXHIBIT 1. Overall securitisation market volume (PTC + DA)



Source: ICRA Research, Industry

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For further information, please contact:

Media Contacts:

Naznin Prodhani

Group - Head Corporate Communications and Media Relations

ICRA Ltd

Tel: + (91 124) 4545300, Dir - 4545860

Email: naznin.prodhani@icraindia.com

Saheb Singh Chadda

Deputy Manager Corporate Communications and Media Relations

ICRA Ltd

Mob: +91- 9833669052

Email: saheb.chadda@icraindia.com

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