

STRUCTURED FINANCE

Securitisation volumes witness modest decline in Q3 FY2024; 9M volumes trend higher on back of a strong H1

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ICRA estimates that securitisation volumes surged by 20% in 9M FY2024 over 9M FY2023.

ICRA expects securitisation volumes to rebound to ~Rs. 50,000 crore in Q4 FY2024 and maintains its earlier estimate of annual securitisation volumes of Rs. 1,90,000 crore in FY2024.



Securitisation volumes stood at ~Rs. 38,000 crore in Q3 FY2024, reflecting a sequential contraction of ~17% from ~Rs. 46,000 crore recorded in Q2 FY2024. Despite a tepid Q3, the securitisation volumes in 9M FY2024 expanded by 20% to ~Rs. 1,40,000 crore on a YoY basis on the back of a strong H1.



ICRA expects securitisation activity to pick up again in the last quarter of this fiscal, which is typically the busiest quarter of the year. ICRA estimates annual securitisation volumes worth Rs. 1,90,000 crore for FY2024 against ~Rs. 1,80,000 crore in FY2023.



In Q3 FY204, vehicle loans continued to dominate the securitisation space following the exit of a large housing finance company (HFC) in Q2 FY2024, which was a leading originator in the securitisation of mortgage-backed loans (MBS).



Microfinance (MFI) loans had the second largest share of the securitisation market followed by mortgage-backed loans in Q3 FY2024. Other asset classes such as unsecured business loans, two-wheeler loans, personal loans and lease rental receivables make up the rest of the market.



Securitisation in the MBS and the MFI is primarily through the Direct Assignment (DA) route, while for vehicle loans it is through the Pass-Through Certificate (PTC) route.



ICRA's rating upgrades have been largely driven by the build-up in credit enhancement in the transactions following the amortisation of the pools. Downgrades have been limited mainly due to issuer-specific issues.



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