

STRUCTURED FINANCE

Stable collections witnessed in ICRA-rated retail securitised pools in FY2024

March 2024





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ICRA-rated securitised retail pools have showcased robust performance in FY2024, supported by the conducive macroeconomic environment. Furthermore, the pools have demonstrated healthy asset quality.

ICRA expects the collections to continue their stable trajectories across all the asset classes over the next two to three quarters.



ICRA-rated securitised pools have shown healthy performance, with collection efficiencies ranging from 92% to 107% across all asset classes in FY2024 so far, aided by a favourable operating environment, rigorous collection efforts, and adoption of digitised processes.



Housing Loans (HL) and Loans Against Property (LAP) pools have showcased steady collections in FY2024. This can be attributed to the critical nature of the underlying collateral for the borrowers and advances in online collection methods.



The vehicle pools are expected to continue their stable performance in the medium term, given the strong domestic economic cycle; financiers would also ramp up the collection efforts in Q4 of the fiscal. However, the impact of the current fluctuations in global fuel prices is monitorable.



ICRA has observed that the MFI investors have been proactively filtering out Punjab from the shortlisted pools. Hence, the impact of the farmer agitation on MFI securitisation is expected to be minimal going forward.



Secured Small and Medium Enterprises (SMEs) pools have outperformed unsecured SME pools in terms of collection efficiency and asset quality. The delinquencies in the securitised personal loan pools have remained range-bound, though slippages increased in Dec-23 due to the festive season.



We anticipate the collections to remain robust over the near to medium term on the back of a steady economic outlook. Moreover, the credit enhancements in the transactions should be enough to meet the investor pay-outs and absorb unexpected shocks of lower collections, barring any drastic unforeseen events.



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