



# PERSONAL LOAN SECURITISATION

Personal loan securitisation continues to thrive; analysis of past pool performance provides valuable insights

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*The volume of personal loans\* securitisation has seen a growth of ~7 times over the past two years.*

*Foreign banks / investors have recently shown keen interest in this asset class due to higher yields despite the presence of high credit enhancements.*

*Delinquency trends in ICRA-rated pools are in line with expectations wherein perceived risky borrowers have reported weaker performance.*



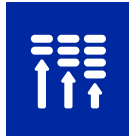
PL securitisation has gained traction in the Indian securitisation market for the past two years. For FY2024, volumes touched the ~Rs. 8,000-crore mark on account of the rapid increase in PL lending by NBFCs. Further, ICRA expects the securitisation volumes of PL to increase to ~Rs, 13,000 crore on the back of growing portfolio size of the lenders as well as entry of domestic private banks in the securitisation market.



PTC investors have shown keen interest in this asset class as PL pools offer higher yields due to their unsecured nature, while expected loss remains low given the high credit enhancement typically available in these transactions.



ICRA-rated personal loan pools have historically shown healthy collection levels of close to 95%. However, the collections have shown a downward trajectory in past few months on account of some stress build-up in the unsecured loan space following general elections and heatwaves.



ICRA's analysis of contract level data of rated securitised pools shows that at the outset, lenders price the risk and hence typically a higher rate of interest (RoI) is charged for perceived riskier borrowers who have lower credit scores. Such loans also tend to have lower ticket size and tenor.



Highly amortised contracts in ICRA-rated PTC transactions have shown trends in line with expectations wherein weak performance is observed for high RoI contracts, lower ticket size and lower bureau score.

\*Personal Loans (PL) refers to both personal and consumer loans throughout the document



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