



STRUCTURED FINANCE

**Decline in collection efficiency for
unsecured asset classes visible in ICRA-
rated securitised pools**

MARCH 2025





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ICRA-rated securitised retail unsecured pools have seen a slight dip in collections in H2 FY2025, attributable to the industry wide stress observed in the microfinance sector.

Nevertheless, ICRA expects the collections to remain strong for secured asset classes. Moreover, the rating of securitised instruments is expected to remain stable, given the adequate credit enhancements.



ICRA anticipates that unsecured loans may continue to witness pressure on asset quality during Q4 FY2025 before the commencement of recovery in Q1 FY2026. On the other hand, ICRA-rated securitised pools for secured asset classes have shown healthy performance, with collection efficiencies ranging from 91% to 104% across all asset classes in H2 FY2025.



Secured small and medium enterprise (SME) pools have outperformed unsecured ones in terms of collection efficiency and asset quality in FY2025.



In 9M FY2025, the microfinance industry witnessed lower collection efficiencies and higher delinquencies due to the impact of the heat waves, the General Elections, attrition and concerns of overleveraging. In Q2 FY2025, self regulatory organisations imposed stricter guardrails on credit assessment, which has brought in more discipline and better credit culture though additional guardrails on borrower leveraging from April 2025 may disrupt collections temporarily.



Housing loans (HL) and loans against property (LAP) pools showcased steady collections in H2 FY2025. 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 increase in collection efforts seen during the last quarter of the financial year.



Collections in the personal loan (PL) space have seen a slight downward trend in the past two quarters due to potential overleveraging and relatively low priority of PL repayment.



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