

Press Release

July 13, 2020 | Mumbai

Securitisation volume plunges 85% in the first quarter

Improvement in collection efficiencies and pick-up in economic activity crucial to turning the tide

Securitisation volume plunged 85% to Rs 6,200 crore in the first quarter of the current fiscal because of slow collections following the lockdown and the loan moratorium offered by lenders in the aftermath of the Covid-19 pandemic.

The decline comes after 15 months of frenetic activity that was majorly driven by non-banking finance companies (NBFCs).

Says Krishnan Sitaraman, Senior Director, CRISIL Ratings, “Deferment of transactions is along expected lines. Limited disbursements in the first quarter reduced the immediate liquidity needs of some larger, well-capitalised NBFCs. On the demand side, a vast majority of investors are waiting for clarity on economic activity and borrower cash flows and the consequent impact on collections stability.”

Asset-backed securities (ABS) remained the dominant segment comprising 74% of the overall securitised volume in the quarter (58% in Q1 of fiscal 2020) (see *Chart 1 in Annexure*). Mortgage-backed securities (MBS) constituted the balance volume.

Direct assignment (DA) route, being the most-preferred for securitisation of MBS deals, accounted for nearly two-thirds of all deals. However, the partial credit guarantee scheme for direct assignment transactions announced by the government did not draw much traction in the just concluded quarter. About 34% of the market adopted the pass-through certificate (PTC) route of securitisation (see *Chart 2 in Annexure*).

However, in stark contrast with the overall market performance, transactions backed by gold-loan receivables bucked the trend. They comprised nearly half of the total securitisation transactions in the first quarter. That compares with 20%, 7%, and 2% in the comparable periods of fiscals 2020, 2019 and 2018, respectively. The number of gold loan originators, too, has risen from two in first three months of fiscal 2020 to five so far this fiscal.

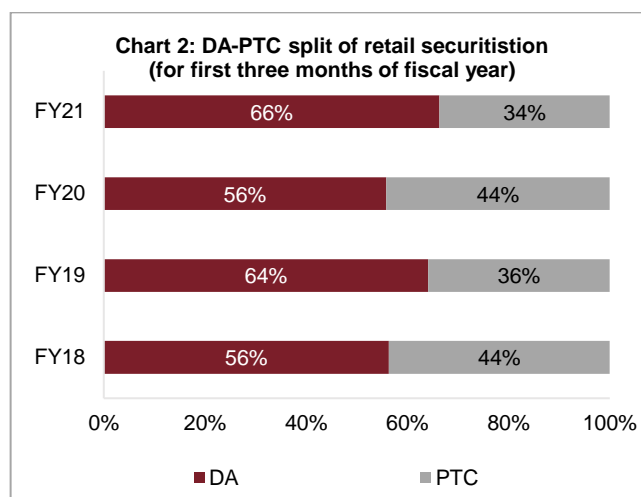
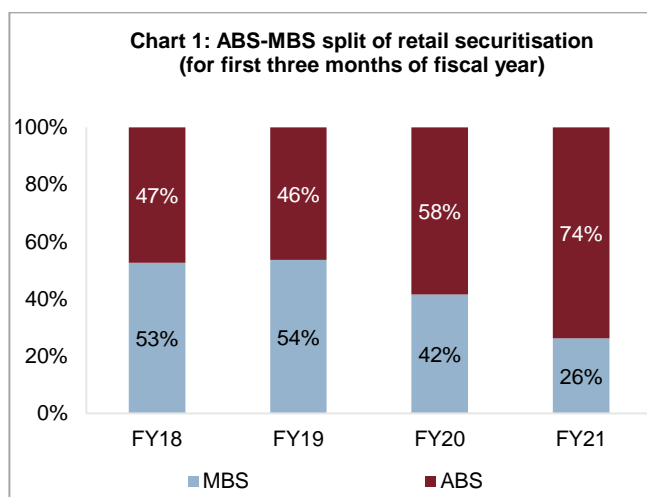
The increase in gold loan-backed securitisation is because of the relatively short tenure of the loans, their strong performance over the past few years, and secured nature of the asset class in a rising gold price environment.

Barring this asset class, the number of originators were limited in the first quarter. Only marquee players were able to draw some interest, especially from private investors such as insurers and new private banks. Mutual funds have largely stayed away.

A return to pre-lockdown volume is likely only gradually. With economic activity gathering pace in June, collections have started to improve, though they are still a long way from pre-lockdown levels. Securitisation volumes also picked up with 67% of the quarterly volume coming in the month.

Says Rohit Inamdar, Senior Director, CRISIL Ratings, “There is no doubt that securitisation will remain an important tool for NBFCs to mobilise liquidity. With the phased opening-up of the economy, we expect the current quarter to see more transactions than the first quarter. Overall pace of recovery in transactions will be a function of improvement in economic activity and collection efficiency trends in the retail segment over the next few months.”

Annexure



Source: CRISIL estimates

For further information contact

Media relations	Analytical contacts	Customer service helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 M: +91 95 940 60612 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 M: +91 90 040 84769 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p>	<p>Krishnan Sitaraman Senior Director - CRISIL Ratings CRISIL Limited D: +91 22 3342 8070 krishnan.sitaraman@crisil.com</p> <p>Rohit Inamdar Senior Director - CRISIL Ratings CRISIL Limited B: +91 22 3342 3000 rohit.inamdar@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

About CRISIL Limited

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [LINKEDIN](#) | [TWITTER](#) | [YOUTUBE](#) | [FACEBOOK](#)

About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 110,000 MSMEs have been rated by us.

CRISIL PRIVACY

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This Press Release is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press release may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its Press Releases for consideration or otherwise through any media including websites, portals etc.

CRISIL has taken due care and caution in preparing this Press Release. Information has been obtained by CRISIL from sources which it considers reliable. However, CRISIL does not guarantee the accuracy, adequacy or completeness of information on which this Press Release is based and is not responsible for any errors or omissions or for the results obtained from the use of this Press Release. CRISIL, especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Press Release. CRISIL or its associates may have other commercial transactions with the company/entity.