

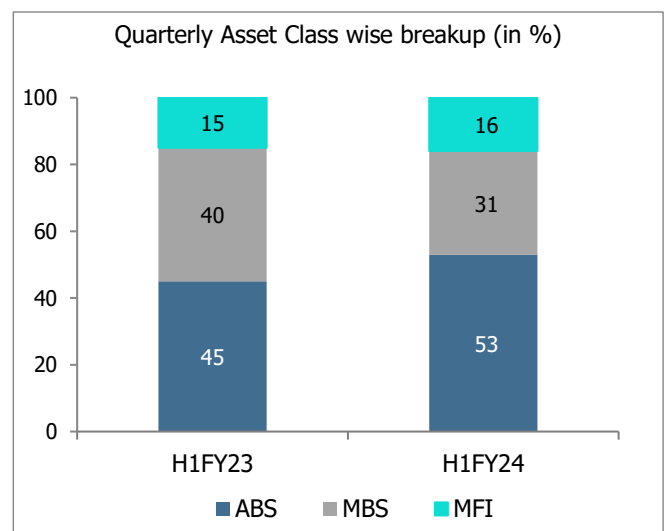
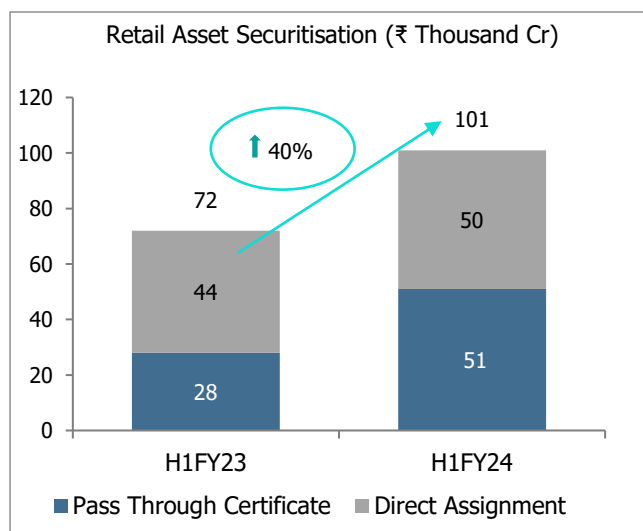
# Retail Asset Securitisation Crosses ₹1L Cr, Poised for an All-time High

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The securitization market had a strong start in the current fiscal year, with a total volume of ₹55,000 crore in Q1FY24. This momentum has continued throughout the first half of the fiscal year, with the cumulative volume for H1FY24 surpassing ₹1,00,000 crore, as estimated by CARE Ratings. This figure includes both pass-through certificate (PTC) issuances and direct assignment (DA) transactions. The growth has been primarily driven by robust credit expansion and a sustained demand for loans that meet Priority Sector Lending (PSL) norms.

Notably, the total securitization market volume for H1FY24 reached approximately ₹1.01 lakh crore, marking a substantial 40% increase compared to the same period in FY23. This represents the highest volume achieved in the first half of a fiscal year in recent years. It's worth mentioning that the Indian economy is poised for growth, with estimates suggesting a range of 6% to 6.5%. This anticipated economic expansion is expected to influence consumer spending patterns positively, with the festive season likely to witness healthy demand, thereby boosting credit growth. Over the last two quarters, there has also been a noticeable increase in the volume of transactions backed by unsecured loans, both in the PTC and DA categories.

Traditionally, DA transactions have dominated the overall volumes. However, due to the merger of the HDFC entities, DA volumes have seen a decline. For the first time, the share of DA transactions in the overall volumes stood at approximately 49% in H1FY24. In an unprecedented development, PTC issuances contributed to more than half of the overall volume during this period.



Source: CareEdge Ratings

## Asset Class-wise Break-up

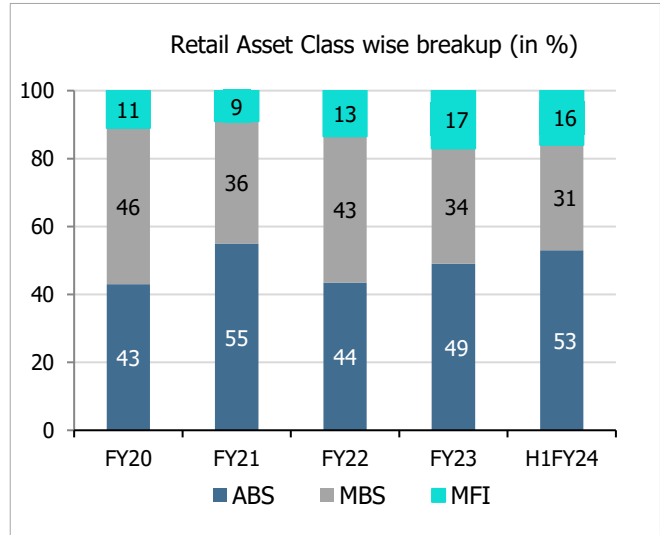
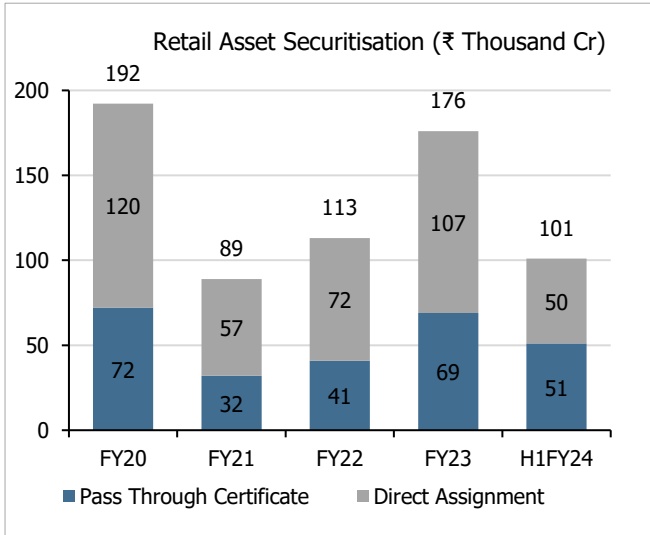
Mortgage-backed securitisation (MBS) transactions comprised 44% of DAs with Asset-backed securitisation (ABS) and microfinance (MFI) loan transactions constituting around 35% and 21% of the DA volumes, respectively.

The PTC volumes were driven by ABS pools constituting approximately 70% of the total PTC issuances. Vehicle loan financing (includes pools backed by loans against commercial vehicles, cars, two-wheelers construction

equipment, tractors, etc.) accounted for around ₹30,000 crore (60% of PTC issuance), followed by MBS loans and MFI loans, contributing around 18% and 12%, respectively.

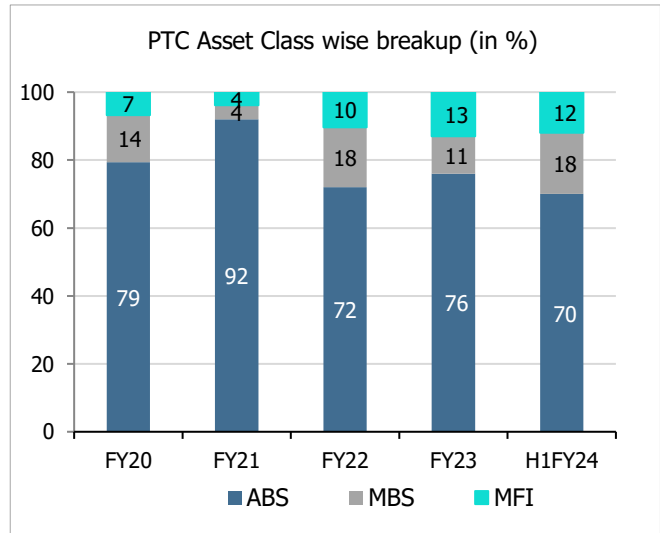
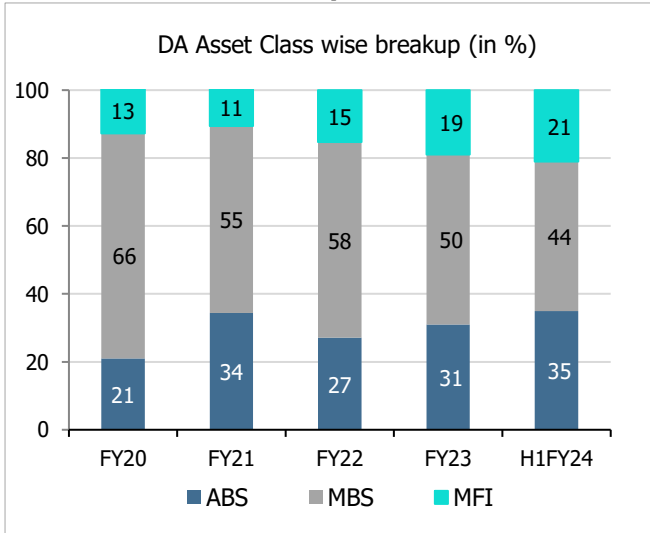
Unsecured loans including microfinance loans and SME loans have enjoyed a resurgence of investor confidence of late, while education loans and education institution loans are also finding favour with the investor community.

**Retail Securitisation Volumes and Asset Class-wise Breakup**



Source: CareEdge Ratings

**Asset Class-wise Breakup of PTC and DA Volume**



Source: CareEdge Ratings

## **Outlook**

CARE Ratings anticipates that the robust upward trajectory in the securitization market's volume will persist and potentially gain further momentum during the last quarter of the fiscal year. According to Sriram Rajagopalan, Associate Director at CARE Ratings, "If the trend observed in H1FY24 continues at its current pace, the securitization market is poised to achieve record-breaking annual volumes in FY24. This optimism is underpinned by the anticipation of a strong GDP growth rate exceeding 6%, as indicated by various estimates, which will serve as a catalyst for sustained growth in the Indian securitization market."

As forecasted by CARE Ratings (refer to '[Retail Asset Securitisation: Grows 67% Y-o-Y, Sees Strong Start to Year](#)'), the influx of new originators entering the securitization market, coupled with the increasing reliance of existing originators on securitization as a means of raising funds, has more than compensated for the expected decline in volume resulting from the merger of the HDFC entities.

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