

THE MARKET CHRONICLE

~BY CATALYST

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CIRCULAR AND AMENDMENT ISSUE BY THE MARKET REGULATOR SEBI- MASTER CIRCULAR FOR ALTERNATIVE INVESTMENT FUNDS (AIFS) - DATED 27TH MAY 2024.

Attaching herewith Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, dated May 27, 2024. (Applicability- Date of Publication in the Official Gazette).

1. New sub-regulations under regulation 2, 4, 12 and 14 shall be inserted.
2. After chapter IV and before chapter V, Chapter IVA- Framework for issuance of subordinate units shall be inserted (Applicability- only to subordinate units issued after the notification of this Chapter). Key pointers of this chapter are:
 - Issuance of Subordinate Units
 - Transfer of Subordinate Units
 - Entitlement date, entitlement event and performance benchmark
 - Progress related to achievement of performance benchmark
 - Process for reclassification of subordinate unit

For more details on the above key points, please refer to the below link:

<https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-infrastructure-investment-trusts-amendment-regulations-2024-83616.html>

The Resilience of NBFCs Amidst Economic Fluctuations

The Non-Banking Financial Company (NBFC) sector in India continues to exhibit resilience and adaptability amidst a dynamic economic environment. June 2024 has been a significant month for the NBFC market, characterized by regulatory updates, innovative financial solutions, and notable market movements.

Regulatory Developments

One of the key highlights of June 2024 is the regulatory developments initiated by the Reserve Bank of India (RBI). The RBI has introduced new guidelines aimed at enhancing the liquidity management framework for NBFCs. These guidelines are designed to ensure that NBFCs maintain adequate liquidity buffers to withstand market shocks, thereby safeguarding the interests of investors and borrowers alike.

Technological Advancements

Technology continues to play a pivotal role in transforming the NBFC Landscape. Many NBFCs have adopted advanced digital platforms to streamline their operations, improve customer service, and enhance risk management. Artificial Intelligence (AI) and Machine Learning are being leveraged for credit scoring, fraud detection, and predictive analytics, enabling NBFCs to make more informed lending decisions.

Market Movements

The NBFC sector has seen positive growth trends in June 2024, with a notable increase in the demand for retail and SME loans. This surge is attributed to the economic recovery post-pandemic and the increased consumer confidence in borrowing. The housing finance segment, in particular, has shown robust growth, driven by favorable government policies and an uptick in real estate activities.

Challenges and Opportunities

Despite the positive trends, the NBFC sector continues to face challenges, including asset quality pressures and rising operational costs. However, these challenges also present opportunities for NBFCs to innovate and diversify their product offerings. Strategic collaborations with fintech companies are becoming increasingly common, providing NBFCs with access to cutting-edge technology and broader customer bases.

Catalyst Trusteeship's Role

At Catalyst Trusteeship Limited, we remain committed to supporting the NBFC sector through our comprehensive trustee services. Our expertise in managing securitization transactions, debenture trustee services, security trustee services and regulatory compliance helps NBFCs navigate the complex financial landscape effectively. We continue to collaborate closely with NBFCs to provide tailored solutions that address their unique needs and contribute to their growth and stability.

Looking Ahead

As we move forward, the outlook for the NBFC sector remains optimistic. With continued regulatory support, technological advancements, and a recovering economy, NBFCs are well-positioned to play a crucial role in India's financial ecosystem. Catalyst Trusteeship Limited is proud to be a part of this journey, providing unwavering support and expertise to our NBFC partners in India.

VOICES' BY CATALYST

"AN INTERVIEW WITH MR. ANKIT JAIN: CFO - MAS FINANCIAL SERVICES LTD."

"VOICES' by Catalyst is delighted to have Mr. Ankit Jain - (CFO), Mas Financial Services LTD, as an interviewee for our monthly newsletter- The Market Chronicle by Catalyst. Mr. Jain comes with around One and a half decades of experience with Mas Financial Services Ltd, seasoned professional with a track record of success in the financial services sector. competent in banking, business strategy, corporate finance, management information system (MIS), and finance. With a Master of Business Administration (MBA) focused in finance from ICFAI University. His dedication and expertise in his work makes him a perfect role model! It is our pleasure to have such a motivated leader to speak to us and our readers."

1. Dear Sir, you have been working with Mas Financial Services Ltd for about one and a half decades, which is a significant achievement in today's fast-paced business environment. Could you please share your overall experience and how you have witnessed the organization's growth during your tenure? Additionally, how have your contributions and mentorship played a role in the company's success?

I am honoured to reflect on my journey with "MAS Financial Services Limited". I joined the company in FY 2010 when it was ~ Rs. 500 crore and now we have crossed the landmark of Rs. 10,000 Crore AUM size.

From the early days, diligently tackling financial challenges to now steering the financial strategy, this journey exemplifies the culture of empowerment and recognition of potential here. I'm grateful for the support, mentorship, and collaborative spirit that have propelled me to this position.

Some of the achievements during these years are as under:

- 1) Executing more than Rs. 20,000 Crore Direct assignment, Securitisation and Co-lending transactions.
- 2) Listing of Company's Equity Shares on BSE & NSE
- 3) Upgradation of Company's Bank loan rating to CARE AA-; Stable"
- 4) Successful closure of QIP of Rs. 500 Crore with overwhelming response from marquee diversified institutional investors.

It's not just my personal achievement; it symbolizes the ethos of our organization. I'm proud to be part of a company that values dedication, believes in nurturing raw talent and gives opportunity to grow along with the organisation

2. Considering the market conditions in FY 23-24, particularly in the securitization space, what new asset classes have you observed gaining traction or participation?

While the demand for known retail assets like Microfinance Loans, Mortgage backed Loans, SME loans remains robust, in the recent times the securitization of asset classes like lease rentals, supply chain receivables etc. is also being experimented. Also, recently Vehicle loan securitization has regained its pace with improvement in the portfolio quality.

3. With the emergence of innovative structures in the securitization market, what is your perspective on their viability? Do you believe the market is adaptable enough to embrace and implement such structures effectively?

The securitization market in the country is deepening with volumes of securitization reaching an all-time high in Q4FY24. With deeper penetration, increasing number of originators, the ever increasing demand for credit, technology enabling the access to credit, support from regulators and counter parties, we do expect this market growth to continue. This has led to deepening of securitization market on both supply and demands' side which has enabled innovation in terms of asset class and structure in the securitization space.

Because of clarity in regulations and high level monitoring of the regulated body, the perceived risk in the securitization transaction is less. The investors are opting for the various innovative structures and these structures are built considering the risk appetite of the

investor.

The increase of AUM in structures like replenishment structure is an example that the investors has started adopting new structures if they get the desired risk adjusted returns and market will welcome such new innovative products to scale in future. Thus, market is adaptable enough to support, enable and implement innovative structures.

4. In the current market scenario, how do you perceive investors' preference for Co-lending compared to Direct Assignment? What factors do you think influence their decision-making process?

The Regulatory body is determined to scale the co-lending model in comparison to direct assignment.

Therefore there is a visible push from the investors/assignees', especially the banks towards co-lending. The relatively low cost on sourcing, tech-enabled seamless flow of information, control on credit, and sticky nature of business are the biggest merits for co-lending

However, the co-lending model is still at an early stage and to scale the volume operational issues such as acceptability of all types of loans, defining common policies and processes, reconciliation of accounts etc. remain to be resolved in a definitive way for co-lending to really pick up in the sector.

So, as per my opinion still because of ease of business, direct assignment is still preferred over Co-lending.

5. Technology has the potential to streamline and enhance the efficiency of securitisation transactions involving originators, investors, rating agencies, and trustees. In your opinion, how can technology be leveraged to support and improve the process?

Technology can be leveraged in several ways to support and improve securitization transactions involving originators, investors, rating agencies, and trustees:

1. Automation of Processes: Implementing technology can automate repetitive tasks such as data entry, document verification, and compliance checks. This reduces the reliance on manual labor, minimizes errors, and accelerates the transaction timeline.

2. Enhanced Data Management: Technology enables efficient management of vast amounts of data involved in securitization transactions. This includes storing, organizing, and analyzing data related to asset performance, borrower information, and transaction history.

3. Regulatory Compliance Solutions: Compliance solutions can automate regulatory reporting and compliance obligations, ensuring adherence to complex regulatory frameworks. This reduces compliance costs and mitigates regulatory risks for all parties involved.

By leveraging technology in these ways, securitization transactions can become more efficient, transparent, and resilient to market challenges. This not only improves operational processes but also enhances the attractiveness of securitized products to investors seeking transparency, efficiency, and risk management capabilities.

6. The Indian securitisation market has undergone significant changes over the years. Could you provide insights into its evolution and highlight the current trends shaping the industry?

Certainly! The Indian securitization market has evolved considerably over the years, driven by regulatory changes, market dynamics, and economic factors.

The recent regulations introduced by the apex body have helped the market to regulate the product in more efficient way. As the risk has reduced in the product, the various set of investors have actively participated in the product.

The current trends that we are noticing includes leveraging technology to improve efficiencies, innovative structures and asset classes, regulatory support to promote transparency, broadened investor base, market resilience despite macro headwinds and a push towards sustainable finance initiatives

In recent past securitization share has increased over the direct assignment because of the availability of the credit enhancement and along with this because of introduction of co-lending also some of the portion of Direct assignment has transitioned into co-lending.

Overall, the Indian securitization market continues to evolve with a focus on diversification, technological innovation, regulatory reforms, and sustainable finance. These trends are shaping a more resilient and dynamic market landscape, offering opportunities for growth and development in the coming years.

HIGHLIGHTS OF THE MONTH:

Security Trustee deals:

Sector	No. of Transaction	Facility Amount (Cr.)
Infrastructure Sector	17	3962.56
Banking	1	5
Manufacturing	2	40
NBFC	19	24121
Others	1	319.06
Renewable	24	9230.26
Grand Total	64	37677.88

Debenture Trustee deals:

Sector	No. of Transaction	Facility Amount (Cr.)
Manufacturing	5	305
NBFC	56	17,638
Real Estate & Infra	13	4,319
Renewable Energy	-	-
Banking and Finance	-	-
Others	5	580
Grand Total	79	22,842

Securitization deals:

Asset Class	No. of Deals	Pool Size (Cr.)
MicroFinance Loan Receivables	23.00	2,015.10
Commercial Vehicle Loans	7.00	2,331.92
Consumer Loan	1.00	207.00
Two-wheeler Loan	3.00	299.00
Housing Loan	8.00	924.00
Loan Against Property	3.00	299.00
Personal Loan	14.00	3,602.38
Secured Business Loan	4.00	309.38
Unsecured Business Loan	4.00	278.00
Grand Total	67.00	10,116.78

Other deals:

Category	No. of Deals	Issue Size in Crores
AIF (Domestic)	-	-
AIF (GIFT City)	4	5,000
ESOP/EBT/Private Trust	1	2
Grand Total	5	5,002

Thanks and Regards,
Editorial team of Catalyst.

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