

Securitised vehicle finance pools make sharp rebound: CRISIL

Demonetisation had hampered collections for most non- bank lenders in November and December 2016

Press Trust of India | Mumbai March 17, 2017 Last Updated at 02:31 IST



Shrugging off the effects of demonetisation, collections in securitised pools of vehicle loan receivables rated by CRISIL saw a sharp recovery in January, going by payouts made in February.

It rebounded to about 95 per cent from 85 per cent in November, the rating agency said in a report on Thursday.

"Most financiers quickly reoriented their collection strategy after demonetisation such as focusing on educating borrowers on the benefits of using bank facilities, and reworking their collection cycles by spacing it out across the month," Krishnan Sitaraman, senior director, CRISIL Ratings said.

"The collection trends in January are encouraging and seem to indicate the impact of note ban has by and large played out in the vehicle financing space," he said.

On the other hand, pools backed by microfinance (MFI) receivables are under stress and being closely monitored, while those supported by home loans have remained unaffected, CRISIL pointed out.

Demonetisation had hampered collections for most non- bank lenders in November and December 2016. Borrowers had also preferred to use cash for personal and business needs, rather than to service debt in those two months, it said.

Tractor pools, where loan repayments are based on the half-yearly crop cycle, were the worst hit in November, but recovered in January as currency availability improved by nearly 100 per cent, the report maintained.

The housing loan segment remained unaffected, with collection efficiency stable about 99 per cent, because of minimal reliance on cash collections.

In the loan against property (LAP) segment, CRISIL noted some volatility in collections, which is reflective of lumpiness in cash flows typically seen in the self-employed segment.

The impact of currency swap exercise was more pronounced in the microfinance segment because of its cash-intensive nature of transactions, CRISIL said.

The modest collection performance was initially attributable to the cash crunch after demonetisation and local socio-political issues on the eve of Assembly elections.

Overall collections dropped in November and December especially in Uttar Pradesh and certain districts of Maharashtra, the rating outfit said.

While collection ratios in January 2017 have rebounded, they range from 60 per cent to 95 per cent for different states and remain well below pre-demonetisation levels of 99 per cent, CRISIL said.