

Bus segment staring at defaults; banks, NBFCs wary of mounting NPAs

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Once the moratorium ends, banks and non-banking financial companies (NBFCs) would be faced with mounting defaults in their vehicle loan portfolio, especially in the commercial vehicle (CV) segment.



Public and tourist buses, cabs, school buses, company buses and private taxi services have been grounded for over 100 days, with no revenue coming in.

The situation is like the calm before the storm for bus and cab operators in the country. Once the moratorium ends, banks and non-banking financial companies (NBFCs) would be faced with mounting defaults in their vehicle loan portfolio, especially in the commercial

vehicle (CV) segment. Public and tourist buses, cabs, school buses, company buses and private taxi services have been grounded for over 100 days, with no revenue coming in. Further, the new social distancing norms is expected to halve their earning, with vehicles running at less than half their capacities. So, prospects of future earnings, too, look bleak and servicing loans a challenge.

During the last three months, 95% buses have been off the road and most states have still not allowed them to operate, said Prasanna Patwardhan, CMD, Prasanna Purple Mobility Solutions, which has a fleet of 500+ buses. Patwardhan, who is also the president of the Bus and Car Operators Confederation of India (BOCI), said around 7 to 8 lakh buses could be financed. Around 75% of financing is available, so this would constitute a big chunk of the vehicle loan portfolio for banks/ NBFCs, which is in danger of turning into non-performing loans.

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Even taking repossession of these buses would not help the financial institutions as the entire market has collapsed and there will be no buyers for these repossessed assets, he warned.

There are close to 15.5 lakh buses and 11 lakh cars in the segment in India. Around 90% of the operators own a fleet of around 5 to 15 buses. Around 25 operators have a fleet size of 1,000+ buses. Around 1.5 lakh buses are with the government undertakings and 25,000 of these are run under the PPP

mode. The bus segment accounts for 82% of the total passenger trips in the country.

Around 70% to 80% of the vehicles in the segment are usually financed and many are availing the moratorium but after six months they will have to pay back with interest. But they will not be able to even pay their EMIs, so around 30% of these operators are expected to go bankrupt, warned Patwardhan. The operators would not even be in a position to pay the principal amount, he stressed. The state transport undertakings owe money to bus-owners, but these are not being paid. Prasanna Purple alone has `20 crore unpaid dues from these undertakings.

Unless there is rescheduling of the loans or some relief provided, these loans would turn into NPAs and banks/NBFCs will take over possession of these vehicles, he said. The taxi operators, too, are caught in a similar situation or even worse, he added. According to BOCI, city and inter-city buses would be affected by the new social distancing norms and would be running at less than 50% capacity.

“The 40-seater buses normally carry 80 to 100 people and, in some cities like Chennai, the number goes up to 120, including standees, and they still make losses. Now, these buses would be running at only 50% seat capacity, which will make the rides unviable for the operator and a rise in fare would make it impossible for commuters. While government undertakings will be able to sustain operations and pump in money to keep these services running at a loss, private bus operators do not have the resources,” Patwardhan said. The inter-city segment, too, is expected to face similar challenges.

BOCI maintained that the government should provide relief through waiving off taxes on diesel, parking fees, toll and by extending the insurance policy by three months — all of which would give some support to bus and cab operators.

A financial package from the Centre for the public transport segment is needed urgently. The general suggestion is that the NHAI might divert some of its road building funds to keep public transport going and help the operators survive. BOCI suggested that buses in the tourism segment were idling with no hopes of tourism reviving in the near future. These buses could be diverted to the city bus segment, if some regulations can be tweaked, and the entire fleet can be absorbed.



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