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CV loan pools still robust post e-way bill rollout: Icra

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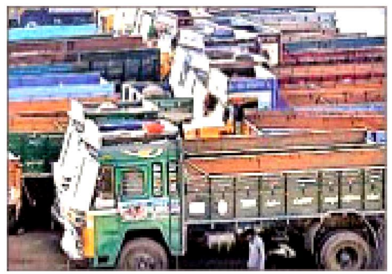
THE COMMERCIAL VEHICLE (CV) loan pools continue to show robust performance after the e-way bill roll-out across the country from April 1 this year. The average collection ratio for CV pools stood at around 95% in April.

The e-way bill is an electronically-generated document required under the GST regime for the movement of goods for a consignment value of more than ₹50,000.

In fact, the collection efficiency observed in April 2018 is almost 400 bps higher than what was seen in April 2017. Prior to this, there was a concern that the e-way bill roll-out could have some transitionary impact on the cash flows of the transport operators — especially the small road transport operator (SRTO) segment, as the operators take time to align their systems and processes to the GST network, said an Icra note here.



Vibhor Mittal, head, structured finance ratings at Icra, said: "While these are still early days, the collection efficiency of 95% observed in April 2018 indicates that there are no visible signs of any material disruption in the earnings of the truckers."

According to the Icra note, the rollout of GST in July 2017 is expected to be a long-term positive for the transportation and logistics sector, with consolidation of warehouses resulting in improved load availability and drop in vehicle transit time. Strong collections of around 98% observed in the second half of fiscal 2018 demonstrate that the borrowers have been largely able to adapt to the new tax regime.

The drop in collections in April in each year is a seasonal trend. Collections typically improve in March as the lenders put enhanced collection and recovery efforts to curtail the reported NPAs at the end of the fiscal. Borrowers also stretch themselves and postpone some of their expenses to clear the overdues and meet the payments due to the lenders. Accordingly, some of the borrowers again slip in repayment in the month of April, the note pointed out. While the asset quality has remained robust till date, the steep increase in fuel prices may result in some spurt in delinquencies.

Mittal added: "The recent fuel price hike has increased input costs for transporters. In case the freight rates do not move in line with fuel prices, the profitability of some borrowers — especially in the lower tonnage vehicle segment — may get squeezed, leading to higher delinquencies in CV pools going forward." He, however, said factors such as favourable pool selection filters and adequate availability of credit enhancement in these transactions should ensure that the ratings remain stable.