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## Auto loans delinquency set to stabilise

By Gayatri Nayak, ET Bureau Last Updated: Oct 18, 2021, 09:29 PM IST

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### Synopsis

Auto asset-based-securities (ABS) performance improved because of the pickup in economic activity over recent months raised demand and rates for goods transportation.



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Delinquency rate for **vehicle** loans, the most affected due to the pandemic is set to stabilize as coronavirus restrictions ease. Early trends for the September quarter from banks and **NBFCs** show that auto loan delinquency and collection rates improved in the quarter. But it could remain elevated versus pre-pandemic

levels as borrowers face eroded financial reserves.

Auto asset-based-securities (ABS) performance improved because of the pickup in economic activity over recent months raised demand and rates for goods transportation. Improving conditions for goods transportation are positive for the Indian auto ABS sector, because deals mostly securitize loans to **commercial vehicle** operators who earn income by moving freight, global ratings firm Moody's said.

Median monthly collection ratios (MCR) for commercial vehicle pools for the August 2021 pay-out touched 100%, almost in-line with the April 2021 pay-out MCR of 101%, ratings firm Crisil said.

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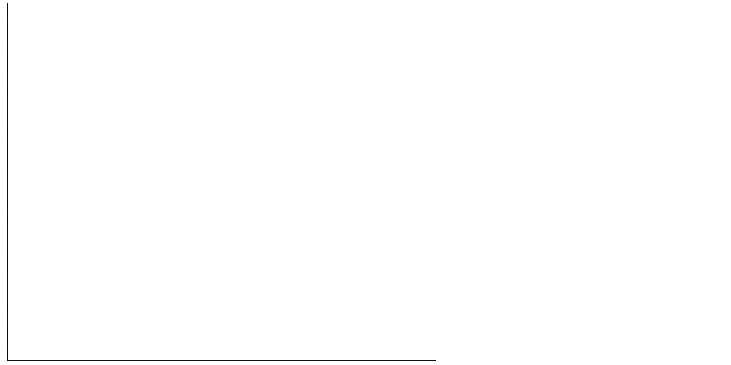


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Vehicle loans were the second largest pool of assets to be securitized through the combined route of pass through certificates as well as direct assignments accounting for 29 per cent of the securitized pool during the first half of FY'22 for Care Ratings.

There is however a caveat. "This year's virus resurgence has eroded borrowers' financial reserves " said Dipanshu Rustagi, a Moody's Assistant Vice President and Analyst. "We expect delinquency rates to remain elevated at around current levels over the next 3-6 months as they deal with the economic impact of the outbreak"

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reserves and substantial excess spread. These features mitigate risks from elevated delinquency rates for Indian auto ABS, because they provide deals with liquidity and buffers against losses, said a Moody's report . This is

Paris transformed Wipro 

By Sharmistha Mukherjee, ET Bureau Last Updated: Oct 19, 2021, 06:07 AM IST

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Synopsis

Even as consumer demand rebounded quickly after the second wave of Covid-19, spurred by an increased preference for personal mobility, output hasn't been able to keep pace.



Passenger vehicle makers could lose 250,000-450,000 units in sales, dragging down annual volumes in this calendar year, with the shortage of semiconductors severely disrupting production at leading manufacturers in the past few months.

ADD COMMENT

The production loss, depending on the supply situation, is expected to pull down wholesale volumes to 2.9-3.1 million units from 3.2 million units initially estimated by automotive consultancy firm **Jato Dynamics**. Passenger vehicle sales stood at 2.43 million

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Tata Punch: Prices start at Rs 5.49 lakh; Tata



units in CY2020 and peaked at 3.39 million units in CY2018.

"Both chip and ship are huge constraints at the moment," said Rajeev Chaba, president, MG Motor India. "Freight rates have gone up, sailing schedules are unpredictable because of the container issue. We are facing problems in every car line because of the chip shortage. Industry growth will definitely come down from what we had estimated, both at the beginning of the year and post the second wave of the pandemic." scheme overcome in on seasoned logistics



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MG Motor India, which has a waiting period of eight to 16 weeks for its products, is operating at 50-60% of potential capacity due to the shortage of semiconductors.

- Semiconductor shortage to pull down industry growth rates
- Annual volumes likely to be 2.9-3.1 million units in CY2021
- Supply challenges have surfaced when demand peaks during festive season
- Industry already sitting on pending orders of 0.5 million units
- Semiconductor chip supplies expected to improve from Q1 of CY2022
- Chip supplies expected to take a year to stabilise; lockdown in key supply areas

Chaba said the supply of chips for the automotive industry is expected to improve in the first quarter of 2022. However, it may take up to a year for the situation to completely normalise.

**Demand Outstripping Supply**

Even as consumer demand rebounded quickly after the second wave of Covid-19, spurred by an increased preference for personal mobility, output hasn't been able to keep pace. The situation deteriorated rapidly after Malaysia, a key sourcing hub in the global semiconductor supply chain, reimposed lockdowns.

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The shortage of semiconductors has hit global output as well. In the US, four of the largest carmakers - General Motors, Honda, Stellantis and Nissan - reported a double-digit decline in sales last quarter as lack of chips forced them to keep assembly lines idle. In Europe, new car registrations fell 23.1% to 718,598 in September, from the year earlier, due to the semiconductor shortage.

Earlier this month, India market leader **Maruti Suzuki** said vehicle production volume will be 60% of the normal level in October, owing to the squeeze in electronic component supplies, stemming from the semiconductor drought. The company had cut output by 60% in September. Overall, passenger vehicle sales declined 37% to around 185,000 units in September. Carmakers such as **Hyundai** Motor India, Kia India and **Mahindra & Mahindra (M&M)**, among others, reported a double-digit drop in factory dispatches in September on the back of supply constraints.

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