

2-wheeler financing running in top gear

Boom Not A Repeat Of '08: Financiers

Nandini Sen Gupta & Rachel Chitra | TNN

Chennai: Nearly a decade after the blood bath in the two-wheeler financing market, this still-low-penetration segment is booming again. Buoyant rural demand has boosted the sales of motorcycles in FY17-18 and scooters too are in top gear.

HDFC Bank has reported around 18-20% growth while some NBFCs too are reporting between 9-15% rise in asset size year-on-year. While some of the financiers who burnt their fingers in the go-go rush of 2008 will not come back, those now in the business say a repeat is unlikely as financiers have figured out that two-wheeler financing is a high-risk, high-volume game.

BACK IN THE RECKONING

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Loan Disbursement (FY17) (₹cr)

HDFC Bank	3,900 (aprox)
Bajaj Finance	4,519
Shriram	4,143
IndusInd Bank	NA
L&T Finance	1,753

Although passenger vehicles command the lion's share of auto financing, two-wheelers are now back in the reckoning. HDFC Bank for instance, is all set to complete this financial year with 1.2 million disbursals. The growth has come on the back of some top gear growth in the luxury motorcycle segment as well as resurgence of rural markets.

Said Ashok Khanna, business head, vehicle loans, HDFC Bank, 'Our two-wheeler loan book is currently crossing ₹7000 crore and we

are doing business worth ₹500 crore every month in this segment. This year has seen terrific growth in the two-wheeler business and we are disbursing an average of 1,00,000 vehicles a month," he added.

It's not the only financier to clock top gear growth. "We are aware from manufacturers and retailers in the top 15 cities, we operate out of, that it is boom time for two-wheeler financing," said Devang Mody, CEO, Reliance Money. "Currently our market is 60%-65% for motorcy-

cles and 30%-35% for scooters and mopeds. One of the reasons for the boom, apart from good monsoon and buoyant rural demand, is the steady fall in two-wheeler finance rates. On rack rates, there has been a fall of 2%-3%. Earlier, it used to be around 25%-26%, but today NBFCs are charging interest rates between 21%-23%," he added.

Two-wheeler financiers say a repeat of the 2008 fiasco is unlikely for several reasons. First, the checks and balances are stricter. Majority of customers today have a CIBIL score and customer contactability has also improved. "Every customer has a cellphone, bank account, Aadhaar card, so there has been an enormous change in credit infrastructure and we will not see delinquencies like in 2008," said Mody, adding that delinquencies have come down from what it was in the past, but credit cycles will still repeat. "Another hurdle earlier was the cost of KYC verification but with Aadhaar, it has become easier to collect and verify customer details," he sa-

id. Also, banks are using customers in their branch network whose credit background has already been checked to sell both two-wheeler and four-wheeler loans. "We do cross selling with our bank customers and we have been doing 30,000-35,000 two-wheelers every month from our own bank branch customers," said Khanna.

Given that only 35% of two-wheelers are bought via secured lending, it is still a largely untapped market.

And this year is likely to bring in a windfall for them, say financiers, who saw a slump post-demonetisation. "We have seen particularly good growth in two-wheelers, particularly from rural areas; it has been buoyed by a good monsoon and stronger consumer spending. We are expecting a strong uptick in sales this January-April this year — more than usual — as even otherwise this period has always been profitable for vehicle financiers," said S V Parthasarathy, head, consumer finance, IndusInd Bank.