



“Shriram Transport Finance Company Limited Conference Call”

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Moderator:

Ladies and gentlemen good evening and welcome to the Shriram Transport Finance Q4 FY'14 Earnings Conference Call. As a reminder all participant lines are in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand conference over to Mr. Umesh Revankar – CEO and Managing Director of Shriram Transport for his initial remarks. Thank you and over to you Sir.

Umesh Revankar:

Good afternoon everyone. I have with me Mr. Parag, Mr. Sundar and Mr. Kelkar and of course Sanjay K. Mundra. To start with I would like to highlight the quarter, which just passed. The demand from the rural area as were predicting has been quite good for the last quarter, it was quite good on credit and the only few geographies had some issues like hailstorms and unseasonal rains and agri produce came down in certain pockets but overall it was quite good and credit demand also was quite good but urban credit demand is still weak and we feel that this may take some more time to pick up. The freight rates increased in the month of January, so we were little more hopeful for the entire quarter but it did not keep up with the increase with regard to fuel increase. Fuel increase, fair price increase was continuously every month, 1% per month. So that is where the overall margins of the customers were little subdued.

The idle times of heavier vehicle continued because of lack of industrial activity and being the election year the government expenses also was on lower side and there were not many activities in the industrial and mining side. So overall it was a subdued quarter but as a company we concentrated and focused more on our asset quality maintaining and overall improvement in the asset quality and we could really come out with reasonably good performance in the last quarter and as we are planning more on quality of the portfolio we also did not pursue on growth very much and we continued with our very conservative policy of lower LTV and focused only on used vehicle, did not pursue new vehicle very much, so this overall aggregate of our performance but looking at the external environment the overall economy was slow for the entire quarter and we do expect better prospect after the election results and there are some uncertainty about monsoon which we expect clarity by the month end. We are going forward we feel that the second half of the year would be much better and the CV demand should slowly comeback mainly because the new government will be coming out with new policies on mining and there was some good news that supreme court has allowed Goa mining to start functioning but it may take some more time before the mining activity starts. However the more positive things should happen once the new government takes over and the pending projects which the present government which has cleared that is 200,000 Crores of projects have been cleared by the government, most of this project would be going for financial closure in the next six months to one year and once this project starts coming for the execution there will be a lot of activity and CV cycle should look forward for that kind of increased demand and freight rates should also increase commensurate to that and we believe that there is likelihood of rupee standing firm or strengthening which will help fuel price also to come to a particular control. So overall we are

looking forward for a good year ahead. With this commentary and since we have already sent you the financials and numbers I would like to start with the question and answer.

Moderator: Thank you very much Sir. We will now begin the question and answer session. We have the first question is from the line of Mayur Parkeria from Wealth Managers. Please go ahead.

Mayur Parkeria: Thank you sir for taking my question. I just have two broad questions. Will it be possible for you to share the size of the bucket within the two to five year old CV buckets?

Umesh Revankar: The two to five years as a separate you want share in the AEU?

Mayur Parkeria: Yes.

Umesh Revankar: We may not be having it right now. I think Sanjay would be able to help you to give because we do not really track it. We finance heavy vehicles and LCVs smaller vehicles and utility vehicle, passenger vehicle. Everywhere the buckets would not have captured and the way we segmentize also it will be different.

Mayur Parkeria: But would you believe that it would have undergone change seeing in the last 1 to 1.5 year in that cycle because we wanted to focus on that bucket. We are more present on the 5 to 12 year bucket historically.

Umesh Revankar: Historically we were focusing more on 5 to 12 and we did push towards 2 to 5. There are two things. One, the fuel price increase made us or made customer to feel that they should upgrade themselves to a more fuel-efficient vehicle. The fuel efficient vehicle could be the younger vehicle or the new technology vehicle and second reason is the LCVs which have been produced post 2006 and 2007 which has come in to Indian market and portfolio has grown very big in the last 7 to 8 years they are all young vehicle and when they come to refinance it will be between 3 to 5 years, so these two combination has made our two to five years age portfolio much higher.

Mayur Parkeria: Okay, so that is what I wanted, the color actually, anyway I will take that later on and the second I wanted was apart from the NPA provision we have a write off in the P&L every quarter and that has been, so what is the outlook on that average has been around 2.5% to 3% of the assets the write off, am I right in understanding that?

Umesh Revankar: No historically if you look at it is always between around 1.6 to 2.2 write of and I think it is within that range may be on the little higher end of the range in the last one year. Last one year it is little higher otherwise we have been always in this range.

Mayur Parkeria: How do we see that going forward in light of recovery expected or in light of improving situation should we look for a delta, which would be on the positive side, or you expect that to remain?

Umesh Revankar: If you look at Q-on-Q there is some positive. So I think it should improve is what I feel. If you look at immediate prior quarter and the last quarter there is some improvement on that.

- Mayur Parkeria:** Okay sir just one housekeeping question, if may take, sorry for the third question. There is some difference of amounts in the provisions of FY'14 the full year provision mentioned in the published results as well compared to with the present edition and the difference was almost around to the tune of 90 to 100 Crores, so I just did not understand. In the presentation if we add the provisions of standard assets and the NPA and if you look at the provisions for FY'14 in the published results standalone some difference in that.
- Company Speaker:** There is a mismatch. We can give you the reconciliation for that through Sanjay.
- Mayur Parkeria:** But why would there be a difference in the published number?
- Sanjay K. Mundhra:** One is the gross figure and in the published result it is the gross figure whereas in the presentation it is net of against the provision need.
- Mayur Parkeria:** So you mean to say the complete right back?
- Company Speaker:** Yes we have netted off the write back along with the provisions made in the investor release.
- Mayur Parkeria:** And in published results where has the write back gone?
- Company Speaker:** It has gone in the income.
- Mayur Parkeria:** In the income, you mean to say income from operations only because other two are very small.
- Company Speaker:** Yes.
- Mayur Parkeria:** But is this the right disclosure way do it?
- Company Speaker:** Yes that is the right way of doing it.
- Moderator:** Thank you. The next question is from the line of Digant Hariya from Antique Stock Broking. Please go ahead.
- Digant Hariya:** Sir could you highlight the repossession trend as in the repossession that you did in fourth quarter versus third quarter and the realization rates on auctions of these vehicles, have they stabilized, are they still suppressed or are we seeing some kind of pick up there?
- Umesh Revankar:** Repossession has certainly come down but our repossessions are normally very last resort. We do not really go for repossession at all but even there our repossession has come down mainly because customers are feeling little more comfortable. The less idle time and better earnings in the last quarter and the resale values also are firming up other than one or two segments where still weakness is there where it has been cannibalized by the better product. Otherwise most of the other products the resale values have gone up and also the manufacturing companies have reduced their discounts on new vehicle that also has resulted in better resale value.

- Digant Hariya:** Sir on the state of Andhra Pradesh and Tamil Nadu what are the trends that we are seeing here in terms of utilization and on asset quality trend also in these two geographies?
- Umesh Revankar:** Andhra Pradesh after a long period of uncertainty things are improving politically and the overall environment is slowly improving and Tamil Nadu is not really improved I should say. It has remained same but the power shortage is creating some issue in Tamil Nadu for the industries. Tamil Nadu is one of the higher industrialized state in India and power shortage is having some issue for the industrial activity of Tamil Nadu so I think that problem should get to some extent addressed when the nuclear power plant starts producing power and I think the stage I is already started and stage II is also likely to be starting may be in a couple of months.
- Moderator:** Thank you. The next question is from the line of Abhishek Kothari from Network Stock Broking. Please go ahead.
- Abhishek Kothari:** Sir thanks for taking my call. I just wanted to know whether the margins do you expect that this has been arrested or do you expect further decline in margins?
- Umesh Revankar:** Yes as far as margins are concerned we are always working towards improving the margins quarter-on-quarter but sometimes the fluctuation in the interest rates makes it real difficult because passing on to the customer is always delayed. Entire portfolio has to be addressed and the portfolio normally if you have three years average portfolio the changing of yield of entire portfolio takes time, so due to fluctuation of interest rates in the entire last year the margins situation was not improving and hopefully by next couple of quarter we should be able to get proper direction to that.
- Abhishek Kothari:** It has been 10 to 12 quarters that your asset quality has been deteriorating coupled with your return ratios. So could you comment on that like going ahead from when can we really start seeing pick up in asset quality?
- Umesh Revankar:** There are two way of looking it. One is the gross NPL where the customers jump the bucket and we try to help him out in coming to (indiscernible) 16.55 paying the installment in time and trying to reduce the arrears and the second one is where you take a call for repossession and selling and some credit cost increase would be there. So I believe that we have pretty well managed the situation. The gross NPL even though it has moved up overall volume increase is not much not really high and also our provisioning cost has come down a little so it gives some kind of confidence to us that we will be able to manage it much better in the coming quarters.
- Abhishek Kothari:** Do we have inventories right now of this NPL or like what is the scenario?
- Umesh Revankar:** Inventory would be there all the time. Some inventory would have more than 1.5 million contracts so there will be some kind of inventory would be there but it will be very insignificant for our size.
- Abhishek Kothari:** Could you quantify that if possible?

- Umesh Revankar:** It will be less than 1%.
- Abhishek Kothari:** Sir you spoke about Goa mining reflecting but I believe not much of your book is there in Goa as of now. It was not earlier also three years back if I am not wrong?
- Umesh Revankar:** Correct you are right.
- Abhishek Kothari:** So how do you perceive mining ban that has been lifted from Goa to aid growth in your book?
- Umesh Revankar:** I am not looking at growth in our book due to mining application of our assets. I was just talking about overall industry because when mining ban gets lifted the steel industries in Goa would start functioning and overall other economy will improve because the Goa economy is very much dependent on mining activity for most of the other related industrial activity and there is a hope that with mining ban being lifted in Goa it will have similar ban being lifted in Karnataka also. So with this kind of positiveness lot of other industries which are in Karnataka steel industries approximately numbering around 160 steel industries are there which are short of raw material right now would get some lift in their business and their production will go up. The main steel factory is Jindal Steel Factory, which is within 30 kilometers of the mining belt of Bellary that itself is now running at 60% of the capacity, then you can imagine small steel factories which are located a little far away from the mining belt, so all of them are short of raw material and some of them are importing, iron scrap and running the mills, to that extent there is shortage of iron ore or raw material, so once this starts functioning there will be a lot of other economic activities along with these steel manufacturers.
- Abhishek Kothari:** So in your view what would be the fair growth in terms of AUM for FY 2015?
- Umesh Revankar:** FY 2015 we are looking at around 10% but most of the growth would come in the second half of the year not in the first two quarters.
- Abhishek Kothari:** And in the same mix of old to new that we are currently running?
- Umesh Revankar:** Yes, we intend to keep it same but if there is a bigger demand in the second half of the financial year there could be little higher demand for new vehicle mostly because there may not be enough of used vehicle in the market as the availability of the used vehicle will be less and resale price is likely to go up there is likely to be higher demand for a new vehicle but our focus would remain on used vehicle.
- Moderator:** The next question is from the line of Ankit Hakhu from CRISIL, please go ahead?
- Ankit Hakhu:** Good evening sir, my question, most of my questions have been answered but couple of questions, how soon can we see an improvement in your GNPA numbers, they have actually sequentially risen, you have given some commentary on it but how soon can we see an improvement in that?

- Umesh Revankar:** We are working towards that and you know very well that this first quarter is the election quarter, I should say, because nearly one-and-a-half months we lost in the election, so we cannot really predict how things would be and it will be very difficult to give a ballpark number or time at this juncture but I feel that another two quarters we may require to further improve on this.
- Ankit Hakhu:** Sir, is there an internal benchmark in terms of when you decide to repossess the vehicle and actually go for foreclosure?
- Umesh Revankar:** There is nothing like a benchmark, we normally give this liberty to the branch manager and branch managers take appropriate action depending upon the situation and mostly they look at the intention of the customer and the viability of the particular business operation of the customer, these two, if they feel a doubt, then only they go for repossession, otherwise they normally give support to the customer and handhold him.
- Ankit Hakhu:** Sir are we seeing the improvement in freight rates across regions, is the improvement secular in that sense?
- Umesh Revankar:** Improvement in freight rate, there should be some momentum in the economy, the idle capacity which is existing here and there in some pockets which need to go away and that can happen only when the new government comes and some policy actions are taken, so we expect things to really improve in the second half of the year.
- Moderator:** Thank you, the next question is from the line of Nitin Kumar from Quant Capital, please go ahead?
- Nitin Kumar:** Hi, good evening Sir, just wanted to get your thoughts on increasing the LTV, I know that asset quality has been under pressure, we are seeing higher NPL but you said that the resale value also is firming up for the old vehicles and the new vehicles discounts have also come down, so what are our plans on the LTV side?
- Umesh Revankar:** LTV we will continue with cautious approach for at least another two quarter because we would like to know how the new government would start pushing the economy up because the growth momentum has to come and we don't want to have any uncertainty when we relax our LTV.
- Nitin Kumar:** Secondly just the disbursement numbers for the used and new CVs for the quarter?
- Company Speaker:** The total disbursement was 6950 Crores out of which new vehicle was 291 Crores.
- Moderator:** The next question is from the line of Anita Rangan from HSBC Asset Management, please go ahead.
- Anita Rangan:** Hi, thanks for taking my question, first thing I wanted to ask was there is reduction in the overall AUM in the off books, basically the securitized book, wanted to understand like what is happening there and the second question was we have seen an increase in the NPAs, so could you

give us some clarity in which are the segments, is it mostly in the CV side or there is something also in the passenger vehicles because passenger vehicles also is a significant portion like 23%?

Umesh Revankar: I will answer the NPL first. Passenger segment and tractor segment NPLs are little lower than the commercial vehicle mainly because these portfolios are younger and growing, so right now we are very much comfortable with portfolios and we believe that since it is a cash and carry activity the NPL in the passenger transportation would be at the lower side all the time and the tractor NPLs also are always under control for us and it is quite steady portfolio for us and the securitization I would request Mr. Parag to answer that.

Parag Sharma: I think it comes down because of the rundown of the portfolio, overall quantum of securitization what we have done for the year is substantially higher compared to what we did in previous year, so there is a jump there and I think because of the seasoning part, the run down is pretty fast in the portfolio.

Anita Rangan: Coming back to the passenger segment what would be like if this is like close to 3.8% in gross NPA, what would be similar number in the passenger segment?

Umesh Revankar: I do not have break up right now, probably I will ask Sanjay to give it.

Moderator: The next question is from the line of Sangam Iyer from Shubhkam Ventures, please go ahead?

Sangam Iyer: As you said in the earlier part of the call that NIMS should begin to improve maybe in the second half of the coming year, do we assume that it has kind of bottomed out from here on and from here on there is an improvement that we are going to see are do we see further reduction before the improvement comes back.

Umesh Revankar: Our effort would be always to improve the NIMS and we cannot really comment straight away on that but if there are not much of uncertainties pressure from the interest rate cost it should either stabilize in the first place, then move up.

Sangam Iyer: Is there any target for NIM that you would give us for FY 2015?

Umesh Revankar: FY 2015 I cannot say but overall management team we would like to focus on 7%, which we always wanted to maintain.

Sangam Iyer: Sir on the NPL front the slippages percentage that we have been seeing do we see that it is kind of bottoming out for now or do we see that in a similar fashion of how the NIMS could improve towards the second half so we might see some more kind of slippages for the next couple of quarters before things actually bottom out?

Umesh Revankar: It is difficult to answer because right now the situation if you look at it looks as if things are much better off and customers seem to be having reasonably good revenue because the vehicles utilization levels have gone up but during the election time in India normally the activity levels

come down that there is some uncertainty on the election time, so we are yet to ascertain the overall impact of election right now and there is another factor which probably could spoil, there is a some chance of is the El Nino factor which can reduce monsoon or total rainfall, so we need to really understand these fact in the first two quarters and then only probably we will be able to give you any number.

Moderator: Thank you. The next question is from the line of Amey Sathe from JM Financial. Please go ahead.

Amey Sathe: Thanks a lot sir. Just one question, can you give us tentative yields on your passenger vehicle, and tractor portfolio as well as duration of the portfolio?

Umesh Revankar: We do not have the breakup right now I think Sanjay would give you, because we need some time to calculate that.

Moderator: Thank you. The next question is from the line of Manisha Paudwal from Taurus Mutual Fund. Please go ahead.

Manisha Paudwal: Good evening sir. Sir I just wanted to understand more about the write off policy this quarter I believe that we have done write-off because of which our provisions are down despite a rise in NPA so I just wanted to understand how do we do write off and like to what extent do we write off?

Company Speaker: See whatever cases comes closure when we issue Form 35 and subsequent to that we do not have hold on that. See NPAs we generally provide based on the RBI subject to minimum being RBI thing and over and above that there is a management estimation and then we make a provision and when it comes to write off once the contract is closed we issue termination papers to the customer at that point of time there is anything outstanding we write off.

Manisha Paudwal: Okay. Basically you mean to say after settlement if anything is pending that you write-off.

Company Speaker: Correct.

Manisha Paudwal: Can you give an idea as to whether this quarter there has been any drive to this kind of sacrifice that you would have made or this has been consistent?

Company Speaker: See last at least a couple of years it has been consistent and if you see our track record also in the provisions and write off the credit cost is 2% on an average around 1.8% to 2.2% on the total AUM that has been the track record of Shriram Transport.

Manisha Paudwal: Okay so this amount of write off if I work backwards this would be 2% of the amount that you would have recovered in the quarter would it work that way the calculation?

Company Speaker: Come again.

- Manisha Paudwal:** The recovery that you would have done in this quarter 2% of that was the write off.
- Company Speaker:** Not really on the AUM I am saying, on the full year.
- Manisha Paudwal:** Okay, another question was sir on the idle capacity that you mentioned in your commentary you said till the idle capacity goes away you do not foresee growth coming, so any idea can you give on how much would be this idle capacity as per you.
- Umesh Revankar:** See when I look at our segment the idle capacity is not really much because most of them are owner driver our customer they always find some job and some activity, but I do understand that some of the fleet operators feel that there is idle capacity because they are not able to utilize their entire fleet. It could be due to the easy availability of owner cum driver running the vehicle or they not wanting to run the vehicle and some people say because of lack of availability of a driver so we are not able to ascertain what is the reason for idling of vehicle by fleet operators, but individual operators I see that they are quite active and they are able to get load all the time.
- Manisha Paudwal:** But any numerical number that you could give for the sector as a whole which could be your assessment of the idle capacity in the system.
- Umesh Revankar:** See normally the way we assess is little differently, we look at the number of days vehicle is running, if the vehicle is running more than 22 days in a month we believe that the vehicle is earning sufficiently and they can repay the loan.
- Manisha Paudwal:** This is both for rural and urban.
- Umesh Revankar:** Yes, you see vehicle is movable asset which will keep moving from one place to another place, if it is little idle in one place it will go to other place where loads are available, so we cannot really differentiate between two and if it is less than 18 days in a month then we can say that the vehicles are idling. So anything beyond 22 it is good but if it is beyond 24 or 25 it is very good where he can think of even replacing his vehicle over the period where the customer thinks of buying a better vehicle than what he is running now.
- Manisha Paudwal:** And your assessment would be as of now the number of vehicles was less than 18 days would be more for fleet owners and not for individual operators.
- Umesh Revankar:** Yes, because, see we are not financing fleet operator but that is the feedback we get, so we are not able to really assess that and our customers are not really feeling idleness.
- Manisha Paudwal:** Sir do you also track for your portfolio of customers what would be the average number of days that they are running in the sense if I can get a comparative as to what was last year's average number of days your customers have run their vehicle and this year or something are quarter-on-quarter.

- Umesh Revankar:** No, we do not collect that data points, based on the talk with the customer or when we go and meet the field people we get this feedback and the idle capacity was little higher on the heavy vehicles which were dependent on industrial goods and that is slowly getting reduced is what I believe.
- Manisha Paudwal:** So these metrics of 22 days for heavy vehicles.
- Umesh Revankar:** No, overall, this is overall for all vehicles, but the idling was little high in the heavy vehicles.
- Manisha Paudwal:** And sir one more question was on the NPA provision. Because of write-off the NPA provision is looking like it has come down now with RBI policy, they have not yet finalized the draft of Usha Thorat but with 90 days almost likely I believe most of them are preparing for it that 90 days NPA norm is almost certain to come how are we preparing our books for that?
- Umesh Revankar:** See first of all we believe that 180 days to 90 days may not come that early or we do not wish to come because our customers will be ultimately affected because of that and our customers are basically small operators where cash flows are always under pressure and uncertainties of various factors also determine his earning so there will be always one or two EMI outstanding in a year. So we believe that the current NPL policy is right way of recognition of NPL of a particular loan and we wish that it continue and we also have made several representation to finance ministry and RBI not to change so when we are always looking at customers interest not to change and not to put undue pressure on the customer we are not really thinking of changing our book, our policy on NPLs at this stage.
- Moderator:** Thank you. The next question is from the line of Jyothi Kumar from Spark Capital. Please go ahead.
- Jyothi Kumar:** Sir just one question, what would be your exposure in Orissa.
- Umesh Revankar:** Our Orissa operation is very small, we have around 16 branches there, but most of our lending in the last three years is for smaller vehicle and passenger and we have virtually withdrawn from lending to mining related vehicles so since we have withdrawn from any related vehicle the overall volume also should be significantly smaller.
- Jyothi Kumar:** What is your assessment of the number of vehicles, which would be plying in let's say Orissa mining belt, any sense?
- Umesh Revankar:** From our portfolio it will be very insignificant it will be the old agreement, which are still continuing otherwise we have not lent anything in the last two years.
- Jyothi Kumar:** I am asking more from the industry point of view.
- Umesh Revankar:** Industry point of view if you ask me see there are tippers and normal vehicles, goods vehicles and there was a ban on goods vehicle carrying iron ore bauxite in-between Orissa, so many of the

vehicles which were operating for transportation they have gone out of the activity, so at present it should be around if you include the vehicle which is on the site it should be between 15000 to 20000; earlier it was around 40,000.

Jyothi Kumar: Okay, this should largely be tipper now.

Company Speaker: Yes, now it will be largely tipper.

Jyothi Kumar: Okay, the other question that I had was how has been the demand for the securitized book are you seeing any pricing pressure coming in or securitization demand was more or less in sync with what you had experienced in earlier years.

Company Speaker: No, securitization demand was intact, we did not find any change though regulations have changed, we were anticipating that most of the buyers will shift to PTCs then they had taxation issues there, whether they can shift back to assignment but more or less most of the buyers who are there with us for several years they have continued buying this year also. So we did not find any decrease in demand.

Jyothi Kumar: But you would have largely securitized or assigned in this quarter, have you done any securitization.

Company Speaker: Around three fourths will be securitized and one fourth will be assigned.

Jyothi Kumar: Lastly the provisions that you have made, if I just look at your quarterly disclosure in your presentation, if I look at last quarter presentation I think your NPA related volume would be close to 280 odd Crores, that has come off this quarter to close to about, I am sorry it was reading as 299 Crores as of Q3 it is now reading as 278 Crores for the same Q3. So I just wanted to understand if you were to do a like-to-like comparison for Q4 numbers also what would be the provision for bad assets be this quarter.

Company Speaker: That figure is not readily available; we can send it through Mr. Sanjay Mundhra.

Moderator: Thank you. The next question is from the line of Jigar Valia from OHM Group. Please go ahead.

Jigar Valia: Sir thanks for the opportunity. Sir I have a follow up on passenger vehicles. Is it possible for you to give an indicator as what was the share of PV at the beginning of the last year-end of FY'13 or end of FY'12?

Umesh Revankar: I do not have the numbers right now but the growth in passenger vehicles have been much higher than the other vehicles that much I can say.

Jigar Valia: Over the past three years how would it have been growing, would it like a 10% have increased to 22%.

- Umesh Revankar:** It has been growing more than our normal growth that is why the passenger vehicle share in the AUM has become substantial.
- Jigar Valia:** Sir second just to understand more in terms of the profiling of the customers as far as PV is concerned are they more like somebody like a fleet operator owning lot of taxis or tourist vehicles or are they smaller individuals with maybe one taxi or I do not know what exactly the profile of that?
- Umesh Revankar:** Most of them are smaller customer only in the sense having one or two vehicles and some of them are like schools because we are financing school busses and the factory running buses, then call center vehicles but all of them are individuals we are not financing fleet operators.
- Jigar Valia:** Sir last question from my side is if you can give some color in terms of LCVs in terms of how do you read into the LCV product in the business cycle as far as LCV is concerned. We understand the cyclical part of MHCV but if you can help understand in terms of any cyclical aspect for LCV.
- Umesh Revankar:** LCV right now is behaving much smoothly because it is a last mile connectivity and consumer demand is reasonably good it has not gone into negative, even though it has come down from around 7% - 8% last year to around 2% or 3% growth over the previous year but since the consumer demand and last mile connectivity is where the LCVs are used and also for agri transportation and agri and essential transportation so overall the LCVs have much lesser idle time all the time than heavy vehicles but to that extent I feel that LCVs are less cyclical.
- Jigar Valia:** Sir if I have to just say club LCV and also include say smaller commercial vehicles put together I understand that onetime there would be a bit of a demand would be because of an increase in the category but what could be the split between the base demand and maybe the onetime it is still increasing in terms of penetration or is it penetrated and now should probably see some cyclical on the non base part of it.
- Umesh Revankar:** I believe there is still a lot of scope on small commercial vehicles to go, even though the growth was very high in the last 5, 6 years in fact for last five years if you look at small commercial...
- Jigar Valia:** Number of vehicles sold in absolute terms is coming of now.
- Umesh Revankar:** It has come off only in the last one year but if you look at the numbers around five years back it was around 100,000 and now it has reached around 400,000 and it has come of a little in this year. So I do not really feel that it has come to a level of slow growth I think the growth should come back again on the LCV because LCVs are the last mile connectivity and it is likely to go off the road also quickly because their life span will be much lower than the heavy vehicle. So there will be a constant replacement because of some of the vehicles going off the road. So sales on LCVs should be higher all the time more than the heavy.

- Jigar Valia:** Perfect sir and would you going ahead would you link LCV sales to MHCV sales in terms of maybe steady state ratio going ahead number of LCVs?
- Umesh Revankar:** If you look at all developed countries it is between 1:4 to 1:6 and in India it was 1:1 for a very long time and now it is moving to 1:1.6 so for 1.6 to 4 there is enough scope for LCV to grow.
- Moderator:** Thank you. The next question is from the line of Aditya Singhania from Enam Holdings. Please go ahead.
- Aditya Singhania:** Thanks. I just wanted to get some commentary from you on the delinquency trends in the buckets before 180 days do you see any stabilization or improvement.
- Umesh Revankar:** It is quite stable I do not see any kind of deterioration in that.
- Aditya Singhania:** You would be talking of 30-day levels, 90-day levels.
- Umesh Revankar:** No, in all buckets I am saying all the buckets looks almost stable; there is nothing to reflect that buckets are jumping very quickly.
- Aditya Singhania:** No, but 180 days are still going up.
- Umesh Revankar:** One increase is there but it is mainly because of denomination factor.
- Aditya Singhania:** Okay, so the earlier buckets are quite stable you are not seeing any increase in those buckets now.
- Umesh Revankar:** Yes.
- Aditya Singhania:** And any signs of improvement?
- Umesh Revankar:** No, improvement could come only little later but right now we feel that there is stability that itself is an improvement.
- Aditya Singhania:** Right I wanted to get some sense. The credit cost of the provisions in this quarter is significantly lower than the last two, three quarters, so is it a lower level of loss that you are incurring per vehicle or is it that you have fewer vehicles going into loss or final settlement category.
- Company Speaker:** See in particular quarter one is the number of cases coming to an end was lower compared to the earlier quarters and two there has been some improvement in the resale value of asset so we have a lost slightly lower amount on the (indiscernible) 50.31.
- Aditya Singhania:** Could you quantify in some way if possible?
- Company Speaker:** We do not have the figures right now, you can just base with Mr. Mundra.

- Aditya Singhania:** So if I could just ask in terms of final loss per vehicle that you are talking about could you give us some rough sense what it is, is it Rs.50000, Rs.75000 or a percentage of the value of the vehicle.
- Company Speaker:** See the per vehicle losses if you take it should be around 10000 to 11000 that have been the average.
- Aditya Singhania:** Rs.10000 to Rs.12000.
- Company Speaker:** Yes.
- Aditya Singhania:** This is as you said when you close the case you will end up losing Rs.10000 to Rs.12000.
- Company Speaker:** Yes.
- Aditya Singhania:** Okay fine I will discuss with Sanjay offline. Thank you.
- Moderator:** Thank you. As there are no further questions, I now hand the floor back to Mr. Umesh Revankar. Over to you sir.
- Umesh Revankar:** Thank you everyone. As I was telling in the earlier part that we are really looking forward for a lot of actions in our economy the new government should really bring in lot of dynamism into overall economy and I believe if they really start implementing the projects which are cleared we have enough work in hand and I really see a strong positive GDP growth in the second half of the year and with that hope we are building our team to really take up that challenge when the growth phase comes and we should be able to really do well in the new financial year. Thank you very much for participating.
- Moderator:** Thank you. On behalf of Shriram Transport that concludes this conference. Thank you for joining us and you may now disconnect your lines.