



## “Shriram Transport Finance Q4 and Full Year Ended 2017-18 Earnings Conference Call”

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Shriram Transport Finance Q4 and Full Year-Ended 2017-2018 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Umesh Revankar – Managing Director and CEO for his opening remarks. Thank you and over to you, sir.

**Umesh Revankar:** Thank you, Raymond. Good evening to everyone in India and good morning to the investors who have joined from US. I hope you have already gone through the investor update which was sent out a little while earlier. Let me first start with brief overview on macro-economic scenario and developments on the ground before I share highlights of our performance.

The IMF has forecast India GDP growth at 7.4 in 2018 and 7.8 in 2019 which makes us the world’s fastest growing economy in 2018 and 2019. Government is injecting fair amount of demand in the economy which is supported by conducive factors such as moderate inflation moment, two good monsoons, pick up in core sector growth, improved investment climate and the capital expenditure by the private players and there is also the initial benefit of structural reforms like GST. Further steady revival in the global economy in 2018 should provide impetus to India’s exports further and we expect job creation and consumption both would improve in our country. The economy is in upward trajectory and expected to do well and corporate earnings also should be rebounding and growing faster in the coming days.

The key variable which I would like to highlight is the monsoon prediction which for 2018 there are two predictions by IMD and Skymet. They have indicated highest probability of normal monsoon once again. That is third consecutive good monsoon and that should boost the Kharif sowing that would start from June and supported by stated MSP for Kharif crop of 1.5 times of cost of production by the government. On the back of 2 good monsoons we believe that rural population would overall improve their economic activity and consumption should go up and that should have a very positive impact on the vehicle demand.

Coming to the CV industry in the last financial year the total commercial vehicle segment has registered a growth of 19.94% on a year-on-year basis. M&HCV has grown by 12.48% yoy and LCV has grown by 25.42% yoy. The industry has bounced back strongly after initial disruption led by a BS-IV and transition into BS-IV and the demonetization, GST, etc. Even though our generally demand was not very strong, but it has picked up and by March the demand was in the full swing. We expect there will be some pre-buying in the next year in 2019 because of BS-VI movement. So, since the government has already talked about the BS-VI I expect by 2019 the demand will, pre-buying will start, and this should help the good resale value for used vehicle to sustain for another 2-3 years.

Apart from that government also has been announcing regularly new projects on the infrastructure especially on the road. New road construction is being announced regularly apart from Bharatmala and Sagarmala which is likely to increase the movement on the road, smooth movement on the road going forward. Last year government has constructed 9,829 and awarded 17,355 kilometers. I also expect a good growth in LCVs apart from heavy vehicles because the growth of e-commerce and the improved last mile connectivity will make LCV demand grow much higher than that for heavy vehicles. In India right now the LCV to heavy vehicle share, if you look at the last year’s sales, it is 40-60, with 60 being LCV. Worldwide it is around 70 in the developed markets. So, I expect LCV sales to be much higher going forward.

The heavy vehicle demand is exceptionally strong in the northern belt. Apart from the advantage of GST and efficiency gain the improvement in the northern belt due to strict enforcement of overloading especially in Uttar Pradesh, Rajasthan, Punjab, Bihar, Jharkhand and Chhattisgarh has created a fresh demand. So, they are not just replacement demand, they are the fresh demand because people have to go for higher tonnage vehicle which are not available in the used segment. So, that has created a big jump in the demand for our branch network in these areas. And generally also the sales are also quite high there and before the BS-VI, I think further, there will be a further demand of the vehicles as BS-VI will increase the vehicle prices up to 5% and customers would definitely think of buying it much earlier.

Rural consumption, most important factor for us is the rural consumption because as I was mentioning bit earlier that 2 good monsoons have created a good economic activity in the rural area. The agri output also has been quite strong and that has created a lot of movement and demand for the used vehicle. The used vehicle demand is across India. It is not a state specific like a heavy vehicle. Even in the West and South also the demand for, from the rural side for vehicles have been very strong, because of the good agri movement and consumption in the rural area. We expect one advantage in rural is, rural normally buys used vehicle and LCV. So, both these segments are very close to us and we expect a good growth potential in the rural branches.

The global fuel price increase which is being passed on to the consumer on regular basis is likely to have some pressure on the margins of transporters. The liquidity challenge and therefore increase in bond yield also would have some pressure and also increase in MCLR by banks will have some pressure on the borrowing cost for us. However, we would be able to passed-on to our customer because most of our customers being in the rural belt and buying used vehicle where we do not expect competitive pressure for us to bring down the yield.

Coming to the results for the quarter, the AUM grew by 21% year-on-year and it has touched 85,306 crores against the 78,760 crores. Net interest income was higher by 28% to 1,807 crores compared to 1,408 crores in the corresponding quarter last year. Net interest margins stood at 7.52 compared to 6.97 in Q4 2017 and 7.48 in Q3 2018. This in spite of lending more into new vehicle in the last quarter we will still could maintain our net interest margin. The PAT stood at 134.60 crores against 149.63 crores in the previous quarter previous year. EPS per share is at 6.37 compared to 6.60 in the Q4 FY17. The Board of Directors have recommended final dividend of 6 per share. Overall the profit stood at 12,568 crores against 12,573 crores. The collection efficiency has remained stable. The GNPA stands at 9.15 and net NPA stands at 2.83.

We had given guidance in the last quarter that our gross NPAs would move anywhere between 120 to 150 basis points. We were able to maintain at around 120 basis point increase and due to lack of clarity on IndAS implementation, we have maintained the same coverage at 90 days as the previous quarter. We felt that we need little more clarity before we are taking any further steps on reducing the coverage and Board also wanted to be convinced and wait for that rather than decreasing the coverage at this time. The total branch count now stands at 12-13 and rural centers stands at 862. There is a total addition of 295 branches in last financial year and we intend to open 200 more branches, this financial year. The total number of employees stand at 23,890.

With this I come to the end of my opening remarks. I have with me Sunder, Parag and Sanjay to answer any specific questions. Now I request the moderator to open the floor for Q&A.

- Moderator:** Thank you very much. We will now begin the question and answer session. We have the first question from the line of Ayushi Mohta from CD Equisearch. Please go ahead.
- Ayushi Mohta:** Sir, why have your employee benefit expenses increase year-on-year by 62%?
- Umesh Revankar:** See, number of employee count has increased from last year to compare with last year at the same time we had 18,885 employees. Now it is 23,819 but what is important is overall cost to income ratio which we have maintain or rather improved in spite of increase in employees.
- Ayushi Mohta:** And sir what kind of loan book growth do you see?
- Umesh Revankar:** We expect around 18% AUM growth this financial year.
- Ayushi Mohta:** And sir can you please share the disbursements figure?
- Umesh Revankar:** It is for the quarter 15,000 crores and break up of new and used is 2,464 in new and 11,967 in used and 690 crores in business loans.
- Ayushi Mohta:** And sir, why has the other income increased so much?
- Umesh Revankar:** That is profit on sale of stake in Automall.
- Ayushi Mohta:** But sir that is mentioned in exceptional item, right separately?
- S. Sunder:** You are referring to the investor release that we have released, or you are talking from the stock exchange release, which one you are referring to?
- Ayushi Mohta:** No sir the result which has come out, the PL statement. So, the other income is 6,034?
- S. Sunder:** That amount consists of primarily the insurance commission that we get as a corporate agent. So, that has been classified as other income.
- Ayushi Mohta:** So, has there been any reclassification because in the last quarter it was just 1.2 crores?
- S. Sunder:** Yes, there has been reclassification.
- Moderator:** Thank you. The next question is from the line of Shiv Kumar from Unifi Capital. Please go ahead.
- Shiv Kumar:** Sir, my question is regarding the GNPA accretion. We see that the accretion has been from around 6,046 crores to 7,376 crores in this quarter almost about 1,330 crores. So, what amount solely due to the transition from 120 to 90 days, out of these 1,330 crores?
- Sanjay Mundra:** See, if we look at the slippages apart from the transition was roughly at around 195 crores and the remaining was the transition from 120 to 90 days.
- Shiv Kumar:** So, we can assume that about 1,100 crores is solely due to the transition, right sir? The rise is due to usual slippages.
- Sanjay Mundra:** Right.

- Shiv Kumar:** And can you share more light on this IndAS transition which is pegging you at 71% coverage and would this continue even in FY19, the 70% provision coverage?
- S. Sunder:** See, we have done an assessment as such for the year ended 31<sup>st</sup> March 2017. The numbers we will not be able to share with you at present but the GAAP at that time was slightly on the higher side. But now since we have moved to 90 days provisioning as in the current Indian GAAP. So, the difference between the amount required as per IndAS and the current coverage that we are holding will more or less be bridged but that working we have still not done and we are also awaiting some clarification from the Reserve Bank whether we are required to move into IndAS regime from 1<sup>st</sup> of April 2018 or similar to the bank whether RBI will give a dispensation of one year. So, the clarity is not there with us and hence we thought it appropriate to just continue with the existing coverage of 71 which will be more or less near to the IndAS requirement.
- Shiv Kumar:** Sir, in case the IndAS roll out has been postponed which is the case with the bank, so where would you actually be comfortable in terms of provision coverage?
- Umesh Revankar:** No, see we have to discuss with the Board and take a call. So, we will not be able to comment right now on the same.
- Moderator:** Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.
- Manish Ostwal:** My question on the credit cost for FY19 now the way you said the used demand across India is very strong used vehicle demand across India is very strong and expect good growth potential in FY19. So, given that what kind of credit cost we can expect for the FY19 for Shriram Transport?
- Umesh Revankar:** We should be able to reduce our credit cost significantly in this financial year. We expect it to be around 2.5 to 2.6 levels.
- Manish Ostwal:** Secondly sir, this year our total growth will look at on a full year basis our total growth of 37% in new vehicle segment and 16.7% in used vehicle segment. So, going ahead the growth in the, although the base seems very high of used vehicle you all know that but what kind of mix should be there in terms of growth in FY19. Its material change, do you see any material change or the mix more or less will be stable?
- Umesh Revankar:** See, we would not to be really pursuing big growth in the new vehicles because that is not our strategy. Our strategy is to grow in the used vehicle. So, predominantly we will try to grow in used vehicles but if there is a good demand from our existing customer we would continue to grow in new vehicle. So, we would like to maintain the ratio at the present level may be around 15% to 85% level, so that the overall margins are maintained.
- Manish Ostwal:** And last question, the cost of funds since the interest rates and markets are rising so how do you see the re-pricing, and do you see the impact of near term on margins or spreads?
- Umesh Revankar:** We definitely expect the borrowing cost to go up may be around 30 to 50 basis point in between, so we are not sure because it depends upon liquidity. So, if you remember the liquidity was little tight in the early March then March yield went up then by the end of March then the Bond yield came down. So, it is highly fluctuating every month. So, overall, we expect 30 to 50 basis point and with this level we will be able to pass it on to our customer

especially in the rural area and used vehicle segment. So, this segment is where we are very comfortable, and we should be able to pass it on and where with the competitive pressures also is much lower. So, we should not have any pressure on overall net interest margin in this next financial year.

- Manish Ostwal:** Last sir, any equity CAPEX raise plan in FY19 that is it, thank you.
- Umesh Revankar:** We are looking at the possibility. We are discussing, we would be discussing with our Board – the Shriram Capital Board and also our Board and take a call at an appropriate time.
- Moderator:** Thank you. Next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.
- Karthik Chellappa:** My first question is of the total AUM what would be our exposure to the taxi or cab aggregators and what would be the NPL ratio of that particular asset class?
- Umesh Revankar:** See, from overall AUM perspective it will be very small. I think it will be less than 3%. But that portfolio is doing quite well for us because what has happened is we focused on financing used vehicle we never focused on financing new vehicle. In the cab aggregator model, the cab which is priced between 300,000 to 400,000 where the loan is 2,00,000 to 2,50,000. They can repay the loan very comfortably because installment is between 12,000 and 13,000. But new vehicle if you take, if you take cab 800,000 to 10,00,000 then the repayment is little challenging. So, our portfolio has behaved very well because we have focused on used. We also have done some new but on a smaller ticket vehicle like lower side of the, what is called basic model of the car we are not financing higher range of the vehicle. So, our portfolio we do not have separate analysis but it is behaving quite well because we just go by the repossession pressure. We do not have any repossession pressure on our exposure to aggregator vehicles.
- Karthik Chellappa:** So, the NPL ratio is also not very different from the overall?
- Umesh Revankar:** Yes, not very different from and all our cab owners are owner operators. They are not hiring drivers to run their vehicle.
- Karthik Chellappa:** And sir if generally if you look at the CV related financing NBFC they are reporting very strong numbers and your guidance also seems to be quite strong. So, at the margins whether in used or in new at the margins, do you expect any pricing pressure?
- Umesh Revankar:** Pricing pressure there could be some pressure on new vehicles which where we are not competing at all. One thing we have been very clear that we will not compete for getting market share in new vehicle financing. So, we will not come under any pricing pressure. If pressure is built, we will get out of the market because we believe that margins are very important in vehicle financing business and we stick to our overall margins.
- Karthik Chellappa:** And sir, lastly you had indicated that the AUM growth that you are expecting FY19 is around 15% plus, right?
- Umesh Revankar:** No, last time was 15% but this time we are talking about 18% because there is a good forecast on monsoon we feel that rural demand will be good. So with that in mind we are guiding 18%.
- Karthik Chellappa:** Now if you take that 18% to 20%-odd and if you look at our own ROE which is slightly below that and if I look at our Tier-1 specifically which is at 14.2% although you indicated that you

have to go to the Board and discuss it with the Board as well. Looking at the growth trajectory and the momentum that is there in the sector right now, is it fair to say that capital raising is likely to happen sooner rather than later compare to say what we thought about 6 months or 9 month ago?

**Umesh Revankar:** Yes, if you are growing beyond 20% then we may have to go a little earlier and if we are between 15% to 18% then probably are not so earlier. So we will take a call in another 2-3 months on timing of the further equity raise.

**Moderator:** Thank you. Next question is from Ankit Choudhary from Equirus Securities. Please go ahead.

**Ankit Choudhary:** My first question was on this equipment finance business. So, there has been a de-growth in the AUMs so what is the outlook on that?

**Umesh Revankar:** That is around Rs. 516 crores is the AUM on that and that particular book we have kept separately and we have fully provided. So the collection is still happening, so we expect further collection in the next financial year.

**Ankit Choudhary:** So are not we looking to grow this book going ahead?

**Umesh Revankar:** See we are growing construction equipment portfolio separately at the branch level. This old portfolio we are keeping separately but at a branch level we are growing it. We are clubbing it with the heavy vehicle and we are only financing those equipments which has a good resale value like backhoe loaders and then the tippers. We are predominantly financing these kind of assets which are easily marketable and sold and we are also focused more on or used, and we are not really focusing on new. So that ticket size is small, and they are not getting into a problem.

**Ankit Chodhary:** My second question was on the NIMs. So NIMs have remained stable during the quarter despite there has been an increase in the deliberated cost of fund and even the new share has a bit increased in the AUM pie. So, is it due to we are getting deeper into the rural areas is that how we have been able to maintain the NIMs?

**Umesh Revankar:** Yes, that is correct. We are getting more into deeper rural area and there our spreads are better, and we should be able to maintain it in the next financial year also.

**Ankit Chodhary:** So, the difference between basically the yields in the urban and rural areas how much will be the difference basis points?

**Umesh Revankar:** It depends, what happens is in South rural the difference may not be big, may be around 200 basis point. But if you go to Northeast, East and, etc., there the difference will be much higher. Because the penetration of financing in those areas are much low and still dominated by private players. So there we are able to get a better margin, which varies from geography to geography.

**Ankit Chodhary:** And the last question will be on these liabilities. So what part of the liability will be coming up for the repricing in FY19?

**Umesh Revankar:** Around 25% will come for a repricing.

**Ankit Chodhary:** And what will be the incremental cost of fund on that?

- Umesh Revankar:** It should be overall 9%.
- Parag Sharma:** Incremental cost of fund should be for the bonds we are at around 8.5% and bank borrowing is close to again they are moving up at around 8.5% only but this is as of now. How the rates move up has to be seen. We are projecting around 25 to 30 basis point increase in cost of funds. That should be in line with whatever MCLR movement or bond yield movement is likely to happen.
- Ankit Chodhary:** So this 25% which should be coming up for refinancing, what is the current rate on them?
- Parag Sharma:** These are the borrowings which was done 2 years back not recently done and the price for those bonds or bank loans will be in the same range.
- Parag Sharma:** Like 8.5% types?
- Umesh Revankar:** Correct.
- Moderator:** Thank you. The next question is from the line of Ronak Jain from Vibrant Securities. Please go ahead.
- Ronak Jain:** Sir, I had just one question, so like the banks are able to report a restructured book, do the NBFCs have the leeway of like restructuring the loan and not reporting in as an NPA?
- S. Sunder:** No, we do not have that. Suppose if we are restructuring we are required to report and carry a provision on that.
- Ronak Jain:** So, how much is the provision?
- S. Sunder:** See that we maintain on that book also 70% coverage.
- Ronak Jain:** So it is company specific right or it is a norm?
- S. Sunder:** No, we are mainly into retail lending and hence there is no big-ticket exposure to corporates and the quantum that we are talking about is around 200 crores in the full year.
- Ronak Jain:** And sir, can you repeat the 200 crores is your actual restructured book.
- S. Sunder:** Book in this entire as on 31<sup>st</sup> March.
- Ronak Jain:** Do we report it in our annual report or something?
- S. Sunder:** Yes, we report it and that what I was telling we also required to report in the annual financials and it will be forming part of the annual report.
- Ronak Jain:** And so like also are there any divergences? So do we have the RBI audit also for the full year like the banks are?
- S. Sunder:** Yes, for March 31<sup>st</sup>, 2017, RBI inspection was conducted between October 21<sup>st</sup> and November 20<sup>th</sup> and there has not been a single instance of any divergence.

- Moderator:** Thank you. Next question is from Nishant Shah from Macquarie. Please go ahead.
- Nishant Shah:** I just need one data point could you help me with the 120 days DPD for 4Q? So this was 60.4 billion in 3Q 18. What would have been the number for 4Q 18 on 120 DPD?
- Sanjay Mundra:** See we do not have the actual number right now but the percentage was 7.95% against 7.98%.
- Nishant Shah:** 7.95% so broadly very similar to the number.
- Sanjay Mundra:** Yes.
- Nishant Shah:** If I may ask, like you seen some pure NBFCs report some very dramatic improvement in asset quality in the last couple of quarters. When should that come through for Shriram as well?
- Sanjay Mundra:** I think from the first or second quarter you will start witnessing that but I can tell you 180 days NPA has come down significantly lower, so it has come down by 70-80 basis point.
- Nishant Shah:** And just like one quick comment like one quick query on this proposed equity raise. Any guidelines or any indications that you would like to give about how many years of growth worth of capital would you like to take away if and when you do the QIP?
- Umesh Revankar:** See we have not decided on anything because we have very strong partners in Shriram Capital. So we need to discuss with partners also because if the partners would like to invest and accordingly we will plan. So we have not structured anything now but as and when we decide it be a very long term.
- Moderator:** Thank you. The next question is from the line of Darpin Shah from HDFC Securities. Please go ahead.
- Darpin Shah:** Sir, in the disbursement amount you mention something of Rs. 600 crores in business loans, did I hear it right?
- Umesh Revankar:** Rs. 690 crores in business loan, yes last quarter.
- Darpin Shah:** So, sir if you can just throw some more light on what these business loans are and how much is the yields and other details?
- Umesh Revankar:** See this business loans which we started around 2 years back after one-year pilot we started and what we find is that many of our customers will have other businesses also. So we wanted to identify those businesses and start lending to them. Anything on the ecosystem of the logistics like warehousing, petrol pump, workshop then some of the businesses like crusher for the bricks where they have already taken loan from us and they are our customers for maybe 10 years, any of their business requirements we wanted to assess and give a loan. So we started as a pilot and last 2 years we have been lending it. Predominantly, we started it from the South, Tamil Nadu then slowly we are now increasing it in Karnataka and Andhra Pradesh. So our experience has been very good. Most of this people have been borrowing outside from the local money lender. So they were able to replace that the money lenders loan with our loan. So the experience has been good we have built a portfolio of around Rs. 2,600 crores as of now and would like to restrict it to around 5% of our AUM.

- Darpin Shah:** And sir some details on yields?
- Umesh Revankar:** Yields are right now between 16% to 17% but as we increase the volume then it can come down a little. But right now, it is on bulk trucks level only.
- Darpin Shah:** And sir just one thing, this will be the secured kind of loans?
- Umesh Revankar:** These all secured only because anything above 5 lakhs we will take property papers either on the mortgage or on a simple mortgage basis.
- Darpin Shah:** What will be the average ticket size in this which you have done till now?
- Umesh Revankar:** It is around Rs. 12 lakhs now for the total book.
- Moderator:** Thank you. The next question is from Sangeeta Puroshottam from Cogito Ergo Advisors. Please go ahead.
- Sangeeta Puroshottam:** You mentioned earlier that the credit cost you expect for FY19 is likely to be about 2.5% to 2.6%. But say now in the earlier cycle what has the credit cost bottom-out at or rather what has been the minimum credit cost that has been achieved when the cycle was on an upturn that is number one. And the second question was that how do you see your return on assets moving over the next couple of years?
- Umesh Revankar:** Best of period it was around 2% the credit cost and we hope that we reach that situation maybe in two years. This year we are able to progress then subsequent improvement is possible. ROA level we would be aiming for 2.5% to 2.6% level we should be able to reach.
- Sangeet Puroshottam:** So would that be like the peak ROA?
- Umesh Revankar:** Not peak, in this financial year I am talking about.
- Sangeet Puroshottam:** So this financial year?
- Umesh Revankar:** Yes.
- Moderator:** Thank you. Next question is from Megha Shah from Future Generali. Please go ahead.
- Megha Shah:** I just wanted to know what the income reversal on account of the transition was and what was the provisioning done on account of that?
- S. Sunder:** It is Rs. 27 crores in the current quarter.
- Megha Shah:** That is the income reversal is it?
- S. Sunder:** Yes.
- Megha Shah:** And what about the provisions which is done on account of transition?
- S. Sunder:** Rs. 721 crores.

- Moderator:** Thank you. Next question is from Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** Sir, what was your write-off for 4Q 18 and full year Fiscal '18 sir, the write-off number?
- S. Sunder:** It was Rs. 380 crores for the current quarter and for the full year it was Rs. 1,475 crores.
- Saurabh Kumar:** And just on this provision coverage at 70% even at 90 day we used to have 70% even at 180 so does this reflect new credit cost assumption at Shriram?
- S. Sunder:** No, at 180 days we used to maintain in excess of 80% and we had gradually brought it down to 70% level when we moved to 120 and as we informed earlier that we are continuing to maintain because of transition to IndAS should happen in the current quarter but still we are awaiting the clarification from the Reserve Bank of India and hence it is prudent that we stick to the 70% level and then revisit once IndAS is implemented.
- Saurabh Kumar:** But that expectation that loss given default is about 30%-35% still remain or?
- S. Sunder:** See as of now that figure we will not be able to disclose in the public forum because we are not really debated at the Board level. So the requirement will be more or less near this 67% to 70% level.
- Moderator:** Thank you. Next question is from Alpesh Mehta from Motilal Oswal. Please go ahead.
- Alpesh Mehta:** So just one question can you break up the write-off related provisioning into the actual write-off and the loss on the repossessed vehicles and secondly as far as the recovery is concerned are you experiencing any change into the resale value of the vehicles that you are repurchasing, thank you.
- Umesh Revankar:** Resale values are firm now, we do not really see a big drop in that. So resale value is also improving and since we are moving into Euro-VI or BS-VI in 2020, I expect resale value to remain very firm. So in fact, resale value has improved all segment of the vehicle. Earlier it was good in only few segments but now across all vehicle especially commercial vehicle not in passenger vehicle, it is good.
- Alpesh Mehta:** And the breakup between the actual write-offs and the loss on repurchase price.
- S. Sunder:** See we do not have it right now and in fact we do not really track that number but okay we will come back to you or you can be in touch with Sanjay he will be able to help you.
- Alpesh Mehta:** And just the last question, over the last 2-3 years how has been the loss given default would have change? I am not looking at the actual numbers but may be 5%-7% something, if you can give some qualitative comment on that front?
- S. Sunder:** For this also I would suggest that you contact Sanjay only, he will be able to help you.
- Moderator:** Thank you. The next question is from Harsh Shah from Canara Bank. Please go ahead.
- Harsh Shah:** Sir, I would like to know would there be any material impact of Goa mining ban on slippages in coming quarters?

**Umesh Revankar:** Goa mining we withdrew our self from Goa, I think 10 years back. We have not entered that market again.

**Moderator:** Thank you. The next question is from Prakhar Sharma from CLSA. Please go ahead.

**Prakhar Sharma:** My question is just going back to the rural urban mix. I am trying to understand that whereas the blended AUM growth is upwards of 20%. The growth in the urban market which is almost two thirds of the AUMs that you are running today is running just at 10%-11%. Whereas, the rural market is growing 49%. Obviously, I understand you are doing a lot of initiatives, but this is interesting situation that 30% of your business is striving 60% of incremental growth. Just trying to understand what is the comfort that you are getting especially because in the past we have seen rural market get a lot of demand around election time. But sometimes collections tend to be sort of risk if political interventions increase.

**Umesh Revankar:** See, one thing is rural market is for us has been quite good and we have been in the rural market for quite a long time. What we will do is we were covering it from the city-based branches. We were travelling 1,500 kilometers into rural area and lending and today we are locating in the rural area so that we can cover it better. And earlier we were doing only truck financing then we have developed an expertise into passenger vehicle, tractor, construction equipment's, etc., so that we have now all asset classes which has good demand in the rural areas. So, today rural branches are viable for us. It was not viable maybe around 10 years back. That is why we went into rural and we never faced any challenge because of any political event on the rural area because even when we financed a tractor, the tractor is used for a business purpose. That is a transportation or on hiring basis. It is not for agri. If only when you give agri loan based on crop and there is a crop failure, then there is a pressure. But we do not lend on any crop, we just lend on vehicle or tractor. So, we never underwent any pressure over so many years having lent to rural. Today we are getting into rural and classifying ourselves separately because we are opening a branch there. Otherwise we would have service it from the nearby city. So, I feel the used vehicle demand is more in rural and therefore the margins spreads are better and also the ticket being smaller ticket risk per se is lower because his ability to earn and repay is much better and even if he is not able to repay, if we repossess we are fully covered. That is how, so we do not have any surprises in rural and any of the political event has not impacted us till now. And I do not think it will have any impact in individuals.

**Moderator:** Thank you. That was the last question. As there are no further questions, I would like to hand the conference back to the management for closing comments.

**Umesh Revankar:** Thank you. As I stated earlier in our conversation that all the events and the overall environment in India is being very positive and the demand for credit coming from all the part of the country especially in the rural markets. We should be able to continue to grow and as I mentioned earlier we will be adding 200 branches mostly in the rural area and we are able to grow well. And monsoon being predicted normal, we expect normalcy in our recovery and we truly believe that our gross NPLs would come down and credit cost would come down going forward. So, we expect busy first quarter and probably by the time we come to second quarter next call, we would be able to talk about the rain spreads and the rest of the year. Thank you very much.

**Moderator:** Thank you. On behalf of Shriram Transport Finance, that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.