



“Shriram Transport Finance Company Limited  
Q2 FY17-18 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Shriram Transport Finance Q2 FY '18 Earnings 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. Good evening to everyone in India, and good morning to the investors who have joined from U. S. I hope you had enough time to go through the investor update that has been sent to you. Initially, I will just provide a brief overview of macroeconomic scenario and developments on the ground before I share highlights of our performance.

The first half of fiscal 2018 has witnessed the implementation of GST and also the recovery from impact of demonetization announced in November last year. These 2 major structural changes are expected to provide gradual benefit to long-term growth trajectory for the country. However, during implementation period, there was naturally some impact. And as a result, you have seen and read in the newspaper that GDP growth for the April-June quarter came down to 5.7%. And this caused leading forecasters such as IMF, ADB and all to reduce their forecast of GDP for the year '18 by 50 basis points.

After a very strong start of monsoon in this year, the June-July being strong, but August-September, it tapered down. However, overall monsoon was just 5% below the normal. And kharif output also was just 2.8% below the last year. And last year, I would like to remind you that we had a bumper crop. That means, we had 2 years year-on-year bumper crop and that makes the rural economy looks very bright. And because of that good crop, we expect the inflation to remain under control.

We also expect very positive impact on the real estate because of the good economic conditions in the rural area and suburban area. We expect the extra income will translate into real estate demand and the housing sector, especially small housing, we should witness much better demand. And the government initiative of supporting and subsidizing interest also should help a lot.

Government also has announced a lot of investment in the infrastructure especially the recently announced Bharatmala project with 83,000 kilometers getting upgraded and the earlier Sagarmala project, together nearly 2 lakh crore being invested on the road infrastructure should boost the economic activity and the employment generated in the infrastructure.

The vehicle sales in the second quarter were quite robust. Because of the GST, there was a little lesser sales in the first quarter. But in the second quarter, it has moved up. And overall, we have witnessed for the first half of the year a 6% increase vis-à-vis 9% decline over the

previous year in the first quarter. The growth in LCVs was around 20% year-on-year, but the HCV was flat year-on-year. But the second quarter HCV demand was quite high. It grew by around 10% to 12% mainly because the first quarter supply of vehicles were not there because of BS-III, BS-IV and also GST issue pricing was not known. So pent-up demand was there and that got reflected in the second quarter.

We expect because of this infrastructure initiative and rural demand, there will be better demand for the haulage category of trucks and also to tippers. And we expect that to continue for next 1 to 2 years because as the infrastructure projects get implemented, there will be lot of requirement for this kind of a vehicle, construction-related vehicle and machinery.

The GST implementation had some impact in the initial period, especially in the first month of the implementation. The entire value chain got disrupted to some extent where the manufacturing and the transportation. But by September, everything looked to be normal. And all of our vehicles, what we have observed is they are on the move; very few vehicles were idle. So that reflects that there is enough movement in the economy and demand.

Now I will come to the results of this quarter. The AUM grew by 13.46 year-on-year. It has moved to 85,462 crores against 75,322 crores. The net interest income increased by 20.65% to 1,632 crores from 1,352 crores. Net interest margin stood at 7.48% against the 7.14% last year and 7.51% during the previous quarter.

PAT increased by 23.59% year-on-year, 479 crores against 387 crores. EPS per share was at 21.11 compared to 17.08 previous year. The Board of Directors has recommended an interim dividend of 5 per share against 4 last year. The AUM growth is on strong footing due to increased volume of higher-tonnage vehicle and shift towards BS-IV and the long-term road map for BS-VI. And because of that, I believe the resale values of newer vehicles and used vehicles will remain very strong and giving boost to the used vehicle financing demand. And ticket size is likely to remain very high in used vehicle also.

The net interest margins are likely to be sustained at the present level as we are going for higher ticket lending and also newer vehicle demand. There will be some pressure on the lending rates. So whatever gain we get out of borrowing cost advantage, some will be passed on to the acquiring or lending and further growth. And therefore, the net interest margins are likely to remain at this level or maybe a marginal increase over the next 2 quarters.

GNPA was at 8.06% against 8.03% in the previous quarter. And I would like to add that we have moved from 150 days to 120 days in the first quarter. So Q-on-Q, there's not much of difference, but year-on-year there was increase. As we move towards 90 days by the March, that will be the last leg of the movement from 180 to 90. After that, we should be able to show some kind of improvement on our NPLs. Till then, there will be some fluctuations.

And with this, I end my opening remarks and I have with me Mr. Sunder, Mr. Parag Sharma and Sanjay Mundra to answer specific questions.

**Moderator:** Sure. Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Ayush Chadda from Ocean Dial. Please go ahead.

**Ayush Chadda:** I've got basically 2 questions. One, when you move towards your 90-day DPD recognition norms, what do you think is the additional provisioning that you will need this year to move there? Traditionally, in the last quarter, you've had a much higher provisioning because of the transition. Is that expected to continue? Or would the impact be lower this year? The second question is that were you to look at a constant definition of NPAs, take 180-day as a benchmark, how would NPAs have behaved in the last 3, 4 months? Holding the definition constant is the proportion of NPAs coming down or is it still elevated?

**Umesh Revankar:** Yes. See, when we move to 90 days, our gross NPLs are likely to be 1% to 1.5% higher. So as we move towards March, the last quarter, it should be around 9.5%. And as far as coverage ratio is concerned, we'll take a call then. We are right now at 71% this quarter. And very conservatively, we have maintained at 70%. And when we move to 90 days, then we will look at the economic condition prevailing at that time. And probably, we'll reduce depending upon what our directors suggest.

**Ayush Chadda:** Sure, sir. That helps. The second question was if we held the definition of NPAs constant, say at 180 days, how would the NPA levels have behaved over the last a year-year and a half? I mean, are they coming down as a proportion of assets?

**Umesh Revankar:** See, at 180 days, if you go back and see, it should be around 3.5% to 4%. We also have to understand that last 1 year, there have been other roadblocks. Roadblocks means, challenges like demonetization and GST to handle. So therefore, we are struggling to reduce it below 8%. But once we go into 90 days and next year, when we benchmark and see, we would be able to reduce the NPLs is what we feel confidently because it's ultimately customer behavior. Because we have been acquiring customer who are individual truck operators and their earning is fungible towards their own requirement or livelihood. So therefore, 1 or 2 installment getting outstanding every year is something which we have observed over the period. And since we do not want to change our customers, our customers will remain same and we are going to acquire more customers. So overall NPL levels will remain at this level only, but we will be able to influence their behavior and be more disciplined and try to reduce it. And most of these people are just delaying the payment but not exactly stopping the payment or not paying. We have to understand the difference between delay and the not paying.

- Ayush Chadda:** Fair enough. I appreciate that. So currently your credit costs are around about 2.8% on an annualized basis. Do you see this coming down without taking into account any changes in NPA definitions?
- Umesh Revankar:** Right now, it will remain at this level this year. But next year, we expect it to come down, maybe by 50 basis points, that we are hopeful of reducing it in the next year because we would have already moved into 90 days and we are at steady level.
- Ayush Chadda:** So I mean, this 2.8% is taking into account the change to 90 days for the year?
- Sanjay Mundra:** This is on 120 days basis.
- Ayush Chadda:** This is on 120-days basis, even without the 90-day transition?
- Parag Sharma:** Yes.
- Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from Motilal Oswal Securities. Please go ahead.
- Shubhranshu Mishra:** Just wanted to check what are the quantum of borrowing which would be coming up for repricing in the second half, sir?
- Umesh Revankar:** Around 15% of the liability will fall due in the second half of the year.
- Shubhranshu Mishra:** Right. So how do we look at the cost of funds for this, say, the next 6 months or 1 year?
- Parag Sharma:** The cost of funds will come down by around 10 to 15 basis points.
- Shubhranshu Mishra:** Sure, sir. That helps. The second thing, how do we look at the OpEx growth inclusive of, I mean, if you can give OpEx growth as well as the employee expenses growth for this particular year as well as FY '19, if you can give a ballpark number, sir?
- Umesh Revankar:** This year, there'll not be much change. Because see, what happened is we have added lot of manpower in the last 6 months. And most of them are in the training period without much of the productivity. So their productivity will go up in the next year. But at the same time, this year, the variable component is not being paid. The cost is not likely to go up substantially, it should remain at present level. And maybe from next year, as the productivity goes up, then even if we are paying higher variable incentive or component, then also we should be able to maintain our cost-to-income ratio less than 22%.
- Shubhranshu Mishra:** Right. Sure, sir. And so which would imply that your income growth is going to lead your cost growth. Is that correct?

- Parag Sharma:** Yes.
- Moderator:** Thank you. The next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.
- Karthik Chellappa:** You had earlier remarked that you expect NIMs to remain stable. So whatever saving and funding cost you will actually pass it on, is that a factor of competition? Or is there any other reason why you have chosen to pass on those savings?
- Umesh Revankar:** There are 2 things. Competition, I don't see really much in our segment. The individual operators normally, they tend to be with NBFCs and tend to be loyal to the company from where they have been borrowing. But as we go towards higher-ticket lending, the expectation that we have to reduce our interest rate goes up. So we need to manage expectation of the customer also. So higher the ticket size, the lending rate will be lesser mainly to see that business is viable. Competition will be there only in the new vehicle segment where customers are likely to be wooed at the dealer point. There, some competition would be there. And our new vehicle component, lending component also is going up slowly, mainly because our customers are seeing better scope and opportunity and buying new vehicle and also latest vehicle, which are more fuel efficient. So there are combination of both. One is managing customer expectation and one is competition, but competition, we are not really bothered. We are more working towards managing customer expectation.
- Karthik Chellappa:** Got it. And sir, on the OpEx, you said that a lot of the new employees are still in training, so the variable component is not there. But if I were to look at second quarter, where our employee base is now 22,000 plus, there has been at least an additional 2,000 employees, which have been hired during this quarter, but the employee expenses on a quarter-to-quarter basis is still flat at about, let's say 164 crore. How should we think of this? Is there like a matching involved so the cost will catch up in third and fourth quarter?
- S. Sunder:** As Mr. Revankar was telling you earlier, most of the additions have happened in the last couple of quarters only. And the variable component, they are not eligible for it in the first 6 to 9 months. Then they are brought into the scheme of incentives. And going forward, in the next couple of quarters, you may see a slight spike in the employee cost.
- Karthik Chellappa:** Got it, okay. And sir, my last question is on the merger. Of course, both the Shriram Group and IDFC Group have made announcements to the effect that it has been called off. But if I go by Mr. Thyagarajan's statements in the media, various media, the indication seems to be that there's no timeline for the merger and such a merger is very complex that a lot of issues need to be ironed out etc. So how should we think about or interpret those statements? Does it mean that the deal can actually come back in, let's say, a different form at some point in time later? How should we think about those?

- Umesh Revankar:** That's what he's indicated by his talk. But what we would like to do is we would like to focus on our business. And right now, as far as STFC is concerned, it will remain independent and it will do its business. So we have no impact on merger or no merger as far as business is concerned. But the pursuing whether we need to talk to them or keeping it open is something which we are discussing. As it is, we would like to keep things open so that if there is any synergy we find and if at all we can work out some rationale, then we can still talk. So what our founder was trying to say is that we don't close anything or terminate anything. We'll just keep it open. That's all.
- Karthik Chellappa:** So no change to our targets, business plans etc. whether it is merger or no merger?
- Umesh Revankar:** Yes. You're right.
- Moderator:** The next question is from the line of Shreya Ganatra from Subhkam Ventures.
- Shreya Ganatra:** I wanted to know like last quarter, you had mentioned AUM growth approximately that would be around 15%, considering the GDP uptake and outlook on this CD as the management mentioned. Are we revising our grow target more than 15%? Or we'll stick to that 15% target of AUM?
- Umesh Revankar:** We'll stick to 15%.
- Shreya Ganatra:** 15%. And on the securitization part, sir?
- Umesh Revankar:** Securitization part, there are some good development. We had nonpriority pool being securitized. So the overall securitization has gone up in the last quarter. We expect similar demand to be there in the next 2 quarters because mutual funds are having lot of funds with them. So probably, we may get more opportunity to securitize both on priority sector by bank and nonpriority by mutual fund.
- Shreya Ganatra:** And sir for FY '19, could you share your outlook? Currently, we're having 15% growth for FY '18. Considering the pick-up in the GDP and everything, would you like to share for FY '19 what would be the growth drivers?
- Umesh Revankar:** See, depending upon the government announcement of investment in infrastructure and focus on the rural and present monsoon, I expect a minimum growth of 15% next year. So when I say minimum 15%, it can be little above 15%. But depending upon the present announcement and the forecast, 15% is something which is possible next year.
- Moderator:** Thank you. The next question is from the line of Pranav Gupta from HDFC Securities. Please go ahead.

- Pranav Gupta:** Sir, I just wanted to know if you foresee any NIM pressure going to be increasing, or the share of new vehicles financing or not?
- Umesh Revankar:** See, we have factored that. When we said we are going to maintain the NIM, we have factored growth in new vehicle.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital.
- Deepak Poddar:** Sir, just one question on the ROA front. We were of the view that once we cross the 90 days hurdle, we might be targeting around 2.5% kind of ROA maybe over next 2, 3 years by maybe FY '20. So any thoughts on that?
- Umesh Revankar:** Yes. We should be able to maintain at 2.5%. That is our target. And the minimum level of 2.5% is something which we are focusing on.
- Deepak Poddar:** By '20?
- Umesh Revankar:** No. From '19.
- Moderator:** Thank you. We have the next question from the line of Nidhesh Jain from Investec. Please go ahead.
- Nidhesh Jain:** In your AUM breakup, the component of others, you gave the breakup in terms of new CV, old CV and others. What exactly others in the AUM breakup?
- Sanjay Mundra:** See, if we look at, we have been lending into some kind of working capital, some kind of business loan, tyre loan and bill challan discounting etc. So we have clumped together in others. So that's not mentioned in the new vehicle and the used commercial vehicle. So we have rearranged the entire thing.
- Nidhesh Jain:** Because in the last quarter, the other component was very small in whatever was disclosed.
- Sanjay Mundra:** No. But if we look at the current presentation, we have regrouped the last quarter also.
- Moderator:** Thank you. The next question is from the line of Mahir Gada from CRISIL. Please go ahead.
- Mahir Gada:** I had a couple of questions. So on the AUM growth, you mentioned around 15%. Just wanted to understand from you from which segment do you foresee this growth coming from in terms of M&HCV, LCV. And the long-term fundamental structural impacts of GST as well as financialization of the economy where cash usage is slightly coming down. So what kind of effect these will have on your business? And how do you see growth going forward and also the risk to your business from these changes?



**Umesh Revankar:** See, I expect heavy vehicle demand to be more because what happens is even the number of units may be little lesser than the other segment. Passenger and tractor, we will be doing much more numbers, larger number. But ticket size being high, the weightage will be on the heavy vehicles. And we expect that since the construction activity boom would be there because of the government spend, there will be demand for heavy vehicles and tippers and construction-related equipment. And because of that, it'd be tilted towards heavy vehicle for the next couple of years as far as the volume is concerned. But number of vehicle and number of unit wise, we will be growing faster in passenger and tractor. Then the second question was on...

**Mahir Gada:** Sir, on financialization of economy where a lot of...

**Umesh Revankar:** Okay. In digital, you're talking about digital?

**Mahir Gada:** So a lot of people are coming in formal channels and some of your customers who you used to transact with now will have a credit history. So bankers will be slightly more comfortable lending to them, from the competition perspective, just wanted to understand the risk to your business in the longer term.

**Umesh Revankar:** See, as a product, used vehicle financing is not a product line for any of the bank. So we don't expect anyone to get into used vehicle lending. And especially used vehicle is relatively more tedious and little riskier to do business. So bankers will definitely not get into used vehicle. There could be some competition in new vehicle. But since for new vehicle, we are depending on only existing customer, we don't see our going to the market and facing the competition. Someone will be offering to our existing customer better terms, that is a possibility, which we can manage because he will definitely countercheck with us whether we can match that or whether we can do something better, give better offer. So we can manage the expectations of the customer. So since our acquisition of customers is mostly in used vehicle and we are able to manage the expectation of the customer when he buys new vehicle, we don't really see a direct competition from the bank. So there could be some local regional players, who would be trying to build their base. That is always there. Over the 20 years, we have seen many of them are trying to catch up with us, but we have always gained the market share. We are also having a bigger reach now with 1,035 branches plus 965 rural centers and around 12,000 to 13,000 people on the field. We don't really see a huge challenge as far as our growth is concerned and not even for our net interest margins, we don't really see a big challenge.

**Mahir Gada:** Okay, sir. So actually just wanted to understand on the branches side, I just was coming to that point also. So in Q2, we see that the rural branches around 461, which has significantly increased from 351. So has there been any specific focus as to why that has happened? And is there pickup you see in the rural economy?

**Umesh Revankar:** It was the strategy we started around 4 years back to build a rural center. So it's a gradual buildup. It is not a sudden thought that has come to us. So over the period, we have built rural centers, then converted into branches. Wherever we have reached a particular scale, we have converted into branch. So it is a gradual process. But last 2 quarters, we would have taken it a little faster because of the reasonably good demand from the rural area. So it is a very planned out strategy, and we should keep growing in the rural area because we feel a better traction. And most of the rural areas are getting urbanized and the demands are going up there.

**Mahir Gada:** Okay, sir. And one last question. Since GST has come in and there's some estimates that trucks will now ply more kilometers per day as well as the number of trucks required may come down. The second point is that they will also ply longer distances and heavier the vehicle. So would the truck owners then they would prefer newer vehicles when they ply at longer distances. So these are 2 structural things that we see. Is there any impact, sir, how we look at it from the business front?

**Umesh Revankar:** See, longer distance vehicles, they are always new. It is not a recent development. Even in the past, long-distance vehicles were always new vehicles. Up to 3 years old vehicles, they ply long distance and national permit also was made open 2 years back. That means, you can ply any number of state. So I don't think because of the GST, this has changed. This has changed long back. So people were able to run long distance. But, yes, GST makes it more convenient and transportation will be much smoother and they will be able to travel more kilometers per day. These are the advantages. But now it is very initial days to really see the benefit, and we have not witnessed any kind of a big change in the usage of vehicle. Number of trips made remain same and earnings have remained same. So maybe after 6 months, there will be more visibility and there could be some change. But there is the gradual upgradation for everyone to move into new and newer vehicle. So this upgradation is visible over the period. So it is not something new. So we are also are encouraging our customers to buy a newer vehicle, every time when they are thinking of used vehicle. Even if it is used, instead of buying 10 years old, we are encouraging to buy 5 years, 6 years old vehicle. So that is a gradual change and encouragement that has been given by us. Even to sometimes, we have reduced our interest rate to facilitate that.

**Mahir Gada:** Appreciate your responses. Just one very quick question on the CRAR. Just wanted to understand, is there any fund raising plans in the near term in the near 1 or 2 years?

**Umesh Revankar:** Not exactly, because we feel that the regulatory requirement is 10% Tier 1. We are at 15% now. So we may get reduce to around 14.5% by the year-end, when we move to 90 days. So after that, there may not be further reduction even if our growth is beyond 15%. So we have to really manage the expectation of the rating agencies. If the rating agencies are comfortable, we being at 14%, then probably another 2 years, we can still manage with current capital levels. And there will be retained earnings, which will we get added in the next 2 years.

**Moderator:** Thank you. The next question is from the line of Ankit Choudhary from Equirus Securities. Please go ahead.

**Ankit Choudhary:** My first question was regarding this MHCV sales being higher in second quarter. So mainly, was it due to this transporters shifting to higher-tonnage vehicles? Was that one of the reasons?

**Umesh Revankar:** No. Pre-GST, the pricing was not known. And people expected the price to come down post-GST. That was one reason. And second, in the first quarter, vehicles were not ready. The BS-IV vehicles were not ready. So those vehicles start coming to the market in the end of first quarter. And then, since GST was coming, it got further postponed. So there was a pent-up demand.

**Ankit Choudhary:** Okay. And second question was regarding the transporters. So basically, post-GST, the transporters were not having the GST number. And apart from that, the businesses were also down due to that. So in that point of time, how did you manage this collection efficiencies?

**Umesh Revankar:** We had some challenges in the month of July, the first month of GST implementation. But it recovered in the month of August and September, especially in the September. Because one thing is 80% our vehicle ply for agri and essential goods. And for agri and essential goods, you don't really depend on the logistic players. Only the logistic players have that challenge of GST and your, what we call, the FCM, input credit and all. But others, they do not have. So we have not really seen a big adherence issue as far as the smaller players are concerned.

**Moderator:** Thank you. The next question is from the line of Adarsh Parasrampurua from Nomura Securities. Please go ahead.

**Adarsh Parasrampurua:** Question relating to your asset quality. Just wanted to understand, you've kind of seen some pickup improvement in some of the other CV financials' asset quality over the last 6, 9 months. I take your point on GST impacting some bit of collections. But apart from there, anything specific for our asset quality to be normalizing behind some of the other players? Anything that you would read into?

**Umesh Revankar:** See, our business model and our customers are little different from other players. We lend to individual operators and used vehicle owners. And 90% of our portfolio is used vehicle customers. So typically, their earning and cash flows will be little different from any other company. That's one reason. And the second one is, we are just recovering from the impact of both demonetization and GST. Hopefully, things will become much better. Next 2 quarters, if economy is strong, then we would be able to witness a logical or a systematic improvement in our NPL levels in the next year. This financial year, I don't see a big scope because we will move to 90 days by the year-end. And after that there will be some stabilization, and we could

see some improvement on the numbers because the yardstick becomes very common and which gets reflected in the quarter-on-quarter performance.

**Adarsh Parasrampuria:** Understood. Sir, the second thing is you mentioned 250 basis points hopefully next year on provisions. I'm just trying to understand if I put in historical context, before the start of this weak credit cycle and your migration from FY '15 onwards, your credit costs were more between 160 to 200 basis points. So fundamentally, is there any change and that was a pretty large period, right, from 2006 to '14 onwards, so till that period. So I'm just trying to understand fundamentally any reason to believe that when things get a little better and after your migration this year, you cannot come back to 200 basis points?

**Umesh Revankar:** We definitely would work towards coming back to 200 basis points. I think that is something which we are internally targeting. And as you rightly put it, next year, we should be able to aim at bringing our credit cost to 200 basis points.

**Moderator:** Thank you. The next question is from the line of Saurabh Dhole from Trivantage Capital. Please go ahead.

**Saurabh Dhole:** I just want to seek some inputs from you on the branch expansion side. Over the last 1 year, we've seen about 10%, 11% kind of growth in the number of branches. So what's your take on this particular plan going forward? As in what kind of growth in number of branches can we see?

**Umesh Revankar:** Number of branches, see, 965 rural centers we have, and every one of them are potential to become branches. So only thing is the timeline. Our timeline can be 3 years or 5 years. So tentatively, we'd like to have around 150 branches per annum. But if there is better growth opportunity, it can be little more, maybe around 200 branches per annum. That's the target.

**Saurabh Dhole:** Okay. So you're saying the normal run rate would be around 150 branches per annum?

**Umesh Revankar:** Yes.

**Saurabh Dhole:** Okay. And sir, secondly, especially like you said that you took a very long-term kind of a view when you were expanding your branches. So I wanted to ask from you, as this industry, as overall the environment, all the lenders, they are incorporating more and more of technology in their interactions with their customers, so given the kind of segment that you address, what level of technology are you incorporating in your interactions, the entire process of lending and then collecting, while you are going about your operations?

**Umesh Revankar:** You rightly said it that the kind of customer base we have, mostly, they are driver-operator or who are basically in the semiurban rural market. And their awareness of technology or usage is much lower. So the best way to reach out to them or make them use technology for transferring

money or any update or information is mobile. We have extensively using mobile technology. And we feel that by continuous educating, we would be able to make mobile as the instrument for them to transact with us over the period. And only challenge right now is 70% of our customers are owning the basic phones. And unless they move into smartphone, many of our features, what we have on mobile, they cannot reach to many of the customers. So I think as the mobile becomes cheaper or even the cost become cheaper, people may move from basic phone to smartphone. In that case, the transition of our customers to digital will be faster. So we are almost ready with total technology on mobile platform. But customer has to move in on smartphone. So maybe, it is couple of years we should be ready with most of the customers being able to operate with us on mobile definitely.

**Saurabh Dhole:** Yes. And just one last question. This is from Page #9 of your presentation on the P&L statement. There are 2 line items. One is the securitization expenses. There has been a Q-o-Q drop there, about 16%, 17%. And the second is the other income, which has grown by about 55% Q-on-Q. So just wanted to understand what are the underlying reasons?

**S. Sunder:** The securitization expenses is primarily the processing fee and rating fee that we pay on any transaction. So compared to the previous quarter, it has come down. It is accounted an actual business. So whatever we incur, we expend it out in the particular quarter. When it comes to the other income, the amount is not significant, right?

**Saurabh Dhole:** The thing is that the figure has moved up to around 295 from 190 in the previous quarter. So I just wanted to understand why...

**S. Sunder:** Yes. There is an dividend of 12 crores, which has been declared by the subsidiary company, so which has been taken in the other income.

**Saurabh Dhole:** Okay. And sir, just coming back to the securitization expenses, this rating fees I didn't get that particular point.

**S. Sunder:** See, we incur certain expenses when we are doing any particular securitization deal. It can be the rating of the pool. It will be processing fee that is structured and legal fees. So these are the 3 components of expenses, which are typically incurred in any securitization deal. And this as per the RBI and the company's policy, the entire amount is charged off to P&L in the quarter in which it is incurred.

**Moderator:** Thank you. The next question is from the line of Abhishek Murarka from IIFL. Please go ahead.

**Abhishek Murarka:** Sir, can you give sort of breakup of your used vehicle portfolio by vintage, broad breakup?

**Umesh Revankar:** We don't have right now. Sanjay will give you.

- Abhishek Murarka:** Okay. Secondly sir, in this others category, can you give some idea about that category in the sense that how much of it may be collateralized and how much of it may be to your own customers? What could be the spread in the yield or difference in yield in that vehicle versus your normal used vehicles? Can you just give some idea about that?
- Umesh Revankar:** See, there was some component of working capital lending. That is against asset only, vehicle only. And there have been some business loans, which will be again against some collateral.
- Abhishek Murarka:** So out of 2,800 crores, how much would have collateral? And how much would be to your own existing customers?
- Umesh Revankar:** Mostly existing customers only. It will not be direct market. No, it is not to direct market customers.
- Abhishek Murarka:** Okay. And how much of it would be collateralized?
- Umesh Revankar:** See, everything will have some collateral support. Without collateral, we don't lend. Even if it is working capital loan, it is against the existing vehicle. So if a tire is put on the vehicle, the vehicle is still with us. So it is supported by the asset only.
- Abhishek Murarka:** Okay. And what is the yield differential between this and normal vehicle loan that you would have given to that customer?
- S. Sunder:** It will be slightly higher. It will be around 300 to 400 basis point higher than the normal loan.
- Abhishek Murarka:** So the normal loan would be about 17%, 18%.
- S. Sunder:** Yes. 17% to 18%, yes.
- Abhishek Murarka:** Okay. And this would be about 22%.
- S. Sunder:** Yes.
- Abhishek Murarka:** Okay. And sir, lastly, just in the used vehicle segment, can you just give some idea about who are the competitors at different, I know you've said that you are not really bothered about competition, but definitely you would be seeing some of the nonbanks becoming a little aggressive there. Can you just give an idea about how or where they are becoming aggressive? And how they are not overlapping with your customer set?
- Umesh Revankar:** See, we don't see a competition because we feel that whatever we want to penetrate, we are able to penetrate and expand. So because of competition, I am not able to grow is something which is not happening in the used vehicles. So I don't really count even if there is a

competition because we are able to penetrate and grow as much as we want. So I don't really see any significant competition in used vehicles.

**Abhishek Murarka:** Okay. So your market shares would be increasing or flat in used vehicles, roughly?

**Umesh Revankar:** See, as the second-hand vehicle number keeps increasing, then definitely our market share also will not expand very quickly. And we don't have mechanism to understand what is the market share. We can only make assessment where we feel that 25% to 30% of the used vehicle is with us. That's what we can give you the estimation.

**Moderator:** Due to time constraints, we will be able to take one last question. The last question is from the line of Vibha Batra from FairConnect. Please go ahead.

**Vibha Batra:** My question is on NPAs. Now that we're going to move to 90 DPD and you have sizable quantum of NPLs, would it be possible to give the NPA movements like banks give so that one has color on the NPLs not being dead NPLs but moving, for example, fresh NPL generation, recovering from NPLs. And we would be getting some cash recoveries also. It would be really helpful to get that data.

**S. Sunder:** Currently as per the requirement, we are disclosing it as part of the financials in the year-end. However, based on your suggestion, definitely, we'll look into it and try to incorporate this in the quarterly set of data also.

**Vibha Batra:** Okay, that would be very nice. And also the income that you didn't recognize on account of NPAs, if that also could be given, one would have a better sense on the yield dilution because of NPAs and credit costs you're giving, so one can combine that and have a better sense. Because my guess is when things turn positive, there should be lot of relief of provisions from NPAs, provided these are not totally dead accounts, these are moving vehicles, they will come back. So next year could be very good, I mean, after you recognize your 90 DPD accounts. So maybe I will share these 2 formats with Mr. Parag and you. And if you think it's worthwhile, it would be nice to have those data.

**Parag Sharma:** We'll certainly look at it. Thanks.

**Moderator:** Thank you very much. We'll take that as the last question. I would now like to hand the conference back to Mr. Umesh Revankar for any closing comments.

**Umesh Revankar:** Thank you. You have been very supportive. We had a reasonably good quarter. And next 2 quarters, I really see a good opportunity to grow further because as the economy is slowly coming back, bouncing back, and government's initiative to push infrastructure is also taking shape. And typically, infrastructure activity improves after the monsoon because during the rainy season, the infrastructure, our movement will be a little slower. So we expect very good



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quarter in the coming quarter. And the last quarter, of course, we are moving to 90 days. So there will be some kind of changes in the numbers. And we'll meet next quarter to share the better picture, which we hope all of you will appreciate. Thank you very much.

**Moderator:**

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