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“Shriram Transport Finance Company Limited Conference Call”

July 23, 2013



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MANAGEMENT: MR. UMESH REVANKAR



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Moderator: Ladies and gentlemen, good evening and welcome to the Shriram Transport Finance Q1 FY'14 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 at the end of today's presentation. Should you need assistance during this conference please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Umesh Revankar, Managing Director, Shriram Transport Finance for his initial remarks. Thank you and over to you Sir.

Umesh Revankar: Hello everyone. Welcome to our Q1 results of this financial year. To comment on Indian economy I would like to say that there is not much of change from what we have witnessed in the last two quarters. The economy is little subdued. The GDP numbers or IIP numbers does not really talk great about our economy getting expanded further. So in this environment we have, I should say, done quite well in managing the current business and also growing. Some of the highlights I would like to tell you, first of all, let me tell you about the vehicle sales numbers which YoY last year we have seen degrowth in heavy and medium which is continuing this year also, that means the economy is not able to take more new vehicles, but at the same time the advantage for us being in used vehicle is there is a consistent demand for used vehicle. The people who otherwise would have gone for new vehicle prefer used. Let me explain you how it is. In any environment or economy upturn among heavy vehicle you have around 80% of the people buying bigger vehicle by fleet operators and 20% is always the individuals and in the medium and LCVs you always have around 40% by fleet operators and 60% purchased by individuals.

In small vehicle category that is less than 5 tonnes, it is always the small individuals who buy the vehicles. So what has happened is the 20% heavy vehicle buyers who would have purchased new vehicle they are preferring to buy a used vehicle which is available in the market at around 60% depreciated value and almost giving same return to them. So they are having a vehicle, which is costing them less, but usually with higher interest rate and their monthly EMIs are much smaller. So all these individual players who would have otherwise gone for new vehicle are preferring a used vehicle that is first and second one is there is also a push from the bottom, people who are buying used vehicle, older vehicle or having a old vehicle in home more than seven, eight, ten years old vehicle they are also trying to get into newer vehicles. So the demand for a newer vehicle between two to seven is slightly increasing, therefore the resale price has remained quite study for the used vehicle and the people who are having older vehicle going up a curve and buying newer vehicle mainly because the diesel price has gone up substantially, the rupee devaluation and subsequent diesel price increase has many people made to move up the ladder and come out of their older vehicle. People who were running around 10 to 12 years old vehicle slowly moving to five, six, seven years old vehicles. So with more the newer vehicle there is a better fuel efficiency, they are all fuel efficient because of the euro norms change, euro 1, 2, 3, 4 if you look at they all over a period have become fuel efficient and have a better mileage and



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operationally it becomes viable for people who buy a newer used vehicle than buying either new vehicle or very old vehicle or retaining old vehicle. So we are able to attract a lot of people buying into used vehicle and we being the largest corporate lenders we are having the advantage of financing and the second biggest category which has emerged in the last three, four years is the small commercial vehicle, which is less than 3.5 tonnes which has sold around 1.4 million over the last five, six years, they are all coming for second sale. So there is a huge demand for these vehicles, that category was not there around six years back, this is a new category of vehicle, which is the last mile connectivity, changing the hand for the first time, or second time that is giving us another big advantage. Apart from that the passenger vehicle movement has also increased in the rural market where the prosperity levels have increased in last five years. So the passenger vehicle demand in the rural market and also last three months we have witnessed good demand for tractors also. So all this compounding is making our growth very comfortable. So the growth has been good for us, we have grown our topline by consolidated basis around 25% and standalone 23%, the net interest income has grown by 14% on consolidated and 12% on standalone. The PAT has increased by 7% and on standalone it is 6%. Our both subsidiaries are doing quite well, Shriram Equipment has made a profit of 256 million in this quarter against 176 in the previous quarter same year. Automall revenue also has been reasonably study. The fee income earned is 168 million against 178 million last year same quarter. So in the very difficult and tough environment we are able to grow, having a good opportunity to grow and also are able to manage our asset quality reasonably well I should say, because we did plan our quality management much in advance, we needed to have lot of manpower to be added to maintain our asset quality because we felt that in this kind of environment it is one-to-one relationship and ability to meet them personally that helps a lot. So we recruited around 1000 people in this quarter and totally we have added around 2800 over the last one-year plus. So this is helping us one in expansion into rural market where we have now totally 425 rural centers we have, then another is managing the relationship with the existing customers and expanding our existing operation in the urban and semi-urban market. So recruitment and training has been given a very, very special focus and we also have chosen to select people more from rural area or maximum number of recruitment that we have done in the last one year are only from the rural area and of course we need to train them little more than what we would have done otherwise. So we are taking a longer training time, may be around nine months to train them and put them on to the operations. It is adding a little cost to us but I feel when economy turns better, which is likely may be in one year's time or shortly if you look at monsoon being very good in India this year, well spread monsoon apart from some regions in the East everywhere there is a good monsoon and which I feel that it will result in a good demand during the harvest period that is October and November. So overall I feel the company has done well and progressing well and with this note I would like to go for Q&A. Thank you.

Moderator:

Thank you very much Sir. The first question is from the line of Ameya Sathe from JM Financial. Please go ahead.



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- Ameya Sathe:** Hell, just two, three questions. Sir can I have the borrowings numbers, total borrowings, end of the first quarter.
- Company Speaker:** We have done securitization to the extent of 1300 Crores and we have done bank borrowings for 1300 Crores and (indiscernible) 11.30 700 Crores.
- Ameya Sathe:** What is the outstanding borrowing number?
- Company Speaker:** 34000 Crores.
- Ameya Sathe:** Sir on the tax rate the tax rate was round 29.6% for this quarter as compared to 32.5% we normally report, anything to read in to that?
- Company Speaker:** We had got some deferred tax credit and hence the tax rate is lower in the current quarter.
- Ameya Sathe:** This other income of 81 Crores does this consist mainly of liquid mutual fund income?
- Company Speaker:** Yes, correct.
- Ameya Sathe:** Anything on the runoff in the off balance sheet AUM, how much of the off balance sheet AUM is expected to runoff in this year?
- Company Speaker:** See that depends upon what we further securitize. We expect that by the year-end we should be maintaining around 18000 Crores.
- Moderator:** Thank you. The next question is from the line of Abhishek Kothari from Violet Arch Securities. Please go ahead.
- Abhishek Kothari:** Sir, I just wanted to know why such high growth in a downturn right now and could you see asset quality pressure in the coming period?
- Umesh Revankar:** Growth is mainly because of the opportunity available and as I was trying to explain that the used vehicle has seen a lot of activity of change of hands mainly because people are not really buying a new vehicle. So the number of operators have not decreased, it is only the change in hand that is happening, so there is an opportunity to grow and also we have grown deeper into the rural market that is we have added 425 rural centers totally, cumulative, and also 30 new branches we have opened in this quarter and that also most of them were the rural centers. So we are able to see good demand in the rural center and rural center becoming a viable branch, when I say viable branch we feel that if we get 500 contracts in a particular place and if there is a potential to reach 1000 then we normally open a branch, we have around 15 Crores asset under management, then likely to grow go to 30 to 50 Crores over the next one or two years. So this is a huge opportunity that is available mainly because of the rural prosperity, when I say rural prosperity there is a



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reasonably good business around rural and to and fro from rural, earlier Indian rural use to be only supplying agri produce through intermediary, it was not even transporting, but today's rural is different where there is good road connectivity and mobile connectivity which is making them determine their own price for their product and reasonably they are able to have good cash surplus and that is making them buy products also, so they are able to buy products, FMCG products which earlier rural was not consuming, FMCG products and also consumer durable products by the rural is increasing. So that is attributing to higher used vehicle demand because in the rural people normally do not buy a new vehicle straight away.

Abhishek Kothari:

But this is coming at a cost. Are you seeing decline in yields because we are penetrating into that market and also I mean are you seeing an increase in NPAs going ahead what is your view on the NPAs also and the other point what I wanted to ask was is this growth leading to decline in yields I mean earlier you used to finance let us say 18% so currently are you financing at 16%, 17% or is there some decline in yield that you are witnessing on account of this rapid growth?

Umesh Revankar:

See I do not call it as a rapid growth, I am only trying to tell this is an opportunity to grow, there is two to five years old vehicle when I finance I have to have a lower yield because that business if it has to become viable on par with new vehicle then only customer will move into this. So one thing is customer's liability also is very important because ticket size is bigger when he buys a newer vehicle that is one thing and the rural penetration is only giving me balancing factor. In fact the yield in two to five years old and the urban market is much lower, what I am getting yield is, I am getting better yield in the rural market. So we are trying to increase rural penetration in such a way that it will offset what I am losing in the urban market and for your question because of the growth are we losing the net interest margin, I would like to say no because it is a strategic decision to move at the right time into right place, if we do not move quickly then somebody else will move into that and which we felt that it is better to move faster and have our presence felt because when there is a decline in new vehicle sales the other players who were funding new vehicle are likely to come into used right now we do not see competition but we would like to be there from the beginning and have our presence felt and as far as NPAs are concerned I do not differentiate it between the rural or urban or the newer vehicle segment, it is purely economic environment that is creating a stress, there is a credit period expansion, delay in payments in some of the transportation activity like you take manufacturing activity or you take industrial product, there the credit period for the transporters have expanded from normal 15 days to 120 days and that is causing some kind of repayment delay with certain customers, but fortunately most of our customers are in cash and carry activity, carrying the normal consumable goods like vegetable, poultries, fisheries or your grains it is not affecting them much, but when there is a particular section of a segment is impacted there is some kind of a stress on the overall portfolio, but I should say that we have managed this period quite well and our asset quality has not deteriorated on overall portfolio.



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- Abhishek Kothari:** I would just like to ask that by funding this kind of requirement are you getting cost of funds on the higher sides, has your cost increased to disburse this kind of amount?
- Umesh Revankar:** No, cost has not increased.
- Abhishek Kothari:** Approximately what would have been the movement in your cost, because of this kind of disbursement at 7900 odd Crores?
- Umesh Revankar:** See disbursement will not increase the cost, there is some additional operational cost in this particular quarter because we have one off, some incentives being given to our employees for the last year's performance which was a little more than the budget so that has increased the cost for this quarter alone, but overall we feel that next three quarters this will not have an impact.
- Abhishek Kothari:** So what sort of stabilized margins would you guide for?
- Umesh Revankar:** Margins on a NIM you say.
- Abhishek Kothari:** Yes, Sir.
- Umesh Revankar:** See NIM we cannot predict right now we would aim at minimum 7 because the cost of funds is something, which is little unpredictable now liquidity situation seems to be little tight and RBI's latest measure to strengthen the rupee of by increasing the rate MSF by 300 basis points over the repo rate has created some kind of increase in the cost, which we do not know how long it will remain. So our aim would be to maintain at 7 but it may change.
- Abhishek Kothari:** And just one last question with the expansion that you have undertaken, what would be your guidance for cost to income ratio, will it sustain at this level or would you like to bring it down to again 21%, 22% kind of a thing?
- Umesh Revankar:** It would be at last year's level that is what we have budgeted.
- Moderator:** Thank you. The next question is from the line of Amit Ganatra from Religare AMC. Please go ahead.
- Amit Ganatra:** In the previous quarter basically you had guided that the overall advances growth for the full year should be around 15 odd percent, at that point of time the reason that you had highlighted for tough economic environment, which you were predicting, now since then actually the economic environment has only become worse, in that context the 25% AUM growth do you think it will sustain for the full year or for the full year the guidance still remains at around 15%?
- Umesh Revankar:** Right now it should remain at 15 only, we are not really trying to change our guidance for time being because we are looking at the possibility of the monsoon impact and then only probably



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third quarter we will be able to have reasonably good direction, till then probably we will go by the earlier guidance.

Amit Ganatra: But that means that basically disbursements will slowdown going ahead.

Umesh Revankar: I am not saying that, but we had an opportunity to grow, we grew, so that opportunity we utilized because there was demand for people getting into newer vehicle and our expansion into rural has given us a handsome opportunity to grow.

Amit Ganatra: The other question that also arises, once again coming back from the first question that if there is a demand push then actually you should be able to charge the yields that you want so then why is their pressure on margins along with growth, you have 25% AUM growth and only 12% or 13% NIA growth which basically means that there is a pressure on margins, basically if you have a first mover advantage if there is a strong demand then it should reflect even with the similar kind of NIA growth.

Umesh Revankar: Yes, I can explain it you. A person who has been owning a vehicle which is costing 2 lakhs and he was repaying he would like to move away to a vehicle which is costing 6 lakhs then to that extent his EMI goes up and if we are charging same rate of interest to him to maintain our NIM then his business becomes unviable, so the yield we are dropping to some extent for people who are moving in to newer vehicle. Now for a new vehicle for example banks are charging 11% and people who are taking a newer vehicle instead of new vehicle we would be charging somewhere between 15% to 16% instead of charging 18%, 19% for a older vehicle. So there is some drop in yield, which is consciously taken by us. So it is not that demand is there I can push everything on them and make it unviable for him, so business becomes unviable for a customer if he passes everything on.

Amit Ganatra: The other thing is the disbursement I joined the call late so have you discuss the numbers overall disbursement and breakup between new and old CV.

Umesh Revankar: New is around 800 Crores and used is around 7100 Crores.

Moderator: Thank you. The next question is from the line of Prashant Shah from Vantage Securities. Please go ahead.

Prashant Shah: Good evening Sir. Sir I just wanted to ask you, this is with regard to your Shriram Equipment Finance; your asset quality last quarter was actually quite bad, this quarter if you see, and you have seen a drop in NPL amount by about 40% Q-o-Q. So can you just give us some light on that?



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- Umesh Revankar:** No, it is basically the management team they were quick to react to the situation and they have done some reposition, which they felt that they needed and there was a realization of that asset that has improved the overall situation and that explains the drop in NPL.
- Prashant Shah:** So but you expect to maintain the asset quality in your equipment financing business at similar levels?
- Umesh Revankar:** Yes we hope to.
- Prashant Shah:** Okay fine and Sir another thing was that you mention in your presentation in your press release that you sold your equity stake in your associate company Shriram AMC, where have you accounted for that Sir and how much was the proceeds from the sales?
- Company Speaker:** See we sold at around Rs. 15.55 paise and that has been accounted in the other income.
- Prashant Shah:** Okay, so it is recorded in this quarter's figures.
- Umesh Revankar:** Yes, that amount is not significant.
- Moderator:** Thank you. The next question is from the line of Srinivas Rao from Deutsche Bank. Please go ahead.
- Srinivas Rao:** Sir, thank you very much. Sir my question is on your increase in the gross NPAs over the full year at about 45 odd %, I am assuming obviously partly is it driven by the increase in assets and b) if there is any regional disparity within the gross NPAs some particular region doing worse than others.
- Umesh Revankar:** See gross NPLs are basically because of stressful environment and market condition, in some geographies definitely you have bigger issues like especially last year where there were some drought, some areas where in drought condition like Tamil Nadu part of Karnataka and Maharashtra, their NPLS were little higher and also in mining belt where the economy is slow and income has slowed down even though we have come out of mining equipment financing and mining related assets but overall economy is slow there. So these are all some pockets but generally if I say it is basically because of slowdown in economy there is a delay in payment I do not call it as a deteriorating asset, the delay in payment that which we have to record as the gross NPLs and over a period I feel we will recover the money as the account gets closed.
- Srinivas Rao:** I mean the movement is not quite significant over a year Sir I mean it is almost 350 odd Crores?
- Company Speaker:** Percentage terms it is more or less same we had a 3% gross NPA in the previous year compared to that it is 3.09 only, it is mainly on account of growth in the asset base.



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- Srinivas Rao:** So is that fair to say that most of the NPLs have been created because of assets of recent vintage?
- Company Speaker:** Not really.
- Srinivas Rao:** What would it mean Sir, if increase in NPO is in line with increase in assets right?
- Company Speaker:** See if you have been tracking our company historically also our gross NPLs have been hovering between say 2.75 to 3.5 that has been the broad range and it has been maintained I would say.
- Srinivas Rao:** Do you expect it based on the recent (indiscernible) 29.34 collections and payments to increase over the next two quarters or do you think this is more or less where we should expect it to remain.
- Umesh Revankar:** See our company has been traditionally managing the customers delay by hand holding him, not by repossessing or foreclosing the loan, since we do not aggressively repossess and foreclose the loan the NPLs would remain in our books till the account gets closed. So that is why the percentage is remaining at that level so we do not really see any alarming situation here because we are in touch with customer, we are able to manage the relationship and also collection. So I do not really see things where it is getting further deteriorating.
- Moderator:** Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.
- Saurabh:** Hi Sir this is Saurabh. Sir basically I just wanted to inquire about this banking license which a promoter company has applied for so from what I understand here if Shriram Capital that is become eligible you will have to fold into it, will that be a correct assessment and have you guys asked for an exemption from it.
- Umesh Revankar:** See Shriram Capital has applied for banking license and only when they are called for a dialogue with RBI the subsequent question will arise till then there is no comment.
- Saurabh:** Al right fair enough Sir. And sir this OPEX increase, which has happened in this quarter what is that relating to?
- Umesh Revankar:** The operation cost is higher addition of the manpower that is one and there was one off incentives and all which was little more than expected which we have given in this quarter for the last year's performance so that is the reason OPEX has gone up but over the period we should be able to maintain same cost income ratio as last year.
- Saurabh:** So cost income, which was about 21%, 22% is what you will target.
- Umesh Revankar:** Yes.



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- Moderator:** Thank you. The next question is from the line of Daniel Savala from Athena Investments. Please go ahead.
- Daniel Savala:** Good evening Sir. Sir just a couple of book keeping question if I missed out I just want to know what is your securitized income for the quarter.
- Company Speaker:** For the current quarter it is 386 Crores.
- Daniel Savala:** And previous quarter it was 389, right.
- Umesh Revankar:** Correct.
- Daniel Savala:** And a split between your AUM like securitized and non-securitized.
- Umesh Revankar:** Out of the total portfolio 16500 Crores is represented by securitization and the balance of 36000 Crores is on book.
- Daniel Savala:** Gross NPA and net NPA number?
- Company Speaker:** Gross NPA is 3.09% and the net NPA is 0.68%.
- Moderator:** Thank you. The next question is from the line of Rohit Gajare from UTI PMS. Please go ahead.
- Rohit Gajare:** Hello Sir, can you just again tell me the borrowing number in page six of the presentation you have mentioned total borrowings of 32390 Crores is that the correct number or actually by anything from other numbers, because in the earlier question you have mentioned 34000 Crores borrowing. Can I have another question can I go ahead?
- Company Speaker:** Yes.
- Rohit Gajare:** Again regarding our yields on securitization, we mentioned that our interest, our securitization income was 386 Crores which sort of approximately leads to an yield of 9% on the securitization book do you think the yields have stabilized or should we look at declaring further, because this number used to be higher a year back, I think an equivalent number would have been 12.3% last June so do you think that the securitization spread should now say further drop down to 8% or this is where it should be approximately?
- Company Speaker:** See last year what we were securitizing previously never had this 8% cap which RBI stipulated so what we have been securitizing now is lower yielding assets that is why securitization income is coming down.



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Rohit Gajare: Do we intend to maintain our securitized AUM at around 33% with overall AUM or there is no such guidance?

Company Speaker: No what we are trying to maintain is 18000 Crores of portfolio of securitization at the yearend.

Rohit Gajare: Sir and slightly more theoretical question you just help me correct my understanding see in a scenario when new CV sales are low it would imply that the fleet owners are using their vehicles for longer period which in turn means that they are not selling down their used vehicles which in turn means that the supply of used vehicles in the used vehicle market is reducing so that should lead to a lower amount of turnover within the used vehicle however what you are saying is that there is increased activity within the usage of used vehicles or increased trading of used vehicles can you help me reconcile where I am going wrong and why is this decline in new CV sales leading to increase activity in the used vehicle market.

Umesh Revankar: No, mainly because what is happening is some of the operators are quitting the business when they feel it is unviable, when they quit the business these vehicles are available for sales. So there are many people who are in this economic environment who would have expanded too fast are selling their vehicles and closing the loan that is what I get the feedback and therefore the supply of a vehicle between 2 to 5 is more that is one and as far as smaller commercial vehicle is concerned it is recent phenomena which is just seven years old and it is nothing to do with fleet operators it is all individuals only almost 95% of these vehicles would be small operators and individuals. So that sale is something which is very common, the moment it is two or three years old they sell and the another segment which we are actually growing is the passenger segment and tractor segment where our base was very small, the passenger vehicle sales have really gone up especially for rural transportation, if you look at the utility vehicle sales they have gone up significantly so our growth in the passenger and tractor is much higher in this semi-urban and rural market.

Rohit Gajare: Sir on this point itself you mentioned that this the LCV which are coming for resale and we have been targeting that do we need to have a more calibrated approach towards this sort of financing or do you feel that our strengths in the nature of the consumer should help us maintain our profitability levels even in second time financing of LCVs, why I was asking is because this is untested as you have said.

Umesh Revankar: No it is not untested. See our customers move from one segment to another segment depending upon the where they feel viability many times the bigger truck operators they move into smaller trucks because it is more reliable than bigger truck or he wants to change application so the demand for smaller vehicle and the customer is not definitely new to us, he would be definitely our existing customer are known to our existing customer. If our existing customer is giving his within his relation or friend some introduction for buying a LCVs or a small commercial vehicle we do not feel it is a new customer because he has been introduced by our existing customer. So



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we are not getting into unrelated or unknown market and whatever the market expansion happening is known to our customers our customer base.

- Rohit Gajare:** And finally Sir the borrowings figure on page #6 is correct right.
- Company Speaker:** Yes it is correct 32,400.
- Moderator:** Thank you. The next question is from the line of Chandan Gehlot from Deutsche Asset Management. Please go ahead.
- Chandan Gehlot:** Hi, Sir I just wanted to check on your construction equipment business how this is doing quarter-on-quarter, how the disbursement number for this quarter?
- Umesh Revankar:** Last quarter it was 417 Crores.
- Chandan Gehlot:** Okay and what is the mix between the new and the used?
- Umesh Revankar:** It is 30:70 right now, 30 is used and 70 is new.
- Chandan Gehlot:** Okay and I just wanted to know your views on particularly this construction equipment business because we have seen majority of the leading players are negative on this sector, how you are seeing this particular sector is moving?
- Umesh Revankar:** Yes, there is definitely a stress because of the bigger projects are getting into trouble or delay in products, but that is not true for smaller projects. If you look at the kind of projects that has been awarded under your JNURN that is Jawaharlal Nehru Urban Development, they are doing well because funds are easily flowing into that. Some of the state government spending projects are doing well. Private construction in semi-urban market I was told it is extremely doing well. Today unlike the olden days almost all the construction including independent house construction they are using the modern construction equipment like backhoe loader, excavator, wherever it is needed, concrete mixture or tipper. For smaller projects and for a normal consumption there is not much of a problem. The problem is big projects, where maybe huge exposure is there by the banks for the entire projects. Otherwise, for small individual projects there is not much of a problem, but having said that there is a small impact because these operators would be moving from bigger projects to small projects, smaller to bigger, they are individual operators. Depending upon the market situation they keep moving. We are not financing the projects; we are only financing the operators.
- Chandan Gehlot:** Okay sure, thank you.
- Moderator:** Thank you. The next question is from the line of Alpesh Mehta from Motilal Oswal. Please go ahead.



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- Alpesh Mehta:** Good evening Sir, I just wanted details regarding the spread analysis on the average assets in this quarter; we have not reported the same.
- Umesh Revankar:** Alpesh I will send you.
- Alpesh Mehta:** Okay, sure, thanks.
- Moderator:** Thank you. The next question is from the line of Srinivas Rao from Deutsche Bank. Please go ahead.
- Srinivas Rao:** Thank you very much Sir for another opportunity. Sir could you comment on the values of the used vehicles at this stage, particularly the heavy trucks how have they behaved over the last six and three months, the context of course is there has been a there is a view (indiscernible)43:13 evidence suggesting that there has been some fall in the used vehicle values, is that true?
- Umesh Revankar:** Some certain segment of used vehicle resale value has come down, but majorly it has not come down. When I say the tractor-trailer segment of 3516, the resale value has dropped very much. It has dropped mainly because the new segment has opened up like 3118, so 3118 is carrying around 21 tonnes and 3516 trailer carries around 22 to 24 tonnes, so for 2 or 3 tones difference you have a better fuel efficient vehicle in 3118 and it is the rigid vehicle, and the rigid vehicles are preferred by Indian drivers than the tractor-trailers therefore once the 3118 got introduced 3516 resale value has come down, so if you strictly go segment-by-segment, model-by-model there are some models where resale value has come down, but in many of the models the resale value is steady, like 2515 or 3118, these are all popular models where resale value has not dropped sharply.
- Srinivas Rao:** Okay and then Sir medium side 7-tonne, 10-tonne vehicles is that something which resale values have been okay in that segment?
- Umesh Revankar:** Yes, that is quite okay. I do not see a huge drop. There are around 30000, 40000 drop in certain vehicle there, but not much because those segments have more steady demand. Only where you have some kind of lack of demand due to local condition there could be some drop, but the moment it goes to another segment and another location, it gets value.
- Srinivas Rao:** Understood Sir. This is very helpful, thank you so much.
- Moderator:** Thank you. The next question is from the line of Aden Lau from TRP. Please go ahead.
- Aden Lau:** Hi, can I just ask if you can share some details in terms of how you are trying to move towards norms recognition for NPL?



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- Umesh Revankar:** We are not really thinking about that right now or planning because no guidelines have come from RBI that is one thing. The second thing is we have been arguing or putting our point across RBI and finance ministry board, saying that our customers who are typically operator/driver who makes a living out of a vehicle, putting him on the same parameter as bankable customer is not fair enough. Since we are fighting or rather putting across our argument with RBI and finance ministry, we do not intent to really change our norms.
- Aden Lau:** What would be the NPL on a 90-day basis?
- Umesh Revankar:** We have not really calculated it. It could be double or more than double we do not know. You can contact Mr. Sanjay he would be able to tell.
- Aden Lau:** Okay, maybe just one other question, for the securitized deferred income on the liability side of the balance sheet what is the norms for that one?
- Umesh Revankar:** It is close to 2000 Crores.
- Aden Lau:** Okay, sure, thank you.
- Moderator:** Thank you. The next question is from the line of Mithun Soni from GeeCee Investments. Please go ahead.
- Mithun Soni:** Sir is it possible to get the share of the two to five-year-old vehicles in our portfolio today?
- Umesh Revankar:** On incremental basis it is around 12% to 15%, but on the overall portfolio we are not very sure. We will confirm it and supply that to you.
- Mithun Soni:** Sir about two years ago basically the share of the new vehicles was in the range of 24% of the total AUM so can we say that together the two to five-year-old vehicle and the new vehicles together should be in the same range, is that the way we are seeing or we see this as part of the used vehicle and to that extend we will try to build this portfolio?
- Umesh Revankar:** On the paper it is used vehicle, the moment it is sold to certain party, even if it is two months old we consider it as a used vehicle, but as you rightly say yes it should be become a part of newer vehicle and new vehicle portfolio, if we add up it will come to almost same portfolio as what we are saying 24:76 or 25:75.
- Mithun Soni:** In the future is it possible to get the mix of the two to five year old and five to eight and eight plus in terms of the vehicle mix in the part of the presentation?
- Umesh Revankar:** We will not be able to share it immediately.



Gets you going

*Shriram Transport Finance Company Limited
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- Mithun Soni:** Okay Sir, thank you.
- Moderator:** Thank you. The next question is from the line of Jyoti Kumar from Spark Capital. Please go ahead.
- Jyoti Kumar:** I just wanted to check on the level of cash discounts that you hear in MNSCP how is it probably now vis-a-vis compared to probably three months or six months earlier?
- Umesh Revankar:** Cash discounts by manufactures was slight rampant last year, but this year I was told it is not there from this financial year or rather it is very, very less so I am not sure because we are not very aggressive in new vehicle.
- Jyoti Kumar:** Okay Sir, the other question that I had was could you share the quantum of reposes vehicles that you would be having in your books now?
- Umesh Revankar:** That we do not have numbers because normally it is done at the bank level and we do not collect the information centrally because repossession, normally what happens is a person does not say you may stop for two three days and release the vehicle, and sometimes it may be with us then a customer does not come back then we may resale so it is mostly decentralized. Only when it has to be sold then it comes to our knowledge so therefore the numbers are not really significant.
- Jyoti Kumar:** Okay. In FY'13, what is the quantum of vehicles that you would have sold, would you have that number?
- Umesh Revankar:** That we will be able to give you subsequently, right now we do not have.
- Jyoti Kumar:** Okay Sir, no problem. That is it from my side, thanks a lot.
- Moderator:** Thank you. As there are no further questions I would now like to handover the floor back to Mr. Umesh Revankar. Over to you Sir.
- Umesh Revankar:** Thank you everyone for participating in this call and I have told in the beginning we are going through a very tough environment, but the company is very positive and we are very comfortable managing the coming quarters and we hope to end this year with quite a good performance over last year. Thank you very much.
- Moderator:** Thank you. On behalf of Shriram Transport Finance that concludes this conference. Thank you for joining us and you may now disconnect your lines.