

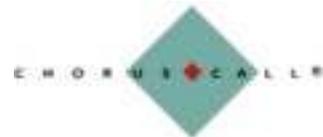


Gets you going

“Shriram Transport Finance Company Limited”



Gets you going



MODERATORS: MR. R. SRIDHAR



Moderator: Ladies and gentlemen, good evening and welcome to the Shriram Transport Finance Third Quarter and Nine-Months ended Earnings conference Call. As a reminder all participants will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call 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. R. Sridhar. Thank you, and over to you, Mr. Sridhar.

R. Sridhar: Good evening. Like any other company in India we have also encountered many challenges during this quarter. Starting with liquidity crisis, beginning October 1, we have also seen the steepest slowdown in the commercial vehicles as a result of slowdown in the global scenario. We have also seen interest rates going up in the beginning of October, later on fortunately it came down. So as a company, which deals in money and also in commercial vehicles naturally, we helped these pressures during this quarter. So, as a result our disbursements plugged down and our assets under management on quarter-on-quarter moved up, but not substantially as in the past. So we ended up around few 100 crores above the previous quarter. The profit after tax moved up compared to the last quarter by 35% to Rs. 149 crores during this quarter taking a nine month profit to around Rs. 460 crores as against Rs. 389 crores we did during the full year of last year. What is very heartening is the collection performance of the company during this quarter. Bad beginning of October, but substantially improved later on the second fortnight and then made a good progress during November and then excellent progress in December. So the confidence of the company got restored and we feel that we should be getting back to our normal levels, if not this quarter at least by the beginning of the next financial year that is Q1 FY'2010. So in this quarter we deliberately slugged down the growth because we were not sure of the demand as well as the collection performance and also the liquidity was so bad that we decided to slowdown a growth. But now with experience of this quarter we have gained a lot of confidence and then definitely this quarter things have looked up. The liquidity is quite comfortable, the demand is picking up and we should be better than Q3. In the next quarter we should get back to normal levels. In the commercial vehicle sales all of you would have seen that it has done badly beaten down and particularly in the month of December the sale of new commercial vehicles have come down drastically by 73% which happens to be the steepest fall in the commercial vehicle sales. But Shriram Transport being a company engaged in financing second-hand commercial vehicles we have not seen much of an impact because we shifted from new vehicles to old vehicles in our total advances now what used to be 30:70 now it has become about 10:90. So though our disbursements have come down the reduction has helped more on the new vehicles and not on the old vehicles. So we continue to focus on the old vehicles now. The new vehicles whenever it improves we will fund that. That should happen during the Q1. So things are better now from this quarter we should improve our performance. What is a very heartening factor of this quarter performance is the recovery performance. Though there is



a little bit of deterioration in the asset quality but it is not of much of significance. We have moved up our NPL marginally during this quarter and we expect that it should remain in that range in the next one or two quarters till the normalcy is restored in the commercial vehicle industry. So with this introduction I will leave it to the analysts for the question and answer session.

Moderator: Thank you. We will now begin the question and answer session. At this point if you have a question please press “*” then “1” on your touchtone phone. Please use only handsets while asking a question. Our first question comes from the line of Mr. Vishal Jaju of Centrum Broking. Please go ahead.

Vishal Jaju: Sir, my question was with regard to the NPLs as you rightly mentioned, but then is it true that the counting procedure mentions that 150 days is applicable for NBSC, so basically the Q1 or Q2 of FY'10 would see some bigger impact as per the NPL goes?

R. Sridhar: The NPL difference has not undergone any change. Methodology remains the same. The 150 days remaining the same, I do not understand your question.

Vishal Jaju: The new guidelines or the NBSC accounting norms mention about accounting for an NPL for a period of 150 days, so till that period nothing is shown as a nonperforming asset?

R. Sridhar: The overdues will have to be more than 150 days, before it is classified as NPL. So till 150 days we need not, as against 90 days per bank.

Vishal Jaju: Okay. Sir is this the same procedure being followed as of now?

R. Sridhar: Yes.

Vishal Jaju: Okay. Is it that there are certain recoveries, which are due, but then probably collection has become an issue but they may not get reflected right now in the valuations, but probably in the financials they may get reflected in FY'10 first quarter?

R. Sridhar: See there are different buckets, there will be cases with one month overdue, two months overdues, even five month overdue and anything beyond five month overdue is already classified, but something which is in the fifth bucket in one month it can become six month if you do not collect. So four will become five, three will become four, like that each one will shift if you do not collect it. So if you collect it and keep in that it would not move, something will get collected out of NPL also, it will become performing loan, some performing loan will become nonperforming, all these will keep happening. So on a particular day, if you look at again the buckets and see which are all beyond 150 days overdue then those get classified as nonperforming loan.

Vishal Jaju: Okay.



- Moderator:** Thank you, Mr. Jaju. The next question comes from the line of Seema Changam of Dun and Bradstreet. Please go ahead.
- Seema Changam:** Hello. Sir do you expect lending rates to come down and if so by how much and by when do you see this?
- R. Sridhar:** Our lending rates are determined by the trend with which we operate, so we operate between 7%-8% net interest margin, so as and when the borrowing costs go down the lending rates also comes down. When it goes up it goes up. So it has been going up in the past, as it was going up, now the borrowing rates are coming down, so it may come down by maybe 1% to 1.5%.
- Seema Changam:** And what are the current rates like for new trucks and used trucks?
- R. Sridhar:** It varies, you know, it differs, for different vehicles you cannot say one rate, one average rate you cannot say, but our average yield for both new and used and all that would be near to around 19% to 20%.
- Seema Changam:** All right. Okay and sir, what do you think would be the impact of this stimulus package that has been announced for the sector?
- R. Sridhar:** Stimulus package has been announced for the commercial vehicle sector, not for NBSCs. NBSC being financiers of the vehicles are being provided some liquidity through the line of credit.
- Seema Changam:** So what do you....?
- R. Sridhar:** The fees are available for companies exclusively financing commercial vehicles like that, but we find that we have enough liquidity, which is normally available. What the problem is the demand, since the commercial vehicle sale has come down substantially, demand in the market place is less, so that is the problem. I do not think liquidity is an issue.
- Seema Changam:** Okay, thank you sir.
- Moderator:** Thank you. The next question comes from the line of Mr. Abhishek Kothari of SPA Securities.
- Abhishek Kotari:** Sir, congrats on your numbers. I wanted to know if you can give me the gross and net NPL in absolute value?
- R. Sridhar:** It is 367 crores.
- Abhishek Kothari:** Versus last year of...?



- R. Sridhar:** Last year was 214 crores.
- Abhishek Kothari:** And net sir?
- R. Sridhar:** Net is 196 now as against 84.
- Abhishek Kothari:** 84 crores. I understand that your cost of borrowing has increased due to your shift in loan portfolio, like retail constituted higher for this quarter comparative to last quarter?
- R. Sridhar:** The net NPL you change it, it is not 196 it is 172 as against 131. And what you said cost of...?
- Abhishek Kothari:** Your borrowing pattern had shifted to retail, more on retail side from the last quarter, from the last year's last quarter Q3, so like what is the interest rate that you pay for retail loans and bank loans?
- R. Sridhar:** It is more or less the same because in retail there are some intermediary cost are there servicing cost is there, in the wholesales those things are less, but more or less...
- Abhishek Kothari:** Approximately what would be the difference between the two costs of funds?
- R. Sridhar:** It would not be much. It will be very insignificant. But now since the liquidity crisis was there and also because the retail market is becoming very active because of stock market crash we have become active in that segment. So you would have seen in the Q2 and Q3 the mobilization has increased.
- Abhishek Kothari:** Okay, my other question would be your income from securitization. How much of the portfolio is securitized right now in absolute value?
- R. Sridhar:** In absolute value it is around 4200 crores.
- Abhishek Kothari:** 4200 crores is securitized?
- R. Sridhar:** Off books yes.
- Abhishek Kothari:** Okay, against your guidance of 3500 crores.
- R. Sridhar:** Yes.
- Abhishek Kothari:** Then on your securitized portfolio what was the yield you were getting?
- R. Sridhar:** That is a mixed bag, taking...



- Abhishek Kothari:** On an average sir?
- R. Sridhar** That we cannot say because so many transacts are there. 4100 crores is comprising of many transacts, so you cannot arrive at a weighted average yield.
- Abhishek Kothari:** Okay sir.
- R. Sridhar** As far as the NIMS are concerned the securitized transactions should be definitely higher than our normal business balance sheet NIM.
- Abhishek Kothari:** Higher than balance sheet items?
- R. Sridhar** Yes.
- Abhishek Kothari:** Okay and sir your last quarter borrowing cost from the market?
- R. Sridhar** We started of around 14% and then it came down to around 12.5% to 13%,
- Abhishek Kothari:** 12.5% to 13%, so do we expect it to go down further or...?
- R. Sridhar** Yes, if and when the banks reduce the lending rates, it is all mostly PLR linked, so naturally it comes down, now the interest rates are going downwards so it should go down.
- Abhishek Kothari:** Okay and this portfolio mix of retail and banks do we expect it to get further improved by banks or are you still looking out for retail loans?
- R. Sridhar** It varies from time to time. We have been only in retail about five to six years back and then we shifted to institution. Now we are in both, so the mix will keep on changing.
- Abhishek Kothari:** Okay, and can I have, do not tell me the name of the banker, but top banker holding in securitized asset what is the percentage like?
- R. Sridhar** I do not have right at the moment.
- Abhishek Kothari:** Okay, thanks a lot, sir.
- R. Sridhar** Yes.
- Moderator:** Thank you, Mr. Kothari. The next question comes from the line of Ashish Moge of B&K Securities. Please go ahead.
- Pramod Kumar:** Good evening sir, this is actually Pramod Kumar from B&K. Sir, my question was more regard to the second hand commercial vehicle market as to are you seeing prices flattening



there, that is my first question and the second question would be say if there are some repositions, which are happening say in most of the industry, not only for you, has the period which it takes to actually to resell those assets and then get our investment back, is that period getting elongated sir?

R. Sridhar: The second-hand price of the vehicles have moved up when the inflation was going up, but after that there was a slowdown and the inflation was also coming down. So we are financing huge number of vehicles every month on a daily basis, so we are not seeing significant erosion in the sale of resale value of the vehicle.

Pramod Kumar: But it is definitely its on the decrease, right?

R. Sridhar: It is not on the decrease to a significant extent.

Pramod Kumar: The second question in terms of for the duration of the time which it takes for you to actually get rid of a truck which you have taken position because of default or something like that and even for the industry, for larger banks?

R. Sridhar But see we are very active in the second-hand truck market, unlike other companies we finance new trucks and repossess it but since we are there we have a huge number of customers about six to seven lakh customers are there, so we are not finding it difficult to sell these assets back to somebody else. In many of the cases you know, the same customer will pay some money and take it back. We are doing this business in a different manner, unlike other companies once they repossess many of them do not give it back to the customers. We give it back, if they pay even a part amount we give it back, so our auctioning and selling of vehicles is less than 1% of our total number of vehicles every year.

Pramod Kumar: Okay. Do you participate in the auctions, which of these banks undertake?

R. Sridhar No, we are doing auctions for ourselves.

Pramod Kumar: Okay only for yourselves. Okay sir. Thanks a lot sir, and best of luck for the future.

Moderator: Thank you. The next question comes from the line of Mr. Anand Laddha of HDFC Mutual Fund. Please go ahead.

Anand Laddha: Hi sir. Good set of numbers, sir. Sir just wanted to understand one thing, how is the provisioning norm in your case, like do you recognize as a NPA after 150 days and how the provisioning is done on that?

R. Sridhar: We strictly follow the RBI regulation, whatever is provided by the RBI is graded, which starts from 10% and then moves up to a 100%.



- Anand Laddha:** 10% you mean to say in the first year?
- R. Sridhar:** There are some periods given in the RBI regulation.
- Anand Laddha:** I would be grateful if you can give...?
- R. Sridhar:** Currently the provision is made and over and above we also make some ad hoc provision which is beyond the regulatory provision, sops we make more provision than what is actually required by RBI.
- Anand Laddha:** Actually wanted to know what is the RBI provisioning, like first year 10% and what is the period and how much...?
- R. Sridhar:** That is a long regulation you will have to read the book or if you can send a mail we can send that relevant clause.
- Anand Laddha:** Sir, I wanted to know your provisioning norm like if RBI says suppose 10% so you...?
- R. Sridhar:** We provide that only.
- Anand Laddha:** You do not provide any extra.
- R. Sridhar:** That is what I told you know that the total provision is made as per RBI regulation, suppose that comes to Rs. 100 we make Rs. 110 or Rs. 120 like that extra we make over and above what is prescribed by Reserve Bank. Every quarter we make.
- Anand Laddha:** Just to understand some of the private sector banks, they write off the assets fully, they are not able to recover in 180 days... do you have some policy like that or something?
- R. Sridhar:** Correct, we have a policy, which is prescribed by the Reserve Bank like private banks and foreign banks, every bank is prescribed by Reserve Bank this NPL provision. Similarly...they have a 90-day write off that is also Reserve Bank regulation. Similarly we have 180 days that is also Reserve Bank. They also follow the same guidelines, whatever is prescribed to them we also follow the same.
- Anand Laddha:** Sir, can you share like how is the gross NPA in terms of three months, five months buckets?
- R. Sridhar:** I do not know why three months, five, you send a mail, we will send you.
- Anand Laddha:** Okay sir. Thanks.



- Moderator:** Thank you, Mr. Laddha. In order to ensure that all the participants are able to ask questions please stick to two questions per participant. Thank you, and the next question comes from the line of Ashwini K. Agarwal of JM Financial.
- Ashwini K. Agarwal:** Good evening sir. Sir, can I know your incremental cost of deposit and your incremental yield on advances?
- R. Sridhar:** Intermediary cost and deposit?
- Ashwini K. Agarwal:** Incremental?
- R. Sridhar:** Incremental cost is around 12%.
- Ashwini K. Agarwal:** And incremental yield on advances?
- R. Sridhar:** Incremental yield would be around 20%.
- Ashwini K. Agarwal:** 20%?
- R. Sridhar:** Yes.
- Ashwini K. Agarwal:** We are almost sitting on Rs. 2200 crores of cash. Sir, can you tell the reason that in these markets where the margins are falling however, are we maintaining so much cash?
- R. Sridhar:** Yes, that is the impact of the liquidity crisis in October so we felt that now we have been borrowing from mutual funds, foreign banks, private banks, public sectors banks, but now it has narrowed down to only public sector banks, so in the public sector banks the time lag between you put up a proposal in getting the money is quite long when compared to foreign and private banks and mutual funds, so still foreign, private and mutual funds are not coming forward to lend money. So we are totally dependent on public sector banks for resources. So in order to tide over that kind of time lag and also the uncertainty in the liquidity market in the country as a precaution we are carrying more cash. And all this cash we have not been carrying so much of cash, now we are carrying, and once the comfort level reaches it will come down.
- Ashwini K. Aggarwal:** Okay and sir have you restructured any amount of loan?
- R. Sridhar:** Restructure?
- Ashwini K. Aggarwal:** Yes.
- R. Sridhar:** No, we do not reschedule loans.



Ashwini K. Aggarwal: And sir in the current scenario where the interest rates are dropping and there is hardly any demand for commercial vehicles, how do you see the picture going forward?

R. Sridhar: You must know that we are not only financing new vehicles, we are major financiers for second-hand trucks, what you see on the new vehicle sales is a fall, which you will read in the newspapers, but on the second-hand truck there is still demand and we are meeting their demand, we are the only players in the organized sector.

Ashwini K. Aggarwal: Sir, I do agree to your point, but sooner or later the demand for second-hand trucks will also come down because of low freight movement?

R. Sridhar: If this situation continues for a couple of years it will come, the freight movement is there, see earlier 4 lakhs trucks were selling, now it has come down to 2.5 lakhs excess capacity is still being added into the system that means the existing trucks have business, so the existing trucks do change hands that is what we found, so there are many people who sell and many new comers who will come and buy the trucks, when the new vehicle sales goes, so there is enough demand for old vehicles also. People do not buy new trucks, they come and buy old trucks. So we have enough demand; however, having said that it was not like earlier times, so if the lull continues for more time in the new vehicles, it will catch up with the old trucks also, but as of now it is not there.

Ashwini K. Aggarwal: What will be your strategy going forward if that situation happens?

R. Sridhar: We do not have any control on the economy of the country. We are only financiers, so we are only commercial vehicle financiers and we do hope that the current slowdown will be there for this quarter and next quarter definitely there will be an improvement and you will be able to see every quarter and month-to-month basis improvement, so there the situation is better than earlier month, earlier quarter, so definitely next quarter would be much better. So we do hope that things will shape up better.

Ashwini K. Aggarwal: Okay. And what has been your ticket size of lending?

R. Sridhar: Around 25 to 30 lakhs.

Ashwini K. Aggarwal: That has declined from the previous quarters?

R. Sridhar: No. It is remaining the same.

Ashwini K. Aggarwal: Okay it is remaining the same. Okay sir. Thanks a lot, that is from me.

R. Sridhar: Yes.



- Moderator:** Thank you, Mr. Aggarwal. The next question comes from the line of Mr. Shrey Lunkar of Reliance Mutual Fund. Please go ahead.
- Shrey Lunkar:** Hi sir. Sir I was just wondering would it be possible for you to give me the gross NPA percentage on the basis of a 90-day classification. Now this will be a sure classification but would you be having that number?
- R. Sridhar:** No we do not have.
- Shrey Lunkar:** We do not have it right now. Okay, just a second, my colleague Shiv has another question to ask.
- Shiv Chanani:** Good evening, sir. This is Shiv Chanani.
- R. Sridhar:** How are you?
- Shiv Chanani:** I am good. How are you, sir?
- R. Sridhar:** Fine.
- Shiv Chanani:** Sir, just one thing I wanted to understand if you know the fleet operator's behaviour, how are you seeing that, I mean, are you saying let us say, these organized guy is probably you are getting more demand from them for the preowned vehicles or something like that?
- R. Sridhar:** See we are not in that market of fleet owners, we are in the small road transport operator segment which owns one or two trucks, so I do not know the kind of behaviour of this fleet owners, but when we look at vehicles, when we fund the second hand trucks, many of these trucks have been sold by the big fleet owners, which are purchased by small truck owners.
- Shiv Chanani:** Right.
- R. Sridhar:** So incidentally when we track and then do this exercise we find that the derivative of the trucks, which we fund, the old vehicle is resulting in the new truck sales. Because many of the fleet operators who sell the old truck go and buy a new truck and then get finance from a different company or a bank. We end up financing his old truck to a new customer. So to that extent we have a contact with the fleet operator, apart from that we do not get exposed to fleet owners.
- Shiv Chanani:** Right, I was wondering if in any case fleet owners are postponing purchase of new trucks?
- R. Sridhar:** That is reflected in the big fall in new vehicle off take, but that is why in the similar package government has come out with the accelerated depreciation for the truckers, but that is still not...



- Shiv Chanani:** But I was wondering if they were preferring preowned vehicles rather than the new vehicles right now?
- R. Sridhar:** Could be, but still we do not go and fund them.
- Shiv Chanani:** Okay fine. Secondly are you seeing some distress sales from the one-truck owner and two truck-owner kind of a thing that you cater to?
- R. Sridhar:** Distress the sales?
- Shiv Chanani:** Yes.
- R. Sridhar:** Not at all.
- Shiv Chanani:** All right, sir. Thanks a lot.
- Moderator:** Thank you, Mr. Chanani. The next question comes from the line of Mr. Chirag Shah of Emkay. Please go ahead.
- Chirag Shah:** Good evening everybody. Sir you had indicated that you are hopeful of demand recovery or other scenario improving going ahead. If you could just highlight what are the key pointers that you look at to take a call whether we should continue this caution or whether we should start looking aggressively in terms of because if I look at your disbursements there is a sharp deacceleration that has happened for, this is the first quarter where this kind of deacceleration has happened where it has been negative territory both preowned as well as the new series. So we are just trying to understand that what will make you to relook your current assumptions or current caution in terms of your business cycle and where we can expect you to at least go to 25%, 30% or 40% kind of a disbursement growth scenario?
- R. Sridhar:** See that kind of a growth will happen because we have the necessary liquidity, we have capacity to lend and collect, we have the network, we have people, everything is there, but it is clear demand, you know, demand is the result of the economic growth. For commercial vehicles totally it depends on the GDP growth, so the GDP growth due to the global economic slowdown, it is going slow.
- Chirag Shah:** What I am trying to understand...?
- R. Sridhar:** The null in the neutral scale which started about a year back, as a result of excess capacity, got aggravated due to liquidity crisis and then interest rates and global slowdown, if it has to make a U turn and start going up, economic growth which is the GDP growth has to go up. Now we were talking about eight, today I saw in the credit policy that they are projecting seven, which means it is coming down. So that is the result of the new vehicle



sale going down. So once the economy growth improves, definitely the truck sales will go up and we have the necessary liquidity and other things to improve our assets.

Chirag Shah: What I was trying to understand is that for an internal assessment there must be some pointers, which are not really visible in numbers, but that would bring in confidence especially if you go back in the earlier cycles you must have learnt from that?

R. Sridhar: Our confidence comes from our recoveries.

Chirag Shah: Okay.

R. Sridhar: So if the recovery is quite good, we are ready to lend money.

Chirag Shah: Okay, sir you are facing some...?

R. Sridhar: The recovery is not an indicator to sales. Recovery is an indicator for our intentions to increase our disbursements. Hence this will happen only if the GDP growth is there.

Chirag Shah: By the way I was trying to understand from your perspective rather than from new comers?

R. Sridhar: Recovery that is quite good, so we are confident.

Chirag Shah: Recovery you are not facing any significant issues currently?

R. Sridhar: See there could be some marginal...

Chirag Shah: Not significant.

R. Sridhar: But what we were fearing at the time of October 1 is not there.

Chirag Shah: Okay. So you are basically what I understand that is that it is not a concern for you because people are not coming to you and asking for loans rather than you being very cautious and not lending money? Is it right?

R. Sridhar: Correct.

Chirag Shah: And how long do you foresee this kind of scenario to continue?

R. Sridhar: I think things are improving, as I mentioned earlier, it is improving on a day-to-day basis so we did reasonably good business in Q3 even in the very challenging quarter, definitely we should be better off in this quarter and next quarter when the new financial year starts I think things should be normal.



- Chirag Shah:** Okay. Lastly, last question if I can, what is the kind of inventory of repurchased vehicle, how it has grown say in the last quarter?
- R. Sridhar:** Not much of a significant, because things are bad you know, it is not advisable to repossess vehicles.
- Chirag Shah:** Because resale prices will also go down significantly.
- R. Sridhar:** Whatever it is, already customers are in trouble, so our position has not deteriorated significantly, so our repossessed stocks are always at a very comparably lower level when compared to our peers. So it is quite manageable.
- Chirag Shah:** Thank you, all the best. All the best and thank you very much.
- Moderator:** Thank you, Mr. Shah. The next question is from the line of Mr. Ajinkya Dhavale of Motilal Oswal. Please go ahead.
- Ajinkya Dhavale:** Good afternoon sir and congratulations on good numbers. Most of the questions have been answered. One question can you throw light on the capital adequacy right now?
- R. Sridhar:** Capital adequacy is comfortable. We are around 15% to 16%. So it is more than what is prescribed by the Reserve Bank, 12% is our capital adequacy.
- Ajinkya Dhavale:** Tier I would be upwards of 11?
- R. Sridhar:** Yes, definitely.
- Ajinkya Dhavale:** Okay fine. Another question may be touching upon again on the NPA front, I mean this 1.9% gross NPAs as someone asked about the 90 days maturity bucket. By the end of this year, can this 1.89 become 2.5 as you know whatever is there in the 90 days bucket slip by the end of the year. Do you see the gross NPA building up as 150-days criteria becomes effective?
- R. Sridhar:** No, we are already on 150-days, not that we are on 180 so and we follow 150 this is going to increase.
- Ajinkya Dhavale:** But whatever is there in the bucket three 90-day overdue etc., will slip next quarter?
- R. Sridhar:** No, it does not, 90 will become 120, 90 people may feel and still remain in 90, only your collection efficiency as things have been demonstrated by the truckers during this quarter are able to make their business viable and repay. Our collection performance has given us the confidence in a troubled and challenging sign can repay, it is absolutely no problem, so



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we are very confident that our gross NPLs should be around this level. I do not think it will breach 2 and go to 2.5 and all that.

Ajinkya Dhavale:

Okay. Fine. That is it. Thanks.

Moderator:

Thank you, Mr. Dhavale. The next question comes from the line of Rachita Anand of ICICI Direct. Please go ahead.

Rachita Anand:

Good evening sir. This question is regarding a loan rejection deed for the organization, what is the rejection date that we can at least see and what could be an average time for approval of loan and disbursal issues?

R. Sridhar:

Ours is a bottom-up organization you know, all these things happen at the branches, so frankly we do not capture this information of rejection, only after you have asked me this question it gives me an idea, we will try and see whether we can capture this information.

Rachita Anand:

Okay, all right. Then another question would be...?

R. Sridhar:

Information is not there, we are the fastest in disbursement. Our people will take quick decision and then the formalities once it is completed we will do, it should take around three to four days.

Rachita Anand:

All right. Fine. And do you have any plans of moving to other segments of auto sectors other than the commercial vehicles?

R. Sridhar:

No nothing else, only commercial vehicles.

Rachita Anand:

All right. Thank you. Thank you, so much.

Moderator:

Thank you, Ms. Anand. The next question comes from the line of Mr. Sachin Upadhyay of Alchemy. Please go ahead.

Sachin Upadhyay:

All the questions have been answered. Thank you.

Moderator:

Thank you. The next question comes from the line of Mr. Krishnan of Ambit Capital. Please go ahead.

Krishnan ASV:

Hello. I just wanted to I mean, I think there is one question here in terms of the demand picking up from the small road transport updaters. I mean, you must have seen a fair amount of little lackening of the demand because of the high interest rates, now on your yield it subsequently will start showing up, supposing demand does pick up it will happen at the cost of your yields going down, so could you just share something on that front?



R. Sridhar: Earlier the cost of borrowing was going up so we increased the yield, now the cost of funds are coming down, so naturally the yields will come down.

Krishnan ASV: What could be the duration as far as the loan book is concerned and as far as the liabilities are concerned?

R. Sridhar: We normally borrow and lend same between three and five years, so we have a very comfortable ALM. We do not borrow anything short and then lend money. Previously we did not have any short-term borrowings, which has been used for lending purposes, so that is quite comfortable. So we try and maintain our NIMS, sometimes for a temporary period it may be under pressure, it will again restore back to its normal levels, so today we have increased the yields and when the interest rates comes down, definitely the yields will come down.

Krishnan ASV: Which means the repricing will be happening at some amount of your frequency right? What could be the frequency there?

R. Sridhar: We have been lending large amounts earlier, now the lending has come down, so when the demand shoots up we will be going back to the original level and not beyond that, so there is enough cushion is there for us so absolutely nothing to worry on the yield front.

Krishnan ASV: Okay. Just one last question, in terms of the nonperforming loan, at the gross level where do you think that supposing you have next two till around June if you think that the economy will face a problem, supposing I assume that is June is when we put bottom out. What is the kind of NPL level that you are looking at?

R. Sridhar: Historical, having NPLs at this level around 2 to 2.5 and for the last four or five years when the economy was doing well, we have been between 1.5 and 2. So the range should be between 1.5 and 2.5. So we are in between now. I think we should be fairly stabilized and remain at that level.

Krishnan ASV: Okay. Fine. I guess I am done. Thanks a lot.

Moderator: Thank you. The next question comes from the line of Megha Gupta of Birla SunLife Insurance. Please go ahead.

Megha Gupta: Good evening everyone. My question is related to credit parameters. Just wanted to check with you regarding average tenure in the portfolio outstanding as well as the average LTV? And whether incrementally are you making any changes in these norms?

R. Sridhar: No, everything remains the same. The average tenure when we give the loans, that varies from new vehicles to old vehicles, so in the new vehicles after the banks have started



entering this segment they have increased. So it has gone up to about 60 months and in some cases banks give even beyond that, but ours is around four years to five years.

Megha Gupta:

On an average on the portfolio?

R. Sridhar:

Average, when it starts the old vehicles could be around two to three years and in some rare cases in a bigger vehicles it will move to four years and if you take up portfolio it could be around three years would be the average.

Megha Gupta:

On the entire portfolio put together.

R. Sridhar

Right as of now.

Megha Gupta:

All right, and regarding the LTV?

R. Sridhar:

LTV would be around two-thirds of the value of the vehicle in the case of old and in the case of new it would be around 75%-80%.

Megha Gupta:

On an average on the portfolio sir?

R. Sridhar:

No it is at the time of this thing we should be around 45%-50%.

Megha Gupta:

45% - 50% on an average currently.

R. Sridhar:

On the portfolio.

Megha Gupta:

Okay. You have already spoken about the 90 plus GPD those numbers are on a managed portfolio basis are not available with you right now. Can we get in touch with you later for these numbers sir?

R. Sridhar:

Which one, 90 days?

Megha Gupta:

On a managed portfolio that is your portfolio outstanding plus...?

R. Sridhar:

No we do not have any intention to look at that number because our NPL norms are different. So 90 days is only for banks.

Megha Gupta:

That is not monitored internally?

R. Sridhar:

That we monitor but we may not be able to disclose this.

Megha Gupta:

Sure, all right. Thanks. That is about it.



Moderator: Thank you. The next question comes from the line of Ms. Manisha Porwal of Arihant Capital. Please go ahead.

Manisha Porwal: Good afternoon everybody. This question was regarding a few minutes ago you just mentioned that you want your NIM to be around 7% - 8%. That is what you look at before building up your interest yield, based on the cost and borrowing, but this time as per your presentation your NIM has come down to 6.7%. So henceforth going forward can we see this in the same range being strained at this level or you will again increase the yield to come back to...?

R. Sridhar: Our intention is always to increase the NIM, but in some quarters due to various reasons, you know, it may be under pressure. This is one of the quarters where you had a huge interest cost and we are carrying huge cash balance and all these are some of the reasons for this to come down below 7% otherwise it is normally between 7% and 8%. So I think next quarter we can expect that it should move up.

Manisha Porwal: Another question from the operating cost. Most of the companies are trying to fight the slowdown by reducing their operating cost but for Shriram Transport I can see that the operating cost is a little more than the net sales growth, so I just wanted to know henceforth are you planning to cut down this cost by reducing employees or bringing down the number of branches or any such measures?

R. Sridhar: See, all the branches they have business, you know, no branch is without business, so branches we cannot shut. But the number of employees if it is excess, definitely we are looking at reducing, what I am trying to say is that our operating costs are already we are a very conservative company where we do not spend any extra money, so we have no opportunity to reduce the cost, but having said that wherever there is excess people and all that everywhere, everything is looked at to see if we can save some money. That we are already doing it.

Manisha Porwal: Okay sir, one more question was despite the slowdown in the disbursement and everything, I can see that the investments have come down drastically. Last quarter we increased the investments to around 237% and this time we have bought it to just 38 crores from 736 crores last YTD as we see and against this even the cash balances have come down by 10%. So we are selling our investments also and generating cash, we are reducing our cash and we are also increasing our unsecured loans and despite this there is a slowdown. So I can understand the relation?

R. Sridhar: Till September we were investing in fixed deposit and mutual fund, now we have shifted it from there to fixed deposits.



- Manisha Porwal:** The amount, the investment of 38 crores is fully fixed deposit? So we have liquidated a lot of investments in this quarter?
- R. Sridhar:** No it does not float to fixed deposit.
- Manisha Porwal:** Sir that is shown, it will be...?
- R. Sridhar:** Let them check out. We will come back to you again.
- Manisha Porwal:** Another small question sir, was regarding the strategy with these private financiers, given the slowdown are we looking at the same, do we have the same outlook or are we having some kind of reservation there?
- R. Sridhar:** We do not have any reservation, but as our business has slowed down the business of Shriram Transport, which is done through the private financiers have also come down, so any slowdown gives us an opportunity to look at inside and whether we need to revise our strategies and all that, so that is all being done, but we do not think that there is any need to go slow on the private financier's channel.
- Manisha Porwal:** Okay sir. Thanks a lot.
- R. Sridhar:** Coming back to that investments we are carrying close to 2500 crores in September quarter now we are having 2000, it has come down by 500 crores.
- Manisha Porwal:** It has come down by 500 crores. The investments, and the cash balances have also come down.
- R. Sridhar:** When I say 2500 it includes the cash balance.
- Manisha Porwal:** Okay including cash balances it is sort of...
- R. Sridhar:** We were having around 1800 crores of FD and investments in September and we were carrying a cash balance of 700 crores that has come down to 1438 crores in FD and 600 crores in cash and bank balance.
- Manisha Porwal:** Okay, so there is a marginal 500 crores...?
- R. Sridhar:** Reduction.
- Manisha Porwal:** Okay and against this unsecured loans, I mean the loan portfolio under secured side has increased by around 34%. Going by the presentation that I have I can see unsecured loans increasing...?



- R. Sridhar:** Retail it has gone just...
- Manisha Porwal:** Sir, this is despite, you know, we would have realized this cash, we would have used it for business and we have borrowed also, this is despite the slowdown, so I just wanted to understand in spite of slowdown and realizing so much of cash, I am not able to understand where is this gone, the amount?
- R. Sridhar:** Okay we will do one thing, you can please send a mail we will come back to you on this.
- Manisha Porwal:** Okay sir. Thanks a lot.
- Moderator:** Thank you. The next question comes from the line of Mr. Dhiren Mehta of Citibank. Please go ahead.
- Dhiren Mehta:** My question was just wanted to check whether the promoters have taken any share finance?
- R. Sridhar:** No we have not taken.
- Dhiren Mehta:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Mr. Dalpat Shah of Quantum AMC. Please go ahead.
- Dalpat Shah:** Good evening sir. My question is what is the margin contribution in the take from the borrowers?
- R. Sridhar:** The truckers it varies from new vehicle to old vehicle as I have explained the new vehicles we take about 15% to 25% in some cases depending upon the vehicles and in the old vehicles it is around 30% to 40%.
- Dalpat Shah:** My one more question is basically how do you see the competition in the market, now say Tata Capital has also entered aggressively in the market, so is there any pressure around competition front or like that?
- R. Sridhar:** See Tata Capital has not entered today, it is a big company, which has been doing business for quite long and it is a company promoted by the Tatas to promote their vehicles, so it is not a new competition but if you understand our business, we are in a niche segment with regard to customer as well as with regard to the asset. The small truck owner segment that has not been funded by anyone, so in spite of you finding various other financiers in the marketplace none of them is competing with us in the space where we are present. So competition is least in our problems.



- Dalpat Shah:** Okay. Sir, just one last question, what is the proportion of your portfolio fixed interest cost as well as floating rate component?
- R. Sridhar:** Both are there, we should be having roughly around 50-50%.
- Dalpat Shah:** Thank you, very much sir.
- Moderator:** Thank you Mr. Shah. The next question comes from the line of Amit Ganatra of Religare AMC. Please go ahead.
- Amit Ganatra:** Sir can you just repeat the overall securitized portfolio outstanding?
- R. Sridhar:** It is 4100 crores as of December 31.
- Amit Ganatra:** 4100 crores and 199 crores is securitized in this quarter?
- R. Sridhar:** Yes, correct.
- Amit Ganatra:** So if I want to know the second quarter I can just reduce 4100 -199.
- R. Sridhar:** No, 4100 is the outstanding portfolio as on December 31, out of which only 199 or around 200 for example is of the third quarter so it does not mean that the balance is done in the second quarter.
- Amit Ganatra:** No I am trying to understand what was the outstanding as on second quarter end?
- R. Sridhar:** The second quarter it was 4500.
- Amit Ganatra:** So basically there has been repayment also...?
- R. Sridhar:** Yes, every month you have to repay.
- Amit Ganatra:** Okay and can you also provide the number for the gross and net NPL absolute number for the second quarter?
- R. Sridhar:** Second quarter was 314 crores gross NPL, net NPL is 163.
- Amit Ganatra:** 163 and these are 180 days NPAs, right?
- R. Sridhar:** 150
- Amit Ganatra:** 150 days. So for our NBFCs it is 150-day norms, is it?



- R. Sridhar:** That is all tax periodical interpretation so some people interpret in different ways. We have interpreted more conservatively so we are doing at 150 days.
- Amit Ganatra:** Okay, but otherwise it is 180, isn't it?
- R. Sridhar:** Normally it is told as 180, but there are some words, which are interpreted in installments, and all that it is interpreted in a way, which makes it you know 150 for us.
- Amit Ganatra:** And one more thing is that for previous quarter can you also provide the percentage of gross and net NPAs?
- R. Sridhar:** For the previous quarter, it is 1.74 is the gross and 0.91 is the net.
- Amit Ganatra:** 0.91 is the net. Okay thank you.
- Moderator:** Thank you. The next question comes from the line of Mr. Raunak Nagda of Value Quest Research. Please go ahead.
- Raunak Nagda:** Good evening sir. Sir I would like to know looking at the strategy you have been following and you have been telling throughout the conference call would you say that the worst is over for the Shriram Finance?
- R. Sridhar:** There was no worst for us at any point of time. Only this quarter there is a moderate growth. Beyond that there was no problem at all. The worst is for the country as a whole there are some challenges and the entire global corporate faced a lot of challenges, similarly we have also faced. But when it comes to the final result if you see there were some challenges in terms of increase in the interest cost, increase in delinquencies and moderate growth, so these were the reasons for a little lower profitability during this quarter, but that is one off so things are looking up now, we should be okay.
- Raunak Nagda:** Okay. All the best sir.
- Moderator:** Thank you. The next question is from the line of Mr. Abhishek Kothari of SPA Securities. Please go ahead.
- Abhishek Kothari:** Sir, just a followup, could you provide me the customer base?
- R. Sridhar:** See the customer base should be around 600,000.
- Abhishek Kothari:** The same as we had last time?
- R. Sridhar:** The number of vehicles is around 850,000 around 8.5 lakhs.



- Abhishek Kothari:** 8.5 lakhs compared to last year?
- R. Sridhar:** Compared to last year should be around 6 lakhs.
- Abhishek Kothari:** 6 lakhs and sir did you have any private financier tie-ups in this quarter or something?
- R. Sridhar:** That is a continuous one, but I do not have the figure now, so there would have been new private financiers who would have been added.
- Abhishek Kothari:** No figures as such.
- R. Sridhar:** Not much during the quarter because we have been going slowdown, maybe few people would have been added, but since I do not have the figure I am not able to immediately tell.
- Abhishek Kothari:** Sir I spoke to you earlier regarding your increase in securitization how much do you expect securitized portfolio at Q4?
- R. Sridhar:** The Q4 is the year end for all the banks, our portfolio is full of priority sector portfolio so I expect it to be quite good.
- Abhishek Kothari:** Better than what was heard in Q3?
- R. Sridhar:** Yes definitely.
- Abhishek Kothari:** Okay thanks a lot sir.
- Moderator:** Thank you. The next question comes from the line of Mr. Abhinav Mansinghka of HSBC AMC.
- Abhinav Mansinghka:** Good afternoon sir, just wanted to understand if you could share some perspective on second hand truck prices, how have they been behaving over the course of the last three to four months?
- R. Sridhar:** I already answered this that the inflation was going up you know, the second hand truck prices also went up. Commodity prices went up, and our LPV was coming down, we missed a lot of opportunity to increase our lending. When the inflations have started coming down we had other problems also like liquidity and all that, but still we have seen growth moderation and demand coming down, but not the prices. However there could be some minor corrections here and there, but not significant. So second-hand truck prices are holding up and nothing to worry.



Abhinav Mansinghka: Okay and going by your experience in the business in previous cycles would you say that second-hand truck prices would tend to increase earlier than the actual reflection in new truck sales?

R. Sridhar: Definitely, because the new truck sales are less this should hold up and then when the recovery starts in the economic activity this should move out.

Abhinav Mansinghka: Okay. That is all that I wanted. Thank you.

Moderator: Sure sir. The next question comes from the line of Mr. Vishal Jaju of Centrum Broking. Please go ahead.

Vishal Jaju: Sir my question was with regard to our liabilities. To my understanding our liabilities are 50:50, like 50% on fixed basis and 50% on flexible interest rates right?

R. Sridhar: Yes.

Vishal Jaju: But what about the assets, what is the mix? How much is the floating and how much it is on fixed basis?

R. Sridhar: No floating, all are fixed.

Vishal Jaju: All are fixed.

R. Sridhar: 100% fixed.

Vishal Jaju: 100% fixed levels. Okay and with regard to the stimulus packet there was an announcement given, benefit which was given to the housing finance company, like they would be included in priority sector lending, so does that mean that now banks have more options as far as the investment goes for the priority sector lending say apart from the companies like Shriram Transport Finance they can also give it to housing finance companies so it would be tough for us to compete with them as far as the interest rates goes because we are making about 100-150 basis points etc., as far as this sector was going?

R. Sridhar: Yes, housing finance has already been included in the priority sector, now. Earlier it was around 20 lakhs now I think they have increased to 30 lakhs. That is all, but the priority sector you know the target is there and we have our own dedicated customers to come and buy that personally. I do not think simply including this is going to dampen our demand.

Vishal Jaju: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference back to Mr. R. Sridhar for the final remarks. Please go ahead sir.



*Shriram Transport Finance 3rd Quarter and 9 months ended
Earnings Conference Call, January 27, 2009*

R. Sridhar:

Thank you, very much for your active and enthusiastic participation and support. I look forward to meeting you, speaking to you all at the end of the Q4. Thank you.

Moderator:

Thank you sir. On behalf of Shriram Transport Finance Company that concludes this conference. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines.