"Shriram Transport Finance Company Limited Conference Call"

February 2, 2011

MODERATORS: MR. R. SRIDHAR

Moderator: Ladies and Gentlemen, good day and welcome to the conference call hosted by Shriram Transport Finance Company Limited for the third quarter of financial year 2010-2011. As a reminder for the duration of this conference all participant lines 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 the conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. R. Sridhar of Shriram Transport Finance Company Limited. Thank you and over to you, Sir.

R. Sridhar: Good afternoon friends. Welcome to the post results discussion on the Q3 December 2010. I hope you would have received the investor update and had the opportunity to browse through the numbers. So to give you the performance of the company for the quarter; I would say that it is very satisfactory looking at the scenario this country is witnessing a harsh inflation, which makes the interest rates move forward and also the liquidity is tight. These two are very critical for an NBFC and under these circumstances the company has performed well during this quarter.

The commercial vehicles, which have been the asset, which the company has been financing that industry has been doing well and we have been able to record disbursement of around 5100, Crores during this quarter registering a 30% growth compare to the previous year quarter and a healthy 13% growth quarter-on-quarter. This disbursement growth has helped us improve the assets under management 2100 Crores in this quarter, which has moved from 31,700 to 33,800.

The net interest margins another important parameter in the circumstances of interest rates moving forward I am very happy to inform you that it has improved substantially during this quarter and moved from 6.24 in the earlier quarter to 6.69%. The delinquency has remained stable. The net NPL has remained below 0.5 at 0.47%. So, all gives a strong disbursement growth and stable net interest margin as well as stable delinquency has helped the company improve the net interest income by 45% and consequently the profit after tax also has moved up. It should have moved up on similar lines of around 45% but for the new guideline, which has been introduced by Reserve Bank of India, which requires the NBFCs to provide a 25 basis point on standard assets, so consequent to this regulatory instruction from Reserve Bank the company has provided 25-basis point on its standard assets outstanding as on December 31st and we have made a provision of around 55 Crores so that has pushed the profit down to around 27% compared to the previous year’s quarter.

The return on assets and return on equity, return on assets is around 4%, 3.99, and return on equity is 27%. These two also have been impacted because of the standard asset provision otherwise I would say that all these numbers have remained stable compared to the earlier quarter. Looking ahead the commercial vehicle industry continues to remain bullish and we hope that our disbursements should continue on these lines and as anticipated we should register a reasonable 20%-25% growth in our assets under management for the year. The only worrying factor is the uncertainty on the interest rate scenario as well as the liquidity. The company has been claiming in the past that we have changed the liability mix anticipating the interest rates moving forward well in advance even in the last year and that is why you would have seen that we have used the securitization to improve and increase the fixed rate loans as well as retail loans so way back in March 2010 quarter itself we have initiated action in this regard and we have changed the liability mix from 50-50 to 75-25 between fixed and floating.

We continue to raise again fixed rate loans during this financial year also and we anticipate that by March 31, 2011 we should have about 80% fixed and 20% floating. This would help us in maintaining our net interest going forward and whenever interest rates move up we would also be in a position to pass on this interest rate increases to our customers.

So I expect a stable performance in the coming quarters also in spite of uncertainty in the economic as well as in political front. The capital adequacy of the company continues to remain very healthy with more than 23% and the book value for the first time has crossed Rs. 200. The earning per share should have been around 15 but for the standard asset provision it has come down to 13.85.

So with these initial remarks I leave the forum for any questions and we will be very happy to answer.

Moderator: Thank you. Ladies and Gentlemen, we will now begin with the question and answer session. We have the first question from the line of Manish Chaudhary from Citi Group, please go ahead.

Manish Chaudhary: Just a couple of questions from my side. Firstly, in terms of the infrastructure pick up I mean growth, which has slowed down especially in the segment, traction of growth (ph) etc. Now do you expect that with a lag this will start impacting the growth in the CV financing side as well and if yes what kind of a lag would you expect?

R. Sridhar: We have been anticipating a growth in the infrastructure, investment in infrastructure. As you rightly said it would have slowed down but that cannot be the only reason there are many reasons, which can hamper the demand growth of new vehicles going forward. Mainly the liquidity as well as tightening of liquidity and the rising interest rates and also the commercial vehicle industry is on the upward curve for the past one-and-a-half years and since it is a cyclical industry the other cycle has to start so what would trigger the other cycle we do not know when it will start, so all these are there but may be as a financier of new as well as used commercial vehicles we are fortunate that used commercial vehicles are not cyclical so the demand continues to be there and we do not see much of a competition as far as Shriram is concerned in this space and we have also recently floated a subsidiary, which is into financing construction equipments. The way our disbursements are happening there I tend to believe that still the slowdown in the infrastructure space has not come so we have not been able to see much of an impact of that but as you rightly said it may have an impact going forward depending upon the investments slowing down in the infrastructure space.

Manish Chaudhary: Right Sir. Secondly, in terms of your key income that would be running much below schedule, below targets set earlier, any sense on that is the traction you are gaining or any likelihood of that improving say over the medium term as such and what are the steps being taken there?

R. Sridhar: This is only because of the implementation of our auto malls has been delayed due to unforeseen monsoon rains in many parts of the country, so unfortunately wherever we have planned to open auto malls, which are in Bombay, Delhi and Chennai has witnessed heavy rains, which extended beyond the normal monsoon of September 30 even the CWG SAG has been affected, the Common Wealth Games have also been affected because of the rains. So we are running out of schedule there. So we should be opening our four auto malls before the end of this fiscal, so we hope that we should pick up in the next financial year.

Manish Chaudhary: Sir, in terms of your total loan mix, how much is construction equipment now of the total?

R. Sridhar: This does not include construction equipment, which is coming from our new subsidiary but whatever we have done earlier in our seven vertical one is construction equipment and that should be around 5%-6% on the total.

Manish Chaudhary: Okay so the new…

R. Sridhar: New has not been included because that would be consolidated only on March 31st.

Moderator: Thank you. The next question is from the line of Venkatesh Sanjivi from ICICI Prudential, please go ahead.

Venkatesh Sanjivi: Sir, just two questions on your borrowing; you mentioned you would move to 80% fixed by end of March. Broadly speaking what will be the duration of the borrowings and what will be the cost?

R. Sridhar: We are borrowing for three to five years. So that the ALM continues to be comfortable. Since we are financing more of secondhand vehicles where the tenure is much shorter than the new vehicles so we borrow long and short so that strengthens our ALM. Also since the company has done more than 35% of our total assets in off balance sheet instrument securitization, which has equal tenure that also has strengthened the asset liability so we are not doing anything in terms of borrowing, which would hamper this ALM match. So we are borrowing only three to five year's loan.

Venkatesh Sanjivi: What will be average rate of borrowing currently?

R. Sridhar: That varies, every time the interest rate goes up. Now, the incremental cost is around 10.5.

Venkatesh Sanjivi: Sir, basically we have seen about 200-250 bps increase in cost for the last six months right?

R. Sridhar: No, not 200-250, it is less than 100-basis point. The cost has moved up and you would have seen that our NIM has also increased.

Venkatesh Sanjivi: Okay, and one update on the auto mall, has it actually started now or is it still in the process…

R. Sridhar: It is in the final stages of construction so we should be opening one or two this quarter at this month and one or two in the next month. So four we are constructing now. All these four should be up and running by March 31st.

Moderator: Thank you. The next question is from the line of Parag Jariwala from Anand Rathi Securities, please go ahead.

Parag Jariwala: Congratulation on good set of numbers. Sir, is it more prudent to grow little slow in such kind of rising interest rate scenario because say if economy grows at a little lower than what we all are expecting you might see some increase in the delinquency etc?

R. Sridhar: The delinquency is arising not out of interest rate. The interest rate increase only reduces take home money of the customer. Interest rate increase only affects the demand for vehicles. That is our experience in the last three decades so the customer who has borrowed one year back he continues to pay the same interest since it is fixed so the interest rate increase of today does not affect the customer who has taken earlier at a lower rate. The customer who wants to borrow today he takes a decision whether he can afford to borrow at this rate. The moment he decides to borrow at these rates the rate remains the same so if it goes up further in rising interest rate he would only feel happy that he has got at a lower amount. Only when the interest rates come down you may feel little sad that he has borrowed at 11% now it is 9.5 and he would feel happy. So my experience is that whenever the interest rates moves up he only gets a little less money to take home and it also affects and tampers the motivation to buy more vehicles. So it does not affect the delinquency, it only impacts the demand.

Parag Jariwala: Right, so if I have to put this way that from your past experience if say interest rate rises by more 100-150 basis points from here what kind of impact it could have on your growth rate?

R. Sridhar: See, if you say the new vehicle then you get affected because used vehicles have always remained high on the interest rate and 100 basis point increase is going to increase our total cost to only by 25-basis point because we have fixed rate of borrowing, so what we will be doing is if you imagine that 200-basis point it will move up it will definitely have an impact on the new vehicle sale. The demand may come down from 25%-20% or something like that.

Moderator: Thank you. The next question is from the line of Deepti Chauhan from Asit C Mehta, please go ahead.

Deepti Chauhan: Sir, I just have a few questions; firstly, just wanted to know what is the proportion I mean what is the borrowings right now I mean what percentage of your total borrowings would be bank loans and what would be the debentures?

R. Sridhar: We have a 15% retail and around 35% of securitization so that takes away 50 and another 50% is from banks and institution and you will have to take some networth you will have to deduct another 10%-15% so the bank loans would be around 25% only.

Deepti Chauhan: Okay and the rest would be the debenture?

R. Sridhar: No, it is all borrowing; banks also invest in debentures; mutual funds are there and other institutions are also there.

Deepti Chauhan: Sir, what are the average yields for each segment if I look at the new CV and the old CV space?

R. Sridhar: The total is around 18%, it should be around 14%-15% for new and around 19%-20% for old.

Deepti Chauhan: Sir, so far we have done, if I am not wrong, 4000 Crores odd of securitization this particular year, right? How much more do you think we will be able to do in the next quarter?

R. Sridhar: We are planning to do around 3000-4000 Crores in this quarter and being the last quarter of the financial year we anticipate a good demand for priority sector loans.

Deepti Chauhan: Okay, and any targets for next year, Sir?

R. Sridhar: Regarding?

Deepti Chauhan: Any disbursement number, which you are looking at.

R. Sridhar: No, we do not talk about disbursement; we have always said that we will grow around 15%-20%.

Deepti Chauhan: This is for FY'12?

R. Sridhar: Yes.

Moderator: Thank you. The next question is from the line of Devang Modi from Equirus Securities, please go ahead.

Devang Modi: Congratulation on great set of numbers. I wanted to have more details of the construction equipment subsidiary; this is a subsidiary that will be consolidated in the numbers right as of March. So what is the amount of disbursement that has been done currently what are the AUMs on that side?

R. Sridhar: We have started October middle and up to December we have done around 200 Crores. We anticipate that the AUM as of March 31 would be around 500 Crores.

Devang Modi: Sir, how much amount has been capitalized?

R. Sridhar: That has a 15% capital adequacy so we would be putting nearly around 100 Crores before March.

Devang Modi: Sir, earlier when you mentioned the borrowing mix that was as a percentage of the total AUM right including on book and off book.

R. Sridhar: Yes

Moderator: Thank you. The next question is from the line of Chirag Shah from Emkay Global, please go ahead.

Chirag Shah: Good evening sir. Sir, first question you have indicated that there could be some slowdown in the new vehicle demand because of cyclical nature of the industry but what I was trying to understand also are you seeing any slowdown in the movement of goods on the road or the replacement side of the business where you are a very active player because what we have observed off late is that other players who have exposure direct indirect to the replacement market of CV has been facing pressure on the profitability. Is that you are also observing in your financing where the higher interest rate could actually impact you and you may have to offer some kind of incentive for customer pull?

R. Sridhar: See, always the interest rate increase will have a dampening effect on the demand so if the interest rates move up substantially then the incentive and motivation to buy more vehicles come down that is what I meant. This is coupled with liquidity tightening because the RBI and the government will work to contain the inflation so when you do that with the commercial vehicle already 18 months on an upward curve if this acts as a trigger to get it to the lull so that another cycle may start, so that is what I mentioned that possibility of that happening in the next six months to 12 months is there, if this kind of an inflation continues.

Chirag Shah: But as of now we have not seen even the recent rate increase in rates is not really a big issue from your perspective at the consumer end, consumers are able to bear the brunt?

R. Sridhar: Absolutely, because these are all small doses of increase, which the RBI is making, but if you look at after four quarters we do not know what kind of increase is going to come so we are only factoring that point and if that happens there is a possibility of some demand coming down.

Chirag Shah: Is there any kind of uptake that you have seen at the customer end in because what we have absorbed in September, October, and November was there was a less slowdown kind of thing that was happening so has that kind of a thing come back into market?

R. Sridhar: I have not seen any slowdown here, the demand for commercial vehicles continue to be good.

Chirag Shah: On the secondhand vehicle side because of monsoon there so the buying decision will be postponed and all those things are happening….

R. Sridhar: No, even in the second quarter, which is completely a monsoon months, July, August, and September we have reported good growth.

Moderator: Thank you. The next question is from the line of Krishnan ASV from Ambit Capital, please go ahead.

Krishnan ASV: Sir, my question is to do with the dynamics at the CV operator end. I just wanted to understand are you seeing any pressure in terms of the freight rates moving up significantly do generally CV operators has enough pricing power at their end?

R. Sridhar: See the freight rates have remained stable and it has moved up a little bit also, it is not under pressure. As long as the GDP growth is good and the demand for commercial vehicle now indicate that the freight rate is quite good so they believe that the liabilities will be good that is why they want to buy more trucks. That is the indication. I do not think it is under pressure and when we look at our delinquency, which has remained stable, the collections are good that also indicates that the truck operators are earning.

Krishnan ASV: Related kind of a query on this was I mean we are seeing a lot of other head wins coming in the steel sector especially I mean steel and iron companies, which are reporting their numbers and most of them are facing transportation crunch because of ban on loads, ban on overloading and that is likely to mean that you know the new series that cycle that we think that might be on a downtrend sometime over the next 12 months, that down trend might actually say get deferred to a larger extent?

R. Sridhar: Overloading ban has been there for quite long, so all those adjustments have been done and today when you want new capacity it is only arising out have the manufacturing and agricultural growth, that is represented by the GDP growth number apart from the passenger. So both the passenger and goods carrying vehicle, the demand for increase in the capacity will go up as and when the GDP grows, so the adjustment with regard to overloading has already been done.

Krishnan ASV: Okay, so you think there is no further trigger as far as the overloading ban is concerned?

R Sridhar: It has already been done.

Moderator: Thank you. The next question is from the line of Shrey Loonker from Reliance Mutual Fund, lease go ahead.

Shrey Loonker: Sir, I just wanted some sense if you help us understand how the wallets of your CV operators is behaving given the higher inflation rate more from a perspective on how their cash flows are looking like are they getting squeezed or are they getting - I am sure they would not be getting benefited in this environment but can you just give us some sense how much under stressed they are?

R Sridhar: Inflation will not behave differently between you, truck operator, and me. Truck operator's repayment as I mentioned earlier is fixed so whatever rate at which he has borrowed earlier the same rate he will pay even now even if the interest rate move up, so there is no impact on his repayment amount, it continues to remain the same, but if he borrows a new loan today then he may be paying a little more interest on that. So after taking home money whatever he buys with that money whether it is vegetable or fruit or milk or whatever it is that cost is same between you and me and him, so it does not impact.

Shrey Loonker: Sir, I am talking from our perspective and from his perspective still a major chunk of his take home will be spent on primary articles, which have been under pressure?

R Sridhar: That is only fuel, maximum; maximum is two-third when it moves up the freight income will increase, so the operating margin that is proportionally he will increase all his cost will be passed on by way of freight, so you have seen that the freight rates have moved up in the last quarter by above 5% so that takes care of your fuel cost and all that, diesel prices have not been still freed, so it is still regulated, so that is not there. Any other price increase by way of a tyre or any incidental cost associated with running of the truck is always passed on.

Shrey Loonker: So, would it be fair to say that for the last three quarters the operating profitability of that CV operator but for this freight you fuel cost escalation and all, I am more talking about his saving?

R Sridhar: That will remain the same in a good economy like this when the GDP is growing but when you have other cycle when the GDP is not growing or over capacity is built the dynamics and economics will change.

Moderator: Thank you. The next question is from the line of Mitul Patel from Laburnum Capital, please go ahead.

Mitul Patel: I just had one question, in the last cycle when the interest rates were going up we saw that your NIMs went down a little bit like say 2009 and 2010 and as you said earlier that every 100 bps increase in interest rates you cost of funds go up by 25 bps, so I was wondering that in such a situation when interest rates go up by 200-300 bps where do you see your NIMs going forward if that is a situation that would come up?

R Sridhar: Simply put we are concerned about NIM on the basis of comfortable NIM our business model stands, so we are always trying to maintain the NIM, so if there is an interest cost increase so we adjust the yield accordingly so that the NIM is maintained. So today in the rising interest rates scenario as I mentioned to you earlier we have taken initiatives in the last year itself by changing the mix so that they are not impacted by the interest rate risk when the interest rates move up. So even if the interest rates move up by 100 basis points or 200 basis points we may not get impacted but that does not mean that our NIMs will remain at this level forever. If the demand comes down and there is competition and if the bps of new and old change the yield may get affected or in that case it may come down. To answer shortly what I can say is NIM is the component of the difference between the yield and the borrowing cost. Whenever the borrowing cost increase we increase the yield, so in this situation what we can tell you is in the rising interest rate scenario even if for the next one year the interest rate move up our NIMs because of that will not come down.

Mitul Patel: Currently, just hypothetically, how much can the truck operator rob in terms of increase in yields just if you have to increase your yields by say 1%, 2% what is the absorption sort of feedback you will get from the truck operators?

R Sridhar: If you take our average lending it is around 3 lakhs to 4 lakhs, so even if 200 basis points increase it translates to around Rs.8000 per annum. So that is if you reduce it to per day it would be around Rs.20. If Rs.20 per day is going to (audio disturbance) 31.31 I do not know so if you reduce it to that I do not think the interest rate increase will affect his income very badly, as I mentioned to you it will only reduce the motivation to buy more vehicles.

Moderator: Thank you. The next question is from the line of Jayprakash Toshniwal from Taurus Mutual Fund, please go ahead.

Jayprakash Toshniwal: Sir, you mentioned about growth in AUM of 15%-20%, are you rolling down from earlier assumptions of 22%-25%?

R Sridhar: No, we have always maintained that comfortably we will grow 20% because we have an ROE of 25% plus. So after adjusting for dividend if we grow around 20% we can comfortably carry on without further dilution that is why we always say around 20%, so I would have put that range so you can take it safely around 20%.

Jayprakash Toshniwal: Sir, my second question is again on inflation impact on your borrowers. Are you sensing any change in payment behavior of borrowers because of the inflation cost, the living cost getting higher?

R Sridhar: Living cost is applicable to everyone, what is special about the trucker.

Jayprakash Toshniwal: But, is there any change in their behavior pattern, payment pattern as such?

R Sridhar: So far we have not seen anything like that.

Moderator: Thank you. The next question is from the line of Subramanian PS from Sundaram Mutual Fund, please go ahead.

Subramanian PS: Congrats on a very good set of numbers. I wanted to just have your view on the CV cycle where do you see it, what kind of growth are you expecting and what is your sense on the capacity that has been built up, last two years have been very good?

R Sridhar: The CV cycle depends on the GDP growth, the GDP growth if it is around 8%-9% CV increase should happen one-and-a-half times around 13% to 15% it should grow and if you put a reasonable 10% to 15% of replacement it should go around 25% if GDP grows by 8%-9%. Normally when the 8%-9% continues for about two or three years the growth is more than the 20% or 25% and in that process the overcapacity gets built and that is where the freight rates come under pressure and the truck operator finds it difficult to get load and the other cycle will start. When that will happen is anybody's guess, but today it has been on the upward curve for the past 18 months and now we are in a situation where the liquidity is going to get tightened because interest rates are going to go up and these two factors are the only thing but that may trigger a lull so we have to wait and see for the next six months how this is going to start the other cycle, nobody can predict when it will happen.

Jayprakash Toshniwal: The secondhand vehicle market?

R Sridhar: The secondhand vehicles are not impacted by the cyclicality because secondhand vehicles are already in the capacity it changes from one person to another. It does not add more capacity so we have always maintained that secondhand vehicles are much superior than new vehicles in terms of capacity built up so we are only facilitating through our funding, vehicles shifting from one person to another, so we are not adding any capacity so that does not affect and get into any cycle.

Jayprakash Toshniwal: One more question is we have been seeing that lot of passenger vehicles are being used for commercial purposes especially in rural and semi-urban areas, do you think that there is a market for you to do secondhand financing of these vehicles too in the future?

R Sridhar: We are financing everything including passenger vehicles but as you said the passenger vehicles are not fully used for transportation but you find that some of the passenger buses, which are going long distances a lot of cargo will be going as a courier, courier for using it. So we are in all the segments including goods carrying as well as passenger carrying. The passenger is one separate vertical for us where we are doing good number of numbers and there are a lot of new vehicles that have been added like three-wheeler, four-wheeler, mini buses, school buses everything is there, so all these are there in urban as well as in rural market so everything is funded by us.

Jayprakash Toshniwal: How much would the non CV AUM be Sir, in your overall portfolio?

R Sridhar: I do not have the number at present may be you can touch base with our Investor Relations, Sanjay Mundhra, he will be able to give you.

Jayprakash Toshniwal: Sure sir. What is the extent of repossessed vehicles of the company for overall vehicles financed (ph)?

R Sridhar: Repossession vehicles, which are repossessed and sold should be around 1% of our total number in a year.

Moderator: Thank you. The next question is from the line of Samira Rao from Equity Master, please go ahead.

Samira Rao: I just want to ask you for the construction equipment are you lending to existing clients or you have a new client base?

R Sridhar: The construction equipment vertical, which was operating in Shriram Transport, we have been predominantly lending to our existing clients. It is truckers getting into small contracts, subcontracts and all that. Beyond that there is a huge customer base that is the purpose for which we have established a new subsidiary so there we are not funding to our existing customers these are all new customers who are all genuine contractors and we are financing both new as well as used construction equipments.

Samira Rao: In the new CV space we have seen some growth in the past nine months, are you expecting a slowdown going forward with the increasing interest rates?

R Sridhar: I think I have answered this couple of times. This cycle changing nobody can predict but looking at the liquidity and the interest rate the demand may get impacted may be in the next six months, if the inflation is not controlled.

Samira Rao: Okay. Among the new vehicles who are the major manufacturers of the trucks and construction equipment that you finance?

R Sridhar: Maximum is Tata Motors.

Moderator: Thank you. The next question is a follow up from the line of Chirag Shah from Emkay Global, please go ahead.

Chirag Shah: How has the freight movement you have observed in the last two three months especially in last month post the increasing fuel prices?

R Sridhar: I have not seen any pressure on the freight rates, it has remained the stable, last quarter it has moved up by 5% to 6% i.e., the quarter ended September, but this quarter it remained stable and that is also indicated by continuous demand.

Chirag Shah: There is no movement in freight despite increase in various other costs be it tyre cost or be it other inflationary pressure that these operators are facing, you have not seen that?

R Sridhar: Whenever there is an increase in the input cost it will automatically go up but that also depends on the load availability, which is indicated by the economic growth. So if there is an economic growth continuously for that you need a capacity so whenever the cost is there whether it will be able to absorb, then only they can do, so that is where all these factors, the input cost going up which is arising out of inflation, the overcapacity built up, the liquidity, and the interest rate are all components, which can trigger the slowdown, so we do not know when it will happen.

Chirag Shah: In your assessment as of now there is no major pressure on freight rates and how is the capacity in the system according to you because of the…

R Sridhar: Capacity is still less because we are seeing the demand of the new vehicle is quite good. So if the capacity is more then you will find that the demand slowing down.

Chirag Shah: No concerns on overcapacity already there in the system that kind of risk also you are not really seeing as of now?

R Sridhar: Not today.

Chirag Shah: Has there been increase in repossessed vehicles stock for you?

R Sridhar: In terms of percentage there is no much of variation but since our assets are growing in terms of number it will keep growing, right?

Chirag Shah: We are also hearing that Tata Motors has been offering discounts to various banks or subventions through various banks and NBFC to some of the customers. Is this the case as far as when you financed Tata Motor's vehicle?

R Sridhar: Today vehicles are in demand it could be for Nano cars.

Chirag Shah: No, on the commercial vehicles?

R Sridhar: Commercial vehicle I have not seen any discount be given by any manufacturer today because everything is selling very well, only when the Nano was going through a little bit of difficulty I have heard that they are offering some subvention and all that. I do not have firsthand information since we are not funding.

Chirag Shah: Nothing on the commercial vehicle side?

R Sridhar: Not at all.

Chirag Shah: Not even Ashok Leyland for that matter?

R Sridhar: No.

Kashyap: Sir, this is Chirag's colleague Kashyap here. Just a couple of questions on financial, if I look at your securitized or off-book portfolio that has almost reached about more than 50% of the on-book portfolio now and as we move obviously probably there will be more securitization, so as a percentage of on-book portfolio would we keep that portfolio as large as about more than 50% still?

R Sridhar: We are looking at the total, you are looking at it from the on-book. If look at it from the total we have always maintained around one-third, not exceeding around 35, which is the current thinking, so how the securitization market is, demand, interest rate all these things we would take a call whether we need to revise that, so as of today we are holding around 35% on off-books.

Kashyap: And that number let us say in next quarter would remain or let us say for the full year next year will remain around the same?

R Sridhar: If we do around 3000-4000 Crores there is a possibility of that going up a little bit. The run off will not be that much but in the next two quarters, first two quarters for the next financial year it will get evened out, so we should on an average maintain around 33%-35%.

Kashyap: If you just give us breakup of your borrowing profile, I joined the call late so probably I might have also missed out. In terms of let us say bank loans, bonds, retail deposits, if you could give breakup?

R Sridhar: We can give only macro number so what I suggest is if you can touch base with our Investor Relations Sanjay Mundhra he would be able to give you much better in detail.

Kashyap: If you could just broadly tell me let us say in terms of rising interest rate scenario how much of your total borrowing profile as you said about 100 bps increase in the lending rates would increase your cost by about 25 basis points, should one assume that 25% of the total borrowings are repriseable?

R Sridhar: Yes. Correct.

Kashyap: Just lastly if you could give us some sense on what is the yield as of now being charged on new vehicle and the old vehicle?

R Sridhar: New is around 14%-15%, old is around 18%-19%.

Kashyap: Same numbers for let us say same quarter last year?

R Sridhar: That would vary a little bit here and there depending upon the interest rate movement on our borrowing cost, so largely it has remind at that range only.

Moderator: Thank you. The next question is from the line of Praful Kumar from Principal Mutual fund, please go ahead.

Praful Kumar: Thanks for taking my question. I had just one question; can you give us the breakup of the total portfolio who much is LCV, medium and heavy commercial vehicles for you?

R Sridhar: We have about seven verticals it would be difficult to split it as LCV, HCV and all that, so you will have to speak to our people and then get it, it would be difficult for me to give it at this call.

Praful Kumar: Sure Sir.

Moderator: Thank you. The next question is from the line of Deepti Chauhan from Asit C Mehta, please go ahead.

Deepti Chauhan: Sir I just had one clarification in the beginning of the call you said that the fixed rate liabilities right now are somewhere in the range of 70% or is it 75%?

R Sridhar: 75%.

Moderator: Thank you. We have no further questions. Sir, would you like to make any closing comments?

R Sridhar: As mentioned earlier the performance of the company in spite of the inflation consequences has been quite good, so we continue to remain very positive for the coming quarter and I look forward to having a chat with all of you when we meet again for the post call discussion after our March results. Thank you for your support and thanks for joining this call.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Shriram Transport that concludes this conference call. Thank you for joining us and you may now disconnect your lines.