

Shriram Transport Finance Company

Earnings Conference Call

August 01, 2007

Moderator

Good evening ladies and gentlemen. I am Ravi Bob the moderator for this conference, welcome to the Shriram Transport Finance conference call hosted by SSKI Securities. For the duration of the presentation, all the participant lines will be only in listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Mr. Pathik. Thank you and over to you sir.

Pathik

Good afternoon ladies and gentlemen welcome to the first quarter fiscal 2008 conference call for Shriram Transport Finance hosted by SSKI. We have with us Mr. Shridhar, Managing Director, who is on the call. Over to you sir. He will give you a small brief on the result and then take your questions. Over to you sir.

Shridhar

Good evening. I will commence this briefing with the status of the commercial vehicle industry as anticipated it had a small limited growth during the quarter ended June 30, 2007, particularly in the medium and heavy commercial vehicles which witness of 10% negative growth and overall the negative growth has been about 4 to 5%. In this background you would have seen that our business funds for the quarter has substantially increased. We have been maintaining that we are not effected by the small ups and downs in the commercial vehicles sales particularly the new vehicles and that stand has been indicated in the Q1 performance particularly on the disbursements and in this quarter we have recorded a disbursements of more than Rs. 2000 crores exactly Rs. 2010 crores out of which about 70% of our disbursements had been by way of used trucks which gives us a better yield and this is the base is for the exceptional performance reported in the first quarter. The yield and the delinquencies have remained stable during this quarter. The fund position has been very comfortable because raised resources for meeting these disbursements comfortably and our new products and new partnership which we have been talking about have all been rolled out and it has started yielding results. The capital adequacy has been quite comfortable and we expect that this trend will continue in the current quarter and definitely in the Q3 and Q4 where we expect as a new commercial vehicle industry also likely to be performing better and overall for this year our outlook for the commercial vehicle industry is robust growth and if not a positive growth at least totally flat is what we expect and we continue to focus on the growth of secondhand truck commercial vehicle and as of now we still remain the dominant play in this segment though there are many other competition which is entering this segment slowly we are able to see lot of other companies which are getting into this space but we still being the prime movers of the dominant presence and we have the penetration of about 20 to 25% in the potential of the secondhand truck finance balance most of which is the private financial and we have also networked the private financier which has been firing very well and the private financiers numbers network to the Shriram Transport has been steadily going up which started in south spreading to other regions and we expect it to substantially increase over the next one or two years and we are again reiterating that our growth for the next three quarters this current year is expected to be on track. So with this I would leave the forum for specific questions and answers.

Moderator

Thank you very much sir. We will now begin the Q&A interactive session. Participants who wish to ask question please *1 on your telephone keypad, on pressing *1 participants will get a chance to present their questions on first inline basis. Participants are requested to use only handsets while asking a question. To ask a question please press *1 now. Participants who wish to ask questions please press *1. The first question comes from Mr. Sham of Dohnadew.

Sham

Hello.

Shridhar

Yeah.

Sham
Hi sir.

Shridhar
Yeah.

Sham
Congratulation of the whole set of numbers.

Shridhar
Yeah, thank you.

Sham
Sir, I had a very small query.

Shridhar
Yeah.

Sham
As you said the Rs. 2000 crores that you disbursed 30% came from new vehicles and 70% came from old or the used vehicles.

Shridhar
Yeah.

Sham
I am interested in knowing if at all possible the bifurcation of this Rs. 2000 crores into MNHCVS and the LCV or totally you are on the MNH and HCVS side only.

Shridhar
Yeah. See out of the total lending the growth in new and used all the types of vehicles are there, but unfortunately I do not have the _____.

Sham
Okay.

Shridhar
But it would be from a small commercial vehicle to heavy commercial vehicle everything will be there.

Sham
Okay. Generally, I mean emphasis is on MNHCV.

Shridhar
No it is not like that. We fund the medium heavy commercial.

Sham
Okay.

Shridhar
Light commercial, small commercial vehicle.

Sham
So there is no.

Shridhar

We finance three wheelers. We finance multiutility vehicles.

Sham

Okay.

Shridhar

Finance tractors.

Sham

Okay.

Shridhar

We finance passenger commercial vehicles.

Sham

Okay.

Shridhar

All kind of vehicles we finance.

Sham

Okay

Shridhar

So medium heavy commercial vehicles which had a negative growth.

Sham

Okay.

Shridhar

Mentioned due had before impact on our disbursement because our product range is quite vary.

Sham

Okay. One more question sir.

Shridhar

Yeah.

Sham

Generally, I mean, in your case it does not seem to be that there is a downtime in the industry, the commercial vehicle industry.

Shridhar

Yeah.

Sham

But as you see, the numbers of the CM data basically if you observe that you come to know that basically 25 tone of vehicles have shut they sales.

Shridhar

Yeah.

Sham

Especially, in case of TATA Motors.

Shridhar

Correct.

Sham

So, I would be interested in knowing, I mean what is the reason the sales are not happening now and will happen later on.

Shridhar

No that is because of the over supply in the earlier quarter. This quarter, the numbers have come down.

Sham

Yeah.

Shridhar

But definitely from Q3 when the monsoon.

Sham

Okay.

Shridhar

Go and the festival season commences it is normally from October to March the commercial vehicles industry used to fair better.

Sham

Okay.

Shridhar

So I am confident that it will be on track.

Sham

Okay.

Shridhar

The sales of these vehicles will pick up.

Sham

Pick up, okay.

Shridhar

But as of now, for the first two quarters, it is expected to be having an active growth particularly medium and heavy.

Sham

Okay.

Shridhar

Accordingly, the manufacturers have rescheduled their production.

Sham

Is there any, I mean, indication that this sales have come down or has been pegged just because of the raise in the interest rate or squeezing of the liquidity.

Shridhar

Yeah, the mainly the dampening factor has been raising of interest rate and because of CRR hikes in the last quarter, in the first quarter the interest rates have gone up that has been one of the reasons.

Sham

Okay.

Shridhar

But also because of huge sales in the last year, there is over supply, so definitely there will be a little bit correction.

Sham

Okay.

Shridhar

Yeah.

Sham

But just to add, I mean, this commercial vehicle sales is delayed, I mean, they are postponing or what every because of the rate high or because of the CRR hike.

Shridhar

Yeah.

Sham

But to add to this is like they anyway pass on the hike in the prices to the customers.

Shridhar

Yeah.

Sham

So how does it matters to the fleet operators if they buy the trucks at a higher price or may be the end up paying a higher finance charge, they can recuperate from the recovery from the customers.

Shridhar

No initially you will have to pay a higher interest.

Sham

Right.

Shridhar

To the finance company where you borrow, so that is first itself there is a dampening affect so the pleat operators are the smaller operators decide to defer buying, postpone they purchase decision, but as you say they also pass on the way of higher price rate.

Sham

Right.

Shridhar

But these are all done once in a quarter so it is not that today I purchased a new truck, today I will go and rise the price rate.

Sham

Okay.

Shridhar

I do not have that it is the market driven.

Sham

Okay.

Shridhar

So that takes about three to four months for you to

Sham

In 3-4 months generally it gets settled.

Shridhar

Yeah renegotiate the contract and this depends on the market price.

Sham

Okay. Thanks a lot sir.

Shridhar

Thank you.

Moderator

Thank you very much sir. Next inline we have Mr. Lalitabh from Techno Shares.

Lalitabh

Hello.

Shridhar

Yeah.

Lalitabh

Yes, sir good afternoon sir. Congratulations on your numbers sir.

Shridhar

Thank you.

Lalitabh

Sir, a few small questions first of all, if you can share the cost of funds for this quarter as well as the previous quarter cost of funds, the yield on assets that you are seeing and the NIM.

Shridhar

See the cost of funds for this quarter naturally it will be higher because of the higher interest cost.

Lalitabh

Okay.

Shridhar

But for us, the cost of funds average would have been around 10%.

Lalitabh

Okay.

Shridhar

For the last quarter it would have remained at that level only.

Lalitabh

Okay.

Shridhar

Plus or minus 0.5%.

Lalitabh

You are saying quarter four.

Shridhar

Quarter 4 yeah.

Lalitabh

Okay, in quarter one FY07 sir.

Shridhar

FY07 quarter.

Lalitabh

Yeah.

Shridhar

Q4.

Lalitabh

Q1 FY07.

Shridhar

Q1 FY07, it would have been around 10.5.

Lalitabh

10.5 okay and what will be the yield on assets.

Shridhar

Yield is stable it has been around 17 to 18%.

Lalitabh

Okay.

Shridhar

And the net interest margin.

Lalitabh

Yes.

Shridhar

Quite stable.

Lalitabh

Okay.

Shridhar

Over the last one year.

Lalitabh

Okay, so it was like round 8.8%.

Shridhar

Yeah.

Lalitabh

So any change in that or

Shridhar

It is around that about 8.25 to 8.3 has been the net interest margin now.

Lalitabh

Okay and secondly sir, if you can just elaborate a bit on the funding plans that you have for this year and what is scenario that you are seeing actually fro this year.

Shridhar

See for us the funding has been as mentioned quite comfortable. The banks and intuitional funding on the rise.

Lalitabh

Yeah.

Shridhar

So we are able to raise the resources from these sources.

Lalitabh

Yeah.

Shridhar

We are also very strong in the retail. Shriram Group has been traditionally very strong in the retail.

Lalitabh

Yes.

Shridhar

It happened to be on the assets financing and it is the largest in terms of retail.

Lalitabh

Yeah.

Shridhar

But in the last one or two years we have not grown that retail resources.

Lalitabh

Yes.

Shridhar

And our bank and intuition has been growing.

Lalitabh

Retails means, deposit.

Shridhar

The deposit and debentures and all that.

Lalitabh

Yes sir.

Shridhar

But we have another source which is securitization where we can sell the portfolio.

Lalitabh

Yeah.

Shridhar

That has been a quite attractive for the banks to buy our portfolio.

Lalitabh

Yes.

Shridhar

And we have been doing it very frequently.

Lalitabh
Yeah.

Shridhar
So, securitization is another source.

Lalitabh
Okay.

Shridhar
That we can portfolio, raise the resource, thus use that resources to again creat a portfolio.

Lalitabh
Yeah sir.

Shridhar
These are another three kinds of resources are available for us out of which today, the bank and institutions have been on the rise.

Lalitabh
Yes.

Shridhar
So we will continue to raise that.

Lalitabh
Okay.

Shridhar
Whenever we get attractive deals on the portfolio.

Lalitabh
Yeah.

Shridhar
We will do that also. So going forward, I see that this three we will be using.

Lalitabh
Yeah.

Shridhar
Whenever there are conducive atmosphere driven.

Lalitabh
Yeah.

Shridhar
We will use any of these instruments to raise the resources, but what I am trying to say is around the resources front we seem to be very comfortable at least for this current year.

Lalitabh
Okay.

Shridhar
Yeah.

Lalitabh
In light of the credit policy announced yesterday sir any change in business environment that we are seeing sir.

Shridhar

No the credit policy has been there every quarter and we see that the CRR hikes have been quite frequent what happened in the past also, so that pushes our borrowing cost.

Lalitabh

Yes sir exactly.

Shridhar

And so there will be some little bit of contraction in the NAM.

Lalitabh

Yes.

Shridhar

In the short term.

Lalitabh

Yes.

Shridhar

And then for the fresh loans we make necessary adjustments in the evening.

Lalitabh

Okay.

Shridhar

So it does not make a big impact.

Lalitabh

Okay and lending rates are already pretty high at the moment and what is the lag period that you see, I mean, today suppose because of the provisioning and everything, the banks are lending you at say 50 basis points higher rate.

Shridhar

Yeah.

Lalitabh

So then how long does it take for you to pass it on to your borrowers and how does that actually happen and when does it happen when it happens actually.

Shridhar

It happens immediately, may be two weeks backlog will be there.

Lalitabh

Okay.

Shridhar

Because we will have to communicate our decisions we have discuss, decide.

Lalitabh

Yeah.

Shridhar

And then market acceptability we will have to see competition what they are doing.

Lalitabh

Yeah.

Shridhar

All these things will be evaluated and then we will have to communicate to ____.

Lalitabh

Okay.

Shridhar

So that should take around two weeks.

Lalitabh

Okay, so immediately, that can all fresh loans that your generating.

Shridhar

Fresh loans only, no existing loans.

Lalitabh

Okay.

Shridhar

Existing all the loans of automobile in the country for Shriram Transport for anyone including the banks.

Lalitabh

Okay.

Shridhar

Fix rate the rate loan, it is not very it is floating.

Lalitabh

Sir, some idea on what kind of a funds that you are planning to raise this year sir.

Shridhar

That is what I explained to you banks and institution if there is

Lalitabh

Any number grown if you can put some color on that sir.

Shridhar

That you know depending upon the resources availability we will be lending that does not mean that if we have Rs. 25000 crores we can lend Rs. 25000 crores, so depending upon the deployment opportunity we resources in flow will be prone.

Lalitabh

I was trying to understand as to what kind of a resources that you are planning to raise from the market.

Shridhar

Basically Rs. 5000 to 6000 crores.

Lalitabh

Okay.

Shridhar

Yeah.

Lalitabh

Okay fine sir, thanks sir.

Shridhar

Thanks.

Moderator

Thank you very much sir. May I request the participants to limit to one or two questions in the initial round and come back for the follow up questions. Next in line we have Mr. Rohan from Front Point Partners.

Rohan

Hi guys, can you hear me?

Shridhar

Yeah.

Rohan

How are you doing? Just have two quick questions. The first one, I just hoping on the previous question on the margin, it seems like quarter over quarter you know your yields are down like 128 basis points but you funding cost is down a 175 can you just throw some light on that and how you guys are passing it on to your you know what kind of rate increase, rate decrease you are passing on to your borrowers.

Shridhar

The yield you know it is not comparable quarter to quarter because there are various things inside that between products there are different rates and then we have mixture of new and used particularly for this quarter it is on the decline because we have large number of new truck loans which normally we sell with this quarter we did not sell so that has slight impact it could be around 1% decline is because of that and that will also get reflected in our net interest margin fortunately since the cost of funds there is decline that the interest margin has been stable.

Rohan

Then you mean to say you sell your securitize most of the new truck loans, right.

Shridhar

Yeah. We normally do it, but in Q1 we did not do.

Rohan

Okay and then just a follow on to that you said you know that in the yield it might be some you know such a new stock and there is one of our new developments that you are planning like, you also plan to give out credit cards to truck owners and something like that just throw some light on that.

Shridhar

New and used trucks have got different rates when you look at the yield, new trucks and old trucks will have different yields, so if I have knocked off the new trucks from this portfolio, my yield would have been higher that is what I was telling you.

Rohan

Right.

Shridhar

This quarter I did not do so the yield is looking down, but it does not make any impact, it is only a data, it does not make any impact with your profits.

Rohan

If you could throw some light new developments you know you planning to offer some new products to the borrowers.

Shridhar

Yeah these products have been rolled out our co-branded credit card and private finance and all that all are doing well but these are very recent, so private finances we have been doing more than a year, so that is doing very well. The co-branded credit card is only three months or four months old and we should have done reasonably good number of cards it is going on well.

Rohan

What are the private financial can you just?

Shridhar

See we have a private finance apart from Shriram Transport we have a 25% market penetration in used trucks, beyond Shriram Transport there are only private finances who are private people who are individuals who are in different part of the country lending for secondhand trucks so in order to increase our lending and deployment we have network choosing good private finances to source vehicles for us. We have floated a scheme about a year back and they are doing very well. We are getting about Rs. 1.2 billion per month sourcing from these people.

Rohan

Thank you.

Moderator

Thank you very much sir. May I request the participants to limit to one or two questions in the initial round and come back for the follow up question please. Next question we have Ms. Sunaina from Birla Sun Life

Sunaina

Good evening sir. Congratulations on an excellent set of number. Could you just throw some light in your gross and net NPS this quarter as well as the same quarter last year.

Shridhar

It is around 2.47

Sunaina

Yes sir.

Shridhar

Against last quarter it was 2.05.

Sunaina

2.05

Shridhar

Marginal increase.

Sunaina

Right.

Shridhar

Net was 1.3 last quarter.

Sunaina

Right.

Shridhar

1.22.

Sunaina

1.22 this quarter and what will capital adequacy be like.

Shridhar

It should be around 13 to 13.5, it is likely to go up to 14 to 14.5 because of ____ conversation happened yesterday.

Sunaina

Okay. Thank you very much sir that is it.

Moderator

Thank you very much mam. Next in line we have Ms. Ashi Talwar from Devitor Advisor.

Ashi Talwar

My question has been answered thank you.

Moderator

Thank you very much Mam. Next in line we have Mr. Ramakrishnan from Deutsche Asset Management.

Ramakrishnan

Good evening sir and congratulations first of all for a good set of numbers. My question was pertaining to the, as you mention about the fact that you know the firsthand vehicles there has been a slight deceleration in the first quarter in terms of a negative growth now we generally tend to see a pick up in the second half of the year also because of the busy season which will start, now my only point was you know because of the surplus that was partly equated because of the heavy sales last year now is it possible that you know that could be the recovery or the pick up could actually get pushed back you know in the second half.

Shridhar

You cannot say we are being in the industry financial as well as manufactures who are the stake holders in this industry are very optimistic about a positive growth.

Ramakrishnan

Okay.

Shridhar

So we feel that in the last two quarters the things will become quite normal and bullish and we feel that it would be recording a positive growth and if not positive at least a flat growth, but it may be a negative growth also but it should be very marginal.

Ramakrishnan

Okay.

Shridhar

May not be a steep negative growth as of now.

Ramakrishnan

Okay.

Shridhar

But it would be very too early to decide this way or that way as of now.

Ramakrishnan

Okay but are we seeing any indicators in terms of fridge rate movements as of now is there any softening in the fridge rates.

Shridhar

It happened little earlier.

Ramakrishnan

Yeah.

Shridhar

But now it should improve when the busy reason and all that comes.

Ramakrishnan

Okay.

Shridhar

With the less the sale of commercial vehicles in the quarter one the demand and supply will get you know adjusted the price rates are likely to go up a little bit which will again increase the sale of commercial vehicles so it is cycle.

Ramakrishnan

Okay thank you very much.

Moderator

Thank you very much sir. Next in line we have Mr. Deepak Chaudhry for Deutsche Bank.

Depankar Chaudhry

I have two questions one is could you through light on you average tenure of the loans and directionally where it has moved this quarter and secondly that average ticket size of the loan.

Shridhar

The average tenure and average ticket normally do not change in short term but it has been for new trucks slightly longer than the old trucks so it around three to four years being the average tenure of loans and for old trucks it is around two and a half to three lacks is the ticket size while we lend but our portfolio would be less and in the new trucks it would be around five lacks.

Depankar Chaudhry

Tenure for both is around three to four years.

Shridhar

Yeah correct.

Depankar Chaudhry

Another small questions that if you have increase in growth seems to be very modest compared to where interest rates have gone in the last on year, so are you suggesting that is by enlarge less rate sensitive or is it that we are too early in the cycle.

Shridhar

Yeah are too early in the cycle because our growth has been in the recent year of NPS has been growing modest.

Depankar Chaudhry

Okay.

Shridhar

We will have to see may be another six months down the line.

Depankar Chaudhry

Okay and finally one more question. I see that you disbursements have increase significantly could you through some light on and you still see a lot of transactions happening in the secondhand truck market.

Shridhar

Yeah definitely. The secondhand truck market we have always been maintaining that there is demand but there is no supply and once we have increased the supply we are able to scale up that is the strength of Shriram Transport is we have build over infrastructure, people and we are able to scale it up when necessary resources are available and we have adopted another two marketing imitatives so we are focusing on reach and product innovation that will take up places we is what we believe.

Depankar Chaudhry

Thanks.

Moderator

Thank you very much sir. Next in line we have Mr. Sischin from Kotak Securities.

Sischin

Hi, I just wanted to know you know you have quite drastically increased your branch network in this quarter so I mean do you propose to you know to put up the same number of branches throughout the year or is it something that you will be doing it in the first part of the year and then you know going to take the advantage of that for the next two and three quarter so how does it work, I mean, by the end of the year how many branches are you looking at.

Shridhar

See as when we started this year, we were looking at 400 and we are around 380 now so another 20 branches we should open, but I think we will over shoot and cross that 400, because see it depends on the demand the robust nature of this industry and also the growth you know we do not keep too many files a particular branch so in and around that we grow we keep expanding to clear the placed and work on offices. So I as of now, I think we should be ending 4, might be another 5-10.

Sischin

Okay. No in terms of you know the growth in used vehicles, I mean, we saw something like 77% is disbursement growth so do you think like this can be sustained quarter after quarter or how do you really look at this.

Shridhar

No I do not think this is sustained, because if you see Q1 of last year that is the time we amalgamated all the companies and we were raving to grow.

Sischin

Okay.

Shridhar

So in that quarter our disbursements were slightly low.

Sischin

Okay.

Shridhar

And that is why we are able to see in terms of percentage it has been very high, but if you see the Q2, Q3 and all that the used truck disbursements have substantially increased so in terms of percentage, I do not think we will be able to sustain, in terms of absolute quantum we should be honest.

Sischin

Okay and I just had one more question, what is your tier one capital adequacy and lets say after even conversation of these warrants and how well are you placed on the adequacy front for the future growth.

Shridhar

We are comfortable which should be around 14 to 15% this year.

Sischin

But I am taking of year one.

Shridhar

Year 1 should be around 10.

Sischin

10 okay.

Shridhar

Absolutely no problem.

Sischin

Okay.

Shridhar

Capital front we should be very comfortable throughout this year.

Sischin

Okay.

Shridhar

I do not think there is any need for any.

Sischin

Okay fine that is it from my side thank a lot.

Shridhar

Thank you.

Moderator

Thank you very much sir. Next in line we have Mr. Anand from HDFC Mutual Funds.

Anand

Hello. Congratulations on good set of numbers. I had a small questions sir.

Shridhar

Yeah.

Anand

Sir, can I get a break up of your other income.

Shridhar

Other income mostly around fixed deposit interest and few portfolio management income very less and wine mill what we have that generates electricity and that we sell and we get that income, but these are all the head under which we get these but I do not have at present the break up of that.

Anand

Okay, sir also I mean, normally what set of on portfolio synchronization normally what could be the quantum we can see in a year probably what percent of your advances you synchronize every year.

Shridhar

We have no such target, you know, it depends on the demand for securitization of loans. We look at securitization as a method of raising resources and use that money again to redeploy and we do not keep any target to we only keep target to raise resources and depending upon the availability of money on balance sheet or off balance sheet we switch.

Anand

Fine, sir one more question, I mean, sir in terms of vehicle finance, can we get an idea how much vehicles already you have financed this time and new vehicle and probably even tie up with UTI, when there is slide in the book of UTI Bank and use service the new vehicle.

Shridhar

Those things stopped long back. UTI and CITI Bank they have been working all those we have stopped in April 1, 2006, so we are not been working for them after that but whatever we have done earlier those cases we continue to service but it is deteriorating and it is very less now. It is not much.

Anand

Fine, so all the new vehicles which you have financed lies in.

Shridhar

All are in balance sheet yes, our balance sheet.

Anand

Sir can we get sense like how much vehicles you have financed this quarter.

Shridhar

This quarter it should be around 75000 to 80000 vehicles.

Anand

It is all new or what is break up.

Shridhar

I told you know 70% is old and 30% is new in terms of amount.

Anand

Fine, what sort of target you can keep for the whole year probably what are the number of vehicles you can finance for the whole year, what sort of

Shridhar

We have all ways, last year we had done around Rs. 6600 crores and this year we are working out we have indicated that we will be comfortably growing 25% to 30% that is the indication we have given and I think in Q2 we have been on track. We are confident we should be able to meet that 25% to 30% growth reasonably well.

Anand

Can I have an idea like last year how much new vehicles we have financed, and how much old vehicles we have financed.

Shridhar

We should have funded total 2.5 lacks vehicles.

Anand

Last year

Shridhar

Out of which around should be about 40000 vehicles should be new around two lack vehicles should be old.

Anand

Okay thank you sir.

Shridhar

Fine.

Moderator

Thank you very much sir. May I request the participants to limit to one or two questions in the initial round and come back for the follow up questions please. Next we have Mr. Sonal Gupta from UBS.

Sonal Gupta

Hi, just one questions, how much has been the securitization in this quarter because there is sharp jump in come from securitization.

Shridhar

This quarter we have not done any securitization and you should be aware that we are amortizing the income of securitization.

Sonal Gupta

Right sir.

Shridhar

We are one of the few companies which are doing it, so whatever we have done earlier some income will be coming.

Sonal Gupta

Quarter and quarter there is a very sharp jump almost like.

Shridhar

Yeah it is because of the last year we have done Rs. 3000 crores for securitization on that there is lot of deferred income is there, so that income is coming in this quarter even though if we do not do any securitization, every quarter you will have the income.

Sonal Gupta

Right.

Shridhar

Am I clear.

Sonal Gupta

Yeah. So, but therefore roughly we were level at which should stay further

Shridhar

This is without securitization. If we do securitization, it will go up.

Sonal Gupta

You are right okay.

Shridhar

Minimal it will come.

Sonal Gupta

Right, okay great thank you so much.

Moderator

Thank you very much sir. Next in line we have Ms. Chandana from Pink Research.

Chandana

Good evening Mr. Shridhar.

Shridhar

Yeah.

Chandana

Sir, just a follow up question with the last question. Thus income on the securitization as you told this was deployed income, so all of it is counted for in this quarter or the same trend is likely to continue in the next three quarters as well.

Shridhar

Yeah definitely, this is minimum next three quarters which will come.

Chandana

Okay.

Shridhar

Even if we do not do any securitization in the next three quarters.

Chandana

Okay.

Shridhar

There is a huge deferred income arising out of our accounting policy.

Chandana

All right, okay sir next questions on your cost of funds there has been a significant decline 175 baseless point QOQ and within YOY there is a 50 baseless point decline what are the reasons you attribute this decline to.

Shridhar

We have done a huge securitization transactions during Q4.

Chandana

Okay.

In that Q4 so that funds were available for us that has been done at a slightly lower right so that has pushed the cost down.

Chandana

Sir has happened in spite of rising interest rates so can you just do some more light as to what the amount was securitized in Q4.

Shridhar

See this is the maximum light I can throw on this.

Chandana

All right sir. Sir, what is the average yield that you have been on getting on the used as well as the new CV on incremental book.

Shridhar

Incremental book our average should be in the used vehicle it should be around 18 to 19% and in the old vehicle it should be around 14 to 15%.

Chandana

Okay thank you sir.

Moderator

Thank you very much mam. Next inline we have Mr. Herain from Goldman Stacks.

Herain

My question has been answered. Thank you.

Shridhar

Yeah.

Moderator

Thank you very much sir. Next in line we have Mr. B.S. Subramaniam from UTI Securities.

Subramaniam

Good evening sir.

Shridhar

Yes.

Subramaniam

Sir, this is again regarding to your cost of funds, your interest cost on a quarter on quarter basis have declined marginally even though your lone book has gone up. It is that you have got an improved credit rating or something.

Shridhar

No, as I have explained earlier, because of mostly on saving on interest cost.

Subramaniam

Okay.

Shridhar

Our of to huge securitization we did in Q4, the end of Q4 so all this money has been utilized in this quarter that has pushed our cost of funds a little lower.

Subramaniam

But nothing in terms of including of credit rating sir during the quarter has been same level.

Shridhar

No, it is the AA only.

Subramaniam

Okay thanks a lot sir.

Moderator

Thank you very much sir. Next in line we have Mr. Hemanshu from ING Mutual Funds.

Hemanshu

Hello sir just one small clarification on the securitization aspect. You said that last quarter you did not do too much of securitization the entire income is effectively a default one from Q4 of FY07.

Shridhar

Yeah.

Hemanshu

In Q4 FY07 there is hardly any income of securitization just Rs. 38.9 million.

Shridhar

Yeah.

Hemanshu

So then how is the income distributed if there was so much of securitization in Q4 should the income proportionate income should not be booked for that quarter also.

Shridhar

See the securitization income as I told you is arising out of the securitization transactions we have done.

Hemanshu

Correct.

Shridhar

Maximum securitization has been done in Q4.

Hemanshu

Correct.

Shridhar

Particularly at the end, so that quarter it has been less and maximum income arising out of those transactions are deferred which is following into this current year, so every quarter there will be an income that is the reason.

Hemanshu

So let us see if you do it in first half or second half of March 2007 only that much proportionate 15 days income would be booked.

Shridhar
Correct.

Hemanshu
That is

Shridhar
Because of that and we have done majority of transactions March 25 and all that so it is very less during those quarters and more in the current quarter.

Hemanshu
So depending on the situation as it arises in the next three four quarters you might or might not look at securitization as a source of fund.

Shridhar
No it depends you know.

Hemanshu
It depends.

Shridhar
Yeah.

Hemanshu
Okay thank you very much sir.

Shridhar
Thank you.

Moderator
Thank you very much sir. Next we have Mr. Rohan from Front Point Partners. This is a follow up question.

Rohan
My question has been answered, thank you.

Moderator
Thank you very much sir. Participants who wish to ask questions please press *1. Next inline we have Ms. Avibha from ICRA.

Avibha
Hello sir.

Shridhar
Yeah.

Avibha
See my question is on provisions and write off of Rs. 54.32 crores, pertaining to the non-performing assets.

Shridhar
Hello.

Avibha
On provisions and write off do they pertain to the non-performing assets.

Shridhar
Yeah.

Avibha

They pertain to non-performing assets right.

Shridhar

The provisions are right, you want the figure for non-performing assets.

Avibha

Out of the 54.32 crores how much would be non-performing assets.

Shridhar

Around Rs. 10 crores.

Avibha

Balance is on account of what.

Shridhar

Write off is around Rs. 40 crores.

Avibha

Okay and provisions will be balance.

Shridhar

Yeah correct.

Avibha

So if were to relate this Rs. 54 crores in relation to your average advances how would this for Q1 of 2008, it will be Q1 of 2007.

Shridhar

See we normally workout this percentage on average assets.

Avibha

Not as percentage of average advances.

Shridhar

No, average assets because this is on total assets.

Avibha

Okay so what it would be sir.

Shridhar

So that is around 2.05 earlier.

Avibha

Okay.

Shridhar

Earlier quarter Q4 now it has moved to 2.07.

Avibha

Okay and would that include the losses on the securitized portfolio also or no.

Shridhar

Yeah it includes everything.

Avibha

Okay. So, it was not moved off from the previous quarter.

Shridhar
Correct.

Avibha
Okay, but in absolute terms it seems like a very, very significant increase.

Shridhar
Because your asset is growing now from 2.05 to 2.07 which is only 0.02 but at the assets it is more.

Avibha
Asset would have gone up around 80 odd percent on average basis.

Shridhar
Which one.

Avibha
The assets would have gone up by around 80%.

Shridhar
Where is 80%.

Avibha
If you were to look at increase in provision they have increase from 30 crores to 54 crores so that is a 80% increase within percentage terms if they remain static the denominator has to grow by the same percentage.

Shridhar
See if you see in the March quarter, our provision have been more or less the same amount Rs. 54 crores only.

Avibha
No I am talking about Q1 2007 which is Rs. 30 crores.

Shridhar
Okay.

Avibha
If you were to compare the provisions and write off in Q1 2008 vis-à-vis or Q1 of 2007.

Shridhar
I am not able to understand your question.

Avibha
I am comparing first quarter of this year with first quarter of last year. If we were to see right of plus provisions as percentage of average total assets which is 2.07% now who was it last year first quarter.

Shridhar
I will ask my colleague to answer this question.

Avibha
Okay.

Male participants

Which is rise of Rs. 40 crores is done on the maturity of the contract so what we have advanced in 2002, contract will be maturing in Q1 of 2007 and what advances we have done in 2007 will come to a maturity in the current quarter so there has been a jump in advances between 2002 to 2003 to the extent of around 75 to 80% and hence there is an increase in amount also as far as the right of is concerned.

Avibha
It think I have not been able to put across the question correctly. So Rs. 25 crores.

Shridhar

What you can do is you please drop a mail.

Avibha

We will do that okay. My second question was on securitization that you have done in last quarter was they rated transactions or the cash collectors were set on one to one basis.

Shridhar

No all the pools are rated.

Avibha

Okay.

Shridhar

All completely.

Avibha

Okay thank you sir.

Moderator

Thank you very much mam. Next in line we have a follow question from Mr. Nischint of Kotak Securities.

Nischint

Yeah, I just wanted the breakup of outstanding loans that is loans book on balance sheet and used in new vehicles.

Shridhar

The total is around 13000 as of June 30, 2007.

Nischint

Okay,

Shridhar

Our of which around 9600 is on books.

Nischint

Okay.

Shridhar

3400 is on off books.

Nischint

Okay. On books out of this 9600 how much is for used vehicles and how much is new.

Shridhar

New vehicle is around 4000 hundred.

Nischint

Okay.

Shridhar

Balance 8900 is old.

Nischint

Okay and between the 3400.

Shridhar

It is off books that breakup mostly it is new vehicles.

Nischint

Okay thank you.

Shridhar

Yeah.

Moderator

Thank you very much sir. Next in line we have Ms. Chandana a follow up question from Pink Research.

Ajit Jangey

Hello sir actually this is Ajit Jangey, Chandana's colleague.

Shridhar

Yeah.

Ajit Jangey

Basically, it is again if you could kindly elaborate all you cost of funds going down basically sir see because of securitization you funds were free but if we look at your borrowing the borrowing have not gownd down so may be because of securitization freeing of funds may be your interest expended might go down but not cost of funds because interest rates have been generally raising so have you been able to source funds at a cheaper rate at least fresh funds at cheaper rates may be that would lead to lower of cost of funds.

Shridhar

Yeah of course we were able to do it.

Ajit Jangey

Through which root sir, if I may ask.

Shridhar

No see, that is asking for lot of details so I would say that the cost of funds has gone down due to various factors one of them is what you have mentioned if through some instrument we have raised at lower cost and then using those funds in cash/credit accounts and on the source lot of innovative things we have done to reduce the cost of funds.

Ajit Jangey

Sir would that be something like external commercial borrowing.

Shridhar

No is not allowed for us, so beyond that everything we done.

Ajit Jangey

Thank you very much.

Moderator

Thank you very much sir. Next we have a follow up question from Mr. Herain of Goldman Stacks.

Shridhar

Yeah.

Herain

Sir just, I mean, if I was comparing the two investor releases one was given out in the March and one which is give out today.

Shridhar

Yeah.

Herain

The amount of income from securitization which was shown in the March quarter looks somewhat different so has there been some regrouping in the numbers.

Shridhar

I think yes, regrouping is there that is what our finance people here tell me. I do not have the details as of now.

Herain

Okay.

Shridhar

What we can do is for Herain we will send you the details as to why this regrouping what kind of regrouping has been done.

Herain

Okay and secondly on your securitization portfolio, what is provisioning policy which you follow.

Shridhar

See that is introduced in the last year March 2007, that depends on our past you know credit losses, our auditors have introduced a system by which the provisions will be made which both auditors and the management feel is adequate.

Herain

So technically it can go beyond whatever the first class guarantees you might have given.

Shridhar

No first class guarantees definitely would be much much higher than the historical credit losses.

Herain

Okay.

Shridhar

That is way the portfolio is given a AAA ratings it is put to you know four times, five times, six times multiple.

Herain

But earlier you were not providing on your securitization portfolio, this policy you have started from March onwards.

Shridhar

March 2007 we have provided for all the outstanding total.

Herain

Okay, I mean, could that be one of the reasons why the provisioning could look little on the higher side if you compare on a average assets will.

Shridhar

That is in March 2007.

Herain

No I am saying from this quarter onwards.

Shridhar

Yeah, this quarter onwards when we do this securitization.

Herain

Yeah.

Shridhar

Then we will have to provide for that, so if we do securitization more so that extent we will be providing.

Herain

Thank a lot.

Shridhar

Yeah.

Moderator

Thank you very much sir. Participants who wish to ask questions please press *1.

Swathik

Sir I had a question this is Swathik.

Shridhar

Yeah.

Swathik

Sir how many of these small finance companies are you dealing with now compared to what you were dealing with a year back.

Shridhar

It would have gone up beyond 200 now which would have been about 120 something in the first year end.

Swathik

If again size up your distribution network over the year how is that move.

Shridhar

Over branches.

Swathik

Yes.

Shridhar

Branches have moved now we are 383 about a year back in first year April 2006, it would have been around 320 or 325 about 60 branches we would have increased.

Swathik

And number of people.

Shridhar

People have substantially gone up because we are expanding cost, so we should be around 5500 now about 1500 people were then.

Swathik

In the rolling 12 months.

Shridhar

Yeah correct.

Swathik

Okay thanks.

Moderator

Thank you very much sir. Participants who wish to ask question please press *1. May I request the participants to please press *1 if you have a question. Now I think everybody is through. We have one follow up question sir.

Shridhar

Yeah.

Moderator

You can take this as the last question.

Shridhar

Yeah please.

Moderator

This is Mr. Herain from Goldman Stacks.

Herain

I am sorry to bother you again sir. There is some press reports regarding RBI coming out with some regulations on regulating the money lenders and you know the guys who are basically lending at high rates.

Shridhar

Yeah.

Herain

Do you have any comments to offer on that.

Shridhar

We have no comments because this is oriented towards mostly farmer lending.

Herain

Okay.

Shridhar

Our lending are very you very low rates and it is not comparable with the kind of extraordinary rates charged to the farmers by the money lenders, so on the vehicle loan it has not been high even when you compare with credit cards and personal loans they should be 50% of what the banks charge, multination banks, Indian banks, private banks charge what we are charging to the secondhand trucks is 50% of what these people charge. So in no way I think we should be concerned about this regulation what the government through RIB trying to do is there are a lot of farmer suicide because of the interest rates are very high and all that but those interest rates are not 200, 300, and 500 thousand percent. So I think that we should not be bothered about.

Herain

Thank you.

Shridhar

Okay.

Moderator

Thank you very much sir.

Shridhar

Pratik we can wind up.

Moderator

I think, thank everyone for being on this call and thanks Mr. Shridhar for taking this.

Shridhar

Okay good bye.

Moderator

Ladies and gentlemen, thank you for choosing WebEx conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.

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