



“Shriram Transport Finance Company Limited Q-2FY09 Earnings Conference Call”



MODERATORS: MR. R. Sridhar- MD Shriram Transport Finance Company Limited



Moderator: Ladies and gentlemen, good evening and welcome to the Q2 FY '09 conference call of Shriram Transport Finance Company Limited. We have with us Mr. R. Sridhar, M.D., of Shriram Transport. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference please signal an operator by pressing "*" and then "0" on your touchstone phone. I would now like to hand the conference over to Mr. R. Sridhar. Thank you and over to you, sir.

R. Sridhar: Good evening. I would like to give a brief performance indicators for the Q2, just been released a couple of days back. Our disbursements have been quite strong during the quarter witnessing a 36% growth year-on-year to 3650 crores. Presenting in a good growth of assets under management from 14800 and odd crores year-on-year last year we have reached 22500 crores this year. About NIM's remaining stable at around 7.8%. The profit after tax has been quite good. At the ground level we have been able to see not much of impact of the current global problems in the niche segment, which we are operating, so we have been able to see the collections quite okay presenting in a good sector quality. The business going forward may have some impact on account of liquidity situation in the country, which was quite bad during the first 15 days of the current month and due to the efforts taken by the government and Reserve Bank. The situation has considerably eased after 15th and the amounts sanctioned and released subsequently and we have been getting disbursements from the bank. Now we are also getting new sanctions. On the liquidity front we feel we should be okay and the other concern is on the interest rates. The interest rates have moved up substantially in the last six months. That has an impact on our profitability and unfortunately the assets side we have no resetting options. All the loans, which we have given to the truck owners they are all fixed in nature, so there is some amount of compensation, we get by judging more on the new loans which we disburse. With new loans likely to come down in the next six months due to the liquidity situation. There would be an impact on our profitability, so out of this three interest rate increases the growth and the asset quality we are okay in all three, but quite good in the asset quality area. The demand on the truck owners is quite good in our segment because we are present mostly in the used vehicle segment. The impact of the slowdown is going to have a significant slow down in the sale of the new vehicles where we are not going to pay much attention in the coming six months. So whatever disbursements we are going to do is with mostly in the used vehicles. We are increasing the yields on the new disbursements corresponding to the increase in the borrowing cost and we believe that the interest rates have peaked and it has to stay there are most likely to come down. So we feel that for our business particularly the next six months would be challenging, but we are taking all steps to see that our impact on our profitability is minimal. So with this initial remarks I leave the forum to questions and with the request that if the question has already been raised by someone please do not raise again and also be brief.



Moderator: Thank you very much sir. We will now begin the question and answer session. At this time if you would like to ask a question please press “*” and then “1”. If you want to withdraw your question from the questioning queue please press “*” and then “2” to remove yourself from the queue. Please use only handsets while asking a question. Our first question is from Mr. Vishal Jaju from Centrum Broking. Please go ahead.

Vishal Jaju: Sir to my understanding any finance company or especially in case of Shriram Transport Finance the second half of the year is considered to be much better as compared to the first half of the year. That is the loan disbursal goes in 40:60. The 40% in the first of the year and 60% in second half of the year. Now considering the fact that in Q2 we disbursed around 3650 crores, are we in a position that we expect a higher disbursal that is in excess of 1200 crores per month in the second half of the year?

R. Sridhar: Normally according to the demand that should be the pattern, but here you have a constraint we do not know, it is uncertain whether we will be able to raise funds to meet that kind of a demand. See the demand side is quite intact, because you know that we are a monopoly in financing small truck owners and second hand trucks. So far there is no significant player in this space either a bank or an NBSC. So we are there and the remaining all are unorganized sector, but the demand for money from these people for both acquisition credit as well as working capital is quite impact, but unfortunately we are the only one financing them, so if we have a constraint and raising resources that will have an impact on the disbursement amounts. So we are not sure what is going to be the liquidity situation. We can only hope that it improves and it is improving in our case, but we will have to wait, so if the money is available definitely we should be doing more than what we have done in the past, but it looks uncertain as of now.

Vishal Jaju: One more thing regarding the NPs or probably what idea or understand we have through interaction with some of the financing companies that is though the loans have been disbursed, but now the issue is with regard to the recovery of the loan because recovery has become a problem and to some extent if they are not able to repay the loans the number of vehicles that are getting parked outside on the account of this recovery that is rising (ph) is that the trend that we are witnessing at least in the second quarter or if not the second quarter at least the last month of second quarter?

R. Sridhar: No. If you see our NPL not much of significant change, so our collections continue to be quite good even in the current month, so we are not seeing any pressure on recovery and there is no pressure on the freight rates also so far. So far it is so good. The second half year normally it used to be very good in terms of the agricultural movement, produce and all that, so we do not see any problem in the area of recovery definitely.

Vishal Jaju: Thank you sir.

R. Sridhar: Yes.



- Moderator:** Thank you, Mr. Jaju. The next question is from Mr. Abhishek Kothari of SPA Securities. Please go ahead.
- Abhishek Kothari:** Congrats on the numbers sir.
- R. Sridhar:** Yes.
- Abhishek Kothari:** My question would be what were the yields on old and new CV for this quarter?
- R. Sridhar:** See the yields have gone up, but the new loans the yields are being increased, as I mentioned to you earlier we cannot increase the yields on the older loans.
- Abhishek Kothari:** What was the yield which was prevailing for the new CV right now?
- R. Sridhar:** For the new vehicles during this quarter is around 14% and for the used loans is around 19%.
- Abhishek Kothari:** Okay sir, interest rates paid by the company recently got raised by 50-100 basis points yielding around 11%-12%?
- R. Sridhar:** Continuously it has been going up and so there is an increase in the interest cost.
- Abhishek Kothari:** Currently what is your cost of borrowings that you took last?
- R. Sridhar:** It varies from company to company, it is around now 13%.
- Abhishek Kothari:** Now 13%. Tie up with Tata Motors in Gujarat for autorickshaw, could you tell me the expected financing that you expect to do within this year and the yields on it?
- R. Sridhar:** Tata Motors there is autorickshaw they produce I do not know and we do not have any tie up with them in Gujarat.
- Abhishek Kothari:** Sorry, TVS Motors not Tata, TVS?
- R. Sridhar:** We are not financing anything. It should be other companies, Shriram Citi and all.
- Abhishek Kothari:** Okay you are not doing it and sir securitization as you said that you will be going in for less yield CV financing so the income from securitization might be less, if you are comparing to the last year?
- R. Sridhar:** No securitization is method of you know raising resources. So we have been always pushing the portfolio of new vehicles, which are slightly low yielding when compared to used vehicles to banks balance sheet through securitization. So if new vehicles loans are not done much then the necessity for doing securitization also does not arise. That does not mean that we will not do securitization of old vehicle. We are flexible depending upon the situation, depending upon the liquidity, availability we will be changing our strategies here and there to raise resources and the options available for us.



- Abhishek Kothari:** Okay and last question AUM Asset Under Management could you break that into new and old CV?
- R. Sridhar:** Yes, it is around 18000 is used and 4500 is new.
- Abhishek Kothari:** 4500 for new?
- R. Sridhar:** Yes.
- Abhishek Kothari:** Thank you, sir. Congrats on the number once again.
- R. Sridhar:** Yes.
- Moderator:** Thank you, Mr. Kothari. The next question is from Ms. Poonam Sharma of IDFC Mutual Fund. Please go ahead.
- Poonam Sharma:** Sir, this is in continuation with what one of the other participants asked. We are hearing that there are lot of repossessed vehicles because of the inability of certain truck owners to repay the loans who have low levels of NPAs. How are you ensuring that Shriram Transport Finance does not face the same? Point number one, and I also wanted your Q1 and Q2 capital and off balance sheet of the books size off book balance sheet AUM?
- R. Sridhar:** See repossession is a process of recovery, so if somebody does not pay, a particular number of months then you resort to the last method of taking away the vehicle auction it and realize the value. In our case historically it has been very low one is because we have been able to collect from our customers that is one. Second thing we are not like other companies, you know, they are funding new vehicles, 100% of the chassis value and anything beyond three months you give it to the outsourced agency, they repossess and you do not give any option to the customer to pay some money and take back the vehicle, you auction it. These are some of the processes, which are being used by the competition, but when it comes to Shriram Transport we do release the vehicles if some money is paid, suppose you have 50000 due come and pay 35000, 40000 still we give it back to him giving more time to repay and all that, so our customers because of second hand truck and because of the loan to value is quite comfortable the relationship with the customer is quite strong, there is no postdated cheque we meet the customers and all that, our total process is entirely different from what is being followed in the market place. So that is why we have always been saying that our relationship based model business model is totally different, so that is why our repossessed unsold vehicles are less than 1% of our total number of vehicles we handle. So that would have no correlation to what is being practiced in the marketplace by the competition because their process is totally not the customer oriented, it is a system oriented, system driven, so that is nothing comparable. Second thing is on the capital we have been quite comfortable. We are slightly above 15% and our tier I would be mostly near to the regulatory 12% and the balance would be on tier II.
- Poonam Sharma:** Okay sir and third question, last question sir. What is the off book balance sheet?



- R. Sridhar:** The off book is what I have told you is off book is 4500, 18000.
- Poonam Sharma:** Thank you, so much sir.
- Moderator:** Thank you, Ms. Sharma. The next question is from Mr. Pravin Jain of HDFC Mutual Fund. Please go ahead.
- Pravin Jain:** Good morning everyone. I wanted to know what is your bank line sanction bank line amount as on date? Consortium limits from the bank?
- R. Sridhar:** Term loans and cash credit from banks should be around 12000 crores.
- Pravin Jain:** These are sanctioned?
- R. Sridhar:** Yes, drawn already.
- Pravin Jain:** Drawn already and what is in sanction, like normally this is utilization, I can understand, so 12000 crores is utilized?
- R. Sridhar:** Yes.
- Pravin Jain:** And what is under sanctioned amount?
- R. Sridhar:** That varies from day-to-day, so sometimes cash credits are funded and all that, so that varies from our side. So this is the total if you draw the entire money the total limits is around 12000 and it is growing everyday because we keep borrowing everyday.
- Pravin Jain:** With term loans limits are also varying everyday basis?
- R. Sridhar:** No, term loans are repaid so term loans now it is 10,000 suppose you see outstanding today tomorrow some repayments will be made so it will come down, tomorrow new loan will be taken, it will go up, it will vary daily.
- Pravin Jain:** But as on September approximately utilizations are 12,000 crores can u tell me sanctioned lines from the bank like there has been sanctioned out and utilized or draw down from those lines anytime?
- R. Sridhar:** The cash credit, you are talking about the cash credit is around 2500 crores.
- Pravin Jain:** And how much has been utilized?
- R. Sridhar:** That time it was around 1500, so 1000 crores we have not utilized that time after that subsequently we have drawn.
- Pravin Jain:** Subsequently means as on September you are talking about these figures, sir or after September?
- R. Sridhar:** September we had some underarm limit and after that in October we had withdrawn that.



Pravin Jain: So as on date probably 2500 crores fully has been drawn now?

R. Sridhar: Correct.

Pravin Jain: Can you tell us something on cash flow to be paid or repayments to be made in the next six months?

R. Sridhar: At six months we should be paying around 5000 crores.

Pravin Jain: 5000 crores?

R. Sridhar: Yes.

Pravin Jain: What about the monthly collection, average monthly collections done by you?

R. Sridhar: See we cannot do cash flow here. See the cash flows are so comfortable, you should ask me the question of how is the ALM?

Pravin Jain: That is correct sir.

R. Sridhar: Asset Liability Match is very positive for us, so even if we do not get any sanctions for the next one-year we will have plus which means we will be doing disbursement meeting for all our liabilities and interests. So we have a very strong ALM which is positive. So even if I do not get any sanction in the next one year there will be no default and still we will be doing lending.

Pravin Jain: All right. Sir, can you give me absolute amounts of gross NPAs and net NPAs as on September and as on March?

R. Sridhar: September our gross is 1.74.

Pravin Jain: Amongst absolute amount if you can give me?

R. Sridhar: Amount is 314 crores.

Pravin Jain: 314 crores.

R. Sridhar: Net is 162.

Pravin Jain: This is on September?

R. Sridhar: Yes.

Pravin Jain: And as on March, sir?

R. Sridhar: March is I do not have the figure as of now. I will try and give you at the end of the meeting.



- Pravin Jain:** Okay sir, and sir I just want to also know like have you see the trend of repossession losses going up in the recent last one or two quarters or the repossession losses are at the same levels which you are finding it as of March or something?
- R. Sridhar:** No it is not comparable because it depends on the number of vehicles you sell and all that.
- Pravin Jain:** Okay, because there has been many...?
- R. Sridhar:** If there is no resale value problem because we are in an era of inflation. So in inflation the price of the vehicles keep going up. So when you repossess stock value goes up. So the question of losing does not arise and particularly when you have a comfortable LTE there is no question of losing any money. We have an excellent asset cover.
- Pravin Jain:** Okay. All right. Thank you.
- Moderator:** Thank you, Mr. Jain. The next question is from Chirag Shah of Emkay Global. Please go ahead.
- Chirag Shah:** Good evening everybody. I am just trying to understand how have the rates moved, what are the rates that you are charging right now?
- R. Sridhar:** It is around 14%.
- Chirag Shah:** Actually I logged in slightly late, so I....
- R. Sridhar:** Going rate is 14%-15% for new vehicle and around 19%-20% for the old vehicles and it keeps going up.
- Chirag Shah:** I think so last quarter it was something 12%-13% and 16%-18% if I am not wrong. Last quarter when I say the June ending quarter for the full end?
- R. Sridhar:** It could be around 1% less than this.
- Chirag Shah:** Okay. Secondly, if I look at again the question pertains to repossession of vehicles. I am trying to understand at the industry level, not necessarily at Shriram Transport level is it right that there has been increasing activity of repossession and repossession of stock lying or a larger period time of a last one month or the last two months?
- R. Sridhar:** It is all not true. Repossession according to us is a process of recovery, so you do the repossession, it is a branch activity, so they will take repossession in a chronic case where they have invested all available option then you take back the vehicle. Even after that if some customer walks in and pays some money we give it back, so as I mentioned earlier we are not a system driven company we are a customer oriented company, so it all happens, repossession like other companies when they do repossession it closes the auction with the customer. They have to only auction it, but the repossession for us is only a just a small threat to the customer that if he does not settle the amount with us then we will go ahead



and sell it, but ultimately what we sell is less than 1% of the total vehicles we handle, which according to me would be the lowest in the industry.

Chirag Shah: So there was lot of rumors floating around...?

R. Sridhar: That was in difficult situation you know the rumors will be there. Not only for me it will be for anyone.

Chirag Shah: Yes that is why I have asked you can clarify the thing.

R. Sridhar: Absolutely you can be rest assured on the credit quantity, it is absolutely fine.

Chirag Shah: Last question would be at what incremental rate you would be borrowing right now?

R. Sridhar: See the borrowing rate is not under our control, but if you are desperate then you will have to pay whatever the banks are asking. Fortunately for us we are not desperate borrowers, we have maintained good cash balance in our balance sheet for a long time, so in a crisis we do not go borrow desperately. So we have our own term, which does not mean we dictate terms with banks. So depending upon your credit rating and ability we do negotiate with banks but there are some other competitor companies that may pay more. We do not do that.

Chirag Shah: Thank you, very much sir.

Moderator: Thank you, Mr. Shah. The next question is from Krishnan ASV of Ambit. Please go ahead.

Krishnan ASV: Hi. I just wanted to understand a little bit on the tenure, I mean, in terms of the interest rates, you were saying that the repricing has happened for the new loans now. I mean with what kind of tenure are we having a look at it at this point of time for old CVs as well as for new CVs?

R. Sridhar: New CVs it varies from maximum it is five years, so average if you put it would be around four years, slightly above four years. The old CVs are between three years and four years and average would be around three years.

Krishnan ASV: Just because of the interest rate-repricing happening on the lending side the tenures have been quite gone up?

R. Sridhar: The tenure has gone up as a result of entry of banks into this space. The banks when they entered they started lending for longer period but for us because of most of our loans about 70% is old vehicle, our lending asset side tenure is less than the liabilities side like borrowing tenure. Our ALM is always comfortable. We do not have the pressure of more liabilities maturing and assets maturing a little later, it is not like that earlier than the liabilities so you always a positive cash flow.



- Krishnan ASV:** Yes, I understood that. Thanks about that. Sir just a little bit, FY'09 seems comfortable kind of thing at this point of time, I just want to have your views on FY'10-FY'11, what is that would as in worry you as in Shriram Transport Finance Company at this point of time in terms of the growth or in terms of NPAs, what is it that could either on the regulatory side or business side?
- R. Sridhar:** See it would be very tall order for me to talk about 2010-2011 at this point of time. You know if you had asked me about six months back I would have given you a five years....
- Krishnan ASV:** Agreed. I do understand that uncertainties are extremely high...
- R. Sridhar:** But it is very difficult for anyone to predict what is going to happen in the next six months. Let us not talk about the future that would be very difficult for me to say, but what I can say is we are in a business which is tried and tested segment and which is priority sector, which is very, very critical to the growth of the economy.
- Krishnan ASV:** Two things I would probably ask you....
- R. Sridhar:** Only threat I have, only problem they will have is one is liquidity and also for us as I have told you because of the threat and our profile in the marketplace with cylinder (ph) are quite comfortable. The rest threat would be the sector threat, beyond that we do not have any issues.
- Krishnan ASV:** So do you see a sector threat at this point of time?
- R. Sridhar:** At this point of time I do not see any problem, but there is a risk because of some event happening.
- Krishnan ASV:** What kind of leverage are we at currently?
- R. Sridhar:** You know our capital adequacy is around 15%, so we should be between 6 and 6.5, maybe maximum 7.
- Krishnan ASV:** Okay. Fine I guess I am done. Thanks.
- Moderator:** Thank you, very much sir. The next question is from Mr. Ashish Sharma of Enam AMC. Please go ahead.
- Ashish Sharma:** Good evening sir and congratulations on a good set of numbers. My question pertains to securitization income. First one is I just wanted to understand again like what you had discussed in the last quarter also that securitization income this quarter is close to 72 crores on a portfolio securitized is 614, what did win because you might have done securitization in between the quarter, sir? Like the tenure for securitization this quarter would be 1.5 months I suppose?



R. Sridhar: This quarter securitization has been in the last day of September. Last day of September so we would have had one day income, but most of this 72 crores is the income, which is last of so many, as of June 30 whatever was outstanding all are securitized. On that deferred is coming into this quarter.

Ashish Sharma: Agreed sir. So what would be the outstanding securitization for full year as of September 2008?

R. Sridhar: It should be around 4500 crores.



- Ashish Sharma:** Okay that is all thank you.
- Moderator:** Thank you, Mr. Sharma. The next question is from Mr. Anand Laddha of HDFC Mutual Fund. Please go ahead.
- Anand Laddha:** Hi sir. We had seen a very strong disbursement during the first half, can we expect to maintain the same in the second half?
- R. Sridhar:** The demand is intact, as I mentioned earlier. The demand in this industry is quite strong and intact and as a player without any big competition in this space, we can lend aggressively in this, which would be slightly more than as first six months, second six months will be more, but unfortunately today we are in a situation where the liquidity availability is uncertain. So I am not able to comment what would be the disbursement forecast for the next six months.
- Anand Laddha:** Sir after borrowings of Rs.17000 odd crores Q2 83% was from loans from banking institutions. So is it possible to quantify how much was from the bank institution and how much was term loan and how much was the working capital?
- R. Sridhar:** It would be a very big breakup. So you will have to approach us independently. Then we evaluate. You send a mail to us. We will evaluate and see whether we can give that information.
- Anand Laddha:** Sir, just one more thing to ask, sir do you have any policy like how much percent of new car portfolio, new CV portfolio you would be securitizing every quarter, I mean, do we have any policy or like?
- R. Sridhar:** We normally do around 3000-3500 crores in a year. So that is what is likely to be securitized. It depends on we do not have any pattern. It depends on the banks appetite and requirement, need, so it varies from year-to-year, from quarter-to-quarter and this year it could be totally different. We do not know, so there is no fixed pattern on this.
- Anand Laddha:** Okay, sir. Thank you sir.
- Moderator:** Thank you, Mr. Laddha. The next question is from Mr. Airt Mulder of NMO. Please go ahead.
- Airt Mulder:** Mr. Sridhar, indeed a question where I heard all the discussion in the conference there was talking about liquidity which is itself causing the current market, where you also said if I understood it properly you said disbursements focus is uncertain in that respect. Do you have any contingent or emerging liquidity plan if the liquidity is indeed ruling from down in the next year in India?
- R. Sridhar:** See the liquidity for us as I mentioned is comfortable to beat our liabilities and also to do more advance deployment, but what I was mentioning is the growth percentage. If



somebody asked me to put down a number of disbursements in the current quarter I said that would be difficult because it depends on the availability of resources, but if the resources are available definitely we will be growing like the way we have been growing in the past. That kind of demand is there in the market place, but today because the liability side is uncertain we do not know whether money will come or not, we are trying to wait and watch and then consolidate and then look at the growth. Growth percentage committing is slightly difficult. That is what I mentioned.

Airt Mulder: Okay from that respect you can amend your growth based on the liquidity situation that you will issue then?

R. Sridhar: That is not only for me, for everyone. We are only dealing in money, so we are generating resources from the banks and institutions and various other avenues and then we lend money. There are some internal accruals excessive cash flows are there, but that too will only give opportunity for us to lend for some amount, but for us to grow you need to increase your fund resources so that is uncertain at this point of time.

Airt Mulder: Clear.

Moderator: Mr. Mulder, do you wish to ask any further questions?

Airt Mulder: Thank you, very much sir. That would do. Thank you.

Moderator: Thank you very much. Our next question is from Mr. Anil Ghelani of DSP Merrill Lynch. Please go ahead.

Anil Ghelani: Good evening sir I think some of my part already got answered, it was more on this liquidity provision and especially considering the fact that our borrowing profile has around 83% borrowing from banks and institutions and the recent press news and updates regarding slowdown in the banks during the sanctions to the sector and whether you see any specific pressure on the liquidity fund?

R. Sridhar: Liquidity pressure is general in nature. It varies from company-to-company. You are able to borrow if you have a good profile, if you have a good repayment track record, you have a business model, your relationship with bankers, your credit ratings, so many things are there, so for us it is quite comfortable today. See we do not want to talk about it too much but I would say that it is very comfortable and our growth will not be significantly affected, but I can talk only of today. Tomorrow how it is going to be that is the kind of situation we have today, but for us it is quite comfortable.

Anil Ghelani: At least everything is comfortable and what has been read or heard about is not at all impacted our company in that sense of any freeze or any ..

R. Sridhar: Absolutely.



- Anil Ghelani:** Okay fine sir. Thanks a lot for the updation.
- Moderator:** Thank you, Mr. Ghelani. The next question is from Ms. Supriya Khedkar of ICICI Direct. Please go ahead.
- Supriya Khedkar:** Good evening sir. I just wanted to understand your new tie up with the Hero Honda for your financing?
- R. Sridhar:** I think it is mixed up with another company of the Shriram Group, that is the Shriram Citi Union Finance, which is in consumer finance business, I do not have any tie up with Hero Honda.
- Supriya Khedkar:** We kind of need to focus on the CV sector?
- R. Sridhar:** Only commercial vehicles.
- Supriya Khedkar:** Okay sir, thanks sir.
- Moderator:** Thank you, Ms. Khedkar. The next question is from Mr. Nishit Chawathe of Kotak. Please go ahead.
- Nishit Chawathe:** Sir, you mentioned that your ALM position is positive. Now I was just trying to understand that on the asset side what we are saying is that all the assets are at the fixed rate, which means they cannot be reprised. On the liability side do you have any bank loans, which are subject to PLR, which can be reprised, or how is the situation there?
- R. Sridhar:** See you have both kinds of loans, one is fixed loans and floating loans, so the floating loans as these benchmark against the PLR, with the moment the rates go up and come down it gets changed. Now we are in a regime where the interest rates have been going up, so interest rates keep increasing. The other one is on the fixed loans, we cannot say there is no impact because we will have to see the maturities of those fixed loans during this period, so when it matures it gets replaced with another loan. That loan will be at a different price. So most of the loans depend on the maturities during this period, depending upon the changes.
- Nishit Chawathe:** I am just trying to look at let us say the outstanding borrowing book, what proportion of the borrowing would be at the floating rate?
- R. Sridhar:** 50:50 for us.
- Nishit Chawathe:** 50:50. Okay. Now another question was relating to this whole issue between the spreads that you can maintain vis-à-vis a growth rate because of uncertain times that we are living in you reported NIMS of closer to 7.7% last quarter, now going forward how do you really look at this. Would you kind of let us say want the NIMS to come down may be to something like about 6% or 6.5% or something and still then focus on growth or you know kind of say okay this is the number we do not want to come below a particular you know let



us say 7.7 is the number we do not want to come below that and then we can sacrifice growth on that. Now what kind of a level is something that you can let us say go up to?

R. Sridhar: Sacrificing growth is only on account of liquidity, not on interest rate. As I mentioned to you we have no pressure on the interest rates from the customers because we are only increasing when our borrowing costs go up. We have been trying to maintain our NIMS at this level. Some growth in the initial period when we moved from 2000-20,000 that could gain some reduction in the NIMS, now we are in 20,000 from 20,000 when we move up, I do not think there would be a significant pressure on the NIMS. NIM should be at that level not significant, minor plus or minus would be there. So I am not seeing any pressure on that.

Nishit Chawathe: Finally I mean, you obviously are focusing a lot on growth expanding franchise, recruiting a lot of new employees and obviously you are just going (ph) on the cost side, and now that the liquidity situation is what it is and possibly which could hamper disbursements and if things do not really improve on the liquidity side, would you want to slowdown growth initiatives or have you already started slowing down, can you throw some light on this?

R. Sridhar: See we are going slow on new recruitment. That is all as of now we have done. We will see for another three months and then take a view. We are confident that things should be okay for us because we are in a private sector lending we should not face the problems of a consumer finance of the company. We should be quite okay.

Nishit Chawathe: Okay sir. Thank you, very much.

Moderator: Thank you, Mr. Chawathe. We have a followup question from Ms. Poonam Sharma of IDFC Mutual Fund. Please go ahead.

Poonam Sharma: Sir, on the institutional borrowing that you have what would be the percentage from mutual fund?

R. Sridhar: You know these things daily change in a mutual fund selling to bank, bank putting it to mutual fund and these things, but we think it is around 10%.

Poonam Sharma: That is about it? And also sir you are a deposit taking NBAC, right? And over a period of last three years the retail borrowing has come down from 64% to about 17%, so when there is a tightness from the corporate market do you have any plan B for example like some of the other NBACs to borrow from retail?

R. Sridhar: We have been a strong franchise in the retail for quite long, but now in the last two or three years it has not grown because we strategically did not do it, but our franchise is quite strong there, so we have already initiated plan B, three or four months back, we are strongly present there and you will see in the last quarter it has considerably gone up. So we are confident of raising a reasonably good amount from the retail market.



- Poonam Sharma:** And also just one clarification, only the new CVs qualify for priority sector lending right sir?
- R. Sridhar:** Because it is not asset, it is the customer is classified as a priority sector, small truck owner is priority sector, but new or old is classified as priority sector.
- Poonam Sharma:** Okay and how do you classify small truck owner?
- R. Sridhar:** Small is two to three trucks, but there would be some definition by Reserve Bank, but according those small truck owner is only two to three.
- Poonam Sharma:** Okay sir. Thank you, so much.
- Moderator:** Thank you Ms. Sharma. We have a followup question from Mr. Anand Laddha of HDFC Mutual Fund. Please go ahead.
- Anand Laddha:** Hi sir. Just wanted to know you mentioned some time back we will be moving into tractor financing even consumer equip financing, sir is it possible to give a breakup like how much you have financed this quarter?
- R. Sridhar:** See the current quarter figure I do not have, but we are present in both the segments, which you have mentioned. I do not have the breakup. We can give you independently. You can send a mail to our investor relations.
- Anand Laddha:** Fine. Thank you, sir.
- Moderator:** Thank you, Mr. Laddha. Sir we have a question from Mr. Jacob Ninan of AXIS Bank. Please go ahead.
- Jacob Ninan:** Good afternoon.
- R. Sridhar:** How are you Jacob?
- Jacob Ninan:** Fine. Just one broad question, not directly on your numbers, now both of us see certain amount of uncertainty in the market, going down the line would you feel that your business model which has (41:25) in the past would continue to give you the same kind of dividend or are you thinking of some change in the business model and/or the processes?
- R. Sridhar:** See the business model continues to remain same because we are in a niche segment of financing a customer and asset that would continue, our growth will get slightly moderated, due to the liquidity, which I mentioned. I do not think there is any issue on the business model and the recovery of the asset side and asset quality. The only thing is there would be some impact on the profitability if it has moderate growth due to liquidity situation; otherwise I do not think. All these are commenced at the time when there is a liquidity crisis mainly loss, but it is easy and for us it is getting better day by day so it may not be there in the next one month or two months, but at this point of time I am putting a little bit



of caution in giving a particular number to our growth, so except growth due to liquidity I do not have any other issue.

- Jacob Ninan:** Any tightening of processes you feel or is it you are still capable enough to withstand...?
- R. Sridhar:** The processes are always being reviewed everyday, our credit and risk is very strong and so we continue to review and wherever there are lapses, errors, loopholes we keep plugging it.
- Jacob Ninan:** Thank you, so much.
- Moderator:** Thank you Mr. Ninan. There are no further questions at this time. Mr. R. Sridhar would you like to add few closing comments.
- R. Sridhar:** No nothing. Thanks very much for wholehearted participation to our Q2 analysis concall. Looking forward to have a chat at the end of the next year.
- Moderator:** Thank you sir. On behalf of Shriram Transport Finance Company Limited that concludes this evening's conference. Thank you for joining us and you may now disconnect your lines. Thank you.