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“Shriram Transport Finance Company Limited  
Conference Call”

**January 18, 2010**



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**MODERATOR      MR. R SRIDHAR - MANAGING DIRECTOR, SHRIRAM  
TRANSPORT FINANCE COMPANY LIMITED**



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**Moderator**

Ladies and gentlemen good evening and welcome to the third quarter results conference call for FY09 & 10 hosted by Shriram Transport Finance Cooperative Limited. As a reminder all participants' 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 the conference please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sridhar. Thank you. And over to you, sir.

**R. Sridhar**

Good evening. The basic business of Shriram Transport has been quite good during this quarter. The commercial vehicle industry which had seen a downward trend in the last few years has staged a come back. We are able to see revival in the sale of new vehicles from the last quarter around September to October.

The large commercial vehicles, which the sales had been sluggish for quite long has started moving up. And large commercial vehicles when the fleet owners and large vehicle owners go and buy more new vehicles the sentiment of the entire commercial vehicle industry gets a boost, the confidence of the truckers come back. That is what we had seen during the quarter. So we feel that the revival has started. And as usual this upward trend which we have started seeing will also be another cycle and that would last for another three to four years. So we are very positive about the next three to four years as far as the vehicle sales are concerned.

And as the large financier of both new and used commercial vehicles we are seeing good opportunity for us to grow our assets during the next three to four years. So in the current quarter our disbursements were excellent and we have reported a 70% growth in our disbursements compared to the last year's corresponding quarter. Also the mix between the used and new vehicles had undergone a small change. We have historically been maintaining 30% new vehicles and 70% used vehicles. And ever since the global meltdown started in the last October and the sale of new commercial vehicles became sluggish, we have been slowing down our new vehicle loan and consequently the used vehicle loans have started moving up.

So as of now we find on the total AUM we have a mix of around 75% old vehicles and 25% used vehicles. And also in the current quarter in the advances the mix had been more than 80%, around 81, 82% had been used vehicles and new vehicles had been the balance. So this has improved the yield, the blended yield on the total advances. And also because the interest rates have been soft we have been able to access loans at competitive and cheaper rate. The net interest income has moved up around 33% during the current quarter.

The NIM, the net interest margin also has moved up during the current quarter and our cost to income ratio which had come down during the last quarter from 30% to around 22-23% remaining at this level. So, all these things have helped us posting good numbers during this



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quarter. There had been a small marginal deterioration in the gross NPLs but the company continues to maintain aggressive provisioning and we maintain more than 70% coverage and our net NPLs is standing at around 0.68% at the end of this quarter. We feel that the net NPL, gross NPL deterioration would have stopped because of the revival in the commercial vehicle industry, the freight rates are moving up and the sentiment is improving, we feel that this could be the peak and we could see it easing in the coming quarters in the next few years.

The capital adequacy has been maintained at around 17% with the regulatory prescribed minimum of 12% is in the Tier I itself, the balance coming in Tier II. So we are looking at the next few quarters and few years very optimistically. And all of you must be aware that in the last quarter we have acquired a portfolio consisting of commercial vehicles loans and construction equipment loans aggregating to over 1,100 Crores from GE Capital we have purchased this portfolio. And this has been a good and profitable acquisition. It has not been a strategic acquisition, but it is good investment acquisition for us which will start giving profit from the current quarter and this is a very short tenure portfolio which most of the profits will come in the next 15 to 18 months. So with this initial briefing I leave the forum for questions. I request the participants not to repeat the same questions and be brief. Thank you very much.

- Moderator** Thank you very much, sir. Ladies and gentlemen we will now begin with the question and answer session. At this time if you would like to ask a question please press '\*' and then '1' on your touchtone phone. Please use only handsets while asking a question. The first question is from the line of Ashish Sharma from Enam AMC. Please go ahead.
- Ashish Sharma** Can we have the disbursement figure for the quarter, sir? Because it is not mentioned in the presentation we have been circulated?
- R. Sridhar** Yeah, it is around 3,950. Near to 4,000 Crores.
- Ashish Sharma** And what is the spread for the new CV and....?
- R. Sridhar** 700 is new CV. Balance is.....
- Ashish Sharma** And second would be what would be the gross NPL/net NPL figures for as on December '09 sir?
- R. Sridhar** It is around 2.4 and 0.68.
- Ashish Sharma** Absolute amount?
- R. Sridhar** Amount is 525 Crores gross and net is 144 Crores.



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- Ashish Sharma**                      Going forward do we have any equity raising plans for FY010 or do we at the current equity base would be able to achieve an AUM of close to 30,000 Crores?
- R. Sridhar**                              As I mentioned in my initial remarks we have a capital adequacy of 17%. And our capital adequacy prescribed by the Reserve Bank is only 12%. So as far as the capital adequacy is concerned we are quite comfortable to take care of our growth. And our ROEs are above 30%. So we are quite comfortable, but still we are getting into new activities like equipment finance and more opportunities are likely to come to us. So we have gone to the shareholders for an approval of capital raising up to 1,000 Crores which the shareholders have approved. And the board has set up the committee to look at this opportunity at an appropriate time. So the committee will meet and take a view on this shortly.
- Ashish Sharma**                      Okay. Just one additional point on the equity raising plus of 1,000 Crores. Now after this post 1000 Crores dilution which will happen maybe in Q4 or maybe in Q1 of FY11, that would take care of the growth for the next 2, 2.5 years?
- R. Sridhar**                              I think it will take care of our growth for many more years as our business is going through in an upward cycle our return on equity is quite good. The base is moving up substantially. We are already near to 27, 28,000 Crores and we are growing very fast. I think this is enough and sufficient for many more years.
- Ashish Sharma**                      Fine. Thanks a lot, sir.
- Moderator**                              Thank you Mr. Sharma. The next question is from the line of Manisha Porwal from Arihant Capital. Please go ahead.
- Manisha Porwal**                      I just wanted to know about the new emission norms. The impact of new emission norms on the old CVs.
- R. Sridhar**                              See, the emission norms whenever it comes, it is applicable to new vehicles which are sold after that come. The old vehicles continue to be allowed. Except in a case where like big cities like Bombay and Delhi, there are some age restrictions of vehicles coming in. So they stop at Thane and it is brought in, in a new vehicle. So that is the only issue. But emission norms cannot put off vehicles off the road. That is not a problem.
- Manisha Porwal**                      So it is not a problem?
- R. Sridhar**                              It is only applicable to new vehicles which are sold after the regulation has come.
- Manisha Porwal**                      Okay. And sir, something on your activity where basically local people you had roped in.....
- R. Sridhar**                              Private financiers.



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- Manisha Porwal** Private financiers. So something on that. How are we progressing on that? It is believed to be a very.....yeah sir.
- R. Sridhar** Yeah, it is doing very well. As a strategy we have partnered with this private financiers. In a used vehicle business we have around 20% market share. The balance 80% is still in the unorganized segment. Mostly cater to by private financiers who are estimated to be around 25,000 to 30,000 in number in the whole country. And these people have already funded these vehicles and we have found few years back that these people are unable to leverage and the entire AUM of their business funds employed have come out of their net worth. So we thought of this innovative scheme of giving them a leverage of two to three times to start with them and then depending upon the credit quality and the performance increasing it in future. We started this and in the last three to four years we have been able to rope in around 500 private financiers. Our experience overall has been quite good. The return from this is also quite good. But within the private financiers there are some good, bad and ugly and all there. So we are getting rid of people who are not able to perform and upgrading people who are performing very well. So this will be a focus area for us strategically in the next five years. So we want this 500 to move up to 2,000, 2,500 and more facilities like technology, branding and other supports we are planning to give this. This would be a good growth area for us.
- Manisha Porwal** Okay, sir. Currently how much of our revenue or basically collections are coming from private financiers or part of AUM?
- R. Sridhar** It should be around 7% is the current on the AUM. And when we double it from this level maybe in the next five years the private financier percentage also will double.
- Manisha Porwal** Okay. And something about, sir, your new verticals, some clarity on the construction equipment, financing, tractor financing and the other financing that you there
- R. Sridhar** Construction equipment is a business which we have already been doing for our existing segment and we feel that because of the opportunities which are available in the infrastructure area and also some of the major financiers are exited the space we felt that there is a good opportunity and we want to exploit this opportunity through a wholly-owned subsidiary. So, we are coming out with the subsidiary which is 100% owned by Shriram Transport which will focus on the equipment finance, primarily the construction equipment finance. And this will be again like our commercial vehicles slightly higher yielding and medium and lower segments of customers and both new and old vehicles. That would be the kind of business we will do and we feel that there is enough market for this. We will grow this business in the next three to five years accordingly.
- Manisha Porwal** Presently, it is contributing how much to our revenue?



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- R. Sridhar** It is around 10% of our total book is construction equipment.
- Manisha Porwal** Okay. And other the new CV would be how much...?
- R. Sridhar** Balance all truck. Everything is trucks. Under the trucks tractor and all that will come, but those are all new initiatives. So those percentages could be in single digit.
- Manisha Porwal** Okay. And how do we see like panning out over maybe another two years this percentage of 10% would roughly be around like as per our strategy where do we see it?
- R. Sridhar** We want to grow this as a separate company. So the total business from that will move up substantially. It depends on the opportunity. So we feel that the opportunity is quite good. So I am not able to put any percentage on that. But it would be substantial and significant.
- Manisha Porwal** Okay. Thanks a lot, sir.
- Moderator** Thank you. The next question is from the line of Mr. Krishnan from Ambit Capital. Please go ahead.
- Krishnan** Just having a query regarding the securitization bid. There has been a lot of news flow about the fact that we are in a weak securitization kind of environment right now. Also there are new regulations in place in terms of the retention ratio at the securitized range. What kind of an impact do you see for Shriram Transport Finance per se right now and going forward is the proportion likely to come down because of such restrictions or....?
- R. Sridhar** Securitization is very close for us. Historically we have been using this as a good channel to raise the resources. And now securitization market for us has not ever weakened because the assets originated by us are all priority sector. So there is enough demand for this priority sector loans from banks. So in spite of this and even without that there is enough demand for securitized loans. For example, last quarter also we have done a good number of securitization deal and being Q4, this quarter, it will be good. So in a rising interest rate scenario we like to do more securitized transactions in the next six months to one year. Because these are all fixed loans. So we are in the process of mitigating a small interest rate risk we are carrying. It is a small but still we would like to come out fully. We are planning to do more securitized transactions and more NCDs from the public, through retail route so that our fixed and floating rate mix in the liability side undergo a change and that would help us in mitigating the interest rate risk. So securitization is quite good for us and we will continue to focus on that.
- Krishnan** Okay. Just one more thing before if I need I would probably return once again. In terms of the new businesses that we are entering from the construction equipment space in terms of the



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passenger vehicle financing are we likely to look for strategic partners in each of these businesses?

**R. Sridhar** Not for the time being, but we expect that down the line in equipment finance and other businesses we are getting in definitely there will be some partners who maybe interested and who will come in. Because we do receive interest but we are not interested at this point in time. We want to grow the business first and then look at these opportunities.

**Krishnan** Sure. I guess I can come back later. Thanks a lot, sir.

**Moderator** Thank you. The next question is from the line of Ms. Sneha Kothari from Subhkam Capital. Please go ahead.

**Sneha Kothari** Sir, I just want to know what the outlook on the NIM and the income front, sir?

**R. Sridhar** See, the NIM has always been between 7 and 8. Because we have been carrying a little for cash after the liquidity crisis last October our NIMs has undergone a little bit of pressure. As NIM is automatically going up now because of the soft interest cost and we are also trying to minimize the impact of the excess liquidity we have. So I think it should be stable or it will improve a little bit from this. But it would be between the band of around 7 to 7.5 or 7 to 8.

**Sneha Kothari** And sir, how is the outlook on the fee income side, sir? How is it growing once this new initiative comes?

**R. Sridhar** Fee income has been quite good for us. We have been doing this Truck Bazaar for the past two, three years. It has been receiving excellent response. So we are getting into new initiatives which I would be able to outline because we are now in the implementation stage. So next quarter call I would be able to do it. And this we feel that it would be very good and it will move up. The three quarters we have reported an income of around 22 Crores now. So this year it should be around 30-plus and it should be much more in the next year. Because all our initiatives will have a full impact in the next year.

**Sneha Kothari** From the FY11 onwards?

**R. Sridhar** Correct. Correct. It will substantially improve.

**Sneha Kothari** Okay. Sir what is the average duration of assets and liabilities, sir?

**R. Sridhar** The assets and liabilities, liabilities are slightly near to 40 months. And assets should be less than that. So we have a stronger asset/liability.

**Sneha Kothari** Asset will be there around?



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**R. Sridhar** Because of used vehicles loans more it would be less than 36 months.

**Sneha Kothari** Okay. What is the AUM target for FY10, sir?

**R. Sridhar** That is more forward-looking, but I have told you that we have been growing at around 15% earlier estimate that now the commercial vehicle industry has started reviving. So our growth opportunity will be much more. So even if you can put around this year we are already around 28 now. We should be.....

**Sneha Kothari** 30, 30-plus?

**R. Sridhar** 30 should be next quarter itself. So you are talking about FY10?

**Sneha Kothari** Both. I am talking of FY10 as well as FY11.

**R. Sridhar** FY10 should be around 30,000 Crores.

**Sneha Kothari** Okay. And FY11 if you can say possible?

**R. Sridhar** You put your number I will say yes or no.

**Sneha Kothari** Okay. And sir, how much of the repayment side for third quarter FY10?

**R. Sridhar** Third quarter, repayment from customers?

**Sneha Kothari** Yeah.

**R. Sridhar** Customers should be around 2,500 to 2,700 Crores.

**Sneha Kothari** So you would be utilizing more from the securitization side for FY10 as well as FY11 going forward?

**R. Sridhar** Yeah.

**Sneha Kothari** Loan would be there?

**R. Sridhar** Yeah, correct. Fixed rate loan.

**Sneha Kothari** Okay. And sir, if you see your AUM proportion in the new CV has been more. And going forward what is your expansion plan? It would be more on the new CV vehicles or it would be more on the pre-owned CV vehicles?



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- R. Sridhar** No, no, I made a remark in the beginning that it is coming down the new vehicle percentage. As of now it is 75-25 and it would not deteriorate from there because we want more used vehicles loans. So 75-25 is good. We have brought it down from 70-30. That mix is good. So we would like to maintain 75-25, but not below 70-30.
- Sneha Kothari** Okay. Thank you, sir. For further questions I will be back.
- Moderator** Thank you. The next question is from the line of Mr. Srinivas Rao from Deutsche Bank. Please go ahead.
- Srinivas Rao** I just had the two, three questions. One is you mentioned that the gross NPLs are at 2.4% and they are likely to go down. Could you throw some light on that as to, do you expect it to go down from fourth quarter onwards and if any as to what kind of level?
- R. Sridhar** See, what happened is last year where the meltdown happened there were a couple of segments within the commercial vehicle industry faced a lot of problems. That is depending on the industrial production transportation and import/export transportation because the IIP numbers came down. And also the import/export came to a grinding halt. Some of the large vehicles which we have been funding which have been plying in the national highways had faced problem. And many other companies have repossessed vehicles. But we did not do it. We gave them more time because they were in difficulty and even if we repossess, selling it becomes a problem because in the used vehicles also those vehicles have been sluggish. So strategically we gave these customers extra time to repay and whatever possible to repay, in that process the NPL has moved up and they could have repossessed these vehicles, sold and could have written off these losses. But strategically we gave them more time and took a hit on our NPL. And now, we are able to see that the truck industry when it has revived the freight rates are going up and the sentiment has improved. These customers are again going to ply and come back to normal levels quickly and that is why I said that this could be the peak and from this level it should ease. So we are hoping that from the current quarter you will be able to see some improvements in this area. Other than these vehicles all other vehicles are doing well and there is no problem which are plying on the state highways and carrying essential commodities and all that. So those vehicles are not under any stress. But this segment is now completely revived and we should see some significant improvements from this current quarter.
- Srinivas Rao** Thank you, sir. Very helpful. Just one more question. Any color on the vehicle values in terms of you both pre-owned.....?
- R. Sridhar** Vehicle values are going up because every year two, three times the manufacturer increase the rates. And now we are in an inflationary trend. Inflation pushes up the prices of commodities. Steel, aluminum, rubber and other commodities, metals, everything is there in the truck. So the truck prices go up. Also because our old vehicles are benchmark against the new vehicle prices



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the old vehicle prices are likely to move up. When it moves up our LTVs come down, our opportunities for top-up, the asset cover increases so the asset quality will be very good.

**Srinivas Rao** Thank you, sir. Finally, one question. I noticed that in your branch network the graph which you have given in the presentation you are still quite significantly weighted towards south.

**R. Sridhar** Yeah.

**Srinivas Rao** I would imagine that the demand is probably more in west relative to your branch network.

**R. Sridhar** Yeah.

**Srinivas Rao** Any comment as to, are you kind of expanding on the north and west or you see this as something which will remain going forward?

**R. Sridhar** See, with regard to branch expansion our geographic coverage has been complete. It is 100% including northeastern states and Jammu & Kashmir, everywhere we are present. So I do not think geographically we can expand. But a number of branches certainly will move up because of our assets under management. We have some limitation to the assets we manage under one roof, so because of that the number of branches maybe in the next three years if you see, we maybe near to 700, maybe in the next five years we could be 800, those things will keep happening. So geographically we are. But in the south because we have been there right from the beginning there could be a lot of multiple branches in the same city, so that is why it is. In the north and east where we have entered third and fourth after west, there is enough potential to grow our assets. So once it grows there would be number of branches will increase.

**Srinivas Rao** Thank you, sir. Finally, one more question. Any comment on the regional differences between the demand pick up?

**R. Sridhar** Absolutely, no. Commercial vehicle is a national asset. So it plies everywhere. So it is always performs in the same percentages. So it is south and north, west, east, the percentages whatever is current population is in that is how it grows.

**Srinivas Rao** Thank you so much.

**Moderator** Thank you. There is a follow-up question from the line of Mr. Ashish Sharma from Enam AMC. Please go ahead.

**Ashish Sharma** Sir, just wanted to get a sense on your new initiatives. I think in the presentation you have mentioned that looking at financing of tractors, small commercial vehicles and passenger cars even construction equipment. Of all the segments which segment holds the most significant potential, sir?



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- R. Sridhar** See, all these segments have already been. These are all verticals for us. So all these segments are growing and tractor is more profitable. Next is construction equipment. Passenger commercial vehicle is another very profitable segment. All these are growing. But we are seeing more opportunity in the construction equipment. That is why we are hiving it off as a separate subsidiary.
- Ashish Sharma** On the tractors part there are players like Mahindra & Mahindra Finance how do you see competition shaping up with players which already have a strong track record of, I mean, they are doing it for eight years I guess, tractor financing?
- R. Sridhar** See, that company is financing new tractors and we are mostly present in the old tractors. We are financing tractor operators who are using it for commercial purpose. I do not think they make any kind of distinction like that. Farmers also buy it from them. So it is totally a different segment.
- Ashish Sharma** And the yields in the tractor financing would be quite higher yet?
- R. Sridhar** More, more. Yeah.
- Ashish Sharma** Fine, sir. Thanks a lot, sir.
- Moderator** Thank you. The next question is from the line of Vikesh Gandhi from Merrill Lynch. Please go ahead.
- Vikesh Gandhi** One is your cash balance is still continuing to be very high. So any plans of redeploying that or....?
- R. Sridhar** It is built over a period of one year. And we have used last month about 1,000 Crores for buying GE's portfolio. That would reduce it, but since we are anticipating higher interest rate in the next 12 months and the current quarter is there could be more demand for securitization we may continue this for maybe another three months and then we would work over a time to reduce this. Because this has some drag on our NIM. But looking into the liquidity situation there is an insurance cost for keeping some liquidity that we are keeping, but as you rightly said we need to look at the optimum balance and we are working overtime to reduce this.
- Vikesh Gandhi** Okay. And secondly, sir, I understand your asset side duration would be how much you said approximately?
- R. Sridhar** See, this is all mostly a three year loans. So it is an EMI basis. It will be lesser than that three years.
- Vikesh Gandhi** Okay. And what about the fixed and floating side on the asset and the liability?



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- R. Sridhar** Fixed and floating is currently at 50-50.
- Vikesh Gandhi** For the asset side?
- R. Sridhar** No, asset side is 100% fixed. Liability is 50-50 on the floating and fixed.
- Vikesh Gandhi** All right, sir. Thank you.
- Moderator** Thank you. The next question is from the line of Nischint from Kotak Securities. Please go ahead.
- Nischint** Just want to understand at the operating cost front consistently second quarter that your operating cost has come down. So how do we really see cost going forward from hereon because I guess embarking on so many growth initiatives. So how do you really see the operating cost and any specific reasons why the cost has been lower for last two quarters?
- R. Sridhar** Scale is one factor. The other one is a lot of expenses are centralized. So some discretionary expenditures and all that are getting controlled. And we will be happy if it is around this level or even if it moves a little bit above. And around 25% if we have cost income ratio that would be quite good.
- Nischint** Okay. So even on the fixed asset side your fixed asset block has come out quite sharply on a YoY basis, so anything over there which measure that we should be reading?
- R. Sridhar** No, this would not have any capital expenditure and some of the windmills and biomass which were there, they have completely sold. So that is the reason.
- Nischint** But I guess that happens somewhere in the fourth quarter, first quarter of this year, because even on a QoQ basis the depreciation cost came down.
- R. Sridhar** This happened only in the last quarter, biomass.
- Nischint** Sir, another thing was in terms of you were talking about capital issuance. And assuming that you raise somewhere closer to around 1,000-odd Crores by what time would you be in a position to again reach back of the benchmark 28, 29% kind of ROE?
- R. Sridhar** You would have seen that our ROA is also moving up. So we would focus on improving the ROA. And even if we have fund raising, I do not think it would have a longer drag on our ROE. So with the fee income and new initiatives coming in our ROA is steadily climbing. There would be a very minimal impact on ROE. It should bounce back quickly to these current levels of around 30%.



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- Nischint** Okay. So basically you are saying that ROE should not really be bad debt?
- R. Sridhar** Should not be a problem for longer period. It will be one or two quarters then we should catch up.
- Nischint** Okay, sir. Thank you very much.
- Moderator** Thank you. The next question is from the line of Mr. Maheshwari from Reliance. Please go ahead.
- Maheshwari** .In the con call you mentioned about private financers which has come to you can you give me the number of NPA levels of those finance out of the total NPA I would say, 525 Crores of that is in gross, 144 Crores of net NPAs?
- R. Sridhar** As of now I do not have the break-up, but we can give you. You can just send a mail to our investor relation person. We should be able to give you that. But we are giving the overall only. As of now I do not have but I can give you. It would not be significantly different.
- Maheshwari** Okay, sir. Fair enough. Thanks a lot.
- Moderator** Thank you. There is a follow-up question from the line of Mr. Srinivas Rao from Deutsche Bank. Please go ahead.
- Maheshwari** Sir, just wanted to double check. You mentioned that tractor financing yields are higher than your pre-owned CVs. Is that right?
- R. Sridhar** Pre-owned CV, whatever yield we are giving is including the tractor. But tractor only if you see is high yielding than some of the verticals we have. So it is a high yielding product. It is more than CV.
- Maheshwari** Oh, it is more than CV. And just one more question. The tractor we have heard that the usage is kind of shifting towards non-agricultural increasingly. So is there some kind of do you internally keep a check of what kind of loan to asset values you have? Because tractor under agriculture and non-agriculture could have different so to say value at the end of the life.
- R. Sridhar** Ours is all commercial use only, because this carries goods as well as it is used for carrying people, everything for rent. And in our country in the rural places not all the farmers are capable of affording a tractor. So, many of the small farmers are taking tractors on rent. And old tractors, which we are financing to tractor operators with the rural economy is being hired by farmers. So when it is used for agricultural purpose he again gets the rent from the farmers. So to that extent it is used for agriculture purpose. But if you see the goods which is carrying that will also be from the agriculture space. It could be sugarcane, it could be wheat, it could



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be rice, it could be vegetable, it could be fruit. So everything is agriculture. And he will be carrying in the rural economy people who are passengers, mostly they are going from sugar mill to some farm. So if you see everything 100% it would be only for agriculture related. But it is used for commercial purpose by a different kind of person who is not a farmer. So our segment is totally different. But it is 100% used for commercial purpose.

- Maheshwari** Okay, sir. Thank you so much.
- Moderator** Thank you Mr. Rao. The next question is from the line of Amit Gantra from Religare Asset Management. Please go ahead.
- Amit Gantra** The 1,000 Crores of loan puts is already included in the asset book, the acquired one?
- R. Sridhar** Yeah, yeah.
- Amit Gantra** But income will only be included on a proportionate basis, right?
- R. Sridhar** Yes. Only because we purchased on 24<sup>th</sup> of December, only 7 days is there. From current quarter you will have for the next five quarters good income from this portfolio.
- Amit Gantra** Right. Okay, thanks.
- Moderator** Thank you. The next question is from the line of Mr. Shrey Loonkar from Reliance Mutual Fund. Please go ahead.
- Shrey Loonkar** Just wanted to have a sense from you. We have a branch network break-up that you have given on the presentation. Is that pretty much the loan break-up also matches geographically?
- R. Sridhar** Should be more or less because branches are different types, A, B, C, and everywhere it would be there. So if you see the loan break-up it would be 40-35-20-5 would be the south, west, north and east. It would be like that. I have not done the percentage on my branches. So you can relate it and see whether there is any correlation of these.
- Shrey Loonkar** Sure. And sir, if you could just give us a sense maybe in nine months back or 12 months back when the economy was not doing as well how much month overdues your customers were running at? And although your regular servicing would be happening of EMIs right now, but are those overdues coming down?
- R. Sridhar** It will definitely because as I earlier explained only few segments like new commercial vehicles, large vehicles which were plying in the national highways were under stress due to import/export and industrial. Other vehicles which are small and plying on the state highways have been usually performing. But this has put a little bit pressure on our NPLs and that is why



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it has moved up in the last one year. Now that the industry is back on track we feel that the profitability and viability will improve substantially. And these customers who have been under marginally in the NPL will pay back and we should be able to ease these levels of 2.4% gross NPLs in the next one year. That is what I mentioned.

**Shrey Loonkar**

Sure, sir. But if you could just give us a sense in terms of say nine months back and your customers were running a four month overdue or a three month overdue in terms of overdue, so, they maybe servicing your regular EMIs but when that tough time was there for the three, four months those EMIs have never got serviced. Are you seeing those EMI overdues also now being paid off? In other words do you see your customers paying you more than their regular monthly EMI?

**R. Sridhar**

See, one month installment only they will be paying unless if you are an NPL then we put lot of pressures to bring it down below that. So a four month person can take it little easy. If it does not move beyond 180 it is okay. Because paying more than one month is pretty tough. So we only focus on cases where there is a 180 day overdue where he has to pay more to bring it down below 180.

**Shrey Loonkar**

Okay, sir. But do you see that happens....

**R. Sridhar**

It will happen because now that things have improved. People should be able to pay little more than what they are paying as of EMI so that they are all below these NPL level. That is why I say it will ease.

**Shrey Loonkar**

Got it. And sir, the related question. One is you spoke about inflation affecting your asset prices. Is it true that your customers, share of the wallet that you are commanding earlier would have now increased given that share expenses otherwise would have also gone up and your EMIs or fixed interest rate they continue to remain at the same proportion. So is it true that your EMI as a percentage of wallet of your customers which were say ex-percent would be expressed one now? And do you see that as a risk given the food inflation given all those that as you have suggested?

**R. Sridhar**

Inflation and all that which is personally he has to manage out from the take-home money. That take-home money is after paying my installment. It is not before that. And in the installment which he is paying there is a capital component and the interest component. If the capital component is taken out actually what he is making from the truck is more viable. So he should be able to manage. And the inflation of the food prices is not only for him, it is for everyone. So I do not think that is the big issue.

**Shrey Loonkar**

Okay, thanks. Thank you very much.



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- Moderator** Thank you. The next question is from the line of Mr. Kunal Shah from Edelweiss. Please go ahead.
- Kunal Shah** With respect to this portfolio which has been purchased from GE maybe like this would have been contracted at the same rate that which we are also giving the loans?
- R. Sridhar** It is more than that because it is not sourced by us. So we have put a little bit of premium on that. And we have acquired it at a profitable rate. More than what we normally get in our. If the same money we had put it in our business this acquisition gives us more return.
- Kunal Shah** Okay. And sir, anything from this portfolio would have been slipped which is getting reflected in the gross NPL number of items?
- R. Sridhar** Little bit is there because as per RBI regulation the moment we purchase there is a small percentage which should get collected this month because we took over in the last week. So we are getting into the groove only from this month. So that should get collected and there should be some relief from that. But there is some amount which is considered as NPL in the portfolio, but very, very marginal.
- Kunal Shah** Okay. So on the core business maybe the asset quality would have been more or less stable?
- R. Sridhar** Slightly. See from 2.29 last quarter, it would have gone up by maybe 2.35 or something. And because of the GE portfolio it would have gone to 2.4. So everything is 0.05 something.
- Kunal Shah** And sir, now gains or anything would have been booked in this quarter particularly from this transaction kind of one-time.....
- R. Sridhar** One week. Not one time because we are amortizing even the securitization gain. So here also it would be amortized only like our portfolio. So it is only for 6, 7 days. So that is very marginal. But from this quarter it would be more.
- Kunal Shah** Okay, sir. Thank you.
- Moderator** Thank you Mr. Shah. There is a follow-up question from the line of Sneha Kothari from Subhkam Capital. Please go ahead.
- Sneha Kothari** Sir, I just want to know what is the cost of fund in the form of the secured loan and the borrowed fund?
- R. Sridhar** Secured loan we are in single-digit now. We are able to access. But overall weighted would be around 10.5, 11.



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- Sneha Kothari** Okay. Thank you, sir.
- Moderator** Thank you. There is a follow-up question from the line of Amit Gantra from Religare Asset Management. Please go ahead.
- Amit Gantra** Sir, wanted to reconfirm this disbursement figure of 3,950 Crores that you mentioned does it include 1,000 Crores of assets acquired?
- R. Sridhar** No, no, no. That is not included. It is only coming in the AUM. Disbursement is different.
- Amit Gantra** Okay. So this compares to 3,600-odd Crores that we did in last quarter, right?
- R. Sridhar** Correct, correct.
- Amit Gantra** Okay, thanks.
- Moderator** Thank you. There is a follow-up question from the line of Mr. Krishnan from Ambit Capital. Please go ahead.
- Krishnan** I just wanted to check with you especially on the portfolio that we have acquired to the extent of about 1,000 Crores or say 1100 crores. Would that have been predominantly old commercial vehicles?
- R. Sridhar** No, it is all new commercial vehicle. But when I purchased all they are old. GE has acquired new vehicles. They funded it was new. When I funded it was two years old or something like that. Understand? Still it is new only. When I acquired technically it was old.
- Krishnan** Okay. And sir, in terms of the securitized portfolio itself what kind of a mix do you think you want to be looking at, say, FY11? You were talking about FY10 here. But in terms of FY11 or looking forward what kind of a mix would you be more comfortable with?
- R. Sridhar** No, I am not looking at securitized versus retail versus bank. I am only looking at between fixed and floating rates of loans. So we are at 50-50 now. So we want to move into 65-35 or 70-30 if possible. So we will be doing more mobilization of resources through securitization, through fixed deposits, through NCDs so that our mix undergo a change and we become from 50-50 to maybe 60-40 or 70-30 and simply increasing it.
- Krishnan** Okay. Simply because in an increasing interest rate environment....
- R. Sridhar** Yeah, interest rate is moving up. That is one. Second is ever we want to get rid of the risk of interest rate. So if we move up the 70-30 then the risk 25 to 30% of assets also get re-priced once in a year. So we are totally out of interest rate risk. That is why we want to do more.



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- Krishnan** Okay. Just one last thing about the various initiatives that you have taken in terms of innovations of AutoMalls as well as. What kind of a benefit have you seen already from these coming through and is the target segment more or less inclined towards these?
- R. Sridhar** AutoMalls and all that I have not been still established. It will be established. But lot of trading is taking place through us and we will be getting good income from these. It would be good for the commercial vehicles operator for a reliable and transparent marketplace for trading second hand vehicles.
- Krishnan** Okay. Fair enough. Just one last thing. In terms of the trading fees that we are talking about in FY10 what exactly comprises of your trading fees, which activities are comprising this?
- R. Sridhar** The second hand. Now it is done through Truck Bazaar. So that will be replaced with AutoMalls and one-stop touch screen kiosk, refurbished trucks. All these will contribute to more fees in the coming years as and when these get implemented. And now three quarters we have had a top line of around 22 Crores and that is likely to be more when all these are implemented.
- Krishnan** Okay. Done sir. Thanks.
- Moderator** Thank you. The next question is from the line of Mr. Ramakrishnan from Deutsche Mutual Fund. Please go ahead.
- Ramakrishnan** If you can give me some idea about what is the 90 plus and 180 plus PBT for you at the end of the quarter? And how does it compare with the figures at the end of March '09?
- R. Sridhar** 90 we do not give because 180 is a reckoning for us. 180 is in terms of amount is 525 Crores is the gross. Out of which 381 we have provided and 144 Crores is the net NPA.
- Ramakrishnan** Okay. And one more question. This actually relates to securitization which you partly answered. I just wanted to find out one thing. Will your let us say ability to disburse more in future be influenced by how much you think you will be able to securitize going forward if there are change in guidelines which might restrict your ability. So will that have some impact on let us say your disbursement numbers?
- R. Sridhar** No, not at all. Because securitization is one form of resource raising. This is not there we will take term loans and cash credits and other forms of money. But securitization there will not be any problem. It has been very, very high for a demand. But as you rightly said it would not have any impact on our business volume.
- Ramakrishnan** Okay. Thank you so much.



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**Unidentified**                      Let us close this with the closing remarks.

**Moderator**                        Sure, sir. Thank you very much.

**R. Sridhar**                         Thank you. Thank you for your active and overwhelming participation. So I look forward to having a chat with you when we have the next quarter's analyst call. Thank you.

**Moderator**                        Thank you very much, sir. On behalf of Shriram Transport Finance Cooperative Limited that concludes this conference call. Thank you for joining us and you may now disconnect.