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“Shriram Transport Finance Company Limited”

July 23, 2010



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**MODERATORS: MR. R. SRIDHAR
MR. SANJAY MUNDRA**



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Moderator: Good evening ladies and gentlemen, welcome to the conference call of Shriram Transport Finance first quarter of the financial year 2010-2011. As a reminder all participants 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. Should you need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Sridhar of Shriram Transport. Thank you and over to you sir.

R. Sridhar: Good evening friends. Thanks for joining this Q1 call of Shriram Transport. Before we start the interaction, I would like to give a brief of the Q1 performance. I hope all of you had an opportunity to go through the numbers. During this quarter the disbursements were on track, you are aware that the commercial vehicle industry is doing well particularly after the revival the new vehicle sales has picked up and naturally the used vehicle sales will also be quite good, so during this quarter we have made disbursements of around 4000 Crores, which is about 20% more than what we had achieved in the same period last year. Correspondingly due to this good disbursement our AEMs have moved up more than 30,000 Crores and during this quarter the AEM has moved up by 1100 Crores from 29100 to 30200. The net interest income has moved up by 50% including the securitization income from 470 to 701 and consequently the profit after tax has moved up more than the net interest income growth, it is about 76% from 164 to 289. What is very heartening during this quarter the performance is on a few important parameters, one is on the provisioning, the company is able to reduce the net NPL considerably during this quarter and we have brought it down to 0.44% with a coverage ratio beyond 80%, it is actually at around 82%. All of you are aware that the company has been following very conservative provisioning policy and we have been trying to increase the coverage by providing more than what has been prescribed by making voluntary provisions and we have been doing this for the past two years and now we have reached a coverage of around 82%. We have as an amount 88 Crores, which is representing 0.44% so if we make an 88 Crores provision now the net NPL will become zero that is the indication and



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for the first time during this quarter as of June 30, 2010 the return on assets, which has been around 2.5% a year and a half back has moved to 4.24% during the first and in the history of 30 years of Shriram Transport. We have been able to move the return on asset to more than 4% and the return on equity continues to be quite good and it is around 29%. The operation spreads are stable but the delinquency the net interest margin is slightly down due to more cash, which we have been carrying on the balance sheet but I am confident that this would improve in the quarters to come as we are trying to spend the liquidity, which we have. That is the brief, which I wanted to give and with this I hand it over to all of you for specific questions, I will be very happy to answer.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from Abhishek Kothari from Way2Wealth Securities please go ahead.

Abhishek Kothari: Could you please tell me the yield on different portfolios like UCV, MCV?

R. Sridhar: The yield continues to be around 18% to 19%, new vehicles are around 15%, and old vehicles are around 18%.

Abhishek Kothari: Your borrowing mix has been more on the retailer side of about 1.5% more this quarter but you were still able to manage the cost of fund how is that?

R. Sridhar: See, the company has been trying to change the mix of the liabilities for the past two, three quarters. We are anticipating an interest rate increase and as an NBFC we have been carrying a 50% resources on floating rate of interest, it has been mainly mobilized through banks and another 50% fixed rate of interest for retail as well as securitized loans, but on the fixed side since we are having truck loans, which are 100% fixed. We have been carrying an interest rate risk. What we have done is in the last two or three quarters we have been continuously raising money through public issue of MCV (ph) fixed deposits and we had a lot of securitization, which are all fixed rates and we were able to change the mix from 50:50 to now 76% is fixed and 24% floating, so because of this we feel that we are totally out of the interest rate risk, we have been doing that but what have been raising from the retail market will naturally be higher than the wholesale funds but if you see the money, which we are raising



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from the 500 Crores or 300 Crores and all this, which may not impact the total of 25000 Crores we have, so that does not make a big impact on the overall part.

Abhishek Kothari: The base rate coming into picture in the banking segment will it impact your borrowing cost?

R. Sridhar: No, borrowing cost will remain as it is, the PLR will be replaced by base rate and adjustment will be done on the +2 or +3, so our rate would not change, our rate will change only when the interest rates move up and down depending upon the policy RBI adopts.

Abhishek Kothari: What is your outstanding securitization portfolio at the end of the quarter, I know you have not made any securitization for the quarter.

R. Sridhar: This quarter we have not made anything but our outstanding is around 9800 Crores.

Abhishek Kothari: Breakup of other income?

R. Sridhar: I will furnish that later (ph).

Moderator: Thank you. The next question is from Ramnath V from Birla Sunlife, please go ahead.

Ramnath V: I just wanted to understand couple of things, one is in terms of the securitization policy that you have got, is it a well stated policy and well defined, which can be declared to the public, BNSU community at large?

R. Sridhar: Securitization is the one, which we have been doing for a long time as a company generating 100% priority sector loans, so of late we have been doing more securitization because we are able to realize the benefits of securitization is quite large, one is because of PFL loans, it is 100-150 basis point loan in terms of cost and also because it is exactly matching the repayment, the ALM is getting strengthened, the capital is also very efficient in securitization, so because of all these we have done more this thing and I do not think we have withheld any information as far as securitization is concerned, all information is



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disclosed and what is very important here is the accounting treatment. The accounting treatment of the company is I would say we are the only one NBFC in the country following a very conservative accounting policy of amortizing the securitization gains and we have on the balance sheet more than 2000 Crores deferred income, which would accrue to the company in the future so that is the way we are doing this. I do not know what you mean by...

Ramnath V: I think I did not put my point across well, what I was saying is that the proportion of a loan portfolio, would it be a particular amount?

R. Sridhar: What I want to say is the securitization benefits are quite high so if the RBI is not going to make a drastic change in the securitization policy we would as a company would prefer to be more securitization rather than keeping everything on the balance sheet, that would be our policy.

Ramnath V: I understand that since we do a lot of these bilateral sales we are not coming under the current RBI guidelines in terms of securitization guidelines that are currently at place. Do you sense that there could be a chance that over a period of time the RBI might bring in the bilateral sales also under this particular purview that could have some impact on some of this income that we are currently having?

R. Sridhar: They have not specified clearly, now the NBFCs are taking it as an advantage and say bilateral is not included. We are going to the extreme of considering that even if it is done are we providing capital, are we having enough capital adequacy to meet that kind of a situation, this is what we are doing and since we are conservative we are already amortizing the gain whether it is applicable to our transactions or not, we re doing the other side actually, so even if it becomes eligible we have complied with our thing.

Ramnath V: One small clarification, when you do securitization the guarantee that you have is not deducted from the capital, right? That is part of risk weighted assets; because in banks it is deducted against capital.

R. Sridhar: Guarantee is risk weighted for NBFC.



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Moderator: Thank you. The next question is from Rahul Bhangadia from Lucky Securities, please go ahead.

Rahul Bhangadia: What would be the average tenure of the securitized assets that you would have sold?

R. Sridhar: Since we are selling it immediately it would be around 4 years.

Rahul Bhangadia: The rough spread that you would be making on these assets?

R. Sridhar: It would be around 10%.

Rahul Bhangadia: I just want to get a sense, you ended the June quarter at about 9900 of secured assets and you started the quarter with about 11000, which is the March ending number. For an average asset of about 10,000 Crores securitized for the quarter I just want to understand this securitization income will basically be the game that you would recognize over the sold assets over the tenure of the asset, right?

R. Sridhar: Correct.

Rahul Bhangadia: So I was just wondering if for 10,000 Crores of assets and you have not securitized anything in this quarter so for 10,000 Crores of assets if you have a gain of 370 Crores in a quarter then that would be a huge spread, that would not be 5%, 6% or 10% spread, that would be a very huge spread and is there something else that I am missing out here?

R. Sridhar: It is an effect of so many tranches, which we have done at many tranches, I think we will have to sit across the table and then workout the total metrics we will have to see, something would have been done two years back, some would have been done last quarter, so it would be like a comb, it will be like an inverted triangle where it will be higher and then it will keep going down and as and when you keep doing more it will become a rectangle, it will be parallel line, so that is predetermined, which cannot alter because that income, which will accrue, it is predetermined depending upon the repayment pattern, installment schedule, so we cannot touch anything, no change is possible, you cannot arrive at any formula here.



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Rahul Bhangadia: What you are saying is that the repayment patterns of your loans are themselves backended?

R. Sridhar: No, you have to see the time, whatever 300 odd Crores, which was accrued during this quarter is a result of so many tranches, which has been done in the last two or three years, so different amounts will be there for each tranche because of that it would be like that but next quarter if I do not do anything this quarter next quarter it would be less than this amount, so if I do not do anything it would again be less, it would keep going down.

Rahul Bhangadia: If I get it correct all the tranches that you are talking about over the last two or three years that would get reflected in the balance sheet books that you are already showing to us, which is about 9900 Crores?

R. Sridhar: Yes, that is the outstanding.

Rahul Bhangadia: That is the outstanding book, net of all the repayments that you would have had over whatever tenure the loans are of, right? So if you have had a net average asset book of 10,000 Crores securitized for the quarter then 370 Crores looks to be very steep because before the start of this quarter whatever you are talking about in terms of tranches coming back and getting repaid and you recognizing the income over that, the effect of that would be over by the start of the quarter and now you have 10,000 Crores of average assets on the book on which you have recognized.

R. Sridhar: For the tranches, which we have sold recently this year last quarter the spread could be very high.

Rahul Bhangadia: Higher to the extent of?

R. Sridhar: At least 12, 13, there are some verticals where the interest rates are higher so what we can do is you can be in touch with Sanjay who can explain to you and give you the pattern.



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- Rahul Bhangadia:** Sure sir, the only reason I was asking this question was because if this 370 Crores is on 10,000 Crores of asset book then it comes out to 1500 Crores on a yearly basis, which is a 15% spread, which seems to be too high.
- R. Sridhar:** 10 is the marvel but because we have done more transactions last year there are many used vehicle portfolio also we have sold so because of that it could be in the region of 12%, 13% also. Your understanding is correct. We can share with you the complete details.
- Rahul Bhangadia:** Okay. On your balance sheet you have advances recoverable in cash and kind of about 2300 Crores; can you please explain to us what that is?
- R. Sridhar:** Suppose if I lend Rs. 100, I split that Rs. 100, so whatever is the income that I am supposed to collect, so that minus the discounting charges is there in the deferred income.
- Rahul Bhangadia:** But this goes against the basic standard that once you have sold the book the interest income has to be somebody else's right?
- R. Sridhar:** You are saying the net income.
- Rahul Bhangadia:** That is exactly my point, the point is that last year the advances recovered in cash and kind has jumped from 250 Crores to 2300 Crores and you securitized about 8700 Crores last year. Now on 8700 Crores are you saying that you will be able to book a gain of around 2000 Crores?
- R. Sridhar:** Yes, we will be able to do that.
- Rahul Bhangadia:** Full gain of 2000 Crores because that is peeking up a huge spread.
- R. Sridhar:** We have to sit across and discuss on that but this is what the transaction reflects. See for example supposing I am selling an asset of Rs. 100 and let us say Rs. 120 is the total amount of receivable from the customer and I am supposed to pay to the bank say Rs.110, this Rs.10 will be my deferred income, which is net of the discounting charges, this Rs.10 I do not realize in pos transaction (ph).



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- Rahul Bhangadia:** So that is what is reflected in advances recoverable in cash or kind?
- R. Sridhar:** Yes correct. Suppose if it is a premium transaction you get Rs.110 from the bank but in pos transaction (ph) I get only Rs. 100, Rs.10 I debit advance receivable in cash or kind.
- Rahul Bhangadia:** I do not know if this has been discussed in previous conference calls. Last year your gross block went down from 240 Crores to 90 Crores and I could not see an effect in your annual report somewhere in the P&L or on the reserve side where have you adjusted that?
- R. Sridhar:** It was from the sale of windmill, which we had that we have sold last year.
- Rahul Bhangadia:** You seem to be maintaining much more cash than what is required to be kept as lien with the bank, any particular reason, what is the guarantee money that you have kept with the bank as of June?
- R. Sridhar:** As a policy we are keeping more cash, the liquidity situation was bad one year back, so arising out of that we have been keeping, now we are very confident, so by September this will melt.
- Rahul Bhangadia:** Thanks for taking my questions. I will come back later.
- Moderator:** Thank you. The next question is from Santhosh Kamath from Franklin Templeton. Please go ahead.
- Santhosh Kamath:** This is regarding the macro business outlook. We have been hearing in newspapers and somewhere else that you may be interested in buying off say unsecured loan book of Citi Financial. I do not know how much you can comment on that, but if you are even thinking of it then it may be a very different business than what you have been currently doing. Do you want to comment on going forward where do you see the growth happening and is there any options for the company to look at something very unrelated than what we have been doing till now?
- R. Sridhar:** We are not looking at it so I can clearly comment on that. We are not in the picture at all with regards to Citi Finance.



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Santhosh Kamath: But are you looking for any business __?

R. Sridhar: If at all we will look, we will look at like what we have purchased Good evening Capital portfolio where it is more or less similar to our business. That is what we will do. So the consumer finance is a different kind of an area, so we have not got into it so far.

Santhosh Kamath: Thank you sir.

Moderator: Thank you. The next question is from Parag Jeriwala from AnandRathi Securities. Please go ahead.

Parag Jeriwala: What is your capital adequacy as on date?

R. Sridhar: Around 23%.

Parag Jeriwala: And can we have a breakup in tier I and tier II?

R. Sridhar: 16 and 7.

Parag Jeriwala: What could be the liquidity in the balance sheet as a percentage of our borrowing or even the total figure would be fine including the liquid asset that you are holding in investments?

R. Sridhar: We have a cash of around 3000 and odd Crores, so that is on 30000 if you put around 10%, so it will be around 15% if you take all those statutory things.

Parag Jeriwala: Sir, if you see our new CV growth on a year-on-year basis it is less than 5% on the disbursement side, but what we see in the market is that the new CV sales have picked up quite sharply, so what can explain this, we could have done far better on this side?

R. Sridhar: We can do far better. The problem here is when the cycle is good when more vehicles are sold there are many number of financiers also within the space who have come in and then they are offering at lower rates so there is a huge competition in the used vehicle space. So we are evaluating the opportunity and at an appropriate time we will increase that share also.



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- Parag Jeriwala:** Thanks a lot.
- Moderator:** Thank you. The next question is from Ajinkya Dhavale from Bajaj Alliance. Please go ahead.
- Ajinkya Dhavale:** Just one data point on the securitization. What is your outstanding amortized income on the securitization?
- R. Sridhar:** 2000 Crores.
- Ajinkya Dhavale:** And if I just look at the balance sheet it was about 2200.
- R. Sridhar:** 2365 and this quarter we did not do anything. So 300 odd Crores have come into the income.
- Ajinkya Dhavale:** I just wanted some explanation on the securitization income booking, but I think I will take it offline on this. Thank you.
- Moderator:** Thank you. The next question is from Manish Chaudhary from Citigroup. Please go ahead.
- Manish Chaudhary:** In terms of the total asset growth against the overall market itself is growing at a relatively rapid pace, do you see any kind of change in your overall asset growth targets or you maintain that 25% growth?
- R. Sridhar:** Considering the size of the company I think 20% to 25% is quite a good growth and that is mostly going to come from the used vehicles space. New vehicle growth, which is happening now, we will get the benefit after three or four years when it becomes old, because we have identified our space as old vehicles, but the new vehicle also we will be getting a little bit of improvement in the market share without affecting our overall weighted yield. So that is the policy.
- Manish Chaudhary:** Secondly, in terms of your liabilities you have said that you have increased the proportion of fixed rate duration liabilities to about 76% from 50% earlier, is it possible to have some kind of a maturity profile or bucket wise liability filed on the liability side in terms of how much is maturing say within one year?



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R. Sridhar: If you talk to Sanjay he will be able to give you. See in terms of ALM we have a very strong ALM, so we will have longer liabilities and shorter assets, so our side is a little stronger. We can give you bucket wise how it is maturing so that you will have a good idea of the ALM.

Manish Chaudhary: When you say fixed rate liabilities, is it resettable in a year or six months because most of these are bank loans?

R. Sridhar: Fixed is like your fixed deposits and the CDs through public issues and private placement which are fixed itself right from the beginning to the end and then securitization transactions which we have been doing is all fixed and then you have borrowings from institutions, mutual funds, all these are fixed. Only banks the traditional loans that you take are the cash credits and terms loans are PLR based now based rate base. So that we have kept at that level and then leveled these things, so we have increased the components, so that the interest rate risk is not there. Why we have done it is if 100-200 basis points in the next one year if it moves up then that will have an impact on our NIMs. So by doing this the liability side mix change. I think we have protected our NIMs substantially.

Manish Chaudhary: You are including securitization as funding and on balance sheet if I look at it then there is a proportion of fixed would be closer to something like 30%?

R. Sridhar: Correct. That we have to work it out, as I do not know the exact figure but it should be around that.

Manish Chaudhary: Finally in terms of your average yields, they seem to have moved up a little bit over this quarter, is that true or is there a change of mix or something?

R. Sridhar: It is more or less the same. Not much significant. It is a marginal increase only.

Manish Chaudhary: Thank you.

Moderator: Thank you. The next question is from Krishnan from Ambit Capital. Please go ahead.

Krishnan ASV: I just wanted to understand whether the construction equipment-financing piece has taken off, anything that you can share on that front?



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- R. Sridhar:** The construction equipment finance business is well prepared to launch the operation. We are awaiting the registration certificate from RBI. It is likely to come anything, so the moment it comes, I expect it to start operations in less than a month's time.
- Krishnan ASV:** Could you share with the investors about what kind of a portfolio size we are looking at in terms of the construction equipment piece?
- R. Sridhar:** We are expecting around 6000 Crores of the OEM in 2013.
- Krishnan ASV:** In terms of the credit cost itself do you see any reason for you to be cautious as far as asset quality is concerned from here on. Is that one of the reasons why the provisioning coverage has been increased?
- R. Sridhar:** No, it is a policy of the company that amortization, more provision, all these are conservative policy adopted by the company, but you can call it as a reserve for any eventuality in the future the company felt that once the going is good, you provide more and keep it. That is the reason, but it is not a reflection of any deterioration in the asset quality.
- Krishnan ASV:** Fair enough. It is just that a few investors were probably looking at it in that manner as well. This 82% is that the kind of the runrate 80% above that kind of the runrate that we would maintain from here on?
- R. Sridhar:** We do not know the policy adopted by the board. We wanted to be around 70, then now we have decreased to 75 then we are at 80. We do not know. It depends on the profitability of the company in the future. Depending upon that we would move up or stay here.
- Krishnan ASV:** I am done for now. Thanks a lot.
- Moderator:** Thank you. The next question is from Dipti Chauhan from Asit C Mehta. Please go ahead.
- Dipti Chauhan:** What is the proportion of your borrowing right now? How much is debentures, how much is fixed deposits, and loans from banks?



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R. Sridhar: Fixed deposits are very less. This is the first time we are launching a fixed deposit scheme after 12 or 13 years, and debentures are the maximum which we have raised non-convertible debentures through private placements as well as public issues. So it should be totally around 4000 Crores.

Dipti Chauhan: How much is the debt as a percentage of total borrowings?

R. Sridhar: It would be around 15%.

Dipti Chauhan: And the rest will be bank loans?

R. Sridhar: Bank loans, your securitized loans, and mutual funds.

Dipti Chauhan: What would be the average cost on these debentures?

R. Sridhar: Average cost on these debentures should be around 10%.

Dipti Chauhan: And the bank loans?

R. Sridhar: Banks loans the incremental would be around 8.5 to 9; overall it could be around 10%.

Dipti Chauhan: Can you provide any guidance as to where do you see your average yields and cost to be at the end of this year? What could be the average yields at which you would settle down?

R. Sridhar: To be very frank I am not very much concerned about the yields and cost of funds. You know these two things both up and down depending upon the market conditions, what we are concerned about these in NIMS, spreads that we are maintaining between 7 and 8. So I do not think that will have any impact and as we have mitigated and if you look at the interest rate risk also we are very confident that we should protect that net interest margins.

Dipti Chauhan: Thanks a lot.

Moderator: Thank you. The next question is from Ashish Sharma from Enam ANC., please go ahead.



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Ashish Sharma: You said that amortized securitization gain is 2000 Crores. What was the average relation for that?

R. Sridhar: About three, three and a half years.

Ashish Sharma: You mentioned that your asset has gone down to 9800 which means a decline of closer to 1600 Crores. In one quarter we are seeing a 1600 Crores dip in assets, should we assume that the average relation for these securitization asset is also closer to three or three and a half years?

R. Sridhar: Three to three and a half years it will become zero provided we do not any final securitization.

Ashish Sharma: In this quarter we have not done any securitization?

R. Sridhar: Normally Q1 we do not do. Q4 we do. At times bank do require spread it as loans.

Ashish Sharma: And this partly also explains that loan book on balance sheet sequentially has increased to 2600 Crores, but __33:32 must have grown only by 1100 Crores?

R. Sridhar: Correct.

Ashish Sharma: Because we have done a substantial chunk of securitization in Q4 and now depending upon circumstances or the situations prevailing in the market we might just look at securitization, otherwise we might see a decline in this overall securitization assets books?

R. Sridhar: As a company we would like to do more securitization, but that would be during the year. You cannot take a view on one quarter and then do more in the next quarter. Last year if you see more securitization we have done in Q3 and Q4. Similarly we will have to take a view on securitization on a yearly basis. As of now Q1 it is there, but we would also avoid the guidelines, which are likely to be announced on 30th of this month by Reserve Bank, depending upon that we will fine-tune our strategy.



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Ashish Sharma: Surely. Are we looking at any x number of growth in loan book on balance sheet?

R. Sridhar: We are not looking at on or off balance sheet, we are looking at everything on an OEM basis everything is same so what we are looking at is a 20%-25% growth from what we have ended last year is 29000 Crores. We should be around 35000-36000 Crores. That is what we are looking at.

Ashish Sharma: Any disbursement growth you said that the focus would be on the old CV segment. Overall 20% to 25% growth rate in disbursement is also possible. It is still a large base.

R. Sridhar: Yes.

Ashish Sharma: Fine and just one last data point, you mentioned that capital adequacy ratio as of FY'10 was 21.35, what was the tier I as on March 2010 not June 2010?

R. Sridhar: That March was 16 and 5.3, now it is 23 which is 17 and 6.

Ashish Sharma: Thank you. All the best for the next quarter. Thank you.

Moderator: Thank you. The next question is from Vivek Jhunjunwala from Equirus Securities. Please go ahead.

Vivek Jhunjunwala: What is the visibility on your fee income initiative specifically the gold loan markets on SEUS and the one-stop in automall?

R. Sridhar: The one-stop automall fee income we have shown as 6 Crores for this quarter, but we should do 40-50 Crores this year easily and this one gold loan we have just started. It will get reflected from next quarter.

Vivek Jhunjunwala: Do you have any targets for the gold loan?

R. Sridhar: We are doing it for another company and we are going to get some income out of it. So we would like to build a 1000 Crore asset over a period of next one year, which would give us about 50-60 Crores income.



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Vivek Jhunjunwala: What is the percentage of fee for one-stop and automall, is it 1%-1% each?

R. Sridhar: Around that.

Vivek Jhunjunwala: Thank you.

Moderator: Thank you. The next question is from the Hardik Doshi from Voyager Investments. Please go ahead.

Hardik Doshi: Related to the fee income. I think a few months ago we were talking about a target in FY'11 of 100 Crores in terms of total fee income and then I think there was a slight delay for that target, can you give us an update on what we are looking for and total fee income for the year?

R. Sridhar: Last year it was 30 so we are looking to double it to 60. So I think we should be around 50 this year, but we never know the activities initiatives can pick up and we can touch 60 also but I think 50 Crores we should be able to achieve.

Hardik Doshi: 50 Crores of total fee income, and in terms of our NIMS you said the gold is just to confirm to keep it above 8% is that the target?

R. Sridhar: We have always been 7% to 8% so I said that we are not more concerned about cost of funds and yields. We are concerned about the spread. So spread is always 7% to 8% so we would try and keep it at that level because interest rates are moving up, which should actually come down, but we will be still at that level because we have made those changes in time. So we should be able to maintain the net interest margin at that level.

Hardik Doshi: Last year in FY'10 we did an average of 7.3% correct?

R. Sridhar: Around that we should be. So between 7% and 8% we will remain.

Hardik Doshi: So Q1 of 8.25...

R. Sridhar: That is on the area basis it has moved up, that is the way we have to look at it, so that is because you do more securitization the spread is more. So you get a



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better spread. If we do more securitization, if we do this year another 7000-8000 we may even more to 9%.

Hardik Doshi: Got it. Thank you.

Moderator: Thank you. The next question is from Amit Ganatra from Religare Asset Management. Please go ahead.

Amit Ganatra: Can you provide the breakup of your securitized book in terms of new CV and old CV?

R. Sridhar: I do not think it will not be there.

Amit Ganatra: One of the reasons why the yields, the spread seems to be very high is because in the past if I remember it always used to be the new book which you disbursed, you used to securitized but in fourth quarter onwards there was a big change whereby the old portfolio also seems to have securitized.

R. Sridhar That is because of that.

Amit Ganatra: What is the amount of that old CV portfolio?

R. Sridhar: I think you can get in touch with Sanjay; he will be able to give you. As of now readily I do not have.

Amit Ganatra: Second thing is that the tier I capital at 16%, anyways you have reached capital and it seems to be very adequate if you consider the 12% capital adequacy norm, which is there for you, but suppose RBI changes those norms whereby the deposits, and since your deposit taking NBFC currently you are under 12%, but for non-depositing NBFC I think next year 15% capital adequacy is anyway going to come into picture, so if that is the case and if that is applied even to basically deposit taking NBFCs, then what will be the comfortable level in terms of tier I?

R. Sridhar: I think you are asking a very hypothetical question because my capital adequacy is only 12%. So that is not likely to move us to 15.



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- Amit Ganatra:** What is your own component in 12%?
- R. Sridhar:** 8 and 4, so we have actually doubled now. Actually we have a lot of leg room. No problem in that.
- Amit Ganatra:** I am done. Thank you.
- Moderator:** Thank you. The next question is from Rajeev Ghosh from Wealth Management. Please go ahead.
- Rajeev Ghosh:** If you are going to securitization you will have much more capital on your balance sheet for further growth beyond the 25% growth in the new commercial vehicle segment so you can grow your book or business faster and venture in different areas, can you elaborate on whether you are trying to do that and how?
- R. Sridhar:** We can grow our commercial vehicle book only 20% to 25%, if we have more capital we can only look at acquiring something else. Like inorganic we purchased GE Capital portfolio so something like that if it is available then we can acquire it. If we have the capital only then we can do it. So what we have done is we have raised the capital and we are in a position to now take advantage, so we have floated two subsidiaries where we are going to do different activities that is one and tomorrow still we have capital either you can grow your books or you can also look around and see whether any other asset is available we can buy. So that is what the Shriram Transport position today is that well capitalization gives you an opportunity in the marketplace to acquire if something is available.
- Rajeev Ghosh:** Thank you.
- Moderator:** Thank you. The next question is a followup question from Abhishek Kothari from Way2Wealth Securities. Please go ahead.
- Abhishek Kothari:** What was your net weighted asset at the end of the quarter?
- R. Sridhar:** Right now readily I do not have it available. You have to speak to Sanjay.



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Abhishek Kothari: Fine thank you.

Moderator: Thank you. The next question is from Mr. Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Sir the share of used vehicles has almost remained stable at around 75% of your overall OEMs. Now the CV industry is doing fairly well. I guess there would be opportunities to increase the new vehicle finance business. Correct me if I am wrong on that and if that is the case then isn't there a temptation to really increase our new vehicle finance business and debt book and then securitized it later on, which used to be or in fact it still continues to be largely the policy?

R. Sridhar: It is possible. So we are evaluating that option, but what happens is immediately when the market suddenly becomes good there are so many players who come in and then reduce the rates so we need to see whether we can source those assets and then securitize it whether that makes sense. So that evaluation is wrong, but we would like to keep the mix between old and new in such a way that our overall yield is not in any way impacted, which will have an impact on your net interest margins.

Nischint Chawathe: Can you say that may be somewhere the competition in new CV financing is something that is possibly a cause of concern or something?

R. Sridhar: No, not at all. See what happens is today suddenly this when it happens there are so many people who come in and then after sometime they go back so that is the reason. So we will have to wait for some time to evaluate who are all the serious players and all that then we will fine tune our strategy and get into it.

Nischint Chawathe: What you are saying is that potentially it is more vulnerable so you would hence want to wait and watch rather than get ahead?

R. Sridhar: Correct and used vehicles are an area where nobody is coming into it, small truck owners segment and we are focusing where yields are higher. In the new vehicle also we will increase our percentage, but totally overall yield should not get impacted. That is the main point.



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Nischint Chawathe: Is it also something to do with the fact that used vehicles can also be easily financed now so focus only on that business?

R. Sridhar: Traditionally we have been focusing only on that, but we will also be present in new vehicle. We have defined it between 70 and 30 or 70 and 25, but if it goes to 60 and 40 then it becomes the yields change. So we need to balance that otherwise your NIMS fall and you will increase the volume whether that is okay or you have a lesser volume and then keep the NIMS intact. That debate is going on. So we will take a view on that.

Nischint Chawathe: Thank you very much.

Moderator: Thank you. The next question is from Mr. Vivek Jhunjunwala from Equirus Securities. Please go ahead.

Vivek Jhunjunwala: A question on securitization. I understand the structure of your typical securitization dealers you have to provide about 10% collateral in the form of ST. Is that how it is done even now?

R. Sridhar: No, it is determined by the credit rating agency, which for giving an AAA rating they have fixed the collateral. So that collateral is kept as a fixed deposit by the vendor because most of our lenders or all our lenders are banks. So it is not refract to 10%, it varies from portfolio-to-portfolio, time-to-time; we cannot have a fixed percentage.

Vivek Jhunjunwala: What would be your return on this FT about 7% to 8% what is your take on that?

R. Sridhar: That would be depending upon the market, so there would be a negative carrying there.

Vivek Jhunjunwala: I read in the media that you have a first class provision of about 8% to 10% is that what remains?

R. Sridhar: I do not think. Those details we can give, but different tranches have different percentages, so that we cannot give an average rate.



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Vivek Jhunjunwala: Is there a possibility of a foray into the banking space as there have been some rumors for banking license and everything?

R. Sridhar: There is no rumor. We have gone on record saying that we are keen, we will be keen to enter the banking space, but we are awaiting the RBI guidelines on that. So RBI is expected to come with draft guidelines for public comments after that they will come with final guidelines. So first we will have to look at the draft guidelines then if we feel that we are eligible then we will definitely approach.

Vivek Jhunjunwala: That is it from me. Thank you.

Moderator: Thank you. The next question is from Venkatesh Sanjeevani from ICICI Prudential. Please go ahead.

Venkatesh Sanjeevani: What do you think will be the size of the new CV market currently?

R. Sridhar: It depends on what we are operating. We are operating between 5 to 12 years, an eight-year model, so even if you put around 2.5 to 3 lakhs it should be around 2 million vehicles to 2.5 million vehicles. That is only trucks, but we have expanded the product. You know we have now added the lending to equipments, we have started lending to tractors, there are new commercial vehicles have come like your small commercial vehicles and all that. So it should be more. The potential is quite large, so the population has gone up and the new vehicle sales in the last five years have been quite good, but the population would be quite large, so that is why we continue to say that we have a penetration of only 20%, but the market to grow is quite large.

Venkatesh Sanjeevani: When you are talking about 20%-25% growth on OEM does it also mean that you are going to grow at market pace or is it higher than market or what is the assumption bid in it?

R. Sridhar: When we have reached around 25,000 and 30,000 we said in the next two to three years since the commercial vehicle industry has come to an upward cycle, so from the last October 2009 it has started moving up after a lull of around two years, so this cycle is expected to be good for another two to three years. We



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said during those two years we should aim to grow around 20-25. That is the statement we made.

Venkatesh Sanjeevani: Do you also mean that the market will grow at a similar level, 20-25%?

R. Sridhar: So even after growing 20-25% we may not be gaining significant market share. We would again remain at 20-25% only so that means a lot of scope for us to grow further.

Venkatesh Sanjeevani: And this you have a visibility for about two to three years is what you are saying the cycle could be something about two to three years? Sir beyond that based on your past experience given the kind of CV sales happening you really cannot predict beyond that. Is it possible to talk about it?

R. Sridhar: Two to three years is normal cycle, it can change also, it can be longer, and it can be shorter also. Depending upon the situation, now we are having an impact of the global scenarios also. Two to three years is what I see the commercial vehicle industry should do well. After that again the cycle's downward trend will come. That will keep continuing like that.

Venkatesh Sanjeevani: Thanks so much.

Moderator: The next question is from Jyotikumar Barma from Centrum Broking. Please go ahead.

Jyotikumar Barma: In which geographies do you see maximum competition, within the south market; do you have any specific numbers to shed out?

R. Sridhar: All people are present in the south market, everybody and the NGSEs are stronger in the south because most of them have originated from there and then next is west. North and East are the place where not much of competition is there.

Jyotikumar Barma: Okay

R. Sridhar: With this I think we will hold up. I would like to thank all of you for your enthusiastic participation. I hope we have clarified all your queries and some



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of you we have invited to speak to Sanjay Mundra my colleague who is handling the investor relations so I encourage you to be in touch with Sanjay Mundra for any further details. So I once again thank for your support and participation in this call. Thank you very much.

Moderator:

Thank you Mr. Sridhar. On behalf of Shriram Transport Finance that concludes this conference call. Thank you for joining us on the Chorus Call Conference Service and you may now disconnect your lines. Thank you.