

Shriram Transport
Investors/Analysts Conference Call
(October 26, 2007)

Moderator: Good evening ladies and gentlemen. I am Sanjay, the moderator, for this conference. Welcome to the Shriram Transport Finance, Q2 FY08 earnings call organized by 4S Services. For the duration of the presentation all participants' lines will be in a listen-only mode. I will be standing by for the question and answer session. I would now like to handover to Mr. I. Shridhar. Thank you and over to you sir.

I. Shridhar: Good evening. I hope the investor update of our Q2 should be in your hands and first I would like to give the brief details of the performance of the company for the quarter ended 30th September.

We have had a very good quarter with the disbursements increasing substantially when compared to the Q2 of the previous year. The disbursements have recorded 56% growth as against the 1700 Crores last year, we have done 2700 Crores and out of this 1000 Crores increase most of it have come from used vehicle advances. So, the nearly 90% of this increase is from used vehicles that is one of the reasons for our good performance and also we have had the net interest margin and the other quality stable and intact than the previous quarter. The assets under management have gone up substantially and it is near 15000 Crores now and the asset quality the NPAs have marginally improved and the net interest margin has slightly improved from 8.11 to 8.36%. All these have contributed to near doubling of the net profit and this is in view of conditions in the commercial vehicle industry.

The commercial vehicle industry in the first six months had seen a negative growth in the sale of commercial vehicle, particularly in the medium and the heavy commercial vehicles. It had a negative growth of 10%. And in that kind of a scenario, we have been able to grow our disbursement substantially and grow our assets.

We have also increased the number of branches a little bit and our employees have gone. Our reaches have been increased during this quarter and we are confident that our disbursements will continue to be strong in the current quarter also and the cost of funds have seen a slight increase during this quarter and in spite of that we have been able to raise the resources comfortably that also has enabled us to increase our disbursements substantially.

On the operations we have introduced a lot of new products to the truck owners and also we have a partnership during this quarter entered with Ashok Leyland and Ashley Transport, which gives us an opportunity to enter into a new business area of trade bill discounting, which is estimated to be a very strong growth area for us and our initiative with Axis Bank with regard to the co-branded credit card is doing very well. They have already distributed nearly 35,000 cards and we are hoping that there should be more than 50,000 cards distributed by the end of this fiscal and above the 100,000 in the next year by this time.

And another venture of the company with regards to the partnership with the private financiers is doing very well. We have almost 250 people particularly mainly from south networking with the company and sourcing assets for us and this activity is now

contributing about 20% of the net increment and disbursements is coming from this partnership, so the companies in a way to marketing the approach of introducing various products and then broad basing the vehicles which we have been funding.

I would have mentioned the last time that apart from the commercial vehicles, they are also present in passenger commercial vehicles, three wheelers, and multi-utility vehicles. We have also started funding tractors and we have been funding a little bit of construction equipment also. All these things when we fund, we also fund new as well as the used of all these vehicles. So, our scope for expanding our loan book is substantial. So, with the new products being introduced with the vehicle being expanded and also the three partnerships, which we have forced in the last 6 months doing very well with the liability side looking very strong and we are very confident that the trend in the disbursements will continue in the current quarter as well as in the last quarter. That is what we expect. This is in spite of the growth in the new vehicle sale. I had always been maintaining that our business is different and we have a very unique business model with expertise in funding both new as well as used vehicles and we are also catering to a very specialized segment within the truck industry in terms of the customers. The customers are small truck owners who are actually holding the ownership of more than 75% of the population. With this kind of mixed presence in customer as well as asset segment, we are in a position to increase our loan book substantially in spite of what is happening in the new vehicle market. The new vehicle market when it is sluggish it naturally affects the manufacturers as well as companies, which are only dependent on the new vehicle sales. So, we are not impacted by slight slowdown in the new vehicle sale and we continue to be a bullish and robust on our disbursement growth in the coming quarters. With this I leave it to the participants to ask questions and I would be happy to answer.

Moderator: Thank you very much sir. We will now begin the Q and A interactive session. Participants who wish to ask questions, please press * and 1 on your telephone keypad. On pressing * and 1, participants will get a chance to present the questions on a first in line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press * and 1 now. First in line we have a question from Mr. Manpreet from Dolat Capital.

Manpreet: Good evening sir.

I. Shridhar: Yeah.

Manpreet: Great set of numbers. Congratulations for that.

I. Shridhar: Thank you.

Manpreet: But sir, about the news of your company raising the first capital via share warrants and ADRs. So, how much are you trying to raise actually?

I. Shridhar: See, we are looking to raise capital for meeting our growth plans in the next 3 years and we have estimated that we require about 500 to 600 Crores and we will be raising that in the next 6 months. That is the plan and how we raise, how much we raise, what we raise, when we raise, and all this being debated.

Manpreet: Okay. So, no particular, no concrete news on that as such, right?

I. Shridhar: As of now yes.

Manpreet: Okay sir. No problem sir. Thank you sir, thank you very much.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press * and 1 on your telephone keypad. Next, we have a question from Mr. Chirag Shah from MK Shares.

Chirag Shah: Good evening sir.

I. Shridhar: Yeah.

Chirag Shah: I am just trying to understand our going through the numbers and there are robust growths in the number if you look at the first month's asset in the management and it has come from basically pre-owned series, which is our strength. How do you see this industry performing, because if we look at the new vehicles, they are not doing good. The sale is not great on that side, but somehow pre-owned vehicle sales as you shown is really robust. Your performance does indicate that pre-owned vehicle sale is robust. But how do you see the industry and in your assessment is that the lack of demand in new vehicles can come back and follow on what you call pre-owned vehicles and need to be some kind of slowdown.

I. Shridhar: See the slowdown in new vehicle sale is on account of various factors.

Chirag Shah: Actually sir, I have just logged in slightly late, so if you have brief it again, please repeat it for me. I regret for that.

I. Shridhar: Yeah. Mainly it is on account of the excess capacity, which is in the freight carrying capacity in the commercial vehicle industry.

Chirag Shah: Okay.

I. Shridhar: And it is also due to the higher interest rates.

Chirag Shah: Okay.

I. Shridhar: Primarily it is because of the excess capacity.

Chirag Shah: Okay.

I. Shridhar: And this is not the first time there is a slowdown in the commercial vehicle industry.

Chirag Shah: Yeah. Fair enough.

I. Shridhar: This industry is known to be a cyclical 1 and every 3 or 4 years, there is some adjustments which industry itself makes in order to reduce this excess capacity.

Chirag Shah: Okay.

I. Shridhar: So, having reduced the excess capacity by sliding, sliding down, in the first 6 months. Now I feel in the next 2 quarters the sale will be robust even for new vehicles.

Chirag Shah: Okay.

I. Shridhar: And that, which is triggered by a good monsoon, good economy, and also interest rates have started coming down. So, all these things are going to make the demand for new vehicles go up in the next 6 months. Comparatively better than the first six months.

Chirag Shah: Okay. And, but is this sustainable? Do you think this is a sustainable demand, so over the next 12 months or 18 months in that thing?

I. Shridhar: For the pre-owned truck?

Chirag Shah: No, I am right now talking about new owned trucks. I will be coming to pre-owned trucks.

I. Shridhar: New trucks have seen a negative growth and I feel that it will grow in the next six months.

Chirag Shah: But is it assuming that other things remain constant, the way economy is growing and you know all the other factors. Do you think that the demand is sustainable in that sense?

I. Shridhar: Yeah. Yeah. Definitely it is sustainable and the economy is doing well, the new vehicle sale will also be very positive.

Chirag Shah: Yeah.

I. Shridhar: It will improve and it when it comes to used vehicle, these vehicles have already been sold and it is there in the market and they do require acquisition, credit working capital and all that. Being one of the few companies the Shriram is financing these people.

Chirag Shah: Yeah.

I. Shridhar: But there is definitely a demand. We still feel that there will be a robust growth being our disbursements in the coming months also.

Chirag Shah: Yeah. And now if I come to the pre-owned vehicles market, which is our strength and this, it is more of you know dichotomy kind of the scenario where a new built vehicles are not growing, but there is a demand in the pre-owned vehicle market. As a result of it, you are able to show a brilliant growth in your numbers if I am not wrong in my interpretation.

I. Shridhar: No, it is quite correct, but what is happening in the used vehicle is, it is not only acquisition credit, that is also a working capital credit.

Chirag Shah: Okay.

I. Shridhar: Which is required by the truck owner.

Chirag Shah: Okay.

I. Shridhar: Which is not being provided by the organized banks and large MDFCs.

Chirag Shah: Okay.

I. Shridhar: But in the case of new vehicles it is only acquisition credit. So, it is totally dependent on the fortunes of sale of commercial vehicles. But in the case of old vehicles, because acquisition as well as working capital is involved, there would be plenty of opportunity to increase the loan.

Chirag Shah: Sir, if you can share some more details on this disbursement, how would you see that what would be the extent or the mix as far as working capital is concerned and you know acquisition credit is concerned. Means, the robust growth is 76%, that you have shown. How much of that would be towards meeting working capital requirements and how much would be for you know acquisition facilitate?

I. Shridhar: It would be roughly about 50.

Chirag Shah: 50. Okay. So, both businesses have seen a good amount of growth.

I. Shridhar: Correct.

Chirag Shah: And what has been your experience if I go 2 to 3 quarters back. How has the scenario changed in the last 9 months in terms of this mix?

I. Shridhar: See, it has been more or less stable.

Chirag Shah: Okay.

I. Shridhar: It has not changed significantly.

Chirag Shah: Okay. And also lastly if you can help us understand that your net spread has also improved, at the same time your NPAs are at pretty decent levels in that sense.

I. Shridhar: Yeah.

Chirag Shah: So, this also indicate that you are not really facing any problems in terms of recoveries or anything like the banks have, for example, witnessing in terms of recovery on the commercial vehicle side to some extent, at least that was chase till June quarter or till July month, I would say. Now, how have you been able to manage this and do you expect any rise in NPAs or what has been the ground realities in that sense, or are there any cause or concerns raising in you that would increase your NPAs a slight, rather provision, not necessarily delinquencies?

I. Shridhar: No, no we are talking about result which we have declared yesterday.

Chirag Shah: Yeah.

I. Shridhar: There we have shown a marginal improvement for NPAs.

Chirag Shah: Yeah that is what I am coming to.

I. Shridhar: That speaks volumes about our capability to manage the credit.

Chirag Shah: Yeah.

I. Shridhar: So, we cannot talk hypothetically how it will be in the next quarter, but see, consistently over a period of nearly 2½ decade, we have been showing this industry, if consistent in repayment of each due. There is nothing significant happened in, you know if NPA is going up. So, this is an industry, which we have been used to for the past 3 decades, we have been collecting it. So, we have the expertise to manage the credit.

Chirag Shah: Okay. And you expect to maintain net spread that. Hello.

I. Shridhar: Yeah.

Chirag Shah: Do you, or are you looking at some pressures on your net spread going forward?

I. Shridhar: I do not think so, because they will be able to maintain the net interest margin between 8 and 8½.

Chirag Shah: Okay.

I. Shridhar: And whatever economies we make on the cost of funds it will be passing on to the customer to increase the loan.

Chirag Shah: Okay.

I. Shridhar: Yeah. Thank you.

Chirag Shah: Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press * and 1 on your telephone keypad. Next in line we have a question from Ms. Priya Kansara from Business Standards.

Priya Kansara: Hello.

I. Shridhar: Yeah.

Priya Kansara: Sir, I wanted to know the breakup of the age of the truck or in the old trucks in your portfolio?

I. Shridhar: See we are financing vehicles, which are between 5 and 12 years old.

Priya Kansara: Okay. How much is that in terms of percentage.

I. Shridhar: That would be about 70% on the total. See we have about 10,000 to 15,000 Crores of that.

Priya Kansara: Pardon me.

I. Shridhar: 15,000 Crores.

Priya Kansara: Yeah.

I. Shridhar: And out of which about 11,000 would be in the form of world vehicles and 4000 will be in the form of new vehicle.

Priya Kansara: This is only trucks?

I. Shridhar: Trucks. Yeah, but what I have mentioned other products. These products have been added quite recently. So, those will be very negligible.

Priya Kansara: Okay. So, we can consider that these are all trucks.

I. Shridhar: Yeah.

Priya Kansara: So, 11,000 is old trucks and 5000 in new trucks.

I. Shridhar: 4000, 4000.

Priya Kansara: 4000.

I. Shridhar: 4000 on new trucks.

Priya Kansara: And out of this 11000, how much is 5-12 years old, 70%.

I. Shridhar: Full. See all the trucks of 11,000, is fully old trucks which are between 5 and 12 years.

Priya Kansara: Okay. So, nothing beyond 12 years or something.

I. Shridhar: No.

Priya Kansara: Okay. And also about the breakup of the loan, which you said, percentage of the new products very negligible, like the passenger vehicles and construction vehicles.

I. Shridhar: Those are all, newly we have started. So those would be all put together could be around 500 to 600 Crores.

Priya Kansara: 500-600 Crores.

I. Shridhar: Because these are all newly started.

Priya Kansara: sir, why did you enter into that segment, because you were already strong in the old trucks? So, what was the motive for entering these new product?.

I. Shridhar: No. We felt that being present in commercial vehicle very strongly we should also expand the product which we are financing, the vehicle profile. There are different profiles which our customers want, which are in three wheelers and tractors, multi-utility vehicles.

Priya Kansara: That is also like, new or old, whatever, same thing.

I. Shridhar: Right both the new as well as old we finance. All these products, both new and old, we finance.

Priya Kansara: Okay. So, how will be the mix going forward?

I. Shridhar: It would continue to be between 70 and 30.

Priya Kansara: 70 old trucks.

I. Shridhar: 30%.

Priya Kansara: 70 will be trucks.

I. Shridhar: Yeah. No, 70% will be old, 30% will be new.

Priya Kansara: Okay. No, I am talking about in terms of products.

I. Shridhar: Yeah products, since these are all new additions, they are all very new, but going forward we would be having around 10% of the total in the other products, which have introduced in the next 2 years.

Priya Kansara: 10% in next 2 years.

I. Shridhar: Correct.

Priya Kansara: Okay. But this passenger cars and all are very competent.

I. Shridhar: No passenger cars we do not finance.

Priya Kansara: Sir, you talked about the passenger cars.

I. Shridhar: Passenger commercial vehicle.

Priya Kansara: You talked about passenger commercial vehicles. Okay, sorry, I just heard and the multi-utility vehicles. Right?

I. Shridhar: Yeah.

Priya Kansara: Okay. So you are not in the passenger cars.

I. Shridhar: No.

Priya Kansara: The passenger commercial vehicles.

I. Shridhar: We do not finance passenger cars.

Priya Kansara: Okay, so you will not be into two wheelers and passenger cars, except that for commercial use, whatever is the product, you will be in that.

I. Shridhar: Correct.

Priya Kansara: Okay. So, that would not impact your margins, right.

I. Shridhar: Absolutely, absolutely.

Priya Kansara: Okay, and in that 70 will be old and 30 will be new, that is why this mix.

I. Shridhar: Correct.

Priya Kansara: Okay, and you talked about your excess capacity in the new vehicle segment, and that is why people have seen the slow down in the commercial vehicles.

I. Shridhar: Yes.

Priya Kansara: So, how are the freight rates? How the truckers are affected or old vehicles. How are the freight rates? Is it the same or is it different?

I. Shridhar: If you see the freight rates have moved up a little bit in the first 6 months. It has gone up by about 3% to 4%, so the viability of running the truck has not been affected, but whenever there is an excess capacity in the system, the truckers postponed it and defer purchase of truck, so that the freight carrying capacity comes to the optimal level, so that adjustment is done by the truck industry once in 3 years or 4 years, so that is why it is a cyclical industry. Today, we are able to see that the slow down in account of very robust growth in the last 3 or 4 years.

Priya Kansara: Okay.

I. Shridhar: And there is overcapacity built up that is being adjusted now, mainly to move up.

Priya Kansara: Okay, so you try to say that in the next few quarters freight rates will move up further.

I. Shridhar: Correct. The sale will increase.

Priya Kansara: Okay, and what about your loan book. What are your projections for the year end for the next 2 years?

I. Shridhar: Yeah, we have also been giving guidance. We will be growing between 25% to 30%. That is our guidance.

Priya Kansara: Okay.

I. Shridhar: Yes.

Priya Kansara: Okay, thank you so much.

I. Shridhar: Yeah.

Moderator: Thank you very much madam. All participants are requested to limit to only one question in the initial round. Next in queue we have a question from Mr. Subramaniam from UTI Securities.

Mr. Subramaniam: Good evening sir.

I. Shridhar: Yeah.

Mr. Subramaniam: First of all, how many branches you have opened during the quarter?

I. Shridhar: We should have opened 8 branches.

Mr. Subramaniam: Okay 8 branches, and what have been the additions to your employees during the quarter?

I. Shridhar: During the quarter, it should have been about 600 to 700.

Mr. Subramaniam: Employees.

I. Shridhar: Yeah.

Mr. Subramaniam: Okay. Sir, coming to your growth in business. This working capital finance that you are doing, how old is this business. That is since initially you have been financing both working capital or has it just started?

I. Shridhar: Subramaniam, as you see the requirement given to the truck owner is only money.

Mr. Subramaniam: Okay.

I. Shridhar: He wants money for various needs, and we are giving loans from the asset only.

Mr. Subramaniam: Okay.

I. Shridhar: So there is no loan given without any asset.

Mr. Subramaniam: Okay.

I. Shridhar: So, everything is only truck loan.

Mr. Subramaniam: Okay.

I. Shridhar: But we give different names, like working capital finance, tyre finance, engine replacement finance, and different products you create.

Mr. Subramaniam: Okay.

I. Shridhar: So that they are able to use it, and like tyre finance, they want to buy tyres. They come and take money for tyre, but there is a hypothecation of vehicle, which is already there.

Mr. Subramaniam: Okay.

I. Shridhar: We are not giving tyre loans to people who are not having truck finance.

Mr. Subramaniam: Okay.

I. Shridhar: So these loan products, which we have created helps us expand the loan book for extension.

Mr. Subramaniam: Okay. How has been the change in loan to asset value, loan to LTV?

I. Shridhar: That remains the same. You do not change those things, because those are all safety measures.

Mr. Subramaniam: Okay.

I. Shridhar: So those things are not changed.

Mr. Subramaniam: So in the year-on-year basis it is still more or less at 60%.

I. Shridhar: That is at the time of giving loans. Suppose if anybody comes to us for a loan, we try to maintain an LTV of 60%.

Mr. Subramaniam: Okay.

I. Shridhar: But as and when the loan gets repaid the LVT will come down. So if you put an LTV to the portfolio, it would be substantially less than 60%, so we get an opportunity to do top up loans.

Mr. Subramaniam: Okay.

I. Shridhar: So that is the duty here.

Mr. Subramaniam: Okay.

I. Shridhar: So the loan runs down faster than the depreciation of the vehicle.

Mr. Subramaniam: Okay.

I. Shridhar: And that is always a top up opportunity. So we have created lot of products to utilize and give top up loans, like tyre finance and engine replacement finance.

Mr. Subramaniam: Okay.

I. Shridhar: Credit card finance. All these have been created to pass on the top up loans to different products.

Mr. Subramaniam: Okay.

I. Shridhar: That is the strategy.

Mr. Subramaniam: So the 75% growth in disbursement has come purely out of financing that much more trucks?

I. Shridhar: Correct.

Mr. Subramaniam: And the value of trucks has also been more or less same on year-on-year basis.

I. Shridhar: Correct.

Mr. Subramaniam: Also currently, must be having more than 50% market share in this business?

I. Shridhar: No. We continue to have only 20% to 25%.

Mr. Subramaniam: Okay.

I. Shridhar: Our desire is to move to 40% to 50% in the next 3 years.

Mr. Subramaniam: Because you were 25% even a year back and your growth is improved.

I. Shridhar: See market is expanding.

Mr. Subramaniam: Okay.

I. Shridhar: See even though we are expanding our loan book, since the market is expanding, I am staying at the same place.

Mr. Subramaniam: Okay. And the capital raising that you are talking about that I think almost double of your net worth, 500 Crores to 600 Crores. Would you be raising in tiers?

I. Shridhar: It is not double of our net worth. We already have about 1500 Crores. From there we are net worth, so the 500 to 600 is also net worth.

Mr. Subramaniam: Yeah.

I. Shridhar: Not equity.

Mr. Subramaniam: Correct.

I. Shridhar: Equity plus premium. So, what we are going to write is 500 to 600 Crores will give us a fuel to grow.

Mr. Subramaniam: Okay.

I. Shridhar: Since we have ambitious growth plan in the next 3 years, where we would like to be at around 25 to 30,000 Crores, naturally require fuel, so that is why it has been planned and estimated to be about 500 to 600 Crores. That is what we will be raising.

Mr. Subramaniam: Okay. And new links of business you are looking at sir.

I. Shridhar: We are looking at construction equipment which is being explored and will take assets.

Mr. Subramaniam: Okay. Thank you sir.

Moderator: Thank you very much sir. Participants are requested to limit to only one question in the initial round. Next in queue, we have a question from Mr. Nilesh Parikh from SSKI Securities.

Mr. Nilesh Parikh: Good evening sir.

I. Shridhar: Good evening.

Mr. Nilesh Parikh: Congratulations sir on the good set of numbers.

I. Shridhar: Thank you.

Mr. Nilesh Parikh: Sir, I just wanted to check on your cost of fund sir. Basically, in this last quarter we saw decline in the cost of funds and now we have seen a slight increase in the cost of funds sir.

I. Shridhar: Yeah.

Mr. Nilesh Parikh: So just if you can throw some light on that sir.

I. Shridhar: See naturally in the county the cost of funds have gone up the interest rates have jumped up and that is the reason this cost of funds have gone up.

Mr. Nilesh Parikh: Right sir. So, but then since the last quarter we have seen the rates having come off, right sir?

I. Shridhar: No, no, see this quarter also the rates have moved up and also because of in the last quarter we had cash credits fully funded because we had excess liquidity, so the interest cost was less.

Mr. Nilesh Parikh: Okay.

I. Shridhar: And that is different in this quarter, so it looks as if it has gone up, and naturally there is a cost increase in the country.

Mr. Nilesh Parikh: Okay, so because actually that is slightly different than what we are seeing across other players.

I. Shridhar: Now only the cost of funds have started coming down from September 2007.

Mr. Nilesh Parikh: So incrementally, are you borrowing other lower rates than what you were?

I. Shridhar: Definitely.

Mr. Nilesh Parikh: Okay, so going forward, can we expect some declines on that?

I. Shridhar: Definitely, there will be a reduction.

Mr. Nilesh Parikh: And sir, on this securitization, what is the amount of securitization you did this quarter?

I. Shridhar: Nothing, zero.

Mr. Nilesh Parikh: Zero, so what is the income that we are seeing on securitization is a followup from what we have seen earlier?

I. Shridhar: Correct.

Mr. Nilesh Parikh: Okay. And sir, on the landing sir, now as you mentioned that the rates coming off would there be a decline sir?

I. Shridhar: See wherever there is a cost of funds decline, to that extent only the cost of landing comes down.

Mr. Nilesh Parikh: Okay.

I. Shridhar: Similarly, if there is cost of funds going up, then the yield also goes up slowly, and that means that we are trying to retain sustain the NIMs between 8-8½ that is appropriate.

Mr. Nilesh Parikh: Okay.

I. Shridhar: That is not under pressure.

Mr. Nilesh Parikh: Definitely not, so the NIMs would be maintained similarly.

I. Shridhar: Correct.

Mr. Nilesh Parikh: Okay, and sir, one last thing sir. Sir, you mentioned that 70% growth in disbursement for old vehicles, that includes the working finance part of it.

I. Shridhar: Yeah.

Mr. Nilesh Parikh: Sir, if I were just to take the absolute number of vehicles that you finance, if you can just throw some light in terms of numbers.

I. Shridhar: It should be around 1.5 Lacks.

Mr. Nilesh Parikh: Sir, the corresponding number sir.

I. Shridhar: For.

Mr. Nilesh Parikh: For the previous year sir.

I. Shridhar: I do not have at present. I will send a mail.

Mr. Nilesh Parikh: Sure, not a problem sir. Anyway thanks a lot sir. Great set of numbers sir, once again thank you.

Moderator: Thank you very much sir. The next question comes from Ms. Chandana from Pink Research.

Ms. Chandana: Good evening sir. Congratulations for the good set of numbers. Sir, I just wanted to understand your partnership with Axis Bank for co-branded credit card. How was the revenue model sir? The income that you generate should be part of your key base income.

I. Shridhar: Yeah that is the very nominal. The primary objective of issuing this co-branded credit card is to lift our truck owners on the social front. The truck owners have never been given credit card by any bank in the country. So, we thought that we should give them credit card.

Ms. Chandana: Is that strategic step towards customer retention?

I. Shridhar: Customer retention goodwill and that it gives us an opportunity to meet the customer, do more sell, and then it has been given to customer solely. So, if you want to get a credit card you have to become first a customer. So, all these play.

Ms. Chandana: Sir second on your partnership with Ashley Transport for your freight bill discounting. Sir how does that work?

I. Shridhar: It is a new one which has started about three to four months back that business which is Ashley Transport where we have 40% equity that company is going to provide E-platform for freight exchange. So, that is being offered in the marketplace by intermediary space on a manual basis, so we are now changing that manual system to an electronic system that will be the business model of that company and the Shriram Transport's objective to increase the freight full discounting and on both ways the freight paid by the truck owner will be discounted by the Shriram Transport Finance, so that gives us an opportunity to enter in a new product line which is quite build us strong. See objective of this cottage.

Ms. Chandana: Sir another thing was on your income from securitization, sir what was the total income booked it was in Q4 FY2007 which is being amortized?

I. Shridhar: Q4 FY2007 that I will have to see. I do not have the figure right now but this quarter it is around 25 Crores to 30 Crores which has come from the previous securitization. This quarter we have not done any securitization but whatever we have done earlier the income assets out of which this quarter about 28 Crores income asset comes.

Ms. Chandana: Sir can we expect same income book from securitization, I mean amortization to continue going forward?

I. Shridhar: Yeah it will continue plus it can also increase if you do more securitization now. It will increase.

Ms. Chandana: Okay thank you so much sir.

I. Shridhar: Thank you.

Moderator: Thank you very much ma'am. Next in line we have a question from Mr. Vishal from IL&FS Investment.

Mr. Vishal: Hello sir. Can you give me your breakup of your liability mix?

I. Shridhar: Liability mix is retail is very less institution and banks are going up. We have about less than 20% on retail and 30% is of banks and institution.

Mr. Vishal: 30% is banks and institutions you said right?

I. Shridhar: No see less than 20% is retail. If you take a total of 1200 Crores on the balance sheet about 2000 Crores will be on retail and about 10,000 Crores will be from the institutions.

Mr. Vishal: Okay sir. Thank you.

I. Shridhar: Yeah.

Moderator: Thank you very much sir. Next in queue we have question from Mr. Puneet from Enam Securities.

Mr. Puneet: Yeah good evening Mr. Shridhar.

I. Shridhar: Yeah.

Mr. Puneet: I have a question on the new series of the total asset under management of around 4400 Crores, how much will be in your book?

I. Shridhar: Total is 4400 and balance is around 10,400. Suppose you take on book it is around 12,000 Crores. You are asking about on book how many new series?

Mr. Puneet: Especially new series.

I. Shridhar: New series will be almost 0 because almost all the new series we securitized since we have not securitized in the last six months the new series should be around 1500 Crores to 1800 Crores for books.

Mr. Puneet: Okay and sir how much is the tier 1 capital now?

I. Shridhar: The tier 1 capital is around 10% and tier 2 is around 3.5%-4%. We maintain around 13%-14%.

Mr. Puneet: Okay sir and sir you intend to continue this because you have not securitized in the 2nd quarter and of course may be especially the new series so you intend to continue in your book?

I. Shridhar: No. We will securitize and we have already securitized in this current quarter. So, we will continue to do it but whether we will do it in one quarter or not it depends on various reasons, but we have the intention to off load the new vehicles and park it in other bank's balance sheet.

Mr. Puneet: Right sir, but have you securitized anything in the new series segment in the 2nd quarter?

I. Shridhar: Yeah we have securitized.

Mr. Puneet: Yeah you have done that.

I. Shridhar: 2nd quarter is 0.

Mr. Puneet: 2nd quarter is 0. Okay sir. Thank you.

I. Shridhar: Thank you.

Moderator: Thank you very much sir. We have another question coming in from Mr. Chirag Shah from Emkay Shares.

Chirag Shah: Hello.

I. Shridhar: Yeah.

Chirag Shah: Sir just trying to understand you explained the business of Ashley Transport. Now if you can share some light on the performance beside of this business #1 and what would interest in OEN player like Ashok Leyland to park with you? You know when the business models of both of you are different except that to the extent that you are working with them in providing finance to their new vehicles?

I. Shridhar: See the first question is the business revenue it is very new business which is only three months, so it is now being started coming out of cost and all that so there is nothing significant.

Chirag Shah: Actually sir your voice is breaking in between.

I. Shridhar: Okay the partnership with Ashok Leyland for this Ashley Transport is because Ashok Leyland seems that they need a company with custom of like us. Small truck owners which can be used for a form of freight exchange and also for freight bill discounting. So for doing freight bill discounting we need a very strong organization in terms of customer base as well as presenting different parts of the country so that is why they are partnered with us.

Chirag Shah: Okay and as far as my second question is concerned are you into a partnership with Ashok Leyland aggressively? How is your partnership with them in terms of financing new businesses or new vehicles?

I. Shridhar: No. As far as financing of the commercial vehicle we are financing all the manufacturers. There will be no partnership with any financier but in the real sense we are working closely with all the manufacturers. That is what you call a partnership I do not think so. See we are there in the marketplace whatever our customer wants we finance.

Chirag Shah: Fair enough. Bottom line to understand is that for Ashok Leyland you are offering lower interest rates to vehicles because they are providing you some business.

I. Shridhar: No. Those things are market streams which can happen any time but there is nothing like that.

Chirag Shah: Nothing. Secondly, on your working capital finance that you explained and even if I take it ahead to the freight bill discounting, what is asset security because when you say you are uploading working capital finance against hypothetic smaller trucks I slightly not clear on that aspect, if you can just throw some light?

I. Shridhar: See there is an LTV which is comfortable to us which is 60% of the loan as against the values. So, as and when he starts repaying the loan, the LTV, so in order to bring it down to keep further loans that is why we created all these products truck finance builders accounting and all that to keep giving.

Chirag Shah: Do you charge a different rate of interest for working capital?

I. Shridhar: Yeah. Everything is different.

Chirag Shah: And what would be the difference between acquisition credit rate and working capital credit rate?

I. Shridhar: See those are all very minor details. So you will see that all our landings are between 18%-24% so it will come into an average of about 21 but there are different rates for different products.

Chirag Shah: Fair enough. But it would be at top end in overall your scheme of thing working capital would be at the top end or it would be more near to your acquisition?

I. Shridhar: Acquisition credit would be the top followed by the working capital and other products.

Chirag Shah: Okay so it is reverse in that sense.

I. Shridhar: That is correct.

Chirag Shah: Okay and any freight bill discounting, what are the security that you have that you will get the freight again it is only to for those customers who have obtained the finance and for which you hypothecation.

I. Shridhar: Yeah.

Chirag Shah: Okay. Fair enough. Thank you.

Moderator: Thank you very much sir. Participants who wish to ask questions, please press * and 1 on your telephone keypad. Our next question is from Mr. Himanshu from ING Mutual Fund.

Mr. Himanshu: Hello sir. Congratulations on your great set of numbers.

I. Shridhar: Yeah.

Mr. Himanshu: Sir just a couple of questions. How much would be the cost of funds for the quarter?

I. Shridhar: We are at 10.7 now.

Mr. Himanshu: 10.7 you said sir.

I. Shridhar: Yeah.

Mr. Himanshu: Okay sir and your gross and net NPA numbers sir?

I. Shridhar: Gross NPA is 1.9 and net NPA slightly less than 1%.

Mr. Himanshu: Below 1%.

I. Shridhar: That is right.

Mr. Himanshu: And your gearing would be roughly about six-seven times.

I. Shridhar: Yeah correct.

Mr. Himanshu: Okay sir. Thanks very much.

I. Shridhar: Yeah.

Moderator: Thank you very much sir. The next question is from Urmil Gandhi from Emkay Shares.

Urmil Gandhi Good afternoon sir. Sir, can you just share what is your present interest rate, landing rates for the new trucks and old trucks?

I. Shridhar: New trucks would be around 14% and old trucks it depends on the age, so itg varies from 18% to 24%.

Urmil Gandhi: Okay sir. Thank you sir.

I. Shridhar: Yeah.

Moderatore: Thank you very much sir. Participants who wish to ask questions, please press * and 1 on your telephone keypad. At this moment there are no further questions from any of the participants. I would like to handover the floor back to Mr. R. Shridhar for final remarks.

I. Shridhar: Thank you very much for your participation and look forward to seeing you all and talking to you in the next quarter investor update. Thank you very much.

Moderator: Ladies and gentlemen thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.