



## “Shriram Transport Finance Q3 FY18 Earning Conference Call”

**January 29, 2018**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Shriram Transport Finance Q3 FY18 Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. I would now like to hand the conference over to Mr. Umesh Revankar – Managing Director and CEO for his opening remarks. Thank you and over to you, sir.

**Umesh Revankar:** Thank you. Good evening to everyone in India and good morning to the investors who have joined from US. I hope you had enough time to go through the investor update which is already sent to you. I will provide you a brief overview of the developments on ground before I share highlights of our performance.

Starting with CV sales data from April-December, the overall CV segment has recorded sales growth of 15.2% year-on-year while LCV recorded 19.3%, the heavy vehicle grew at 9.3% year-on-year. One cannot compare the previous year’s numbers because of the low base in November-December in the previous year because of demonetization. However, Q-on-Q gives us a better sense of growth numbers and demand. The last quarter, that is October-December, we witnessed good demand and it also grew Q-on-Q mainly due to the increase in rural transportation, rural demand and higher rural agri output and the meanwhile the construction activity also witnessed good improvement. Mostly post monsoon you see that every year. So this year also we saw a good progress in the infrastructure activity especially from the government point of view. The rural demand has been consistent and that has been witnessed through LCV demand and added to that e-commerce also has helped the LCV demand to be on the robust level. We expect the demand to continue for the next one year especially in LCV because of low base in the last year and as far as heavy vehicle is concerned I feel the infra will create enough demand because along with infrastructure activity we also will see cement and steel movement which will take away few of the vehicle from the road, on the freight carrying vehicles to the infrastructure activity and thereby creating some shortage. The heavy vehicle demand also has seen higher level, mainly because the earlier, means some part of the country, overloading was rampantly happening, and now it has been curtailed to a large extent. Replacement demand is coming mainly because earlier overloading was happening in certain parts of the country which has now stopped because of the stricter controls. So heavy vehicles, 25 tonner which carrying overloaded items, this has been possibly replaced by 31 and 37 tonner and 37 tonner is not being available for used vehicle because these are the new phenomenon and these have been in the market for last 5-6 years only. There is a sudden demand for new vehicles in this category. And we expect this to remain for certain time maybe another 6 months, after that probably we will have reasonably good used vehicle demand in 31 and 37 tonner also.

GST has reasonably good desired impact on the efficiency of the vehicle. The removal of check posts has improved the overall turnover time of the vehicle and around 15-20% efficiency is witnessed by many of the operators. That has helped them in their earnings. At the same time increased diesel price in the last one month did create some anxious moments. But now in the last one week we feel that it will be under control and it may not really disturb us in this quarter. The infrastructure push has been reasonably big and both Bharatmala and Sagarmala project which is a total outlay of 7,80,000 crores is going to create a lot of demand in infrastructure related activities for vehicles plus equipment in the next maybe 4 or 5 years. But definitely for next 1-1.5 years it is for sure that infrastructure activity will create a lot of economic activity, employment plus demand for the vehicles.

Now let me briefly touch up on the headline numbers for the quarter. AUM grew by 18% year-on-year to 90,018 crores against 76,281 crores. Net interest income was higher by 21.5% to Rs. 1,709 crores compared to 1,012 crores. Net interest margin has remained same from the previous quarter to this quarter that is 7.48. But compared to the previous year, it has increased from 7.17 to 7.48. The PAT has increased by 43.26% year-on-year to 495.63 crores against 345.96 crore in the previous year. EPS is at 21.85 compared to 15.25 in the previous year. Collection efficiency has been largely good and we expect it to improve further. This quarter ending the GNPA stood at 7.98% and net NPA at 2.45 with coverage ratio maintained at 71.04% same as the previous quarter. We would be moving into, transitioning into 90 days NPL recognition by the end of the current fiscal year. And we are working on the behavior of the customer and also trying to improve our employee's approach towards this challenge. And we are confident that we will be able to manage, handle it reasonably comfortably when we move into this 90 days. The overall increase should be anywhere between 100 to 120 basis points is what we feel at this point of time. As per the share purchase agreement dated January 24, 2018, MXC Solution India Private Limited has agreed to acquire majority stake in company's wholly owned subsidiary, Shriram Automall India Limited for a consideration of 156.38 crores. The transaction is expected to be completed by April 2018. However, we expect it to be completed as early as possible.

To conclude, CV industry across LCV, M&HCV and rural demand for secondhand vehicle makes us look at very positive next couple of quarters. We had indicated around 12%-15% AUM growth, but as of now we are at 18% AUM growth for the year and we expect the same increase in the subsequent quarter also, next quarter also. Next year, again we would be targeting at around 15% AUM growth as we expect good demand from the infrastructure activity. However, depending upon monsoon things may change in the second half of the calendar year. We are also seeing some shift, I don't say some, significant shift from moneylender lending in the rural areas to the organized sector. So we are expecting good increase of lending to the used vehicle and in the deep rural area where we are opening a lot of our branches and these branches are our existing rural centers which have been converted into branches. Our total number of branches now stand at 1,121 numbers and the rural centers at

900 numbers as on December 31<sup>st</sup>. I come to end of my opening remarks. I also have with me Mr. Sunder, Mr. Parag Sharma and Sanjay Mundra to answer specific questions. Now I request moderator to open for question and answers.

**Moderator:** Thank you. Ladies and gentleman, we will now begin with the question and answer session. The first question is from the line of Aryn Pirani from Deutsche Bank. Please go ahead.

**Aryn Pirani:** Sir, my first question is on the new vehicle business. Is there increased competition from say banks or other institution on the rates being offered for new vehicles especially on the LCV and the HCV side?

**Umesh Revankar:** See, I understand that there is a competition for the fleet operators segment. That is people who are having large number of vehicles and its competition is basically between banks because banks have been lending to them. And since we are focused on small operators, we have not witnessed any such competition coming from them. So you are right that between one or two banks, I was told there is a competition and we have not seen that kind of a competition among NBFCs.

**Aryn Pirani:** Understand sir. And sir you also mentioned that since the vehicle tonnage is increasing, so the 25 tonner is getting replaced by the 31 tonner and hence the growth is more on the new side, relatively compared to the used side. So given that the market is either shifting towards the smaller vehicles or the larger vehicles, is there a risk that in the used segment for the 20 and 25 tonner if we could see some pressures either on the growth side or even on the recovery side?

**Umesh Revankar:** As far as the used vehicle, 25 tonner is concerned, it has been declining for the last 3 years. It is not new. The only last area of operation or usage was there in the overloading segment that was Northern belt of India. Even there now this replacement is coming. So you are right, this 25 tonner has been facing resale value problem in the last 3 years. But we don't have a huge presence in the Northern belt. So we don't see any of that is going to impact us.

**Moderator:** Thank you. We will take the next question from the line of Shiv Kumar from Unifi Capital. Please go ahead.

**Shiv Kumar:** Sir, my question is regarding the coverage ratio. Currently you are at 71% and now that you will be moving to the 90 day recognition in Q4 and which is kind of the final step in terms of coming down from that 180 days. So what is the mandate from the Board sir in terms of coverage when you go to 65% or will you stay at 70%, any guidance?

**Umesh Revankar:** See, we have not decided it. We would like to look at the environment at that time. However, we had discussed this in the Board in the beginning of the year, that maybe around 5%-10%

decrease could be thought about depending upon the environment. So we will take call at an appropriate time on the same.

**Shiv Kumar:** Thanks. And sir keeping this 90 day recognition thing apart, we see that on a quarter-on-quarter basis there has been steady accretion to the GNPA's of around 250 crores. And also there will be some write offs also. So any sense as to when this hemorrhage will stop as to on the ground you see any dwindling of the stress?

**Umesh Revankar:** There is improvement definitely in the overall market. What we see is that, see, our customers who have been traditionally operating with single vehicle and have been paying to us as and when they earn, they have been having certain behavior pattern. So accordingly they have remained at that delinquent level. It is not intentional, but because being single operator the money gets diverted into their home exigencies. So for the customer behavior to change it will take some more time. As an overall percentage if you look at, we were at 8.06 and it has come down to 7.98 this quarter. So there is a gradual improvement and this improvement will continue to happen is what we believe and maybe as the environment becomes better and better, we should also appreciate the fact that our customers have come through difficult challenges in the last year, last two stages, demonetization and GST to some extent. They did face them confidently and they are going through reasonably better environment now. So I feel if this environment continues to be good, we feel that this will improve. And we are confident that next quarter our things will become much better as we go into 90 days because there will be more number of people moving into NPL of 90 days, but still we should be able to influence their behavior and change over the period. So next one year will be more crucial for us. So we should be able to bring down overall credit cost which is around 3% to 250-260 basis points maybe in the next 1-1.5 years.

**Shiv Kumar:** And so FY19, we can assume around 2.5% to 2.6%, that is what you are guiding, right?

**Umesh Revankar:** Yes.

**Shiv Kumar:** Right. Sir, and one final question on the margin front, instead of an adverse movement in the yield curve and the higher share of new vehicles, your NIM has been stable at around 7.48. So how do you see this moving going forward, sir?

**Umesh Revankar:** See, this quarter we should be stable because most of our fund raising will come through securitization. So we don't see any pressure on our borrowing cost. And the new vehicle lending is quite small to our overall size. So it has not really impacted and they have not been reducing the lending rate for the sake of competition because we are lending to our own existing customers. So we are not really impacted because of the competition in the new vehicle.

**Moderator:** Thank you. We will take the next question from the line of Karthik C from Buena Vista Fund Management. Please go ahead.

**Karthik C:** My first question is for FY19, what is your expectation on both employee recruitment and branch addition?

**Umesh Revankar:** See, we have 900 rural centers and every one of this rural center is potential branches. It all depend up on how quickly we will be able to scale up this rural centers. So as we stand now, we should be able to open around 200 branches in a year, so that is the target. So next year we should be able to add 200 branches to our overall number of branches. So now we are at 1,121 and maybe we may end up with 1,200 this year, then another 200 we should be able to add next financial year.

**Karthik C:** And what will it be in terms of number of employees?

**Umesh Revankar:** Number of employees, we are at around 23,000 now. We should be able to add another 1,000 to 1,500 next year and number of employees required as we open number of branches will be there on an average of 5 per branches. Then depending up on the growth we may add more or we may slow down.

**Karthik C:** Got it. Sir, if I take this 200 branches addition on a base of 1,200 which is effectively about 16%-17% and if I just juxtapose this against our AUM growth which is around 15%-16%, what it effectively means is, at branch level productivity we expect it to be more or less same. If we are actually opening 200 branches which are essentially rural centers, shouldn't we at least be planning or expecting a higher level of AUM growth?

**Umesh Revankar:** No, what happens is, these rural centers, ticket size will be smaller. So we cannot really add that. As a number of customers you are right, but ticket size being smaller, in addition to the overall size will be lesser than 15. So it could be around 8% to 9%. So the existing branch also will be keep growing. It is not that existing branch will not grow from this size.

**Karthik C:** Got it. Sir my second question is, if we observe in the last 3 quarters, the M&LCV segment has actually been growth faster than the HCV, as a result of which the mix has also been increasing. What impact does it have on our asset yields?

**Umesh Revankar:** See, as long as we have good used vehicle, I don't think it will have any impact, because an M&HCV it is not only new, we are also doing used. So we don't expect it to alter our overall asset yield.

**Karthik C:** Got it. And sir my last question is, anecdotally based on the feedback either from your customers or branch staff. Any color on how some of these new online truck aggregators who have come up, especially in the South, what impact they are having on your business? I am

talking about apps like LYNK or so, who came to aggregate a lot of the Mini trucks and Mini LCVs. And helping drivers get more trips etc. Has there been any feedback on what impact that has on your business?

**Umesh Revankar:** See, I have no opinion here, but why I am telling you is, if they are adding around 100 or 150 trucks under them, it is not going to matter. When the overall truck population in India, both the heavy and new put together is one crore, so few hundred vehicle being empanelled or brought under app is not going to make a big difference. It is some startups I understand that they are trying to bring vehicles under them and paying them even for idle capacity or keeping the vehicle just under their overall control. So this isn't going to really disturb anyone. So we have to wait and see, that is my approach. And as of now there is no impact anywhere.

**Karthik C:** Got it. And sir lastly as far as funding cost, in your estimate are we coming to the end of let us say whatever benefit that you used to get because of lower funding cost?

**Umesh Revankar:** Right now, it looks as if it is coming to an end, but we may not see an increase also immediately because we have a perfect ALM. So we don't really see an immediate increase. So in this quarter also we are confident of maintaining the borrowing cost at present level. But next quarter we cannot say because as far as funding cost is concerned, international play also is very important. So international event also can impact that. So very difficult to predict.

**Moderator:** Thank you. We will take the next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Sir, just wanted to clarify, you mentioned FY19 we are looking at credit cost at 2.5% to 2.6%, is that what you mentioned?

**Umesh Revankar:** Yes.

**Deepak Poddar:** Okay. So given the transition that we into basically into 90 days, so what sort of steady state credit cost one should look at. Are we going back to 1%-1.5%, is that a possibility or what is the steady state? Some thought on that would be helpful actually.

**Umesh Revankar:** See, our kind of our customer base, who are single operators and who have an income on the vehicle and their family also is dependent on the income of the vehicle. So it has been around 2%, steady state for us. It has never been less than that. We immediately look at possibility of bringing it to around 2.5 to 2.6 in the second half of 2019, as we study our post 90 days migration, study our business but beyond that I cannot predict now, because environment can always change. So even though next 3 years, environment looks reasonable positive because of the infrastructure activity and economic activity and even today there is economic survey talking about 7.5% GDP growth etc. If it all remains positive then we should be able to do that.

So we cannot give very long term projection on this because as I am trying to convey at the cost of repetition, our customer base is the person who are having 1 or 2 or 3 vehicles, very few vehicles, his operating income and his ability to repay also depends upon the other factors like the overall ability to generate more income and his family maintenance etc. So with this limitation we can tell you that this is what is possible.

**Deepak Poddar:** Okay. And sir 2.5-2.6 would be a new steady state that would be a right way to understand?

**Umesh Revankar:** That is what we are predicting. We can't say steady state or whether we can improve on that, it is possible to improve on that if environment becomes much better.

**Moderator:** Thank you. We will take the next question from the line of Vibha Batra from FairConnect. Please go ahead.

**Vibha Batra:** Now depending on the environment, how do we kind of expect sir, recoveries from 90 plus DPD level and 90 plus DPD is broadly how much higher than your current NPA?

**Umesh Revankar:** No, as we move to 90 days, the addition will be around 100 basis points to 120 basis points on our existing NPA levels. So that is what we expect because every time when we move right from 180 days to 120 days, we have witnessed this is the movement and we expect it be on the same lines.

**Vibha Batra:** Okay. And how much would be the recovery, I mean because these will be softer NPAs, so eventual recovery from these NPLs should be much higher. So if you were to project over lifetime, if you have a stock of 90 DPD, how much will you recover and how much would be kind of lost on principal base?

**S. Mundra:** We always tell that, for the kind of business and the kind of customers we are lending to it, we feel that even though we have to maintain 90 days DPD as per the RBI regulation, but still on the working side, we feel still the customer is between 90 days to 180 days. I think most of the money will be recovered. Only once it becomes above 180 days then we have to really think it off that how much percentage goes. So as of now if you look at, in this current event, in the current fiscal year, I think 180 days has been quite stable and if you recollect when we started migrating from 180 days to 150 and then 120, our GNPA was around 4.3%-4.4%. So it has been stable in those lines till now even in last two years. So we expect the recovery in 90 to 180 days will be far higher than what it is there in 180 days.

**Vibha Batra:** Okay. And since you consider 180 plus in your customer segment is level which one should watch for, would it possible for you to disclose that number in your presentation going forwards as well?



- S. Mundra:** See, that is one thing we can think of it, but right now we are not disclosing but whenever somebody asks, we will provide the number.
- Vibha Batra:** Okay. Sir, what is 180 plus?
- S. Mundra:** Around 4.25.
- Vibha Batra:** And has it come down in last one year or it...?
- S. Mundra:** Yes, last one it has reduced by roughly around 10 to 12 basis points.
- Vibha Batra:** Okay. Not a material change?
- S. Mundra:** Yes.
- Vibha Batra:** And do you expect this number to come down, going forward, say next one year because last one year was full of event for us, next one year do you think this has come down?
- S. Mundra:** Yes, definitely we are looking at something sub 4% level, probably in the next 2-3 quarters.
- Vibha Batra:** Okay. And what is our cost of funding on securitization and assignment transactions now? Are we doing any priority sector there?
- Parag Sharma:** Yes, we have done both priority and non-priority, the priority is going at roughly 7.5 and non priority is at around 8-8.25 that is the rate.
- Vibha Batra:** This is securitization?
- Parag Sharma:** Securitization only, no assignments.
- Vibha Batra:** Okay. And this will be what, AA rated pools or AAA?
- Parag Sharma:** Largely AAA rated only.
- Vibha Batra:** 7.5 is priority and 8-8.25 is non priority.
- Parag Sharma:** Correct.
- Moderator:** Thank you. We will take the next question from the line of Prakhar Sharma from CLSA. Please go ahead.

**Prakhar Sharma:** Just a couple of data points and then two questions on the strategy. Could I have the disbursement numbers for the used CV for this quarter and the previous quarter if you have it handy?

**S. Mundra:** Yes, this quarter the used vehicle is 10,940 crores. And last quarter it was 10,465 crores.

**Prakhar Sharma:** Okay. And second thing is bit on the strategy part. One, FY19 will be a year in which you generally operate in the 6 year old CV financing segment and FY19 would be one year in which you will probably be refinancing the CVs that were first sold in FY13-FY14, when market actually saw a big correction in terms of new sales. Would it be possible to shed some light like, how do you plan manage this transition because in FY13, MHCV sales were down by approximately 23%, next year again 25%. How does that impact your market sizing for the next two years?

**Umesh Revankar:** See depending upon the environment, the change in hands pattern keeps changing. Now when the environment is very good, after 3 years vehicle will change hands and environment is not very good, after 5 years, vehicle will change in hand. So number of vehicle changing hands depends upon the kind of economic activity and environment. So total number of used vehicle in the market will remain same. Like now one crore is the total vehicle registered in India, including LCVs and Heavy. Out of that new, that is sold last year would be around 7 lakhs and rest everything will be used. So if the environment is good, after two years or three years this vehicle will come for secondhand sale or purchasing. So as long as this one crore vehicle population is there, you can keep doing the lending activity and imagine a situation where the economic activity is very high and people buy more new vehicles then people will sell the existing vehicle within 2 years or 3 years or 4 years. So the change in hand will keep happening. So it is, how many vehicles are registered and how many of them are newly registered in the last 1 or 2 years are important. Rest everything will be very dynamic depending up on the market situation.

**Prakhar Sharma:** Yes, but sir the gap in say 1 year and a 3 year and a 6 year vehicles in terms of yields is also material. So if a new vehicle goes at like 10%-11% or 12% and used CV is at 18%-19% for the bracket that you do, I believe a 3-year old vehicle might be somewhere in between earning probably 14%-15% yield. Would that not be something that you will have to manage, if basically volumes don't get affected, but the profitability might? Is there a way to cover that up?

**Umesh Revankar:** See, what happens is, we have such a large base and the second thing is we are also getting into rural area aggressively. When I answered the previous question, you would have observed that we are opening around 200 branches in a year and mostly in the rural area. Rural area gives us higher yields. So we will keep acquiring new territory or new customer at higher yield

which we will be able to manage, the newer heavy vehicle at lower yield and that is how we will be able to manage overall NIMs at present level is what I feel.

**Prakhar Sharma:** Sir, actually I just wanted to ask you on the rural part. Now, don't you think or the way we have seen for the other financial companies generally around the election period even though rural looks as if it is a good growth opportunity, it ends up being slightly difficult collection market because of the way politicians influence behavior or people, temporarily if not permanently and we have seen that repeatedly in 2017 and we will probably head into 2018 and if the book seasons and starts to show issues, don't you think you would rather take some off from the rural market?

**Umesh Revankar:** I don't agree with that because I have been in this business of last 30 years and rural customers always have been very loyal and their loyalty levels are much higher. And the gratitude towards finance companies or financier is much better. So yes, there are few instances where people get swayed. But mostly people who borrowed from the bank they get disturbed because they expect some kind of a soft attitude from the bank because they feel that banks are nothing but arms of the government, especially public sector banks. That is how this behavioral change will be there only towards banks, but as far as NBFC is concerned, I don't really expect much change, neither we are affected till now or nor do I expect trouble because of the election.

**Moderator:** Thank you. We will take the next question from the line of Utsav Gogirwar from Investec Capital. Please go ahead.

**Utsav Gogirwar:** My question is related to the operating expenses. This quarter staff cost has increased around 38% and even the other OPEX has increased around 26%. Just wanted to understand the reason behind this and how do you expect the cost to income over the next year?

**Umesh Revankar:** See, number of people have gone up significantly. We have added, if you look at year-on-year, we have added 7,000 people additionally. And therefore the staff cost has gone up. And going forward next year, the addition will be much slower. Definitely there will be more addition, but it will be much slower and since we are expecting the volume to keep growing, we expect the overall cost to income ratio of around 22 to 23. We have been consistently informing you that.

**Utsav Gogirwar:** And sir, second question is with respect to the data point. Can you help me with the disbursement breakup in pre-owned new vehicle and other segments, for this quarter and last year?

**S. Mundra:** See, the new vehicle for this quarter is 1,795 crores, the used is 10,940 crores and the others is 644 crores, making it total at 13,379 crores and the last year the new vehicle was 565 crores. I am talking year-on-year. The used vehicle was 7,531 crores and the others were 25 crores, making it total 8,123 crores.

- Utsav Gogirwar:** And how is the sequential sir, quarter two?
- S. Sunder:** Quarter two the new was 1,288 crores, the used vehicle was 10,465 crores and the others were 624 crores making it total 12,377 crores.
- Moderator:** Thank you. We will take the next question from the line of Nishant Shah from Macquarie. Please go ahead.
- Nishant Shah:** Just like a qualitative question about your asset quality. So like sequentially we have seen some uptick in asset quality. So it seems like there has been, the traction on recovery is not being seen at least as much as we are seeing this for the other competitors for operating in such similar segments. So could you just like give us some color about the recovery environment, like we are very bullish on the rural environment. So why aren't we seeing some of the recoveries happen?
- Umesh Revankar:** No, we are definitely witnessing a better recovery and when you compare to year-on-year it is basically we have moved from 150-120 days, that is the main reason. So we can't exactly predict the behavior of the customer 150-120 days. So some will keep adding, some will go out.
- Nishant Shah:** Fair enough. So even on a quarter-on-quarter basis, this is on 120 DPD, we have seen an uptick of 270 crores. Some of the other peers that have reported they have seen some improvements sequentially, be it the banks in this particular segment or be it other asset financiers?
- Umesh Revankar:** We are probably the largest used vehicle financiers. We have more than 85% of our portfolio in the used vehicle. So used vehicle customer and 1 vehicle operator or 2 or 3 vehicle operators are our customers. I don't think any of our competitors have such a customer base. These customers have their income from the vehicle and have to maintain the family also. So we don't go out of the way to bring it down by aggressively repositioning the assets, where we normally try to educate them to bring it down. So I don't think there is a comparison to our portfolio with any other NBFC or bank.
- Moderator:** Thank you. We will take the follow up question from the line of Amyn Pirani from Deutsche Bank. Please go ahead.
- Amyn Pirani:** Sir two questions. First of all, one thing you mentioned was that because the turnaround time has reduced, that has helped the profitability of fleet operator, but at the same time, ban on overloading would definitely have a negative impact at least in the near term on the profitability because you need more trucks to transport the same amount. So on the balance is the profitability getting impacted because of this and does that increase the risk for financiers like you?

- Umesh Revankar:** In fact you are right. Immediate benefit will come down to individual operators because he would have earned much more income per tonne basis when he transports overloaded, but what actually happens is, his other expenses come down. For example the tyre replacement, if we overload, every 3 or 4 months you have to replace the tyre, but if you are under loading then your tyre mileage goes up to 6 months or 7 months. And if it is a radial tyre, it goes up to 9 or 10 months and fuel average will definitely go up because fuel average if you overload it is 2.5 per KM for heavy vehicle and if you under load it is 4 KM. So there are so many other advantages. So per trip he maybe loser, but over the 2-3 months he gets same. So virtually there is no loss, but the biggest advantage would be this breakdown of the vehicle will be much lesser and the vehicle value will be much better when he wants to sell.
- Amyr Pirani:** So from that point of view you are protected on the asset side also?
- Umesh Revankar:** Yes, definitely. Retail values will be much better.
- Amyr Pirani:** Okay, understood. And sir just on your AUM breakup, so just wanted to clarify, on the passenger vehicle and tractors, is that mostly used or is it mix of new and used?
- Umesh Revankar:** It is mostly used. The new is very less.
- Amyr Pirani:** So sir in the passenger vehicle at least, because of the GST, which had been changed now, but at least in the first 6 months of the year, 9 months of the year, the GST on the used was much higher. So did that impact the business and is that changing to some extent?
- Umesh Revankar:** No, GST has no impact because when vehicle is sold individual to individual there is no GST. It is only when a corporate sells there is a GST. So most of these vehicles, secondhand vehicle changes, individual to individual there is no GST impact on that.
- Amyr Pirani:** So even earlier it did not impact your even with the change, it doesn't?
- Umesh Revankar:** You're right.
- Moderator:** Thank you. We will take the next question from the line of Saurabh Dhole from Trivantage Capital. Please go ahead.
- Saurabh Dhole:** My query is with respect to this stake sale that you're doing on Shriram Automall. As I understand you enjoyed certain synergies between your company and this subsidiary. Can you please comment a bit on what kind of loss in synergy or loss in business volumes will you have to weather because of this particular sale?
- Umesh Revankar:** In fact we are going to gain much more. I will explain you how. See, we were only in physical auctioning. The physical auctioning means we had Automall and vehicle has to come

physically there 3 days before the transaction and it will be inspected by the people who visit it and then they participate in auction. So a physical mode has a particular restriction in number of transaction that can happen. But online can be unlimited. It can be very large. So we were wanting to go into online and also many of these NBFCs and banks, they are not very comfortable doing the physical auction because they have to move all their repossessed assets into our yard before physical auction and also they were not comfortable putting the vehicle in on our platform which is 100% subsidiary of STFC. So when you project the company as independent company, we expect many more banks and NBFCs will participate. And what we are acquiring, what SAMIL is acquiring here is, they are acquiring 100% online auction business of CarTrade. CarTrade and CarDekho, they are combined entity and CarTrade is auction exchange, which is online. That 100% of their online business will come into SAMIL and also there is another subsidiary which is Adroit Inspection which has built skill in inspecting the second hand vehicles because all these days new vehicles, if you look at the CarTrade and CarDekho, if you go there and click for new vehicle, you get 360 degree of a new vehicle, that is being sold. But you don't have that similar picture or view of used vehicle. This Adroit is giving that kind of a view. So what we expect is, the online transaction being much high and number of people who browse online are much higher. Approximately 20 million customers they have browsed through CarTrade. That is what we understand. So we feel that much bigger transaction will be there on CarTrade and CarDekho and because of that SAMIL will get a benefit of doing good online and physical. So our understanding with SAMIL continues and we will get additional advantage of having the reference and referral built based on the online transaction. So the physical whatever transaction is happening, that will continue. Apart from that whatever is happening online also would be available or accessible to us. We have some understanding on that. So overall we are going to gain much more. Initially it will be more passenger vehicle, but over the period it will be trucks also. So we feel that it is a big win-win for us and for CarTrade because they are going to consolidate their business and for us we are going to get more referrals and references from the transaction and we will be able to build our used vehicle business much bigger because of this transaction.

**Saurabh Dhole:** Okay. And sir just one data keeping question. Can I have the 120 plus DPD outstanding as on December 2016?

**S. Mundra:** You need absolute number or percentage wise?

**Saurabh Dhole:** Percentage wise.

**S. Mundra:** December 2016 was on 150 days. We don't have 120 days.

**Saurabh Dhole:** Yes, you must be recognizing it on 150 plus but do you have the 120 plus?

**S. Mundra:** We don't have.

- Saurabh Dhole:** But what about 90 plus DPD as on today, as on December 2017?
- Umesh Revankar:** Approximately 120 basis point above the reported GNPA.
- Moderator:** Thank you. We will take the next question from the line of Prakhar Sharma from CLSA. Please go ahead.
- Prakhar Sharma:** This is Prakhar. Just wanted to check, you know this Shriram Automall sale, on the 157 crores transaction, what would be the estimated profit and the taxation working on that one? It will come next year, but just wanted to get a broad sense.
- S. Sunder:** It will happen in the last quarter, that is fourth quarter. And post-tax it will be around 120 crores.
- Prakhar Verma:** Actually you mentioned in the press release completed by April 23.
- S. Sunder:** That is the upper limit of 3 months that we have mentioned and we are confident of doing it in the current quarter.
- Prakhar Verma:** So, can I have, 120 is the post tax number and pre tax number will be like 140 or something?
- S. Sunder:** No, pretax we are 156.
- Prakhar Verma:** So isn't it an unlisted company stake sale from...
- S. Sunder:** Long term capital gain.
- Prakhar Verma:** So this is all is profit only? 120 is the profit. 120 will be the pretax profit. And you intend to make any provisions on tough stressed loans against this or not finalized as yet?
- S. Sunder:** No. This and that can't be linked. These are independent.
- Umesh Revankar:** Thank you. As we come to the end of today's session, we feel very confident that next quarter and subsequent part of this year would be very good. We are mainly backing on the infrastructure push by the government with both Sagarmala and Bharatmala project are being implemented. We expect a lot of investment in the road infrastructure and also we feel that with economy recovering and our rural demand continuing to be good, we should continue to do well in the entire calendar year and when we meet next time, probably will have much better clarity on where we are heading towards and the new economic survey which is just announced also talks about 7.5 GDP growth and we all hope that it will give us better results and we will have a lot of good things to talk about when we meet next time. Thank you very much.