"Shriram Transport Finance Q1 FY17 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Shriram Transport Finance Q1 FY17 Earnings Conference Call. As a remainder 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 for an operator by pressing '*'followed by '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjay Kumar Mundra. Thank you and over to you sir.

Sanjay Kumar Mundra: Hello every one and thank you for joining us on the Shriram Transport Q1 FY17 Earnings Conference Call. Let me take this opportunity to introduce our new Managing Director and CEO – Mr. Jasmit Singh Gujral. Mr. Gujral has been with Shriram Group since 1988. He was the CEO of Shriram Overseas Finance where he was responsible for growing the commercial vehicle finance business in the Northern India. He then became the founding MD and CEO of Shriram General Insurance. Within a short span of 8 years, Mr. Gujral has built one of the most profitable General Insurance Company with a gross return premium in excess of Rs. 1700 crores. With this short introduction, I now handover the floor to Mr. Gujral to begin the proceedings of the call. Over to you sir.

Jasmit Singh Gujral: Thanks Sanjay. Good evening to everyone in India and good morning to the investors who have joined us from US. I hope all of you have been able to run through the investor update that has been sent to you earlier that highlights our key operational and financial metrics.

As we look towards the macroeconomic environment, we are seeing certain positive trends which make us optimistic on our prospects in the second half of the year. We are also seeing the initial signs of incremental growth from government initiatives such as mining reforms, 'Make in India' initiative, financial inclusions starting to benefit our customers. Moving forward continuing reform momentum through the passing of GST bill can have a multiplier effect on trade and logistics in the country positively impacting demand from our customers.

Further the monsoon has been progressing well, as it has covered the entire country in the expected time frame and the forecasts have stated that it will exceed long period average by between 106% (of IMD) and 109% (of Skymet) there by ending two years of drought. For the country to really benefit, it is hoped that the right catchment areas get sufficient rainfall. Initial reports have indicated that cultivated area for Kharif, sowing is marginally higher than last year by about 3% as per the agriculture ministry on an overall basis and there is meaningful growth for crops like paddy and pulses. As the harvesting of the Kharif crop gets under way, this will give substantial impetus to the rural economy and spur rural demand.

The overall CV segment grew 12.9% in April to June of current 2016 compared to 3.5% in the same period last year. The M&HCV, the medium and heavy commercial vehicles expanded 14.5% from 23.3% a year ago. LCVs, the Light Commercial Vehicles grew 11.9% against a decline of 7.3% in the same period last year. With the higher production of key commodities like steel, cement and fertilizers, the utilization levels of commercial vehicles has seen an improvement compared to a few months ago. The average distance travelled by the CVs on the national highway has seen substantial improvement and it is expected to translate into improving profitability for the truck operators. It is the beginning of the low period during monsoons but demand is set to pick up in this second half of the year with likely uptake in economic activity in mining and road projects and consolidation of diesel prices at lower levels contributing to improve demand.

Moving on to the specifics of our performance for the quarter, we have started the year on a reasonably strong note. The AUM grew to Rs. 748,084.6 million as compared to Rs. 605,317.2 crore and the net interest income at Rs. 13,461 million versus Rs. 11,356 million last year. The net interest margin stood at 7.35% in Q1 financial year compared to 6.76% in Q1 FY16. PAT was up 16.5% year-on-year at Rs. 3,741 million in Q1 FY17 compared to Rs. 3,211 million pre-merger in Q1 FY16. EPS was Rs. 16.49 per share in Q1 FY17 compared to Rs. 14.15 pre-merger in Q1 FY16. So directionally, things are moving well and we are optimistic of continuing this performance and see an uptick in the 3rd and 4th quarter of the financial year. We will continue to strengthen our presence and expand reach through increased penetration into rural and urban centers and by building partnerships with private financials in the unorganized market to leverage their local know-how.

We are targeting ~15% CAGR growth in our AUM over FY16-19. While continuing to focus on strengthening our collection efficiencies, with the endeavor to improve our asset quality. Also issue will be that we are trying to look into is, the current set ups that we have of our 900 branches and around 800 rural centers that we have, we would like to see that each one of them performs to this optimal performance levels. So it will not be only driven by new branch setup that being adding to the current portfolio. But even the current portfolio branches and the rural centers that we have should also start performing near their optimal possibilities.

That's all from me now and I have my other members of the Senior management team to answer any specific questions that you may have. Mr. Vinay Kelkar – Deputy Managing Director, Mr. Parag Sharma – Executive Director & CFO, Mr. S. Sunder – Executive Director, and Mr. Sanjay Mundra, Senior Vice President.

Moderator: Thank you very much Mr. Gujral. Ladies & gentlemen we will now begin with the question and answer session. The first question is from the line of Kunal Shah from Edelweiss. Please proceed.

Kunal Shah: Firstly, when we look at in terms for the overall interest income, I think there is some decline in yields. So if we can know as to what is been the reason for that? Is it largely on account of the new CVs growing at a slightly higher pace as compared to that of overall AUM growth wherein we had seen the new CVs growing at upwards of 70%. Is that the sole reason or there is something else as well?

S. Sunder: See, that is one of the reasons. The other reason is that, we are focusing more on newer used vehicles, wherein the age of the vehicle is less than 10 years. The push is towards that and in many cases we have also financed vehicles between 4 to 6 years and that has resulted in a slight drop in the yield per se and contributed to the reduction in NIMs.

Kunal Shah: Do we expect this trend to continue going forward as well where in the overall NII growth would continue to be slightly lower as compared to that of AUM growth?

S. Sunder: NIMs, we expect to be in the range between 7.1-7.2% in the current year.

Kunal Shah: Okay and since you are highlighted in terms of shifting more towards the new used vehicles in terms of the lower vintage, so to that extent when we look at it there was actually the decline in the overall growth in FY13 and FY14. So to that extent does the population size gets lowered and this actually impacted the AUM growth, particularly say in second half of FY17 and FY18?

S. Sunder: No, we are confident to achieve a growth of around 15% AUM year-on-year on full year basis and we are confident of maintaining it. That has been our guidance in the past also and we continued to achieve that.

Kunal Shah: Okay. But seeing the traction of almost 23% and in the initial commentary also we highlighted that we are bit optimistic in terms of the outlook, so to that extent wouldn’t it be possible to sustain it even upwards of 20% because we are already there and scenario also seems to be quite optimistic?

S. Sunder: But when we are giving a guidance we generally restrict through around 15% and if you have seen historically also even though we have been guided around 15% it invariably ends up slightly more than that.

Kunal Shah: Okay and lastly in terms of the construction equipment. So how big is the book today and any write off’s from the construction equipment business during the quarter or any further additions to the overall GNPL in this quarter?

S. Sunder: We started this year with an opening balance of around Rs. 1,630 crore in the equipment book and as on June 2016 the book is Rs. 1,446 crore and in the current quarter we have written off around Rs. 14 crore worth of loans.

Kunal Shah: Okay merely Rs. 14 crore and in terms of the addition to the GNPL?

S. Sunder: GNPL which was Rs. 893 crore in the March quarter that has gone up to Rs. 960 crore in the current quarter.

Kunal Shah: Okay, so almost Rs. 70 crore from the construction equipment?

S. Sunder: Correct.

Kunal Shah: Okay and in terms of the collections on a monthly basis, so we still are continuing say that trend of Rs. 80-100 crore per month?

S. Sunder: Yes, current quarter we have collected Rs. 208 crore, which is very good compared to the reduction in the AUM. Earlier it used to be around to be Rs. 80-100 crore when the AUM was on a higher side but since we are not growing the book, Rs. 208 crore is commendable, I would say.

Moderator: Thank you. The next question is from the line of Mahruk Adajania from IDFC. Please proceed.

Mahruk Adajania: Just on the newer used-vehicle growth that you mentioned about, so has the proportion on those vehicles increased a lot in the 1st quarter? Would it be fair to say that in the 4th quarter higher age vehicles were financed and now the age has shifted considerably?

S. Sunder: See, there are the March numbers that we had reported had a full year impact of equipment business also and hence that 7.65% of NIMs basically is not comparable with the June numbers. Had we removed the entire full year of Shriram equipment the NIMs would have been slightly lower.

Mahruk Adajania: Got it. So it is largely because of the merger?

S. Sunder: Correct.

Mahruk Adajania: So what explains the NIM movement from Q4 to Q1 of 30 basis points? Q4 FY16 the NIM was 7.65% and this time it is 7.35%.

S. Sunder: In Q4 we had the merger of equipment happened and the entire full year of equipment was put in the Q4 of STFC and that number has distorted the STFC merged entity figure. So what we will do is that through Mr. Mundra, we will offline give you the details and will explain it you it in detail.

Mahruk Adajania: Got it sir. But the proportion of the 4 to 6 year vehicles has not increased QoQ right. It will be fair to assume that, right?

S. Sunder: It has increased.

Mahruk Adajania: And sir could you give us a disbursement figure, please?

Sanjay Kumar Mundra The disbursement figures are Rs. 10,663 crore, out of which, the new vehicles is Rs. 1,260 crore and the used vehicle is Rs. 9,403 crore.

Mahruk Adajania: Okay and sir do you read anything into some slowdown in CV sales in June by the manufacturers; I am talking about new CVs now. Is there anything to read into it or just an aberration?

Jasmit Singh Gujral: I do not think there will be any drastic change because I was listening to the previous gentleman on the line and then the way we are talking about Make in India, we talk about mining and coal and things like that, I think it is a matter of sometime that things actually start picking and things start happening on the field per se. There will be a movement upwards in all segments of the vehicles because when you are going to produce something in the mining or on the national highways you will be needing the high-end trucks and for the Tier II movement within the city levels you will be looking at the medium to the lower segment of the vehicles per se. So on a very optimistic note we do not see any cause of concern. Coming to your previous point that you were raising, the NGT issues and things like that which actually will bring an advantage to the financial services sectors especially companies like ours because when you are funding the NGT range vehicles which are in excess of 10 years plus, the ticket size was small and the effort to collect the value of the installment was same. So the movement this 10-year vehicle which we have started totally offloading in the last quarter or so we have taken a very conscious decision not to fund that segment of the vehicle. So the concentration has gone towards the younger age of vehicle. Definitely there is at least a couple of half of point dip in terms of interest earnings on those portfolios. But it is well compensated by the new vehicle segments especially in a product called 3-wheelers where the interest rates despite the vehicle being new is much higher as compared to the commercial vehicle segments. So until and unless you look into a segment-wise understanding of the new vehicles, the NIMs could not be understood on a standalone basis. Something could be distorted but something could be very beautiful within the new vehicle segment itself.

Moderator: Thank you. The next question is from the line of Adesh Mehta from Ambit Capital. Please proceed.

Adesh Mehta: So few data related questions. So sir, what could be our overall NPA's on 180 days basis, for the full book and plus for this CE-book as well on 180 days.

S. Sunder: For Shriram Transport the NPA would have been 4.63%.

Adesh Mehta: 4.63% and for the overall book sir?

S. Sunder: Overall book it would have been 5.9%.

Adesh Mehta: Okay 5.9% and sir how much additional provisions we have made this quarter for migration to 150 day NPA norms?

S. Sunder: That we have done in the previous year itself, previous quarter itself.

Adesh Mehta: Okay, but then given that on a YoY basis we must have made some incremental provisions which you would not have made earlier, right?

S. Sunder: To reply it differently, had we followed 180 days' norm in the June quarter our NPA would have been 5.9%, instead of that we have now provided on 6.38%. So that 48 basis point increases on account of the migration from 180 to 150 so that way we calculated.

Adesh Mehta: And sir in terms of write offs, how much we have written off this quarter for the entire company?

S. Sunder: Our total provisions and write offs in the current quarter is about Rs. 459 crore out of which the write-offs were Rs. 266 crore, provisions were Rs. 188 crore and Rs. 5 crore is on account of standard asset provision.

Adesh Mehta: And sir what could this number be last year?

S. Sunder: Last year?

Adesh Mehta: Last year first quarter?

S. Sunder: That will be standalone.

Adesh Mehta: Yes, standalone.

S. Sunder: Like-to-like June quarter last year, which was a standalone number, we had a provision of Rs. 151 crore and write-off of Rs. 225 crore and standard asset provision of Rs. 5 crore, totaling to Rs. 382 crore.

Adesh Mehta: Okay. So 225 crores were the write-off last year?

S. Sunder: Compared to that it is Rs. 266 in the current quarter and which include equipment of Rs. 14 crore as well.

Adesh Mehta: And sir 2-3 more data point related questions. What would be our interest reversals this quarter as well, interests which we have not charged because of migrating to 150 day norms and the profits and losses on the CE financing business, so basically I wanted to know the standalone profitability of Shriram Transport?

S. Sunder: That we don't have with us, may be through Mundra we can connect it to you.

Adesh Mehta: And sir losses on CE financing business which have somewhat compensated this year?

S. Sunder: That number also is not readily available, we will move it to Mr. Mundra.

Adesh Mehta: Okay and one last question sir, in terms of the 10-year old plus vehicles, what could those vehicles be in terms of percentage of our AUM. How big that portfolio would be?

Jasmit Singh Gujral: It is around 6%.

Moderator: Thank you. The next question is from the line of Sunil Tirumalai from Credit Suisse. Please proceed.

Sunil Tirumalai: Just ask few questions, one of which is a follow up. So did I catch it right that on 180 day basis it would have been 2.63% NPA on the core business?

S. Sunder: No, it was 4.63%.

Sunil Tirumalai: 4.63% was on a like-for-like 180-day basis. Were there were some slippages?

S. Sunder: Yes, correct.

Sunil Tirumalai: Ok and how should we look at the NII growth versus AUM growth, on a YoY basis it seems like you have reported an NIM increase but the NII growth is slower than the AUM growth. Is it because a lot of the loans were given out towards the end of the quarter? Any help over there will be helpful.

S. Sunder: The full year impact was distorted because of the merger happening in the last quarter and current quarter if you see and the guidance for the current year what feel is, should be around 7.1 -7.2% will be the broad number for the full year.

Sunil Tirumalai: So between Q1 of last year and Q1 of this year I agree that the subsidiary has been merged but that is there in both the numerator and the denominator and I do not think the NII over there, is it very low I would not think the margins for that would be very low compared to last year?

S. Sunder: When you compare with the previous June quarter of 2015, the NIM was around 6.76%.

Sunil Tirumalai: Right, which has increased.

S. Sunder: Yes, which has gradually increased over last one year. That standalone number itself was all visible in September as well as December and the same thing has continued and it has more or less I would say peaked around 7.5% and since we are also going forward we intent concentrating on slightly younger age vehicle. So this number should be in the range of around 7.1-7.2% that is what we are guiding.

Sunil Tirumalai: Okay and this write-off number, I mean how should we look at it? What is driving your thought process on that and how should we look at the write-off number given the economic situation that mentioned at the beginning of the call? Thank you.

S. Sunder: Historical loses if you see in the last many years have been around 2.5% and we are confident to maintain the same thing in the years to come.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from Anand Rathi Securities. Please proceed.

Shubhranshu Mishra: I had few questions. One is with regards to, as your AUM is getting skewed towards the newer age vehicles. I just wanted to understand the yields that you have presently on the newer old vehicles individually. That is the first question. Second in terms of expansion, are you going to focus more on the channel expansion for the growth or are you going to focus more on the productivity through technology intervention. Which one will be more preferable to you?

Jasmit Singh Gujral: New vehicle lending rates, when I talking about new vehicles I am talking about the newer used vehicle also. It will be roughly around 15-16% and used vehicles above 8 years will be at 20%. The blended would be around 18%.

Whether we will be expanding the branch network or will be using the productivity. I think blended use of both things, it cannot be in isolation. But then I think current year we will be more focused on the productivity of the existing branches. But then what really happens is that while you are increasing the productivity per person within the existing set up, branches per se, you are still exploring for the catchment area going forward and that catchment area actually resolves into the rural centers getting evolved but then the basic focus will be still towards the productivity to increase but of course we cannot live without the technology moving forward.

Moderator: Thank you. The next question is from the line of Harshit Toshniwal from ICICI Securities. Please proceed.

Harshit Toshniwal: Sir can you just repeat the write-off number which you mentioned? Rs. 266 crore is the write-off numbers for the Shriram Transport?

S. Sunder: No, it is for the both entities put together, out of which Rs. 14 crore is pertaining to equipment finance. Rs. 188 crore is the provisions.

Harshit Toshniwal: And Rs. 5 crore is for the standard asset provisioning?

S. Sunder: Correct.

Moderator: Thank you. The next question is from the line of Shiva Kumar from Unifi Capital. Please proceed.

Shiva Kumar: Sir what will be the GNPA ratio at 120 days and when is the migration to 120 days likely to happen, which quarter?

S. Sunder: So GNPA on 180-day basis for the combined entity is 5.9% and at 150-day basis it is 6.38% and we intend migrating to the 120 days' basis by the year end.

Shiva Kumar: Okay and currently if we were to look at 120 days GNPA policy what would be the number sir?

S. Sunder: It should be around 100-150 bps more.

Shiva Kumar: Sir what do you sense on the GNPA ratio going forward? Is this the highest ratio that we are likely to see in this fiscal or do you expect it to again trend towards high levels, what is your sense? Any target you have in mind for this year?

S. Sunder: We feel that it is more or less peaked out and it should not go beyond this, give and take 10 basis points here and there.

Shiva Kumar: So the provisions which we got to see in Q1 which is around Rs. 459 crore, you think that number should actually trend down as we move forward or will it be around the same level?

S. Sunder: It would be in the same level I would say.

Shiva Kumar: And sir one last question on the employee cost, in Q4 it was around Rs. 188 crore; it has come down sharply to Rs. 152 crore. What explains this sharp decrease?

S. Sunder: Q4 numbers are strictly not comparable because the equipment finance business was merged in Q4 and the full year number of equipment business was forming part of the Q4 number of STFC and hence those figures have to be removed of CE.

Moderator: Thank you. The next question is from the line of Umang Shah from Emkay Global. Please proceed.

Umang Shah: In fact a related question to OPEX, so clearly on a YoY basis given the fact that last year we were standalone entity and this time we are including construction equipment business our OPEX growth is fairly contained at just 15% year-on-year. So just wanted some thoughts as to going forward should we remain in a similar cost to income band or maybe we can expect some kind of further improvement in this ratio. How do we see this line moving?

S. Sunder: Currently our cost to income is around 23.5% and we expect that to remain stable going forward also.

Umang Shah: Okay. So it should be more or less within this band right?

S. Sunder: Correct.

Umang Shah: And just a second question was again a follow-up on the interest income part. I just wanted to know there is no one-off kind of a component in the interest income, right? Because I mean a Rs. 2.4 billion kind of a sequential drop in interest income is something we are looking at. So I mean the share of newer old vehicles I believe we have been doing this business almost for a couple of years now. So the impact particularly in this quarter looks a bit sharper. So there is no one off in the interest income right? I am comparing the interest income numbers, so last quarter we were Rs. 27.2 billion this quarter we are at Rs. 24.8 billion.

S. Sunder: No, Q4 numbers cannot be compared as we were telling you earlier also that it includes the full year number of equipment. If we exclude that then it will be comparable.

Moderator: Thank you. The next question is from the line of Adarsh Parasrampuria from Nomura. Please proceed.

Adarsh Parasrampuria: Sir couple of questions, first is on the credit cost and the provisioning line. You mentioned in one of the earlier questions that it should remain in this range where we are at Rs. 450-460 crore. Just wanted to understand because monsoon is progressing well, you said some government initiatives are making things move as well. So this is one of the higher credit cost that we are having for the last 6-7-8 quarters. So why should this continue, if you can give some color on that please?

S. Sunder: If you see the absolute amount it will be in the same region maybe it will marginally go up because the AUM also quarter-on-quarter is growing. If you see the past also it has been going up. So absolute amount has to go up unless and otherwise there is a drastic improvement in our portfolio quality Gross NPA coming down on those thing. But in a growing AUM this trend has to continue but when it comes to percentage terms we are fairly stable I would say but for maybe when we are migrating, we had migrated to 150 days and when will we be migrating to 120 days, there may be spurt in that particular quarter. But if you take out that aberration it would have been stable I would say.

Sanjay Kumar Mundra I just want to add. If you look at the formation of the NPA in this quarter was in the range of Rs. 250-260 crore and if you provide for 70% on that, that itself comes to around Rs. 170-180 crore. So what we are thinking is that probably one more quarter if the formation of NPA continues to stop or come down then automatically the provisions part might start slowly coming down. So this is what we have said probably in the first half we do not expect but if the economy improves and harvesting remains pretty good in the December 1st week or 2nd week when we start harvesting, probably if the things from the ground improves and with further the formation of the NPA comes down probably then the credit cost might start coming down.

Adarsh Parasrampuria: Perfect Sanjay, that answers. The second question is, this linked to the new CV growth, just before understand the nature of this lending and the yields there because I would think banks are better off doing from a cost of funds perspective. So what is the nature of your customer, still a single owner or what is in there because otherwise you do not have that much of a competitive advantage vis-à-vis a bank doing that business, right?

S. Sunder: Our new vehicle we are not going out of the way and sourcing new customers. We are funding new vehicles also to the existing customers who want to upgrade themselves and going for acquiring a new vehicle. For those customers only we are funding and hence we are not competing with the banks per se. But having said that the rates will be definitely lower than the used vehicle rates in terms of rates and it should be as Mr. Parag was guiding in the couple of questions before it is around 14-15%.

Adarsh Parasrampuria: It is good that due to your customer where you still have an advantage but I just see that there has been a sudden spread which means that the growth would be coming from beyond your existing customers, right?

S. Sunder: Now also if you see out of that Rs. 10,663 crore of disbursement in the current quarter the contribution of new vehicle has been only Rs. 1,260 crore. Are you talking about the newer used vehicles or you are talking about the new vehicles sir?

Adarsh Parasrampuria: No, I am referring still to the new series. So completely the new vehicle. The AUMs have almost doubled and if you are telling that it is going to be from the existing customer itself then it is okay but otherwise I see that doubling of an AUM, is it from the same customer base only or …?

S. Sunder: It is from the same customer base only.

Jasmit Singh Gujral: It cannot be either of the two in isolation gentlemen; it will be not everyone of our existing customer is going to graduate to an absolutely new vehicle. It is also not that the people who are competing with us because the kind of the customer we fund is not actually a customer for the banks because the banks will be looking for variety of collaterals and things like that which is not our core and if in case we look at the tagline of what STFC says is 'cleaner to a driver, to an owner'. So the kind of a quality of a customer that you fund and who has been with us for all these ages is not a kind of a customer which will be the profile with the bankers or other finance companies would be looking at. Yes, definitely we do try that we have our own ecosystem of our existing large database of our existing customers. So we would love to deal primarily with those people because then we have a more like an in-house CIBIL system available for those customers but it does not debar us from going out of the system also and funding it beyond the ecosystem also. The another point that you got to keep into mind is that the ease with which the businesses transacted in our kind of a business is of high importance. I think a person in our kind of a business is not uncomfortable paying a percent or two more for the ease of the business, that he has transacted a business within. I understand that when we go to the rural pockets where I was talking about close to around 800 rural centers that we have I think the referral business becomes very important for the existing customer if in case Mr. A is an existing customer but Mr. B is not an existing customer with us but when Mr. B wants to buy a new vehicle Mr. A refers the customer back to the Shriram only. It cannot be seen in isolation but in a total circle it is combination of both put together, existing and the new ones also.

Moderator: Thank you. The next question is from the line of Nisarg Vakharia from Lucky Investments. Please proceed.

Nisarg Vakharia: Couple of questions. One, can you just give us a sense of how the freight utilization has seen improvement in the market in this quarter?

Jasmit Singh Gujral: Gentleman, it looks like you are talking about freight improvement, am I right?

Nisarg Vakharia: Yes.

Jasmit Singh Gujral: It looks like that initially what used to be may be 16 to 18 days of kind of capacity utilization for the truck it is now moving between 22 and 23 days and there is a healthy stock to look at in terms of customer putting his vehicle to a reasonable use and in terms being in a position to payback our installments. If all goes very well, if monsoon continues with the upswing and then it rains in the desired pockets and the issues that I had referred on these opening remarks in terms of Make in India and the mining sector and the highways are starting and things like that, I think at around plus couple of days more being put to use the freight per se will improve and the major ingredient of a customer's raw material is the diesel which is at a very reasonable cost in terms of stability at around $48 to a barrel. I think all seems to be indicating to a reasonable movement forward positive both to the customer that consumer is going to pay for it and to the finance company also which is going to be comfortable in terms of getting repayments back.

Nisarg Vakharia: Just to understand this argument sir, the freight utilization has improved by 3 to 4 days for the vehicle owners and considering most of the cost have remained same especially diesel, so this increased cash flow in the hand of the fleet owner has it not translated into better collection and lower NPAs for the agri if that would have been the case?

Jasmit Singh Gujral: I agree with your point gentleman but it does not always translate into an easy mechanism in terms of what increases the cash flow has to come back to us an EMI. It is not always a situation may be it retains something but that definitely is translating into a definite better collections and we are trying to prepare the customer for graduating for a 150 to 120 to 90 day norms at the end of FY18, so we are feeling comfortable that in the good period time. The logic that we are trying to explain to them that RBI is going to force us to get into a movement of 90 days, so the thought process that we are talking with them is going very well with them now. So your question is very appropriate but it does not always translate into an NPA going down on account of that. It may, it may not.

Nisarg Vakharia: Okay and is there any inflation point type of a number where in say if it improves by another couple historically, is there any number of days' utilization at which you see a significant improvement in the cash collections, is there a number that you have tracked historically sir?

Jasmit Singh Gujral: Gentleman, there would not be a right answer to give because even if you look at when I say 23 and 24 days it depends up on there could be many caveats into that account. The long haulage vehicles are put for a different number of users but local vehicle are put for a different use of the vehicle and the long haulage vehicles, the heavy commercial vehicles and all even if they are put to use they still spend couple of days in on-loading and offloading. So at no point of time the capacity utilization of 30 days to a month can never be put to use. I think anything at around 23-24 days is a very wonderful kind of a utilization per se.

Nisarg Vakharia: Secondly sir if you look in terms of gross NPAs can you just give a break up between what is the break up between the used and other segment sector and this one in the incremental slippages?

S. Sunder: We do not have the number right now. So Mr. Sanjay may coordinate with you and then give it to you.

Nisarg Vakharia: One question regarding the new vehicle financing, you did mention that the yields there are little lower but I would presume that the collection cost and the provision for the delinquency would also be lower. So on a RoA basis do the new vehicles are comparable to the RoA that you make on the second hand vehicles?

S. Sunder: Yes, it is comparable with the RoA of used vehicles.

Nisarg Vakharia: If I may be permitted for one more question regarding the provision for NPA, I was just seeing the historical trend, in good times it goes as low as 1.5-1.75% of the AUM historically but that time you are at 180 days NPAs, so now that we will be translating towards 120 even assuming the cycle it is back to previous good time, can we look to go below 2% provisioning or this 2.5% is the new normal that we should work with?

S. Sunder: Difficult to answer because 90 days, once we migrate after say 1.5 years down the line, so at that point of time how exactly the economy will behave there are various factors to be determined. So this is slightly a tricky question, it will be difficult to answer.

Jasmit Singh Gujral: But gentlemen, the industry in which we operate I think the numbers around these numbers could be a very welcome kind of a statement and as my colleague was talking about I think we will bite the bullet when it comes to it and I think we will have to really look into the fact that how the transporter behaves in 90-day migration.

Moderator: Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please proceed.

Saurabh Kumar: My question is on this construction equipment book. So we have seen improved traction from lot of road contractors and there is better ordering at NHAI as well. But we have seen significant recoveries here. So what is your outlook here?

S. Sunder: Recoveries are definitely happening. In the current quarter also we have seen a recovery of around Rs. 208 crore and the team also is pretty confident that may be in the next 2-3 quarters' time they will be able to improve their collections much more and the portfolio can be brought down to a very significant lower levels. So we are pretty confident that the loss of which were estimated earlier will be much lower than what it is currently envisaged.

Management: Saurabh, the other part, the first half generally are slightly weaker compared to the second half because you are running through the monsoon where most of the infrastructure activity gets slowed down in particularly between June to September. So we expect the recovery in the CE book to come up in the second half of the year rather than the first half.

Saurabh Kumar: And sir till how much is the quantum of loan you have written-off in this book from last year till date?

Management: March quarter it was around Rs. 54-55 crore and this quarter it was Rs. 14 crore. So total put together could be around Rs. 70 crore.

Saurabh Kumar: So Rs. 70 crores is the amount written-off.

Management: Yes, in last two quarters.

Saurabh Kumar: No, I am saying from last year.

Management: No, because last year we made a full year, so that was Rs. 54-56 crore and further Rs. 14-15 crore. So to sum it up it is around Rs. 70 crore.

Saurabh Kumar: So from Rs. 1,400 crore only Rs. 70 crore as yet, right?

Management: Yes.

Saurabh Kumar: And sir second question is on growth. A lot of OEMs are reporting growth because apparently there is pre-buying ahead of this emission norm which is then expected to taper off in FY18. So you are not really into the new vehicle but is there like buying on asset which is affecting this four to six years old vehicles as fleet operators spread up to these new vehicles they are probably seeing increased demand of four to six and then we should revert to more normal growth in FY18?

Jasmit Singh Gujral: Gentlemen, the moment the you will see that anything which is more than 10 years is going to be affected by NGT, you will see an upward taken all the years automatically. Any person who is in the 10-year segment will like to migrate to the 9 and the 8s and the 8 one has to sell it to off to migrate further up and X number of vehicles will be totally scraped from the system. They will have to come to some kind of upward movement itself. So I straight away see an overall improvement in the segment. Right from a 12-year-old person either he will go out of the business of this commercial vehicle industry or he would like to sell off in a scrap basis of the existing vehicle and migrate to something which he can survive for the next 7-8 years' time. There is also a possibility that people may not be willing to buy anything of around 8.5 years or 8 years because then they will look at the left over life cycle as in the next 2 years' time. So they would not like to put their vehicles for the next 2 years only. So there is a high probability that vehicles of anything around 5 years to 7 years will start commanding slightly better prices per se and that itself will start improving our lending values also. Though it will have a little bit of impact in terms of because when you are lending it from 9 years old vehicle you could be lending around 21% but when you are lending at around may be around 6-year-old vehicle you will be lending around say 19% also. But then at the end of the day the loss in terms of very old vehicles being there which was not a very high total portfolio of our overall AUM will be very well-compensated by the overall value demand increase because of the new vehicle and the high-end vehicle segment.

Saurabh Kumar: Sir actually my question was on this Bharat IV norm. So the OEMs have actually reported good numbers ahead of these Bharat IV ES now. So I am just wondering as you said about NGT norms affecting demand, Bharat norms are also affecting demand currently and as it rolls out into next year then we should probably see more normal growth?

Jasmit Singh Gujral: It will definitely. It will automatically translate. The basic point is I think the realization is coming across to all the manufactures primarily because the manufactures OEMs are gearing up for all that. I personally feel that the impact will be wholesome. There will be nothing left out in isolation per se.

Moderator: Thank you. The next question is from the line of Abhishek Murarka from IIFL. Please proceed.

Abhishek Murarka: Just a couple of data related questions. First, can you give a proportion of the AUM by vintage, so may be the used 4-6, 6-10 years something of that sort?

Management: Abhishek, right now we do not have, but what we have the data is more than 10 years we will be around 6-7% of our AUM and 5 years and less will be around 21-22% and between 5-10 years is around 72-73%.

Abhishek Murarka: And secondly sir could you repeat the yields in these segments? I just missed that earlier.

S. Sunder: The yields in new vehicle hovers around 14-14.5% and used vehicle it is between 18-26% but the average yields if you see it would be around 17.5-18% only blended.

Abhishek Murarka: And in this 4-6 category versus the older one what would be the difference. So 18-20-21% approximately?

S. Sunder: When I am telling you 18-26% it is predominantly more than 6 years only and if you strictly want the range between 4-6 years it will be closer to 15%.

Moderator: Thank you. The next question is from the line of Amit Ganatra from Invesco Asset Management. Please proceed.

Amit Ganatra: Just to once again reconfirm some numbers, so this 1st quarter you are saying gross NPA for the standalone business on 180 days would have been 4.63%, is it correct?

S. Sunder: Correct.

Amit Ganatra: And 4th quarter similar numbers were shared. Was it 4.8% in 4th quarter?

S. Sunder: No, 4th quarter was 4.34% at 180 days.

Amit Ganatra: So on 180 days 4th quarter was 4.34% which has now become 4.63%?

S. Sunder: Correct.

Moderator: Thank you. The next question is from the line of Prakriti Banka from DHFL. Please proceed.

Prakriti Banka: Just one question, how many customers did you have at the end of Q1 last year?

S. Sunder: Ma'am we do not have that number right now. I would suggest that you coordinate with Mr. Mundra and then take it.

Moderator: Thank you. The next question is from the line of Vikesh Mehta from Religare Capital. Please proceed.

Parag: Parag here. So basically few participants are highlighting that if GST has to come through the vehicle movement can be more swift or more effective so that it can kind of impact the overall demand of the vehicle market. So what is your view on that?

Jasmit Singh Gujral: Gentleman, we really cannot say very specifically but then my personal take on it was that the GST will only regularize the buying of vehicles from one state to the advantage of the others arbitrage. So I do not think the sales tax arbitrage can actually or was helping in terms of the vehicles being sold more. So if in case yesterday I was buying something from Daman and Diu because the cost of the vehicle was more in Delhi, so tomorrow I will start buying in Delhi itself. But these two transactions will not actually help the sale of the vehicle per se increasing. But beyond that if in case there is something of a technical nature which can actually increase the sales per se or can bring down the cost of buying to the consumer that can actually spike up the sales. I will keep my fingers crossed for some time.

Parag: And sir one question that basically last year same quarter we were at around 4.1% GNPA on 180 basis. In 3rd quarter we were at 4.3%, then on a similar 180-day basis we were at 4.34% in last quarter and now we are at 4.6%. So it seems that we have not seen any improvement at least on the numbers may be outlook could be a different thing but at least on the numbers we are not seeing any improvements so far as the asset quality is concerned. But during the same period if we look at our growth has actually gone up quite substantially. So when do you see this 4.63% may be stabilizing at 4.6% kind of a level then slowly declining probably to below 4, etc., and this time around, don't you think the growth has come back slightly in a hurry before the asset quality pressures have eased because generally if you see the cycles, we have seen the GNPA first stabilizing then declining then kind of growth coming back?

S. Sunder: Right on the point that the NPAs have been rising for a period of time and the team believes that it is more or less peaking at the current moment and may be post October onwards once the monsoon and all those things are out of the way, the NPA should gradually come down and to answer the other question that the growth has spurted in spite of the asset quality not improving, it is not correct to say, I would say that okay historical losses if you see we are not more concerned about what the NPA numbers are because ultimately what matters is that at the time of closure of the contracts what actually we lose and that has been consistent for the last 10-15 years' period which is around 2.5% is our track record of the losses at the time of settlement and currently also we are in the same range and hence we are not unduly concerned about the NPAs marginally going up.

Parag: Okay. So at least for the next quarter, is it reasonable to assume that the NPAs will be around 4.3-4.5% I mean at a current level?

S. Sunder: At 180 days, yes. It will be in the same range.

Moderator: Thank you. The next question is a follow up question from the line of Adesh Mehta from Ambit Capital. Please proceed.

Adesh Mehta: So sir regarding the NPAs in the construction equipment business, out of this Rs. 960 crore is there any granularity you can offer in terms of what kind of assets this could be? This could be backhoe loader, excavators or cranes or forklift or in terms of concentration like what makes us so confident that we are going to recover money from these NPAs?

S. Sunder: The bifurcation we do not have it currently. So maybe you can coordinate with Mundra and collect it subsequently. In percentage it may be very high, the NPAs of equipment business standalone. The main reason is that last 1-1.5 years we have stopped lending to new customers and the book is gradually running down and hence on a total book of Rs. 1,446 crore, Rs. 960 crore of NPA is definitely high. But the team is pretty confident that in the next 3-4 quarters we will be able to recover most of the back.

Adesh Mehta: So sir from this Rs. 960 crores how much recoveries are we confident which could happen in FY17 or FY18?

Management: See as we have told, when the book size was around Rs. 3,000 crores at the start of the last financial year and we have said that probably the loss could be between 10-15% range and we are confident that it will be in that range. The other part which I would like to mention about construction equipment is that, now it is a season portfolio where most of the installments customers are paying, in a quarter they are paying 1.5 or 2 EMI’s but still the money is flowing in that system. So that is why we are confident that probably after the monsoon season is over the collection on the equipment portfolio will be slightly higher.

Adesh Mehta: And regarding your cost of funds, given where our credit rating is, we find that your cost of funds are relatively higher relative to our credit ratings. So what is your outlook in terms of cost of funds over the next 1 or 2 years where can it settle at?

Management: The cost of fund has been coming down over the quarters. We have sizeable retail portfolio also in our overall borrowing and roughly 1/3rd of the institutional borrowing is also from the banks which is term loans and all where the banks rates have marginally come down or not come down to expectations and that being one of the costlier source of funds, overall cost does seem slightly higher. But current year and last year also we have done large securitization which should definitely help in bringing the cost down. So banks term loan roughly at around 9.5% when it comes to capital market bond placements and all it should be roughly around 9% and secuterization is roughly at around 8-8.5% that will be the overall borrowing rate.

Adesh Mehta: So given that we are also expecting a decline in cost of funds and still we are saying that NIMs will be in the range of around 7.1-7.2% which is around 10 bps decline from what we are reporting now. So that means a meaningful decline in yields as well, right?

Management: Therefore, we are mentioning that we are shifting more rather than re-shifting customer has also been demanding more of newer vehicle because of all NGT issues, Bharat IV and all one of the other questioners was asking so there will be some shift towards the newer vehicles where the yield will be definitely slightly lower.

Adesh Mehta: Okay. But would there be any offsetting impact like the OPEX can go lower or any levels that you have to sustain the RoA?

Management: OPEX to come down will be difficult because one is we are diversified into so many locations large yield book also so the costs to overall comes down looks slightly difficult and as we are talking about higher business volumes and all we might add-on some more people. It will be very difficult to reduce our cost.

Moderator: Thank you. The next question is from the line of Mohil Loonker who is an Individual Investor. Please proceed.

Mohil Loonker: Just wanted to ask a few business regarding our business model. What makes our business model really unique and what insulates other big players from entering into pre-owned commercial vehicle segments? My second question will be when the new vehicles are added into the market, so during the life time of that vehicle can we conclude that Shriram Transport is the major beneficiary? And the third question is do roadways as a popular mode of transportation face a threat from railways going ahead considering the increase in expenditure from government, ultimately affecting Shriram?

Jasmit Singh Gujral: I will have to really recall all your 3 questions in the same sequence but let me try to recall the first one was, how are we unique? See gentlemen, the number of branches which I have said couple of times we are close to around 900 branches and another 800 odd rural centers. That is one kind of a penetration in the market which is just not available with anyone and even if one tries to copy and cut paste the model it may be if not more at least another decade down the line. So a decade kind of an advantage is one. Two is I think the most important aspect which a person cannot copy and cut paste our business model is the manpower that we have. It is more like a home grown resources that we grow. We nurture a person the way we are talking about the philosophy of cleaner, to a driver, to an owner, the same way we develop a person from a Product Executive to an Assistant Manager to a Branch Manager. So we spend a lot of time evolving that. So this is not a business model that can be easily cut, paste and copied out. What you can easily do is if in case you are running up business model more for a car finance which is concentrated in the urban or the semi-urban areas this is got to be spread all over the pockets right from main metros to the last leg of the B and C and D class of cities. So that is one business model which makes that very unique and where we keep on expanding this footprint further down the line. I think if a person wants to compete with us also he can try to compete with us may be in the Bombay-Madras-Calcutta factors. But I think we are the only ones who are organized in case if you look at, right up to the J&K to the North East part of it, there is no one who can even think about getting into the game out there. This is one unique model per se. The roads being very unique gentlemen, your railways cannot come right into the city. So whatever comes right from a next place up to the station and again it has got to be offloaded and take in to godown, you still need the medium of transportation by roads only. So there is no alternate. What you can start competing is if incase our long haulage on a sector to sector, yes there is a possibility that coal may not get shift by roadway but by the rail transport. But this is from the basic point of mining right through the point of railways still you need trucks and when it is offloaded at a particular point, right to the consumer's point you still need a truck. So I think we have been talking about this issue for ages now. So you can have a swing about a percentile point once in a while. We can talk about railways competing with the roadways but I think each one of them has their own segment and they really cannot affect big time basis into each other's territory. I really do not see a threat from either of the freight space.

Mohil Loonker: Okay and my final question. Whenever the new truck is sourced into the market, be it 100% upfront or be it through any source of financing, through banks or through Shriram or any other major NBFC. Going down the line through the cycle of that vehicle can we consider that Shriram Transport is the major beneficiary throughout the cycle of that vehicle?

Jasmit Singh Gujral: Yes and no both. If in case you would look at the profile of what my colleague was talking that of Rs. 10,000 crore of funding that we have done, around Rs. 1000 crore was coming from the new vehicle segment. So I would not say that we are hugely benefited by the new vehicle segment. But the movement first lifecycle when the vehicle changes hands for the first time, we become automatically beneficiary of the vehicle. There is no denying that fact but then within the new vehicle segment there is a further classification gentleman. When you look at the HCV, yes we may not be the beneficiary big time basis but we are not out of the market at all. But when the movement you look into the LCV segment, the 3-wheeler segment, yes we are big time players in that segments because when you are looking at the 3-wheeler segment it is not concentrated again once again in the major metro cities. The movement any vehicle has got a kind of a major utilization towards the rural pockets we are direct beneficiaries during the lifecycle of the vehicle.

Moderator: Thank you. The next question is from the line of Harshit Toshniwal from ICICI Securities. Please proceed.

Harshit Toshniwal: Sir I just wanted to know that if at 120 days NPA recognition what would be the near about GNPA numbers as a percentage of AUM?

S. Sunder: It should be around 100-150 bps.

Harshit Toshniwal: 100-150 bps in that bucket, 120-150 days?

S. Sunder: Yes, correct.

Moderator: Thank you. The next question is a follow up question from the line of Nisarg Vakharia from Lucky Investments. Please proceed.

Nisarg Vakharia: This question is regarding the levels. In one of the previous queries you mentioned that the team is fairly confident the gross NPA levels will reduce post the monsoon season. In my previous query you mentioned that the utilization of freight is almost at optimum for most of the vehicle owners and this increase has not led to higher cash flows in terms of early repayments or timely payments for you. I am not exactly able to figure out how will that cycle change post the monsoon because utilization is already at optimum. So how does the fleet owner gets increased cash flow to be able to reduce the NPAs for you?

Sanjay Kumar Mundra: We have not mentioned in any of the calls that there is optimum utilization of the vehicle, we have said that probably on the industrial side if you look at all the industries which are working with around 75% capacity the utilization levels are around 77-80% and in our cash and carry business it is ranging between 80-85%. So still there is a lot of room left for the optimum utilization of the vehicle.

Jasmit Singh Gujral: I will improve upon it Mundra. I think in number of days per se we have reached a reasonable number. It is more like a hotel cannot be operating on a 100% utilization throughout the year. So at 23 days' kind of a running cycle out of 30 days is a reasonable number because your vehicle is put off the road for variety of reasons during the year for repairing, for accidents, for variety of reasons. So 23 days to 25 days is a reasonable number for a vehicle to be put on optimal use. But gentleman the point that I was trying to say, I understand the question that you are coming from, if the current was being utilized at around 21 days because it is only a current phenomenon per se, earlier on it was 21 days or 16-18 days it was earlier on there. So when a customer is actually migrating from 16-23 days there definitely will be cash flows advantages. So people who are in the default category who are in arrears they would like to use these cash flows to pay back our default installments. Otherwise they is an ODC charge which comes on to the system. So I was commenting more from that perspective not in terms of that if an optimal has been realized then how could it….. Yes, definitely your point is very well taken, even if this is optimal the cash flows would not improve beyond that until and unless the freight movement itself takes up forward. So days will remain constant but that carriage part increases, the carriage part give us an extra cash flows.

Nisarg Vakharia: So as of now you see some improvements further in terms of number of days and probably in markets segments there could be some possibility on the rate per kilometers also seeing upside?

Jasmit Singh Gujral: Yes, what you are saying is right gentleman.

Nisarg Vakharia: Sir in the historical times what is the peak that you have seen in terms of utilization days, has it at least touched 26-27 days?

Jasmit Singh Gujral: Please appreciate the point a number of days also has to be classified I can put certain caveats. Let me explain to you a little bit here then. If you buy a small vehicle which is used within the city limits, though it is said that it is utilized for a day but then a small vehicle has to be utilized multiple times during the day to being optimally used. But when you look at the HCV it is used, suppose a vehicle is going from Chennai to Bombay, now it is on the road for the next 4 days' time. But when it goes there it offloads and then on-loads, so it will lose at least may be 2/3rd of one day in the offloading on-loading. So when it is doing a trip of say 4 days each time the maximum it can make a trip is around 5-6 trucks in a months' time. Although 6 trips 24 days you will be losing couple of days in terms of offloading on-loading and something in terms of per se wastage. So please appreciate the point it is for heavy commercial vehicles the trailers and maybe the MCVs also you can quantify in number of days but the lower strata of the vehicle which is the small Maxis and Aces that you see on the roads they are used for the day, multiple times in the goods carrying commercial vehicles. If in case you are taking an off road suppose you are shifting your household material may be a table and a chair it does not run multiple times during the day, he runs it may be once in a day. But if in case you look at the passenger carrying commercial vehicles, if in case the person, the more the trips that it does during the day actually is his utilization. So the utilization itself has to be seen in the segment in which I am talking about.

Nisarg Vakharia: Second question is regarding the RoA of the company, till sometime back RoAs used to be in the region of 3-3.5%, right now at 2.1%-2.2%. You mentioned that you do not see much increase in the NIMs as well as you see the charge for the provision remaining at the current level and our cost to income is also very efficient. So in that scenario how do we see the RoAs going ahead next 1-2 years? Can we actually aspire to again reach to 2.7-3% or that is something that was historical and the new model let us say function on the 2-2.4%. Some of the peers like Chola and all are having a slightly better RoAs despite having 35-40% cost to income ratio?

S. Sunder: See currently we are at 2.15% and since we will be migrating to 120 days in 4th quarter as well as 90 days in the next year, so that will be a pressure on the RoAs may be for the next 1 or 2 years it will be in this same region.

Nisarg Vakharia: But some of the peers have taken a lower provision coverage to compensate for this because some of them are as low as 35-40% provision coverage. Are we not looking at something like that to be able to cushion the impact when you made it from 150 to 120 and eventually to 90 days?

S. Sunder: As of now the discussions are going on but it is up to the Board to finally take a call and so it will be premature for us to comment on that.

Moderator: Thank you. The next question is from the line of Piran Engineer from Motilal Oswal Securities. Please proceed.

Piran Engineer: So other than 960 crores GNPA in your equipment finance book what are the provisions you all are holding?

S. Sunder: We are holding about 82% to shareholding,740 crores we are holding.

Piran Engineer: And just in terms of how many NPA accounts are still servicing the loans, one of you all mentioned that in a quarter sometimes a customer pays one month EMI, two months EMI, so how many such accounts would be there where they are servicing their loans but they are still NPAs because they have not cleared past over dues?

S. Sunder: We do not have the numbers right now. So you can coordinate with Mr. Mundra.

Piran Engineer: Thank you. Just one last question sir, what are the provision norms in terms how much provision do you make when it is a fresh NPA when it becomes one-year-old NPA or two-year-old NPA. What are the kind of norms, how much do you all provide as per the ageing of the NPA?

S. Sunder: See once it becomes an NPA at 150 days, we follow the RBI norms. But beyond the 9 months, 12 months if it is remaining an NPA, we provide more or less 90%

Piran Engineer: Is there a possibility like Mahindra did this quarter a reversal of provisions based on the value of the collateral that you all have, is that a possibility going ahead and if the environment remains subdued as it sounds like could that be a possibility going ahead?

S. Sunder: See currently we are having a coverage of 70% that is a Board directive and suppose going forward when we migrate to say 120 days supposing the Board agrees to reduce the coverage. So it is likely that it can be brought down. So it is more the Board's decision.

Moderator: Thank you. The next question is from the line of Pradeep Agarwal from PhillipCapital. Please proceed.

Pradeep Agarwal: My question pertains to the asset quality side. So basically that Rs. 41,259 million of GNPA if you can provide some colors as to what proportion of those would be from higher vintage vehicle of say more than 8 years?

S. Sunder: We do not have the numbers right now. So you can coordinate with Mr. Mundra and take it.

Pradeep Agarwal: So why I am asking this question is because as you said that incremental there has been high demand in the 4-6 years or 7 years' category vehicles. So would it not have some impact on the asset quality of higher vintage vehicles where the resale value would have dropped significantly? Do you see that kind of impact on the asset quality and had we seen anything of that in this quarter?

Jasmit Singh Gujral: Not really gentleman. If in case the segment which you have touch of around 7-8 years will have a marginal kind of a thought process because the current situation if in case you look at it when we start with NGT at Delhi, NGT at Cochin. What really happens is the movement an NGT order comes, the vehicle from Delhi starts moving into Faridabad, UPs, and Haryanas belts and things like that. So those order will be saying at some point of time it has to be banned all over the country. But that seems to be still a distant reality. So we really cannot be looking into the future and saying as to what will be happening. There could be a marginal possibility in the mind set the consumer who is buying up 8 year old vehicle now would be looking at that possibility that should he pay 30% lesser valuation to what he was paying in the past or not. But I do not think, this is a very haunting situation for the current consumers. What we have taken as a conscious decision is that we would not like to fund anything beyond 10 years taking into account that you never know as to when this will become an actual reality.

Pradeep Agarwal: Second there has been a structural shift in the vintage you are taking, so what will be the sustainable NIMs you are looking at from 3-5 years' perspective, are you seeing any substantial decline from the current levels and any portfolio additions you are looking at or major portfolio composition changes which you might have and anything on that side?

Jasmit Singh Gujral: As far as NIM is concerned we mentioned we will try to maintain at around 7.1%-7.2%.

Pradeep Agarwal: That is for this year, but from a longer term perspective…?

Jasmit Singh Gujral: Going forward also and when it comes to change in the asset mix other than shifting slightly to the newer vehicle there is no segment change and all what we are looking for.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management of Shriram Transport Finance for closing comments. Over to you.

Jasmit Singh Gujral: Thank you gentlemen, thanks for the patience. It was wonderful talking to all of you and look forward to be in constant touch with you over a period of time. Thank you gentlemen, thank you very much. Have a great good night.

Moderator: Thank you. Ladies and gentlemen on behalf of Shriram Transport Finance that concludes the conference call. Thank you all for joining us and you may now disconnect the lines.