"Shriram Transport Finance Co. Limited Q1 FY2019 Earnings Conference Call"

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Moderator: Good day, ladies and gentlemen and a very warm welcome to the Shriram Transport Finance Limited Q1 FY2019 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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. Please note that this conference is being recorded. I am now glad 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 all of you have gone through the investor update that was sent to you earlier. Initially, I will provide a brief overview on the macro economic scenario and developments on the ground before I share highlights of our performance.

Let me begin with Indian economy which has stabilized and is now firmly established on the recovery path. GDP growth in the quarter of January to March was at 7.7% which was the fastest in the last 7 quarters enabling the country to retain its ranking as the world's fastest growing major economy. Economic growth in India has been supported by strong performance in construction, manufacturing and infrastructure pointing to a persistent revival trend. In addition to the pick-up in GDP growth there has been uptick in GST collection - after averaging around 90,000 crores per month for 9 months, the GST collection in April, May, June has averaged around 97,000 crores and this trend indicates the government is likely to achieve the target 100,000 crores per month during the fiscal year. Even as it indicates increased compliance and but also it indicates the growth is taking root in the economy across regions and industries.

Monsoon is progressing well as it set across the country about 15 days ahead of the schedule. Distribution has remained concentrated in the south and west. The northern part especially UP, Bihar and East regions such as West Bengal and North East part have deficient rainfalls deficient to the extent of around 22-25. But the recent last one week's rainfall in UP indicates that there is a revival again. Kharif sowing has been little behind the schedule because of uneven monsoon. But we hope it will cover the same area as last year. As of now it is around 8% less than the last year. The recent announcement of MSP hike will support growth in agri income and this augurs well for consumption demand from the rural areas within the country. And the last 2 years good monsoon is already helping the rural areas consumption to go up. And also we expect the infrastructure activity also to improve as the government has provided additional amount in this year's budget which is likely to be consumed in the rural economy and that will create further job and also consumption in the rural area.

Let me touch upon some parameters in CV industry. Overall commercial vehicle segment registered a growth of 51.55 during April to June 2018 compared to the same period last year.

However, there were lack of availability in the previous year, therefore it cannot be comparable still the demand seems to be quite good and consistent. July, August is normally weak in demand every year. So, we expect the demand in the July and August to be little lower for heavy vehicles. But September it should again start, the demand should start there. However, the demand for LCVs and used vehicles which is normally being demand in and tractors in the rural area that should continue to do well even in month of July and August.

Recently Ministry of Road Transport and Highway had increased maximum permissible axle load by around 15% on an average. The strict interpretation of this notification would mean that the revision would apply to new truck only given that nearly 40% of the truck usage have a fixed load implying that there is no further addition to the load like vehicle carrier, car carrier, scooter carrier, these are all have fixed load, you cannot really have more load. Balance 60% has been over loading in most of the trucks. So, we believe it should not have significant impact. However, the increase in maximum permissible load may not officially increase GDW of old vehicle which have been certified for lower tonnage by OEMs and testing agency. The way forward would be for OEM to develop and get certified higher tonnage vehicle on the same number on the all the vehicle axles which may take few months. This many involve changes in chassis, axle, steering, tyre, brake, etc. fleet operators may choose to delay truck purchase till availability of higher certified tonnage vehicle, that may postpone demand for may be couple of months for a heavy vehicle. We estimate only 4% to 5% volume impact due to that for sale of new vehicle. But in used vehicle we do not expect any changes.

There are some headwinds to the economic growth like oil prices, higher inflation, higher interest rate as well as weakness in rupee. With oil prices increasing consistently this year there has been corresponding increase in fuel price which has also been impacted by weakness in Rupee and hence impacted financials of our customers. However, the advantage what they got is due to implementation of GST and removal of border check post vehicle have been able to cover longer distance per day than earlier. The efficiency increases around 25% to 30% implying that the revenue generation, the revenue earning per day has gone up and that has reasonably managed the increase in fuel price and the truckers have been able to earn reasonably enough to repay their installment in time.

In the last monetary policy meeting, the RBI has increased Repo rate by 25 basis point to 6.25 citing inflation risk however we currently do not foresee significant pressure on our NIM and we expect to remain largely stable given structure of lending and borrowing mechanism. Given the strong demand that we foresee we came out with NCD issue size of 1,000 crores and we are happy to say that in spite of volatility in the bond yields during the issue period, the issue attracted very good response and we had a 3.65 time over subscription which we decided to retain to fund our growth. Given the expansion in rural market we expect lending yields to remain stable and in spite of increase in cost and higher retail borrowing.

To close I am confident that with demand being consistent our AUM growth of 18%-20% which we indicated is likely to continue throughout the year. This quarter we have adopted Ind AS framework starting from this quarter which is made mandatory for NBFC's with effect from April 1st. Hence comparable period numbers have been restated in compliance with Ind AS.

Now, let me briefly touch upon our headline numbers for the quarter. AUM grew by 21.97% year-on-year to 100,000 crores against 82,597 crores. The net interest income was higher by 19.58% to 1,840.3 crores compared with 1,538.95 crores in the corresponding quarter last year. Net interest margins stood at 7.44 compared with 7.41 in Q1 FY18. In spite of rising bond yields we expect our net interest margin to remain stable. This gives us opportunity to maintain the profit growth beyond the AUM growth. PAT has increased by 24.37 year-on-year to 571.72 crores against 459.69 crores in Q1 FY18. EPS per share is 25.20 compared with 20.26 in Q1 FY18. Collection efficiency and asset quality is improving we should be able to bring down overall credit cost which was around 2.47 last year in the first quarter to around 2% as per Ind AS calculation by this year end. Our total number of branches now stands at 1,230 numbers and rural centers at 824 numbers. The total number of employees stands at 24,533 as on 30th June 2018. Good branch network and the rural network and focusing on North and East we should be able to maintain our growth targets. In general, we are quite comfortable and happy with the performance and I am confident that we will continue to deliver consistent profitable and responsible growth even in the future.

With this, I end my remarks and here I am with Mr. Sunder and Parag and Sanjay Mundra. So any specific questions we all will answer. Thank you very much.

Moderator: Thank you, very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Prakhar Agarwal from Edelweiss. Please go ahead.

Prakhar Agarwal: Couple of questions from my side. First, when I look at your provisioning analysis, so under gross Stage-III and the gross NPA number that we have reported as per IGAAP, there is a significant difference, why should it be so?

S. Sunder: In the IGAAP numbers, gross NPA was considered only for on books portfolio and the securitized portfolio was not considered for the purpose of reporting gross NPAs . This is the reason for the difference. In June 2018, the gross NPAs that have been reported is 7,458 crores and to that you need to add an increase on account of the off-book portfolio, i.e., securitized portfolio, amounting to 1,120 crores and further in Ind AS we also recognize the income derecognized as per the IGAAP earlier. Which is 578 crores, so summation of these 3 numbers comes to 9,156 crores.

Prakhar Agarwal: Which is 7,458 plus 1,120 and 578 crores.

S. Sunder: yes.

Prakhar Agarwal: And in terms of ECL provision when I look at the Stage-I and Stage-II it is 2.5%. Do we expect it to be similar levels going forward as well?

S. Sunder: Maybe over a period of time it may gradually come down.

Prakhar Agarwal: So, that will depend upon the operating environment as in when.

S. Sunder: Correct.

Prakhar Agarwal: And sir, we have not given our reconciliation in terms of whole year profitability for FY18 in terms of impact of Ind AS transition. Can I have that if possible?

S. Sunder: For which period it is required ?

Prakhar Agarwal: As on March 2018 will be great.

S. Sunder: As on March 2018 it is 878 crores which is addition to the net worth.

Prakhar Agarwal: 878 crores addition to the net worth.

S. Sunder: Yes

Prakhar Agarwal: And sir, can I have the disbursement this will be last question from side.

Sanjay Mundra: The disbursement number for used vehicle is, total disbursement is 13,425 crores out of which new is 1,936 crores, used is 10,955 crores and business loan is 534 crores making it total 13,425 crores.

Moderator: Thank you. The next question is from the line of Ayushi Mohta from CD Equisearch. Please go ahead.

Ayushi Mohta: Sir, what is the status of corporate guarantee given to SVL?

Umesh Revankar: This exposure which was off balance sheet and now it has become part of the book as per the Ind AS and we have taken it as a standard asset.

Ayushi Mohta: So, by when it is expected to be recover?

Umesh Revankar: The due is June 30th 2019. So, there is enough time for the SVL to make the payment.

Ayushi Mohta: So, you have considered it as a standard asset, right?

Umesh Revankar: Yes.

Moderator: Thank you. The next question is from the line of Manish Oswal from Nirmal Bang. Please go ahead.

Manish Oswal: Sir, my question on the cost of funds during the quarter, can you give me the marginal cost of funds movement quarter-to-quarter?

Parag Sharma: See, for the quarter most of the borrowings have come by way of securitization. We have done securitization to the extent of 4,600 crores. So, cost of fund has not moved up because of this, it was at around 9% and continues to be around 9% only, so not much of change during the quarter.

Manish Oswal: Excluding securitization what is our cost of funds, sir?

Umesh Revankar: Excluding securitizing the overall borrowing is hardly anything. We have done not much of borrowing otherwise.

Manish Oswal: Second question I have on collection efficiency trend in our business, so how is the trend and what is the outlook going ahead?

Umesh Revankar: The collection trend is strong. We did not see any much difference or gap in the performance. So, the April, May, June the collection has been good and considering the rural economy is likely to be very strong, we expect the collection to be very good in this financial year.

Manish Oswal: And sir, operating expenses growth in this quarter is very strong at 30.47%. So, is there any one-off in terms of advertisement spending because of late I have seen lot of ads from Shriram Transport. So, can you share the one-off item if anything in that line?

S. Sunder: There are certain promotional expenses by way of advertisement , but it is a one-off. But the other factor that has resulted in the growth is primarily because of the increase in the branch network as well as the increase in the employee strength.

Manish Oswal: And last question on the Ind AS, sir. There is a 49 crores impact of the credit cost in the reconciliation slide.

S. Sunder: Yes.

Manish Oswal: So, my question is the full year the impact on the profitability because of this Ind AS reporting is close to 200 crores on like-to-like basis?

S. Sunder: It will be difficult to comment because we will not be sure whether every quarter this impact will be there. So, may be roughly you can consider around 25 to 30 crores per quarter, I would say.

Moderator: Thank you. The next question is from the line of Nishant Shah from Macquarie. Please go ahead.

Nishant Shah: Three questions from me. First is on the reconciliation that you have provided on slide 11. So, the adoption of EIR for amortization of expenses of financial liabilities, so why should this be a negative number, ideally it should be a positive, right?

S. Sunder: In the current quarter, there has not been much of payouts on account of the upfront processing fees that we pay for either securitization or any other borrowing compared to March. Generally since the borrowing is very huge in march , there will be upfront fees which will be substantial. So, in March IGAAP we had booked it upfront, but under Ind AS it has to be reversed and then again rebooked and if in June, there is not much of an upfront payment then because of the opening coming in, it will be negative.

Nishant Shah: And this others of 17 crores and minus 25 crores, what is this?

S. Sunder: There are multiple items, that is the reason we grouped it together, there are many small items.

Nishant Shah: So, it is nothing lumpy or meaningful, right?

S. Sunder: Yes.

Nishant Shah: The second question, I think in the opening remarks sir mentioned that this axle load limit increase, so I do not know if I just got the number wrong or what, but I think I heard that 40% of the capacity is fixed-load like they are 2-vehicle carriers or some carriers or some specialized vehicles where your capacity cannot be increased, so is that number right? 40% of the outstanding capacity?

Umesh Revankar: Yes. This is basically on the inter-state highways, this is the number, not on the rural side. I am talking of only highway transportation.

Nishant Shah: But for the overall industry, how much could it be? Should it be these high? It seems like a very large number.

Umesh Revankar: No, it will be much lower, but since we are focusing on new vehicle and new vehicles should basically ply on the National Highway and the fixed load is normally industrial goods and it is transported on the highway, so I have only focused on new vehicle that is likely to be impacted, I have mentioned 40%.

Nishant Shah: And the third and final question, again are little bit of conceptual question on IFRS. So, when you estimate the provision requirements, so if the LGDs that you estimate. The long-term LGDs should largely remain the same quarter-on-quarter, it is just that the mix of the products might change and therefore that can probably result in like a variation in your ECL, is that understanding correct?

S. Sunder: Yes, it is correct.

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

Saurabh Kumar: Sir, on this net worth increased from Q4 to 1Q. So, this essentially 2,000 crores write back off provisions, right? That is the way you understand it?

S. Sunder June or March?

Saurabh Kumar: So, as of March your net worth under the old accounting was about 12,500 crores and this has become 14,000 crores. So, there is a 500 crores dividend and the 2,000 crores would have been the provision write-back on excess provision you were carrying.

S. Sunder: No, as on June 2018, the cumulative including the March , the total increase before tax is 1,400 crores and after considering the taxation, it increased 900 crores.

Saurabh Kumar: So, if I look at your on-book ...

S. Sunder: Net worth increase is 900 crores roughly.

Saurabh Kumar: So, your on-book provisions as of March were 5,200 crores, which are now 3,300 crores, right?

S. Sunder: As on June the on-books provision is 5,326 crores and the standard asset provision is 302 crores and securitized provision which generally do not come part of the NPA (as per IGAAP) was 712 crores. The summation of these three items is 6,340 crores and as per Ind AS, we are eligible to book the income which has been reversed as per IGAAP, that comes to around 578 crores. The summation of all these things is 6,918 crores, whereas in Ind AS we have provided for stage three 3,318 crores and Stage-I and 2 put together we are provided 2,340 crores. The total comes to 5,658 crores. The difference between these two is 1,260 crores, which is the benefit .

Saurabh Kumar: So, 2,340 crores is essentially the Stage-1 and 2.

S. Sunder: 2,340 is the Stage-1 and 2.

Saurabh Kumar: And what would it be like what will be the standard asset provision which you would take on this Stage-I?

S. Sunder: See, if you see the PD, we have considered 5.81% as the PD for Stage-I and the Stage-II PD is 17.1%. So, the mix will be different. There will be different rates applied for different products, so gives an average number that we have to put in and the LGD comes to around 34% roughly.

Saurabh Kumar: Which is the coverage you have okay**.**

S. Sunder: And for stage 3 - 100% we need to provide.

Saurabh Kumar: And sir this, on the AUMs, so we have this business loans and working capital loans, so what is the security you normally have against this? And how much of it is against your existing customers?

Umesh Revankar: See, basically all the working capital loan are given to the existing customers and not to the new customers. So they are not the personal loan to the new customers, working capital loan to the existing customers who have already repaid certain amount. So, that is the asset coverage vehicle is there and amount is typically small, so around 30,000-40,000. So, it has enough asset coverage, it is fully secured in that way.

Saurabh Kumar: Secured against the vehicle, right?

Umesh Revankar: Vehicle, yes.

Saurabh Kumar: And sir, business loan?

Umesh Revankar: See business loan again, there are 2 components, the existing customers who has some other business or additional business or who want to get into new business will be where he has got a track record, for them we are lending and all of them are having a property security as additional. So, it is basically mortgage loans but since he is having business with us, we call it as a business loan and we assess the business and against the cash flow we lend. But the security what we take property are additional security.

Saurabh Kumar: So, these are all both your existing customers.

Umesh Revankar: Yes, both are existing customers. No exposure to new customer.

Saurabh Kumar: And typically, this business will be what like if he is already a truck driver, so what will he be doing? This won't be to fleet operator, right?

Umesh Revankar: It is typically a larger operator because sometimes it could be also a small operator. Imagine somebody having a fruit wholesale business and if you have the cold storage, then or he may have some shop. Then he may need some additional money for that, that is one thing and bigger fleet operator who have warehouse, petrol pump, packaging, wholesale distribution, so these activities we are lending. Some people even have tyre dealership. So, the logistic ecosystem lending what we call, and these are all businesses where our customers already progressed. So, nearly 30% of our customers have already are progressed and having additional business with him or with his relatives, so in that case we lend to them.

Saurabh Kumar: And sir, just one more question on this axle load increases, so the way we understand is your existing customer income goes up because of the overloading but the new demand may come down. Is that the fair understanding?

Umesh Revnkar : Yes, new vehicle demand will come down, may be 2 or 3 months, but in the economic activities very strong, then automatically the demand will go up.

Saurabh Kumar: But your existing customer, his income will go up, right because he can theoretically …

Umesh Revankar : See, actually most of them are already doing some overloading officially or unofficially, okay. But only thing is the limit was not known. So, even if you overload by 10 kilos you would be harassed on the road, but when you increase the limit what happens is there is no harassment. So he can officially take the load very comfortably without being stopped that is the advantage.

Moderator: Thank you. The next question is from the line of Piyush Chadha from Ariane Capital Partners. Please go ahead.

Piyush Chadha: Just like to understand a little more about the inherent cyclicality in your business. Would it be fair to say that we should expect an ROA somewhere between say 2.2 to 2.8 over the course of a full cycle in this business? 2.2 at bottom of the cycle closer to 2.8 at the top of the cycle?

Umesh Revankar: Yes 2.2, yes and 2.8 also yes, you are right almost on dot.

Piyush Chadha: And towards the bottom of the cycle should we say an asset growth rate of somewhere between 5% to 10% while in the better part of the cycle somewhere close to 18% to 20%, would that be the kind of range of outcomes you would see?

Umesh Revankar: I can say the upper limit can be little higher, it can be 25 also depending upon the environment and GDP growth. If GDP growth goes beyond 8 or 9, then definitely there will be huge opportunity to grow and in the bottom, it could be minimum 10. Why I am telling minimum 10 is there is always an increase in resale value of a vehicle over the period and makes ticket size to go up a little. So, because of either inflation you can say or vehicle new vehicle price and that is automatically gives you little or the larger ticket and as we increase our penetration because we have 1,230 branches plus 854 rural centers. As we have more reach, our ability to penetrate into new market and nearby market improves. So, 10 to 12 is something which we can increase even when economy is not really doing well.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Sir, on your ECL provisioning if I just compare Q1 FY19 provisions with FY18 provisions, there is an increment of around 10 crores in the provisions. While your credit cost for the quarter is around 530 crores. So, is it reasonable to expect that during the quarter we wrote off 520 crores worth of loans?

S. Sunder: There has been a write-off and quarter-on-quarter if you see historically also there has been write-off happening and this quarter the write-off amount, I will just tell you. Can you just go on to the next question during that I will take out the number?

Nidhesh Jain: Secondly the ECL provisioning on Stage-I and Stage-II is quite volatile in Q1 FY18 it is where 2.9% then 2.7% and then 2.55%. What is leading to high volatility in this number? Is it just purely mix change, or you are also changing your probability of default and LGD numbers on line of business**.**

S. Sunder: We have taken 5 year historical data and analyzed the data and are arriving at what is the probability of default. So, that number if you see over a period it is coming down purely basis that the business team have been over a period of time getting adjusted to the new NPA norms. Earlier they used to wait till 180 days then start reacting but as and when the RBI guidlines started coming in and moving towards 90 days, we have also been pushing the business team hard as well as they have also been educating the customers. So, the behavior is gradually changing, and we expect that going forward, in fact the percentage should improve, I would say marginally.

Nidhesh Jain: But quarter-on-quarter because FY18 is 2.7 and 2.55 that seems to be a large variation in that number on our quarter-on-quarter basis.

S. Sunder: We have been seeing each quarter, okay what is given to you is June to June but internally we have a trend which appears that the PDs over a period of time comes down. But the other factor which again drives this is that the life time default supposing if in the previous year at

June 2017, the average tenure was 36 months and currently it is 42 months. If a case is in Stage-II because of tenure also the lifetime PDs changes. So, there are multiple factors which rise to this anomaly.

Nidhesh Jain: And is lastly on the balance sheet and reconciliation, so if you look at on balance sheet the loan number is around 95,000 crores, if I compare with AUM which is around 100,000 crores. So, how one should look at these 2 numbers? On the balance sheet loans number is 95,000 crores while our AUM number is 100,000 crores and on balance sheet number is I think, on balance sheet is around 83,000 crores.

S. Sunder : I will come back to you. May be Sanjay will give the reconciliation to you over the mail.

Moderator: Thank you. The next question is from the line of Rishab M from Unifi Capital. Please go ahead.

Rishab M: Sir, what is the credit cost guidance for the full year FY19?

Umesh Revankar: See credit cost as per Ind AS if you calculate we should be able to come close to 2% by year end.

Rishab M: What is the coverage ratio towards which you are working with when you calculate, when you set a target of 2% of credit cost? Because in Q4 you have said that you will wait for the Ind AS transition before thinking about bringing down the current coverage ratio from the 71 odd levels to a lower number. So, what is the plan now? Now the Ind AS transition is done.

S. Sunder: As per IGAAP, the current quarter, is around 71% on the on balance NPAs alone and apart from that we had off balance i.e, securitized portfolio wherein there was 1,000 crores portfolio which was more than 90 days for which we were carrying a provision of close to 700 odd crores. So, these 2 put together the coverage was coming to around 67% if you take both the weightage of on books and off books , as per the Ind AS it has come down to 57%. So, effectively this 10% has been released and that is the reason why the net worth of the company under Ind AS has gone up. So, going forward also we expect around 55% to 60% should be the broad range I would say.

Rishab M: So, under Ind AS coverage is 57% and we would maintain that going forward right? And assuming that your credit cost guidance is 2% for this year FY19?

S. Sunder: Correct.

Rishab M: Sir and what explains the dip in NIM from about 7.54 to 7.44 over the quarter?

Umesh Revankar : The drop is 7.51 to 7.44 , one reason is a little increase in the borrowing cost and another one is the new vehicle portfolio has gone up significantly compared to last year. So that is also some reason. however, it is very marginal.

Rishab M: And sir what is your AUM target for the year if you can reiterate? I missed it in the opening comments.

Umesh Revankar: We had given an indication of 18% to 20% given guidance and we should be able to manage that growth.

Rishab M: Because you had said that the new vehicle demand might face some headwinds due to this increase in axle loads and all. and new vehicle segment has been one segment which has been working really well for you over the past few quarters. So, instead of that you are sticking to the 18% to 20% AUM target?

Umesh Revankar: See, new vehicle is just 15%-20% of our monthly disbursement. So, that should not have big impact on us, even if new vehicle lending reduces to some extent in heavy vehicle but the demand for the LCVs will continue. So the LCV and tractor demand is continuing. Only in heavy vehicle demand may come down and this also due to seasonal factor. July, August is normally low pick up for a heavy vehicle and the axle load issue could be added factor. So we do not really expect growth coming from new heavy vehicles.

Rishab M: Sir and have you analyze that the scrappage policy which is being worked on with the government, will it have any impact on the demand per se?

Umesh Revankar: In fact, it should increase the demand for used vehicle because earlier when government was talking about 15 years scrappage people where indecisive and they were the prices of vehicle beyond 11-12 years was dropping significantly. But now since it is announced as 20 years, people have the breathing period, so I feel the resale values of the vehicle between 8 to 12 years which was getting suppressed, will get released. So, I feel the resale prices of second hand vehicle will go up because they have a longevity because more the longevity then automatically the resale value will go up. So, I expect the used vehicle demand especially between 5 to 10 years to go up.

Rishab M: Sir and how has been the trend of the age of the vehicles especially in the used vehicle which you have been financing over the last one year?

Umesh Revankar: See, we were lending up to 12 years earlier and last 2 years we started lending only up to 10 years because of the uncertainty. So, what I should say is that that will get released to some extent the resale values will go up in that and I feel that should help the business to go up and we to go to little deeper because deeper rural area you will get older vehicle. Older means more than 10-12-15, so as we are getting the deeper into rural area we should be able to fund the vehicle between the 7 to 10 years which was the toughest and we should be able to do more of a used vehicle in this vehicle range.

S. Sunder: Before we take the next call, I will reply to the previous caller's query. One was that the AUM of 100,000 crores was not coming out in the balance sheet as it has been reported net of provisions which comes to around 95,000 crores . So, if my loan is one lakh one crores and I am carrying and ESL provision of say 5,000 odd crores, so that get netted off against the loans and hence 95,000 has been reported in the balance sheet as per the Ind AS and the second question was the write off. In the quarter ended June we have written off 528 crores as against write off of 350 crores in Q1 2018. We have started writing off earlier portfolio of Shriram Equipment Finance. So, we have been identifying certain cases which has been already provided 100% and we have consciously started writing-off certain loans of equipment's and that has contributed to a spike in the write-off in the current quarter. We can go to the next question.

Moderator: Thank you. The next question is from the line of Ankit Choudhary from Equirus securities, please go ahead.

Ankit Choudhary: My first question was on the AUM part. So, in the current quarter you also mentioned that the share of the new vehicles has increased. AUM of new vehicles has increased faster than the pre-owned segment despite we, being getting more into the deeper rural areas. So, anything to look over that? So are we trying to change some stamps moving towards the new or something?

Umesh Revankar: No, it is not anything**,** the new vehicle demand in this quarter was little higher than the normal and therefore that 55% growth was there in the overall sales. So, some of them just flowed into us because many of our customers would have transition into new vehicle. We do not get into market for market share. Only if our existing customer want to upgrade to a new vehicle then we lend to them and the demand in the North and East has been quite strong on the new vehicle.

Ankit Choudhary: Second thing was on this asset quality one. So, basically is the diesel cost has been increasing and you mention that post GST there has been an efficiencies in the vehicles of 20% - 25%. But the freight cost on the other end is not being getting increased much. So, are we seeing any pains on the cash flows of our customers, specially the fleet, single fleet operator?

Umesh Revankar: See, one thing is efficiency has gone up, at the same time fuel price also have gone up. So, even though there is an advantage there is also disadvantage. So, net-net there is not big advantage, they were able to manage because of efficiency increase. But fuel price increase reduced their margin to some extent.

Moderator: Thank you. Next question is from the line of Karthik Chellappa from Buena Vista Fund Management. Please go ahead.

Karthik Chellappa: My question is the adoption of IndAS by and large has been manageable for us from a net worth point of view and in the first quarter our profits have also been very healthy, about 570 odd crores and the share of our off books has also risen. Why then is the Tier-1 not improving materially? It is very similar to what we had in the last quarter under IGAAP?

S. Sunder: This capital adequacy, what we are now reported is as per the IndAS, wherein 14.28% is the Tier-1 capital and 2.78% is the Tier-2 capital making it 17.06. Had we followed the IGAAP, our Tier-1 would have been 14.31%, Tier-2 would have been 2.41 and total 16.72. There has been a marginal benefit in the overall Tier thing but in Tier-1 there has been a drop. This has been primarily because the securitized portfolio which is now currently treated as an on-book portfolio had always been, we were maintaining a capital of around 5% only. For the purpose of calculation of capital adequacy, the securitized portfolio always had first loss and second loss component and we were required to reduce this first loss and second loss from the net worth of this company. But supposing if second loss is provided by some other entity other than the originator then it can be treated as a risk-weighted exposure and in all our deals what we have done the banks have given the support for second loss. And only this first loss was reduced from the capital all around which was around 5%. But now since it has come on the books we are required to maintain close to 14% and hence there has not been much of a benefit in the Tier-1 despite there being a increase of around 900 crores on the net worth front.

Karthik Chellappa: And under IGAAP you said the Tier-1 is about 14.31.

Sunder S: Correct.

Karthik Chellappa: So, which means even under IGAAP where for the securitization portfolio even you had considered only 5% charge, the benefit to our Tier-1 is basically only 3 basis points?

Sunder S: Not really, see We have been maintaining 14% for on balance sheet items. So, supposing if the same 14%had been maintained and the entire book comes the off-books thing, and nothing changes, then my Tier-1 would have come down by say maybe around 50 - 60 basis points or slightly more.

Karthik Chellappa: The substance of my question essentially, if you look at Q1 of FY18 under IGAAP it used to be about 14.89, that has come down to about 13.52. So, my concern is that given we are still guiding an 18%-20% growth and where capital adequacy norms under IndAS are probably stricter whether we can manage that growth without needing additional Tier-1 capital?

Sunder S: Yes, we have looked in to that, and we are confident that for the next 1 or 2 years we don't require additional capital to manage this growth.

Karthik Chellappa: Got it, sir. My last question is; as far as the business loans and working capital loans are concerned what would be the effective yield and the duration of the loan be?

Umesh Revankar: See working capital loans are on an average 6 - 9 months, because mostly they are Tyre loans or the insurance loans and business loan is between 3 - 5 years.

Karthik Chellappa: And the interest rate would be?

Umesh Revankar: Interest rate for the working capital it will be around 20% and for business loan it will be between 16 - 18%.

Karthik Chellappa: So, in a way if these two loans grow at a faster rate, it will actually be yield enhancing? Is that fair to say?

Umesh Revankar: Yes, see in fact on working capital we are making a lot of effort. Here I would like to inform, probably I did not inform earlier, we have tied up with HPCL, The Hindustan Petroleum for the credit to our customer. It works in a very simple way, our customer goes to the petrol pump, puts the fuel; before putting the fuel, he will take an OTP for approval and the moment the OTP is put, the person will be able to avail a credit for the fuel. So, he can fill the tank and go, and the company will make the payment to HPCL next day. The customer has the option to pay any time. So, he can repay within 1 day or 2 days. We are charging interest on daily basis, so he can take a credit for 15 days or up to 30 days. That is how we have designed it and we have given a limit to each of the customer so to that limit he can take the credit. Because the fuel price going up and he doesn't get fuel credit and most of the time they do not have a credit card, we felt this will help the customer and we intend to enroll 1 lakh customer by June '19 and we expect the business volume to go up. So similar to this, the intent to do the fuel credit, the Tyre credit, then of course the insurance these are all the consumable items for the customer in the running of the vehicle. And we would be able to get higher yield on that and we want to have a significantly higher working capital growth through our customer; one is, it is yield-enhancing but more than yield enhancing the alternative borrowing rate in the market for the customer will be very high if he has to take a credit. And that will help our customers' operations very smooth. So more than earning more yield it is making the customer operation smooth, that is the main goal. And incidentally we will be earning higher yield.

Karthik Chellappa: So, this yield is about 20%-odd whereas the business loan is around 14% - 15%?

Umesh Revankar: Business loan is 16% - 18% and working capital is around 20%.

Moderator: Thank you. The next question is from the line of Kamal Verma from CLSA. Please go ahead.

Kamal Verma: Just to understand the IndAS transition properly, what all adjustments in the net worth you would have made when you transitioned to IndAS?

Sunder S: Major thing was on the ECL front, as for the IGAAP it was an incurred loss model whereas in the IndAS it is an expected credit loss model. So that is a major shift that has happened and IndAS allows the company to recognize income on the Stage-III cases also, whereas in the IGAAP as per the RBI prudential norms, once a case becomes an NPA, we are supposed to reverse all those un-realized incomes. So, this is the major shift that has happened. Apart from that, as far as our company is concerned, the other major change was securitization which was treated as an off-books portfolio which under IndAS is treated as an on-books portfolio. These are the two major item which has happened.

Kamal Verma: So, for both of them sir, like, for the first one you mentioned that for credit cost, so that would have had additional charge in the net worth, right? Because your provisions on loan under IGAAP vs IndAS would be higher, like under IndAS those are higher, is that right?

Sunder S: No, as I was explaining earlier also, to the previous caller as per the IndAS, the amount that needs to be taken as a provision including the standard asset provision comes to around roughly 57% and in the earlier IGAAP, if you take that 71% coverage that we were maintaining on the on-books and around slightly lower number in case of securitized portfolio, the weighted average was around 67%. So effectively 10% is the reduction in the coverage which has resulted in an increase in the net worth. So, in fact it is beneficial, and we have always been guiding that company has been conservatively holding a higher coverage and we were waiting for the IndAS transition to happen because we were also not very clear what will be the impact on the provisioning and we were always carrying a higher provisioning even though there were pressures from all quarters to reduce the provision, we did not relent to that and were maintaining that 70%. But now under IndAS when we computed the PD as well as the LGD, we felt that the requirement was lower, and we reduced it.

Kamal Verma: Okay. And apart from that the disclosure you have made in provision analysis, so you have disclosed total ECL Stage-I and II loans and the provision you have made on that. Can you just give a broad sense, like, what is the mix between Stage-I and Stage-II?

Sunder S: See as far as the IndAS requirement, Stage-I is typically cases which are in the current bucket or up to 30 days and Stage-II are the cases which fall between 31 days and then 90 days and Stage-III is greater than 90 days. And in Stage-I and all the stages we need to compute the probability of default and the loss given default, which we compute product wise. For us the products are new, used, business loan and equipment portfolio all those things are treated as a separate category of products and in each, based on the historical tack record we arrive at the probability of default. In Stage-I cases, we apply a 12-month probability of default whereas in Stage-II the life time probability of default is computed and in Stage-III, 100% probability of default is considered and on these numbers we apply the LGD which is roughly around 34% which I had indicated in the earlier call and on the exposure at default these percentages are applied and we arrive at the provision required.

Kamal Verma: Okay and how much would be Stage-I and Stage-II loans like, how much percentage of your loans would be in Stage-II?

Sunder S: Around 9% of the cases are in Stage-III and 78% is in Stage-I and the balance 13% in Stage-II.

Kamal Verma: Okay this is helpful. And apart from that you mentioned the securitization, so it has come on books and you have recognized a corresponding line for borrowings and in the loans, is that right?

Sunder S: Correct.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from ICICI Securities. Please go ahead.

Abhijit Tibrewal: Most of my questions have been answered, I was just looking for one more data point. Can you give me the securitization income and expenses in this quarter and the corresponding quarter last year?

Sunder S: Do you want it as per the IGAAP?

Abhijit Tibrewal: As per IndAS.

Sunder S: I don’t have it off-hand because we have clubbed it along with the interest income, so maybe we will send it through Sanjay.

Abhijit Tibrewal: Sure sir.

Moderator: Thank you. The next question is from the line of Hitesh Gulati from Haitong Securities. Please go ahead.

Hitesh Gulati: Just a clarification, so Stage-I up to 30 days, Stage-II is up to 90 days and Stage-III is beyond 90, is that correct?

Sunder S: Correct, Yes.

Hitesh Gulati: Sir, you said something on reversal of interest income, you mentioned that and expected credit loss model it starts only in Stage-III cases.

Sunder S: When we were following IGAAP ,we also were required to follow the RBI prudential norms. The RBI prudential norms require an asset once it becomes an NPA, that is 90 days and above we were supposed to de-recognize all the interest income which has not been collected on those cases, so but whereas in the IndAS we can accrue the interest income, we need not reverse it. So, that has been re-reversed in IndAS, that was what I was just clarifying. Effectively on Stage-III cases the interest income which was reversed in IGAAP has been re-reversed and taken as an income.

Hitesh Gulati: So, we don't need to de-recognize interest income in the IndAS, is that what you are saying?

Sunder S: Correct.

Hitesh Gulati: Not after even it becoming an NPA?

Sunder S: Even if it becomes an NPA, we need not de-recognize. However, on those entire principle plus interest we need to provide an ECL.

Hitesh Gulati: Okay. And sir, can you just give us the gross NPA and net NPA number under IndAS?

Sunder S: See IndAS the Stage-III, if you take it comes to around 9.15%, is the gross NPA number and net NPA number, I don't have that right now. But I can send it through Sanjay, as per IGAAP the gross NPA is 8.98% and the net NPA is 2.74% compared with 9.15% gross NPA as on March 2018 and net NPA number of 2.83%. So, there has been a reduction in the gross NPA numbers.

Hitesh Gulati: So, if we had 57% coverage on IndAS so can we exclude that from 9.15 gross NPA and get to net NPA, is that correct?

Sunder S: Correct. I don't have the figure right now, but that is the way we need to calculate.

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

Sunil Tirumalai: It is actually going back to one of the earlier question on securitization income, not necessarily looking for the exact numbers, but just want to understand how does the revenue accounting change under into IndAS, because it is on-book and earlier we had only the spread being booked in the revenues, is it any different now?

Sunder S: See the net result to the P&L is same but what happens is that let us give an example of Rs. 20 is the income that I am getting from a customer A and what I am paying to the buyer of the portfolio is say Rs. 10 so the net Rs. 10 used to be booked as a net income. However now under IndAS, since it is taken as an asset and liability the Rs. 20 goes to the revenue and Rs. 10 goes to the interest cost. So net result will be the same.

Sunil Tirumalai: Right, okay and in terms of timing, the fact that the interest component of the pools' EMIs would be higher in the initial part and lower in the latter part?

Sunder S: No, that will not affect because earlier also we used to book the income over a period of the tenure of the contract only which we are still continuing.

Sunil Tirumalai: Okay understood, secondly in one of the slides, on the borrowings, it seems like, versus last year your share of commercial papers has gone up. So, is that something as a tactically looking at it to manage the rates? Or how you are thinking about it?

Parag Sharma: Not as a conscious decision to do large commercial paper, it was only for the time gap. We did public issue of retail NCDs and the money was supposed to come only during the month end, it came in the month of July. Only for the short period we did do some CPs but this will not be a focus area.

Sunil Tirumalai: Okay it is now gone back to close to zero, is that what you are trying to say?

Parag Sharma: Yes, it has come down substantially.

Sunil Tirumalai: Okay, and another follow-up question on the SVL guarantee which you clarified as now become an on-book exposure. Does it make any difference under IndAS that the counter party has actually got downgraded by the credit rating agencies, referred to NCLT etc. I mean those things don't matter in terms of how you look at it as a credit loss?

Sunder S: Not really, see we have taken valuation reports and other data points and then we are classifying it as a standard asset and whatever is the ECL applicable for the Stage-I has been applied on.

Moderator: Thank you. The next question is from the line of Alpesh Mehta from Motilal Oswal Securities. Please go ahead.

Alpesh Mehta: First question is, normally at the time or transition the adjustments to the reserves are as of 1st April 2017, whereas in our case is as of Q4 FY18, why is that?

Sunder S: If you recollect ,we have been transitioning to 90 days norm as on March 2018 , so there was not much of a benefit as on March 2017. However, when we shifted to 90 days NPA recognition, the provision created was high in the last quarter and similarly, when are moving into IndAS in March 2017 there was more or less not much of a benefit that we were getting.

However, over a period of time in the last quarter of 2018, the entire benefit flowed in and that is the reason why the reserves improve in the March '18 and not in March '17.

Alpesh Mehta: Okay but our net worth number as per Indian GAAP and the IndAS is more or less the same as of Q1FY18 whereas, logically it should have been low, right?

Sunder S: As on 31st March 2018 the net worth has increased by around 878 crore.

Alpesh Mehta: No, I am saying 30th June 2017.

Sunder S: Yes, not much of a benefit. It was more or less the same.

Alpesh Mehta: Yes, but logically it should have been, because under IndAS it is 90 DPD whereas in where we were following 120 DPD right? So, the provision days should have been higher there, right?

Sunder S: Yes, but if you see we were having a higher coverage of 71% of 120 days which was more or less equal to a 57% coverage?

Alpesh Mehta: Okay, got it and second question is when you recognized the interest of around Rs. 570 crores on the NPL, do you also make the similar, you make the provision as per the loss given default or it would be treated as funded interest on loan?

Sunder S: No, no, we provide that 34-35% whatever is the LGD on those products.

Alpesh Mehta: Okay, and we don't have any impact of EIR. Because we would have some processing fees and the other fees aligned to the loans, right?

Sunder S: It is there but not significant for the size that we are, we are not collecting much in terms of processing fees and hence the benefit is not flowing.

Alpesh Mehta: Okay and the SVL loan which has come on balance sheet as a standard loan, how would your income recognition happen on that? Because it was an off-balance sheet, so it was just a guarantee, right? But now it is on-balance sheet would you be recognizing interest income? I don't know how the accounting treatment on the P&L side would work on this sir?

Sunder S: We are eligible to collect guarantee commission only and we accrue the guarantee commission whatever is the agreed rate, that has been booked over a period of a time. And on the income, there is nothing changing.

Alpesh Mehta: And lastly any communication from RBI since you guys are treating securitization on-book and it is also on-book on the bank's balance sheet. So, at the system level it leads to a double counting, right? So, any communication from RBI about this, on this front?

Sunder S: No, we have written about the treatment that is being done as per IndAS, we had sought a clarification for which they have given an appointment in the end of July , wherein we will be communicating all these concerns which has already been written to them in mail. So, from there side, no reply has come.

Alpesh Mehta: And how are rating agencies looking at this now, because since the capital requirement increases when you are moving towards IndAS, would the rating agencies continue to look at it as per the Indian GAAP wherein only the 5% capital requirement or the debt-to-equity ratio as per the earlier accounting or they are moving towards IndAS when looking at the debt-to-equity ratio?

Umesh Revankar: Rating agencies previously also for the securitized portfolio they used to look at what is the overall capital adequacy and debt-equity for securitized portfolio also, they used to consider that. And as per IndAS the overall capital adequacy has only gone up, so I don't think there will be any agencies question regarding that.

Alpesh Mehta: Okay, lastly can you share the number of PD for Stage-I and Stage-II please?

Sunder S: PD is 5.81 for 12-months PD the Stage-I and Stage-II it is life time PD which we apply is 17.10 and for Stage-III it is anyway 100% PD and the LGD is 33.8.

Alpesh Mehta: And just last clarification, when you have recognized the Rs. 570 crores of interest income at the time of transition it should have been a part of the EIR, right? Effective interest rate when the transition is happening.

Sunder S: No, it will not be part of EIR. It has been grouped in others but the Rs. 570 crores benefit has not come in a particular quarter so what we have reported here is June quarter versus June, so it has not typically come out here.

Alpesh Mehta: No but at that, net worth reconciliation it should be the part of, Rs. 570 crores should be the part of net worth reconciliation. I understand not for the quarter but as the net worth reconciliation it should be the part.

Sunder S: It will come, Yes.

Alpesh Mehta: Again, so just to get the number right, what would be the exact EIR and ECL component? I understand others are very small, what is the exact EIR and ECL component at the time of transition?

Sunder S: I don't have the numbers right now, maybe through Sanjay , I will send it across to you.

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

Nischint Chawathe: This Rs.6,900 crores basically the provisions under IGAAP you were giving a reconciliation if you can just help me with that?

Sunder S: Yes, under IGAAP we had a, what we have given in the slide also is that NPA as per IGAAP is Rs. 7,458 crores and on account of the off-book component it increases by Rs. 1,121 crores and on account of income which was de-recognized in the IGAAP which has been recognized under Ind-AS now comes to 580 crores the summation of all three come to Rs. 9,159 crores

Moderator: Thank you. The next question is from the line of Sneha Ganatra from Subhkam Ventures. Please go ahead.

Sneha Ganatra: Sir how would you see your cost to income ratio post this IndAS transaction, any target for FY19?

Sunder S: We maintain around broad range of 20 - 24%. Current quarter I think it is 22%.

Sneha Ganatra: Any fund-raising plan?

Sunder S: Of equity?

Sneha Ganatra: Yes.

Sunder S: Equity at least as of now in the next two years at least we don't intend raising any capital.

Moderator: Thank you. The next question is from the line of Ishan Kumar from UPS. Please go ahead.

Ishan Kumar: Just on provision on Stage-I and Stage-II and Stage-III, so based on what we have discussed on Stage-I that is 78% of loan, we have a provision of 2% which is equivalent to 2% of loans. On Stage-II around 4.5% and Stage-III 34%. Is that correct?

Sunder S: Yes, correct.

Ishan Kumar: And so, if loan moves from Stage-I to Stage-II you require a provision of only incremental 2.5% and then provisioning will increase if it moves from Stage-II to Stage-III?

Sunder S: Correct.

Ishan Kumar: Now this is lower than what we were doing in terms of provisioning on impaired loans in earlier accounting system, so when we are guiding a credit cost of 2%, is this credit cost for the full year? Or is it by Q4 FY19?

Sunder S: It is Q4 FY19.

Ishan Kumar: And it is because provisioning requirement will be lower in new accounting?

Sunder S: Correct.

Ishan Kumar: Okay, is there any guidance on gross NPL also by March '19?

Sunder S: The like-to-like IGAAP which was 9.15 in FY2018 end so that we have a guidance.

Umesh Revankar: We have a plan to bring it down to around 8.5 rather.

Ishan Kumar: Okay and lastly on Slide #5, this rural versus urban AUM break up for Q1 FY18 looks incorrect.

Sunder S: Okay, FY18?

Ishan Kumar: Yes, because rural you are showing at 27,900 which looks higher right, because March 2017 number was 20,700.

Sunder S: Okay any which ways we will just check this and then come back to you.

Ishan Kumar: Yes, because if you look at the urban growth it is more than 20% year-on-year.

Sunder S: We will just re-check this number and then come back to you.

Moderator: Thank you. The next question is from the line of Nishant Rungta from Premji Invest. Please go ahead.

Nishant Rungta: Just trying to again get some clarity on the securitization portfolio and the treatment thereof. Wanted to understand if you need to set aside capital on the securitization portfolio now and there was no deterioration incurred that was entirely on account of the favorable impact on net worth, is that the case?

Sunder S: Correct agreed.

Nishant Rungta: Okay and what is the securitization market share because now that you do not have a capital relief, is there an incentive to go out and incrementally securitize the portfolio?

Parag Sharma: You see securitization has been one of the fund-raising options for the company and since the customers whom we service are priority customers as defined by the Reserve Bank of India, so it gives a lot of cost advantage to us to borrow through this route. That was the only reason why we were doing securitization in a big way. We used to securitize our portfolio through the banks which need those assets. And it used to be a cheaper source of funds for us. So, we continued to do securitization not for any other purpose but for the lower cost of funds.

Nishant Rungta: Sir, secondly just trying to reconcile the borrowing figure on slide #9 and slide #12, slide #12 says the borrowing figure as of Q1 FY18 was Rs. 71,860 crores where are the total of the borrowing figure and the balance sheet as per IndAS is roughly Rs. 73,000 crores. So, what is the difference and was just trying to reconcile that both for Q1 FY18 and 19?

Sunder S: We will just send you this reconciliation to your mail.

Nishant Rungta: Sure, sir and lastly just wanted to understand the interest accrued on the gross NPA figures is that treated as part of loans in balance sheet or is it classified as the other current assets in the….?

Sunder S: It is part of the loans.

Moderator: Thank you. The next question is from the line of Pankaj Agarwal from Ambit Capital. Please go ahead.

Pankaj Agarwal: Sir you had an option not including securitization while calculating Tier-1 capital, right. But still you went ahead with this calculation.

Sunder S: Yes, correct, we had an option we didn’t exercise the option.

Pankaj Agarwal: Any particular reason, I mean, because RBI has not clarified this?

Sunder S: It would have been aggressive taking the entire part as income, so we thought it appropriate to take and once we take it up front then the subsequent quarters anyway the hit will come. So, we thought it as well to take it on a deferred basis.

Moderator: Thank you. The next question is from the line of Pranav Gupta from HDFC Securities. Please go ahead.

Pranav Gupta: Just for a clarification, so if I understood this correctly the interest accrual on Stage-III loans is also included in interest income, right?

Sunder S: Correct, Yes.

Pranav Gupta: So ideally which was earlier reversed when you were under the IGAAP regime right, so ideally going forward shouldn't your cost to income ratio see an improvement automatically and NIMs as well, considering that the base now includes interest income which is accrued and not actually earned?

Sunder S: See what happens is since we have already moved to 90 days' norm, the interest component which has been accrued and not realized will not be significant and hence even on NPA cases what is not recognized as per IGAAP will not be significant enough to vitiate this number.

Pranav Gupta: No, sir if I understand correctly like 9.15% of your loans will be Stage-III, right? So, any interest accrual from these will also be included in interest income going forward?

Sunder S: Earlier also whatever has been accrued and realized was never reversed in IGAAP also. Whatever is accrued but not realized only was being reversed.

Pranav Gupta: Right, but under the IndAS if I understand correctly all of these interests is included, right?

Sunder S: But parallelly on the same thing around 34% or 35% needs to be provided immediately. So, the effective benefit maybe around 60%-odd of the interest. So, there may be some benefit I don't deny that Yes.

Moderator: Thank you. Sir that was the last question in queue. So, any closing comments from your end.

Umesh Revankar: Thank you for the lot of interest. I think there was a lot of queries on IndAS and maybe by next quarter it will be settled; all the issues. However, we have just crossed 1 lakh crore AUM and we are looking forward for the next milestone and definitely our next milestone would be reaching the 2-lakh crore AUM. And this year, we will work as per the broad guidelines of 18 - 20% AUM growth and the paid cost and the overall NPL's it should be coming under control and we believe there will be significant improvement as the monsoon progression is quite good and by this year end, we should get the best results. So, thank you very much for the interest in the company and hope to reach you all in the next quarter call. Thank you very much.

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