

SEC/FILING/BSE-NSE/25-26/68A-B

November 04, 2025

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Dalal Street, Fort,
Mumbai – 400 001.
Scrip Code: 511218

National Stock Exchange of India Limited
Listing Department Exchange Plaza,
5th Floor, Plot no. C/1, G- Block,
Bandra- Kurla Complex, Mumbai – 400 051.
NSE Symbol: SHRIRAMFIN

Dear Sirs,

Sub.: Transcript of investors earnings call for the second quarter and half year ended September 30, 2025.

Further to our letter dated October 31, 2025, regarding the audio link of the investor's earnings call for the second quarter and half year ended September 30 2025, we enclose herewith the transcript of the said call. The Transcript is also been uploaded on the Company website www.shriramfinance.in.

Thanking you.

Yours faithfully,

For **SHRIRAM FINANCE LIMITED**

U BALASUNDARARAO
COMPANY SECRETARY & COMPLIANCE OFFICER
Encl.:a/a.



“Shriram Finance Limited Q2 FY'26 Earnings Conference Call”

October 31, 2025



**MANAGEMENT: MR. UMESH G. REVANKAR - EXECUTIVE VICE
CHAIRMAN, SHRIRAM FINANCE LIMITED
MR. CHAKRAVARTI - MANAGING DIRECTOR & CEO,
SHRIRAM FINANCE LIMITED
MR. PARAG SHARMA - MANAGING DIRECTOR & CFO,
SHRIRAM FINANCE LIMITED
MR. S. SUNDER - JOINT MANAGING DIRECTOR,
SHRIRAM FINANCE LIMITED
MR. SANJAY KUMAR MUNDRA - IR (HEAD), SHRIRAM
FINANCE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Shriram Finance Limited Q2 FY'26 Earnings Conference call.

As a reminder, all participants' 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 this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Umesh G. Revankar – Executive Vice Chairman, Shriram Finance Limited. Thank you and over to you, sir.

Umesh G. Revankar: Thank you. Good evening, friends from India and Asia, and a warm welcome to all of you. Greetings also to those who joined the call from the western part of the world.

To present our Q2 FY'26 Earnings Call today, I have with me our Managing Director and CEO – Mr. Chakravarti, Managing Director and CFO – Mr. Parag Sharma; S. Sunder – Joint Managing Director and Sanjay Kumar Mundra – our IR head.

It has been a good second quarter of the year for Shriram Finance under current circumstances. Let us look at the broad economic indicators that had a direct impact on our business:

GDP, Indian economy recorded a strong start in the first quarter with the real GDP rising to 7.8 against the 6.5 growth in the same period last year. The performance is largely driven by the services sector and while Agri and manufacturing also have contributed positively. On inflation, inflation has been at an all-time low for a reasonably long time, and it has fallen below the RBI's 2% low tolerance limit. Food prices, which account for nearly half of the basket, dropped to 2.28 against 2.65 in the earlier lowest December 2018.

The RBI policy, the key takeaways are the RBI has kept the repo rate unchanged at 5.5, policy stands have remained neutral, the GDP forecast is revised upwards to 6.8 from earlier 6.5, and CPI inflation forecast has lowered to 2.6 down from 3.1. All are very positive. Rural economy, the monsoon has been very good, spread across the country, even though there has been some excess rains, but overall, there is an estimation of increase in Kharif food grain production by 2.4%. It has come down from earlier prediction of 4% because of some damage to the crop, but it is still positive for the rural economy. GST collection has risen by 9.1% year-on-year. It has been growing steadily, and we expect with the increased GST collection, the government infra spend will go up further and that will help the automobile and the construction equipment industry.

Now, coming to the auto industry:

The quarter has been quite good for automobiles, especially if you look at the commercial vehicle sales have gone up by 8.27% in Q2. It stands at 2.4 lakh units against 2.21 lakh units in the previous quarter, previous year same quarter. And within CV, M&HCV have recorded a growth

of 6.16, and LCV have grown well with 9.54% which stands at 1.52 lakh units versus 1.3 lakh units. Passenger have de-grown by 1.51%. It stands at 10.39%, but the demand in October has been very good for passenger vehicle across, especially for the base model. And we expect this quarter, that is the third quarter, passenger vehicle credit growth will be significantly higher. The two-wheeler has recorded a growth of 7.39, with sales of 55.62 lakh units against 51.79 units in the previous year same quarter. But this October, the demand for two-wheeler has been extremely good, and we expect that momentum to continue, and we do expect good growth for the Q3. Three-wheelers have been growing steadily at 9.83% in this quarter, with a sale of 2.2 lakh units against 2.09 units in the same quarter previous year. Tractors have been again growing very well, recorded a growth of 14.72%, with 2.39 lakh units being sold against 2.08 units. It again speaks volume about the demand coming from the rural segment, and we expect the growth in the rural backed by the government support for the MSP price is likely to be very good. Construction equipment has declined as the infrastructure activity by the government have been on a slow pace. Here, I would like to say that the central government spent has been reasonably steady, but the local government, especially state government and local, the panchayat and the corporation level spent has been minimal in many of the states across the country, that has reduced the demand for construction equipment. And overall, the real estate market seems to be doing quite well, but it also is concentrated in a few geographies not across. The Board has declared an interim dividend of 4.8 per share, which is 240%, and the record date for the entitlement thereof has been fixed as November 7, 2025.

Now, I shall ask my colleague Mr. Chakravarti to take us through the operational performance of this quarter.

Y.S. Chakravarti:

Thank you, Umesh. Good evening and good morning to people who have woken up now. I welcome all of you to our Q2 FY'26 Earnings Call, and I trust you had the opportunity to peruse them and the related Investor Presentation which has been posted on the website of the Stock Exchanges.

We registered a disbursement growth of 10.24% year-on-year. Our disbursements in Q2 FY'26 this year aggregated to 43,019.17 crore versus 39,021.63 crore in Q2 FY'25. Our assets under management as of 30th September 2025 registered a growth of 15.74% over Q2 FY'25 and of 3.3% sequentially. Our AUM stood at Rs. 2,81,309.46 crores as against Rs. 2,43,042.55 crores a year ago and Rs. 2,72,249.01 crore in Q1 FY'26.

Our net interest income in Q2 FY'26 registered a growth of 11.77% year-on-year. We earned a net interest income of Rs. 6,266.84 crores in Q2 FY'26 this year as compared to Rs. 5,606.74 crores in Q2 FY'25. Our net interest margin was 8.19% as against 8.74% in Q2 FY'25 and 8.11% in Q1 FY'26. Our profit after tax grew by 11.39% in Q2 FY'26 over Q2 FY'25 and by 7.03% over Q1 FY'26. We have registered a PAT of Rs. 2,307.18 crores for Q2 FY'26 as compared to Rs. 2,071.26 crores in Q2 FY'25 and Rs. 2,155.73 crores in Q1 FY'26. Our earnings per share for the quarter stood at Rs. 12.27 as against Rs. 11.02 in Q2 FY'25 and Rs. 11.46 in Q1 FY'26. On our asset quality, gross stage 3 in Q2 FY'26 stood at Rs. 4.57% and net stage 3 at 2.49%. These numbers thus show an improvement over the corresponding period of 5.32% gross and

2.64% net in Q2 FY'25 and was 4.53% gross stage 3 and 2.57% net stage 3 in Q1 FY'26. Our credit cost and total assets for Q2 FY'26 stood at Rs. 1.68% as against Rs. 1.84% for Q2 FY'25 and Rs. 1.64% for Q1 FY'26. Our cost to income ratio was 27.76% in Q2 FY'26 as against 27.95% recorded in Q2 FY'25. Our cost to income ratio in Q1 FY'26 as you know was 29.29%.

I shall now request our Managing Director and CFO – Mr. Parag Sharma to inform you about our resource raising activities after which our Joint Managing Director – Mr. Sunder will brief you about accounting and regulatory aspects. Thank you. Over to you, Parag.

Parag Sharma:

Thank you. Hello, everyone. I think first and foremost, we were carrying excess liquidity in the previous quarters and we have worked hard to bring down that liquidity. Thereby, the overall debt has come down from Rs. 2,42,911 crores in the June quarter to Rs. 2,34,000 crores in the September quarter. The overall liquidity is now adequate for three months of liability repayment and that is what was the norm which we used to have prior to the December quarter. The incremental cost of fund is also coming down. It is close to around 8.07% for the current quarter and that should give us benefit in the coming quarters. The cost of liabilities have come down from March '25 from 8.95 to 8.83 as of September. June, the number was 8.88. The leverage ratio, because of the overall liabilities being down, has come down from 4.15 to 3.88 and we did not raise large resources in the current quarter and we will look at cheaper borrowing in the coming quarters. The liquidity coverage ratio was at 297% and the previous quarter was 268%.

Over to Sunder.

S. Sunder:

Thank you, Parag. Hello, everyone. The employee count as on 30th September 2025 was 78,833 as against 79,186 in the June quarter. There has been a net decrease of 353 employees. The ECL numbers, the Stage-1 PD was 8.85% as on 30th September as against 8.82% on June quarter end and Stage-2 PD was 21.15% as against 21.35% in June quarter and LGD was 39.04% as against 39.05%.

Coming to the disbursement numbers product-wise:

The commercial vehicle segment we disbursed was Rs.17,325 crores. Passenger vehicles was Rs.8,673. Construction equipment was Rs. 603 crores. Farm equipment was Rs. 957 crores. MSME Rs. 9,708 crores. Two-wheeler Rs. 2,605 crores. Gold Rs. 3,521 crores. Personal loan Rs. 2,425 crores totalling to Rs. 43,019 crores. This was against June disbursement number of Rs. 41,816.

With this, we hand it over to the moderator. We can open the floor for questions. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Chintan from Autonomous. Please go ahead.

Chintan:

Hi. Good evening, gentlemen. Can I ask on two aspects, your net interest margin and your growth outlook? On net interest margin, could you give us some guidance on where you think the exit

run rate on NIMs would be by the time you reach 4Q? I see that you have used up your excess liquidity but it is not showing up in your NIMs currently. Was that reduction coming in late in September? That would be my first question and then I will ask you on growth as well.

Umesh G. Revankar: Yes, you are right. The reduction has come in the later part of September. So, as we guided in the last quarter, the exit of the fourth quarter, the net interest margin will reach to 8.5. So, on average, it will be anywhere between 8.25 to 8.3 for the full year.

Chintan: Okay. And how should we think about the next year? If you are growing new vehicles a little more than your back book, should NIMs see some pressure next year or you have more than enough cushion on cost of funds to offset that?

Umesh G. Revankar: That will not have any impact on the net interest margin. We will protect our net interest margin to present level or try to improve on the same. We are looking at various opportunity and scope to reduce the borrowing cost and thereby do more newer vehicle. So, that is the strategy we have but not at the cost of net interest margin.

Chintan: Okay. Thank you for that. And if you do get a ratings upgrade, does that help you change your business mix down the line or irrespective of the rating upgrades, your margin you want to keep it stable. How do you think about it?

Umesh G. Revankar: See, basically, our idea of the business is to retain the customer because many of our customers remain with us for 10, 15, 20 years. Then they move out when they upgrade to new vehicles. So, we would like to have the customer retained and that is the strategy we are following. And the rating upgrade will only help us to do it much faster. But otherwise also, we would like to retain the customer by having an ideal mix of liability that will bring down the cost.

Chintan: Understood. Okay. And then on growth, could you give us some idea what you are thinking about the second half of the year and FY'27? If you could also comment about October activity levels, that would be helpful.

Umesh G. Revankar: See, we do see a very good demand in month of October. And if I look into the October demand, if I extrapolate, then the overall third quarter looks quite good. And I do expect a little higher growth compared to the present growth, our AUM growth was 15.74. It may be another 2% additional growth we can get for the next half of the year, the second half of the year.

Chintan: Thank you.

Moderator: Thank you. Our next question comes from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Good evening. Thank you and congratulations on a strong performance. Sir, firstly on asset quality, what drove a strong collection performance in early buckets across your main products? Because when I calculate the flow rates into Stage-2, they seem to be much better in Q2 versus

Q1. So, can you give us some color about how the income, liquidity and leverage of your customer moved in this quarter, which may have helped you in collecting better?

Umesh G. Revankar: See, our customers are retail customers and they have individual businesses. So, we will not have a full view of their cash flow. But we do understand there is a cash flow mismatches for each of our customers. And by having access to them, reach to them, understanding their business, we do help them in better management of their financial situation. And therefore, our recovery is based on the reach to the customer. And I will not have a total view of their what we call cash flows or their business models.

Rajiv Mehta: Okay. And, sir, in the light of, you know, reduction in the value of vehicles, now, how do we see the traction, growth traction in used CV and PV likely getting impacted in the next, you know, couple of quarters? And to respond to it, do we plan to tweak our valuation or LTV practices?

Umesh G. Revankar: See, basically, let us understand, how much is the reduction in value of the vehicle? This first we need to understand. Now, let me give an example of a commercial vehicle. A commercial vehicle costing around 50 lakh, a larger M&HCV, if the price is 50 lakh, the OEMs that manufacturers were giving discount up to 5 lakhs, that is around 10% discount on the value of the vehicle in the past. But GST, after post-GST reduction, all the OEMs have reduced their discounting. The GST rates have come down from 28 to 18, that means 10% relief they got. And the discounts which are offered by the manufacturers have come down from 10% to around 2% or 1%. So, the OEMs have significantly reduced the discount. And therefore, net cost to the customers have not really changed much, hardly a big change for the customers, especially in the commercial vehicle. Maybe in the car, you are right, to some extent, the prices have come down for the vehicles which are less than 4 meters. And that resale value may have some impact at the hand of the customer. But on a commercial vehicle, we have not seen reduction in value even for the second-hand vehicle. In fact, that was the speculation when the GST price reduction was announced. And the speculation was very high saying that the resale value of the second-hand vehicle will come down. But after more than one month of the GST rate cut, we did enquire, because we do have various sources of inquiry or various sources of information that we collect. We have not seen any reduction in the value of the vehicles, especially commercial vehicles. So, even in the car, it is only for a few segments, there has been some reduction in the value of a second-hand vehicle. So, overall, the business robustness has remained strong.

Rajiv Mehta: Got it. Thank you, sir, and best of luck.

Moderator: Thank you. Our next question is from the line of Raghav from Ambit Capital. Please go ahead.

Raghav: Sir, hi, good evening, and thank you for the opportunity. Sir, I have 2-3 questions. One, I remember you saying that the transactions in the used CV market have been low. But when I look at your growth rate in the CV portfolio, that has increased from 11% in the 4th Quarter to about 14% now in this quarter. I am just trying to understand, despite you mentioning about low

market volumes, how is it that the growth rate has increased? If you can give some color, maybe some bifurcation of value growth and volume growth? That's my first question.

Umesh G. Revankar: See, basically, what has happened is the number of transactions, I said it has come down because naturally what happens is if a person is owning a 10-year-old vehicle, he will upgrade and buy a seven years old vehicle after 3 to 4 years. That's the general practice. But currently, since the prices have gone up significantly in the last two years, people who are having 10 years old vehicle, he's using it for further two or three years, thereby, the number of transaction has come down. But since the value of each of the transaction being higher, for us, we are able to grow the business. And also, we are having an advantage of gaining the market share from the small players at the local level. Since we have the ability to reach and we are gaining the market share, we continuously add more number of customers. So, as the used vehicle prices rationalize over the next 3 to 4 years, I believe number of transaction can go up significantly. But we are quite comfortable with the growth what we are getting out of volume and the market share gain.

Raghav: Sir, what would have been the average price growth for a used truck that you would have financed, rough number will be fine?

Umesh G. Revankar: Year-on-year, it will be around 5%. But last year, if you ask me, it would have been much higher because the used vehicle prices went up sharply. Between '21 to '24, it went up sharply. Between '24, '25, '26, you will see the prices increases marginal by 4% to 5%.

Raghav: Sir, my second question is on the asset quality. So, during this quarter, multiple finances have said that there is some stress in the CV portfolio. And then when I look at your number also, slippage has gone up but not materially, it seems. What are some of your observations from branches and from the ground about your customers' ability to earn and service their loans? And I think you partly answered in the previous question about your overall asset quality outlook. But I think just some of your thoughts on what's happening on the ground with respect to truck utilization and all will be very helpful. Thanks.

Umesh G. Revankar: See, truck utilization have remained quite good. It has never come down. Even if you take the urban and rural all segment, it has not come down. It is quite good. Certain geographies where there was excessive rains and some challenges due to a stoppage of transportation because of the damage, because of excessive rain, there were certain challenges. And that was a temporary, maybe for 10-15 days. And that would have impacted certain geography, not all over India. So, we also had a certain request from some geographies that they should get some kind of a relief on making the payment and all. But one advantage what we have over others is, we have field executives who are earmarked for each of the customers. They were able to reach to them, talk to them and able to get the recovery done because what happens is, a temporary stoppage of 1 week or 15 days will not alter the business model significantly because he would get a much bigger business post 15 days. And he is able to recover it over the month or maybe sometime 45 days. He may miss one installment, but he will not miss two installment, two consecutive installment. So, we do give some time and opportunity for the customer to manage himself and

give back. And since we have our person to guide him, we are able to recover it much better for the peers.

Raghav: Understood. Sir, Shriram Automotive revenues, they've been growing at 20%-30% since last two quarters. Does it in any way mean that your reposition activity has gone up or that's not the case?

Umesh G. Revankar: Repositions have not really gone up. What I have seen is, they have created a separate retail segment where they are encouraging more buy and sale activity. And they also have introduced more what you call segments. They are not just dependent on commercial vehicle, their car segment or construction equipment segment also is doing well. So, overall, I think they are doing well. Even these gold auctions also have increased. So, since they are having multiple revenue streams, they are improving. And we have not seen significant increase in reposition. But the market is quite large for them. And I think they will have a good opportunity to grow in the next two quarters.

Raghav: Perfect, sir. Thank you, sir. Thanks a lot for those answers.

Moderator: Thank you. Our next question is from the line of Renish from ICICI. Please go ahead.

Renish: Hi, sir. Congrats on a good set of numbers. Just two things, sir. First, on this MSME piece again in this book, GST has gone up and it has been actually increasing from past two quarters. And surprisingly, when we look at historical trend, generally, GST tends to improve in second quarter. But that is not the case in this quarter. So, just wanted to know, what are the emerging trends in this segment? And given this segment has been one of the fastest growing portfolio for us, it has been driving credit growth also. So, do you think to calibrate disbursement in this portfolio given some sort of stress buildup from last two quarters?

Umesh G. Revankar: We have been cautious with MSME segment, especially the post the tariff, US tariff, because some of the segments are dependent on US market. And some of the segments have as high as 60% of their output going into the US market, especially manufacturers and some of the service providers to them. By and large, we are financing service providers, we are not lending to manufacturers. So, we do not really see a big challenge there for us. And our growth was mainly because of wide reach we have created. Earlier, our exposure was mostly in the southern market. But today, post merger, we have large number of branches and larger geography available for the growth. And since we activated many of the branches, we are able to grow across the country.

Renish: Got it. So, this uptick in Q2 can be attributable to US tariff, maybe in context of seasonality or how you mean?

Umesh G. Revankar: I think US tariff impact is still not there other than some of the like fisheries, prawn culture and all, there where the impact was immediate. But other segment where they were able to divert their production or the output to the domestic, they are able to manage. October has been quite good for most of them. So, we need to really watch and see what happens in November. And we

also hope and wish that some kind of arrangement will be there between India and US, some truce, so that the impact will be minimized. But the reduction of GST has definitely helped MSME to divert the production or manufacturing to the domestic market and keep going.

Renish: Got it. Sir, very helpful. Sir, the second question is on the overall credit cost front. So, we have been hiding at the full credit cost at 2%. Now, obviously, you did mention about the prices for CVs will not come down materially. But definitely, there will be some impact on the prices for PV. So, in that case, how do you see the repossession losses in second half, especially in PV segment? Because now, the net realization for you would be lower than first half assuming price reduction in PV. So, how one should look at that segment, credit cost and then the overall credit cost?

Umesh G. Revankar: I think in the previous question, I did explain that the prices have not corrected. I do not want to repeat it again. But I can tell you very confidently that the used vehicle prices have not corrected sharply as you are trying to express. And this is the feedback I have across country.

Renish: And this is true for passenger vehicle as well?

Umesh G. Revankar: No, it is not true for passenger. It is commercial vehicle has not come down. Maybe passenger vehicle, we need to really wait and see the impact because mostly in the base model cars, there has been the price impact. But other car, the price impact is not there.

Renish: Got it. Okay, sir. That is it from my side and best of luck.

Umesh G. Revankar: Thank you.

Moderator: Thank you. Our next question is from the line of Shubhranshu Mishra from PhillipCapital. Please go ahead.

Shubhranshu Mishra: Hi, sir. Good evening. So, two or three questions. The first one is on the strong commercial vehicle, light commercial vehicle. How do we look at the asset quality there? Are the SRTOs, under cash flow pressure? Second is on the passenger vehicle, we've had various OEMs like Maruti and Hyundai talking about 6% to 10% volume growth in FY'27. However, have the OEMs come back to you speaking about price increases from January '26 onwards, because the GST rate cut would have put up prices later. I am talking about the new vehicles here. And again, in terms of new vehicles, how do we look at 50 tonners and more? Thanks. These are my three questions.

Umesh G. Revankar: The 50 tonner and more is a little more dependent on government infra spend because most of this vehicle goes for infra-related activity, either for mining or it will go for the large transportation. Right now, the government spend has been little muted. And therefore, the demand is not really big on the large trucks. I did not get the first.

- Shubhranshu Mishra:** Okay. Passenger vehicle, you're saying with the January '26 onwards, there'll be a price increase. And light commercial vehicle asset quality, the cash flows of SRTOs?
- Umesh G. Revankar:** The cash flow of SRTOs is not impacted at all. It is, I believe, whatever the reading I have is that SRTOs their earnings have been studied. And therefore, there's no impact on them directly. And the price increase by OEMs, we cannot speculate because, see, there's only one reason for price increase is improvement in the technology or the government insistence on the technology upgradation for various purposes on either for the fuel emission or some other reason. If the government put in more conditions, then the vehicle prices can go up. Otherwise, it may not go up. So if the prices go up, then it is good for us because asset quality of a second-hand vehicle or our LTV coverage will be higher.
- Shubhranshu Mishra:** So just one clarification on the passenger vehicle pricing. Essentially, there will be a price deflator because of the GST rate cut. And you guys will be definitely having discussions with the OEM. So what you're saying is that they haven't communicated anything about price increases from January '26 because they might want to cover up this price deflation?
- Umesh G. Revankar:** So I can't really talk about what OEM is planning to do at this juncture. So as of now, I can say that the portfolio is holding good. And as far as the economy is doing well, customer will definitely repay the money. So it is all the cash flow for the customer and economy doing well, that is more important. So price increase or decrease will not have much bearing as far as the cars are concerned. Maybe for commercial vehicle, yes, but not for the cars.
- Shubhranshu Mishra:** Understood. Thank you so much. I will come back in the queue.
- Moderator:** Thank you. Our next question is from the line of Shripal Doshi from Equirus. Please go ahead.
- Shripal Doshi:** Hi, sir. Congrats on a good set of numbers. My question was pertaining to pricing side. So we've already started seeing cost benefit and also liquidity on the balance sheet coming, moderating on a Q&A basis. So on the lending rate side, are we expecting or are we building in any rate cut or passing of rate cut benefit to the end customer, let's say in 3-4 quarters time period?
- Umesh G. Revankar:** See, we are yet to get the lower cost in a big way. See, if you look at my liability side, 87% is fixed and 13% is floating. So the scope to get a lower rate of return, rate of borrowing comes from only 13%. And the banks are yet to pass on that advantage to us. So we have nothing much to pass on to the customer, but we would definitely love to pass on some cost benefit to the customer depending upon how much we will be able to get out of it. So immediately there's no change, but whatever we can do best to make the customer life and journey better, we will do it.
- Shripal Doshi:** So in that case, when would we see maximum benefit on the cost coming to us, let's say with respect to the timeline?

- Umesh G. Revankar:** As I was telling you, the reduction in the borrowing cost comes to us as and when we reprice the existing loan borrowings. And when it happens, we will pass on some benefit to the customer. So it is going to happen over the 18 months, not immediately.
- Shripal Doshi:** Got it. And the other question was pertaining to rollout of all the City Union products at Shriram Branches. So could you please give us some update on how many branches will see MSME Gold, PV and PL being rolled out or what is the status there?
- Umesh G. Revankar:** It is being done progressively across all the regions, but it will be done steadily, especially for Gold, we need to build infrastructure and for MSME, we need to build expertise. It happens across the real number of branches that progress, what progress we have made, that maybe Sanjay will be able to give you the exact numbers, but right now I don't have it.
- Shripal Doshi:** Got it, sir. And just one last question was pertaining to the number of customers. So there has been a decline on a sequential basis. What explains that? I mean, so it's 9.66 last quarter, it was 9.72. What explains this?
- Umesh G. Revankar:** I think the two-wheeler maturity, when it's high, its numbers come down drastically. And since now in the festive period, since our lending goes up, next quarter you'll see number going up.
- Shripal Doshi:** Got it, sir. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Kamal from Jefferies. Please go ahead.
- Kamal:** Hi, sir. If you could just, I will just start with the asset quality part only. During the quarter, if you could just guide us, what was the write-offs and what was the same during the last quarter as well?
- Parag Sharma:** The write-off in the current quarter was Rs. 456 crores as against Rs. 447 crores in the previous quarter. And the provisions was Rs. 877 crores as against Rs. 838 crores in the previous quarter.
- Kamal:** Okay, sir. And during the quarter, we have seen quite a bit of improvement in the Stage-2 slippages majorly, while stage 3 slippages, if I calculate, has been increased quarter-on-quarter. So if you could just guide what exactly has happened in the Stage-2 bucket versus the stage 3 bucket and how the overall environment was?
- Parag Sharma:** If you take Stage-2 and 3 put together, over a period of time, it has been more or less stable. So there may be some intermittent movements across quarters between Stage-2 and stage 3, but nothing alarming, I would say. It is stable.
- Kamal:** Okay, got it. Those were my questions. Thank you.
- Moderator:** Thank you. We have our next question from the line of Shweta from Elara. Please go ahead.

Shweta: Thank you, sir, for the opportunity and congratulations on good set of numbers. So I have a couple of questions. So as far as GST rate simplifications are concerned, would that lead to higher repossession losses for us, at least in the interim period? That is my first question. Second is, so you have partially dealt with the operator economics of SRTOs, but given that there have been regional challenges, so has it impacted load availability for these operators? And also there have been articles surfacing on freight rates going up in India by 2% to 3%. So can you just dwell on these factors as far as operator economics is concerned? And thirdly, so you did mention that Stage-2 has not been alarming, but if we look at two-wheeler construction equipment and even personal loans and MSMEs, so MSMEs, you did give some sense because of the export sector exposure, but two-wheeler stage 3 has been fine, but Stage-2 has been slightly higher, even construction equipment. Those were my questions.

Umesh G. Revankar: See, construction equipment, it is quite obvious that we have reduced our exposure to construction equipment in the last two quarters. We have been cautious because there has been some delay in bill payment in certain geographies. And therefore, there has been some delay in payment. And we do understand that because the bills have been held at various levels and that I think situation will improve immediately, we expect, we are hoping, because the certain states where the bills are a little slow, bills movement is slow, things have what you call challenges. And you said that the freight rates have increased and that is definitely a good for the economics of transportation. And I feel that the operator economics, if you ask me, the ideal time is one of the lowest in the last two years. I have not seen last two years, all the operators have been running at full, what you call, operations. There is no slowdown to any of the operators, any geography. There is temporarily some challenges are there, but that has been addressed over the period. In a quarter or in a six-month, normally get averaged and they are able to repay. So, SRTO economics has been quite good. And one of the advantages SRTO has it, they have their own drivers or they themselves drive. So, that brings their operational cost and they have an advantage as an edge over the large fleet operators. So, therefore, SRTO's payment have been quite good for us. And the other one you talked about the GST coming down and the sale, I think I already explained that.

Shweta: Reposition loss is going up because of GST rate cut.

Umesh G. Revankar: No, how are you linking GST rate cut and the reposition going up? See, the re-sale values of the vehicles have not dropped. People are not defaulting. When people are not defaulting, why should I reposses? So, the reposition rates have not increased at all in the last two quarters, if you see. And there is no linkage between GST rate cut and the vehicle price coming down and reposition going up. So, it is all hypothetical questions.

Shweta: Okay, so what I meant was if there are GST rate cuts and if we have repossessed the vehicle, so if we sell in the market, we will fetch a lower value today. So, the net credit losses would be higher than what we used to put up earlier.

Umesh G. Revankar: Madam, I already explained in the previous questions, I do not know whether you heard or not, the vehicle prices have not come down post-GST. Anyway, whatever is the GST prices come

down, the OEMs have reduced their discounts, the cost to the customer have remained same. So, second-hand values also have not come down. So, there is nothing to say that there is a repossession loss. And GST rate have happened just one month back. And do you expect people to repossess and book a loss immediately. It will take time to understand what impact it is. Right now, the resale values have not come down. So, reposition costs, reposition losses also are not there.

Shweta: Sure, sir. That explains. Thank you.

Moderator: Thank you. Our next question is from the line of Prithviraj Patil from Investec. Please go ahead.

Prithviraj Patil: Hi, thanks for the opportunity. I just wanted to know if the segmental, if we have the segmental disbursement numbers and the total disbursement number for this quarter?

S.Sunder: It was already announced, but still I will repeat it. The commercial vehicle was Rs. 17,325 crores, passenger vehicles Rs. 8,673 crores, construction equipment Rs. 603 crores, farm equipment Rs. 957 crores, MSME Rs. 6,907 crores, two wheelers Rs. 2,605 crores, personal loans Rs. 2,425 crores, totaling to Rs. 43,019 crores.

Prithviraj Patil: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Sonal Gandhi from Asian Market Securities. Please go ahead.

Sonal Gandhi: Thanks for the opportunity. So I have two questions. So on the subsidiary, so what has been the thought process behind investing in Shriram Overseas Investment Limited? And, if you could just give us some plan that what do you plan to do through the subsidiary? And second one was on public deposits. So that is already making up 28% of your borrowing mix today. So how much further scope do you have to increase this? And maybe after 6-9 months or maybe after a year when you exhaust the limit which are the instruments through which you plan to finance the liability side of the borrowing?

Parag Sharma: Okay, on the subsidiary, we took some board permission to start a primary dealership business. And that is why this subsidiary was created. As of now, we have to get RBI approvals for starting this business. However, the subsidiary is continuing to do government securities trading. But to become a full fledged PD, the license is something which we will await from the regulator. Second question?

S.Sunder: On the deposit, now we are at 28%. So what is the future of...?

Parag Sharma: Okay, so deposit, in fact, we were actually planning to make it to around 30% of our liabilities. So we are closer to around 28. And we will try to maintain it at that particular level. And whatever additional money is required will go through the domestic capital market route or the foreign borrowing.

- Prithviraj Patil:** So, sir, if you could just help us, what is the landed rate for the foreign borrowings currently? And also NCDs we can look up, but if you could help us with that number?
- Parag Sharma:** Okay, I will not have the exact, okay, the landed cost as of now for the additional borrowing I mentioned in the beginning, the cost of borrowing for the quarter was around 8.07. But NCDs, we will look at the overall need. And I think what we do normally is around 1,000 crores to 1,500 crores of NCD borrowing every quarter. And that is what we will look at in this quarter. Other than that, we will look at bank borrowings or if there is an opportunity to get offshore funding, we will look at that.
- Prithviraj Patil:** Sure. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was our last question. I would now like to hand the conference over to Mr. Umesh G. Revankar for closing comments. Over to you, sir.
- Umesh G. Revankar:** Thank you for joining the call. As I was telling in the beginning, the second quarter is a normally a tricky quarter, which we have done quite well. And Q3 and Q4, we should be doing much better because the credit demand has been good and the rural economy seems to be doing very well. The demand across the country for credit has been good and the asset quality has been holding good. And with some improvement in net interest margin, we should expect better numbers coming Q3 and Q4. Thank you very much for joining the call.
- Moderator:** Thank you. On behalf of Shriram Finance Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.