



“Shriram Transport Finance Company Limited Q2 FY16 Earnings Conference Call”

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Moderator:

Ladies and Gentlemen, Good Day and Welcome to the Shriram Transport Finance's Q2FY16 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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I would now like to hand the call over to Mr. Umesh Revankar - Managing Director and CEO, Shriram Transport Finance for his initial 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 have with me Sunder, Sanjay, Kelkar and Parag to answer specific questions. I hope everyone has had a chance to go through the investor update that has been sent to you earlier that highlights our key operational and financial metrics.

To begin with let me share some perspective on the macro. Q2 is always challenging, uncertain, and tricky quarter. The impact of the monsoon on the performance of the economy is always uncertain and before the start of quarter we all are hopeful of good monsoon and at the end of it the excess or deficiency in the rainfall does have an impact. This year the monsoon was deficient - rainfall was short by 14% on a long-term annual average. Last year also it was short by 12%. Two consecutive year deficiency in the rainfall is something which was not seen for a very long time maybe after nearly 10 years to 12 years we are witnessing that. This had some stress on rural economy. However, the 50 bps rate cut RBI has provided some cheer. This will not only bolster the credit environment but more importantly also help kick-start the investment cycle in our economy.

The overall rate cut in the current year now stands at 125 bps which provides a much needed impetus to rural economy allowing micro and small medium enterprise to improve their profitability and cash flow. The rate cut will make our cost of borrowing cheaper by 20 -25 basis points over the medium term. Further we also believe the lower cost of funds will entice our customers to upgrade themselves to buy or replace with new and newer vehicles. The lower fuel cost makes used vehicles still an attractive proposition at in the semi-urban and rural market. In terms of activity on account there have been some encouraging signs. We have seen Heavy Vehicle sales going up for the last several quarters especially in coal transportation, steel transportation and the LPG gas movement.

Slowly cement also should pick-up once the Infra activity starts picking-up. However it is too soon to comment and confirm this kind of a trend. Utilization levels continue to remain sub-optimal as of now. It has not been moved up significantly mainly on LCV front but we expect H2 to be better as Infra activities are likely to be on the higher side and government is putting all its effort in pushing the Infra activities. Governments intent seems to be very strong and positive as of now.

Now let me provide overview of our financials for the quarter. Net interest income has gone up by 18.5% that is from 1,007 crores to 1,194 crores. Net interest margin saw an improvement to 7.03 from 6.6 year-over-year and Q-on-Q by 27 basis points. PAT has gone up by 12% to 338 crores from 302 crores. The gross NPLs have moved by 11 basis points to 4.18 from 4.07. The NPLs have mainly increased in the rain deficient states and rural economy.

Coming to the Equipment Finance Business, as you are aware the merger process is on and expected to complete by Q4 in this financial year. However we would like to share with you that initiatives taken over the last quarter

are progressing well and we have seen improvement in the monthly collection run rate. We will continue to maintain a strong connect with the customers and are confident that we can work with customers to recover the dues over the course of next few quarters.

On this note, once again, I thank you for continued interest. I would request the moderator to open up for question and answer.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer session. First question is from the line of Abhishek Kothari from Anand Rathi. Please go ahead.

Abhishek Kothari: Can I have the disbursement figures for the quarter?

Sanjay Mundra: The disbursement is 9,500 crores, New Vehicle is 967 crores, and Used Vehicle is 8,538 crores.

Abhishek Kothari: Okay. And so any capital raising plans over the next 12 months to 18 months.

Umesh Revankar: No, I do not think we need any capital as of now.

Abhishek Kothari: Okay. And sir in terms of cost to income ratio, we have seen 24.75% in the quarter. So how do we see cost to income panning out?

Umesh Revankar: I think it should remain at present level. We are adding some man power in the next two quarters - three quarters. We believe there is good opportunity and scope for us to increase the business volume and opportunities are quite good. So we also would like to improve our outreach to the people by increasing teams on the ground. Therefore, the cost to income ratio should remain at present level. Even though our technology effort is helping us in increasing the productivity but nothing like personal touch and personal equation with the customer.

Moderator: Thank you. Next question is from the line of Sneha Gantra from Subhkam Ventures. Please go ahead.

Sneha Gantra: Sir first question is what is the outlook on the growth front for the second-half? Second question is on the asset quality are we seeing still stress because of the rain deficiency and the third question is how would be the securitization panning out for the second-half? And second question on asset quality if we are shifting to 150 DPD where do you see the gross NPA to be rising?

Umesh Revankar: See the gross NPAs have moved by 11 basis points Q-on-Q. As you rightly said it is mostly in the rain deficient states where the rural economy is under stress but I feel it will be a temporary one and hope once the winter crop is good things will become much better. Right now the Maharashtra, Telangana and UP, Bihar, are the most stressed due to deficiency in the rain fall. Right now the storage level also seems to be little lower but hope that things will become better over the period and the farmers would change their farming pattern and go more towards cash crops which will give them good return and they should be better off.

Sneha Gantra: Okay. My second question is on the growth front.

- Umesh Revankar:** Growth see we had given a guidance of 15% in the beginning of the year. We will still maintain the 15% growth on AUM I think that is as of now we have reached 13.8 AUM growth this quarter and we should be able to easily reach 15% because second-half is normally bigger than the first-half. And on securitization front what was your question?
- Sneha Gantra:** What is the plan for the second-half securitization?
- Umesh Revankar:** Second-half, Parag any number? Another 3,500 crores we have already done 2,500 so another 3,500 crores is what we are targeting.
- Sneha Gantra:** And if we are moving for 150 dpd what we can expect on the rise of the gross NPA numbers?
- Umesh Revankar:** 150 we are moving in the last quarter.
- Sneha Gantra:** You are shifting actually.
- Umesh Revankar:** Yes. And it is likely to be around 1.2% to 1.5% more than the current numbers.
- Sneha Gantra:** Okay. Any branch expansion plan or employee addition plans?
- Umesh Revankar:** We have added around 500 people in the last quarter and we have added 30 branches. So branch expansion will continue. We should be adding around 20 to 25 every quarter. Employee addition also will continue as we are seeing good growth prospects in the second-half of the year.
- Moderator:** Thank you. Next question is from the line of Devam Modi from Equirus Capital Private Limited. Please go ahead.
- Devam Modi:** Sir you mentioned that your re-NPAs are likely to rise by around 1.2% to 1.5% this would mean that it will drive to around 30% to 40% from current levels, correct?
- Devam Modi:** 100 to 150 DPD that is.
- Umesh Revankar:** If we move to 150 DPD at present level of around 4% it will further go up by around 1.2% is what I indicated based on current data. The numbers can change in the fourth quarter if the economy is doing well the NPA levels can come down.
- Devam Modi:** Correct. And sir, what kind of G&PA levels are there because we understand the current numbers do not include the subsidiary numbers. So what kind G&PA levels are there with subsidiary in terms of absolute number right now?
- Umesh Revankar:** The NPAs in the subsidiary at 150 days is around 1,100 crores.
- Devam Modi:** Okay. And what would be I mean are we sort of seeing any impact of the poor I mean there have been three consecutive negative cash crop cycles per se. So is this impacting generally across geographies or your only those four states you are seeing more impact on how is it panning out because of that reason?

- Umesh Revankar:** Right now these four states are impacted and if you go back to last year MP was worst hit but MP is better this year. So this rain deficiency across different states keep varying so, it is not consistently at one place. So the rainfall patterns keep shifting and today the farmers are also becoming very progressive and they are also keeps shifting their crop pattern. So I expect the farmers to find the right kind of farming to match the trend in environment and rainfall or water availability. So things should become much better is what I feel.
- Devam Modi:** And sir are we seeing any impact of the emission norms or better quality trust coming in from the OEMs or for that matter the recent move that Delhi has come up. So are we seeing impact of that on our 7 years to 12 years vintage trucks?
- Umesh Revankar:** See emission norms are great its keep upgrading now there EURO 04 and we are moving towards EURO 05 and ultimately to EURO 06 so, these will keep shifting upwards and the manufacturers will definitely have to comply with emission norm as per the requirement. So there will be constant upgradation of vehicle. And in Delhi they wanted to put a ban on ten years old Diesel Vehicle which is right now in the Court it is being challenged. So it is not fully implemented.
- Devam Modi:** Okay. And I mean just an accounting question what was the Automall income this quarter sir?
- Umesh Revankar:** We have not done the audit so these numbers are not available.
- Moderator:** Thank you. Next question is from the line of Umang Shah from Emkay Global. Please go ahead.
- Umang Shah:** Sir I just had a couple of questions. One was that obviously in this quarter we have seen a healthy AUM growth both on a Y-o-Y as well as on a sequential basis. But if you could just explain as to why the interest income has kind of remain flattish on a sequential basis? So I mean it was last quarter 2,200 odd quarters, this quarter it is 2,240 crore. So it probably because of some of mix change or probably we have taken some lower yielding assets or just wanted to understand that.
- Umesh Revankar:** No, it is 2,200 crores to 2,240 crores. Sunder any explanation on this?
- S. Sunder:** We have got to see that net interest income including our securitization income if we combine both then there is an increase.
- Umang Shah:** Okay, all right. And sir second thing was that in our AUM mix basically we have some significant shifts in two of these segments so our Heavy Commercial Vehicle which was closer to 44 crores last quarter is almost 49% now and Medium and Lights was like 26% last quarter it is 22% now. So just wanted to recheck that is there some kind of reclassification that has happened between segments?
- Umesh Revankar:** No. The demand for the LCVs have come down and some run down of the loan book is also there. The demand for Heavy Vehicle is much higher and ticket size being larger in Heavy it immediately expands so, when it expands ratio of other segments will become smaller.
- Umang Shah:** Fair point. And sir, in terms of our cost of funds so in your opening comments you mentioned that obviously year-to-date obviously we have seen like 125 basis points kind of reduction in interest rates. What kind of benefit do we foresee in coming 6 months to 12 months in our borrowing cost and to that extent how do you see margins panning

out over next few quarters I mean we have already been seeing margin expansion on a quarter-on-quarter basis for the last four - five quarters as such. So what kind of trend can one expect going forward?

Umesh Revankar: See as we lend more Heavy Vehicles and New Vehicle there will be some passing on of benefit to the customer because at a bigger ticket size we need to lend at lower rate. So to that extent it gets passed on and what we should benefit by in medium term should be around 20 basis points - 25 basis points Parag or more? Around 20 basis points - 25 basis points should be a fair estimation of medium term advantage on cost of funds.

Umang Shah: Okay. So you are expecting that to be just in the near-term right so or on the back of 125 we are looking at just 25 odd?

Umesh Revankar: No, see out of that 125 some of the benefit has already accrued – we are discussing the further benefit.

Moderator: Thank you. Next question is from the line of Sunil Kumar from Birla Sun Life Insurance. Please go ahead.

Sunil Kumar: Sir my question is on the asset quality so considering the trends right now you are seeing in terms of freight rate let us say utilization discounts Heavy Vehicle sales. Do you expect any improvement in the asset quality in the second-half in the parent's business?

Umesh Revankar: See second-half we are looking at very optimistically because one is we expect the rural stress to come down because of better winter crop. Given the storage level are lower than what it was last year. By changing the crop pattern I feel the farmer should be able to manage and rural economy to some extent should improve and more significant improvement what we are expecting is the infrastructure spending by the government and the projects to kick start. And the infrastructure project kick-starting will bring in a lot of employment to the unskilled labor the rural labor where the wages have not grown over the last year and who are desperately looking for more avenues for employment; the infrastructure activity will give them big relief and I feel that should be the biggest advantage in the next half and that should help us in overall improvement in the consumption level and IIP numbers and the transportation activity thereby improvement in the NPL position.

Sunil Kumar: Okay. So regarding infrastructure projects any particular trend which is visible to you right now?

Umesh Revankar: Immediately we do not see anything but a lot of host of projects have been announced in the last two years and we also understand from reliable sources that the government is approaching this with strong intent in pushing things through as early as possible and this makes us feel that in couple of month it will kick-start.

Sunil Kumar: Sure. And similarly, our subsidiary what sort of trend do you see for the asset quality the Construction Equipment Finance?

Umesh Revankar: There is not much change from the last quarter and we expect things to improve only when the infrastructure activity kick-starts in a big way. Once the infrastructure activity kick-starts in a big way it will positively impact the assets to which we have lent. Machine utilization levels should go up and the collections which were outstanding with various department and the companies should flow in and also the higher utilization of machinery and equipment will enable customers to pay us on time and that should help our asset quality to improve over time.

- Sunil Kumar:** Sir, if those players are in road sector then road sector has already picked up some of the orders which have been awarded. So are not they in the road sector? I mean have not they already seen some improvement there?
- Umesh Revankar:** Not much see road sector even though there are a lot of announcements. The only big road project which has kick-started and is ongoing is the Srinagar Highway but the rest of it has not really kick-started. So I think it will take another two couple of months to kick-start then we should see a lot of improvement.
- Sunil Kumar:** Okay. Any numbers which you could share in terms of like you mentioned that some of your initiatives are already bringing results and other collection the recovery et cetera has monthly collections have improved. Any numbers which you could share?
- Umesh Revankar:** See right now we are able to collect 100 crores every month consistently and our ability to collect consistently 100 plus crore is a big advantage as well as a relief for us in the difficult scenario.
- Sunil Kumar:** Okay. So this number has that number gone up in the last couple of months?
- Umesh Revankar:** What number?
- Sunil Kumar:** This Rs. 100 crore.
- Umesh Revankar:** 100 crores collection is consistent.
- Sunil Kumar:** It is consistent?
- Umesh Revankar:** Consistent, Yes.
- Moderator:** Thank you. We have next question from the line of Krishna Kumar from Sundaram Mutual Fund. Please go ahead.
- Krishna Kumar:** Sir, we have recently seen RBI coming out with licenses for small banks. So some of them have been players microfinance players and others operating in the NBFC space also. So do you see incremental competition from players who have fair amount of reach and already been kind of getting into Used Commercial Vehicles, etc. Do you see any threat from the category of new banks?
- Umesh Revankar:** See they just got license and as of now many of them are microfinance or local financing activity and none of them have a Pan India network or the exposure. So I think they still would remain local and their reach also may not be that big. And moreover in Used Vehicle financing is a one niche segment where you need to build expertise over the period one cannot just enter overnight and build big presence. So I do not really expect significant competition from small banks at present.
- Krishna Kumar:** Okay. And on the loan tickets specifically if you have to look at average loan tickets, do you see them have you seen improvement in average loan value per Vehicle or this is a decrease in terms of loan value for average ticket size?
- Umesh Revankar:** See ticket size is definitely going up because new technology latest Vehicle will have a better resale values. So to that extent the inflation also will make the Vehicle prices keep going up every year. So the ticket size will

definitely go up but it depends on what kind of segment you expand. If you expand more into Passenger Vehicle and the LCV the ticket size will remain little smaller, if you expand more into Heavy Vehicle then the ticket size will go up. Right now since we are expanding more in Heavy Vehicle opportunity is much better. The ticket size is growing in that particular segment so, overall ticket size is growing.

Krishna Kumar: Is it possible to give some color in terms of any data that you can share from say last year to this year any comparisons possible to share?

Umesh Revankar: Right now I do not have the number but I can indicate that the Heavy Vehicle share in our portfolio has gone to 49% from last year 40%. You can fairly estimate based on that the ticket size going up.

Krishna Kumar: Sure, sir. Sir and since you are right into the market is there. So are you seeing any pick-up in any particular segment of Vehicle category at least source related to construction activity any pick-up you are seeing sir in any particular segment worth mentioning?

Umesh Revankar: On Construction Equipment right now there is a good demand for the Excavators and the Backhoe Loaders the resale prices have gone up and others specialized equipment not much change is there. Dumper the resale price have gone up in the multi-axle category and as far as CV is concerned the 31 tonne, 35 tonne, 37 tonne and 40 tonne all these segment there is a good demand and good resale value.

Moderator: Thank you. Next question is from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: I was just trying to understand I mean what is the movement like have you seen on the freight rate and utilization side and like you mentioned I mean my main question was on resale value. So when does this resale value improvement will be translate into asset quality or reduction in provisioning for you?

Umesh Revankar: The asset quality the resale prices have gone up in Heavier segments and all the vehicles which are in demand from 31 tonne and above up to 40 tonne the resale values have really gone up significantly. The LCVs the resale values have not really gone up I feel but it is not going down also. So as of now it is not very negative. And for us the trigger for reduction of coverage ratio would be more apparent when we move towards 150 days and 120 days because then there is an early recognition of NPLs we would drop our coverage ratio to some extent.

Sonal Gupta: Okay. And sir, just on the freight rate side I mean there have been some news that the freight rates have moved down over the last couple of months is your understanding and I mean is that in line with the diesel price declines or more than that?

Umesh Revankar: Yes, it is in line with the diesel price moment it is not really totally non-tangible it is directly in line with diesel price movement so the freight rates are not really hurting customers much because their operating margins are much better then what it was maybe year back.

Sonal Gupta: Right. And sir lastly, in terms of your lending rates since like you mentioned on the Heavy Commercial Vehicle side you will have to pass on some of the benefit but so have you passed on, has there been some decline lending rates for you?

Umesh Revankar: Yes, some has already passed on.

- Sonal Gupta:** So could you give us some indication in last six months how much would have we...
- Umesh Revankar:** On Heavy Vehicles only we have passed on something. So the net impact of that you can see in the net interest margin because the reduction of the cost was much more than the yield before the NIMs have really gone up.
- Moderator:** Thank you. Next question is from the line of Jignesh Siyal from Quant Capital. Please go ahead.
- Jignesh Siyal:** I had been a little late to join the call just needed to know what was your extra fresh slippage number for the quarter?
- S. Sunder:** 400 crores.
- Jignesh Siyal:** 200 crores, right?
- S. Sunder:** 400 and going out of NPA was 200 crores so, net was around 208 crores was the net addition.
- Jignesh Siyal:** The gross addition had 400 crores?
- S. Sunder:** Yes.
- Jignesh Siyal:** And net have been 208 crores?
- Umesh Revankar:** Yes.
- Jignesh Siyal:** Okay. And how much does the provision impacted because of the change in dates just allocate some of that. Change of days in the NPA recognition?
- S. Mundra:** That will do at the end of fourth quarter, no.
- Jignesh Siyal:** Okay. So there is no recognition done during this quarter, right?
- S. Mundra:** No. We have categorically said that we will do in the Q4 of this financial year.
- Jignesh Siyal:** And because of that the current gross NPA can move by 100 bps to 150 bps that is what you call it.
- S. Mundra:** Yes, roughly in the range of 100 basis points to 150 basis points.
- Jignesh Siyal:** Okay. And it might also happen that the coverage might also decline because of that, the provision sir?
- S. Mundra:** Yes.
- Jignesh Siyal:** And your securitization has seen an uptick during this quarter so any flavors that that how that particular thing is doing that how the demand is securitization of assets this time?

- Parag Sharma:** Some demand has come during this quarter. Normally the demand is more in December and March we have done 1,500 crore of securitization and as we mentioned in the opening commentary we will target around 6,000 crores for the full year.
- Moderator:** Thank you. We have next question from the line of Mayur Parkeria from Wealth Managers. Please go ahead.
- Mayur Parkeria:** Sir, couple of questions from my side. Sir, standard assets provision at what rate are we providing currently?
- Umesh Revankar:** 0.25%.
- Mayur Parkeria:** 0.25% so, in this quarter we provided some 80 crores, right?
- Umesh Revankar:** 8 crores.
- Mayur Parkeria:** I am sorry, I apologize.
- Umesh Revankar:** 80 million it is.
- Mayur Parkeria:** Yes, sorry, I apologize 8 crores. So that will meet the 0.25% level on a book basis?
- Umesh Revankar:** Yes.
- Mayur Parkeria:** Okay. The second question is sir, you mentioned about the provision coverage ratio. Can you give some indication as to what level will we like to target when we move to 150 days?
- Umesh Revankar:** See that the Board will take a call at that time. Right now, we are going by the broad approval of the Board of around 80%. So as and when we move there we will take the Board approval.
- Mayur Parkeria:** But sir, will it be like in the region of 50-60 or will it be still (+70%) what broad color if we because it is only now only one quarter and then next quarter we will have that so, for some numbers for us to work on.
- Umesh Revankar:** No, see I told you very clearly that Board will guide us on this so, we have to approach Board and give our numbers to them and then they will give us how much to provide.
- Mayur Parkeria:** Okay. Sir, on the calculation basis if assume today's situation remains as is and the hypothetical situation let us say if current situation remains like this and we look at gross NPLs in the region of around 5.4 around that level then and assuming the provision coverage at around 70% will it be right to say that almost 900 crores will be required to be provided on that basis because on a calculation basis I know it is a mathematical calculation but if that can be the situation will we look at that kind of provision?
- Umesh Revankar:** As I was telling you the environment in which we are working is very important if the economic activity improves the NPL number can undergo a big change. So we cannot go for a mathematical calculation straightaway. Now imagine next two quarters the economic activity improves dramatically then our NPL number also will come down.

- Mayur Parkeria:** Yes and if it deteriorates it can further go up.
- Umesh Revankar:** Yes, it is both ways.
- Mayur Parkeria:** Both ways, right. Okay. Sir the other point was on the AUM side there was a question with respect to interest income side where there was no growth in interest income for the quarter on a Q-on-Q basis despite the AUM moving up. Can we relate this to somewhere where the yields on the new Commercial Vehicles because the new Commercial Vehicles are now also started growing in our portfolio. Is it that because the new Commercial yields will be lower we will see some yields coming down a weighted average basis. And hence the revenue interest income will be lower as we go ahead in relation to it.
- Umesh Revankar:** It may not be the only component New Vehicle is just 10% of the portfolio. So on 10% of portfolio a little reduction in yield will not have a big impact. There are multiple components into that that has already been explained.
- Mayur Parkeria:** Sir last on, you mentioned about the equipment financier. Sir when can we see numbers getting consolidated what is your perspective when can we see the numbers...
- Umesh Revankar:** Last quarter, last quarter also we said.
- Mayur Parkeria:** That will also happen in Q4?
- Moderator:** Thank you. Next question is from the line of Swanand Kelkar from Morgan Stanley. Please go ahead.
- Swanand Kelkar:** Sir you mentioned about the ability to drop coverage ratio as you move to 150 DPD primarily because your resale values are looking up and you feel more comfortable dropping that number. My question was more about can you step-up on your collection efficiency between now and end of March so that whatever the loan book falling today between 150 and 180 you can expedite collection so that 1.2 to 1.5 what you are guiding on gross NPA addition that number can actually be lower. So can you change borrower behavior and improve collection efficiency in that bucket?
- Umesh Revankar:** Effort is on towards that. We are trying our level best to improve borrower's behavior. Addition to that what is very important is the economic activity. So economic activity will improving will aid us or help us in making the customer more disciplined. So both way it helps so, only one side means the impact will be less but if it is helped by economic activity then the impact will be much better.
- Swanand Kelkar:** Okay. So the 120 basis points to 150 basis points number that you are today talking about is as thing stand today. So if you were to move to 150 bps today that would 150 DPD today that would be the...
- Umesh Revankar:** Today's current position, Yes.
- Swanand Kelkar:** And that could improve if you can improve your collection efficiency.
- Umesh Revankar:** Definitely, yes.

- Swanand Kelkar:** And the other lever that you have got has been ability to drop the coverage ratio?
- Umesh Revankar:** Yes.
- Moderator:** Thank you. Next question is from the line of Umang Shah from Emkay Global. Please go ahead.
- Umang Shah:** I just have one question. In the Equipment Finance Business are we doing any fresh disbursements or the fresh disbursements are on hold in that business?
- Umesh Revankar:** We are not doing any fresh disbursement in that company. Right now we have freezed lending from Equipment Finance Company.
- Umang Shah:** Sure. And sir, so ideally what will be the residual duration of that book?
- Umesh Revankar:** It should be around 24 months.
- Umang Shah:** Okay. So assuming that I mean we do not plan to unfreeze or restart that business. So over next 24 months this book will eventually run?
- Umesh Revankar:** No, since it is getting merged there is no question of restarting.
- Moderator:** Thank you. Next question is from the line of Mohit Pande from Crisil. Please go ahead.
- Mohit Pande:** I had a few questions on your Tractor portfolio. Sir what would be the broad split between the commercial and agri usage of Tractors that we are financing?
- Umesh Revankar:** Tractor portfolio see what we have done we have built Tractor portfolio in totally different line. We have focussed only on used Tractors and we are focused only on smaller ticket size. Our ticket size average is around 1.5 lakhs to 2 lakhs on Used Tractor and most of them are operators who are using it both for farming and for hiring. So their income has not really impacted much. Even though there is some stress in the rural areas. Our tractor portfolio has not behaved very badly even though there are some increase in NPA levels but it has not really gone out of control.
- Mohit Pande:** Okay. And in terms of the geography that we are present that would largely be in line with your branch split or have a particular geography that we are present in?
- Umesh Revankar:** No, tractors are there in all the rural geography and we are there across India. Only these states where rain deficiency is there, there the impact is a little more that is all.
- Mohit Pande:** Okay. And do you finance refinance only Tractors of a particularly manufacturers or is there any such policy?
- Umesh Revankar:** We are financing only the four major tractor manufacturers not beyond that because there was a lot of small manufacture which we are not doing. We look at the resale values and where the resale values are reasonably good for a long-term then only we finance those vehicles.
- Mohit Pande:** Okay. And how were the resale values today be as compared to say last year?

- Umesh Revankar:** Resale values of Tractors are quite good. So what happens is the Tractor the Used Tractor resale value do not drop at all because it has a utility value. It remains at a particular level. So between three years old Tractor and maybe a seven years or eight years old Tractor the drop in resale value is very small maybe 5% per year or 7% per year. So to that extent Tractor resale values are quite strong.
- Mohit Pande:** Okay. And last question was on the yields. What kind of yields do we get on Used Tractors?
- Umesh Revankar:** Yields, it depends upon the vintage and the ticket size. It can vary between 20%-23%.
- Moderator:** Thank you. Next question is from the line of Ameya Sathe from Tata Mutual Fund. Please go ahead.
- Ameya Sathe:** Sir, just one question on your Tier-I capital sir this quarter also the number actually come off by almost 60 bps any particular reason for that?
- S. Sunder:** It is mainly on account of the asset base going up.
- Ameya Sathe:** Because sir sequential growth in assets is 6% and profit is also 5% so...
- S. Sunder:** That is the reason.
- Moderator:** Thank you. Next question is from the line of Amit Premchandani from UTI Mutual Fund. Please go ahead.
- Amit Premchandani:** Can you give us a sense of the number of contracts which are running due? And how has the trend paid out in this over the last say four quarters?
- Umesh Revankar:** We do not understand the question. Number of contract you mean?
- Amit Premchandani:** The AUM is divided among number of customers or number of contracts, right.
- Umesh Revankar:** Okay. Those numbers we do not have right now. You can contact Sanjay, he will be able to give.
- Amit Premchandani:** And sir on another context, can you give us the collection efficiency then? What is the collection efficiency? Has it moved from 90% to 95% or is it still at 92% level?
- Umesh Revankar:** Collection percentage...
- S. Mundra:** It is around 90%-92%.
- Amit Premchandani:** So there is no change in that trend over the last two quarters - three quarters?
- S. Mundra:** I think probably last two quarters there has been marginal change otherwise almost flattish.
- Moderator:** Thank you. We have next question from the line of Akshat Vyas from Karvy Portfolio Management. Please go ahead.

- Akshat Vyas:** Sorry, sir, I just joined the call late so, sorry if I am repeating the question. Just wanted to know second-half how do you see compare to the first-half the broad outlook in terms of the industry and all?
- Umesh Revankar:** See normally second-half is 55 and first-half is 45, that is how we normally calculate because second-half because of festive period and the summer crop coming then a lot of activity being there. Normally the second-half is robust. So our expectation is that second-half will be much better than the first-half mainly because two things one is the government's infrastructure activity which they have been announcing for last one or two months are likely to start off in this quarter and second is we also expect the CAPEX cycle to start because the interest rates have come down. There will be some impetus or some push for the private sector to get in manufacturing or business activity.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand over the floor back to Mr. Umesh Revankar for closing comments. Over to you, sir.
- Umesh Revankar:** Thank you everyone. We are quite confident that the second-half of the year would be much better because of a lot of government initiative in the infrastructure and we also expect the rural stress will get reduced with better crop winter crop and I wish to see you in the next call with much better results. Thank you very much.
- Moderator:** Thank you very much, sir. Ladies and gentlemen with this we conclude today's conference call. Thank you for joining us. You may now disconnect your lines.