



“Shriram Transport Finance Limited Q2 FY20 Results Call”

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Moderator: Good day, ladies and gentlemen and a very warm welcome to the Shriram Transport Finance Limited Q2 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Umesh Revankar – Managing Director & CEO of Shriram Transport Finance Limited. Thank you, and over to you, sir.

Umesh Revankar: I shall provide a brief overview of the macroeconomic scenario and development on the ground before I begin with the highlights of the performance in this quarter. GDP growth in India has decelerated from 5.8% in the quarter of Jan to March to 5% in the quarter of April to June. This is attributable to global slowdown and overall subdued economic activity in the recent quarters which had spiraling effect on the demand and consumption in the domestic market. The latest economic survey estimates that India's real GDP growth is expected to slide to a 7-year low of 5.9% in 2019-20. The government, reacting to the situation has implemented multiple measures to accelerate the economic growth and is addressing the ailing sectors of the economy. There was a major boost to the domestic industry in September 2019, as the government announced a cut in the effective corporate tax rate by around 10% to 25.17. Further for new manufacturing units setup after October 1st, 2019, the corporate tax has been reduced to 15%. This has significantly enhanced India's competitiveness on a regional basis.

Outlining the vision for progress towards US \$5 trillion economy, the government has sought to simplify tax compliance and announced a massive investment of US \$1.4 trillion in infrastructure over next 5 years and also indicated the intention to undertake large scale disinvestment. The other initiative includes resolution of block funds due to pending GST refunds, urging banks to increase lending to small business and simplifying KYC process for NBFCs.

The RBI has announced a cut of 25 basis points in repo rate in October 2019 amounting to cumulative cuts of 135 bps over last 12 months. Further to catalyze the transmission of lower rates, RBI has also suggested that banks should link their lending rates to an external benchmark. In addition, RBI has also reduced risk weight on unsecured personal loan and individual vehicle loan from 125% to 100% to encourage banks to lend more to these sectors. These measures are aimed at improving credit flow and should spur demand and consumption.

While the monsoons were late in their onset, the rainfall has been quite good and recorded 107% of long-term paid average. As always, the distribution was uneven, but reports from

across the country indicate that season has been largely very positive for most of the geographies. Overall, abundant rainfall has led to increased ground water level and reservoir across the country and also it is likely to help the crops in the coming two quarters.

Due to slower economic growth and pause in activity around general election in Q1 and also seasonal downturn during the monsoon, the CV industry has been slow to add capacity. In September 2019, for the last 6 months the sector has reported a decline, for the period of April to September, M&HCV witnessed large decline of 39.06% while LCV witnessed a drop of 15.56% over the same period last year. This can also be attributed to the improved vehicle efficiency in the recent quarters as well as revised axle norms introduced in July 2018 which resulted in almost 15% to 20% increase in load carrying capacity of the fleet operators, thereby causing one time jump in capacity.

The operators are taking time to absorb this additional capacity, people are also deferring purchase decision due to the implementation of BS-VI around April 1st week in 2020. The pre-buying demand which we expected to start from September is likely to start from January that is 3 months prior to the implementation. However, the demand for used CVs continue to be good across all the geographies especially more so in the rural market and we have been able to reach the rural market and increase our presence in the new areas.

On the liquidity front, overall situation is much better now due to measures undertaken by the government and RBI. At STFC, we have successfully completed several issuances and successfully diversified our liability base. Recently, we raised \$200 million from IFC, the investment arm of World Bank and also raised additional \$250 million on top of previous USP bond issue. The proceeds will be used for meeting funding requirements in the new geographies.

Coming to the headline numbers in this quarter:

AUM grew by 3.58% year-on-year to Rs. 18,120 crores against Rs. 14,379 crores in Q2 FY19. The net interest margin stood at Rs. 2,036 crores compared to Rs. 2,050 crores in Q2 FY19. The net interest margin was 7.19 compared to 7.52 in Q2FY19. PAT is up by 25.5% year-on-year to Rs. 765 crores against Rs. 609.58 crores in Q2 FY19. This also partly due to adjustment in tax provisioning for lower effective tax rate. Since the tax provision in Q1 FY20 was at higher rate, Q2 FY20 provision includes some write back. Earning per share was at Rs. 33.72 compared to Rs. 26.86 in Q2 FY19. In the light of sustained performance, the Board of Directors has proposed an interim dividend of Rs. 5 per share.

Stage 3 NPAs stood at 8.8% in the Q2 FY20 against 8.64% in Q2 FY19. The overall credit cost which was around 2.49 in Q2 FY19 has come down to 2.31 and we are on track to bring it below 2 in the next 1 to 1.5 years. While we are in the peak of slowdown with the demand and

consumption at multiyear lows, we expect second half to be much stronger on the back of steps taken by the government and RBI and transmission of lower rates, good monsoon, initial resolution of NBFC issues and surplus system liquidity. Large infra spend will have multiplier effect. We believe market sentiments are also improving and corporate tax rate cut will mark an inflection point to resurrect the trajectory of growth.

That brings me to an end to the opening remarks. I have with me Mr. Sunder, Parag and Sanjay to answer specific questions. I would now request the moderator to open the floor for the question and answer session.

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 Hardik Shah from Max Life Insurance. Please go ahead.

Hardik Shah: Couple of questions. In terms of borrowing profile, as you mentioned you raised \$200 million. Other than that, what has been the incremental borrowings and from which sources?

Parag Sharma: So, for the quarter we had done close to around Rs. 5,500 crore of securitization that continues to be a regular source, even previous quarter we did Rs. 5,700 crore. The retail deposit program is also picking pace, good inflow there and retail public deposit what we expect.

Hardik Shah: How much would that be?

Parag Sharma: Around Rs. 100 crores per month and the bank loans also have started coming in. We have done close to around Rs. 6,000 crores of bank loans in the quarter.

Hardik Shah: These will be typically medium term loans?

Parag Sharma: Yeah, these will be medium term loans.

Hardik Shah: Sir, what is the incremental cost of borrowings for the quarter?

Parag Sharma: It will be close to around 9%. Bank loans when it comes to the new initiative of priority sector benefit on lending, for priority sector the benefit goes to the bank. There, the cost is much lower; it is close to around 8.5% to 8.75% between that ranges. Otherwise, I will say overall cost is close to around 9%.

Hardik Shah: Any fund raise in the capital markets?

Parag Sharma: Not much there. Some bonds have been done, but public issue we did for around Rs. 340-350 odd crores, which was a 3-year paper. So, that was received well and we are looking at further issuance of public issue of the bonds.

Hardik Shah: And sir one final question on asset quality that has been slightly worsening this quarter. So, any specific segment this has been contributed from?

Umesh Revankar: It is not the segment, but in certain geographies there has been little increase or to put it correctly a jump in the bucket. So, especially in the Eastern market, where the mining activities were late to start because of the rains and also in the Western Coast where there has been flooding, there has been slight delays and that has contributed to that situation, but I think Q3-Q4 we should be able to recover very comfortably.

Moderator: Thank you. The next question is from the line of Hemant Sulatania from Crisil. Please go ahead.

Hemant Sulatania: Two questions from my side. Sir firstly on the disbursement front, what would be the number and what would be the breakup between new and used?

Parag Sharma: It is 13,120 total disbursement. New is 666 crores and the used is 12,282 crores.

Hemant Sulatania: And sir second question from my side would be that sir we are seeing that new vehicles like you also mentioned in case of CVs are being slowing down continuously over the last 6 to 7 months. Sir, do you expect this to impact the new CV market in the coming months as well and do you expect the same to spill over to the used market as well?

Umesh Revankar: Normally, what happens is when the new vehicle buying is reduced that means the people who have an existing vehicle are holding on for little longer time. Instead of holding a vehicle for 3 years, they are holding on for 4 years. Therefore, there is some delay in purchasing decision and therefore the used vehicle transaction also would come down, but what we are doing is we are trying to reach to the newer geography and we are adding more number of branches. So, the reach is giving us the volume. We are only 25% of the market share and there is enough scope and opportunity to increase the market share by creating a reach. So, we are focusing on reach and whatever is the postponement because of new vehicle sale being low, that would again come back to us once the sale starts picking up.

Hemant Sulatania: Sir, one last question that was there. Sir, we have seen the proportion of M&LCVs increase in the overall AUM mix. Has it been as a part of our strategy or is this because of the ticket size that we are seeing increase in the mix overall?

Umesh Revankar: Strategically, we are more tuned to the LCV segment because we are moving more into the rural market. The rural market is mostly medium and LCV vehicles that are sought after and the heavy right now, it is going slow because infrastructure activities are getting postponed or stalled, mainly infrastructure and mining activity. So, I think this is going to be the trend. So, LCV portion will definitely grow in the next 2 quarters.

Moderator: Thank you. The next question is from the line of Shweta Daptardar from Prabhudas Lilladher. Please go ahead.

Shweta Daptardar: Sir, two questions from my side. What is the fully hedged cost for the overseas borrowings and like you mentioned a while ago if H2 is better off, then will you just quantify the overall AUM growth for this year?

Umesh Revankar: Fully hedged cost will be somewhere around 10 to 10.2. It depends upon the scheme or the product. H2 should be much better because we are still confident that demand in the H2 will pick up. The moment the infrastructure activity and real estate activity start improving, there will be significant improvement in the demand and because of the BS-VI implementation vehicle prices are going up that will create demand for the new vehicle maybe in the last quarter i.e. January to March. So, we expect the new vehicle demand also to come back into the market., Overall, I feel second half growth would be definitely much better. It may be a lower double digit growth to a higher single digit growth anywhere between 9%-12% we can expect.

Moderator: Thank you. The next question is from the line of Akshad Haria from Multi Act. Please go ahead.

Akshad Haria: Sir, my question was mainly on the asset quality side. Can you tell me the breakup of stage 1 and stage 2 assets?

S. Sunder: The stage 1 assets are Rs. 73,681 crores and stage 2 is Rs. 23,724.

Akshad Haria: Sequentially, sir there has been a movement from stage 1 to stage 2.

S. Sunder: No. In the previous quarter, our stage 2 was at Rs. 23,560 crores in June. As against that, it is now Rs. 23,724 crores in this quarter.

Akshad Haria: And sir on the 10.2% cost on foreign borrowings that is the incremental 200 million, right?

S. Sunder: Yeah, on the incremental amount.

Moderator: Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Sir, if we look at the Stage 2 assets, they have increased from 13% in FY17 to around 20-22% right now. I just wanted to get your assessment on where do we see this settling and what has led to the increase in the last 2 years? I mean in terms of the incremental sourcing mix, is there any changes that we are doing in the processing or the credit investment way of lines?

Umesh Revankar: Basically, in the last 6 months if you look at the economic condition, there has been a slowdown in the consumption and economic activity and therefore there has been a jump in the buckets, but it is not really alarming because all our lending is against earning asset and the depreciation of the asset is much slower than what will end. So, there is an earning asset backed loan. So, nothing really to worry about that. There will be one or two EMI delays and we have strengthened our credit norms by reducing the LTVs for the new and used both by 5% to 10%. Earlier, we used to lend 70% on the used vehicle value. Today, we lend anywhere between 60% to 65% and new vehicle, we used to lend 80% to 85% earlier. Today, we lend anywhere between 70% to 75%. So, we have tightened our credit norms and have asked the customer to put more margins. So, thereby we are reducing the loan quantum, so that the EMIs can be smaller in spite of we passing on the increase of interest cost on the interest borrowers.

Rohan Mandora: Sir, in addition to LTV, any changes in the customer selection when we are onboarding? Any strengthening there?

Umesh Revankar: In case of customer selection, we have been supporting the customers who are buying the vehicle for the first time. Right from the beginning if you look at the way we are doing business. We choose the customer that has a good track record with us. We also lend to the fresh customers who are buying a vehicle for the first time, but it is always guaranteed by additional guarantor. There is one more guarantor who is our existing customer who supports. So, when we are onboarding new set of customers, their financial track record is not very important, but the financial track record of the guarantor is very important for us. So, the onboarding of a customer we do not really try to filter further apart from knowing the business, knowing the customer and getting good guarantor.

Rohan Mandora: And lastly, in terms of the vehicles, which we would have repossessed, in the current quarter, what kind of recovery rates have you seen? And how was that vis-à-vis say 2, 3 quarters ago?

Umesh Revankar: Vehicle repossession strategy has not really changed, and numbers also is almost same as what it goes in the previous year. So, it is approximately around 3,000 vehicles per month to get repossessed, some of them get released on payment and some of them would be sold if there is no payment from the customers.

Rohan Mandora: Right. So, when you are selling the vehicles, like what kind of loss are we incurring right now on the absolute loan amount?

Umesh Revankar: If you look at our credit cost, it is around 2%. Our 1% of the credit cost is due to the loss in value of the vehicle repossessed.

Moderator: Thank you. The next question is from the line of Subhradeep Mishra from UTI. Please go ahead.

- Subhradeep Mishra:** So, just wanted to check what would be the average ticket size for your public deposits?
- Umesh Revankar:** Average ticket size now it is around 1 lakh per deposit.
- Subhradeep Mishra:** And on the cash and bank balance on your balance sheet, how much of that would be encumbered?
- Umesh Revankar:** Around Rs. 1,000 crores.
- Moderator:** Thank you. The next question is from the line of Darshil Shah from CapGrow Capital. Please go ahead.
- Darshil Shah:** Yeah. I have two questions. So, one is regarding the thing you mentioned about decreasing your loan to value ratio.. So, what is the competition intensity since you have reduced your LTV?
- Umesh Revankar:** See, first of all, in the segment which we are operating, used vehicle, the competition is not really intensive. So, we don't really observe what competition is doing because most of the places the competition is the small lenders who are in the local area. We don't really see a big corporate as a competitor. So, as of now, we are not really seeing or witnessing any competitive environment in our business.
- Darshil Shah:** And second question is regarding the BS-VI implementation. So, once that comes from April 2020, do you see a severe pick up in the transactions taking place in the used vehicle space?
- Umesh Revankar:** See, when new emission norm comes in, like BS-VI vehicle comes in, that doesn't mean that BS-IV, BS-II or BS-I will have a lesser value. The vehicle does same the activity and the performance also remains same. Now the new vehicle is because of the emission norm change and there is an additional cost. So, a BS-II or BS-III vehicle still would be plying and the value of these vehicles would depend upon the economic activity it carries. So, if something is carrying a 10 tonne to a particular distance, BS-VI or BS-II, both will be competing on the same route and they will be getting same price. But BS-VI is priced high because it is a better technology and is improving the emission standards. So, earnings wise, the vehicle would earn the same, but price wise there will be difference because the maintenance cost of BS-III would be higher and the new vehicle BS-VI vehicle the maintenance will be lower.
- Darshil Shah:** But how do you think that will affect the tonne, the action is taking place in the used vehicle, do you see that happening or it is more or less the same, like depending on the after...?
- Umesh Revankar:** See, whenever the price goes up, the used vehicle price also goes up. Because imagine if a new vehicle is costing Rs. 10 lakhs, if the used vehicle is costing Rs. 4 lakhs, when the new vehicle price goes up to Rs. 11 lakhs because of the emission standard, the used vehicle price also goes

up because it is a replacement value. So, used vehicle price also goes up by Rs. 50,000 to Rs. 1,00,000. So, that is how the used vehicle price normally moves up when the new vehicle cost goes up, asset coverage for us improves.

Moderator: Thank you. The next question is from the line of Vivek Ramkrishana from DSP Investments. Please go ahead.

Vivek Ramkrishana: I will start off with my favorite question. How has the collection efficiency been and especially in securitization pools, have you see any dip in collection efficiency given that we are seeing payment delays across the economy?

Umesh Revankar: Yeah. The collection efficiency, we are maintaining almost same collection efficiency as in the past. Only thing is, effort involved in collection is increasing. We have to do a multiple trip to the customer's place or customers have to pay in parts. In both the ways, the effort of collection has gone up and that normally happens every time economy slows down. Since we are in this business for 40 years, we have learned this the hard way and we continue to do that. And as far as pool or on balance sheet, at branch level the differentiation is not made. So, the collection efficiency at branch level remains the same for both segments.

Vivek Ramkrishana: Okay sir. And you also have the passenger cars segment which is also an earning asset. Do you see any particular concern they have given in this slowdown overall?

Umesh Revankar: Passenger car has not really witnessed any change. But one thing what we have observed is, the new vehicle getting into passenger vehicle has slowed down. Earlier 2-3 years back, lot of new vehicle was introduced into passenger vehicle. But last two years, we are witnessing less number of new vehicle coming into passenger segment. But people are preferring, operators are preferring used vehicle because of the earning on the new car is not significantly high. Because, see, if you are in a city, if you are booking an Ola or Uber or even a Taxi, you don't look at which model it belongs to. Whether it is 2015 or 2018, you just sit in it and try to reach faster. So, people have realized that the new vehicle is not a necessity. But as the vehicle gets aged, then automatically people will buy new vehicle. So, right now I feel the new vehicle introduction into the passenger segment is little slow and that has been the advantage for us. There has been demand for used passenger vehicle in the urban and rural market.

Vivek Ramkrishana: Sir, just couple of more questions. One is the operating expenditure, that has gone up, which I can see. You said geographical expansion is the expenditure going towards the technology or collections, where is the expenditure going towards, mainly?

Umesh Revankar: Basically it is the new geography expansion and also as I told you since we need to make multiple trips, we also have added more number of people for improving our collection efficiency, not exactly improving, to maintain in the collection efficiency which is already

good. So, in that way yes, we have been incurring little additional expenses. But technology definitely is playing a role. We are introducing technology, mobile based technology to improve the efficiency and also the collection done through payment gateway is significantly improving every quarter. So, we are measuring that. There is more digital collection and ones we are able to reach out to most of the people and educate them on digital payment gateway collection through digital mode. Then probably we should be able to reduce our operating cost further down.

Vivek Ramkrishana: Okay sir. One last question from me. There has been a good positive jump in the Tier I capital adequacy ratio, mostly because of retained earnings. I understand that in Ind-AS securitized assets won't get the capital benefit. But I also notice that the pool of off balance sheet or the direct assignment loans have remained pretty much static. Actually, it has come down a little. What would be your target capital adequacy ratio? It is looking healthy now. But what would be the target and secondly a question to Parag sir, will there be an increase in attempt at direct assignment because that will give you a capital relief?

Parag Sharma: The assignment what we feel is because of this partial guarantee scheme. The volume should pick up particularly from public sector banks, though there is an indirect cap of close to around Rs. 5,000 crores per entity. I think that is something which should be materialized in next 1 or 2 months. So, there should be some increase in assignment route only because of this. Other than that, the regular PDCs only what we used to do with foreign banks and private sector banks, that should continue.

Umesh Revankar: So, public sector banks yes, Rs. 5,000 crores I definitely see a big opportunity and should materialize in 1 or 2 months. Capital adequacy, I think the target is Tier I to be maintained at between 14% to 15% and that will be the comfort zone for us and Tier II, we have the flexibility to borrow as and when there is an opportunity, or we feel that overall target should be at around 17%-17.5%. When it comes down, we will definitely borrow Tier II to maintain the overall adequacy to be at 17 plus.

Vivek Ramkrishana: Thank you very much. A good set of numbers given circumstances and the debt holders won't complain as the capital adequacy is 16%. So, please keep that in mind. Thank you sir.

Moderator: Thank you. The next question is from the line of Madhu Chanda Dey from MC Research. Please go ahead.

Madhu Chanda Dey: Sir, I have two questions, the first question is there have been a steady expansion in the branch network in the urban areas whereas the loan growth seems to be quite skewed towards rural areas. So, if you could explain the strategy?

Umesh Revankar: Yeah. See, rural we have been adding branches only to create more reach. Therefore the expansion in rural is quite aggressive. As far as the urban market is concerned, our strategy is large branches, we are trying to split into multiple branches. More satellite branches we are opening in the cities, because in a large city instead of being in the very center of the city, we are trying to move 2 or 3 branches in the 30-40 KM radius as satellite branches to go closer to the customer because most of our transport operators are living outside of the city. So, we are trying to reach them by opening satellite branches. And also the infrastructure in the outer area also has improved significantly. So, therefore the more number of branches are being opened in the urban. So, it is basically a split in existing branch. Therefore, there is no increase in the AUM of the urban branches.

Madhu Chanda Dey: Sir, you meant to say that you are basically introducing a smaller size branches in the periphery of the city. That is the strategy and that has not resulted in an equivalent growth in the assets and the management coming from the urban areas, right?

Umesh Revankar: Yes, you are right. And maybe over the period there will be definitely expansion or the AUM will also increase because once we are in the peripheral area, we will be able to concentrate there and increase our volume over the period.

Madhu Chanda Dey: Sir, my second is one of the top-tier banks, who are quite well-entrenched in the new commercial vehicle market, mentioned about quite a bit of drop in the capacity utilization and stagnation in the fair trade leading to some cash flow issues. So, would you like to comment on the same or kind of share your experience of the market?

Umesh Revankar: See, basically what happens is, in this kind of an environment, when the capacity of the vehicle has gone up because of a government order, because if you are carrying 10 tonnes, now you can carry 12 tonnes. 20% of the capacity has gone up for each of the vehicle. So, when you are able to carry more load, then automatically the scope for new vehicle or new addition becomes less. And temporarily the existing vehicle itself you may not get enough loan, that can be the situation or scenario. But that is not true in the rural market or in the agri produce. If it is the agri produce, normally the tonnage doesn't matter. So, the quickness of transportation only matters. The application is different in industrial goods and in the daily essential and the agriculture. We are not really witnessing any kind of additional capacity being there for the rural market or agri produce or day-to-day essentials. There has been little excess capacity as far as industrial goods transportation is concerned and our focus always has been the smaller operators who carry the agri produce and daily essentials. We have not been focusing on the industrial goods transportation. We have not really witnessed a big challenge here. But I do understand that some of the fleet operators in the urban market have faced certain challenges because of this. But I think it is a temporary phenomenon. And as and when there is expansion of economic activity or GDP, automatically this will be addressed.

Madhu Chanda Dey: Sir, my last question is in terms of collection efficiency, are you seeing or sensing any difference between your other markets and rural markets?

Umesh Revankar: We don't really see. Because we feel the only thing is the kind of approach or reach what you are creating with customer that is important. As long as you are within the reach of the customer, your collection efficiency is same, whether it is an urban or rural.

Moderator: Thank you. The next question is from the line of Luv Sharma from Lombard Odier. Please go ahead.

Luv Sharma: First question is regarding the collection efficiency and there you mentioned some minor delays in the payment, could you quantify what has been the change in terms of delays from Q1 to Q2. And is there any expectation of the asset quality going forward or any pressure on asset quality? The second question is on the borrowing mix. What kind of incremental borrowings do you expect in terms of the mix going forward and how much of any plans to do further ECBs during the next quarter and ahead?

Umesh Revankar: See, as far as Q1 and Q2, I don't really see a big difference. Some delay is there from the corporate segment. When I say Corporate, the industrial goods transportation, there has been certain delay due to delay in the payments and that has been already factored in because it has been there for more than 6 months to 9 months. So, now people have factored it, earlier payment would come in 15 days or 30 days, now that has expanded to 45 days or 60 days. So, I don't think there will be any further changes in that behavior. But as far as credit quality is concerned, I feel it will only improve in Q3 and Q4 because the agriculture output is likely to be quite good in the Q3 and Q4 especially Rabi crop and the winter crop. So, that would help the rural market and also the infrastructure activity which is in standstill, infrastructure and mining because of delayed monsoon and extended monsoon. That would start again by November-December. I think both these factors would make the collection efficiency or utilization of vehicle to improve. And we should have 30 to 40 basis point improvement in the next two quarters on gross stage 3 basis. Then the other question is, liability mix is already there is some change, if you look at it. Securitization is increasing from 20% level to 25%. Deposit as a proportion is increasing to another 2%-3% more from around 10% to 12%. So, these are all the changes and the ECB is the new segment or new source which was not there in the past. So, these are the minor changes. But it is just 5% to 10% mix changes, it will not have any bearing on the cost of borrowing.

Luv Sharma: So, incrementally is the borrowing mix going to remain as of the second quarter or do you see any particular borrowing type getting more or is being utilized more than others?

Umesh Revankar: I really don't think there will be further change because securitization would remain around 25%. The retail NCD plus deposit totally maybe between 15% to 20% and ECB probably next

year when we add further, it can go up to around 15%. Like that, smaller changes would be there. But we will look at the best possible option at that particular time and take the decision.

Moderator: Thank you. The next question is from the line of Siddharth Mehta, an individual investor. Please go ahead.

Siddharth Mehta: I have a question. If we go beyond our Q2 results, October is almost over, it is 25th October and now Diwali and so on. Do you see any changes in the economic activity of our country as measured by your business? Do you see any improvements? Or is it just the same as it was last month? How do you see any changes happening? Is there some positive changes happening in our country?

Umesh Revankar: See, as it is we don't really see a big change. But there has been some positive trend. The agri output which is likely to come into the market, in this month, normally November it should come because late withdrawal of monsoon has delayed the agri output coming into the market. Therefore, we are not really witnessing the immediate demand being created for Diwali. Normally, otherwise by this time the demand would have increased. But we still feel, agri output being quite high this time because of good monsoon. There would be some positive news by November and December and the government also is pushing on the infra project. We hear that many of the government including state government and central government calling for tenders and also mining getting opened, so lot of news, positive news are coming. So, hopefully that should translate into business activity and that should improve the business sentiments.

Siddharth Mehta: So, the mining activity and the capital goods increase that you see, you were estimating that this would come in this fiscal or maybe go beyond this fiscal just as a guess.

Umesh Revankar: No. It will come within this fiscal. It will not cross this fiscal. November-December should be the time, it should come in and once it comes in, then it will last till next monsoon.

Moderator: Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: On this spread that the banks charge over a MCLR as a benchmark, has there been any change in the spread that the banks charge for the existing bank loans?

Umesh Revankar: No. There is no change as of now. In fact, there has been fresh source, in the sense on balance sheet lending for priority sector which was not happening in between. Now it has started after RBI giving approval for the same. So, I think that is something which will be new and the cost of borrowing on that, it should come down for us.

Rohan Mandora: Okay sir. And secondly sir, if you can share what share of our loans is given, maybe towards the end use being industrial goods transportation and for mining activities or capital goods activities?

Umesh Revankar: All put together it will be around 15%-20%.

Rohan Mandora: So, which component would have the maximum share, agri commodity?

Umesh Revankar: No, we can't. Mostly; new vehicles would be in this kind of category and it will be mostly banks.

Rohan Mandora: So, whatever vehicle that we finance on an incremental basis, how is the end use of these vehicles amongst various activities, some color on that? Like you said 15%-20% is for mining and capital goods, so what would be for the remaining 80%, primarily?

Umesh Revankar: Primarily it will be mix of agri and day-to-day essentials because mostly the agri output will come from village to city and from city to rural areas it will be basically FMCG goods and other essentials like milk and all. So, basically it is a day-to-day requirement that moves. So, within that we don't have further split of application.

Rohan Mandora: Sure. So, this would be around 70%-80% broadly?

Umesh Revankar: Yes.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Umesh Revankar for closing comments.

Umesh Revankar: Thank you everyone for participating in this call. We are definitely hopeful for the coming quarters as we do see scope and opportunity to improve our business. And also the collection efficiency will be much better because the environment will be much better is what we feel. So, we hope to interact with you again and talk about our result in the third quarter. Thank you very much.

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