SHRIRAM
Transport Finance Company Limited
A WINNING RELATIONSHIP

SEC/FILING/BSE-NSE/21-22/68A-B **August 04, 2021**

BSE Limited
P. J. Towers,
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: SRTRANSFIN

Dear Sirs,

Sub.: Transcript of investors earnings call for the first quarter ended June 30, 2021

Further to our letter dated 31st July 2021, regarding the audio link of the investors earnings call for the first quarter ended June 30 2021, we enclose herewith the transcript of the said call. The Transcript is also been uploaded on the Company website **www.stfc.in**

Thanking you,

Yours faithfully,

For **SHRIRAM TRANSPORT FINANCE COMPANY LIMITED**

VIVEK ACHWAL
COMPANY SECRETARY
Encl.:a/a.

“Shriram Transport Finance Company Limited Q1 FY'22 Earnings Conference Call”

July 31, 2021

MANAGEMENT: **MR. UMESH REVANKAR – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, STFC**
MR. SUDARSHAN HOLLA – JOINT MANAGING DIRECTOR, STFC
MR. P. SRIDHARAN – JOINT MANAGING DIRECTOR, STFC
MR. NILESH ODEDARA -- JOINT MANAGING DIRECTOR, STFC
MR. S. SUNDER—JOINT MANAGING DIRECTOR, STFC
MR. PARAG SHARMA – CHIEF FINANCIAL OFFICER, STFC
MR. SANJAY K MUNDRA – HEAD, INVESTOR RELATIONS, STFC

Moderator: Ladies and gentlemen, good to the Shriram Transport Finance Company Limited Q1 FY'22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' and then '0' on your touchtone telephone. I now hand the conference over to Mr. Umesh Revankar, Managing Director and CEO of Shriram Transport Finance Company Limited. Thank you and over to you, sir.

Umesh Revankar: Thank you. Good morning, friends, and good evening to those who joined from the western part of the world. A warm welcome to all of you who have joined this call. I hope all of you are healthy and safe in the confines of your homes.

Today, we have our JMDs with us, Mr. Sudarshan Holla, Sridharan, Nilesh, Sunder and Parag on the call. All of them would be talking to you. And Mr. Sanjay, who is our IR Head.

First of all, let me thank all the investors who participated in our recent QIP. The participation was overwhelming and we're very happy to have such a large participation. Demand was six times of our Rs.2,000 crores size and even our promoters also have chipped in with the initial amount of Rs.250 crores.

Friends, now I will go through the economic updates, then let me come to the Results. The economic impact of the second wave has been less severe compared to that of the previous year. There were fewer limitations on manufacturing and vehicular movement, therefore, our customers who are basically carrying essential goods were not really impacted, only certain segments were impacted like tourism, travel, etc., The socio-economic indices also suggest that labor participation, railway freight traffic did not fall to the extent of the earlier wave. So, overall, I should say, India managed it reasonably well within a short period, we could recover.

This time the noticeable feature was that more than 50% of the cases were reported in the rural areas. Last year, rural areas almost did not have any impact. But this time, the impact was more in the rural areas, especially thickly populated rural areas. Government of India has continued the vaccination drive and therefore we believe that this come to a certain control. And we also don't really expect the third wave or fourth wave to come in in a big way because Government is well prepared.

This time around the number of infections was higher among our staff and customers. So we had certain challenges in a few geographies and operations were restricted. And as I was telling you, the passenger transportation continues to have a challenge, because last year also for six months they had severe restriction because of total lockdown. Later on, the business got revived in October to March for the passenger transportation. Then again it has been hit now. But as far as the goods transportation, we feel that is doing very good, especially the freight rates have moved up in FMCG, pharma, eCommerce and Food Distribution. Last mile transportation also has been quite good. So in spite of the fuel price increase, the freight rates have also simultaneously inched up and therefore helping the customers in their earnings.

The customer behavior this time around was a little cautious especially in the month of May and June. Many of them were holding on to their cash in spite of earning and making the part payment to us. Because most of our customers do not have insurance coverage, the only option for them of getting a treatment for them or their family members or the near ones would be keeping cash. So, it is understandable that they carry more cash. But we believe that this quarter especially in July, we are witnessing the collection trend to be much better than even June, and therefore, we feel that this quarter whatever the postponement we had in moving to stage-two or stage-three should come back.

The government has announced several policies to help Indian economy to get back on the track. Fresh loan guarantee scheme of 1.1 lakh crore for expansion in COVID-affected sectors, including healthcare, tourism was given and the ECLGS scheme was additionally expanded by Rs.1.5 lakh crores. A new policy for appraisal and approval of infrastructure projects, and their monetization was also announced to ensure speedy clearance of projects. The infrastructure focus should really help in creating employment and also movement of heavy vehicles especially which are deployed in cement, steel, which should help the heavy commercial vehicles immensely.

The RBI also has come out with several positive statement and initiatives. RBI announced a Resolution Framework 2.0 for enabling the restructuring of MSMEs and small businesses classified as the standard on March 31, '21 and can be invoked up to September 30th , 2021.

A special liquidity window of Rs.15,000 crores was opened for banks to provide on-tap lending to contact-intensive sectors including private bus and taxi operators up to three years. RBI extended a special liquidity window to SIDBI amounting to Rs.16,000 crores for on-lending agri refinancing, MSME for the period up to one year.

So, all these above measures, we expect the Indian GDP growth will move to 9.5% for the year 2022. This is what the IMF has recently indicated. Of course, it is much lower than the earlier expectation of 12.5%. But we believe with the pent up demand being there, our segment or sector should be less impacted and we should bounce back quickly.

Overall manufacturing was a little subdued in the month of April-May-June, the PMI index being 55.5, 50.8 and 48.1. Gradual contraction was there, but in the month of July, we see a much higher movement and we feel that the manufacturing has come back to the normalcy, maybe the numbers will reflect later on.

Even the GST collection, which has been trending downwards, should move upwards in the month of July and August. Normally, every year July is not the biggest month because of the peak monsoon time and normally picks up in August and September. So we expect August and September should be a big month.

Now, coming to the auto industry, commercial vehicle sales was 1,05,800 units against 31636, but we cannot compare with previous year alone. If you go back to '19-20 it was 2,08,310 that means still it is 50% of the '19-20. But this time around the demand is visible, the sales number were low, mainly because most of the dealerships were closed and RTOs were not functioning in most of the states because of the lockdown and diversion of staff from RTO office to other activities by the state government. So, I feel with now dealerships being opened in the month of July and most of the RTOs are back to their normal functioning, there are much larger activities. Even the second vehicle buying, selling transactions could not be registered and even new vehicle registration did not happen in the month of May, to some extent in June, but June second half things have improved significantly.

We continue to operate all our branches. All branches were kept open other than containment zones. So, as far as the functioning is concerned we are feet-on-the-street kind of functioning, even though we've maintained the COVID appropriate behavior all the time, but we believe in trying to be to the ground and meeting the customers as much as possible.

Now, coming to the quarter performance, we clocked a disbursement of Rs.12,733 crores including Rs.220 crores towards new vehicles and 12,462 for the used vehicles compared to Rs.985 crores, of course, it is not comparable, there was total lockdown last year, it is nowhere to be compared, but compared to the previous quarter Q4 it was down by around 15% but we believe that Q2 onwards the disbursement will be much larger.

AUM was Rs. 1,19,301 crores compared to Rs.1,11,756 crores in the previous year June '20. Net interest income was Rs.2,107.45 crores in Q1 against Rs.1,842.54 crores in Q1 last year. Net interest margin was 6.38% against 6.42% in the Q1 previous year. Profit after tax was Rs. 169.94 crores compared to Rs. 320.06 crores in the previous year. EPS stood at Rs. 6.64 against Rs. 12.99 in the previous year. Collections for the month of April, May, June were 92%, 87% and 94% of the demand respectively. The stage-three NPA stood at 8.18% compared to 7.98% in the previous year. Overall credit cost in this quarter was 4.16%.

We are carrying higher liquidity as said in the previous quarter call and we will continue this till September, then we will have a relook post looking at the Wave-three or COVID Wave-four whatever, but situation is dynamic, so, we have the liquidity position now stands at Rs. 17,051.48 crores against Rs. 17,121 crores in the previous quarter.

Additional frequently asked questions, I would like to touch upon. We are carrying high liquidity as I told up to 5 to 5.5 months liability repayment till September.

On growth outlook, we still are confident of double digit growth. We believe that pent up demand is quite large and August and September we should be able to witness the same.

The cost-income ratio has come down in this quarter to 19.11%. But we believe that it will be anywhere between 22% and 23% going forward.

We could not really hire people in the first quarter because of the COVID and the interviews and the initial training we could organize. Now the recruitment has started, and we have targeted to add 1,500 to 2,000 people in next couple of years.

As far as the asset quality target of reaching a long term average of 2%, it has got little postponed, I should say, at least by two, three quarters now because of the severity of the Wave-two. And we are quite confident the fourth quarter number should be less than 2% or around 2% of the credit cost.

As far as the restructuring is concerned, we are very cautious on restructuring. We have done only Rs.300 crores of restructuring in this quarter. And we would rather allow customer to be in the stage-three, stage-two rather than offering restructuring to all the customers, because the customers would like to wait and they don't want to rush into restructuring which will lengthen their tenor, which they don't like, they would like to complete their loan as early as possible.

As far as the merger is concerned, we have been working on the same, I should say we have restarted the work because the COVID-related uncertainties are coming down and we should be able to come out of the process very soon on what we are thinking on the merger. Nothing is now concrete, but maybe in the next couple of quarters, we should be able to announce the same.

Then there are a few more long-term initiatives which we have taken now. We're looking at the future trend into concentration. One is the Digital Roadmap. The company is already having all the digital tools that competition has, but still we would like to go on a totally new platform, a new feeling to our customer. So, we have a long-term digital roadmap.

We are also looking at alternative fuel financing. For that also, we want to have a long-term strategy plan. Even today, you would have seen some of you that Tata Motors have announced that 25% of their fleet of new vehicle sales would be electric vehicles in the next couple of years. So, there have been manufacturers also changed the target and changing the focus. So, we are also looking at the same. And we are also trying to reach deeper pockets. We feel that still there is a lot more deeper pockets in the rural market which we have not reached. We have 1,821 branches now. But we feel that if at all to reach the rural pocket, we need to have at least 5,000 outlets brick-and-mortar even though we go on the digital mode, our customers who are less educated or maybe less comfortable on everything being on the digital, we need to create a reach also. So that also, we are planning.

As far as the COVID provisioning is concerned, we already done Rs.2,591 crores and this quarter we are doing additional Rs.261 crores, and this additional Rs.261 crores is done only for the passenger vehicles. We feel that resale values of passenger vehicle can be a little lower because of lower demand and non-usage for longer time. So, we feel that a little higher coverage for the passenger vehicles would help us to manage any kind of surprise tomorrow.

Now, I request our CFO, Parag Sharma to take the call. Subsequently, Sunder also would be joining with accounts number, then the other three joint managing directors; Sudarshan, Sridharan and Nilesh would talk about the strategic initiative which we are discussing. Thank you.

Parag Sharma: Hello, everyone, I'll be covering the liability side. So, overall liabilities as of June compared to March has not gone up, it is constant, there has been improvement and cost of overall debt which has improved by around 16 basis points in the quarter, and we do expect another 10 to 15 basis points improvement in September quarter. The incremental cost of fund is down that is, blended will be around 7.5, major benefit coming from securitization transactions what we have done for the quarter. The overall fund mobilized for the quarter was Rs.12,770 crores, out of which securitization was Rs.1,700 crores and roughly Rs.3,400 crores of domestic bonds and NCDs what we have raised.

ALM front we are comfortable and each individual bucket will be positive and cumulative surplus of two, three years will be more than Rs.17,000 crores.

Apart from that I think we already covered about QIP mobilization and preferential issue. We have also mobilized Rs.62 crores through warrants to the promoter.

Liquidity, as of now, we have already mentioned Rs.17,051 crores which is in September and by December if we bring it down to our earlier number, which was three months of liability repayment, and there can be further improvement in the cost, that should further improve by around 10 basis points. So, with incremental borrowing costs coming down and with liquidity being reduced, further benefit can also flow in.

I think I've covered on the liability side and only deposit flow continues to be good. Retail deposits, which has now gone up to 17% of our liabilities. And we are looking at further reduction in costs from 1st August, we are reducing by around 50 to 75 basis points.

I hand it over to Sunder.

S. Sunder: Hi, everyone. As Mr. Revankar had listed out there has been marginal reduction in the employee count, has come down by 260-odd employees compared to March quarter.

And one data point we wanted to communicate was that 70% of the employees have been vaccinated at least one dose of COVID-19 vaccine. We had lost four employees in the Wave-one and further 23 employees in Wave-two, taking the total toll to 27 employees. We have supported their families with adequate compensation and also have taken the responsibility to take care of the children's education till graduation. We have also increased the limits of the

Mediclaim policy to give a comfort to the employees who have been physically attending offices and meeting customers.

The cost-to-income ratio has come down to 19% primarily on account of the lesser spend on the CSR in the current quarter, and also, the royalty payments have been lower because of the reduction in the profit and the coverage has been maintained at 44.16% as against 42.05% in the previous quarter. Stage-I contributed to 77.29% as against 81.04% in the previous quarter. Stage-2 was 14.53% as against 11.90% in the previous quarter. We have maintained the coverage of 3.29% in stage-I assets as against 3.25% in the previous quarter. We have maintained coverage of 9.97% on stage-II assets as against 9.70% in the previous quarter. And the PD for stage-I was 7.35% in the current quarter as against 7.38% in the previous quarter. And the PD on stage-II assets was 22.17% as against 22.24% in the previous quarter. And the LGD was at 45.28% as against 43.49% in the previous quarter. We continue to maintain higher provision cover as compared to the RBI requirement. The RBI requirement is Rs.2,952 crores and we are maintaining provision of Rs.8,978 crores, meaning we are having an excess provision over and above RBI requirement of Rs.6,026 crores.

The capital adequacy ratio has been pretty comfortable, thanks to the QIP and the promoter issuance. The tier-I was 21.05% and tier-II was 2.22% totaling to 23.27%.

And as we had informed in the previous call, there were around 9,600 customers who had not paid even a single installment. There have been some improvement in that front. But however, we are fully provided the entire assets of those borrowers and whatever repayments come, it will add to the bottom line going forward.

With these data points, I request Mr. Sudarshan to talk about the EV Vehicles.

Sudarshan Holla: The subject is electric and alternative fuel vehicles. At present, in vehicle industry, it is an important topic and growing interest across vehicle industry. Reason for that? Increase of oil price and to reduce the pollution, to protect from global warming to have safe and cleaner environment. Now, different type of alternative fuel are at present available; CNG, LNG and electrical or hybrid vehicles.

In India, NITI Aayog has set an Electrical Vehicle (EV) goal for 2030. In that they have targeted 80% of the sales in two and three wheelers should be electrical vehicles, 70% of the commercial cars should be the electrical vehicles and 40% in buses and 30% in private cars. Currently, if we see only 1% of the total sales are in electrical vehicles, expected to grow because of the FAME-2 government initiation because of subsidy and some tax benefits, because of that, it will grow further exponentially. Expected growth by 5% in two, three years and by 2026 above 36% growth will be expected. Challenges are high price because the lithium battery cost is high and battery manufacturing facility in India and charging infrastructure availability at present, these are the challenges. As 50% if we take EV upfront cost, we require around Rs.7 lakh crores in the financial year 2021 to financial year 2030. So, there is an alternative opportunity also there to fund the retrofitted products where five year old vehicle can be converted into electrical vehicles. Bharat Forge has already started fitting this retrofitted product in this vehicle especially smaller vehicles.

In two and three wheeler finance segments, Shriram, already we are having tie up with our franchisee revenue sharing partners, small financiers, they are all very good in this two and three wheeler financing, especially major cities like Bangalore Hyderabad, Gujarat, Mumbai, Delhi, in these cities three wheelers are running. So, that can be converted into electrical vehicles, then in two wheelers also there is a huge demand from the individual for converting the electrical vehicles because of the high fuel price.

And in the commercial car segment already we are financing Ola, Uber vehicle segment. There also if the customer wants to convert into electrical vehicle by retrofitting or to upgrade for the new vehicle, we have already our customer base, there is a good opportunity for us to increase the base and we can tie up with the dealers, manufacturers and we can have MoU with them for an initial period. So, this is a huge opportunity for Shriram because we have our franchisee network through them and directly through our branches we can do business in this segment. That's all from my side. Thank you all.

Nilesh Odedara: Good morning. Today, I will talk about these two new initiatives, not actually new, it is already we are working, but to increase our customer base and to increase our presence in rural area, actually we are working more aggressively on two cost-effective models. One is our rural center because as on date we are having around 800 plus rural centers all over India. But if we take number of franchisees all over India, it is 5,000 plus. So we are working because this model is a cost-effective model and even we are getting small ticket size with good margin business from all of these areas. And even our cost like fixed asset or rent if you see it is on lower side compared with the branches. So, that is number one.

Another, because of this number of customer addition if we are increasing, then our working capital loans also we can promote more, that is number one.

Another, we are planning to add more franchisee. Actually we are saying RSP that is a revenue sharing partner. So, in this model actually we are having all over India it is around 70,000-plus private financiers are working. So, we are planning to add in our STFC association so that at least we can target more rural area and even what we can say is we can reach up to two wheeler and three wheeler customers also. And this model is also a cost-effective model and we are lending at some percentage with the financier and financier is lending at a higher rate with the customers. So, in RSP channel, we are having two models; one is financing to financier where a small NBFCs we are targeting, another directly we are funding to the customers through RSP model, for example, we are charging some 18% from the RSP and RSP charging more from the customers, so, balance whatever is the difference that is a margin of the RSP. That model is also already we are working on it. And at present we are having around 500 RSPs all over India and we are planning to increase more number of RSPs. So, these two models we are we're working very aggressively so that our customer base will increase. And because of that only margin also we can increase with small ticket size because in small ticket size around Rs.2 lakhs to Rs.3 lakhs, we are getting more contracted IRR and because of that only, our net interest margin will also go up. So, we are working on that. That's all from my side.

P. Sridharan: Hello, everyone. On the digital way forward, we are looking at a very long-term strategic approach. And we are clearly guided by the fact that our ecosystem completely comprises of the trucking community, which is always on the go. And it is this community which requires digital support majorly and we find a huge lacuna in this space. Now looking at our customers and trying to facilitate our interactions with customers in the digital mode was the focus trying to enrich the relationship until now. Now we are looking strategically to go one step further to find business enablers for the trucking ecosystem. We would like to bring in digital applications, which will enable, facilitate and enhance the business opportunities of the players in the trucking ecosystem and thereby being a part of this entire system in their growth and thereby benefiting by looking at opportunities at the right moment whenever funding support is required.

Some of the tools that we are looking at to achieve this, for example, I would like to explain the driver digital application which is basically an ERP for drivers. Why drivers? Drivers are our future customers. Drivers are the primary players who will become truck owners tomorrow. So when we have an ERP or digital application, which will help driver manage his business, manage his customers, manage his risks, have his documents digitally, looking at all these payments digitally during the course of business, when we have an app enclosing all these features. And when we engage with drivers, both on his personal expenditure as well as his professional expenditure, digitally being present there with them in a platform, we will have a good insight about his professional activities as well as fund movement both on the professional and personal side. This is just an example.

Similarly, we're looking at a small trucker digital application which will fundamentally help him because our fleet customers which are not our primary targets, are equipped with the fleet management systems. But the small truck operator is left dry. So we would like to empower the small truck operator with similar features where he will be able to manage his number of trucks, his trips, his customers who need servicing, maintain their relationships much more actively and digitally, link him up with the driver app so that he'll be able to get drivers at the right time as and when they are required, which will be a benefit for the drivers and for the truckers, bring both of them together on the same digital platform, and then also bring together our loads interface platform. On the perspective of loads, we have been currently trying to get all the digital loads available in the system to the notice of our customers. But then we would like to throw open this platform, bring in all the players in the ecosystem, somebody wants to put in a truck, somebody wants to put in a load, somebody wants to put in a service as a driver, integrate the entire ecosystem so that when people share their contact network and are able to do business better and better, while it all happens on our platform, when we will be understanding and appreciating what is happening, facilitate them to enhance their business opportunity, we will ultimately benefit is the idea. In fact, we are also plugging in an eCommerce app in this platform, which is primarily for this ecosystem. Any digital business purchase, let's say for tires, or fuel, or spare parts, or repairs and services, for FASTag loading, for driver trip expenses, all the business purchases of this small trucking community is brought into this platform. We are looking at bringing in vendors from the fuel industry. Everybody is on the platform, where everybody in the trucking ecosystem would be able to do their business purchases 24/7 deliverable wherever and whichever location they are present in and try and understand the business purchases that is happening on this platform and thereby we will be able to identify specific time-bound requirements of finance and then we will see how to pitch in and be a part of that financial service requirement.

Now, extending these applications, we've also been looking at becoming a member of the Bharat Bill Pay system, and empowering our customers to pay their bills digitally from wherever they are 24/7. Now, primarily when a driver is on the move, but he requires to pay his utility bills at home. He is the guy who needs a lot of assistance. His electricity bill might be due, but he's traveling on the highway, now digitally equipping him will give him more peace of mind, will help him manage his home affairs much better as well as business purchases. For example, on the move, he's able to recharge this FASTag, he's able to digitally make purchases. So when we bring in utility payments and become a member of Bharat Bill Pay Systems, we are empowering the trucking ecosystem to get every transaction done on the go.

Now, as a conduit for payment delivery, very similar to the Google Pay, we are planning on an application called "Shrirampay." Shrirampay will be very-very unique in the sense that it will be the only system which will basically be platformed on the Unified Payments Interface, UPI model, where money from the customer's loan account would pass on to the vendor from whom he is consuming services digitally, instantaneously at the point of consumption without any time delay. Now this payment initially, the way we are looking at is will be only restricted to the ecosystem, it is not open for outside payments. As far as the trucking ecosystem for necessary business purchases, this will be enabled and then we will take it from there. So the systems are getting ready.

Now on a similar line, we were also looking at another problem on the ground. One of the biggest problems or challenges that the trucking community faces is till today, money or payments for the freights are made in cash, especially for the small truckers, which is the dominant portion of our portfolio and our prospective customers. Micro ATM services are being looked at. We're looking at getting into the micro ATM services being placed in strategic locations, in petrol pumps so that cash can be converted to a digital money so that it can be used. And for all we'd like to anchor the relationship with a loyalty program, which will reward every player on this platform to be rewarded for every action taken. So this is a very long-term plan and we are working with our digital technology partners and this will take shape in the coming months. Thank you.

Umesh Revankar: Now, we can open up for questions.

Moderator: Thank you very much, sir. Ladies and gentlemen. We will now begin the question-and-answer session. The first question is from the line of Sanket Chheda from B&K Securities. Please go ahead.

Sanket Chheda: My questions are on three fronts: Firstly, disbursements and collections, second, asset quality and third, the merger. Our disbursements in this quarter are almost similar to what we did in Q3 where the movement was much, much higher and are not comparable to what we had in this Q1. So how and where did we disburse so much? And if collections are so robust, why do we keep such high liquidity since last many quarters? Second, on asset quality, our outcomes are really superior compared to peers. But then why the confidence on only two percentage from the next quarter and we still write for 2% to come up starting Q4? And also, SCUF has reported more than 70% increase in their pre-owned vehicles. And against that, our increase in stage-III is much, much less or, any guide there would help? And lastly on merger, announced about two years back and since then we had growth and although SCUF was in consolidation phase, now is the time when prospects are getting better for SCUF as well, and we have also started doing well maybe on the growth front and asset quality also holding up. So now why again come up this merger in a quarter or two, what really the thought process there in terms of merger because individually both the business has just started doing well or maybe some visibility has come up and why are they in this merger?

Umesh Revankar: First of all, on the disbursement front, most of our disbursements were the pipeline cases which we had in the previous quarter that we completed. Therefore, the disbursement number were reasonably good. Normally, it takes 30-days to 60-days for resolution of each of the proposals. So, whether it is inspection, endorsement and clearing the previous loan, if vehicle had any previous loan with the bank or other institution, so normally it takes a long process. So the pipeline was very robust and strong for us. So, we were able to do higher disbursement. And most of the disbursements happened in the April and first half of May. May onwards, the new proposals were a little slow, but again picked up in the month of June as lockdown was removed in many of the states. The used vehicle demand and resale prices are much better. The LCV resale prices have gone up by around 20% to 25%. The private car requirements also has gone up by 20% to 25%. So, most of this small ticket loan, demand is high by 20%, 25%. Only in heavy vehicles, the demand is little sluggish. That also we expect this quarter already started showing a positive demand. And as far as liquidity is concerned, yes, our collections are good, but we are keeping higher liquidity as suggested by the Board because Board which comprises of bankers, because we have two bankers in our board, both of them feel whether it's a Wave-2 or Wave-3 can surprise anyone and liquidity can get squeezed at very short notice. So better to have higher liquidity and therefore we are carrying higher liquidity as suggested by the Board till September. Post-September we will relook into it and maybe we'll be able to reduce our liquidity further as the collection reasonably being good. As I was mentioning you, most of the customers were able to make at least part payment. That is positive for us. We are able to reach out to the customer and they're able to make the payment. They were keeping certain portion in their hand for medical emergencies, but I feel by and large the goods transportation is not impacted at all. There are some challenges in the passenger transportation especially in the tourism, school bus and staff transportation, which we had given restructuring last year when the RBI gave restructuring option and visibility is still little lesser there, therefore, we also have made a little higher provision in this quarter. So, the credit cost being high is mainly because of the higher provisioning what we have made on the passenger segment and that will come down over the period. By third quarter definitely we will have a good visibility and by fourth quarter, we can be at around 2%, which is what we intend to do. As far as the merger is concerned, you're right, both the companies are doing reasonably good. We also have a good growth plan. We have segments where we can grow individually. The merger is basically to bring in synergy among two companies or among the group. We feel that by having the customer base or the network on a single platform will give a lot of synergy benefit including the cost of borrowing can come down, rating can be better, operational cost can come down and the ability to sell multi-products to customers can go up. So, these are the synergy benefits which we are looking at. We have not frozen upon either merger or non-merger, but we are seriously looking at all the synergy benefits including that digital roadmap will help us in building the synergy much better. So, in fact, one of the reasons is we are reasonably focusing our energy on the digital roadmap. So these are the broad answers. Maybe more specific, we can go on later.

Sanket Chheda: What was the write-off in this quarter and do we intend to do write-off in next couple of quarters as well since we guide for the relatively higher side at least a couple of next two quarters?

S. Sunder: Write-off was Rs. 360 crores in the current quarter.

Sanket Chheda: Interest reversal?

S. Sunder: That you can just contact Sanjay, he will able to help you.

Moderator: Our next question is from the line of Aditya Jain from Citigroup. Please go ahead.

Aditya Jain: Some bit of restructuring has been done in this quarter. Could you talk about the pipeline and how much do you expect to get done by the time OTR-2 closes?

Umesh Revankar: The pipeline is not really large. We may do another 300 crores, because customers feel that they need not do restructuring, they can make the payment in the next couple of quarters. So, they feel that if they get into restructuring their tenor gets longer. So even though our restructuring option is going to be around Rs. 1,500 crores of loan outstanding, we may end up doing another Rs.300 crores only in the next quarter.

Aditya Jain: On the customers who are not paying anything, could you elaborate a little bit, you made a quick reference in the initial remarks, but how much is that portion of customers who are not paying anything? And related to the segments which you said are more stressed, what portion of the overall loan are there?

Umesh Revankar: It is school bus basically and the vehicle which is involved in staff transportation has been not able to make the payment and we have given restructuring option to them.

S. Sunder: To your first question, around 9,600 borrowers were there in the last quarter amounting to Rs.112 crores, out of that some recovery has happened; a couple of crores. Last quarter we had classified them as stage-III and provided 40%, this quarter we have written off the entire amount on this portfolio.

Aditya Jain: The digital properties which you talked about, which stage are they, so right now just being conceptualized and what is the launch plan?

Umesh Revankar: As far as digital tools are concerned, all our digital option and tool is available to our customers on whether making the payment or taking insurance, everything is today currently available to the customer. What we are planning to do is build a robust platform so that other players who are involved in this transport ecosystem, they can also come in and give a better product and better offering to the customers and therefore really looking at the interest of the various people, we will be able to help them with financial need. So that's the plan. So, we started working on that, it may take years' time to come on the new platform. Otherwise, all our customers have digital tools available now. But going into new platform wherein more players, we open our platform and more players to come in, it will take a year's time.

Moderator: Our next question is from the line of Shalini Vasantha From DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Hi, this is Vivek. I have questions on the asset quality as well as in securitization. On asset quality, we've heard from others, one of the large CV manufacturers, the state operators are facing a lot of distress because of high fuel prices, lack of load, and that the fact that freight rates are not moving up. So we would like some color from you in terms of how this is progressing and whether they will be able to pass on these kind of costs and earn a reasonable profit margin? And then the question of securitization to Parag sir, we've seen that collection efficiencies in select pools from CVs especially has come down in a few states in the last quarter again because of lockdown. Is the cash collateral securitization increase or is there a change, rating agencies looking at it differently? We've also heard from other NBFCs that customers are preferring to keep cash because of their health and other emergencies that are happening because of Wave-2. Do you see that customers where they've been keeping cash and now in July when they're feeling a little better or when vaccination is better they are paying you extra amount?

Umesh Revankar: You're right in saying that many of the large fleet operators had a challenge in operating their vehicle. First, because of the spread of COVID, many of the driver community or working community they went back to their homes. So there were shortage of drivers for large fleet operators, they could not operate. That is a big challenge for them rather than not having a load. And of course, the industrial output and industrial manufacturing activity had come down to certain extent, especially wherever the industrial hubs are there, Tamil Nadu, Maharashtra, Gujarat, there are large industrial hubs where the functioning was impacted because of COVID spread and local lockdowns. So the manufacturing output was less and therefore the movement also was a little less, but it was mostly in the month of May and by June, things were normal, but for essential goods transportation, absolutely there is no challenge. They got a better rate, freight rates were better, commensurate with the increase in the fuel price, they got better rate, so they were able to pay at the right time, and they were able to pass on the fuel price hike, if you look at your grocery or vegetable budget at home if you calculate you will understand that you have paid 20% more because the fuel price has gone up in the last couple of months. So that's how it gets passed on to the end consumer and doesn't fall on the truck operators by and large. The people keeping cash for emergencies and paying later, yes, that is because they don't have insurance, they don't have any other facility, the only way in India to get the best medical treatment in shortest period is keeping loads of cash, you show the cash, you get everything, that's how it operates, and they're all business people, they understand that. So, they have been keeping cash and as the COVID spread is coming down, they're able to give a little more. So, this month, we are able to witness a good collection in July and we expect August and September to be much better.

Parag Sharma: To your question on securitization, most of the securitization what we do is for priority sector assets, and the challenge what we have clearly stated is on the passenger portfolio, which is not normally securitized, because that is non-priority. So, there will not be any collection-related issues in the other asset classes. And since it is temporary, the collection shortfall overall for the company is temporarily down from 95%, 96% to 91% or 88%, I don't think there will be collateral or the first loss what we provide will be partially used and then it will be kept topped up in the month of June and July. But largely what I'm saying is the securitized portfolio performance will not have had much of an impact because the passenger vehicle is normally non-securitized.

Moderator: Our next question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: Firstly, in terms of the overall disbursements and AUM, if we can get a broad sense as to how much would be used in transportation of essential services and how much would be more towards say the mining infrastructure, etc., so, that could give a much better color in terms of the holding on to asset quality very well?

Umesh Revankar: If you take out the passenger and the tractor which is around 25%, rest everything is almost into what we call essentials only. Now, mining and infrastructure what happens is, some of our customers, have a dual usage, Indian vehicles are open vehicle, they always used for multiple application. Now, imagine there is a cement factory in Gulbarga or maybe in Rewa in Madhya Pradesh, they come to the city like Mumbai. When they go back then not necessarily that they carry the cement or other industrial goods, they may carry some other essential goods, it can be grain or it can be consumer durables. So, it has a multiple application. So by and large, if 75% to 80% of our customers use the vehicle for essential in one way or other way, in a sense, if there's a two-way transportation, at least one side it will be for essential purpose. So by that definition, most of our customers will be part of the essential commodity goods transportation system.

Kunal Shah: Secondly, in terms of the disbursements, if you can broadly categorize in terms of how much would we say for the purchase and how much would be for the other requirement to the existing customer base?

Umesh Revankar: Normally it is 60:30; 60% is for buying and 30% is our existing customer after completing his existing loan or wanting to have a loan or he'll be taking the loan for repair of the vehicle. So what happens is the vehicle life is seven or eight years and if he completes in three years, there is a balance life, for which he will take loan for buying another vehicle. So, vehicle will be with him and keep taking a loan. And 60% will be for a customer who will be buying a new vehicle. Either it could be a new customer or existing customer buying a second vehicle.

Kunal Shah: In terms of merger, it will be involving all three entities? And maybe if you can just say in terms of what are the various optionalities being worked out, and synergies looking at the customer base of SCUF and Shriram, it hardly seems to be like a customer synergy, if you can explain terms of what kind of synergies can we look at it because in terms of Shriram products, SCUF products and the transport, that's quite a varied segment. So, maybe apart from treasury investments and all, what other operations could really have these synergies between all the entities?

Umesh Revankar: Kunal, if you really look at the segment which we are financing, now, we are financing to truck operators, who could be a SME owner or maybe a wholesale trader, he will be buying the vehicle. Now, it can be defined as a captive use, and you can lend it as SME financing or you can make it a pure vehicle financing. So, there are both options. So, SCUF is in SME segment. So, all SME customers will require a vehicle, it can be captive, it can be higher. If you look at the two wheeler customers of SCUF, most of them will be using the vehicle for business purpose. They may not be buying the vehicle only for the purpose of transportation to the office, they're not white collar employees, most of them would be a blue collar entrepreneurs, so who would be having some business or other. So, ultimately, the ecosystem will develop over the period where you will find there is a requirement of both kind of assets or both kind of financing. So, that's how we are looking at a broad ecosystem that will emerge over the period, it may not emerge immediately, right now, we are working in silos, there may be less common customers between us. Now, for example, you take housing, many of the new housing finance have come who are financing to the SME owners because banks are giving to only employee class. Most of the housing finance companies are focusing on masons, carpenters, to the SME owners, shop owners. So, by the definition, you can't say that all housing owners would be only the white collar job or people who are working in the company, there are other segments.

In India 80% of the informal segment doesn't have bank lines and they are dependent on NBFCs for financing. So all these compartments will get merged over the period when there is more data, more information and more availability of resources to them.

Kunal Shah: When can we see this happening -- it will be like in a quarter or two we can get the clarity in terms of the structure and the plans getting evaluated or it's going to be slightly longer?

Umesh Revankar: It will be in a couple of quarters.

Moderator: Thank you. Our next question is from the line of Abhiram Iyer from Deutsche CIB Center. Please go ahead.

Abhiram Iyer: My question is primarily related to asset quality once again. Stage-II assets basically have increased in sort of proportion over the last few quarters. We've seen a corresponding increase in GNPAs as well. Are we expecting this to translate further into higher GNPA over the coming quarters? If not, is that a company's strategy to sort of bring this down?

Umesh Revankar: Most of the stage-III and stage-II movements are a temporary nature because of the disruption caused by the severity of Wave-2. So we feel it's a temporary and this quarter, most of the customers will be able to come back to the normalcy. So I feel…

Abhiram Iyer: But the reason why I'm asking this question is the proportion of stage-II is higher, even compared to say June last year, when people would have been struggling with Wave-1 which you mentioned, was far more severe than this one. So…

Umesh Revankar: No, you cannot compare last year because there was a moratorium, and 90% of our customers were given moratorium, so there is no comparison.

Abhiram Iyer: So you're basically expecting this to come down both GNPAs and stage-II?

Umesh Revankar: Yes.

Moderator: We'll take our next question from the line of Alpesh from Motilal Oswal. Please go ahead.

Alpesh: Sir, first question is related to the interest expenses, while the borrowings are flat quarter-on-quarter but the absolute number of interest expenses are up by almost 8%, 9%. Any one-offs in that?

S. Sunder: The major borrowing was done in the last week of March 2021 and the impact had not come into the previous quarter, the entire interest has been booked in the current quarter and hence that increase is there, there is no….

Alpesh: This would be a normal run rate, there is nothing one-off in this…

S. Sunder: Yes, going forward, it'll be normal.

Alpesh: The second comment that we had was, the credit cost for the year should be around 2%. That means, for the entire year, we are looking at around Rs.2,400 crores, Rs.2,500 crores kind of provisioning, that is the first quarter itself was almost Rs.1,500 crores. The ask rate seems to be very low especially considering the environment we are in. What gives us the confidence of credit costs coming down?

Umesh Revankar: One thing is we expect COVID Wave-3 or Wave-4 will be well managed because of better anticipation better planning and that gives us the confidence that our economy will bounce back and the pent up demand also is quite good. So, we should be able to reasonably manage our provisioning cost. And whatever we wanted to give on the passenger or restructured asset we have already given. Because of that we are confident that by the time Q3 and Q4 our credit cost will come down significantly.

Alpesh: So, this is a number for the exit? For the entire year, what would be the credit cost – should we take around 3%, 4%?

Umesh Revankar: Last year, it was around 2.48%, so, we should be less than that, but we will not be able to arrive at the exact number.

Alpesh: Parag, another question is related to the gross assignment. So, there was almost Rs.100 crores of upfront gain during the quarter. So, what was the quantum of assignment transaction during the quarter?

Parag Sharma: Assignment was only Rs.370 crores.

Alpesh: So, this 100 crores of upfront gain, it is related to only assignment or there are other things also in that?

S. Sunder: It is only related to assignment and after doing the NPV, the Rs.100 crores has been arrived at. So, the tenor should be around five years tenor, balance maturity will be around 48 months. So, this income should have logically been accrued in the next four years, because the accounting standard requirement, we had booked upfront

Alpesh: So, are we expecting more of assignment transactions in FY'22 or it would be more of securitization?

Parag Sharma: More of securitization.

Alpesh: Just the last question on this LGD assumption as in we have increased it from 43% to 45% crores. One of the answers for that was related to the passenger vehicle. But if I look at the used vehicle prices, they are quite firm considering the new vehicle prices have gone up because of the commodity inflation. So, what led to this increase into the LGD assumption from 43% to 45%?

S. Sunder: Answering to your LGD portion, we had increased the LGD of certain segments, the passenger vehicles of buses and taxis by around 20% compared to the March level. So, that has resulted in the overall increase by around two percentage points from 44 to 46, that was the reason. And going forward also…

Alpesh: So the LGD, all these passenger vehicles everything would be around what 70% plus na?

S. Sunder: 52% is the LGD on the passenger segment.

Alpesh: The second question is related to customers are not willing to restructure more and then logically the assets are moving to GS-III and the provisioning requirement over there is almost 45% as compared to a restructuring provisioning of around 10%. So, how are we looking at this situation? And how much time do you think that the customer moving from GS-III to GS-I or GS-II would take?

Umesh Revankar: What happens is in the passenger vehicles, especially in tourist or in the aggregator model is the revenue gets postponed, they are not willing for a restructuring because they feel the tenor goes up and their ability to service the longer tenor is difficult. But there is a challenge for us also if it all we repossess. Then the value of the passenger vehicle can come down significantly and therefore the LGD is calculated based on likely losses on the vehicle going to stage-III, then repossession. So that's the reason we have increased the provisioning on the passenger vehicle. So if a customer feels confident that on restructuring, he'll be able to pay, then it's good. But otherwise, repossession is the only option we have. So considering that only we have made higher provisioning.

Alpesh: I can understand the merger synergy between SCUF and Shriram Transport. Would Shriram Capital be also involved into this entire merger process and what are the synergies from that particular?

Umesh Revankar: Right now, we are not really looking at the insurance piece of it. Insurance would be kept separately. So we are thinking of merger without insurance being a part of the scheme.

Alpesh: Shriram Capital would be a part of the process? So the three level mergers will be there?

Umesh Revankar: We are yet to come to any kind of freezing of a scheme. It is still dynamic. So I will not be able to comment more on that.

Moderator: We'll take the next question from Gaurav Kochar from Mirae Assets. Please go ahead.

Gaurav Kochar: Sir, just continuing from where Alpesh left on the borrowing front, so there was a capital raise of around Rs. 20 billion in this particular quarter. I'm just still wondering, even if I exclude the previous quarter and take 3Q as the base, the cost of funds have gone up from 3Q, 1Q '22 versus 3Q '21 despite in the last call as well you mentioned that the incremental cost of funds have been coming down, and even in this quarter you mentioned around 10 basis points or 15 basis points improvement in cost of funds. So, why is it not flowing on the stock?

Parag Sharma: Q4 of last year we borrowed close to around Rs.21,000 crores and more in the month of March. So, the entire interest impact for the same will come in the current quarter only. And if you want to have working for the same I think you can be in touch with Sanjay, he will be able to help you out.

Gaurav Kochar: Sure. A related question to that, if I look at margins that you give, that was at 6.8% last quarter and that has dipped to 6.38%, So, what has resulted in this 42 bps decline -- is it again the base, the denominator that you said would remain the same or you take weighted average cost and weighted average borrowings and then calculate margin?

S. Sunder: We do on a day-based working. So, those working also, Sanjay will be able to help you out.

Gaurav Kochar: My next question is on this Rs. 28 billion COVID provisions that we have. Is this already part of the stage-I to stage-III provisions that you disclose on slide #11?

S. Sunder: Yes, it is part of it.

Gaurav Kochar: And then coming to this stage-II, are you seeing any collections happening in July, can you give some color around July as to, are there any rollbacks which is happening from stage-II or other accounts, any qualitative remark around that, that would be really helpful?

S. Sunder: As Revankar has briefed in the earlier call, the collection for the month of July has been better compared to the June one; however, the roll back and all things, we need to work out and then come back. So as of now, we don't have any concrete figures to reply to your query.

Gaurav Kochar: Lastly, on this merger, will it not alter our growth ambitions and near to medium term strategies that we have or will it not take some part of management bandwidth into this integration process?

Umesh Revankar: The management bandwidth will not be because we are all in-house companies, we are a single group, so, there will not be wastage of time in trying to create new synergies and all. Whatever the plan or strategy what we have individually, that will continue to play out. Only thing is at the back office, there will be some integration and we are also on the same software packet. So, there will not be wastage of time is what we feel. So, it will be used more constructively to build and improve the business for both the companies.

Moderator: Our next question is from the line of Prashant Sridhar from SBI Mutual Fund. Please go ahead.

Prashant Sridhar: Just a doubt on restructuring. So, what we have invoked in both 1.0 and 2.0, that together would be around Rs.3,700 crores, and out of that we expect only around Rs.600 crores to result in actual restructuring, is that correct?

S. Sunder: In restructuring one, we had invoked close to Rs.3,000 crores and out of which, Rs.580 crores or Rs.590 crores were actually implemented and the restructuring two, we have invoked Rs.1,400 crores and out of which Rs.340 crores has been implemented in the current quarter and what we have given guidance is that further Rs.300 crores may come in the next quarter.

Prashant Sridhar: And anything on ECLGS in this quarter?

S. Sunder: No, nothing.

Prashant Sridhar: If you could give us this the tourism plus staff transport, school bus, commercial PV, these four segments today would form what percentage of the loan book?

Umesh Revankar: Overall all passenger is 19%, and out of that private passenger that is for individual transportation that will be around 10%. So, public will be totally 9%, out of that 9%, the school buses and the staff transportation and tourists put together will be less than 3%.

Prashant Sridhar: Two more data keeping points. So this restructuring generally, is it already part of stage-2, stage-3? And if you could give us the total disbursements last quarter and this quarter?

S. Sunder: Restructured book is part of the stage-II. And prior to restructuring, those cases might have been in stage-I or stage-II. We have not restructured any case which is in stage-III.

Sanjay K Mundra: The total disbursement was Rs.12,733 crores, out of which used were Rs.12,462 crores for June. March used was Rs.14,205 crores and new vehicles were Rs.606 crores.

Moderator: Our next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Piran Engineer: This is Piran Engineer. I have a couple of questions. First question is for Parag, sir, in annual report, in note 59, valuation of the loans were securitized, it has always been in the vicinity of 300, 400 crores, but in the last year, that net position has gone from minus Rs.300 crores to minus Rs.2700 crores. What exactly it has been and doss it impact the P&L or cash collateral that we give?

Parag Sharma: Sorry, your audio is not pretty good. And let's take the annual report questions. You just call me probably on Monday or Tuesday. I will be able to help you out. Okay. So let's not discuss the annual report question in the conference call.

Moderator: We'll take our next question from the line of Subhranshu Mishra from Systematix. Please go ahead.

Subhranshu Mishra: Sir, the first question is what used to be our rejection ratios for used vehicles as well as new vehicles pre-COVID, what was in FY'21 and what the company would expect in FY'22? The second question is on disbursement you mentioned on the 60% for buying a vehicle. If you can break down the disbursements into the number of vehicles and average ticket size and what could be the run rate that we can expect in FY'22?

Umesh Revankar: Our business model is most of the customers assessment is done at the field level. So the first level of rejection happens at the field. It is not that all the application come to central system for assessment and gets rejected. So our field team first assess the proposal while inspecting or while visiting the customers' home. So there itself the rejection will be around 30% first hand before application getting registered. And rest will come to the branch and at branch manager level the rejection could be around 10% to 15% and the rest will be at the senior level if the deviation from the policy is higher. So the business model is such that we don't capture all the proposals that come in because at field level itself it will get rejected.

Subhranshu Mishra: So this is during COVID or these levels were increased during COVID?

Umesh Revankar: COVID has no reason for rejection for us. For us, the COVID only made our life difficult because we could not really go to the field because of the COVID protocols, we could not do certain work. But otherwise COVID has nothing to do with our proposal being wetted. So only it prevents us from going to the field. That's all.

Subhranshu Mishra: But in previous calls you mentioned that we increase our credit filters. Rejection ratios remain similar. What has changed to credit filters?

Umesh Revankar: The credit filters have been mostly on segment which were most affected like the aggregator model or the tourism or school buses, there the fresh proposals were not encouraged. Almost there was a 100% rejection I can say. Of course, the proposal itself would have been minimal in this. All the takeovers also, we stop totally from other NBFCs or bank which otherwise sometimes when a new person buys the asset from the old owner, it will travel to us sometimes, even that we filter. So filtering is done at the front level itself.

Subhranshu Mishra: How do we look at the bond issuances especially in the domestic market in FY'22, what quantum level that we're looking at?

Parag Sharma: I think in domestic bond market we have done Rs.3,000 crores this quarter and we will continue with similar quantum for the subsequent quarters also.

Subhranshu Mishra: What is the average tenor – three to five years?

Parag Sharma: Yes, we don't take short term, it'll be around three years.

Moderator: Our next question is from the line of Anusha Badhwar from Ageas Federal Life Insurance. Please go ahead.

Anusha Badhwar: You mentioned about the financing the financiers either through NBFCs or RSP. So, what quantum of loans you plan to raise this way and who will be responsible for final?

Umesh Revankar: We have a policy which is already running. We are there in this field for this particular segment for nearly 10-years now. On an average we disburse around Rs.100 crores per month. It may not be the NBFC, it can be financier also who are into lending business. So, in the last few months, it has come down to around Rs.50 crores, Rs.60 crores, otherwise, our run rate used to be Rs.100 crores. But there is a large scope, as Nilesh rightly put it, there is a large scope for making that pretty big. So, we are looking at the various ways to see how we can do it much better than what we have been doing now. Credit norms per se, we don't have broad norms because we look into the existing business model and the existing track record of the financier, we look into their balance sheet, their portfolio behavior, we also go to the field and see success of his business model. So we do a lot of checking plus the last three years balance sheet. So these are broadly we do but we also spend some time with the financier or NBFC to look at his focus area and his customer base and depending upon what we understand, then we collaborate with them.

Anusha Badhwar: And just one question on the merger. I know it's in an initial phase, but any thoughts on the organization structure and do you see any potential impact?

Umesh Revankar: See, organized structure would be very simple, because we would like to have more, I should say, independence to various segments, we have been operating on a decentralized model all the time, whether it is a segment or a department or geography. So, it will not get into a top heavy structure, it will be a more decentralized structure. So, there may not be any pre-conceived structure on the same.

Moderator: Thank you. We'll take a last question from the line of Amit Ganatra from HDFC Mutual Fund. Please go ahead.

Amit Ganatra: Just a couple of questions from my end. One was that this restructured outstanding till date, is it around Rs.928 crores, is that a correct number?

Parag Sharma: I'll give you the exact number through Sanjay offline.

Amit Ganatra: You ended FY'21 with zero DPD of around 57% of the book and 60 to 90 days was around 6% of the book. Is it possible for you to tell us what would have been the movement in these two buckets for last quarter?

Parag Sharma: This also I suggest that you contact Sanjay offline. He will provide you the details.

Moderator: I would now like to hand the floor back to Mr. Umesh Revankar for closing comments. Over to you, sir.

Umesh Revankar: I feel that we are getting into a very promising phase. We strongly believe that COVID Wave-3 or Wave-4 would be well managed because preparation and the anticipation is much better from the public and also from the government. There's a huge pent up demand that got postponed from the Q4 of last year, that I feel will show up in the month of August and September, August and September will be very, very busy for us is what I believe. The infrastructure projects which government is pushing is definitely going to give us a lot of activity, that is a new activity opening up. So we feel that we will keep up with our target of a double-digit growth and the asset quality will improve significantly in the next couple of quarters. So when we meet next quarter call, we will have a lot of positives to talk. Thank you very much.

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