SHRIRAM
Transport Finance Company Limited
A WINNING RELATIONSHIP

**SEC/FILING/BSE-NSE/21-22/68A-B** **December 15, 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, 5$^{th}$ Floor,
Plot no. C/1, G- Block,
Bandra-Kurla Complex,
Mumbai – 400 051.
NSE Symbol: SRTRANSFIN

Dear Sirs,

**Sub.: Transcript of Conference Call.**

Further to our letter dated 14$^{th}$ December 2021, regarding the audio link of the conference call, 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 Conference Call"

**December 13, 2021**

**MANAGEMENT:** **MR. UMESH REVANKAR – VICE CHAIRMAN & MD SHRIRAM TRANSPORT FINANCE LIMITED**
**MR. D V RAVI – MANAGING DIRECTOR, SHRIRAM CAPITAL**
**MR. Y.S. CHAKRAVARTI – MD & CEO, SHRIRAM CITY UNION FINANCE**
**MR. PARAG SHARMA – CFO, SHRIRAM TRANSPORT FINANCE LIMITED**

**Moderator:** Ladies and gentlemen, Good day, and welcome to the Shriram Group conference call. We have with us today, Mr. D V Ravi – Managing Director, Shriram Capital. Mr. Umesh Revankar, Vice Chairman & MD Shriram Transport, Mr. Y.S. Chakravarti – MD and CEO Shriram City Union Finance.

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 now by pressing * and 0 on your touchtone phone.

I would now like to hand the conference over to Mr. Umesh Revankar, vice chairman and MD Shriram Transport.

**Umesh Revankar:** Thank you. Good evening all. Good morning to people who have joined from Europe and US. Today we have a very important announcement to make and today is a very momentous day in the history of Shriram group. Earlier today, in the afternoon, the boards of Shriram Transport Finance, Shriram City Union Finance, and Shriram Capital met where they unanimously approved a proposal to merge three companies paving way for creating what would be largest retail NBFC in the country. In this composite scheme, Shriram Capital Limited the promoter entity of the group will merge with Shriram Transport, post demerger of all other businesses of the group, namely life insurance, general insurance and all non-lending, non-insurance activities. We will soon be submitting the proposal to shareholders of all three entities and relevant regulators for their consideration. As and when approved, the merged entity will be called Shriram Finance Limited the merged entity would have a combined AUM of 1,50,000 crore and customer base of over 2.1 crores. A branch and sales network of over 3,500 numbers. All of this would be serviced by the team of strong 50,000 employees. The combined entity would be the largest Retail Finance NBFC in the country, and it would emerge as number one commercial vehicle financier in the country and Number one two-wheeler finance company. Recently it reached a milestone of funding a 1 crore two-wheelers, a leading NBFC in the Small Enterprise Finance that is SME business, gold loan company with widest distribution across all the states. This will in essence make us a leading player in all segments that we choose to operate in. The merger will help us achieve significant scale and growth for all our businesses. The synergies will result in incremental positive impact on our bottom line of around 10% post-merger.

This benefit we have measured in the sense in the both the companies put together. We have a senior leadership team coming together. We have made certain calculation. Based on that we will have faster growth, because we will be able to sell each other company's products to the consumer which otherwise today we are not doing that. We will also have higher wallet share of the customer by selling insurance products. We should also have a cost benefit in funds because of a larger treasury, we will be able to rationalize certain costs and will be able to have a better talking terms with banks and lenders and we also believe the Multiproduct company because earlier STFC was a Monoline Company and always subjected to some kind of cyclical pressure and the multiproduct company will be countercyclical and will have an advantage of multi engine firing at all the time, giving a better consistent bottom line and we feel that should help us to get upgrade in our rating. There will be a significant focus on improving the products, process through the use of technology. We believe the combined entity will be able to invest more on technology because of the bigger base and also the data analytics and big data mining would be useful for creating better, more customized product and better fee income for the company. So the we are also working on super app Shriram One, which will help us to do that and ultimately, our digital journey would be onboarding more and more customers.

Right now, our customer being mostly in the unbanked and underbanked segment, they need a certain assistance to be part of a digital journey, but over the period, we feel most of the product and services will be 'Do It Yourself' with the superior experience on the digital journey that should help us to grow our business much faster and better service and better bottom line and the other big advantage what we have is, we have almost similar HR practices in both the companies and that should help us to integrate our HR function and also bring together all the employees on single scale across and also the advantages is that we are in similar technology platform or common technology platform and that again would help us to integrate much faster without any additional cost.

So there would be overall benefit in terms of ability to acquire new customers, retain new customers and also to provide additional production services. This we have all factored in including the cost involved in the integration like stamp duty taxes, etc. With all this factored in, we feel that first two years, the incremental increase in bottom line would be around 10% for the combined entity. There will be a change in the leadership level in the sense, Mr. Chakravarti, presently MD and CEO of SCUF immediately has been inducted into Shriram Transport Board as Additional Director, Mr. Parag Sharma, who's the joint Managing Director and CFO. He's also inducted into the board as Wholetime Director and CFO of the Company, and he will also be CFO for the combined entity. I have been also inducted into Shriram Finance Board.

I would also continue to be Vice Chairman of the combined entity. We will be very soon preparing and reaching out to the shareholders and all the regulators like NCLT, CCI, RBI, NHB, IRDA to seek their approval, and we should have an expected timeline of around 9 to 10 months to complete the total exercise. The presentation is already forwarded to you, so you would have already gone through the presentation. I do not wish to go slide by slide on the presentation and I will give more scope for question and answer. We have today along with me Mr. Chakravarti, Mr. Ravi, Parag Sharma, Sanjay to answer your specific questions and I will hand over back to the moderators.

**Moderator:** Thank you very much. Ladies and gentleman we will now begin the question-and-answer session. The first question is from the line of Abhiram Iyer from Deutsche CIB Center, please go ahead.

**Abhiram Iyer:** Sir could you just briefly give us a bit of more clarity on the synergies that you mentioned which contributed 10% brought to the bottom line and also how much cross selling insurance increase synergies considering that the insurance companies will not be a part of the combined entity post the merger.

**Umesh Revankar:** What we are envisaging is our ability to mine the data of around two core customer base what we have and try to understand their needs and ability to service that should help us in increasing our insurance cross sale and as an entity we are also corporate agents, we have been cross selling insurance product of multiple companies including the Group Company freedom, Shriram General Insurance and Life. So, the customer in Shriram City Union are always in the shorter tenor and in Shriram Transport in the medium tenor. So, as we are able to introduce them to multiproduct, the customers are likely to stay with the combined entity for a longer time and that should help us to sell insurance product suited to the customer much better. So, we feel that helps us to increase our insurance cross-sell penetration.

**Abhiram Iyer:** And sir the second question is just to confirm Sriram Capital Ltd has no debt or liability outstanding, right which will to target the merged entity.

**D V Ravi:** Ravi speaking, the Shriram capital that will roll down into the merged entity will have no liability or debt.

**Moderator:** Thank you. The next question is from the line of Rikin Shah from Credit Suisse. Please go ahead.

**Rikin Shah:** I had a few questions. Firstly, wanted to get a sense on what could be the total cost related to the merger including the stamp duty, other HR related costs and how would it be accrued whether it would be done over one year or over a few years? Secondly, corollary to that would there be any tax incidents resulting out of the merger? Second was more of a clarification relating to the shareholding. Am I correct if my numbers suggest that Piramal holdings would be around 8.5% and TPG 2.6% in the resultant merged entity and if we include Apax partners as well that could actually lead to around 16% of the stake in the merged entity. So that would result in an overall supply of $1.2 billion, which is huge, right? So are there any plans of this financial shareholders to monetize the stakes over a period of time? And third on the cross-sell you did mention that we aspire to reach to two product for customers over a period of time, but assuming that a lot of that cross sell would be in the form of insurance products, the benefit of that either in the fee income or more products would be accruing to the group entity but not to the merged entity. Is that understanding correct as well? That's all from my side.

**Umesh Revankar:** Yes, coming to the cost, the one-time stamp duty is likely to be anywhere between Rs 190 crores to 200 crores, which is one time and the overall HR integration cost should be around Rs 60 to 70 crores. This includes all upskilling and rationalization of salary between two companies and of course the training is normally done to upskill for any ongoing company on a regular basis. So, that should not be much on the bottom line and some expenses like branding and advertisement, because of the new name given Shriram Finance Limited should be around Rs 70 crores. So, overall we expect the overall integration cost over the two years to around Rs 400 crores and as far as the cross selling of insurance is concerned and also two products per person is concerned it is not only insurance we are also talking about the other products like SCUF products in STFC and STFC product in SCUF customers. That also is a possible chance which we calculated. Because, as we understand our customers, both STFC and customers, if you draw a pyramid you will understand that top layer which are corporate and the salaried class are always serviced by the bank and at the bottom you always have a microfinance companies lending on unsecured loans, what we are addressing is combinedly a mid segment which has a regular income on business, which helps us to address their needs, because these are all the aspirational class and they can be a shopkeeper or vehicle operator, taxi driver and all of them are aspiration class which would like to go up all the time. So, they need more products to be added, whether a two-wheeler customers wanting a three wheeler or trucker wants a four wheeler. All this possibility would be there. So, we are including that all those possibilities in calculating the number of products per customer and coming to shareholding, Ravi will answer.

**D V Ravi:** See in terms of the shareholding what would be in the combined entity if I heard your input right, you had indicated Apax at around 16%, no I think it would be more in the 6% range and to both Apax and PEL have a substantial stake already in the listed company. So, it is not something that is coming new into the market and from the shareholding that is being rolled down from Shriram Capital, there will be a to the extent of the TPG's holding and PEL holding it does come in, but that does not necessarily indicates that it is a liquid share where there is going to be a sale proposition, it is just that as a part of the delayering, this entire structure will fall in place in a manner in a simplification of the structure. So, in terms of the percentages, PEL will be close to the 8.37% and TPG will be 2.66% and that would be the type of shareholding that will be there where already in terms of PEL as they indicated they will already have a direct shareholding and so this will be the total shareholding in the combined entity.

**Rikin Shah:** Okay, so and if I understand correctly, the same that we are getting from these shareholders is that they are not necessarily looking to liquidate it in the near term. Is that understanding correct and second, just to follow up on my earlier question, would there be any tax implications or the tax related costs because of the merger?

**D V Ravi:** No, there is no tax related costs. It is just that the stamp duty costs will be there which has been factored in as part of the overall integration cost.

**Rikin Shah:** Okay, and the financial shareholders may basically they're not indicating to liquidate in the near future.

**D V Ravi:** Yes, there has been no indication received from them. Yes, because they already have their liquid share and they've been retaining it for a long time now.

**Moderator:** Thank you. The next question is from the line Krishnendu Saha from Quantum AMC. Please go ahead.

**Krishnendu Saha:** Just a couple of things. So branches. How do we plan to utilize branches across our network both for Shriram Transport and if I do the rough calculation, what would be the calculated yields on the book both put together. Some direction on that.

**Umesh Revankar:** As of now, the plan is to roll out all products in all branches, but it will be in stages it will not be immediate, but the intention is that we will be able to roll out all the products in all branches and rationalization of branches may not be necessary unless they are in the same PIN code or something like that, which we are looking at, let's go for that time being and as far as yield is concerned if you look at the combined effect, it would be anywhere between eight to nine percent because STFC traditionally when I say Net Interest Margin this should be anywhere between eight to nine percent because the net interest margin of SCUF in 12% and STFC is 7%.

**Krishnendu Saha:** Skilled force that is there for Shriram Transport to Shriram City and how do they cross-sell the product for each other, the manpower which we have, the sales force.

**Umesh Revankar:** See, we are already on the upskilling and training program for our employees down the line and today to the training is made much simpler, especially during pandemic most of our training program have been either on the capsule sent to them or the zoom calls. So, the products of each companies, we have already made a timeline to make it available across all the branches. So, the training program will continue to happen, but rollout will be on a scaled basis. We will not be rolling out all products immediately, but the idea is to reach out most of the branches.

**Krishnendu Saha:** Do we add any new products. We want to go from two to three if we want to go from two to three do we add any more products like the consumer goods coming on that.

**Umesh Revankar:** We are not able to hear.

**Krishnendu Saha:** Do we add any other product line besides CV Finance, Two-wheelers, Working Capital Loan and whether we will be getting into consumer durables, getting into other financing products just to increase the number of products from two, two and a half to three.

**Umesh Revankar:** Yes, we do have some product which we will be offering additional, supply chain, financing or bill discounting are some products which we are looking at because there is an active Trade X platform for doing the supply chain and the invoice financing for our SME and the vehicle operator that is something which we are looking at and also we will be looking at introducing and scaling up LAP-based product. So but that will be over the period and not immediately.

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

**Nidhesh Jain:** Thanks for the opportunity. Sir on the cost synergies do you expect any rationalization in branches or employees post the merger and if not then how do we expect the cost synergies to play out?

**Umesh Revankar:** See what we are looking at. The way we are looking at is we don't have to really rationalize the cost by merging branches or reducing number of employees immediately. What we feel is that higher productivity from each of the employees and ability to sell multiple products that is going to help us in acquiring future loan products or future cross selling at lesser cost and that should help us in improving our bottom line.

**Nidhesh Jain:** And secondly sir on the slide you mentioned that the cost of funds benefit of around 30 to 40 basis points because of the merger. So, how we have quantified this sir?.

**Umesh Revankar:** Parag will answer.

**Parag Sharma:** One of the reasons what we are looking at is the rating differential between the two entities. So, the rating benefit will automatically reflect in cost of funds for Shriram City Union book. Other thing we will also rationalize excess liquidity, what we are carrying in both entities that can be relooked at and that itself will help to have lesser negative carry. Over a period of time with larger product offering, we will look at rating upgrade also that will be I think work in progress with the rating agencies that will negotiate with them. Immediately what we look at is the for the Shriram City Union book, the rating benefit and the cost implications thereof, which can be there.

**Nidhesh Jain:** Understood sir and you mentioned that 6.4 million active customers. How it is divided between Shriram Transport and Shriram City, if you can share that number.

**Umesh Revankar:** Yes. 2.1 million is STFC and 4.3 million is SCUF.

**Nidhesh Jain:** SCUF has a much larger customer base.

**Umesh Revankar:** Yes, they have small, shorter tenor, a smaller ticket, very large base.

**Nidhesh Jain:** That's it from my side.

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

**Abhiram Iyer:** Hi, sir just following a point on the rating question you just answered given the upcoming maturity. What's the plan here in February 2022? What's the plan? Is it to re approach the offshore market or do the Company believe they have enough liquidity to make the re-payment via internal approvals and what we have as cash.

**Umesh Revankar:** As of now we have sufficient liquidity, which is catering to six months of repayment. Well know don't require to approach overseas market for fresh borrowing to manage repayments, but we will look at the opportunity and look at the market and favorable rates to tap overseas market, but for repayment we don't require to go overseas.

**Abhiram Iyer:** Sir sufficient to say for now, there is no plan to refinance as well if you feel the markets are right.

**Umesh Revankar:** Correct.

**Abhiram Iyer:** Got it.

**Moderator:** Thank you. The next question is from the line of Subhradeep Mitra from UTI Asset Management. Please go ahead.

**Subhradeep Mitra**: Yes, hi. Sir, I have two questions. One is given that you have two entities till now, and now you are having a single entity, do you feel that the single borrower limits with the banks and you know, lending institutions will be impacted and that way you will have you know, challenge in raising fresh resources on the borrowing side. So, that is my first question and my second question is that I understand you don't have any liability at Shriram Capital Level, but are there any corporate guarantees or anything like that at Shriram Capital.

**Umesh Revankar:** Before we take up the funding, single borrower limit, as far as the assets that are going into come in from Shriram Capital into the merged entity it will only be the shareholding of STFC and shareholding of SCUF in SCL. So, there is nothing else, no liability, no guarantee, nothing will come in with respect to the merger. So, it is a clean transfer of only the share and in lieu of the share it gets allotted to the shareholders of capital. That's about all.

**Parag Sharma:** According to single borrower limited banks, we don't feel that there is any challenge. Most of the public sector banks are pretty large post the merger exercise they have undergone. Single borrower limit I think nowhere is a challenge I think will not be even around 2 to 3% of single borrower limit at the large public sector bank. Most of the private sector banks and foreign banks have done large securitization and the term lending is slightly lower there. So we don't foresee any challenge there when it comes to the single borrower limit at bank.

**Moderator:** Thank you. The next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

**Anand Laddha:** Sir both Shriram Transport and Shriram City Union used to pay royalty to Shriram Capital to the extent of 1% of the revenue. Post this merger, post this amalgamation scheme of things, what will happen to that royalty and if you can quantify what could be the amount of the royalty.

**Umesh Revankar:** The royalty was never paid to Shriram Capital. The royalty was always being paid to the brand owning entity which was Shriram Ownership Trust and subsequently Shriram Value Services and that is not in Capital and so that will continue as royalty and terms of the royalties remains the same.

**Anand Laddha:** Okay. So, then the saving of 10% or the benefit of 10% in profitability, could you elaborate from where it will come? It is largely due to cross-sell you are indicating that is the only thing or would there be any optimization of revenue or cost reduction that will contribute to the benefit.

**Umesh Revankar:** No, it is a combination of all. See synergy, we have multi liability side, operations side and the future business all put together we are putting this number.

**Anand Laddha:** Okay, so what I understand is Rs 400 crore is the cost which will come upfront because of this merger, whereas the benefit will accrue over a period of time.

**Umesh Revankar:** Yes, first year, the stamp duty cost will be absorbed in the first year, and the second year, there's only HR integration cost to remain. So in the first year, the benefit is around 8% and the second year the benefit would be between 12 to 14%.

**Anand Laddha:** 12 to 14% what sir. The benefit in terms of?

**Umesh Revankar:** The bottom line when I say synergy benefit at the bottom line? That's what you're referring.

**Anand Laddha:** Correct, what I understand your question you indicate the benefit will accrue as you do more cross sell. But anyways, Shriram in Life Insurance are a part of the group company and you are already selling General Insurance, Life Insurance. We are not still able to understand how the benefits will accrue whereas cost one is could cost will be upfronted.

**Y.S. Chakravarti:** Hi, this is Chakravarti here. See want Umesh meant was by cross sell he meant was not just selling insurance products, it's the cross sell is that you are selling SCUF products to STFC customers and STFC products to SCUF customers. So the idea here is that the bottom line to the PAT is about between 8 to 10% first year and 12 to 14 second year is what they think would accrue because of the incremental business, incremental loan disbursement that's going to happen and not just a cross sell of insurance product.

**Anand Laddha:** Okay, sir today we are not doing any cross sell to the Shriram SCUF customer or there is no interaction between the two entities.

**Y.S. Chakravarti:** No there is hardly any overlap between the two entities as far as customers are concerned.

**Anand Laddha:** And sir what makes you so confident that there will be significant cross sell opportunity.

**Y.S. Chakravarti:** Because basically both have different databases and I'm not at liberty to go and you know exploit or mind the data of each other companies one. Second is geographical expansion. For both products you are adding close to 1000 plus branches. For example, for SCUF which is in about 970 branches, it is close to 1800 STFC branches will be available. Similarly for STSC another 970 branches, the overlap between both the companies in terms of branches locations are hardly about 5060. So that's also the network and spread over geography.

**Moderator:** Thank you. The next question is from the line of Umang Shah from Kotak Mutual Fund. Please go ahead.

**Umang Shah:** I have three questions. First is will both these businesses continue to run in separate verticals or we are also looking at some sort of a process overall in terms of running each of these businesses individually.

**Y.S. Chakravarti:** The idea here is it's not a balance sheet merger. Please understand that. This is the business merger and all branches will sell all products.

**Umang Shah:** Okay. So, to that extent, obviously, our employees will have to be at both the ends will have to be trained for all the products and probably the synergy benefits might get delayed to that extent or you think it's probably over a course of 18 to 24 months, this can be achieved.

**Umesh Revankar:** See we have also budgeted a cost for the skilling of people on products, but what we need to also understand is that right now, both the companies the products are available on the app for employees, the knowledge of the product is available for the employees, number one. Number three is we have a program called myCoach which is available to all the employees basically divided into module. So, we are we are we will be taking our employees through the whole process and would be ready by the appointed day.

**Umang Shah:** Okay, alright. Understood. Sir, my second question is will there be post the whole merger gets consummated, will there be any cross holding between the shareholders of the lending entity and the non-lending businesses sir, let's say for example, the Life, General and all the other non-lending businesses, will they directly or indirectly own anything in the listed entity.

**Umesh Revankar:** No, if we look at the structure that has been provided, it is primarily the holding is directly with the promoter entity Shriram Financial Ventures along with a small portion of the Shriram Ownership Trust that is the structure. We have not contemplated any shareholding of insurance in the operating company as of now.

**Umang Shah:** Okay. Understood and sir lastly, what proportion of the merged entity now will be owned by the employees of the group.

**Umesh Revankar:** See, if we look at 1.88% which is reflected that is completely with the trust and out of the balance 18.23 roughly around 64% is with the Trust. The balance of the 36 belongs to Sanlam.

**Umang Shah:** Okay, understood. So 1.88% plus 64% of the balance 18 odd percent.

**Umesh Revankar:** Correct.

**Umang Shah:** Okay, just a follow up while the merger will take some time to consummate, any class of shareholders have any sort of lock in.

**Umesh Revankar:** The regulatory structure does not require any locking.

**Moderator:** Thank you. The next question is from the line of Zhixuan from Point72. Sir go ahead. Sir would request to speak a bit louder. Yes, sir you may go ahead.

**Zhixuan:** So we talked about 8% synergy first year, 12 to 14% second year. Sorry if I miss this, but do you mind give us a deeper breakdown into you know, how many percent of that is expected to come from cross-sell. How many percent is from the synergy?

**Y.S. Chakravarti:** See on the percentages probably we'll get back to you on that. If you want an exact percentage. Right now, we have what we have looked at this. We do have while we have worked out on what is it that we are expecting from cross sell and what is that we are expected from incremental business. Off the cuff, I would say about 70% plus of the incremental will come from a minimum of 70% will come from the incremental business and not fee income.

**Umesh Revankar:** See If you divide it into a fee income and non fee income, as Chakravarti said the exact numbers we will get back, but what we have done is we have taken out. We have divided the company into five geography and five geography heads, we have taken them into confidence and looking at the various products and services, what we can do over the next two years, we have made an assessment and based on that, we have arrived at this number. So most precise numbers whenever you need, you can contact Sanjay for the same.

**Zhixuan:** So the magnitude of the cross-sell benefits seems pretty substantial. Just wondering, because noted that we don't have any cross sell right now, but have we tried to do any form of cross selling in the past before and if we can do that and just tell why we did not do that.

**Umesh Revankar:** Understand we have been doing insurance cross-sell by both the companies both Shriram Transport and Shriram City Union. We have been doing insurance cross-sell. We have not done the product cross sell till now. So with that, one thing is products cross sell is scope and opportunity for us and at the same time, when we have a combined database, we should be able to do the data analytics better and understand the customer's needs and would be able to service him with more product and more services that is the idea behind it and we have made that exercise across all the geographies and as of now the Shriram Transport Finance customers, 7 out of 10 customers, however, availed additional product and Shriram City Union 5 out of 10 they have availed additional product. So only thing is the SCUF product was not available to STFC because we have always worked as a separate entity and we did not try to really sell. Imagine STFC customer if he wants a two-wheeler for him or for his son. Our customers were not encouraged to approach Shriram City Union or nor we gave him that product. Now it will be available across the table for all the customers in all branches.

**Moderator:** Thank you. The next question is from the line of Rikin Shah from Credit Suisse. Please go ahead.

**Rikin Shah:** Thanks. So, this is a follow up to the question on cost of funding benefit. While we understand that Shriram City Union has a credit rating which is a notch below Shriram Transport, but if I look at the cost of borrowing for Shriram City Union it is around 8.9 to 9% whereas for Shriram Transport, it is closer to 9.2 to 9.3. So despite of lower credit rating than Shriram Transport, they are already running on lower cost of borrowing. So how would you see the incremental 30-40 benefit basis points of benefit coming through from the merger?

**Parag Sharma:** I don't know from where this numbers are being calculated, but I think what we're looking at the incremental borrowing what we have done for last two years and the cost going ahead for the same. I don't know, so I won't be able to comment on the numbers what you have indicated. I know what the two entities borrow for the last two years, and we see substantial benefit to come for one of the entities because of ratings.

**Rikin Shah:** So my numbers that I mentioned were on the book basis, not on the incremental. So one benefit on cost of funding will of course come through due to incremental borrowings being repriced at the lower versus the older borrowing. So that benefit will anyways accrue, but just because of the virtue of the merger, is there any incremental cost of benefit coming to that was the question.

**Parag Sharma:** If there's a rating benefit, automatically the cost benefit will be there, right? That is what we're talking about and even all lenders, we're not talking about the debt capital market, even the bank lenders will be looking at external rating and then given the benefit. That will be there. We have looked at the numbers, we have looked at what would be our borrowing requirement for next few years and then calculated the benefit.

**Moderator:** Thank you. The next question is from the line of Desmond Lee from Wellington Management. Please go ahead.

**Desmond Lee:** I just have a question on the debt side. Are there any change of control triggers that may be you know to consider and what are the related thinks on this. Would this affect your international credit ratings? Thank you.

**Parag Sharma:** Okay, so, what covenants we had was Shriram Group to continue to be the controlling promoter, and that doesn't change. It shift from Shriram Capital to Shriram Financial ventures. So, that trigger is not there, when it comes to overseas borrowing, specific overseas borrowing. Domestic lenders we will have to re-approach any which ways, take their consent, will reach out to them over next week's time because of change of promoter entity itself and also, in case there is any change in shareholding. We have to take their consent, but when it comes to overseas borrowing, we have always given the covenant of controlling entity to be Shriram Group.

**Desmond Lee:** Yes, so just in terms of the rating agencies have you asked them for their opinion on your current credit.

**Parag Sharma:** Oh, we'll be approaching them now, because a round span is only today. So, we will be reaching out to the rating agencies during this weekend.

**Umesh Revankar:** Here I would like to add say we are going by the past commentary or past feedback from the rating agencies as far as Shriram Transport Finance Company is concerned they were feeling that we are in monoline business, they cannot upgrade us immediately because business is cyclical. At the same time Shriram City is concerned, they were feeling that it is concentrated in certain geographies and now both these things will be addressed with Multi Product and Multi Geography. We feel that rating companies would be more positive and we should be able to get better benefit out of it.

**Desmond Lee:** Yes, just one final question. Any other covenants that you have to deal with on the debt side to allow for this merger.

**Parag Sharma:** No in fact, most of the lenders locally will have any kind of merger, they will have to have we have to take their consent. We will be reaching out to everyone but when it comes to a specific covenant breach, so there is no covenant breach per se.

**Moderator:** Thank you. The next question is from the line of Prashant Sridhar from SBI mutual fund. Please go ahead.

**Prashant Sridhar:** Closely to RBI guidelines what does the NPA number look for the consolidated entity? That was one. The second one is sir now you have the Revankar sir as the VC and Chakravarti sir as MD and CEO. So who do we look at as the person who would run day to day.

**Y.S. Chakravarti:** Sorry, can you repeat it we are able to.

**Prashant Sridhar:** Sorry my first question was the post the new RBI guidelines is the revised NPAs number on a consolidated basis.

**Umesh Revankar:** See new guidelines we are working out and we are ready to get a grip of that, but it may not be significantly a high. Because overall if you look at we have been practicing that whatever goes into state three for making it as a standard, we used to insist on full payment. So, therefore, there is no impact on the same. Only on our day base NPA recognition, we were doing at the month end. Only that part we need to look at. So, we feel that it should not be a significant event. However, for us what is important is credit cost, because credit cost doesn't change because of the new regulation. Credit cost remains the same for both the companies at historical level and therefore, we feel quite comfortable even if there are changes and the industry body has been representing very strongly on this, because we are catering to the unbanked and underbanked customers where the cash flows are not as smooth as salaried class or corporate entities. Therefore, we feel that are RBI is likely to look at our request positively.

**Prashant Sridhar:** Okay, sure. The second question was now this consolidated entity could have how much total exposure to other businesses of Shriram group whether to corporate guarantee or whatever route?

**Umesh Revankar:** Sir I think it's almost it's zero. The only thing that we have would be investment in Shriram City. I mean, sorry, Shriram Housing Finance. Other than that, there are no corporate guarantees outstanding.

**Moderator:** Thank you. The next question is from the line of Ankur Jain from Prayaas Capital. Please go ahead.

**Ankur Jain:** Sir it's, an observation and maybe you can add some thoughts on it. So when I look at Shriram City Union Finance and the flagship product of SME financing, I understand that most of the business comes from around one-third of the branches, which SCUF has and it is because SCUF has been very judicious and very cautious in extending the product to different geographies only once the company understands the nature of the market, then only they open the limits and they introduce the product. So you know, after all these years, there is only one-third of the branches which have SME financing. Now my observation is that now with so much of emphasis on cross-sell, going into the integration, everybody will be talking about cross-sell 50,000 employees and this has become a buzzword. So is there any risk of the credit underwriting getting undermined because everybody is focused on cross selling and it takes time for the employees to understand the products even though you might upskill and provide the modules, but it takes a good amount of time for them to get the experience of a financial product. So if you could add some thoughts on this?

**Umesh Revankar:** Yes, I think as you as you mentioned, we have been slow in expanding to particularly MSME products, reason being, we actually, as you know, we start with the two-wheeler, understand the trade behavior and then also move some of those two-wheeler people who are performing well into MSME. Right. That's the model. So today the advantage for us would be that we wherever SFC is. They have been established there for some time. They have the knowledge of the credit behavior of those markets, and they have people with the longevity with them, which would actually make it easier for us to do a rollout and as far as risk is concerned I'm sure we'll be able to contain it because the credit hubs we will follow, spoken and hub and spoke model where the credit teams will be in the hubs and I don't think we would be looking at any dilution of our credit underwriting norms, added to that see STFC business are like is nearly four decades old and we have been to various geography much earlier, whereas Shriram City Union the business started around 2006 especially the present business and they scaled SME over the period. So because of that they were not expanding faster into newer geography, only after testing they were expanding their SME business and right now, the STFC branches being there, and the initial assessment of the local geography or behavior been already assessed, it will be easier to roll out. Here also, we are not going to roll out all product in all branches. It will be in staged manner.

**Ankur Jain:** Yes, thank you, you know, my only feeling was that when the pedal is pushed very hard on cross-sell then there is a risk of the credit underwriting getting a little diluted, but I'm sure you take good care of it. Thank you.

**Umesh Revankar:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Umesh Revankar for closing comments.

**Umesh Revankar:** Thank you, we will be soon reaching out to every investor across and clarifying any further doubts wherever investors have and we are we also have, as I was telling you, the expected timelines are between 9 to 10 months and by the time we finish initial stages at SEBI and then go to the NCLT for shareholders meeting, it will be another three to four months. So we have time to talk to all our investors and clarify. We are quite confident about the today's merger announcement and the senior team across all companies have taken into confidence. We have debated, discussed, threadbare into each of the aspects of the merger and we see a lot of enthusiasm in the team and we're very confident, this will give a very good win win benefit to all stakeholders across both the company. Thank you very much.

**Moderator:** Thank you. On behalf of Shriram Group, we conclude today's conference. Thank you for joining me. You may now disconnect your lines.