

**SEC/FILING/BSE-NSE/24-25/68A-B**

**October 30, 2024**

**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: SHRIRAMFIN

Dear Sirs,

**Sub.: Transcript of investors earnings call for the second quarter ended September 30, 2024.**

Further to our letter dated October 25<sup>th</sup> 2024, regarding the audio link of the investors earnings call for the second quarter ended September 30 2024, we enclose herewith the transcript of the said call. The Transcript is also been uploaded on the Company website [www.shriramfinance.in](http://www.shriramfinance.in)

Thanking you,

Yours faithfully,

*For* **SHRIRAM FINANCE LIMITED**

**U BALASUNDARARAO**

**COMPANY SECRETARY & COMPLIANCE OFFICER**

Encl.:a/a.

**Shriram Finance Limited**

(Formerly known as Shriram Transport Finance Company Limited)

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# “Shriram Finance Limited Q2 FY25 Earnings Conference Call”

**October 25, 2024**



**MANAGEMENT: MR. UMESH REVANKAR – EXECUTIVE VICE  
CHAIRMAN, SHRIRAM FINANCE LIMITED  
MR. Y S CHAKRAVARTI – MD & CEO, SHRIRAM  
FINANCE LIMITED  
MR. PARAG SHARMA –MANAGING DIRECTOR & CFO,  
SHRIRAM FINANCE LIMITED  
MR. S. SUNDER – JOINT MANAGING DIRECTOR,  
SHRIRAM FINANCE LIMITED  
MR. SANJAY KUMAR MUNDRA – INVESTOR  
RELATIONSHIP HEAD, SHRIRAM FINANCE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Shriram Finance Limited Q2FY25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

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

To present our Q2 FY25 Earnings Call today, I have with me our Managing Director and CEO – Mr. Y.S. Chakravarti; Managing Director & CFO, – Mr. Parag Sharma; Mr. S.Sunder – Joint Managing Director and Mr. Sanjay Kumar Mundra – our Investor Relationship Head. It has been a good second quarter of the year for Shriram Finance.

**Let me first look at how Indian economy has performed:**

India’s economy grew at 6.7% in the April-June quarter FY25 over the growth rate of 8.2% in Q1 of FY23-24. This figure reflects a deceleration from 7.8% growth seen in the previous quarter of FY24 and 8.2% in the corresponding period last year. It was the slowest expansion in the last five quarter due to a sharp slowdown in government spending as the long-awaited general elections drove several usual government activities to some halt.

On the inflation, India’s retail inflation CPI rose to 5.49% to 9 months high in September, higher than 3.65% in August. This is highest retail inflation rate since December 2023, when it was 5.69%. Food inflation, a persistent challenge, rose 9.24% annually compared to a 5.66% rise in August. The wholesale price index inflation for June 2024 touched 16 month high of 3.36%, after scaling 2.61% in the previous month of May ‘24. In fact, since February ‘24, the WPI inflation has surged from 0.2% to 3.36, largely on the back of spike in wholesale food inflation and manufacturing inflation turning around from negative to positive. On RBI policy, RBI in its MPC meeting held on October 9, ‘24, decided to keep policy repo rate unchanged at 6.5% for the 10th consecutive time. However, RBI changes stance of monetary policy to neutral from withdrawal of accommodation. The MPC has projected real GDP growth for 2024-25 to 7.2%. This number remains unchanged from last projection. Also, taking various factors into consideration, the CPI inflation for 2024-25 has been projected at 4.5%, the same as projected in the previous policy.

**On the rural economy and monsoon:**

As per IMD, the southwest monsoon this year was 8% over its long-term average. However, the rainfall is likely to continue in October and November with above normal monsoon rainfall expected. About 35% of the country received excess rainfall and slightly over the half, that is around 54% receiving normal rainfall. Despite a slow start, rainfall picked up in pace helping the farmers with sowing.

Overall, farm productivity is expected to be higher, which should help tame year-long rising trend in food inflation. The good rain in June to September has pushed up Kharif sowing to almost 111 million hectares against normal acreage of 109.6 million hectares according to the latest data released on September '27. On GST collection, the GST collection for the month of September grew 6.5% year-on-year at Rs. 1.73 lakh crores while it witnessed a dip compared to Rs. 1.74 lakh crores in August 24.

**On the OEM sales side:**

The quarter has been soft for automobile industry. Commercial vehicle total CV sales in Q2 FY25 declined by 11% to 2.21 lakhs, which is against 2.48 lakhs in Q2 FY24. However, the half H1 FY25 is declined by 4.2% to 4.45 lakhs unit as against 4.64 lakhs unit in H1 FY24. Within CVs, M&HCV sales recorded a decline of 12.2% in Q2FY25 and stands at 82,409 units as against 93,874 units in Q2FY24. LCV sales too recorded a decline of 11% in Q2FY25 and stands at 1.38 lakhs unit versus 1.54 lakhs unit in Q2FY24. Passenger vehicle sales in Q2FY25 recorded a decline of 1.8% in Q2 with 10.55 lakh units being sold against 10.74 lakh unit in Q2 FY24. Two-wheeler recorded a growth of 12.6% with sales of 51.79 lakhs unit in Q2FY25 as against 45.98 lakh units sold in Q2FY24. Three-wheeler registered a growth of 6.6% with 2.09 lakh units sold versus 1.6 lakh units sold in Q2FY24. Tractors marginally declined with 2.08 lakh units as against 2.19 lakh units in Q2FY24. Construction equipment remained flat with 27,382 units sold versus 27,478 units sold in Q2FY24.

In the board meeting, we also had two major decisions by the board. One, we have gone ahead with stocks split where in the face value is now Rs. 2 instead Rs. 10. That will be 5X. That's split into 5. And the board has declared a dividend of 220%, that stood at Rs. 22 per share for the first half of the year.

Now, I request Y.S. Chakravarti to take through the "Operational Performance". Thank you.

**Y.S. Chakravarti:**

Thank you, Umesh. Good morning and good evening to all the participants in the call. I welcome all of you to our Quarter 2 Financial Year '25 Earnings Call and I trust you had the opportunity to peruse the Results and related "Investor Presentation" which has been posted on the website of the stock exchanges.

We have registered a disbursement growth of 15.51% year-on-year. Our disbursements in Q2 FY25 this year aggregated Rs. 39,974.09 crores versus Rs. 34,605.61 crores in Q2 FY24. Our asset under management as of 30th September registered a growth of 19.94% for Q2FY24 and 4.11% sequentially. Our AUM stood at Rs. 2,43,042.55 crores as again as Rs. 2,02,640.96 crores

a year ago and Rs. 2,33,443.63 crores in Q1FY25. Our net interest income has registered a growth of 16.37% year-on-year in quarter 2 FY25. We have earned a net interest income of 5606.74 crores in Q2FY25 this year as compared to 4818.18 crores in Q2FY24.

Our net interest margin was 8.74% as against 8.93% in Q2FY24 and 8.79% in Q1FY25. Our profit after tax grew by 18.30% in Q2FY25 over Q2FY24 and by 4.58% over Q1FY25. We have registered profit after tax of 2,071.26 crores for Q2FY25 as compared to 1,750.84 crores in Q2FY24 Rs. 1,980.59 in Quarter 1 FY25.

Our earnings per share for the quarter stood at Rs. 55.09 as against Rs. 44.67 in Q2FY24 and Rs. 52.70 in Q1 FY25. On our asset quality gross stage 3 in Q2 FY25 stood at 5.32% and net stage 3 at 2.64% These numbers thus show an improvement over the corresponding period of 5.79% gross and 2.80% net in Q2FY24 and 5.39% gross and 2.71% in Q1FY25. Our credit cost for Q2FY25 stood at 1.84% as against 2.02% for Q2FY24 and 1.87% for Q1FY25. Our cost to income ratio is 27.95% in the Q2 FY25 as against 27.34% recorded in Q2FY24. Our cost to income ratio in Q1 FY25 was 27.45%.

Regarding our subsidiary Shriram Housing Finance Limited, as you all know, the board of directors of the company in its meeting held on May 13, 2024 had approved the proposal for disinvestment of the company's entire stake in Shriram Housing Finance Limited. This is a debt listed non-material subsidy of the company and in this regard the company has entered into the share purchase agreement, inter alia with Mango Crest Investments Ltd., an affiliate of Warburg Pincus. The company's investment in Shriram Housing Finance Limited has been classified as non-current assets held for sale and disclosed as discontinued operations in the financial results. However, Shriram Housing's AUM as on Q2FY25 exhibited a growth of 40.87% and stands at Rs. 15,236.26 crores against Rs. 10,816.03 crores in Q2FY24. Net Interest Income registered a growth of 15.50% in Q2FY25 over Q2FY24. Net Interest Income for Q2FY25 was Rs. 112.46 crores as compared to Rs. 97.43 crores in Q2FY24.

Shriram Housing Finance registered a profit after tax growth of 36.87% in Q2FY25 over Q2FY24. PAT for the quarter of this year was Rs. 66 crores as compared to Rs. 48.22 crores. Their EPS stood at Rs. 1.83 against Rs. 1.48 in Q2FY24. Shriram housing's gross stage 3 for Q2 FY25 stood at 1.22% and their net stage 3 came in at 0.93%. In comparison, these numbers were 1.08% on gross basis and 0.83% on net basis in Q2FY24.

I shall now request our Managing Director and CFO – Mr. Parag Sharma to inform you about our “Resource Raising Activities”. After which, our Joint Managing Director – Mr. Sunder will brief you about accounting and regulatory aspects. Thank you.

**Parag Sharma:**

The total debt outstanding as of September '24 is Rs. 2,07,820 crores, broken up into term loans of Rs. 51,123 crores, which is 24% of our liabilities. Securitization is Rs. 34,467, which is 16% of our liabilities. External commercial borrowing both from loan and the bond route is Rs. 31,752, which is 15% of our liability.

Domestic capital markets, bonds, sub debt constitute Rs. 40,281 crores, which is 19% of our liability. And retail deposits, which is Rs. 50,196, which is 24% of our liability. So, very diversified liability mix. And that mix has been in line with the previous quarter and also as of March 24. We also do direct assignment transaction for some of our asset classes and that outstanding is close to around 3,000 crores which would be and off balance sheet item.

The cost of liabilities is 8.97, 1 basis point up from the June 24 quarter and slightly down from the March '24 number. The leverage ratio stands at 3.99, which was 3.79 in June, and as of March it was 3.83. The liquidity coverage ratio is healthy at 234. June it was 225.19%. We always maintain more than three months of liability repayment into liquid assets and that is slightly more than Rs. 17,000 crores and three months liability is around Rs. 16,700 which includes the retail liabilities also. The incremental cost of fund has been in line and slightly lower than the liabilities cost on the balance sheet. So, that indicates that we can maintain the liability cost of debt or maybe slightly can improve over a period of time.

The ALM buckets continue to be positive and up to six months, the cumulative surplus will be around more than 35,000 crores and up to one year it will be around 50,000 crores. The funds mobilized this quarter have been, I'll say strong and secularization and direct assignment transaction have been in excess of Rs. 10,000 crores. We have also done ECB bond, which was concluded during end of September, which was Rs. 4,000 crore. And bank borrowing continues also to be strong. More than Rs. 5,000 crores borrowed through the bank loan route. And NCDs have been at around Rs. 7,000 crores.

With this, I hand over to Sunder for his comment.

**S. Sunder:**

Thank you, Parag.

The employee count as on 30th September was 77,764, as against 75,813 in June quarter, and net increase of 1,951 employees. Some data points on the ECL, the stage 1 PD was 9.06% and the stage 2 PD was 20.98%. and the LGD stood at 38.59.

**Coming to the disbursements segment wise:**

The CV disbursements were Rs. 15,004 crores, passenger vehicles was Rs. 7,595 crore, construction equipment was Rs. 2,267 crores, farm equipment was Rs. 899 crores, MSME was Rs. 6,875 crores, two-wheeler was Rs. 2,555 crores, gold was Rs. 2,697 crores and personal loan was Rs. 2,081 crores, totaling to Rs. 39,974 crores.

With this, we will just open up for the questions and we will be happy to answer your questions. Thanks.

**Moderator:**

Thank you. We will now begin the question and answer session. The first question is from the line of Chintan Joshi from Autonomous. Please go ahead.

- Chintan Joshi:** Can I ask on a few different areas? So, first question would be that we are seeing slippages and gross stage 3 loans increasing kind of for multiple players in the sector. What would you say is the reason that you haven't seen a similar deterioration?
- Umesh Revankar:** This slippage has actually improved as a percentage. It is a 5.3%.
- Chintan Joshi:** Just trying to understand why it has improved, but everybody else is seeing a deterioration.
- Umesh Revankar:** As a industry, if you look at, there are deterioration in certain geographies and certain segments. Mostly, as RBI has been talking, unsecured loans, MFI loans, and that too in certain geography, there has been higher slippage. I feel it is basically the local economic activity being a little weaker. That could be the reason.
- Chintan Joshi:** Secondly, can I check operating expenses have increased 8% quarter-on-quarter? Is there some reason for that, any one-offs in there to flag?
- Parag Sharma:** There were some fees paid in the current quarter due to increased two-wheeler and other loans wherein which was sourced through the direct sourcing agents. And there were also some costs incurred on our branding front, so apart from these it was a normal increase.
- Chintan Joshi:** Do you think we shouldn't expect similar increases in the next few quarters?
- Parag Sharma:** Yeah, it will not be to this level, but there will be some increase, no doubt.
- Chintan Joshi:** Some inflation, okay. And then finally, a quick one, how do you think asset quality and cost of risk trends develop over the next 6 to 12 months? What do you see in your portfolio that gives you reasons to what are the risks that you see and what are the trends that you see in your portfolio?
- Umesh Revankar:** We don't really see any further improvement in our asset quality. There may not be anything adverse now because the economic activity being very strong, the foundation of the country is very strong and government spend on infrastructure is likely to improve in the next 2 quarters. That will help the economic activity to improve. And the festive period with good monsoon and good kharif crop, better MSB price, all are likely to be very positive for next two quarters. I don't really see any possibility of deterioration. So, we are targeting to improve our stage three to around 5% level.
- Moderator:** Thank you. The next question is from the line of Avinash Singh from Emkay Global. Please go ahead.
- Avinash Singh:** So, a couple of questions. The one would be on, again, continuing on the stress part. So, I mean, like the MFI and a few other segments. But the personal loan segment also is seeing a bit of a rise in stress. Now in this backdrop, your portfolio seems to be doing fine. Now, the thing is that, I mean, what kind of growth are you seeing there and if at all any sort of a color on future

delinquencies in this PL segment? So, that was the first question. And if you can just help us with kind of growth in this use CV segment or other CV segment, how do you see growth panning out for the rest of the year in that segment? Thanks.

**Y.S. Chakravarti:** Hi, this is Chakravarti here. On the PL side, most of the stress that is visible in the market today is in your BNPL and the small ticket personal loan space. See, even within the industry players where you have a larger ticket personal loans basically for prime and super prime segment of customers, the stress is there is the portfolio is performing well. And as far as Shriram Finance is concerned, 97%-98% of my disbursement goes to my existing customer. Either he is a two-wheeler customer who has finished 75% of his loan tenure or a personal loan customer who has finished repayment of his one loan and coming for a second loan. The quality of the portfolio is not the reason why we have slowed down, but it is also just to give a comfort. So, since there is a lot of concern around on the portfolio, on personal loan. What we did was we have further tightened our criteria for giving a loan to our existing customer and that's one of the reasons why you see that slowdown. But going forward, we will wait for a couple of quarters before the industry and regulator gets comfort and then we will increase this portfolio. And as far as growth in CV is concerned, I think we should grow our CV portfolio, next 2 quarters should grow at 17%-18% comfortably.

**Moderator:** Thank you. The next question is from the line of Gopinath Reddy from PNR Investments. Please go ahead.

**Gopinath Reddy:** Sir, is there any area where we have noticed any pain points that are coming up? I mean, I'm asking this question given the current situation in other companies where everywhere we can see the stress. Is there any area where either tractors or anything else where there is an increase in problem areas?

**Umesh Revankar:** None of the asset backed loans we see any issues. And as I was telling you, there is a geography specific and segment specific challenges. See one of the area which is little where you see the challenges are where people are over-leveraged. That individuals are over-leveraged and there is excessive lending to them. That is in a few location there are challenges.

**Gopinath Reddy:** I'm asking for our company, sir.

**Umesh Revankar:** Our company, no. We don't see any.

**Moderator:** Thank you. The next question is from the line of Shubhranshu Mishra from PhilipCapital. Please go ahead.

**Shubhranshu Mishra:** Two quick questions. The first one is we've got the number of customers on slide #13, which is around 90 lakh customers. But I guess that is the outstanding number of customers. How many customers do we bank on a monthly basis? And of those bank customers, how many customers would have more than two trade lines, not necessarily with us, but a Bureau report which would be accessing for these customers. So, how many of these monthly bank customers would have



more than two trade lines? That's my first question. The second one is given the fact that we have a lot of customers in rural areas and semi urban areas. These are areas where we are seeing certain levels of stress, whether unsecured credit cards, personal loans, MFI, or one of the other exposures. It sounds a little out of whack that our customer segment is absolutely immune to this. So, wanted your qualitative views on this. And the third part is that we can just repeat the disbursement mix. So, that's just a data keeping question. Thanks.

**S. Sunder:** As far as the disbursements are concerned, I will just repeat it. Commercial vehicles Rs. 15,004 crores, passenger vehicles Rs. 7,595 crores, construction equipment Rs. 2,267 crores, farm equipment Rs. 899 crores, MSME Rs. 6,876 crores, two wheelers Rs. 2,555 crores, gold Rs. 2697 crores, personal loan Rs. 2081 crores, totaling to Rs. 39,974 crores. And as regards your first question regarding that cohorts and all those things, so that I would suggest that you contact Mr. Mundra offline, so he will be able to help you out.

**Shubhramshu Mishra:** Sir, 2 wheeler, gold and total if you can repeat sir, it was a little fast one.

**Y. S. Chakravarti:** Two-wheeler was Rs. 2555 crores gold 2697, personal loan 2081.

**Shubhramshu Mishra:** And total sir?

**Y. S. Chakravarti:** Rs. 39,974 crores.

**Moderator:** Thank you. The next question is from the line of Siddarth from Vittae Financial Services. Please go ahead.

**Siddarth:** Good evening sir, I'm very glad to connect with you. Thanks for this opportunity. So, my main doubt I had was that you would be focusing more on short-tenure products like personal loans and 2-wheelers for improving the bottomline growth rather than the AUM mix. So, I would just like to have your views on the personal loan because it has declined and on previous quarters it was mentioned that this would be the last quarter of decline in personal loans. So, could you just let me know your views on that?

**Y. S. Chakravarti:** No, as I told you, once we are able to give the comfort to the market and the regulator that our portfolio is doing well, we will grow. So, these two quarters we should improve the disbursement.

**Siddarth:** How the margins are expected to improve for personal loan?

**Y. S. Chakravarti:** See margins, personal loan portfolio, entire portfolio is around 3.4%. So, even if I improve the margin by 100% also, it is not going to create a big dent on the overall. But as a standalone thing, I think we should be able to maintain our average yield. I mean we have a product going from 12%, up to 27%-28%. So, basically the mix will remain the same.

**Moderator:** Thank you. Next question is from the line of Chintan Joshi from Autonomous. Please go ahead.

- Chintan Joshi:** Hi, sorry, I thought there would be more questions. Can I come back on your expectations for your net interest margin over the next year? And also, how do you think, with the RBI rate cuts, how do you think your margins will behave?
- Umesh Revankar:** The net interest margin should remain at present level. As far as the RBI rate cut, that is something very subjective. So, it depends upon when exactly RBI will look for a rate cut. So, as of now, we feel that it is unlikely to be before February. So, only then will we be able to address that. So, I don't really see any immediate improvement in our funding cost.
- Chintan Joshi:** And if we get a 50 basis points rate cut, what would your sensitivity be to your NIMs?
- Umesh Revankar:** See, obviously when there is a rate cut, when the banks start passing on that benefit to us, that benefit will accrue to us. So, it will come as a lag. So, we can't be telling it in advance.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Citi Group. Please go ahead.
- Kunal Shah:** So, on yields, have we seen improvement actually in this particular quarter? Maybe is it because of the mix change or something, because on a calculated basis, it seems to be an improvement?
- Umesh Revankar:** The yield remains same. I don't think there is any improvement. Overall, yield remains same.
- Kunal Shah:** So, there is no maybe either in terms of the pass on benefit or reprising of fixed rate book that has happened because cost of funds are just stable. So, just wanted to check on the yield side?
- S. Sunder:** No, it is more or less same, not much of a change.
- Kunal Shah:** And secondly in terms of an update on Maybe the interactions with the rating agencies, maybe in terms of the upgrades or something?
- Parag Sharma:** Yes, I think the dialogue is continuously on with them. We are pressing upon the improvement in asset quality and the diversity of our mix on assets and liabilities both, but as of now I think we will keep our fingers crossed and keep the dialogue on. Let us see when we are able to develop on them.
- Kunal Shah:** Yes, because it has been quite a consistent performance all through. So, I am not sure in terms of maybe when does that happen with respect to the rating upgrade.
- Moderator:** Thank you. The next question is from the line of Raghav Garg from Ambit Capital. Please go ahead.
- Raghav Garg:** My first question is on the Gold loan portfolio. Why has the growth come down again in this quarter? It seems to be at 12% Y-on-Y, there seems to be a decline?
- Y. S. Chakravarti:** Primarily it has come down because we have reduced our LTVs on gold to around 60%-65%. So, that is one of the primary reasons why the disbursement has come down.

- Raghav Garg:** As opposed to what before?
- Y. S. Chakravarti:** About 70%-73%.
- Raghav Garg:** And what was the reason for that, sir?
- Y. S. Chakravarti:** What is happening is, since most of the gold is a bullet payment, there is principal and interest to be repaid. What is happening is, they are reaching the 75% LTV norms within a short period of time. And we are actually providing. The moment it breaches the 75% LTV norm, we are actually classifying it as an NPA, but the regulator advised us that since a lot of cases it is happening, they have advised us it is better to reduce rather than provide. So, we have done that.
- Raghav Garg:** Sir, I am sorry. Why is it that they are breaching the LTV norms of 75%? I did not get that?
- Y. S. Chakravarti:** See basically, your exit LTV, your LTV, the norm is 75% of the loan to value of the gold. That is an exit LTV that is prescribed, not entry. So, your accumulated interest plus principal cannot cross 75%. It is an exit time and if it crosses, you need to classify it as an NPA and call the customer or try to auction of the gold. So, since it is happening, because your LTV is about 72% and it is touching 75% quite fast, the regulator has advised actually instead of providing, why don't you reduce the LTV. So, we took that advice and did this.
- Raghav Garg:** Sir, just to clarify, you mentioned the 75 LTV norm for NBFC, that is the exit LTV when you close the load?
- Y. S. Chakravarti:** No, even for banks, it is the same for NBFCs and banks.
- Raghav Garg:** And sir, another question on the vehicle finance bit, the other two large auto-NBFCs, we have seen slippages increase quite a bit. It has happened for you also, but I think this increase in slippage is a bit lower. Is it something that you are doing on the ground to push your branch people to collect or just to perform better on collections versus what the other auto-NBFCs are doing or the trends that they are seeing?
- Y. S. Chakravarti:** I don't know about the other NBFCs, but I think the majority of the portfolio would be new vehicles whereas for us, the majority of the portfolio is used vehicles, one. Two, basically what we see on the ground is basically better, improved utilization of the vehicle because lesser turnaround time and improved load. Typically, per day running kilometers has increased for most of these vehicles. So, cash flows also have improved. So, that is also one of the reasons why we are able to manage the delinquency that is there, like at these numbers.
- Raghav Garg:** But sir, I think at the start of the call, there was a comment that the government spending has reduced and generally what we see is that it tends to impact the operators as well, so you are saying despite that the cash flows and the general load carrying momentum has been good for the operators on the ground is it?

- Y. S. Chakravarti:** No, see the comment was aimed at when we are talking about the new vehicle sales, right? MHCVs particularly for medium and heavy vehicles and also LCVs, but that is for new vehicle sales. I think the one factor that is going on positive is for used vehicle sales there is today excess capacity is not coming into the market. The existing capacity is being utilized better and in fact used vehicle prices are holding very steady.
- Umesh Revankar:** What happens is when the government is spending on infrastructure, the additional demand comes for new vehicle sales and therefore the additional demand did not come because government has spent less. But otherwise the existing portfolio, existing what you call the customers have sufficient business and it is quite profitable, therefore the asset quality also is improving better.
- Moderator:** Thank you. The next question is from the line of Gopinath Reddy from PNR Investments. Please go ahead.
- Gopinath Reddy:** Sir, we have been giving consistent results out late from the time the companies are merged and become Shriram Finance. Is the improvement and consistency in the performance attribute, how much is it attributable to the economic situation that is right now? And how much is it for any changes made in the way we are executing things? What are all the changes that we have done that are giving this consistency?
- Umesh Revankar:** See basically, when economy is doing good, all the parameters of any company which is dependent on economy will do well. So, that is a natural linkage you can establish. Otherwise, company has been there as an entity for nearly 50 years being Shriram in the financing. So, we have our own DNA, our own strong culture, and that has been helping us to understand the environment, understand the customer, and respond to the customer much better. So, we have been improving over the period, and we will continue to improve.
- Gopinath Reddy:** The next question is, somebody already asked, when it comes to rating agencies, what is it that they are expecting us to improve upon for rating upgrade? Is there anything specific or is it just we don't know?
- Umesh Revankar:** There is nothing specific. They would like to see overall progress. They waited for one year to complete post-merger, whether this merger will go through smoothly and efficiently, which we have now demonstrated. Probably, they would also like to see this macroeconomic advantage to continue for some more time before they consent to further improvement.
- Gopinath Reddy:** Sir, one last question. Do you see that the merger benefits is it all played already or we have some more steam left in cross selling kind of things?
- Umesh Revankar:** See, we have not reached all the branches with the products. The MSME Gold has not reached to all the geography, all the branches. There is some more scope for improvement.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of our Q&A session. I now hand the conference over to Mr. Umesh Revankar – Executive Vice Chairman for closing comments.

**Umesh Revankar:** Thank you all for joining. As you know, second quarter is normally a tricky quarter because excess rain or shortfall in rain makes big difference in Indian economy and the overall credit demand. With good rainfall and good output in the rural agri output, I think we can expect a better half in the October to March. So, with the hope that things will further improve, credit demand will further improve, we would like to say bye and catch-up next time. Thank you very much.

**Moderator:** Thank you. On behalf of Shriram Finance Limited, that concludes this conference. Thanks for joining us, you may now disconnect your lines.