SEC/FILING/BSE-NSE/21-22/68A-B **January 28, 2022**

BSE Limited
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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 third quarter ended December 31, 2021.

Further to our letter dated 25th January 2022, regarding the audio link of the investors earnings call for the third quarter ended December 31 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 Q3 FY2022 Earnings Conference Call"

January 25, 2022

MANAGEMENT: **MR. UMESH REVANKAR - VICE CHAIRMAN & MANAGING DIRECTOR - SHRIRAM TRANSPORT FINANCE**
MR. SUDARSHAN HOLLA – JOINT MANAGING DIRECTOR - SHRIRAM TRANSPORT FINANCE
MR. P SRIDHARAN - JOINT MANAGING DIRECTOR - SHRIRAM TRANSPORT FINANCE
MR. NILESH ODEDARA - JOINT MANAGING DIRECTOR - SHRIRAM TRANSPORT FINANCE
MR. SUBRAMANIAN SUNDER - JOINT MANAGING DIRECTOR - SHRIRAM TRANSPORT FINANCE
MR. PARAG SHARMA- JOINT MANAGING DIRECTOR - SHRIRAM TRANSPORT FINANCE
MR. SANJAY MUNDRA - SHRIRAM TRANSPORT FINANCE

Moderator: Ladies and gentlemen, good morning and welcome to Shriram Transport Finance Q3 FY2022 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, Vice Chairman and Managing Director and CEO; 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 have 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. Today we have our Joint Managing Directors, Sudharshan, Sridharan, Nilesh, Sunder and Parag along with me and Mr. Sanjay who is our IR head.

Friends let me first go through economic updates then let me come to the results. India saw rising economic activity in October and November from the back of decline in new COVID cases; however, the emergence of new variant led to some restrictions including night curfew in some cities towards the end of December. However, a heartening feature of the third wave is lower serious hospitalization and fewer casualties. This led to very mild restriction on people and vehicle movements in January 2022, which have not majorly impacted overall economy so far and also new cases have been decreasing in the major cities like Mumbai and Delhi for the past few days pointing to better days ahead.

The government announced several policies to support Indian economy in regaining the momentum. The excise duty on the fuel was reduced to curb inflationary pressures. The central government announced relaxation of additional market borrowing by states equivalent to 0.5% of the Gross State Domestic Product for strengthening their capex spend. And Rs. 20,900 Crores was released under PM Kisan Scheme to boost the rural economy.

The RBI continued to come out with positive statements and initiatives. RBI introduced PCA framework for NBFC which will come into effect from October 2022. We at Shriram Transport are currently compliant with said norms and will continue to be within the norms after our proposed merger with Shriram City Union Finance.

As a result of all above factors, we continue to expect Indian GDP growth to clock 9.5% for fiscal 2022 in line with RBI estimates. In line with same several economy indicators were positive in the past quarter. The PMI increased from 53.7 in September to 55.9 in October and 57.6 in November before slightly moderating to 55.5 in December hence remaining above expansion mark of 50 reflecting stable demand. The IIP was slightly up being 4.5% and 1.4% in October and November reflecting nascent recovery. The GST collection continued to be bouyant being Rs 1.3 lakhs crores in October, Rs 1.31 lakhs crores in November, and Rs 1.29 lakhs crores in December so that is up to 24%, 25%, and 13% respectively on year-on basis.

Coming to the auto industry commercial vehicle sales marginally increased to 194,712 units in Q3 as against 193,034 units in Q3 2021 and higher compared to 166,251 units in Q2. The Heavy and Medium Commercial Vehicles segment which indicates the robustness of the economy showed positive growth with 60,349 units against 49,473 units in the same period in the previous year. LCV numbers were flat year-on-year basis but showed a good demand all over the geographies.

Coming to Shriram's current quarter's performance we clocked a disbursement of Rs 15,489 Crores including Rs 574 Crores towards new vehicles and Rs 14,820 crores towards used vehicles compared to the total disbursement of Rs 12,606 crores in the previous year. The AUM was Rs 124,602 Crores compared to Rs 114,932 Crores in the previous year. Net Interest Income was Rs 2,388 Crores in Q3 against Rs 2,148 Crores in Q3 last year an increase of 11.17% year-on-year. Net Interest Margin was 6.65% against 6.44% in the previous quarter due to improvement in cost of funds.

The Profit after Tax was Rs 681 Crores in Q3 compared to Rs 728 Crores in Q3 previous year and Rs 771 Crores in Q2 in the current year. Earnings Per Share stood at Rs 25.26 against Rs 29.54 in the previous year. The collections were consistently good in the month of October, November and December. It was 102.32%, 100.14%, and 101.06% of the total demand respectively.

Collection for Q1, Q2 and Q3 were 91%, 99%, and 101.17% of the amount respectively. The gross Stage 3 NPA stood at 8.4% compared to 7.11% in the previous year and 7.82% in Q2 FY2022. The net Stage 3 NPA stood at 4.36% compared to 4.31% of previous year and 4.18% in Q2 2022.

There was 80% increase in gross Stage 3 and 47 basis points increase in net Stage 3 due to revised process of NPA classification based on RBI circular dated November 12, 2021. Had the company followed earlier method the Profit before Tax for the quarter and nine months ended December would have been higher by 354.75 Crores.

Our liquidity position now stands at Rs 17,319 Crores against Rs 17,228 Crores in the previous year. The board has suggested us to continue with higher liquidity due to COVID wave 3. We still are confident of double-digit growth for the full year as we see a good credit demand coming in the fourth quarter.

The cost to income ratio was 19.70% in the current quarter. We are likely to maintain the same for the rest of the period. We added nine branches which now stand at 1834 and in terms of employee strength we added 362 new employees through business associate method. During the quarter the company has not considered any additional credit loss for COVID and so far we have done Rs 2,852.50 Crores of the total provisioning.

On the external front, we have applied to all concerned regulators on the merger front. The credit rating agencies are already updated. Mr. Parag would you give updates on the rating and new fund raise and on cost of funds. Parag, please take.

Parag Sharma: Good morning. I will cover up on the liabilities front first. One is the mobilization for the quarter has been similar to the mobilization in the previous quarter, the securitization as indicated earlier closer to Rs 5,000 Crores level, it was Rs 4,800 crores for this quarter, which includes assignment transaction of Rs 500 Crores.

Rest of the sources, are retail deposits, domestic bonds, and bank borrowing which is almost Rs 2500 Crores level each. On the overall liabilities, the cost share has come down by 11 basis points for the quarter and if you compare with March 2021, it has come down by around 50 basis points.

We do expect some benefit on cost of funds to be there for coming quarter also. There could be some reduction. On the liquidity buffer has already indicated we are carrying Rs 17,300 Crores of liquidity buffer. Maturity is for next three months which includes a dollar bond repayment in February is Rs 14,000 Crores, January we have already raised dollar bond of US$ 475 million which will take care of liquidity to be maintained at higher levels. Post March we will review our liquidity position and try to reduce it if situation is normalized.

On ALM front we continue to have all buckets positive and up to one year the cumulative surplus will be around Rs 16,000 Crores. HQLA is 165% against statutory requirement of 50%. On rating, I think post our announcement we reached out to all the rating agencies including international rating agencies and all the rating agencies have given a stable outlook for Shriram Transport considering the merger, which will be there after eight or nine months. I think I will hand over to Sunder now.

Subramanian Sunder: On the employee front around 95% of our employees have been vaccinated with at least one dose of COVID vaccine and close to 75% with both the doses of COVID vaccine. Coming to the provisioning part as you are aware that RBI had come out with a clarification circular on November 12, 2021, wherein they had two major factors implicating the financials, one was the upgradation of NPA assets into standard assets only on recovery of the entire overdues which Shriram was anyway already compliant and we did not have any impact on that account and the second component was the daily stamping of NPAs which the company was earlier doing on quarterly basis. Now RBI had stipulated that it should be done on a daily basis which the company started following effective November 12, 2021 due to which there has been an increase in the NPAs to the extent of Rs 946 Crores and had we followed the earlier methods the profits would have been higher by around Rs 354.75 Crores hence the provision would have been lesser.

The gross Stage 3 and NPA both currently are at 8.4% as against 7.62% had we followed the earlier norm. We have increased our coverage to 50.25% as against 48.57% in Stage 3 primarily because due to an increased in the management overlay.

The LGD continues to be at 45%. It was at 45.1% in the previous quarter. Stage 1 assets were 79.99% as against 79.39% in the previous quarter and stage 2 was 11.61% as against 12.79% in the previous quarter and we are maintaining an excess coverage over and above the RBI requirement to the extent of Rs 6,541 Crores and the share of profit from our associate Shriram Automall was Rs 5.4 Crores in the current quarter.

With this I have covered most of the data points which have been missed out by the CFO and CEO.

Umesh Revankar: We will throw open for Q&A.

Moderator: Thank you. 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 Centre Private Limited. Please go ahead.

Abhiram Iyer: First what I wanted to ask was a bit of clarity on the higher provisioning and the difference in Stage 3 assets due to RBI circular. You mentioned that this is primarily due to daily recognition versus what the company used to do on a quarterly recognition, but from the company's perspective the result is still announced on the end of quarter 31st December, so it does not matter what you recognize as NPAs on December 30, or December 31 because ultimately it is a point in time so could you just explain the mechanism on how exactly this contributed to an increase in Stage 3 assets. Question 2 was primarily around delinquencies, could you just us know what sort of percentages of 0 to 30, 30 to 60 and 60 to 90 delinquencies and how this is compared to the previous quarter?

Subramanian Sunder: Coming to the first question I will just give you an example. Supposing there is a due for a customer on December 5, and he skips the December 5 due date and makes the payment of that particular installment on December 7. So December 7, he is at 60 days bucket, but on December 5, he had held 90 day bucket and as per the earlier recognition norms as on December 31, since he was at 60 day delinquency bucket, he was not treated as a stage 3. However, now RBI says that you need to do a daily stamping, at end of day processing so by which this particular borrower has been classified as an NPA on December 5, and he will be continued to be classified as a nonstandard asset till he reaches the entire overdue and hence there is an impact on the financial and also the Stage 3. When it comes to the bucketing, anyway the Stage 1 is close to 80% and Stage 2 is 11%.

Abhiram Iyer: I can see Stage 2 seems to be lower than previous quarters so could you sort of help me understand is this because the loan quality of the assets have been going up, the loan quality of the borrowers as well?

Umesh Revankar: Once is the collection has been good and second is because of this new RBI rule otherwise what would have been Stage 2 would have gone into Stage 3. Already it would have remained in Stage 2.

Moderator: Thank you. We will move on to the next question that is from the line Rikin Shah from Credit Suisse. Please go ahead.

Rikin Shah: Good morning Sir and thanks for the opportunity. I had three questions. First one was on the business front. I just wanted to understand our overall capacity utilization level for your customers and how the freight rates have moved vis-à-vis the fuel cost that is one. Second was related to the margin, if Parag could help with the incremental cost of funding and the overall cost of funding that would be helpful and as an extension to that the liquidity buffer that we are carrying which is around Rs.173 billion. Earlier we used to articulate that we would start trimming while COVID 3.0 wave is milder than expected. Just wanted to get a sense as what level we can kind of come down from April 1? The last question is on the asset quality while I understand that you may have to keep higher Stage 3 coverage to keep the net NPA below 4% but is there a scope to bring down the overage on to Stage 1 and 2 loans which is around 130 basis points on how the pre COVID levels at least as per my calculation? Thanks. That is all from me.

Umesh Revankar: I will cover on the business front then I will hand over to Parag. As far as the credit demand our freight rates are concerned both are good. In fact idling of the vehicles are minimum now. The resale prices are better. The fuel price has come down because the government has reduced certain duties so it has come down by around 10% and that really helped the customers. The new trend is people are also moving actively into CNG either fully built CNG vehicle or putting a CNG kit on the vehicle, so this is seen in the area where CNG is available and not across the country because CNG availability is mostly in the western corridor, like Mumbai to Delhi corridor. Rest of the place CNG availability is not strong but government has promised to add 6,000 more CNG pumps across the country thereby the viability of the customers will be much better, those who are owning the CNG vehicle because the price difference is around 35% and the CNG will be less by 35% so that is the way the business may move, so people may get into CNG so business is very viable and business is available throughout the day. As far as the credit cost or stage 3 is concerned. When the RBI circular came when we had the first cut at the end of November it looked as if the Stage 3 will move up 120 basis points, but as we started communicating with the customers and our team about the change in the norm and making the customers realize that they will move into Stage 3 and they need to pay earlier then by December end the overall increase in Stage 3 came to around 80 basis point. With this exercise we are confident that by next quarter end, the Stage 3 will improve by another 80 to 100 basis points. That means from 8.4% we should be able to bring it down to around 7.5% to 7.6% it is basically communicating to the customer. Because many of the customer even though they know the due date they may pay one or two days late not realizing that it is going in to Stage 3 so this communication is something which are trying to make it clear to the customers, so I feel we are very confident because market is good business is good, the viability in the business is good, so we should be able to reduce significantly by the fourth quarter and as far as the provisioning is concerned we will look into Stage 2 and Stage at the end of Q4 because normally we do it annually. This exercise we will be doing and we will rework on the same.

Riken Shah: Thanks and just on the funding cost and liquidity?

Parag Sharma: So blended cost of whatever we have raised for the quarter will be around 7.25% with the overall cost at the end of December being at around 8.45% which used to be close to around 8.97% as of March 2021. When it comes to liquidity buffer yes we used to carry around three months of liquidity requirement and if we go back to those levels the liquidity requirement will be around Rs 9,000 to Rs 10,000 Crores what we are currently carrying is more than Rs 17,000 Crores. I think this is two questions. When it comes to the reduction I was talking about because in September and December quarter it is around 11 basis points.

It was 8.56% as of September end and it is 8.45% now. The incremental cost is between 7.25% and 7.5%.

Moderator: Thank you. The next question is from the line of Sanket Chheda from B&K Securities. Please go ahead.

Sanket Chheda: Sir my question was on particularly on write off**,** so first what was the amount of write off. From the back calculation I suggest that it was around Rs 450 Crores so we had a total improvement of about 2 billion in a way if we put Stage 3 and Stage 2 compare it to last quarter Stage 3 and Stage 2 in the new method, but the write off was even higher than that so the comment was that earlier you expected 120 BPS and later it went down to 80 BPS but since that it was higher either if the write off was taken from Stage 3 or even it was taken from Stage 2, the overall quantum was still higher and there is no improvement per se even if the collection efficiencies are going up, so as a total pool from Stage 3 to Stage 2 there is no inherent improvement if we include the write offs?

Subramanian Sunder: The total provision and write offs in the current quarter was Rs 984 Crores, out of which write off bad debt written off on settled contract were Rs 453 Crores and balance Rs 530 Crores was allocated to the provisions which we have made and on account of the change in norms it was Rs 354.75 Crores and the balance even though there was a write back because of the dip on the quarter on quarter pre RBI circular by close to 20 basis points. It was 7.82 it came down to 7.62 as per the earlier norms. Technically there would have been a write back but management had prudently taken an additional management overlay and that increases with overall provision to Rs 530 Crores that is the reason.

Sanket Chheda: My question if the write off was Rs 450 Crores then there was no inherent improvement or things which we were saying that the impact was 80 bps maybe it was more but it looks less because of the write off.

Subramanian Sunder: If you analyze each quarters numbers, there will be a write off close to Rs 350 Crores to Rs 450 Crores quarter-on-quarter and those are attributed to the settled contract during that particular period and further if you analyze it around 40% of the total write offs are contributed by the performing standard assets wherein the company gives certain waiver of interest as a goodwill gesture and to retain the customers for repeat business so that contributes to 30% to 40% of the overall write off and the other write off which we take is on account of cases which are in stage 3 and if you see the historical LGD it is in the range of 30% to 45% because of the COVID now it is elevated but that is what is the percentage of write off which is required for an asset to settle when it is in stage 2 so these have contributed to that but having said that we still maintain that post the COVID we have seen a marked improvement in the collection figures as stated by our MD earlier also. It is now 101% in the current quarter as against 98% and 99% in the previous quarter so we see an improvement in the collections and we are confident that going forward our NPA levels will further come down.

Sanket Chheda: One thing on disbursements now we have done almost a similar kind of disbursement what they did in last quarter and even in Q4 whereas the tailwinds due to this festivity should have reflected with a slightly higher disbursement number coming out so how do you rate it. Is it muted, particularly a relative analysis also that appears what kind of disbursement they are doing in terms of quarter-on-quarter and how we are sure that we will comfortably achieve double digit growth by the end of Q4 some light on that?

Umesh Revankar: We are seeing bigger demand for new vehicle and bigger ticket size on heavy vehicle. That will give us a little momentum on lending so volume will definitely be higher compared to Q3 because of the bigger ticket size and the new vehicle demand and heavy vehicle and including construction equipment. We expect that the budget will be focused on infrastructure and therefore there will be immediate demand for infrastructure related vehicles and equipment so this is the expectation so AUM growth as of December is 8.41%, so we are still aiming at double digit. We may be little short of double digit but still our fourth quarter will be quite big adjustment I can say.

Moderator: Thank you. The next question is from the line of from Radhika Lohia from Mirae Asset. Please go ahead.

Radhika Lohia: My questions have been answered thank you.

Moderator: Thank you. The next question is from the line of Vikram Subramaniam from Spark Capital. Please go ahead.

Vikram Subramaniam: My question is regarding the Stage 3 provision cover and LGD under the new norms, so you have provided provision analysis in the presentation where you have given Q3 FY2022 Stage 3 and all asset quality parameters both on the old norms and the new norms. Under the earlier norms your provision coverage remains at the same 48% in Q2, but under the new norms it is increasing to 50%. Why would that be the case because LGD should remain ideally the same or in fact even improved given that the increase in Stage 3 under new norms just because of daily stamping so probably they are slightly better quality customer than the normal NPAs. Why would PCR Stage 3 PCR increase or am I missing something there?

Subramanian Sunder: We resource the LGD on a yearly basis and the next review is due in the month of March 2022. Having said that our LGD has remained more or less constant but for that across the product some variation if you recollect the previous quarter LGD was 45.10. Now it has become 45. It has improved in fact by 10 business point based on the product allocation and answering your specific question in the increase in the coverage. As we had mentioned in the start of the call, itself that we have taken an additional management overlay to ensure that the next Stage 3 remains under control. Our target which we have been indicating earlier also that we want to keep less than 4% as on March 2022 and hence to achieve that management is taking additional coverage over and above the LGD requirement and hence it has crossed 50% of the current quarter.

Vikram Subramaniam: I just asked that to assess if we are expecting some kind of sticky credit losses or NPAs from the daily stamping movement and another additional question so the impact during this quarter due to the new norms is close to Rs 350 odd Crores why could not we have drawn it down from the existing management overlay?

Subramanian Sunder: We could have done that but that would have ensured that our net NPA was closer to 4.5% which we did not want that to do it and hence we had taken an additional management overlay over and above that. See our objective is to reduce the net NPA to 4% by March 2022 to achieve that we need to take additional management overlay.

Vikram Subramaniam: Okay got it Sir. Just one last question. You had mentioned that you had reached out to the credit rating agencies post merger announcement and all of that. What has been the feedback if any from them regarding the merger and how they view it?

Parag Sharma: Rating agencies I think they are okay and in fact one of the questions rating agencies would definitely like to have diversity of assets which can be achieved by this merger. We will have multiple assets that simplicity of business is addressed through diversity, so that should be positive for the rating agency other than that because of the size of the entity which is getting merged relatively small. There are not much concerns from the rating agency point of view. In fact our entity Shriram City Union which is getting merged was rated one notch lower and now all the rating agencies have put that entity on a rating watch positive. More or less all rating agencies are okay with the numbers and the merged balance sheet how would it look like. I have no concerns from rating agencies.

Vikram Subramaniam: Okay got it Sir. I just asked because there is identifiable promoter’s stake is slightly reducing after the merger so has there been any feedback on that that is what I wanted to know?

Umesh Revankar: No. There is no mention on that. The rating agencies are more looking at the business viability and the overall asset quality. They normally do not comment on the owner's equity holding so either the robustness of the business is what they are focused on. As Parag rightly said they are more comfortable of multiproduct business rather than a Monoline business so Monoline business due to technicality they feel there are ups and downs so that is the comfort they derive out of the multiproduct company. So overall they are quite positive.

Moderator: Thank you. The next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Congrats on the quarter. Just have a couple of questions. Firstly has the portfolio composition of vehicles changed in the past two years? Have we moved to higher tonnage vehicles within the HCV segment? So that is my first question. The second one is out of the two million customers on book how many of them are taking a loan from Shriram for the first time and has this ratio changed over the past few years, so that is it from my end?

Umesh Revankar: See the competition of vehicles depending upon how the new sales happen, it keeps changing. For example, the capacity of the vehicle has been increasing over the period. Earlier 10 wheelers which carry around 70 tons was the largest vehicle, but now with additional tonnage being allowed, 15% additional tonnage being allowed. A 54 ton gross that is going to be which carries around 42 tons that is going to be the vehicle so if you look at the new sales. Most of the new sales are happening at 16-wheeled vehicle which are earlier 49 ton now 54 ton, so the capacity or the size of the vehicle is increasing and according to our portfolio also it keeps changing a little. Even in the ICV segment earlier the maximum ICV carrying weight would be around 7.5 tons, now ICV they carry up to 9.5 tons, so today's ICV are nothing but the earlier MCV the medium and heavy and so there is a change in way the products are changing therefore there is some movement in our portfolio so the ticket size and the vehicle is changing.

Piran Engineer: If I may just stop you here. This should happen for us with a lag of 5, 6, 7 years right so if it is happening we will be in 2027-2028 we get that benefit of migration of tonnage and also after the actual load norms would we have not seen the tonnage going down rather than up per vehicle because now you can carry move load on the vehicles so I am a bit confused here?

Umesh Revankar: You are right. What happens is when I am saying the vehicle carrying capacity has gone up and also it is not that after 5 or 7 years we get to finance used vehicle sometimes it comes within second year or third year. If the ownership changes because if somebody is taking a loan from a bank and if the ownership changes there than for that second hand vehicle you need finance so vehicle can come to us in the second or third year also and we also finance new vehicles. It is not that we do not finance new vehicle and as far as the tonnage is concerned you are right. The tonnage is not coming down. The tonnage is only increasing. People are preferring more and more heavier vehicle because of the fuel cost. As the fuel cost goes up people prefer to carry on a larger vehicle because if you carry 30 ton or 45 ton they fuel cost is going to be same so the preference would be to take the higher vehicle.

Piran Engineer: Understood and Sir the other question on customers on the book?

Umesh Revankar: Customers on.

Piran Engineer: Sir out of 2 million customers that we have how many existing and how many are taking a loan from Shriram for the first time?

Umesh Revankar: It remains 30% to 40% of the customers will be always new and the rest of them will be repeat customers. When I say repeat customers people who have one vehicle will be buy a second vehicle or he will upgrade to new vehicle so customer will remain in the same segment throughout. He will keep upgrading or keep adding so the new to Shriram will be around 30% to 35%.

Piran Engineer: And this has always remained feeblish?

Umesh Revankar: It depends. When there is a credit growth expansion is very far. When the economy growth is very fast then the new customer would be around 40% because more people will come into this business and more may be driver would like to upgrade into new vehicle because of being owner because of the opportunity that creates so basically difference is how the economic activity is so current level it was 30% to 35%, but when economy revives fully it can be 40%.

Piran Engineer: Sir if I may just squeeze in a last question for the CFO just wanted to understand percentage of proportion of bonds are maturing in FY2023 and at what interest cost? Thank you.

Parag Sharma: Roughly around on maturity it is three to four years so we have total bonds outstanding as of now close to around Rs.20,000 Crores so one-third of which will mature in the current year in 2023 and cost wise it will be around 100 basis points more than what we are borrowing as of now.

Piran Engineer: Thank you so much.

Moderator: Thank you. The next question is from the line of Gaurav Kochar from Mirae Asset. Please go ahead.

Gaurav Kochar: Good morning Sir. Thanks for taking my question. Sir just wanted to understand on this RBI daily stamping norms how does it impact the BAU slippages and credit cost therein? Whatever you provided is a onetime reset for the existing book but going forward given that this has to be continued do you see any sort of impact on slippages and hence credit cost?

Subramanian Sunder: Whatever RBI has announced whether is 180 days or subsequent stringent norms of 90 days now coming to the daily stamping and other things, it will have a momentary impact in the financial but historically if you see our freight losses have been around 2% which in the long term we are confident that we will be achieving this thing.

Gaurav Kochar: In that back backdrop I think Umesh Sir commented that we would like to bring the Stage 3 down to 7.5% to 7.6% so yields will it be driven by write offs or you expect to recover from existing Stage 3 customers?

Subramanian Sunder: We expect recovery from the Stage 3 customers and the correction efficiency has improved over the last couple of quarters we are confident that the gross Stage 3 will automatically come down and the daily stamping also since it has been sensitized to our business team as well as the customers in turn by them so there will be a natural reduction in the gross NPAs in the next couple of quarters.

Umesh Revankar: For example, if somebody has a due date on 5th of the month and earlier he felt that he has a time to pay it so there would have been some relaxation within his attitude to pay where he can use that money for something else. Now when we communicate to him that it will be stamped as Stage 3 account then he would rather pay before the due date or on due date rather than delaying it so it is the only way communication that is what is important. Since we did not have much time when RBI came out with the clarification, we could not communicate and as I was telling you our earlier estimation was around 120 then it has come down to 80 and we feel that it will come down further so when it comes down further we have another three months to go another two months to go rather by March 31, 2022 we should be able to bring down to around 7.6% or 7.6% level.

Gaurav Kochar: Understood Sir. Sir the next question is on liquidity just extending from where Riten left the liquidity seems to be high so any plans to trim down the liquidity levels. I think earlier you talked about trimming it down post September but then December it is still at elevated levels so any plans of trimming that down given that the impact of the third wave is not very high by 4Q just wanted to understand your thoughts on the excess liquidity that we are carrying?

Umesh Revankar: Definitely yes. We would like to bring it down but this time the board members felt that it is better to be cautious and wait for the impact of third wave to be fully seen so till March we will be continuing with the same, but post March definitely we would like to bring down the high liquidity levels so that there is positive impact on the net interest margin and as Parag, briefed you, our cost of borrowing is also coming down Q-o-Q so that is also positive for us.

Gaurav Kochar: Right understood Sir and Sir my last question is with respect to the Stage 3 the total that you have quoted is 8.4% how much of this would be let us say less than 90 days DPD? I understand that some customers would have paid EMI on a delay, some customers would have been 60 plus but because of daily stamping they are still marked as NPA because they need to clear all three EMIs so what portion of this Stage 3 would be 90 days or less than 90 days overdue?

Subramanian Sunder: It is Rs.956 Crores so that is nothing but in the provision sheet if you see the difference between the Rs.10,000 odd Crores and the next column so it is Rs.956 Crores, which are less than Stage 3 but they have been classified as Stage 3 because of the daily stamping.

Umesh Revankar: All our lending is against the asset so we have underlying asset so as Sunder rightly put it the net credit cost for us over the period will not be more than 2%. Temporarily for technical reason, it will go up and then may come down so what we need to see is the business model. The business model will tell you over the 10 years that our credit cost in this business model has been 2% and it will remain around that. Sometimes it may go up and down because of technical reason and because of some new way of looking at the NPA.

Gaurav Kochar: Understood Sir and so in that just to get for FY2023 your credit cost guidance remain at 2% that has not changed because of the RBI norms?

Umesh Revankar: Yes. It will not change. We are confident that it will be around 2%.

Gaurav Kochar: Great Sir. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Raja Kumar V an individual investor. Please go ahead.

Raja Kumar V: Thanks for the opportunity. Sir I have a couple of questions. The first question is on the tie up with Ashok Leyland one of your subsidiaries had tied up with Ashok Leyland so I just wanted to know what benefits Shriram Transport is going to get in particular with reference to scrappage policy and the second question is I also see that the resale value of the trucks have gone up because of the increase in steel so just wanted to know how Shriram has benefited in terms of sale of repossessed vehicle and if it is possible if you can give me the value of repossessed vehicle at the end of December?

Umesh Revankar: The Automall has signed an agreement with both Ashok Leyland and BharatBenz. There are two points there. One is the unsold vehicle of the previous year which would be sold in the market and that is one and the second one is if they have exchange vehicle, if they are dealers or in exchange of a vehicle selling new vehicle against the used vehicle and these two stocks remains with either dealer point or at the manufacturer level so Shriram Automall is helping them in selling those vehicles and Shriram Transport will get benefit if the documentation is clean then we should be able to fund that vehicle so there is an understanding wherever the sale happens Shriram Transport executive will reach out and assess the vehicle and give his estimation of finance that can be given so that is the arrangement. The second one is the resale values have definitely gone up as rightly put it because of the steel value going up. The scrappage value has gone up. It has gone up by around 20% and in some cases it has gone up by around 30% so it depends upon the kind of the steel content in particular vehicle so the resale values have gone up which helps us in our portfolio quality. That means our underlying assets has much higher value than the outstanding amount so that helps us even in the credit cost if at all we have repossess and sell the loss would be minimum.

Raja Kumar V: Thank you Sir.

Moderator: Thank you. The next question is from the line of Nishchint Chawathe from Kotak Securities. Please go ahead.

Nishchint Chawathe: I was just wondering the excess provisions that we made this quarter most companies and auditors would kind of opined that this is a change or the course or clarification from RBI on the NPA classification, it should not have any impact on the overall credit cost or the EPL should broadly be neutral so with that kind of a logic is it fair to say that the extra provisions that has got reversed in the next quarter when you will basically be resetting or reviewing your long term LGD period?

Umesh Revankar: Every year in March we review our LGD. Definitely, we will relook at it at that time that is one and the second is your right that this is more of a technical and not actual so what we felt it is easier to maintain one set of books rather than trying to keep it two separate sets one as per the RBI requirements and another as per our normal accounting requirements. Therefore, we felt that it is better to have a straight line thinking that is one and second one is the, what I would like to say is the credit cost over the period should not change for the company. There will be temporary increase because of this and therefore may be two quarters from now it will come down to the regular level.

Nishchint Chawathe: But the point is that it is PDs and LGDs are reset then in all possibilities you will see probably a reversal of this amount because technically this is supposed to be an EP neutral this has to be kind EP neutral that is the point I am trying to make?

Parag Sharma: It will reverse over a period of time, agreed.

Umesh Revankar: Then one more Nishchint since we are also targeting 4% net as per the RBI requirement we wanted to make a progress towards that and as I was telling you since we are confident of bringing the Stage 3 to around 7.6% level even at this level, we will be less than 4%.

Nishchint Chawathe: That is right and just if you could share the numbers the absolute percentages on PDs and LGDs for Stage 1 and two?

Subramanian Sunder: LGD is 43% and PD for Stage 1 is 7.33% and PD for Stage 2 is 21.75%. This is as against 45.10% in the previous quarter LGD, 7.34% PD for 12 months and 22.06% the PD for Stage 2 of the previous quarter.

Nishchint Chawathe: Sir I thought you are going to reset it at end of the year right?

Subramanian Sunder: This deference is primarily; we have different rates for different products.

Nishchint Chawathe: The weighted average because of the order book position?

Subramanian Sunder: Because of that that changes.

Nishchint Chawathe: Perfect. Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Thank you for taking my questions. Sir just two questions here, from what I understand we have taken conservative credit cost of provisions during the quarter because we guided for next Stage 3 of less than 4% and we also said that this is the RBI requirement so just wanted to understand what RBI requirement is this because at least the PCI guidelines that kind of came out PCI framework guidance talked about net NPAs of 6% so this net Stage 3 requirement of less than 4% with some of your peers also will it allude to what RBI requirements is this that was question? The second question is for Parag? He has not been very active in doing assignment transactions and in the coming quarters will we be seeing more of assignment transactions in addition to the securitization or EPCs that we have been doing and the third question is for may be Sunder Sir so when we kind of classify these under new RBI guidelines will we classify these assets in the Stage 3 do we also end up taking interest income reversals or is this adjustment routed through the provision line item is what I kind of wanted to understand? Those are my three questions.

Umesh Revankar: The first question is basically as you rightly put it for PCI the net NPA should be 6% or less but RBI has been consistently telling that large NBFCs they would prefer it to be less than 4% so that the systematically important NBFCs are more prudent and more take the hit at earliest level so that there is overall health of the NBFC remain strong so that is more of an advice and we would like to adhere with that so that it helps us to project the company as a conservative company.

Parag Sharma: On assignment verses securitization that depends more on the investor's interest and assignments also brings in some kind of upfronting of income and all. In securitization it has more evened out so there is no kind of variations quarter on quarter basis. That is why securitization is a preferred product from our side also but it also depends upon investor's interest.

Subramanian Sunder: Answering your question whatever we have classified as Stage 3, based on the day stamping so we have tried to maintain the same provision as well as the income reversal even though the cases might have been in technically in Stage 2 after the earlier guideline. We continue to maintain the same provision coverage as well as the interest reversal also it is maintained based on the Stage 3 only even though it may be bucket wise it can be less than 90 also so we are more conservative in that approach.

Abhijit Tibrewal: Thank you and Sir to that extent may be just last followup here? You have may be answered this already during this call but fair to assume that at least internally given that you have been building management all day, given that you are already holding COVID provisions while we might have to kind of maintain a higher provision cover in Stage 3 because of our endeavour to keep it below 4% but fait to assume that going forward may be the next few quarters if things really start normalizing we can expect the provision cover on Stage 1 and Stage 2 kind of start coming down?

Umesh Revankar: Correct. It is fair to assume. In the next couple of quarters if the gross NPA in gross Stage 3 comes down below 7.5% or 7.7% levels definitely there will be a release of the management overlay.

Abhijit Tibrewal: Sure Sir. Thank you so much wish you the very best.

Moderator: Thank you. The next question is from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise: Thank you for the opportunity. We gather bit of a possible slowdown in rural demand so wanted to know your sense there and secondly just if you could just share the interest reversal number for the quarter and nine months?

Parag Sharma: Interest reversal number I do not have it right now. I can ask Sanjay to say it across offline.

Sameer Bhise: Sure Sir that will be fine.

Umesh Revankar: As far as credit offtake is concerned you are right. First 15 days in January we did observe this slowdown because one is the virus and the second one is because normally in the first 15 days because of the not the auspicious days people normally do not get into new activity so post 17th we have seen the demand picking up and we are confident because the Prime Minister has announced the Gati Shakti Yojana with a lot of emphasis on the logistics and infrastructure that is actually the disbursement or the actual plan has not come out fully till now and during the budget we feel the Finance Minister will emphasize on the same and February and March we will see heightened activity in this infrastructure sector. That is the expectation and therefore we are quite confident that disbursements will be much higher in February and March.

Sameer Bhise: This is helpful. All the best.

Moderator: Thank you. The next question is from the line of Param Subramanian from Macquarie. Please go ahead.

Param Subramanian: Thank you for the opportunity so two questions. Firstly on opex so if I look at opex it is roughly at the same level for the last two years so where is this headed from here? Could you explain why this is the case because disbursements have come back and collections have also come back so opex directionally where does it go from here and secondly on the cost of funds obviously quarter on quarter there is sharp reduction? Where is this in your view headed from here especially since the consensus view seems to be that we are headed into rising interest rate? Those are my two questions. Thank you.

Subramanian Sunder: The opex last couple of years we have been having a strict control on the cost of the company ensuring that it does not go to an elevated extent, but now we have started hiring in the last couple of quarters and the incremental employees are going up so we expect this cost to go up may be by around 5% to 10% in the next financial year; however, we want to maintain a cost to income ratio of close to 22% to 23% which has been our earlier trends so that should be a fair indicator for the opex and the next question.

Parag Sharma: The cost of fund we feel that 10 to 15 basis point further reduction can be there and yes cost otherwise the bond market rates are up so 10 to 15 basis points because of elevated cost what we had earlier and replacement of higher cost liabilities will help to bring down the overall cost by 10 to 15 basis points and further reduction may not be possible.

Param Subramanian: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Matthew String from PIMCO. Please go ahead.

Matthew String: Thanks for taking my questions. I just wanted to understand a bit more about this ECL position. If I understand correctly one of the key drivers for the higher ECL position this quarter is because of your higher headline GNPA because of this new RBI rule while your LGD assumption has yet to be reviewed should we expect a reversal of some of this additional ECL provision in Q4 after you review your LGD assumptions and if yes we will be there with you? My second question is I understand some of the states have already brought back the lockdown, COVID lockdown measures, how is this affecting your customer and what is the trend of the collection efficiency in January? Thank you.

Subramanian Sunder: To answer the first question the gross Stage 3 has increased because of the change in the regulatory requirement as stipulated by the Reserve Bank of India. This is circular dated November 12, 2021 and these numbers will be again the LGD numbers will be again refreshed in March quarter and we are confident that it can marginally come down from that current 45% level, manageable level and going forward the management is confident that once the business team and the customers are fully versed with the daily stamping of the NPAs the gross Stage 3 should gradually come down in the next couple of quarters and Revankar will take the second question.

Umesh Revankar: As I was telling you the first 15 days in January there was widespread virus impact even though many people are not testing but this time since the virus is less virulent couple of days absenteeism or may be a week's absenteeism we have seen in the first 15 days but post that the business is as usual. The collections have really picked up so we feel that January collection will be quite good may be near to 100% but February and March we should be able to do very well so we expect the collection to be on par with the previous quarter or even it can be better.

Matthew String: Correct that is very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Gaurav Purohit from BNP Paribas. Please go ahead.

Gaurav Purohit: Good morning. Thank you for taking my question. I have a question on the new sales where it continues to decline for the past eight quarters so what is the strategy there and what are the kind of yield differential between a new vehicle portfolio and a used vehicle portfolio? Thank you.

Umesh Revankar: Even though the portfolio is coming down but disbursements are going up. If you see Q-o-Q the disbursements have gone up by around 30% on Q-o-Q so we feel that the new portfolio will start breaking up now. We were restraining ourselves from the new because the economic environment were not really feasible for new assets which is higher ticket and normally new vehicle also require higher LTV lending which we were resisting, but now since economy looks like fully recovered we will be doing some new vehicle. The differential between new and used is around 300 to 400 basis points so that is one reason we focused more on the used, but when we start lending to new the used also will go up simultaneously. It will not have a big challenge on our overall yield. The overall yield will not have much impact so this quarter we feel any vehicle lending will go up without much of an impact on the overall yield.

Gaurav Purohit: Sir one followup question on that where do you see the AUM stabilizing especially for the new vehicle currently it is at around 5%?

Umesh Revankar: We have to take new vehicle when you say, you have to take up to five years old vehicle in the book also because sometimes we may fund the vehicle which is just two years old and that is as good as new to us so if you take up to five years old vehicle the overall portfolio will be anywhere between 12% and 15% so only new vehicle if you take by the invoice it is today at 5% but slowly it will be inching up around 7% to 8% as economy starting growing demand for vehicle will go up and automatically the proportion of new vehicle will go up so in the past if you see historically it has been at around 15% so up to five years old if you take we will be around 15% at any point of time.

Gaurav Purohit: Thank you so much.

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

Aditya Jain: Thank you. There is a slide on the provision analysis which is very helpful to see the impact of the daily tagging so in that there is a small movement from Stage 1 to Stage 3? The Stage 1 is lower when daily stamping is applied so the right way to see that is that is some people came after 90 days got due and then paid two EMIs is that the right way to see it?

Subramanian Sunder: Yes correct.

Aditya Jain: Then on the liquidity reduction so any thoughts now will it be phased out and if yes over what period or would it be a more sharp reduction in liquidity?

Umesh Revankar: We will have a relook at the next quarter board meeting because board wants us to be conservative for this quarter but definitely they have indicated that it is a time to reduce the overall liquidity next two quarters definitely we will reduce it.

Aditya Jain: Got it then the impact of daily stamping on income recognition so if you could explain the difference in the approach on how we recognize income on Stage 3 versus let us say an asset is Stage 1 so daily stamping aside just how the approach level what is the recognition that we do on Stage 3 as of now?

Subramanian Sunder: In Stage 3 the coverage that we are carrying is 50% and supposing if the same asset after the norm supposing X borrower is in Stage 1 then on that asset we have coverage of 3.27% in the current quarter and supposing the same asset was in Stage 2 it is at 11.61%. This is the difference which happens wherever it is positioned so if it is in Stage 3, you have taken higher cover provision. If it is in Stage 1 we take a lower coverage of 3.27%.

Aditya Jain: My question was on in the interest income recognition?

Subramanian Sunder: Interest income it will be replica of the same thing. Supposing if there was an interest income of say Rs.100 right from the inception of the contract to the cutoff date, if it had been in Stage 3 we would reverse 50% of the interest booked and supposing if it was in Stage 1 there will be no reversal per se.

Umesh Revankar: It would have been in 3%.

Aditya Jain: If they had conversion to Stage 3 happened let us say in the middle of the quarter then whatever was recognized till the of that 50% would be reversed and incrementally 50%could be recognition?

Subramanian Sunder: Correct.

Aditya Jain: Lastly, is there any thought currently on any pilot project or something on the merger synergy so you have given us some sense during the earlier call and all which was helpful but any specific pilot or studies that you could talk about?

Umesh Revankar: Pilots are going on. We are working on HR and technology integration and we feel it will be virtually seamless because there has been reasonably good progress so as far as introducing the products in each other's company that we are working on. There are some studies going on the same and that we will start working on launching of various products and that should happen at any time.

Aditya Jain: Lastly if you could tell the disbursement by segment and sorry if this has already been told and I will find out separately?

Umesh Revankar: Sanjay will inform.

Aditya Jain: That is all. Thank you.

Moderator: Thank you. The next question is from the line of Prakhar Agarwal from Edelweiss. Please go ahead.

Prakhar Agarwal: Just a couple of questions. First more fundamentally just wanted to understand given that we are already in the Ind-AS so we would probably looking at senior aspect of the customers, so how does this daily tagging would impact your gross Stage 3? Ideally it should have been under IRAC norms that you would have been maintaining a separate gross NPA levels and probably that would have been impacted just wanted to fundamentally understand that how this impact under Ind-AS?

Subramanian Sunder: What you say is correct. Many of the other companies have taken this stand; however, we thought it is prudent to follow the circular in spirit also and hence we aligned both our Stage 3 and NPA as similar lines and we also decided that whatever has been classified as an NPA will be retained as Stage 3 irrespective of whether it comes to Stage 2 or 1 till it is fully recovered, the overdues are fully recovered and also maintain a provision equivalent to Stage 3 in spite of non-recommend in Ind-AS so we followed the RBI circular in spirit also.

Prakhar Agarwal: Sure Sir if I were to just stay that under IRAC norms if we were to just to look at your gross NPA numbers will be 8.4%?

Subramanian Sunder: Correct and had we not followed the circular our gross NPA would have been 7.62%.

Prakhar Agarwal: The second and more so in relation to this other circular the second part of the story which says that you have to the account can only be updated if you pay the entire due do you not think this sort of things that will impact your LGDs at least for a guy for a customer like us which probably bring in the cash flows, in the event collateral is higher for cash flows the ability to pay four EMIs or more probably may impact your overall LGDs for the pool?

Subramanian Sunder: Four or five years back itself we were in one of the instruction RBI had asked us to upgrade the NPAs only on recovery of the full overdues and the company has been following for the last four to five years and hence since we have always been following that it will not have any impact on the LGD competition going forward also because we have already taken it into consideration.

Prakhar Agarwal: Just last bit followup on this so the rise that we have seen in coverage ratio for Stage 3 this quarter is essentially to do with us maintaining a net NPA of around 4% by March quarter this time?

Subramanian Sunder: Correct.

Prakhar Agarwal: Thank you so much.

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

Prashant Sridhar: Just two questions one what is the total amount of repossessed asset outstanding today and is that included in the Stage 3 number?

Subramanian Sunder: The repossessed stock is slightly more than 10,000 numbers as compared to the December 31, 2021 and all the repossessed are classified as Stage 3 and we also make a provision of 100% if the repossessed assets remain unsold for more than six months.

Prashant Sridhar: Sure that is helpful. Sir and the other question was since now almost 20% of your borrowings are non rupee are those all 100% hedged?

Umesh Revankar: 20% of the borrowing is overseas including loans and bonds and everything is completely hedged for the full duration.

Prashant Sridhar: So even like a seven or 10 year paper you are able to find a hedge is it?

Umesh Revankar: Yes we are able to find a hedge.

Prashant Sridhar: Lastly since you have a significant securitization also how is the collection efficiencies different on the securitized pool versus on the overall portfolio what you have disclosed?

Subramanian Sunder: Securitized pool will be largely seasoned pools. Collection efficiency will be slightly better at the time of securitization itself the performance should be 100%. The collection efficiencies for securitized pool is slightly better.

Prashant Sridhar: I am just trying to understand what will be the delta let us say three years before versus today?

Parag Sharma: When you talk about the Stage 3 levels for securitized portfolio on this on non-securitized portfolio this should be closer to 8.5% to 8.6% levels the non-securitized portfolio and the securitized portfolio will be around 3% to 4% not more than that.

Prashant Sridhar: Sure and that the difference between them has not changed? Even today it is like about double?

Parag Sharma: It has been continuing to be the same.

Prashant Sridhar: Thank you so much.

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

Umesh Revankar: Thank you all for joining this call and we are confident that Q4 will be quite large because we do see a lot of positive indicators especially on the demand and also number of employees reporting to the duty on a regular basis and the customers feedback all seems to be quite positive. As I was telling you first 15 days there were some challenges but after that we are seeing reasonably positive indicators and we expect the Q4 to be quite large and there will be significant improvement in the portfolio quality as we have taken measures to see that we will overcome the challenges and improve our overall portfolio. One particular line which I missed in the beginning I would like to inform that our deposit portfolio is seeing a healthy growth. Our deposit portfolio today stands at more than Rs.20,000 Crores that is 19% of overall liability against around Rs.14,800 Crores at the same time previous year. So there is a good progress in retail deposit mobilization. All our deposits are retail and that is helping us to stabilize and the cost of the deposit portfolio is around 8% and incremental deposit is coming at 7.57% so that business is very positive and we expect overall good progress and good result going forward in the next quarter. See you all again in the next quarter. Thank you very much.

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