SHRIRAM City
MONEY WHEN YOU NEED IT MOST

Ref: STEC NSE/BSE 625/2022

August 1, 2022

The Secretary,
BSE Ltd
P J Towers,
Dalal St,
Mumbai 400 001

The Manager
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra- Kurla Complex Bandra (E)
Mumbai 400 051

Sir,

Ref: ISIN – INE722A01011
Scrip Code: BSE – 532498 and NSE - SHRIRAMCIT

Further to our letter STEC NSE/BSE 617/2022 dated July 23, 2022 and STEC NSE/BSE 624/2022 dated July 29, 2022 regarding intimation of call and audio link of the Earning Conference Call respectively please find enclosed the transcripts of the call.

The above information shall be available at the website of the Company www.shriramcity.in .

This is an intimation under Regulation 30 read with Schedule III (Part A) (15) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended from time to time.

We request you to kindly take the above information on record.

Thanking you,
Yours faithfully,

For Shriram City Union Finance Limited,

01/08/2022

C R Dash
Company Secretary

Shriram City Union Finance Limited
Business Solution Centre,144, Santhome High Road, Mylapore, Chennai - 600 004. Ph: +91 44 4392 5300, Fax: +91 44 4392 5430
Regd. Office: 123, Angappa Naicken Street, Chennai - 600 001. Ph : +91 44 2534 1431
E-mail : shriramcity@shriramcity.in Website : www.shriramcity.in
Corporate Identification Number (CIN) L65191TN1986PLC012840

“Shriram City Union Finance Q1 FY2023 Earnings Conference Call”

July 28, 2022

ANALYST: **MR. KUNAL SHAH - ICICI SECURITIES**

MANAGEMENT: **MR. Y.S. CHAKRAVARTI - MANAGING DIRECTOR - & CHIEF EXECUTIVE OFFICER `- SHRIRAM CITY UNION FINANCE**
MR. R. CHANDRASEKAR - EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER - SHRIRAM CITY UNION FINANCE
MR. RAVI SUBRAMANIAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER - SHRIRAM HOUSING FINANCE
MR. G.S. AGARWAL - CHIEF FINANCIAL OFFICER - SHRIRAM HOUSING FINANCE

Moderator: Good morning Ladies and gentlemen, welcome to the Shriram City Union Finance Limited Q1 FY2023 Results Conference Call, hosted by ICICI Securities. 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. Kunal Shah from ICICI Securities. Thank you, and over to you, Sir!

Kunal Shah: Thank you Lizaan. Good morning everyone present on the call. This is Kunal Shah from ICICI Securities. Today we have with us Mr. Y.S. Chakravarti, Managing Director and CEO; and Mr. R. Chandrasekar, Executive Director and CFO Shriram City Union Finance, Mr. Ravi Subramaniam, MD and CEO for Shriram Housing Finance and Mr. G.S. Agarwal CFO from Shriram Housing Finance to discuss the Q1FY23 earnings and also review the business updates. Over to you, Sir!

Y. S. Chakravarti: Thank you Kunal. Good morning friends and welcome to the earning call of Shriram City Union Finance Limited for the Q1 of financial year 2023. We have declared our results for the quarter yesterday evening and these along with our investor presentation are available for perusal on our website as well as on that of the exchanges. I hope you have had the opportunity to read through the details as they will form the backdrop for our earnings call today and the Q&A to follow. We have registered some of our best ever metrics in Q1 FY23. Even if it is taken into account that the same quarter last year was affected by the second wave of COVID19, we bettered our performance over last quarter as well. Beginning last quarter that is Q4 FY22 we seem to have reached a new normal on the disbursement front and this is good news, because I believe that we should now consistently look at clocking quarterly disbursement levels in excess of 7500 crore, a number which until last calendar year we have achieved only once, and that too in a festival season quarter when disbursements anyway tend to be higher.

Before I move into the operating details I would like to give you an update on the proposed merger of Shriram City Union Finance and Shriram Transport Finance Company which will lead to the birth of Shriram Finance Limited. We have made good progress in the matter of statutory and regulatory approvals. The merger has been green-lighted by SEBI, the stock exchanges, Reserve Bank of India, our shareholders and our secured and unsecured creditors. We also received a go ahead from the IRDA that is the Insurance Regulatory and Development Authority, so as of now what is pending is a clearance from Competition Commission of India and the National Company Law Tribunal. We are hopeful of these approvals coming in over the next couple of months. In the interim, we have already begun the process of assigning responsibilities to geographical unit heads and their immediate juniors besides orienting the business teams of both Shriram City and Shriram Transport to the products and lending nuances of both the companies. Currently the orientation process which began in April as a pilot project in about 50 branches has now been rolled out to around additional 500 branches of both companies. The integration of IT systems is also progressing well and thus we will be able to hit the ground running as a merged unit when we are in a position to announce the final merger.

Now for the business performance. First a quick read-through on the consolidated numbers, that is after including the performance of our housing finance subsidiary. Our consolidated disbursements for the quarter stood at 8726 Crores a growth of 82% Year-on-Year. Consolidated AUM crossed 40,000 Crores and stood at 40,414 Crores, a year-on-year growth of 21% and a Q-o-Q growth of 5%. Consolidated operating income at 2003 Crores grew by 24.2% Y-o-Y and 5.7% sequentially. Consolidated net interest income was up by 29% Y-o-Y and 10.3% Q-o-Q. Consolidated pre-provision profits were higher almost 20% Y-o-Y and 12% Q-o-Q, while consolidated net profit was up a healthy 60.9% Y-o-Y and 8.6% sequentially. It is also pertinent to note that on the housing finance side they disbursed in this quarter what they disbursed for the first six months of the last year, so housing finance continues to grow well.

Now on the standalone AUM for SCUF, it is 34,611 Crores, a growth of 16.9% Y-o-Y and 4.3% quarter on quarter. SME loans, two-wheeler loans, personal loans and gold loans continue to be the growth drivers for us. For the next couple of years we expect our digital offerings in these products to also contribute meaningfully to the loan book. Just to reiterate what I had mentioned in our earlier interactions, we have introduced contactless and paperless two-wheeler loans as well as digital personal loans, and are in the process of developing a digital model for our gold loans as well.

We also did very well on the profitability front. Our PBT and PAT at 431 Crores and 323 Crores respectively are our highest ever, as are our pre-provision profits. We maintained our loan yields above 21%. Interest income for the quarter was 1843 Crores, again our best ever, and grew 23.2% Y-o-Y and 5.2% sequentially. Net interest income too was higher by 26.2% Y-o-Y and 9.9% Q-O-Q.

Despite the overall higher interest rate regime, net interest margins were the highest in the 15 quarters having come in at 13.71%. Our collection strengths were again evident in our collection efficiency in the quarter which came in at 104%. The positive effect of this was seen in our Gross Stage 3 delinquencies which further declined to 6.11%. We maintained a Provisioning Coverage Ratio of 47.13%. Credit costs declined to 2.68% in the quarter from 3.92% a year ago.

The continuing improvement in credit quality enabled us to further write back some of our COVID related provisioning, and this stood at Rs.339 Crores as at the end of the quarter.

While we continued with the same number of branches as in the earlier quarter, the higher business metrics prompted us to hire more personnel, and our manpower count as of June quarter stood at 28,829 employees.

On the liabilities side our overall borrowing in Q1 FY23 stood at Rs.32,921 Crores, up from Rs.30,632 Crores in the previous quarter. Our incremental borrowings in the quarter were higher by 30.6% Q-o-Q. Our incremental institutional borrowings increased by 35.5%Q-o-Q, and bank funding grew 62.9%Q-o-Q. Our retail borrowings also showed a healthy traction, our fixed deposits having grown 21.8% Y-o-Y. The door-to-door maturity of our borrowing has increased to 39 months.

Since we were preparing for the merger we considered it prudent to maintain a relatively higher liquidity buffer, and hence carried 6600 Crores of free cash and bank balances.

Our subsidiary Shriram Housing Finance, as I said, delivered yet another strong performance. Besides having reached their second-highest disbursement levels in the quarter, they grew their AUM by 48% Y-o-Y and 8% Q-o-Q. Their asset quality improved further, and they registered their lowest 90+ DPD of 0.92% on AUM since inception. They did well on the profitability front too, with PBT of 40.4 Crores growing at 33% Q-o-Q and 170% Y-O-Y. PAT at 30.2 Crores grew by 37% Q-o-Q and 178% Y-o-Y. Shriram Housing's branch network expanded during the quarter, and they now have 107 branches plus 211 Griha Poorti locations. The Griha Poorti program has been expanded to over Gujarat and is showing strong traction.

With this I conclude my opening remarks. We are now open to taking questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Abhijit Tibrewal from Motilal Oswal. Please go ahead.

Abhijit Tibrewal: Thank you for taking the question Sir. Congratulations Sir on a good quarter. Sir I had two questions, first one was on your margins, understandably both the yields have improved and the cost of borrowings have come down so yields I think I mean is predominantly driven by a change in product mix in favor of personal loans, but I think I mean when I look at the cost of borrowing is a very sharp decline in cost of borrowings (a) what explained this and we said I mean you will recall just about let us say two three years back when IL&FS happened we were looked upon as very vulnerable on the liability side and even when kind of COVID struck I mean there were again concerns I mean how we will access liquidity, so just wanted to understand I mean after the announcement of this merger what has changed on the liability side how are kind of banks or maybe the debt markets responding to us as a standalone entity today, now that was the first question. Secondly sir when I kind of look at the personal loans I mean you are growing at a breakneck speed, I mean the personal loans book has actually doubled over the last one year and assuming you are still doing cross selling now predominantly to your two wheeler customers, Sir I just wanted to understand on an industry basis the two wheeler portfolio is looked upon as very vulnerable. The restructured book in the two-wheeler portfolio is very high across the industry and despite that I mean what is giving us the confidence to be kind of growing in personal loans, that too cross selling to two wheeler customers, in such a way? So those are the two questions Sir. Thank you so much

Y.S. Chakravarti: On the funding side I think, to be honest with you the liquidity has been pretty I would say pretty easy, the situation has eased pretty much now compared to earlier period and also I think it is also a reaction to the way the organization has worked, in the sense the way that our delinquencies have performed our disbursements are happening could be one of the reasons why the market has, the lenders were confident of lending to SCUF. As far as I mean I would like Chandru to add on the cost of funds why he sees that it is come down in the quarter.

R. Chandrasekar: Yes. Good morning with reference to your question I think the performance of the company has improved both on the disbursals, that is one, and also second thing is we are able to do a lot of market borrowings now compared to earlier, and third important apart from the bank which is a regular we get money plus we also have a lot of fixed deposits, fixed deposit if you see the last three years I think we have doubled our fixed deposit book. And also we are able to borrow at around 8%. So the reason behind why our liquidity liability looks much stronger is we are also keep borrowing no short-term borrowing we are continuously focusing for last two years on the long-term earnings and also focusing on retail money. And another point is on a question of why the cost of borrowing is strong is because we have now a lot of options available before us. We are able to do securitization, we are able to go with the private sector banks, public sector banks, retail money is coming, NCDs, MLDS so we are getting into newer markets and newer places and we are able to bring down the cost. In fact if you look into the numbers this quarter I think our borrowing total interest cost by the borrowings is around 8.57and the fresh borrowing during this quarter the rate the fresh borrowing around 5000 Crores we borrowed at 8.59. So both the books as well as the fresh borrowing is around 8.5-8.6. So the company is doing well, we are steady even on the COVID fund, collections and everything so there is lot of…., the banks and other people feel that we are in a sound track.

Y.S. Chakravarti: So as far as your question on personal loan is concerned see, I do not know whether the restructured book in the industry is high or not. You have seen what is SCUF's restructured book and performance of the portfolio, so I do have a full faith and comfort on the two wheeler portfolio. If you look at the portfolio the Stage 3 gross has come down from 6.5 to about 5.9 in the last one year, and even the net has declined, so that gives me a lot of confidence number one, number two book doubling see it is a low base and from there it has doubled so that is not a, I would say not a breakneck speed. It is because of the low base it looks as a percentage terms it looks high but if you look at the eligible population of my customers, for personal loan we have more than 2.2 to 2.3 million customers, so we are just scratching the surface here where our traction is about less than 3%-4% of that number. So there is a lot of leeway there to cross sell a personal loan to customers who have completed their loan or at least they have completed 75% of the two wheeler loan. On that front we are very comfortable doing these loans. The other point you also need to look at is the granularity of the book. The personal loan ticket size is between, I mean depending on geography to geography it will be between Rs.50,000 to Rs.60,000 Rupees. So we derive a lot of comfort from the fact that this is going to our own existing customers.

Abhijit Tiberwal: Thank you Sir. And just a follow-up question here - so I mean in the past the Shriram group Shriram City we have always prided ourselves on that high touch model wherein they were very good in physical originations and physical collections. Now that you have introduced this contactless digital platforms for two wheelers personal loans and like you said during your opening remarks we are also in the process of developing a digital model for gold loans as well, do you think so we have genuinely I mean throughout over the last two years wherein we are now confident that even when we kind of do these originations digitally I mean the asset quality outcome will be as good as what we kind of used to do under a physical high touch model?

Y.S. Chakravarti: See I will put it this way , the underwriting actually goes through a different set of parameters for the digital model no.1, no.2 we are actually running a pilot for a couple of years on customers that are new to us and where we are, I would say it is a hybrid mix of digital and physical model where today we have just eliminated the physics out of it, the physical touch out of it, and converted that into a fully digital model and it is not that we are running…., see even in this model we are not running at a breakneck speed. we are actually piloting this in specific geographies. Each of these products are being piloted and based on the learning of the pilot we will take a call on whether to push this, I mean how far and how fast we will push this. But I am pretty confident that you are looking at gold and two-wheeler which we should be able to actually perform slightly better because as far as two wheeler is concerned the credit parameters are stricter for a digital only disbursement.

Abhijit Tiberwal: Noted Sir I think this is very useful and wish you and your team the very best and congratulations and we are looking forward to merger announcement ahead. Thank you so much.

Moderator: Thank you Sir. We will move on to the next question that is the line of Vivek Ramakrishnan from DSP Mutual Funds. Please go ahead.

Vivek: Sir my questions are on two issues - one is in terms of especially your housing finance what percentage of the loans are floating rate loans and how vulnerable will the customers be if you try to pass on yield increases because of benchmark bank loans and to that extent also in Shriram City I wanted to know what flexibility would you have to raise rates and whether the customers can absorb that? The second question is on terms of customer health itself - are you seeing that post Covid the GNPA customers are all coming back because the collection efficiency like as you said was over 100% and do you see this trend continuing is the customer health good in your opinion? Thank you.

Y.S. Chakravarti: To answer your first question see all our loans are fixed rate, they are not floating as of, so whatever has already disbursed the rate of fixed is not changed. Going forward if the cost of funds are going to go up for us we believe we have the capacity to absorb say a 25-30 bps of increase in cost without passing it on. Anything beyond that we would be passing it on and the segment of customers that we operate in passing on cost of another 30-40 bps or 50 bps should not be a major issue.

Ravi Subramanian: And on the housing front, about roughly 51% - 52% of our loans are floating and the balance are fixed. When I say fixed they are not full tenure fixed but they are one or two year fixed and with every passing month a lot of those will also come up to move to a floating rate regime. So typically last one year origination would be equivalent to fixed and the balance would be all floating so re-pricing will not be a challenge and at an appropriate time if we feel the need to we will be passing on these rate hikes to the customer, and two, I think, a valid question in terms of what impact will re-pricing have on the credit quality of the customers or rather the customer's ability to repay? Well if you go back and look at it a one percent increase in interest rate would not typically have a significant impact on a customer's ability to repay because for example if it is a 10 lakh loan one percent would mean Rs.10,000 a year which is roughly about Rs.700 a month so that is not a significant amount for that customer to pay. Having said that as a first defense line our approach would be to increase the tenure of the loan rather than actually increase the EMI amount for the customer. So as far as the customer is concerned his EMIs would by and large stay constant so I do not see that impacting our credit quality significantly or impacting it at all.

Vivek: Thank you that was very useful. On the NPA customers paying if you could answer.

Y.S. Chakravarti: Yes, we were I mean as evidenced by the collection performance, we are actually seeing, I think if you following our calls you would have, I have mentioned it a few times that most of the time these customers they have temporary cash flow problems, they are not willful defaulters and the moment they have some cash flow they will come back and pay us. Typically the segment that we handle when we are lending we are mentally prepared, it is a 24 month loan, we are mentally prepared that it will be closed on 28 to 29 month. People keep coming in and paying, I am seeing this for the last 20 years in this segment. The moment there is some positive cash flow they will keep coming and paying so what this signals to me is that there are cash flows happening in their small businesses and that is translating into a better collection efficiency for me which is also a barometer for me to actually increase my lending in the market.

Vivek: Excellent Sir. Thank you very much and good luck.

Moderator: Thank you Sir. The next question is from the line of Varun from Nippon Mutual Fund. Please go ahead.

Varun: Yes. A couple of clarificatory questions from me, I just wanted to confirm this collection efficiency number that you gave, 104%. Do you consider prepayments in that or is that only current plus overdue collection?

R. Chandrasekar: So with event with reference to collections what we say is the total TBC total monthly collectible plus when they say collections all money coming into the like regular thing, arrears, everything so total cash flow into the company so it includes everything.

Varun: Okay so how would the number differ if you eliminate rates?

Y.S. Chakravarti: Repayment rates are pretty low, they are in decimals.

Varun: Okay Sir. Secondly I just wanted to understand bit on the cash balance because I think last couple of quarters that number has been going up so what is the need that you all perceive that going into the merger that you would need such a high cash balance?

Y.S. Chakravarti: See basically initial thought was that once the merger is announced and as it progresses we thought that it will be a little difficult to raise money from the market or from the banks, so we as a prudent measure we wanted to have enough buffer before the merger so that we will be able to meet the commitments till the merger date.

Varun: Okay so is it more from the perspective because you feel that limit may come into question once the merged entity comes in and that clarity will take some time or it is just…?

Y.S. Chakravarti: So the idea here is till the date of, see we were a little unsure what will happen after the announcement of the merger and during the progress towards the merger. Once the merger happens there is no issue but till such date we were a little unsure on how the lenders will react to, so that is the reason why we have actually shored up our balances but looks like the lenders are pretty confident and so this quarter we may actually reduce some of the cash balance.

Varun: Got it. Fair point, just one or two quick questions I will slip in, this stage 2 number that we are now reporting is fairly for some couple of quarters has been which 11-nish sort of range I think earlier we had managed to bring that down to about 5% to 7% so how do you look at the stage 2 number going forward? Do you look at this as always being in this range or is it something which you expect over time once COVID is well behind us this number to start coming down gradually?

Y.S. Chakravarti: Stage 2?

Varun: Yes stage 2.

Y.S. Chakravarti: It is around 11%. This is a play between…., your Stage 3 comes down your stage 2 goes up, actually if you look at the numbers even on the stage 1 side, stage 1 actually has a, from a on a 81.41% of gross it has now gone up to 82.26%. Basically stage 1 also improved so whatever improvement that you see in stage 3 where the stage 3 gets pushed to stage 2, and the volume if you look at the volume in stage 2, it is pretty I mean and the net is about 3800 Crores it is about 10% of the book.

Varun: Sir got it. So we are comfortable at this stage II.

R. Chandrasekar: Historically, **p**re-COVID level we were around 15%-16% now post COVID actually post COVID the stage 2 is much improved and I think we should be somewhere between 11% to 12%. Is what we hope it will be around.

Varun: Understood. And just lastly the stage 3 number that you all have disclosed that is based on that revised RBI guidelines which they issued and which they have temporarily deferred or is this have we gone back to the previous manner of disclosure?

R. Chandrasekar: No as per RBI.

Varun: Okay got it. That is all from my side thank you.

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

Sanket Chheda: Sir, I did not get your explanation on say liquidity improving around this time and that leading to you having a better cost of funds this quarter, so wanted some more light in that what actually happened? And secondly we last three years if we see two years went into consolidation and last four five quarters are the quarters where we were getting actually our mojo back but now with the merger you will be adding 3X of your size of the book which we have not looked upon recently and that has its own structural issues, nuances so how do you then say guide on growth we are saying that in this portfolio 7500 kind of run rate would continue but don't you feel there are uncertainties that is as and when you assume such a big book and then understanding where to go,how to go about it as far as the growth on overall book is concerned?

Y.S. Chakravarti: See on the funding side what happens as Chandru has mentioned earlier, there are today we were able to take advantage of various channels for funding one is specifically one good thing that has happened was that our focus on retail liability has given us a definitely a cost advantage which is again more than 20% of the book, the public deposits. Similarly we were able to get good rates on market linked debentures and NCDs, so earlier we were heavily dependent on bank funding. Today we have various sources of funding where we were able to take advantage of the availability and negotiate on price.

Sanket Chheda: So is it like that Sir that NCDs which are maturing this year or which have matured in this quarter, those are still getting replaced at a lower rate compared to the rate at which maybe they have bonds say five years back?

R. Chandrasekar: Yes, correct, one more point even on a fixed deposit which is 22% of a book earlier we were borrowing at 9% now we are borrowing our average interest rate is 7.9% so market borrowings the earlier is at higher cost the recent borrowings are at lower cots, fixed deposit so almost 40% to 50% of the book is now priced, we are able to borrow at 70-80% low and even at the banks we are able to, so it is basically now reflecting in the books what we have done couple of years back.

Sanket Chheda: Sure Sir. And then answer to my later question on growth outlook?

Y.S. Chakravarti: So see basically STFC on the merger so as I have said this product line will continue to deliver 7500 Crores plus disbursement on a Q-o-Q basis that is set that stage is set. Even for STFC I think the Q1 again has been very good so I think we are confident that this year both the companies, the product lines in both the companies are going to grow. As SCUF as we said earlier we are looking at 18% to 20% of growth in AUM and STFC should be around probably about 11%-12%, so combined should be about 14%-15% is what we are looking at for the current year

Sanket Chheda: But on the used vehicle piece we had a very conducive last five six quarters wherein on supply side issues on new vehicles were very apparent in terms of chip shortage and semiconductor shortage but now those things are easing which should lead maybe increase supply of new vehicles and indirectly it should lead to softening pricing or demand in new space so last five six quarters where it was very conducive SHTF has not been able to deliver any meaningful growth so going ahead you do not think that is only going to soften? 11% is still a low number that you are talking about but still I am just asking.

Y.S. Chakravarti: No what I am saying is what I observed from the book and also spoken to the team is it is not that they have done badly but see, the entire supply chain got disrupted and you know basically even new vehicles prices have gone up, of course there is no replacements so I do not know where why you come to this conclusion of saying that it has been very positive, in the sense I think it is only last two three quarters that the market has picked up and the sense that I get from my team now is that, see obviously first quarter is low the last two quarters or third quarter fourth quarter also they performed reasonably well. I do not know whether I am not sure if I have got my numbers wrong but that is what I seen from …..whatever I have seen.

Sanket Chheda: Growth was lagging peers, but any way thanks for the answer.

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 my question was regarding the borrowing cost so right now if I look at it the borrowing cost has come off what is the incremental cost of borrowing for you and let us say over the next 12 months what is the weighted average cost of liabilities that would be coming up for maturity including bonds and public NCDs that you would have raised?

R. Chandrasekar: Okay the cost of borrowing during this quarter is 8.59% for this quarter and we hope over the next quarter and until rates does not go up or RBI does not increase rate we hope to maintain at this 8.5% to 8.7% but we are keeping fingers crossed because in fact we have to see the market borrowings. Most of the market borrowings have come over the last one year at a lower cost so the more than which is maturing in this year is just 5%-6% of the book so we do not expect this cost of borrowing to go up steeply but we have to wait, Q2 we do not expect much impact but Q3 and Q4 we have to see what RBI is going to do.

Y.S. Chakravarti: On the maturity what is the weighted cost?

R. Chandrasekar: The maturity which is in earlier book is something around 8.8% to 9%.

Gaurav Kochar: Okay. and you are saying that the total quantum of borrowings which will be maturing is only 6% of the book in this year.

R. Chandrasekar: Yes,

Y.S. Chakravarti: What the total quantum of borrowing maturing?

R. Chandrasekar: Maturing as I told you which will be somewhere around 10% to 12% of the book, roughly around 3000-4000 Crores.

Gaurav Kochar: Okay, 3000 to 4000 Crores and the weighted average cost is anywhere between 8.8% to 9%?

R. Chandrasekar: Yes, you were asking about that on market borrowings?

Gaurav Kochar: The total borrowings.

R. Chandrasekar: Including bank, it will be slightly more, in fact it will be 6000-7000 Crores because the weighted average on the books is close to 30 months so we have 30,000 Crores so around 1000 Crores 800 to 1000 Crores, if you remove retail. So I think if you go up to March it will be 7800 Crores.

Gaurav Kochar: Sure got it Sir. And the next question is regarding the cross sell so there were news articles which suggested that now the cross sell has increased to over 500 branches across transport and SCUF so just wanted to understand how has been the cross sell both the sides, I mean SCUF products in HDFC branches and the small commercial vehicles and other loans of Shriram Transport and SCUF branches so how has the progress been so far and any disbursement targets for you know cross sell that you would have set across branches?

Y.S. Chakravarti: The cross sell exercise that is, let me put it this way it is not a cross sell exercise I would say this is a precursor to the merger for learning. Basically we are using this as a base for our learning so that the merger happens seamlessly. What is happening is we call them as a pilot branches rather than cross sell branches so these pilot branches we have started with about 52 branches and these 52 branches by June have generated close to about something like close to 50-55 Crores worth of leads which are in various stages of fulfillment now the idea is to you know sell each other's products in the branches and train the people in these branches so that they will be able to take care of the customer. So this is the aim is to test your front end test your back office, your back end and also to see how the tech gets integrated so now that we have moved it to about 500 branches it is very early stages we have moved to another 500 branches only by about second week of July very early days but the learning that we are looking at from the whole exercise is not just numbers business numbers but on a exercise towards integrating the front end and the back end so the learning and also various issues faced by the teams to you know smoothen out those issues, so that by on the legal day one we should be ready to roll-out, basically work on the same tech platform and the front end also becomes seamless.

Gaurav Kochar: And Sir any targets that you would have internally set?

Y.S. Chakravarti: No put a target to the teams. The idea is that each of the branches will throughput basically atleast a couple of deals they should throughput so that they will understand how it is done and we will also understand what are the issues faced by various different teams for different products

Gaurav Kochar: Sure. But Sir just to conclude on this, you are saying the 50-odd branches that we did the pilot on yielded around 50- 55 Crores worth of leads, if you extrapolate this to 500 odd branches let say 500 branches each then you are talking about maybe a 2500 to 3000 Crores worth of disbursements for the full year coming from …

Y.S. Chakravarti: No I said leads it is not disbursement, 100% of your leads will not turn into a disbursement, the leads will drop out, the customers will drop out, it could be, see in some products there could be I may find the customer not suitable or the security is offered may not be suitable so typically the lead to conversion will be about 10% between 10% to 15% depending on the product.

Gaurav Kochar: Right. And Sir has there been any challenge in cross selling Shriram Transport products to SCUF customers how is been that specific progress?

Y.S. Chakravarti: There are leads being generated from the SCUF team. also most of this basically from our SCUF SME customers who are using vehicles for their captive use, commercial vehicles for the captive use, there are leads being generated by the SCUF team also from their own customers there.

Gaurav Kochar: Thanks for that and just last question from side was on credit cost, in this quarter the credit cost was slightly higher because of higher write offs. For the full year what kind of credit cost guidance would you like to give, will it be like to between 2.5% kind of band or do you think you can undershoot that?

R. Chandrasekar: With reference to credit costs, actually the write off is same level, if you see the last four to six quarters the write off is generally in the range between 205 to 215. This quarter it is 218 so it is similar level to last five six quarters. And with reference to your second question of the credit cost we expect the credit cost this year to be between 2.5% to 2.7%. For last couple of years our credit cost is 2.9% to 3% but this year the collections are good and gross NPA is coming down and the old book is going out and the new book is much better so we expect the credit cost to be around 2.5% to 2.7%.

Gaurav Kochar: Okay fair enough Sir. Thanks for this. All the best.

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

Rikin Shah: Thank you for the opportunity, almost of my questions have been answered just one clarification wanted to understand in terms of the cross sell that City Union product is seeing from Transport branches, is that primarily two-wheeler, SME and gold loans only or there are other products as well and what are the thoughts relating to developing infrastructure in Transport branches to offer the gold loans in the future?

Y.S. Chakravarti: You are right, it is mostly SME and two-wheeler. Gold loan basically see you need to offer gold loan as you said you need infrastructure there infrastructure in the sense you need a right now I think the most crucial is to provide an appraiser in the branch so train and place an appraiser gold appraiser in the branch of STFC that is going on, in fact as a pilot we have launched in one branch in Kerala in STFC which will probably in the next 15-20 days we will take you to another 15-20 branches of STFC in Kerala. Parts of Karnataka, Chhattisgarh, Madhya Pradesh the teams are getting trained so by end of probably August we should be offering gold loans in about 100 plus branches of STFC.

Rikin Shah: Got it. That is helpful. Thank you.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Thank you Sir for taking my question. Sir the first question is that do we see any benefit in terms of on the liability cost side post-merger and if yes then if you can quantify the same and secondly on the merger itself if you can lay out what are the dates that we are expecting given that there are three four pending approvals from various regulatory authorities so if you can give us a timeline of these regulatory approval as well as the final merger timeline that you are expecting as of now?

Y.S. Chakravarti: I will answer your second question first, Chandru will answer the first question. On the second timeline see I think the most crucial would be the NCLT because that is where the time they are going to take some time, but we are as of today we are hopeful that by end of September we should get the NCLT order in hand. So I would say we stand committed to our original road map that by end of either September or at best by October we should be a legal entity. So date is I cannot give you an exact date because it all depends on the Bench the NCLT Bench sitting.

Sarvesh Gupta: Sir what about other approvals like IRDA CCI etc?

Y.S. Chakravarti: See there are CCI is pending, IRDA we have received an approval but there was some spelling mistakes in the company's name and also we have gone back to IRDA for a correction, so technically it is still pending you can call it as pending probably it is a matter of a three four days before we get that so CCI also we should be able to get in a short while

Sarvesh Gupta: So sometime by end of September or early October we should trade as a single entity?

Y.S. Chakravarti: Correct.

R. Chandrasekar: Yes, with reference to your other question, post-merger liabilities today SCUF is around 8.6% even STFC is in same range but assuming there is no other environment or regulatory or any other Reserve Bank of India thing happening actually it should be in this range but if the inflation continues and RBI comes out with a harder rate I think it may go up, but with no other change in the environment I think it should be somewhere between 8.5 to 8.7.

Sarvesh Gupta: But because of size and diversification you do not see any benefits coming to the combined entity?

R. Chandrasekar: That will take time because over a period of time because the combined entity is going to have AA+ because we are already if you see the AA companies we are one of the best in the industry so far, so over a period of time there will be definitely benefit on that but if you ask the current year we should be in this range.

Sarvesh Gupta: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Ashwin Balasubramaniam from HSBC AMC. Please go ahead.

Ashwin B: My question is on the asset quality in the personal loan book so, while it is declined marginally from March the numbers remain elevated and especially given the growth in the base so that take a let's say a lag kind of number over last year AUM and it comes to well in excess of about 15% and also given that this is a cross-sell product we are existing two-wheeler customer conceptually should not be the NPA here be kind of lower than the two-wheeler NPA so I just wanted to understand why the number has been elevated for quite some time now so just wanted to understand why?

Y.S. Chakravarti: You are right that conceptually it should be at least if not lower at least perform in line with the two-wheeler at least, so the one major reason for this is we have a book where we had this market driven PL earlier, book that is running down so the delinquency percentage is higher, in fact that is one reason why we stopped personal loans for some time and moved into only cross sell from the market so probably in the next three to four quarters you will see a difference in this personal loan, like from 11% today it has come to 9% so you should see it coming down in the next three quarters by at least another 150 basis points plus.

Ashwin B: Bur my understanding is that is that I mean a PL is would be more like a short tenor let us say two year kind of product and ……

Y.S. Chakravarti: Correct. The cross sell we do is about 17-18 months. The earlier book was running into 36 to 48 months.

Ashwin B: Okay so what would be the size of the earlier book?

Y.S. Chakravarti: It is about 23%-24% is the current book which should run out probably one year or so.

Ashwin B: Okay thank you.

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

Krishnendu: Sir Just a clarification, currently there will be very low single digit to customers of transport with us?

Y.S. Chakravarti: You are talking about the overlap?

Krishnenedu: Yes, customer overlap, currently there will be nil practically right just to clarify?

Y.S. Chakravarti: Practically very very low.

Krishnendu: Okay what could be the percent number be any thought?

Y.S. Chakravarti: No in fact this is data, we do not have access to the data of each other till now in fact we have not come across many of them. They are very few I would say less than one percent.

Krishnendu: Sir one more thing about this what portion of like we get a feeler to so many rural branches of Shriram Transport so 790 whatever or how much for us would be like that backing to the same number?

Y.S. Chakravarti: SCUF actually has about 700 plus rural centers. We have about 985 branches and about 700, I would not call them branches yes, they are smaller actually generate leads and business and pass it on to the nearest branch.

Krishna: Basically out of 950, 700 are rural?

Y.S. Chakravarti: 985 branches plus about 700 rural.

Krishna: Thank you so much.

Moderator: Sir we do not have any more questions from the participants.

Kunal Shah: Thank you. The management team of Shriram City Union Finance as well as Shriram Housing Finance for giving us an opportunity to host the call and now thanks every participants for being there on the call. Have a good day thank you.

Moderator: Thank you v, Sir. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. Thank you for joining with us, and you may now disconnect your lines.