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BSE Limited
P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 001.
Scrip Code: 511218

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, 5th Floor,
Plot no. C/1, G- Block,
Bandra- Kurla Complex,
Mumbai – 400 051.
NSE Symbol: SHRIRAMFIN

Dear Sirs,

Sub.: Transcript of investors earnings call for the first quarter ended June 30, 2024.

Further to our letter dated 26th July 2024, regarding the audio link of the investors earnings call for the first quarter ended June 30 2024, we enclose herewith the transcript of the said call. The Transcript is also been uploaded on the Company website **www.shriramfinance.in**

Thanking you,

Yours faithfully,

For **SHRIRAM FINANCE LIMITED**

BALASUNDARARAO UPPU
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COMPANY SECRETARY & COMPLIANCE OFFICER

Encl.:a/a.

"Shriram Finance Limited
Q1 FY25 Earnings Conference Call"
July 26, 2024

MANAGEMENT

Mr. Umesh G Revankar, Executive Vice Chairman
Mr. Y S Chakravarti, Managing Director and CEO
Mr. Parag Sharma, Managing Director & CFO
Mr. S. Sunder, Joint Managing Director
Mr.Ravi Subramanian, Managing Director and CEO, SHFL
Mr. Sanjay Kumar Mundra, Executive Director

Moderator: Ladies and gentlemen, good day and welcome to Shriram Finance Ltd Q1 FY25 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 star then zero on a touch-tone phone.

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

Umesh Revankar: Thank you. Good evening friends from India and Asia and warm welcome to all of you. Greetings also to those who have joined the call from the western part of the world. To present our Q1 FY25 earnings call today, I have with me Managing Director and CEO, Mr. Chakravarti, Managing Director and CFO; Mr. Parag Sharma, Mr. S. Sunder, Joint Managing Director; and also present are Mr. Ravi Subramanian, MD CEO of our subsidiary, Shriram Housing Finance Limited. And Sanjay Mundra who is our Investor Relations head. It has been a good first quarter for the year -- for the Shriram Finance Limited.

Before going to the quarter results, I would like to go to other factors that have helped us. First look at our Indian economy that has performed quite well in the last financial year. India GDP growth rate in the quarter ending March 31st grew by 7.8%. These figures surpassed the RBI estimate of 7% according to the projection made in April monthly policy review.

GDP growth stands at 8.2% for the full financial year FY24 as compared to the growth rate of 7% in the FY23. Earlier the government estimation was at 7.6%. The real GDP growth is expected to grow at 7.2% for FY25. India's CPI inflation in June '24 stood at 5.08 on the back of higher food prices. The retail inflation in June is the highest in last four months. Inflation in the food basket rose to 9.36% in June compared with 8.69% in the month of May. While food inflation risk will continue to remain in the near term, we expect better sowing pattern and spatial distribution of rain to ease the price pressure beyond those volatile months.

The wholesale price index inflation for June '24 touched 16 months high of 3.36% after scaling 2.61% in the previous month. In fact, since February '24, WPI inflation has surged from 0.2% to 3.36% largely on back of the spike in wholesale food inflation and manufacturing inflation. It is turning negative to positive.

RBI in its MPC meeting held on April 5, 24, kept the repo rate unchanged at 6.5 and decided to hold key positive rate for 8 consecutive times in June '24. The Rural Economy, this year, IMD has forecast an abnormal rainfall during June-September. The seasonal rainfall is expected to be 106% of long-period average.

July rainfall looks promising as the country is expected to continue to receive widespread rainfall in the next 10 days. Rainfall during July/August accounts for nearly 70% of India's seasonal rainfall. In the Southern Peninsula, monsoon rainfall has been 23.7% more than the benchmark so far. At 70.4 mn hectares or 64% of normal sown area, the combined sown area of key crops such as paddy, pulses, oilseeds and sugarcane was up by 3.5% year-on-year till last week. This is very good progress in the backdrop of GVA, which is Gross Value Added for Agriculture and Allied Activities in the crop year 2023-2024, which grew just 1.4%, the slowest since 2018-19. Even the estimated agriculture output in the last crop year was minus 6.2% and on looking at that, we should be having very good agriculture output due to good monsoon crop year.

S&P Global Rating on May 29 upgraded India's Sovereign Rating Outlook to Positive from Stable, while retaining the rating at BBB- on Robust Growth and Improved Quality of Government Expenditure. On the GST, as per the news report going forward, the Finance Ministry will not release monthly detailed GST collection data on 1st day of every month. But as per media report, the monthly GST collection is 7.7% greater than the collections made in June 2023 and stands approximately at INR1.74 lakh crores. Average GST collection from April to June '24 was up to INR1.86 lakh crores.

Recently we had a budget announced and highlight of the budgets are as follows. The Finance Minister highlighted on Navaratna, the 9 areas where sustained efforts are needed to take country on path of strong development and all-round prosperity to achieve the vision of Viksit Bharat.

The highlights of which is of direct impact to us in our business are as follows. One is the focus on agricultural productivity and employment generation. That will help us in our rural and MSME lending business and we expect maximum traction here. The budget also provides INR11.11 lakh crores of capital expenditure to improve infrastructure with special focus being announced with additional facilitation for Eastern part of India i.e. Purvodaya plan and also some additional financial support for building capital in Andhra Pradesh to the extent of INR15,000 crores.

There is also additional provision of INR1.5 lakh crores long-term interest-free loan to state governments which should help in rural and urban infrastructure. Ultimately this will benefit transportation, manufacturing and the MSME business.

Coming to the Auto industry, on OEM sales this quarter has been reasonably good in the first quarter of the financial year. The commercial vehicle has seen a growth of 3.5% to 2.24 lakh units against 2.17 lakh units in the Q1 previous year and within the CVE, M&S CVE has grown 9.7% in Q1 which stands at 85,421 units against 77,829 units in the previous year same quarter.

LCV sales has been flat at 1.39 lakh units with same number of units in the previous financial year first quarter. Passenger vehicle has seen continuous growth which has registered 3% growth with 10.26 lakh units against 9.97 lakh units in the year-on-year. The two-wheeler has recorded robust growth of 20.4 % with sales of 49.86 lakh units, against 41.41 lakh units sold in Q1 '24.

The three-wheeler again has registered good growth with 14.2% which is 1.65 lakh units against 1.45 lakh units. Tractor has de-grown mainly because of the lesser output in the last year in the agricultural side.

But we expect with good monsoon this year to improve in the Q2. The numbers were 1.98 lakh units against 2.25 lakh units in the previous year. Construction equipment has registered a growth of 4.6% with 26,010 units against 24,856 units sold in the previous year.

With this, now I will ask my colleague Mr. Chakravarti to take us through the operational performance. Thank you.

Y S Chakravarti: Thank you, Umesh. Good evening. I welcome all of you to our Q1 FY '25 Earnings Call. And I trust you have had the opportunity to review them and the related investor presentation which have been posted on the website of the Stock Exchanges. We have registered a disbursement growth of 23.82% Y-o-Y. Our disbursement in Q1 FY '25 this year aggregated to INR37,709.79 crores versus INR30,454.81 crores in Q1 FY '24. Our asset under management as on 30th June 2024 registered a growth of 20.82% over Q1 FY '24 and 3.82% sequentially.

Our AUM stood at INR2,33,443.63 crores as against INR1,93,214.67 crores a year ago and INR2,24,861.98 crores in Q4 FY '24. Our net interest income in Q1 FY '25 registered a growth of 20.63% year-on-year. We earned a net interest income of INR5,354.47 crores in Q1 FY '25 this year as compared to INR4,438.68 crores in Q1 FY '24. Our net interest margin was 8.79% as against 8.33% in Q1 FY '24 and 9.02% in Q4 FY '24.

Our PAT grew by 18.21% in Q1 FY '25 over Q1 FY '24 and by 1.78% over Q4 FY '24. We have registered a PAT of INR1,980.59 crores for Q1 FY '25 as compared to INR1,675.44 crores in Q1 FY '24 and INR1,945.87 crores in Q4 FY '24. Our earnings share for the quarter stood at INR52.70 as against INR44.73 in Q1 FY '24 and INR51.79 in Q4 FY '24. On our asset quality, our gross Stage 3 in current quarter stood at 5.39% and net Stage 3 at 2.71%. These numbers show an improvement over the corresponding period of 6.03% gross and 2.96% net in Q1 FY '24 and 5.45% gross and 2.70% net in Q4 FY '24.

Our credit cost for the quarter stood at 1.87% as against 1.62% for Q1 FY '24 and 2.06% for Q4 FY '24. Our cost to income ratio was 27.45% in Q1 FY '25 as against 28.85% recorded in Q1 FY '24. Our cost to income ratio in Q4 FY '24 was 26.61%. Regarding our subsidiary Shriram Housing Finance, as you all know the Board of Directors of the company in its meeting held on May 13, 2024 had approved the proposal for disinvestment of the company's entire stake in Shriram Housing Finance Limited, a debt listed non-material subsidiary of the company. In this regard, the company has entered into a share purchase agreement with Mango Crush Investment Limited, an affiliate of Warburg Pincus.

The company's investment in Shriram Housing Finance Limited has been classified as assets held for sale and disclosed as discontinued operations in the financial results. However, Shriram Housing's Asset under Management as on 30th June 2024 exhibited a growth of 50.93% and stands at INR14,397.30 crores as against INR9,539.37 crores in Q1 FY '24. The net interest income of Shriram Housing Finance Limited registered a growth of 40.62% in Q1 FY '25 over Q1 FY '24.

Net interest income for Q1 FY '25 was INR119.91 crores as compared to INR85.27 crores in Q1 FY '24. Shriram Housing Finance has registered a PAT growth of 5.85% in Q1 FY '25 over Q1 FY '24. PAT for the quarter of this year was INR48.31 crores as compared to INR45.64 crores. The EPS stood at INR1.34 against INR1.40 in Q1 FY '24. Shriram Housing's gross Stage 3 for Q1 FY '25 stood at 1.24% and their net Stage 3 came in at 0.94%. In comparison these numbers were 1% on gross basis and 0.75% on net basis in Q1 FY '24.

I shall now request our MD and CFO Mr. Parag Sharma to take you through our resource raising activities after which our Joint Managing Director Mr. Sundar will brief you about our accounting and regulatory aspects.

Parag Sharma: Hello everyone. The total debt as of June quarter end was INR1,91,745 crores broken up into retail deposits at 24%. Capital market instruments NCDs at 20%. ECB, External Commercial Borrowing, both in the loan and the bond formats stood at 14%. Securitization outstanding is at 15% and term borrowing from bank and institution is at 26%.

Total cost of debt has marginally come down from March end numbers which was 9.01 to 8.96 now. The leverage ratio stands at 3.79 versus 3.83 as of March end. The liquidity coverage ratio is 225.19 marginally up from 195.55 as of March. Overall liquidity, we continue to maintain 3 months of liability repayment for liquid assets and that continues to be the case with INR15,229 crores of liquidity as of June end.

Incremental cost of fund is at around 8.8 which is slightly down from the previous quarter which was at 9%. ALM buckets, all buckets continue to be positive. Short term buckets up to 1 year continues to be positive. The 6 months cumulative surplus will be INR20,000 crores plus. That handed over to Sundar.

S. Sunder: The employee count as on 30th June was INR75,813 as compared to INR74,645 in March. Stage 1 PD in case of ECL was 9.02, Stage 2 PD was 20.39 and LJD was 38.42. Segment wise disbursement, commercial vehicle contributed to INR14,024 crores, passenger vehicle INR7,406 crores, construction equipment INR1850 crores, farm equipment was INR820 crores, MSME INR6,207 crores, two wheeler was INR2,732 crores, gold was INR2,652 crores and PL was INR2,014 crores totalling INR37,709 crores. The breakup of the credit cost was INR599 crores on account of bad debts and INR588 crores of impairment loss. With this I hand over the mic to the moderator.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Chintan Joshi from Autonomous. Please go ahead.

Chintan Joshi: Thank you. Can I ask a question on cost of funds? How do you expect it to develop over the next few quarters? And on a medium-term view, what strategy are you following to get a credit rating upgrade?

Parag Sharma: On the cost front, as of now it looks to be quite stable and we don't expect much change from the current level which was close to around 8%. We are well diversified when it comes to sources and the diversity will continue to be there. The focus is there on retail deposit, securitization which is one of the cheapest source of fund for us. We also have large offshore borrowing program and that will continue to be tapped as and when opportunities arise.

Rating, the dialogue is on with all the rating agencies. Other than continuous improvement in our overall business numbers, I don't think there are any factors which rating agencies are concerned about when it comes to diversity of assets, diversity of liabilities, overall merger process, how smoothly it has gone. And seamlessly, we have been able to increase businesses across all asset classes.

I don't think there is anything further when it comes to the performance indicators from the company. The dialogue will be on. Let us see what is the ultimate timeframe rating agencies have in mind.

Chintan Joshi: Thank you. And the second question is how should we expect the mix of AUM to develop over the next one to three years?

Y S Chakravarti: There could be a percentage point up and down but I think it is largely, because of the predominance of the vehicle portfolio. And since it is also growing we don't see much of a, there will not be any major change. Though we are focusing on gold loans and MSME loans to grow that book. But at the same time, vehicle loans are also growing. So there would be probably a 2%-3% plus or minus here and there, but nothing major change.

Chintan Joshi: So should we not expect the old SCUF businesses to grow a little faster?

Y S Chakravarti: No. We are looking at the truck business to grow at around 12%.

Chintan Joshi: Sorry, can you repeat that?

Y S Chakravarti: The old truck business, we are expecting it to grow around 12%.

Chintan Joshi: Okay.

Y S Chakravarti: So the other products will grow at a faster pace. For example, MSME we are looking at growing the book by about 20% plus, two-wheeler about 15% to 18%. So they will grow, I mean the growth rate will be faster but the base is smaller.

Umesh Revankar: Chintan, to add to that, there will be some upsurge in used commercial vehicle and even passenger vehicle maybe in the next fiscal, '27 because the new vehicle cycle has started in '22. And that to come into the market and having a larger market will take a little time. So right now we are growing at around 12% to 15%. But maybe in a year or two that growth rate can further improve as the market expands.

Chintan Joshi: Thank you.

Moderator: Next question is from the line of Kamal from Investec. Please go ahead.

Kamal: Hello sir. I just wanted to ask that in this quarter, the gold prices have increased by around 10% to 12% quarter-on-quarter. However, our gold AUM is still declining quarter-on-quarter. So can you please help us with the reason on that?

Y S Chakravarti: So basically, the impact was in this quarter. It has gone down. We have not increased our per gram rates, we have kept them at what we were doing. It is not that every increase in gold loan price we increase the lending amount per gram. So one reason.

Second is there was also a slight slowdown because of the adjustment from more than INR20,000 cash disbursement. So there was a little impact of that. And on top of that, we were also -- our legacy branches we were doing gold loan. We actually had to undertake a total revamp of the strong rooms and security measures. So all this has contributed to a little slowdown. But we feel that this quarter and the next quarter should see a good growth.

Kamal: Okay. So can you please quantify what is the percentage of the gold loan disbursed to bank channels? And what is the percentage you guys have been disbursing by cash which has affected?

Y S Chakravarti: See anything above INR20,000 will go through bank. So loans up to INR20,000 is in cash. Rest of it will be through bank. So our average ticket size is around today about INR70,000-INR75,000.

Umesh Revankar: See it is not affected I should say. It is basically adjustment time, because industry is undergoing some adjustment. And maybe temporarily customers may go into a pawn broker for raising money, which is temporary. But everything will come back because all the industry is adjusting. And everyone has been the same wicket. So that will help actually.

I feel the industry will go faster post this adjustment. So that will be helpful. And also we are adding more branches to gold lending, because as Chakravarti rightly put it, each of the branches need a certain kind of security requirement to start gold loan. As we add more number of branches, the growth will come back.

Kamal: Thank you sir. I just want to ask if you could just guide what is the AUM growth guidance for FY'25. And how do we see the disbursement in the next few quarters?

Umesh Revankar: Our guidance will remain at 15. But this quarter has been good. Because we were expecting some kind of slowdown in activity, overall credit uptake because of the election. But we did not see any impact. Because the election was very smooth and spread across so many states. So it had no negative impact. So credit uptake was good. So we expect momentum is good. So it will continue to be good for the rest of the year. We don't want to change the guidance now. But we can expect to do much better than the guidance.

Kamal: Okay. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Natraj Shankar from DSP Mutual Fund. Please go ahead.

Natraj Shankar: Hi. Thanks for the opportunity. Two questions. One is on the MSME part and the non-vehicle finance part. As we look forward, I am not looking at quarter-on-quarter over the next two to three-year period of time, how are you managing risk? How are you growing differently compared to what others are doing?

Can you just show some -- can you help us understand better the nature of the growth that you are doing compared to what others are offering? That will be helpful to understand the quality of the business growth. And secondly, over the next two to three years as we grow, how is the leadership positioned today? Is it sorted, all well settled? That will be helpful. Thanks.

Umesh Revankar: MSME business basically, we are lending to customers against the mortgage of property, typically all the larger tickets and most of the loans. That's the way our, what you call, we are playing it very safe now. And the every cash flow, every business, lending Decision is taken on a cash flow basis only.

Natraj Shankar: Is it also possible to share. If it takes the top three industries within MSME. That would be lending. What would those top three industries be?

Y S Chakravarti: Yes. See basically our major. 70% of our lending goes to small businesses. Basically in the service sector and trading sector. So manufacturing would be less than 70%. Less than 30% of our total portfolio. Majority of it is towards trading and service industry and the average ticket size here is about INR10 lakhs.

Natraj Shankar: Okay. And South versus non-South. Just a quick follow up before I move.

Y S Chakravarti: Non-South for MSME will be 60-40. 60 South. 40 Non-South.

Natraj Shankar: And as we transition to next two to three years. Would the mix be remain the same or it will be different?

Y S Chakravarti: Both markets are growing. So, difficult to say but the North. I mean. Non-South is a much larger market for SMEs. And that is where we are focusing on actually. So we will have to see.

Umesh Revankar: As we create more reach automatically the proportion will change. So but it will take time it will take three, four, five years. To make that kind of a change so most of the other markets. We are relatively new. In the SME segment even though in other segments. We are there for quite a long time.

Natraj Shankar: And secondly. On the leadership part as we build these new businesses and scale up. Is the structure in place. For leadership across channels. Is there any gap that exists. That we want to plug. Both at the top and the middle. Can you just show some. Thanks.

Umesh Revankar: In the segment we are in. We are I think leaders. Because most of the SME lending. If you look at they are either focusing on the medium size of around. 40-50 lakh ticket size. We are in a small ticket. So number of loan and what we call micro entities enterprises. We are one of the largest. We do not know the banks. But among the SBFCs. We are the largest in our segment.

Natraj Shankar: I meant leadership in terms of internal capacity.

Y S Chakravarti: I am coming there. So it is pretty. The succession lines are pretty. Pretty much there. For every position. We have people. In fact. We have multiple people competing that way. So the succession planning is on, on a continuous basis. At every level. There is no gap. As far as leadership is concerned there are no gaps even from levels as low as a branch manager.

Natraj Shankar: Thanks. That is it for me.

Moderator: Thank you. Next question is from the line of Bunty Chawla from IDBI. Please go ahead.

Bunty Chawla: Thank you sir. Thank you for giving me the opportunity. In the opening remarks, as you said. There has been in fact. Incremental cost of funds has been lower. As compared to on the books. So what has resulted in 20% decline in sequential margins.

Parag Sharma: One is. Last factor is the Liabilities which were. The cost of those liabilities which have matured was higher. That has really helped. Incremental cost is mix of securitization. What to do with. And also the capital market instrument. That also has slightly come down. Both those actors are helping for the incremental cost being slightly lower. Some of the. Borrowing also which is done in the don't format is cheaper compared to what we were doing. On format earlier. Which was costlier. That is Incremental cost and on the balance sheet cost being lower High-cost debt getting mature.

Bunty Chawla: So my question was that. As we have seen. Incremental cost of borrowing coming down. So there should be improvement in the margins. But oppositely we have seen there is a decline in the margins. By 20 bits on a Q1 basis. So it's because there has been a decline in the yields. And what is the reason behind?

Umesh Revankar: Basically what happens is, you have to compare Q1. With the Q1. The Q4. Normally towards the end of March. There will be more disbursement on new vehicles. That is a little low yielding. That is one thing. Second in our portfolio. The gold and personal loan portfolio there was some decline was there. So our product mix also changed a little. This contributed to a little lower yield on Lending. This is typical of Q1.

Bunty Chawla: So going forward we can see there could be an improvement in the yields which should support the improvement in the margins. Because the cost of an increment is almost stable as we said?

Umesh Revankar: Margin is dependent on multiple factors. It also depends on liability cost and other factors. So overall we can say that definitely there is some improvement. We can't quantify it.

Bunty Chawla: Okay sir. One. In provisioning analysis, you have shared at this stage. There has been improvement in cross test 3. On a Q1, Q4 and all these things. But what we have just -- so the provisioning for stage 1. Has continuously increased 2.91 to 3.28 and now 3.42. So what is the reason behind that? Because we have seen the improvement in the asset quality. There should be a stability in the UCL provision as far as stage. There has been a decline in coverage ratio. For stage 3. But there has been an increase in stage 1?

S. Sunder: No, that is primarily because of the product mix that has been happening over a period of 5 years. So there will be some dip or increase quarter-on-quarter. But nothing to do with the product wise composition.

Bunty Chawla: Okay. And sir, lastly data point, if you can share what was the write-off for this quarter as it is last year -- last quarter, same year write-offs?

S. Sunder: One second. Write-off for the current quarter was INR599 crores and for the March quarter was INR805 crores. And the Q1 FY '24 was INR573 crores.

Bunty Chawla: Okay. That was very helpful, sir. Thank you.

S. Sunder: Do you want the provision amount also?

Bunty Chawla: Provision amount?

S. Sunder: Do you want it?

Bunty Chawla: Yes sir please.

S. Sunder: Okay. Provision for the current quarter of INR588 crores. March was INR456 crores. And June '23 was INR305 crores.

Bunty Chawla: Okay. Okay. That was very helpful sir. Thank you and best of luck.

Moderator: Thank you. Next question is from the line of Renish from ICICI Securities. Please go ahead.

Renish: Yes, hi sir and congrats on a good set of numbers. So, sir, just two things from my side. One on the growth side, so during Q4 call, you have elected that Q1 should be muted because of the election and some sort of seasonality. But Q1 turn out to be a better than expectation and still we are sort of maintaining the same guidance. So do -- does it -- does that mean that let's say Q2, Q3 might see some pressure or maybe, you know, we will exceed the guidance?

Umesh Revankar: See, definitely, when we start well, we should expect -- you can expect to us to exceed the guidance. But there are multiple factor. See, AUM growth has -- the AUM growth and the bottom line growth, there are two different things. We are focusing on bottom line, even last year also I maintained, we will be focusing on improving the product mix in such a way that will be improvement in the bottom line.

And also we will be focusing on the new geographies where we feel that there is lot of growth opportunities. And the smaller ticket loan will not add to the AU. So if you are looking at answer on AUM growth, we cannot give the number right now because the small ticket loan, the matures faster like gold loan is six months on average ticket size and the personal loans will be average of 18 months, two wheeler will be 21, 22 months.

So these are all small ticket loan which comes into -- so that means you are on a treadmill, keep doing more businesses. So what will result in the AUM growth may not result in the bottom line. So we are focusing on bottom line, so that bottom line grows much faster than the top line. So I should say that we will definitely exceed the guidance, but I can't quantify the same.

Renish: Got it, got it. And, sir, second question is on farm equipment, so when we look at the gross Stage 3 touching 9% and despite that we saw there is an almost 6%-10% sequential growth on the AUM side. So how once you read this two different data points, I mean growth in a segment wherein we have the highest gross Stage 3?

Umesh Revankar: See, one thing is in the tractor, the biggest advantage is the -- most of the customers or the asset will remain within the village limit, it doesn't move out. So the credit cost in the tractor portfolio is as good as any other portfolio. It's around 2%, even though that Stage 3 is little higher and maybe provision is a little higher. But there is also a write back because credit cost is not higher. So and also it is a high yielding, the portfolio is high yielding. So net-to-net that portfolio is as good as any other portfolio. So we would like to grow there because it also gives a reach to us in the rural market.

Renish: Got it. And sir, would you like to share the asset yield for personal loan and gold loan?

Umesh Revankar: We don't have it right now. You can contact Mr. Mundra, he'll help you out.

Renish: Okay. Thank you sir and best of luck, sir.

Moderator: Thank you. Next question is from the line of Gaurav Kochar from Mirae Asset. Please proceed.

Gaurav Kochar: Hi. Good evening team. Congrats on the quarter. Three questions from my side. Firstly, I think it's less talked about, but I think you have done a fabulous job on the deposit franchise. I think even in this quarter there was a decent traction net 3000 crores kind of an accretion is commendable in the current context. So just wanted to understand some dynamics here. What is your sourcing mix?

How much of it comes through branches? How much of it comes through the DSA? What is the overall sort of cost of acquisition? I am not talking about deposit cost. I am talking about cost of acquisition. You may be paying through agents, third party agents who might be sourcing it for you. Just wanted to understand some numbers around this?

Umesh Revankar: The corporate channel which we have which is basically broker channel that is around 35%. Rest of it comes from the branch and our own direct intermediaries. We have direct intermediaries which is directly linked to the company right from the beginning. So overall cost should be 75 basis point.

Gaurav Kochar: Okay this 75 basis point is spread over the tenure of the deposit?

S. Sunder: Yes correct.

Gaurav Kochar: What would be the weighted average cost and weighted average duration of these deposits?

S. Sunder: Average tenure of the deposit will be around 40 months.

Gaurav Kochar: And cost interest cost?

S. Sunder: 8.3, 8.4 will be the interest cost.

Gaurav Kochar: All right understood. My second question is on the MSME product and just wanted to understand how many branches have we covered doing this product and let's say by end of FY25 or FY26, any sort of target that you have of the number of branches that we would be doing MSME?

Y S Chakravarti: See even earlier in the erstwhile Shriram City Indian Finance branches also out of close to 1000 branches we were doing MSME only in about 550, 600 branches. So in these two years we would have added about 50 of those, 50-55 of those Shriram City's erstwhile branches and in about 120 of commercial vehicle branches. So, close to about 170 branches is what we have added now.

Gaurav Kochar: Okay so that 550 would have become 720 out of the 3000 odd branches. So let's say by next year or maybe slightly longer FY26 what would be the target?

Y S Chakravarti: See next two years probably we would be adding another 250 branches.

Gaurav Kochar: In the next two years?

Y S Chakravarti: Yes.

Gaurav Kochar: Okay, understood. And just to understand this a little more what would be the ballpark throughput of these branches in terms of just to understand when do these branches breakeven and where do these branches typically cap in terms of disbursement per month or disbursement per annum any number that you might…

Y S Chakravarti: There is no clarity sorry voice was not very clear.

Gaurav Kochar: Is it better now?

Y S Chakravarti: Yes.

Gaurav Kochar: Yes so I was asking sir at what in terms of disbursement per month or disbursement per annum at what level does it breakeven on the MSME branches and when do you expect to reach that level for the branches that you added 170 you added?

Y S Chakravarti: See the branches are not standalone MSME branches. So these are branches which are already in existence which are doing other products where we add a couple of people for doing MSME business.

Gaurav Kochar: Right. But at a product level ROA when you calculate for these branches ballpark is it like 18 months, 24 months by when these branches breakeven apportioning the cost of the branch according to the mix the AUM mix of that branch?

Y S Chakravarti: See typically obviously if you look at MSME, if you look at the cost structure it's the two-wheeler which will cost us give us the most I mean which will be the most expensive product versus SME which is actually because of the ticket sizes. Two-wheeler is a 75,000 ticket size whereas your MSME average ticket size is about 10 lakhs.

So the breakeven I mean we don't do -- right now we have not, we don't track the product level profitability, but at a branch level we look at what AUM level the branch breaks even or makes a profit.

Gaurav Kochar: Sure got it. And just last question again regarding I think earlier it was asked about rating. If I look at the overall balance sheet, I mean, on the asset side it's largely secured and well diversified. On the liability side probably you have one of the most diversified liability profiles. On the asset quality front you have the strongest ECL cover even at an aggregate 6.2 or even at stage one of 3.3. Capital position is strong at 20%. Now what is left to be done for a rating upgrade, anything that the rating agencies are talking about? What has been the dialogue with the rating agencies?

Umesh Revankar: I think whatever the rating agencies' expectation as you rightly put it everything we have met and macroeconomic situation also is reasonably stable. I think they wanted to wait for one full financial year which we completed in this year March. And we expect any time in this financial year that they'll come back to us if at all they are looking at any other data points.

Right now they are quite happy with whatever the progress we have made including the progress made in the what you call integration of merger. So I don't really see anything that is further pending or expected from us, but still they would like to have their own committee and their own expectation and they may be looking for better macro and micro environment for announcement.

Gaurav Kochar: And how big is having a parent or having a corporate structure as a shareholder? How big is that as a factor? Does that come in the discussion often when you discuss this with the rating agencies?

Umesh Revankar: Directly they don't discuss on that, but if you look at the pattern of their rating they have been giving favour to the corporates especially with a parentage having a good brand, a good name a big large corporate. That is what we observe, but it is not in the discussion.

Gaurav Kochar: Perfect. Got it, sir. Great quarter again and all the very best.

Umesh Revankar: Thank you.

Moderator: Thank you. Next question is from the line of Rajiv Mehta from YES Securities. Please go ahead.

Rajiv Mehta: Hi. Good evening. Many congratulations on a very strong set of numbers. I have a few questions. Firstly, are we seeing used vehicle prices, both used CVs and used PVs, somewhat flattering out?

Umesh Revankar: Right now, we don't see. In fact, we have initiated something called Shriram Mobility Bulletin where we are trying to track the prices. And that is available on the website and in the media. So you can look at it. But still what we feel is that used vehicle prices have been reasonably strong year-on-year. The growth looks to be around double digit, around 10% to 12%. And we don't really see it is flattening. So as long as it is more than the inflation, that means the prices are increasing. That's how we look at it. But yes, it is not as strong as the previous year where we saw 20%-25% increase in the resale prices.

Rajiv Mehta: Correct. And this momentum in used passenger vehicle financing which has been very strong over the past many quarters, I mean, which segments, which products are driving this momentum? Anything from a strategy perspective which has changed in terms of distribution, tie-ups? So what is driving this strong growth?

Umesh Revankar: Basically, see what has happened is, if you look at the pattern, the state undertaking investment in the public transportation has come down over the last 5-6 years. And that is creating a gap in the semi-urban and rural transportation. Especially in the semi-urban to urban, where state undertaking used to put lot of new buses every year. And that's missing. And therefore, there is a lot of scope for private transportation using it for public. That's one.

And second also, the ownership of vehicle is increasing among the semi-urban and middle-income group people. And they also would like to own their own vehicle. And that is second. Third one is, we are the largest player in the two-wheeler financing. Many of them are upgrading to four-wheeler. And when they upgrade to four-wheeler, typically they buy second-hand four-wheeler.

So these are all factors are helping us to increase. We expect this will continue to remain because this is a systematic change where public sector or the government not investing on the public transportation. And that is definitely there will be gap and vacuum. And definitely there will be more demand for transportation. Both for public use and also for private purpose.

Rajiv Mehta: One last thing. While the model LDD is 38%, but in your recent settlements with NPA -- with NPL cases, is the principal recovery or is the LDD loss lesser than what is the ECL model at right now?

S. Sunder: Typically in a seized vehicle, the ECL, it will be slightly higher than the ECL. Because what happens is, once the vehicle gets seized, there is also a possibility that the borrower can replace the tires and batteries. So it will be difficult to compare ECL number with the seized vehicle.

Rajiv Mehta: Okay. Yes, that's it from my side. Thank you.

Moderator: Thank you. Next question is from the line of Kunal Shah from Citi Group. Please go ahead.

Kunal Shah: Yes, so maybe just out of curiosity, just want to understand in terms of the improvement which has been there in GS3, GS2. What we are hearing from the other players is the higher stress, maybe because of hit wave election disruption, while our trend has been quite different. Would you attribute it more towards lower slippages, maybe because the utilization of fleet was better, cash flows of the operators have improved, or would it be more towards the recovery efforts which is leading to this kind of an improvement?

Umesh Revankar: See, I can say all three have helped. And more than everything, Kunal, recovery efforts and also less disturbance in the election. This time, election has been, you know, for the two months, without really impacting any one of the geography at any particular point of time. Even when there are state level elections, it has been staged in two or three different days. So, we did not see any kind of business as usual. It never got impacted.

And the recovery efforts have been improving over the period. And last 30 months, if you see, there has been continuous improvement in our asset quality. And final point, you can always see that whenever the asset price goes up, people don't want to give up the asset. So, repo has come down to all players. You take into account of all the banks or all the NBFC, you will see that repo efforts are much lower or no repo at all. So, that itself is an indication that people are wanting to retain the assets and they would like to pay.

So, the repayment has been quite good. And to give credit to our team, team has also been working hard in spite of heat waves, which did not really impact us much because most of the collection efforts are completed in the first 15 days. So, one or two days of heat waves doesn't really impact the collection efforts.

Kunal Shah: Okay. And secondly, in terms of particularly on the vehicle side as well as the MSME, what proportion of customers would be utilizing the other lending facility from our end? And would that proportion would have gone up? Are we seeing more synergies coming through customers coming and taking further loans?

Umesh Revankar: No, it has been improving, but absolute numbers we may not have right now. But it has been improving because we are able to give the total product basket to the customers. So, we are able to interact customers and able to retain the customers who otherwise would have gone for, imagine, two-wheeler customer going for some other product or maybe same time truck customer wanting a two-wheeler. All those customers we are able to retain. So, that is the biggest positive. But in the absolute number and all, probably we will be able to give the numbers in the later period.

Kunal Shah: Okay. Yes. Thanks and all the best.

Moderator: Thank you. We will take our last question from the line of Sonal from Asian Market Securities. Please go ahead.

Sonal: Yes. Congrats on the good quarter, sir. I just have two or three questions. One is the clarification that I wanted. So, you said that you will be adding about 250 branches in MSME over the next two years. So, that is basically reaching about 30% of total branches will be MSME. Is that correct?

Y S Chakravarti: Can you repeat your question, please? Your voice was a little rumbled.

Management: Sir, you will be adding 250 branches for MSME. Next two years, yes, about no. This is about 125 plus 50, about 175 branches.

Sonal: So, 175 branches will be added next two year?

Moderator: Sorry to interrupt, Ms. Sonal. Your voice is breaking now.

Sonal: One second. Is that better now?

Moderator: Yes, please proceed.

Y S Chakravarti: So, we will be adding the product in about 175 existing branches. They are not greenfield branches. These are branches which are already there for quite some time and they are selling other products.

Sonal: Yes, sir. I understand. So, basically, we will be reaching about 900 branches in two years' time. Is that correct?

Y S Chakravarti: Yes, that's right.

Sonal: Okay.

Y S Chakravarti: That's right.

Sonal: Similar number in gold loans, if you could give how many branches are we doing at the moment and what would be the branch count, say, at the end of two years, next two years?

Y S Chakravarti: Gold loan, we already have in about close to 1500 branches. So, we should be adding another 500 branches in the next two years.

Sonal: Okay. Sir, one more question was on ECM provisions. So, we are carrying 6.2%, 6.3% kind of a number. So, are we carrying any macro provisions or overlay provisions in this number, 6.2%?

S. Sunder: Yes, it includes everything.

Sonal: So, would you be able to quantify that number?

S. Sunder: No. See, the model runs in such a way that everything is factored and we don't have any bifurcation of the same. It's factored.

Sonal: Okay. And any guidance? I mean, do you want to maintain it at 6% or, you know, there is no scope to take it down further? I mean, to take it down further to kick it down?

S. Sunder: No, no. It is primarily based on the model that we run. And it depends on the product mix also. So, it can vary by a couple of business points.

Sonal: Okay. That's it from me. Thank you.

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

Umesh Revankar: Thank you all for joining the call. The first quarter was really good for us. And we expect with the good monsoon being there, the second quarter and second half would be much better. Once again, thank you. Meet you again.

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