



## “Shriram City Union Finance Limited”s Q2 FY14 Earnings Conference Call”

**October 28, 2013**



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**Moderator**

Ladies and gentleman, good day and welcome to the Q2 FY14 Earnings Conference Call of Shriram City Union Finance hosted by JM Financial Institutional 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 any assistance during this conference call, please signal an operator by pressing „\*“ followed by „0“ on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karan Uberoi of JM Financial Institutional Securities. Thank you and over to you sir.

**Karan Uberoi**

Good morning everybody and welcome to Shriram City Union’s Earnings call to discuss the second quarter FY14 results. To discuss the results, we have on the call Mrs. Subhasri Shriram who is the Executive Director and CFO at Shriram City Union Finance. May I request Mrs. Subhasri Shriram to take us through the financial highlights subsequent to which we can open the floor for Q&A session. Over to you ma’am.

**Subhasri Shriram**

Thank you Karan. Good morning to all, first thing I think we are catching on Shriram City. Thank you so much for joining this call and welcome to the Earnings Call of Shriram City. Shriram City, during the quarter ended 30<sup>th</sup> September 2013, recorded a top line growth of 3% and the income from operations for the quarter ended 30<sup>th</sup> September stood at 785 crores as against 759 crores as on September 12. The net income interest recorded a 12.8% increase over September 2012 numbers. For the quarter, Shriram City recorded a profit after tax of 127.2 crores, an 18% growth over the reported profits for the same period previous year. On a quarter on quarter basis, the profit after tax recorded an 8% growth. The asset under management as on 30<sup>th</sup> September 2013, is at Rs.15118 crores. Though the total AUM recorded a drop of 5% on a year on year basis, and 2% drop over previous quarter, the aim of the first 6 months excluding loan against gold recorded a 23% growth year on year. The key focus segment are small enterprise finance segment is on target and this segment currently contributes to 49% of the total AUM and 33% as on September 12 as against 33% as in September 2012. This segment recorded a 43% growth in AUM on a year on year basis. 2 wheeler segment has recorded a 32% growth year on year and constitutes 15% of the AUM as on September 2013 as against 12% previous year. The AUM of the loan against gold portfolio has recorded a 13% drop over the last quarter and 48% drop over the AUM as in September „12. The AUM in this segment is Rs.3290 crores, almost half of what it was on September „12 and contributes 22% total AUM as against 40 as in September 2012. All products for the quarter stood at, total disbursement for all products was around 3559 crores, a growth of 9% over the last quarter.

The disbursement excluding the loan against gold, recorded a 21% growth on year on year basis. Small enterprise finance constituted 36% of total disbursement. During the last quarter, politics disturbances witnessed in Andhra Pradesh has had its impact on fresh disbursement during the last quarter. Andhra Pradesh on an average contributes 45 to 48% total disbursements and AUM for Shriram City. This is in various product segments recorded a drop over the disbursements as compared to March and June and also September „12 quarter. Disbursements excluding gold recorded a drop of 22% over March 2013 quarter and 14% as compared to quarter ending

September 2012. The impact of these disturbances was seen in fresh disbursements in small enterprise finance which recorded a drop of 26% year on year basis. This is mainly on account of many of the SRO not being functional through the day and many areas were shut and working for very few hours in a day. So in the case of 2 wheeler business, where RTO registrations could not get completed, so the disbursements were muted.

During the quarter ended September 2013, Andhra's contribution in fresh disbursement was around 1000 crores which is almost one – third as against normal one half. This is excluding the gold loan book. During the quarter, the yield on assets was 20.57. This has shown an incremental trend. The net interest margin remains healthy at 11.59 and the net spread pre-tax return was close to about 5%, 4.93% which is again continuing to show our increasing trend. The NPA recognition remains at 150 days norms. The gross NPA as in September 2013 was at 2.46% and net NPA was at 0.65%. The figures for the previous quarter that is June „13 comparative is 2.29% and 0.67%. And as corresponding figure for September 2012 when the recognition was 180 days norm, was 1.37 and 0.32. In absolute terms, the gross NPA is 320 crores as against 308 crores in June 2013.

The coverage ratio at September 2013 is around 73% as against 71% during the quarter ended June 2013 continue to increase the coverage. The coverage ratio excluding gold book is almost 87% as in September „13 and the corresponding figures as in September „12 was around 77%. The write offs in the quarter required was 76.15 crores as against 82.49 crores for the quarter ending September „12. The gross NPA level could have been at 2.01% which is 261 crores in absolute terms as against 320 crores in case the NPA recognition norms had been at 180 days. During the quarter ended September 2013 the return on average net-worth was a 20.21% and earning per share was at 21.83 for the quarter as against 20.57 for September „12. The book value per share stood at 451.87 as against 368.34 in September „12.

The company maintained a healthy capital adequacy and as on September it is 23.26% with tier 1 constituting 18.34%. As of September 2013, the borrowing mix comprised of 54% bank borrowing, 29% retail borrowing and 10% public issue of NCD and 7% market borrowing. Out of total borrowings, 49% of the borrowings carry fixed rate of interest for till the maturity of the loan and 51% at variables mostly depend on banks floating rates. The weighted average tenure of the liability is about 26 months and the floating rate and fixed rate is more or less 20 – 23 months. During the quarter, the company continued to focus on securitization. This year, first time after March, we have done a securitization of close to 600 crores, 598 crores. And weighted average rate securitized was 8.38% that was the discounting rate. And as on September „13, 14% of the book is off book asset.

The company is rated long term AA by CARE and AA minus by CRISIL and AA minus positive by India ratings. On a short term rating we have A1 plus, a top notch 3 rating agencies and on fixed deposits, the company continues to have AA rating by both CARE and CRISIL and AA minus by India rating. During this period, our subsidiary, Shriram Housing Finance sanctioned loans of about 65 crores and dispersed 55 crores for this quarter, September „13. The profit



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before tax for the quarter was 2.81 crores as against 87 lakhs the previous quarter. The profit after tax for the quarter ended September „13 stood at 2.5 crores. The net worth as in September 2013 is 335 crores and book value per share is Rs.15.63. This company has expanded in 3 new locations and currently operates out of 46 branches. 2 important events in this quarter - in Shriram City, the promoter warrants have been fully converted. Currently there are no warrants outstanding. And same in the case of Shriram housing, the private equity investor and Shriram City have converted their warrants and the company is fully capitalized and there are no outstanding warrants as on September 30. Over to you, thank you so much.

**Moderator**

Thank you very much. Participants, we will now begin with the question and answer session. We have the first question from the line of Kunal Shah from Edelweiss. Please go ahead.

**Kunal Shah**

Overall what is guidance on the AUM growth because it was say 50% plus over last many quarters. Now because of the gold loan and say some issues on the Andhra side, we have seen a huge moderation out there. So may be definitely excluding the gold loan, it is still growing at 23% but what is the outlook? We have seen the uptake in the gold loan disbursements as well in this quarter. So how has been the traction in the month of October and what is the guidance as we move forward?

**Subhasri Shriram**

I will split this into 2 parts. I think Andhra is behind us now. We have more or less from mid October we have been quite positive. Hope there is no further disturbances there. But I think business is as usual. Fortunately in the 2 segments which is 2 wheeler and business loan, business loan mainly it was not able to complete the security angle. I think this should be coming in quite actively in this quarter. Two wheeler may be some of the missed opportunity but I think we should be able to catch up in that. And it's very positively the rest of the country, especially in north and central India did very well last quarter. Actually it would have been show cased much better have you not have this problem in Andhra. In fact thanks to the region outside of south we will continue to show a healthy growth. So keeping that trend continuing with the festival season. I think the next 2 quarters should be very healthy and very positive for our SME and 2 wheeler segment. With reference to gold, I think the guidelines which have come in during last quarter, I think most companies are more or less coming on track. I wouldn't say all of them are on track. So I think the competition is getting very healthy. It was there till skewed in the past. I think we have good opportunity to encash on that. We should expect even gold picking up during retail gold or retail gold through SME. We should be able to get that going. And if not for the 20% growth in gold we should because September „12 was difficult to compare because it was one of the all-time high numbers. And I think post now we are catching up. We should be able to reach the September „12 numbers. I think we should be able to reach December 12 to March 30 numbers which translates to not having any slippages in gold.

**Kunal Shah**

And as I understand may be the overall disbursement was impacted to the extent of 500 – 600 crores may be because of the AP issue?



**Subhasri Shriram**

Absolutely. That's right.

**Kunal Shah**

And other thing on yields. So actually we had seen the improvement in the yields quarter on quarter. So I believe it's mainly because the 2 wheeler and business loan proportion is still inching up as a proportion of AUM. So I think even though we are growing at say 43% on the SME side, but definitely the growth out there also moderating which was 80% plus 3 quarters back? So may be overall what is the overall outlook?

**Subhasri Shriram**

I think 80% growth continues to be 7000 crores book growth. It's almost doubling every year which I don't think is a judicious way. So we are writing this 40% growth looks doable. No specific concern. And what is so heartening is even this might be doable without any compression in lending rates. So it is not as if there are too many competitors in space of loans in sub 20 lakhs or more in the case of 10 lakhs. There I don't see any pressure on reducing the lending rates. So that growth more or less on track. Two wheeler loans I think the segment is from a manufacturer point of view has been sluggish. So neither there is any pressure from competition to reduce lending rates either and if we are fortunate we should be able to get some margin improvements there through subventions and risks. I think this segment is also very healthy. It's not 80% growth. 40 is doable in business loan and may be 25 – 30 or maybe even more is doable in the case of 2 wheeler loan. Gold is again we are able to do it because the tenure in the gold loan is increasing significantly now. The gold rate is stabilizing in the last 3 4-months. It has not been very volatile. So that is a very healthy sign especially the business loan category. I think that being what it is the gold loan portfolio will also be more steady number. What challenges earlier we had was more of shorter duration loan, extremely short duration loan. So that is behind us. I think that will also help us to focus on a steady steady income. What has happened in last one year is good because this product, gold loan is maturing now. It has seen the cycles. I think we are getting to the state where it will be a steady state. It will be a product vertical of its own.

**Kunal Shah**

And ma'am in terms of the RBI circular on subvention and zero interest, definitely it is not applicable to NBFC. But if it does how do you see the impact then how do you see the impact on your overall growth in these segments?

**Subhasri Shriram**

We hardly do any 0% schemes. Our total 0 % scheme portfolio will be about 5 - 7 crores in a month's disbursements. So what RBI is against is lending 0% rate or theoretically appears 0% but is not actually 0%. And make good that rate from a non-transferring point of view by collecting money from the manufacturer. We do not have such cases. And as I said just about 5 crores out of 3000 plus crores. So I don't think that is of any relevance to us. We are very clear. We are completely moved out of the 0% schemes for consumer durable financing. We largely do interest schemes and more longer tenure duration than the 8 months and 6 months loan and subvention pure say collecting from the manufacturers where it is purely a fund given by manufacturers for marketing the product and that is nothing of interest to the customers. Interest rate charged to the customer I don't think RBI has any issue. There is no question of being non



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transparent or customer not being aware of the transaction. This is purely and incentive given by manufacturer to market the product. And it is not necessarily agreement wise or vehicle wise.

- Moderator** We will take the next question from the line of Nischint Chawathe form Kotak. Please go ahead.
- Nischint Chawathe** Just trying to understand, on the business loan front, what could be the disbursement ex AP for the 2<sup>nd</sup> quarter of last year and 2<sup>nd</sup> quarter this year?
- Subhasri Shriram** Except AP it is about close to 700 plus crores during this quarter.
- Nischint Chawathe** And last year same period?
- Subhasri Shriram** Last year September would have been around 1200.
- Nischint Chawathe** These are numbers in AP?
- Subhasri Shriram** Yeah this is ex-AP.
- Nischint Chawathe** So ex-AP you have seen a decline from 1200 crores to 680 crores?
- Subhasri Shriram** No I am talking about total disbursement is about 11 odd crores without AP for last year so this year it has been about 700 odd cores. AP for this quarter. So almost the last month of August and September, we could hardly do less than 50 crores of business. We could not complete the documentation of many of the loans.
- Nischint Chawathe** But is it something that this will just roll through?
- Subhasri Shriram** We are already seeing, I am keeping my fingers crossed, as of October it is already seen. Much of it is already there. I think we should be able to cover and make good before December. It's a political situation. We are keeping our fingers crossed because there should not be any more outbursts in the market.
- Nischint Chawathe** But is it something that basically what you indicated is that you are getting offers. Its not that there is no business per say.
- Subhasri Shriram** It is purely non competing the security of documentation with the borrower. Or the borrower himself is holding back the utilization of funds. Because this is not the time to expand or even increase the stocks because last month is the month of September and in mid-August many of Telengana areas were hardly working a few hours a day.
- Nischint Chawathe** Sure. And on the gold loan front your disbursements have almost doubled on a quarter on quarter basis. So is it fairly safe to say that from here on the gold loan book will improve?



- Subhasri Shriram** And it is also getting better in terms of duration. So I think we are back and I think from a margin everything is getting steady there, customer profiling is people are staying for a longer period. I think the competition is also getting settled down.
- Nischint Chawathe** But what gives you the confidence that the tenures are increasing?
- Subhasri Shriram** The point is there is no extreme volatility or upward rise in gold rates. So there is no opportunity for people for exit and entry for higher values and more and more business loans customers are coming in to it. They find the yields which we are about 4 – 5% gold loan vis-à-vis non gold. So customers prefer to stay with gold for a longer duration. We continue to maintain that arbitrage between non gold to gold the gold is more preferred than non-gold for the first time SME customers. Except that the security coverage ratio is higher.
- Moderator** We will take the next question from the line of Elizabeth John from CRISIL. Please go ahead.
- Elizabeth John** Initially you highlighted when we started the disbursement decline is largely because of the AP issue right?
- Subhasri Shriram** Yeah. The 2 wheeler segment of non-AP has been performing very well but I wouldn't say it is purely AP because the SME loan in Tamil Nadu also is not yet fully up to the mark. We still have little more to pick up on Tamil Nadu market.
- Elizabeth John** And how do you see the trend going forward and especially the SME loan?
- Subhasri Shriram** SME loan should be very healthy. I don't think, everything is behind us now, we should do much better. It was a bit higher because you had 40 - 45% of your business. What is very satisfying for us is during this quarter the team was able to maintain its collection. Sitting far away it was little worrying for us to say whether they needed more insurance coverage for cash transit and others but they did manage it pretty well. And I think we should really acknowledge the support from the bankers also. We were able to put our money back in deposit in many of the branch locations. And banks really supported us. Made sure we were not carrying too much risk and we were originally scheduled for and that was very good. And I think this is a good opportunity.
- Elizabeth John** Also I am seeing the asset quality there is a slight margin actually NPA have increased. So any specific areas of concern for us or you feel its just quarter aberration?
- Subhasri Shriram** I wouldn't say it is completely and purely an aberration. But it think if you have to maintain a 150 day norm and to having segments where the economy is sluggish I think we will now to take this for more time till we see some pick up in the margin. This is not a one-off case either, neither would I say this is for good at all times. This still will be a situation where we should just realistically reconcile because minute we stretch this to 180, it is not that disturbing. But that's not an excuse. It is not that we are taking the shelter saying that there is a reason but I think it is a reality.



- Elizabeth John** And last point I wanted to highlight that gold loan has seen a good growth I think the growth disbursement this quarter. I mean how are we seeing the trend going forward?
- Subhasri Shriram** Well Diwali, is not a great time for disbursement but post that we should be back at rates being what it is. I think they have a lot of opportunity. But we will love to see the composition between retail and non-retail in the gold. And that is very significant number for us in terms of margins.
- Elizabeth John** Overall what will be the AUM guidance now for this year?
- Subhasri Shriram** As I said earlier non gold will continue to be over 20%. Gold is catching up I hope to catch up by 20% now. That number is not clearly visible but definitely we should be able to catch up.
- Moderator** We will take the next question from the line of Jyoti Kumar from Spark Capital. Please go ahead
- Jyoti Kumar** Just one data point, can you break up the gold loan book into retail and non-retail. I think 22% is outstanding gold on book. What proportion would be SME backed and retail backed?
- Subhasri Shriram** I think what used to be 67 to 40, 65 to 35 it is more or less now 50 – 50. Retail is more or less shifting to 50 – 50.
- Jyoti Kumar** And secondly do you perceive any asset quality risk post whole AP issue happening?
- Subhasri Shriram** Fortunately not because the business segment has not been so much. It has slowed down but I don't think there has been any, I think it is more in terms of the government and government related activities. Fortunately we keep away from government and government related activities as our business is not so much. And also the Hyderabad business, Hyderabad is probably more safer, more quiet but unfortunately the way we are, we don't offer too much in Hyderabad either. So I don't see any asset quality specific to the current problem is restricted to Andhra. It is even in the past we have seen, last year also for a similar but a shorter duration disturbance, but it was not so much of an impact in asset quality. This time it was more prolonged for more than one and half month. But even in the shorter duration it was never so significantly hurting the asset quality.
- Moderator** We will take the next question from the line of Pranav Tendulkar from Canara Robeco Asset Management. Please go ahead.
- Pranav Tendulkar** I have just one question. After RBI regulation on retail NCD has changed, how are you seeing that source of fund, what are the alternatives available?
- Subhasri Shriram** I think a) We are deposit accepting NBFC. It is not so much of a challenge to invite our existing debenture holders to invest and participate in our deposit program. So that is happening quite smooth. There has been hardly any resistance from any investors who regularly invest in Shriram paper. So I don't think we have any serious concerns on that but obviously a deposit may be,



interest rate being what it is, could be slightly more expensive because of the negative carry on SLR. We should be able to offset this extra additional cost. By some portion of product debentures being shifted during the course of the next 5 – 6 months in public debenture. So we will probably look at more frequently coming to public issue of debentures largely targeting our existing investor. So there will be a portfolio moving to deposit and to partially for debenture. So liquidity wise there is no concern. And cost I think we should be able to make good this by little shift to the deposit and slightly cheaper public debenture.

**Moderator** We have the next question from the line of Ketav Shah from Anand Rathi. Please go ahead.

**Ketav Shah** One is on the net worth. I believe all the warrants have been converted during the quarter and there is additional 7 lakh shares that are added. Could you explain the whole amalgamation?

**Subhasri Shriram** Out of the 7 lakhs I think a portion is on account of ESOP which are being encashed or vested by employees but a large portion of it is on account of merger with Shriram retail holdings to Shriram City. Shriram Retail holding balance sheet had some cash at the time of merger. The cash was allotted in to share. So it is that small portion which has come in to the company. The cash component has come on account of the merger.

**Ketav Shah** So what would be that amount?

**Subhasri Shriram** 33 odd crores if I recall right, around 30 – 33 crores.

**Ketav Shah** The second question was regarding the consumer durable. I know we are not a major player but how do you see that spanning out over the next couple of quarters?

**Subhasri Shriram** I don't think it is relevant because we hardly do 5 – 10 crores. The product has been steady. I think the challenge here is the shorter duration loan, high velocity turnaround with the return on asset is not being very high. And I really do not anticipate the issue of the government pressure on banks to participate as actively on this. It's unlikely to make a tint in the market. Funds are not likely to get into the segment, irrespective to whatever they advertise or spend money on ad purchase. Customers are not going to happily shift to this loan product from private NBFC to bank. So it will continue to be with the NBFC market and in many cases it is actually some of the bigger dealers themselves act as financiers. So I think that is the way it is likely to go. The price levels have not dramatically increased. With such an increase in purchasing power, the limits are going up. What people used to take for 30,000 – 40,000 finance probably now people look at anything above 1 lakh. That's changing the phase of the product?

**Ketav Shah** Just a bookkeeping, what is the percentage of book maturing in the current quarter or just the amount?

**Subhasri Shriram** In terms of assets?



- Ketav Shah** In terms of liability and asset both.
- Subhasri Shriram** Retail liability for the next 5 – 6 month till March close to from October - November onwards is about 580 - 600 crores. Wholesale liability is not much of a concern because typically it gets fresh loans to come from the banks. As and when the loan of the banks comes for maturity, invariably much before that the new loan is already available. Therefore on the liability I don't think there is and for this 500 – 600 crores which is coming for maturity, I think we should be able to move quickly into the deposits and as and when monthly maturity like for example 70-80 crores is monthly maturity of debentures, we should comfortably be getting through deposits and by probably debentures. With reference to assets, the average tenure of assets is now inching up, with a larger proportion of business loan which is a 3 year to 4 year monthly amortization and also the gold loan is inching towards 5- 6 months. So this is now the scenario for about 20 months now. They are from an ALM point of view, what use to be about 15 months to 23 – 30 months between asset and liability the gap is rigid. The asset is about 20 months and liability is about 23 months.
- Moderator** We have the next question from the line of Saurav Kumar from JP Morgan. Please go ahead.
- Saurav Kumar** Just on the gold loan, what is the growth led by, retail gold loan or non retail?
- Subhasri Shriram** In this case, as I said it is both that is why the ratio has now shifted from 60:40 to almost 50:50 between the products. Retail is picking but it will take a while to see a big dent because it is a much smaller loan. It is also relative shorter duration. But on a traction point of view we are seeing very hefty retail also.
- Saurav Kumar** But the tenure will be higher in the non-retail portion right?
- Subhasri Shriram** Absolutely. Because it is was with customer keeping it for a particular purpose.
- Saurav Kumar** How much from the Shriram Chit customers have we converted now to SCUF till date?
- Subhasri Shriram** I will not say convert directly because we give preference only in the business loan category. We probably have a 1.5 lakhs customers. About 80 - 90% of them are from Shriram Chits references which translates into our database of Shriram Chits is hardly anything. But if you look at the current active customers last on date active customers, we probably have taken about 12 -13% of that.
- Moderator** We have the next follow up question from the line of Kunal Shah from Edelweiss. Please go ahead.
- Kunal Shah** Coming back on the question on the slit between the AP and non AP on business loan, the numbers which I have for Q2 FY13 on business loan disbursement was 1175 and this quarter it is



1269. So are these numbers right actually maybe it is like the total portfolio total disbursements in the business loans?

**Subhasri Shriram** You want AP alone or non AP?

**Kunal Shah** Total.

**Subhasri Shriram** Total is right.

**Kunal Shah** So you mentioned out of this 110 odd crores is non AP in Q2. So out of 1175, 1100 odd crores in non AP and this time you mentioned its 700 odd crores. So was not able to get that. So was like in Q2 AP was just 75 crores?

**Subhasri Shriram** You are talking of SME or non gold? The number you are talking is only SME loan and non gold loan.

**Kunal Shah** Okay so overall in non gold side you are mentioning.

**Subhasri Shriram** I can share the break up between the 2 businesses, 2 wheeler auto other known products. I can give you the details to you now, what you think?

**Moderator** We have the next question from the line of Abhishek Murarka from IIFL. Please go ahead.

**Abhishek Murarka** Actually the first question is can you just take us through the yields on various products now and if you have increased your lending rates during the quarter or been able to pass on?

**Subhasri Shriram** No. the last quarter we were looking at some in terms of RBI rates, I don't think it has been very significant. So in mid August and end of August there were bit of tremors in the market but that's more or less behind us again. Liquidity and prices it continues to be more or less shorter duration has stabilized. So we have not very significantly increased our lending rates in any product. If at all there is a change in the composition not from a price rise but in terms of profiling of your customer, and similarly in the same breadth I should say in the cost of funds either we have not seen any big jump. So we have not seen banks increasing rates. We put some of the banks and increased the base rates, those banks are not very relevant in terms of borrowing on books from those banks. In many of those places we typically have arrangements as fixed rate loan or securitization, so their increase in base rate have not been relevant. Hardly out of 43 - 45 banks hardly one or two banks have increased the base rates which have an impact on us. And those also working capital loans which we don't have utilized unless it is necessary.

**Abhishek Murarka** And what about the yields on various products if you can give a broad.



- Subhasri Shriram** It starts with business loan, we are still over 20%. Gold average is over 20 and we have as low as 16 and as high as 22 - 24. Two wheeler loans is about 24 to 27. Auto loan also at the same level. Gold 15 - 18 on an exception 20%. Personal loan is also 27 but hardly less than 1%.
- Abhishek Murarka** Secondly how many days of liquidity would you be carrying?
- Subhasri Shriram** Right now it's an obscene level. It is mainly on account of quarter ending we have done securitization and a bit of scare in the month of August we continue to hold some excess liquidity. Right now as of today we probably have 800 – 900 crores which effectively means without considering any such collection we are good to repay all the dues both public and institution for the next 4 months. So till January we are good.
- Abhishek Murarka** And lastly on NPA recognition, now I understand you have enough time to move to 120 or 90 but do you have any plans to move faster than what RBI Requires you to move at?
- Subhasri Shriram** RBI has not even told us what time it is to move. So it is still a draft. So therefore to me the time available is infinity. So there is no guideline, there is no specification, there are only thoughts and there are discussions going on. So I don't think we are contemplating anything till RBI comes up with it. Obviously RBI, if at all they come, they come with a time, if we need to comply we will comply with it. But we are not concerned because we have to comply with it. We have adequate margins with profits to accommodate but we are not planning, even anticipating any move from RBI. So we are not planning to move into 90 days.
- Moderator** We have the next question from the line of Ashwini Agarwal from Ashmore India. Please go ahead.
- Ashwini Agarwal** Quick question, you spoke about 40% overall growth which is possible and then AUM you spoke about 20% growth. So the gap I am assuming is basically due to repayments but I as kind of back of the envelope math, if the overall AUM duration is 20 months then you would need much stronger than 40% growth in loans to maintain an AUM growth of 20%. What am I getting wrong in this?
- Subhasri Shriram** I think you just have to split this product wise. You are getting 40% of all products, 40% was more of SME loan.
- Ashwini Agarwal** You are referring more to SME in that?
- Subhasri Shriram** When I explained the 40% we talked about the SME loan being 40% where the enterprise loan and two wheeler loan around 30%. 20 months is all products including gold. If you exclude gold the duration is almost 30 months.



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- Ashwini Agarwal** So, overall AUM growth sort of have been under pressure for last 3 – 4 quarters because of gold. That should start picking up from the December quarter given that gold loan has now bottomed out.
- Subhasri Shriram** That is the reason I said 20 overall because after the dip in the last 2 quarters should be gold book.
- Ashwini Agarwal** So 20% would be for financial year „14 or that would be for the next 2 quarters?
- Subhasri Shriram** I am talking of Financial Year as on incremental from now.
- Ashwini Agarwal** And NPL and GNPL recognition number that you gave, around 120 day basis.
- Subhasri Shriram** 150 day basis.
- Moderator** We have the next follow up question from the line of Elizabeth John from CRISIL. Please go ahead.
- Elizabeth John** Just for a follow on query, the consumer durable disbursement and auto loan disbursement have declined for any seasonal quarter or anything like that and how do we see that trend forward on that?
- Subhasri Shriram** I think consumer durable declining is too small a product to look at. It is the question of the season. Auto loan I think it was bit of rains and other which disturbed the last quarter. I think we should be okay. I don't think we have change in strategy or change in credit policy post of any of these..... By the way it is not too fast a growth for product either. We would probably maintain that rather than growing that 40 – 30% is not doable.
- Elizabeth John** Right now what must be the average ticket size for the gold loans?
- Subhasri Shriram** Retail should be around 40, non retail will be close to over a lakh.
- Moderator** Participants that was the last question. I now hand the floor back to Mr. Karan Uberoi for closing comments. Thank you and over to you.
- Karan Uberoi** On behalf of JM Financials I would like to thank Mrs. Subhasri Shriram of Shriram City Union Finance and all the participants for joining us on the call today. Thank you and good bye.
- Subhasri Shriram** Thank you all.
- Moderator** Thank you. Ladies and gentleman, on behalf of JM Financials, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.