



MD'S OVERVIEW

MR. R. SRIDHAR,

Managing Director, discusses the performance of the Company in 2007-08.

How would you rate your performance in 2007-08?

It was quite satisfying. We have succeeded in growing our business and margins in a challenging industry scenario. Thus our total income appreciated by 76.2 percent to Rs. 2,494.14 cr and net profit rose 104.74 percent to Rs. 389.83 cr. All this on a higher base of Assets Under Management (AUM) which stood at Rs. 19,519.70 cr up by 62.15 percent from Rs. 12,038.40 cr in the previous year. This performance is a testimony to our broad based scale up initiatives, which ensured that the growth happened through good quality assets. Our gross NPAs remained under 2 percent this year, demonstrating an unrelenting emphasis on a sound credit discipline.

What, therefore, would you count amongst the key contributors to this performance?

Essentially the 4Ps as we call them. Product. People. Presence and Processes.

We are focusing on a continually expanding product portfolio, which now encompasses passenger commercial vehicles, three-wheelers, tractors, multi-utility vehicles and construction equipment besides the regular commercial vehicles. This enables us to

grow our offering to existing customers and tap into newer customers. At the same time, there is a neat strategic fit between the commercial vehicles finance and some of the downstream products we have introduced - such as tyre loans, engine loans, credit cards and freight discounting. Our products are thus with the customer for a longer period of time, across a variety of needs.

A high-quality and sustainable growth can be achieved by creating a strong team of excellent people. At Shriram Transport, the year saw us significantly enhancing our workforce – doubling in strength to about 9,700 employees. We created a centralised human resources department and strengthened it further to allow us to effectively recruit, train and retain talent.

Our presence is pan Indian and we are expanding it rapidly. In 2007-08, we opened 72 new branches. In a business where personal relationships are the key to growing operations, we are intensifying our partnership programmes to induct more and more private financiers into our fold, allowing us access to a ready customer base. This increased presence allows us to penetrate deep into the market and reach customers.

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To manage our product, people and presence we are helped in immense measure by a process culture that we are inculcating across the organisation. We are implementing technology led process systems to make our appraisal and collection processes more efficient. We are ensuring a better quality and rapid delivery of credit to our customers through these systems which allow us to augment the benefits of our relationship based approach. We are also focusing on interconnectivity among branches, and more than 88 percent of our branches are already covered. Processes will play a significant role in our growing volumes in the long term.

In order to create a stronger organisation we invested in our systems and processes during the year. We are aiming a steep growth in the coming years and would require robust systems to support and process larger volumes. Besides, these systems should also enable us ensure good credit quality. As a result, we resorted to a technological solution by implementing an online centralised web-based application system - UNO. This system would allow seamless access to relevant information for all the branches, real time. It would result in better controls and higher levels of transparency across the organisation. To ensure fool-proof running of the systems, the Company also set-up state of the art data centre and scaled up its disaster recovery site.

We aim to connect all our branches within the first quarter of 2008-09.

What is your roadmap to sustain this growth in the future?

Our customer base is constituted by first time users and small truck owners and we are the only large scale player operating in extending credit in this space. Given the growth trajectory that India is on, we expect to consolidate this leadership further. The commercial vehicles space is expected to continuously grow and the demand for the underlying products we finance is thus expected to be robust. Given our increasing diversification, end-to-end solutions approach and an investment in building an organisation around global best practices will ensure that our corporate growth remains sustainable.

What, therefore, is the outlook for Shriram Transport in the immediate future?

The outlook is highly encouraging for a number of reasons: we have entered new segments like passenger commercial vehicles and tractors and we expect them to further strengthen our customer base. Our new branches will mature and contribute to our bottom line. Besides, our growing presence and partnership alliances will also help us capture

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more customers. At the same time we plan to introduce a platform for pre-owned truck sales, to ensure better quality of assets financed. The idea is to emerge as a one-stop shop to all our customers' needs and we, at Shriram Transport have been confidently working towards the goal. Therefore, we should be able to progressively increase the rate of growth witnessed in the previous years.

What are the key challenges you seek to address in achieving your goals?

Meeting challenges is almost a way of life at Shriram Transport, ever since our existence. Therefore, the process of strengthening our operations is a continuous one. Of course there are circumstances beyond our control such as the rising interest rate scenario, which we have to live with. However, in doing so we are working on containing our cost of funds, looking at newer funding structures will optimise our cost of capital and allow us a greater operating margin. The other major challenge is that of finding the right people. As our business grows, the need for people grows exponentially, and to ensure that the quality of interpersonal relationships is maintained at all levels is a challenge. We are meeting it through a relentless focus on human resource training and development and imbibing the very values on which our business is built in our new team members. The attractiveness of this segment

has also become common knowledge today, and that has given rise to competition, both organised and unorganised. Our first mover advantage serves us well in maintaining our leadership, but it is not enough. We are constantly engaging with consumers and innovating on our products and processes to retain our competitive advantage.

What does all of this mean for the shareholders? How are you building long term shareholder value?

The two main tools to build, enhance and nurture shareholder value is by scaling up business and derisking it progressively. Our value driven approach is reflected in the growing strength of our balance sheet. Our net worth today stands at Rs. 1,816.36 cr. compared to Rs. 1,086.28 cr. last year, reflecting the value we have added in just one year. We have deployed the most stringent internal control measures as well as proactively implemented corporate governance practices that ensure that every action of the management is shareholder value accretive. Our dividend policy is generous. We believe in delivering tangible returns to our stakeholders, and therefore, besides the capital appreciation, our dividend payouts also reflect the solidity of our performance.

