

## INTERVIEW: UMESH REVANKAR

MANAGING DIRECTOR, SHRIRAM TRANSPORT FINANCE CORPORATION

# Agriculture, rural business drive Q3 growth

*Despite a contraction in net interest margin, Shriram Transport Finance Corporation (STFC) has posted a 14.3% year-on-year rise in net profit in the October-December quarter, thanks to good growth in the assets under management, says Umesh Revankar, managing director. However, Revankar doesn't see much growth at least for two quarters ahead he says, in an interview with Vishwanath Nair. Excerpts*

**The quarter has shown good growth in terms of assets under management and profit growth, despite a slow beginning...**

The economic indicators were not so good when we started this quarter and October seemed to be a very tough month. But by December things were looking better due to delayed kharif output and arrival of that also helped in improving freight. The demand in the rural market has also increased substantially. Our growth has mainly come from agriculture and rural business. Net profit improved by 14.3% from a year ago to ₹346 crore, which was due to the growth in the assets under management, which grew by 18.56% year-on-year to ₹46,544.60 crore.

However, net interest margin was a little lower at 7.52% as against 7.67% in the previous quarter. But because of increase in growth and volume, we were able to post good numbers.

**What led to the contraction in margins? What is your outlook?**

We finance two kinds of used ve-



hicles, one is where the vehicles are two to five years old and there are vehicles which are over five years old. The vehicles which are two to five years old, command competition, hence the interest rates for them are lesser. This has compressed our margins during the quarter.

**What about the growth in disbursements for the quarter? What**

**are your expectations going ahead?**

Disbursements stood at around ₹6,900 crore in this quarter, up 40% from the corresponding quarter last year. But I don't see great opportunities or likely growth at least for the next two quarters. Only after October, we expect there could be some growth.

Even in the new vehicles segment, we are not seeing any good growth during this quarter since none of the major industries have shown any positive developments.

**How have various business segments performed?**

In small commercial vehicle (SCVs) and light commercial vehicle (LCVs) segments, growth is big. They

form about 40% of our disbursements. These two segments were introduced in large numbers about seven years ago and they are coming into the second hand vehicle market over the last one or two years. This way we are getting a lot of opportunities to finance vehicles, because there is not much competition in these small ticket loans. Apart from this, our passenger vehicle business has performed well. The heavy commercial vehicle (HCV) business has neither grown nor slowed down. The used vehicle demand in HCVs is in fact steady and good.

**What is your outlook on STFC's asset quality?**

We have been able to maintain asset quality in a reasonably well manner. Gross non-performing assets are at 2.89% of total assets, as compared with 2.9% at the end of September. The number is quite satisfying, considering that economic conditions have not improved over the last nine months. Net NPAs were around 0.63% as against 0.6% in the preceding quarter. The provision coverage ratio is around 79% and has remained stable. We will be very happy if we can maintain asset quality at this level.