

Shriram Transport Finance Company Ltd NCD Issue

Summary:

Shriram Transport Finance Company Ltd has come up with the 3rd tranche of public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each, for an amount of Rs 200Crore (“Base Issue Size”)with an option to retain oversubscription up to Rs 500Crore aggregating up to Tranche III Issue Limit of Rs 700Crore.

The issue will open for subscription from **January 07, 2019 to January 31, 2019** (The Issue shall remain open for subscription during the period indicated above except that the Issue may close on such earlier date or extended date as may be decided by Board of Directors of the Company (“Board”) or duly constituted committee Debt Issuance Committee- Public NCDs). The company will be paying an interest ranging between **9.12% and 9.70% p.a.** on these bonds.

The proposed NCDs issue has been rated ‘**CRISILAA+/Stable**’ by **CRISIL**; ‘**IND AA+: Outlook Stable**’ by **India Ratings and Research**. Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

Objects of the Issue: The Company proposes to utilise the funds which are being raised through the this Tranche III Issue, after deducting the Issue related expenses to the extent payable by the company (“Net Proceeds”), towards funding the following objects

1. For the purpose of onward lending, financing, and for repayment/ prepayment of interest and principal of existing borrowings of the Company (atleast 75%); and;
2. General Corporate Purposes (upto 25%)

Issuer	Shriram Transport Finance Company Limited
Issue Size	Public Issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each, for an amount of Rs 200 Crore (“Base Issue Size”) with an option to retain oversubscription up to Rs 500 Crore aggregating up to Tranche III Issue Limit of Rs 700 Crore. Minimum subscription Rs.150 cr.
Issue opens	Monday ,07th January 2019
Issue closes	Thursday , 31st January 2019
Allotment	First Come First Serve Basis, Compulsory in demat form
Face Value	Rs 1000 per NCD
Issue Price	Rs 1000 per NCD
Nature of Instrument	Secured, Redeemable Non-convertible Debentures
Minimum Application	Rs 10,000 (10 NCDs) collectively across all Series and in multiple of Rs 1,000 (1 NCD) thereafter across all Series
Listing	NCDs are proposed to be listed on BSE and NSE
Rating	‘CRISIL AA+/Stable’ by Crosland ‘IND AA+: Outlook Stable’ by India Ratings and Research
Security and Asset Cover	The NCDs proposed to be issued in this Tranche 3 Issue will be secured by way of first ranking pari passu charge, with prior permission of Debenture Trustee in this connection as provided for in the Debenture Trust Deed, on the Company’s identified immovable property and first ranking exclusive fixed charge on the Company’s identified receivables, both present and future, for the purposes of maintaining ‘security cover’ Security for the purpose of this Tranche 3 Issue will be created in accordance with the terms of the Debenture Trust Deed. The Issuer reserves the right to sell or otherwise deal with the receivables, both present and future, and provided that security cover of one (1.0) time on the outstanding principal amount and interest thereon, is maintained.

Issue Details

Series	I	II	III	IV	V	VI	VII
Frequency of Interest Payment	Monthly	Monthly	Annual	Annual	Annual	Cumulative	Cumulative
Tenor	5 Years	10 Years	3 Years	5 Years	10 Years	3 Years	5 Years
Coupon (%) for all Investor categories	9.12%	9.30%	9.40%	9.50%	9.70%	NA	NA
Effective Yield (per annum) (Approx)	9.50%	9.70%	9.39%	9.49%	9.69%	9.40%	9.50%
Redemption amount (Rs per NCD)	1000	1000	1000	1000	1000	1309.66	1574.63
Put and call option	NA						
Redemption Date(Years from the Deemed Date of Allotment)	5 Years	10 Years	3 Years	5 Years	10 Years	3 Years	5 Years
Minimum Application	Rs 10,000 (10 NCDs) across all Series collectively						
In multiples of thereafter	Rs 1,000 (1 NCD)						
Face Value / Issue Price (Rs Per NCD)	Rs 1,000 (1 NCD)						
Mode of Interest Payment	Through various options available						
Put/call options	Not available/applicable						

STFC shall allocate and allot Series III NCDs wherein the Applicants have not indicated their choice of the relevant NCD Series

*The initial allottees under Category III and Category IV in the proposed Tranche III Issue who are Senior Citizens on the Deemed Date of Allotment shall be eligible for an additional incentive of 0.25% p.a. provided the NCDs issued under the proposed Tranche III Issue are continued to be held by such investors under Category III and Category IV on the relevant Record Date for the relevant Interest Payment date for Series I, Series II, Series III, Series IV and/or Series V. Accordingly, the amount payable on redemption to such Senior Citizens for NCDs under series VI and Series VII is RS 1,318.67 and RS 1,592.70 per NCD respectively provided the NCDs issued under the proposed Tranche III Issue are continued to be held by such investors under Category III and Category IV on the relevant Record Date for the relevant Redemption Payment date for Series VI and Series VII.

On any relevant Record Date, the Registrar and/or the Company shall determine the list of the holder(s) of this Tranche III Issue and identify such Investors/ NCD Holders, (based on their DP identification and /or PAN and/or entries in the Register of NCD Holders) and make the requisite payment of additional incentive if the senior citizen has provided necessary documents.

Applicants shall apply in Tranche 3 Issue in dematerialised form only, through a valid Application Form filled in by the Applicant along with attachment, as applicable. Further, Applications in this Tranche 3 Issue shall be made through the ASBA facility only.

Who Can Apply?

Category I (Institutional Investors)	Category II (Non Institutional Investors)	Category III (High Net-worth Individual, ("HNIs"), Investors)	Category IV (Retail Individual Investors)
1. Public financial institutions, scheduled commercial banks, Indian multilateral and bilateral development financial institutions which are authorised to invest in the NCDs;	1. Companies within the meaning of section 2(20) of the Companies Act, 2013; Statutory bodies/ corporations and societies registered	Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs10 lakhs	Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to

<p>2. Provident funds, pension funds with a minimum corpus of Rs 2,500 lakhs, superannuation funds and gratuity funds, which are authorized to invest in the NCDs;</p> <p>3. Mutual Funds registered with SEBI</p> <p>4. Venture Capital Funds/ Alternative Investment Fund registered with SEBI;</p> <p>5. Insurance companies registered with the IRDA;</p> <p>6. State industrial development corporations;</p> <p>7. Insurance funds set up and managed by the army, navy, or air force of the Union of India;</p> <p>8. Insurance funds set up and managed by the Department of Posts, the Union of India;</p> <p>9. Systemically Important Non-Banking Financial Company, a nonbanking financial company registered with the Reserve Bank of India and having a networth of more than Rs 50,000 lakhs as per the last audited financial statements;</p> <p>10. National Investment Fund set up by resolution no. F.No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;</p>	<p>under the applicable laws in India unauthorized to invest in the NCDs;</p> <p>2. Co-operative banks and regional rural banks;</p> <p>3. Public/private charitable/ religious trusts which are authorised to invest in the NCDs;</p> <p>4. Scientific and/or industrial research organisations, which are authorised to invest in the NCDs;</p> <p>5. Partnership firms in the name of the partners; and</p> <p>6. Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009);</p> <p>7. Association of Persons; and</p> <p>8. Any other incorporated and/or unincorporated body of persons.</p>	<p>across all series of NCDs in this Tranche III Issue</p>	<p>and including Rs10 lakhs across all series of NCDs in this Tranche III Issue</p>
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Who are not eligible to apply for NCDs?

The following categories of persons, and entities, shall not be eligible to participate in the Issue and any Applications from such persons and entities are liable to be rejected:

- Minors without a guardian name* (A guardian may apply on behalf of a minor. However, Applications by minors must be made through Application Forms that contain the names of both the minor Applicant and the guardian);
- Foreign nationals, NRI inter-alia including any NRIs who are (i) based in the USA, and/or, (ii) domiciled in the USA, and/or, (iii) residents/citizens of the USA, and/or, (iv) subject to any taxation laws of the USA;
- Persons resident outside India and other foreign entities;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Foreign Venture Capital Investors;
- Qualified Foreign Investors;
- Overseas Corporate Bodies; and
- Persons ineligible to contract under applicable statutory/regulatory requirements.

*Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872

Allocation Ratio

Institutional Portion	Non-Institutional Portion	High Net Worth Individual Portion	Retail Individual Investor Portion
10% of the Overall Issue Size	10% of the Overall Issue Size	40% of the Overall Issue Size	40% of the Overall Issue Size

Credit Rating:

The NCDs proposed to be issued under this Tranche III Issue have been rated 'CRISIL AA+/Stable' by CRISIL for an amount of upto Rs 5,00,000 lakhs vide its letter dated June 8, 2018 and by revalidation letter dated October 4, 2018 and December 18, 2018 and 'IND AA+: Outlook Stable' by India Ratings and Research for an amount of upto Rs 5,00,000 lakhs vide its letter dated June 8, 2018 and by revalidation letter dated October 4, 2018 and December 21, 2018. These ratings indicate that instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations and carry very low credit risk.

Liquidity and Exit Options: The Bonds are proposed to be listed on the BSE and NSE.

Allotments in case of oversubscription: In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis and thereafter on proportionate basis, i.e. full allotment of the Secured NCDs to the Applicants on a first come first basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of Secured NCDs to the applicants on the date of oversubscription (based on the date of upload of each Application on the electronic platform of the Stock Exchange, in each Portion).

Company Background:

Shriram Transport Finance Company Ltd is one of the largest asset financing non-banking finance companies in the organised sector in India that cater to first time buyers ("FTB") and small road transport operators ("SRTOs") for financing pre-owned commercial vehicles. In addition, it provides commercial vehicle finance for new commercial vehicles. It is among the leading NBFCs in the organised sector for the commercial vehicle industry in India for FTBs and SRTOs and also provide financing for passenger commercial vehicles, multi-utility vehicles, three wheelers and tractors as well as ancillary equipment and vehicle parts finance, such as loans for tyres and engine replacements, and provide working capital facility for FTBs and SRTOs. STFC offers financial services to commercial vehicle operators, thereby providing comprehensive financing solutions to the road logistics industry in India.

STFC has a long track record of over three decades in the commercial vehicle financing industry in India. It is a part of the Shriram group of companies, which has a strong presence in financial services in India, including commercial vehicle financing, consumer finance, life and general insurance, stock broking, chit funds and distribution of financial products, such as life and general insurance products and mutual fund products. STFC's widespread network of branches across India has been a key driver of its growth over the years. As of March 31, 2018, it had 1,213 branches across India, including most of the major commercial vehicle hubs along various road transportation routes in India. It has also established its presence in 862 rural centres as of March 31, 2018, with a view towards increasing its market share in the pre-owned commercial vehicle market and reaching out to a relatively newer customer segment in rural areas. STFC has also strategically expanded its marketing network and operations by entering into revenue sharing agreements with private financiers in the unorganized sector involved in commercial vehicle financing. As of March 31, 2018, the total number of its employees was 23,819.

STFC has demonstrated consistent growth in its business and in its profitability. Its Assets Under Management has grown from Rs 7,948,959.34 lakhs (comprising assets under financing activities of Rs 6,619,485.18 lakhs and loan assets securitised and assigned of Rs 1,329,474.16 lakhs) as of March 31, 2017 on a standalone basis to Rs 9,530,602.57 lakhs (comprising assets under financing activities of Rs 8,051,415.05 lakhs and loan assets securitized and assigned of Rs 1,479,187.52 lakhs) as of March 31, 2018 on a standalone basis. Its capital adequacy ratio as of March 31, 2018 and March 31, 2017 computed on the basis of applicable RBI requirements was 16.87 per

centand 16.94 per cent., respectively, on a standalone basis, compared to the RBI stipulated minimum requirement of 15.00 per cent. Its Tier I capital as of March 31, 2018 and March 31, 2017 was Rs 1,118,620.60 lakhs and Rs1,006,142.44 lakhs, respectively. Tier II capital as of March 31, 2018 and March 31, 2017 was Rs 206,857.19 lakhs and Rs 115,063.90 lakhs, respectively. Its Gross NPAs as a percentage of Total Loan Assets was 9.16 percent and 8.17 per cent as of March 31, 2018 and March 31, 2017, respectively. Its Net NPAs as a percentage of Net Loan Assets was 2.83 per cent and 2.66 per cent as of March 31, 2018, and March 31, 2017 respectively.

Financial Performance:
(Rs in lakhs)

Particulars (Amount in Rs.Cr)	Fiscal 2018	Fiscal 2017	Fiscal 2016
Net worth	1,254,442.51	1,126,454.52	1,010,415.98
Total Debt (Net of Unamortised discount)	6,331,915.83	5,311,009.83	5,311,009.83
of which			
- Long-term borrowings- Non-Current	4,037,592.13	3,370,018.31	3,026,967.38
- Short Term Borrowings	767,645.96	498,313.75	333,035.34
- Current maturities of long term debts	1,526,677.74	1,442,677.77	1,619,067.68
Fixed Assets	11,995.54	8,377.61	10,106.30
(i) Property, plant and equipment	11,821.76	8,217.04	9,961.01
(ii) Intangible assets	173.78	160.57	145.29
Total Non-Current Assets	6,018,346.58	4,932,721.68	4,468,500.10
Cash and bank balances	363,750.92	444,068.53	236,385.69
Current Investments	-	5,220.97	10,399.52
Total Current Assets	2,828,690.75	2,507,823.62	2,327,402.58
Total Current Liabilities	2,844,443.22	2,410,373.56	2,350,374.18
Assets Under Management	9,530,602.57	7,948,959.34	7,340,661.71
Off Balance Sheet Assets	1,479,187.52	1,329,474.16	1,086,628.40
Interest Income	1,211,197.64	1,074,875.50	1,010,956.51
Interest Expense	523,426.47	504,863.47	494,307.63
Provisions and write-offs	312,211.32	244,432.05	210,679.48
Profit after tax	156,802.25	125,734.25	117,819.76
Gross NPA (%)	9.16%	8.17%	6.19%
Net NPA (%)	2.83%	2.66%	1.91%
Tier I Capital Adequacy Ratio (%)	14.24%	15.20%	14.71%
Tier II Capital Adequacy Ratio (%)	2.63%	1.74%	2.85%

Gross Debt Equity Ratio

Parameters	
Before Issue of the Debt Securities (In Times)	6.06
After Issue of the Debt Securities (In Times)	6.15

Competitive Strengths of the company

- One of the largest asset financing NBFCs in India
- Unique business model with a strong brand name and a track record of strong financial performance
- Access to a range of cost-effective funding sources
- Extensive experience and expertise in credit appraisal and collection processes
- Positive long-term industry prospects
- Experienced senior management team

Strategy

- Further expand operations by growing branch network and presence in rural centres and increasing revenuesharing agreements with private financiers.
- Optimise funding costs
- Cross-sell its product portfolio
- Continue to implement advanced processes and systems

Key Risk and Concerns:

- Any increase in the levels of NPA on STFC's loan portfolio, for any reason whatsoever;
- Any volatility in interest rates;
- General economic and business conditions in India and globally;
- STFC's ability to successfully implement its strategy, its growth and expansion plans and technological changes;
- Ability to compete effectively and access funds at competitive cost;
- Unanticipated turbulence in interest rates, equity prices or other rates or prices; the performance of the financial and capital markets in India and globally;
- Availability of funds and willingness of STFC's lenders to lend;
- Changes in political conditions in India;
- The rate of growth of STFC's loan assets;
- The outcome of any legal or regulatory proceedings STFC is or may become a party to;
- Changes in Indian and/or foreign laws and regulations, including tax, accounting, banking, securities, insurance and other regulations; changes in competition and the pricing environment in India; and regional or general changes in asset valuations;
- Any changes in connection with Government policies, statutory provisions, regulations and/or RBI directions in connection with NBFCs, including laws that impact STFC's lending rates and its ability to enforce collateral;
- STFC has incurred significant indebtedness and may incur substantial additional borrowings in connection with its business;
- Emergence of new competitors;
- Growth of transportation services in India;
- Occurrence of natural calamities or natural disasters affecting the areas in which STFC has operations;

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