

BID

Issue Details	
Issue price (Rs)	1000/-
Face value (Rs)	1000/-
Issue opens	15-Oct-18
Issue closes	29-Oct-18
Issue size (Rs.)	Base Issue size is Rs300 Cr. (with an option to retain over subscription amount up to Rs 1050 Cr). Total Issue size Rs 1350 Cr.
Allotment	First Come First Serve basis
Minimum application	10 NCDs (Rs. 10,000) & in multiple of 1NCD
Listing	BSE/NSE
Issuance and trading	In dematerialized form only
Rating	"CRISIL AA+/Stable, and 'IND AA, Outlook: Stable'

Other Details	
Lead manager	Axis Bank, A.K Capital Services, Edelweiss Financial, JM Financial, Trust Investment Advisors Pvt Ltd
Debenture Trustee	Catalyst Trusteeship Ltd
Registrar	Integrated Registry Management Services Private Limited

Category	Allocation
QIB Portion	I
Corporate Portion	II
HNI	III
Retail Individual	IV

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Shriram Transport Finance Company Limited

(Public Issue of Secured Non-Convertible Debentures)

Company Background:

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

Object of the Issue:

The company proposes to utilize the funds towards lending, financing, and repayment of interest and principal of its existing borrowings..

Rationale:

"CRISIL AA+/Stable and 'IND AA+, Outlook Stable"

- Shriram transport is the largest CV financier of India with asset under management stands at Rs1,00,978cr, up 22.3% on YoY basis as on June 2018. With presence of almost four decades in pre-owned CV financing business, STFC has created a strong and sustainable competitive advantage through deep understanding of borrowing profile and credit behavior.
- STFC has pan India presence with 1230 branches and 854 rural centres as on June 2018. Moreover, it has 1.97mn customers and tie-ups with more than 500 private financiers.
- STFC's capitalization remains comfortable with net worth Rs. 14,023cr and adjusted gearing (including securitization) of 6.0 times as on June 2018. Further, the company has a comfortable earnings profile with annualized return of average asset ratio of 2.4% as on June 2018.
- During FY18, STFC has reported net interest income of Rs. 6982cr and profit of Rs. 1568cr, up 24.7% and 25% respectively YoY. Further, STFC's return on average asset (RoAA) was at 1.6% driven by improved net interest margins amid lowering borrowing costs.
- In the past five years (FY14-18), the company's loan book has grown at CAGR of 21.5% and currently stands at Rs. 1,00,978cr as on June 2018. Further, net interest margin has improved from 6.68% in FY14 to 7.50% in FY18. Moreover, the company's book value has grown at a CAGR of 11.1% with Gross NPA and Net NPA stands at 8.98% and 2.74% respectively as on June 2018

Conclusion:

STFC has a good track record of registering profitable growth with superior capital adequacy ratio of 16.87%. The company's net profit has increased from Rs. 1257cr in FY17 to Rs. 1568cr in FY18. This indicates strong capacity for repayment of interest. We recommend investors to **Bid** the issue.

Issue Break up:

Category	Allocation	Issue Size (Rs Cr)	
		Base Issue	Total
QIB - I	10%	30	135
Corporate - II	10%	30	135
HNI - III	40%	120	540
Retail Individual -IV	40%	120	540
Total	100%	300	1350

Source : Company, RHP

Effective yield (P.A.)

Series	I	II	III	IV	V	VI	VII
Frequency of interest payment	Monthly	Monthly	Annual	Annual	Annual	Cumulative	Cumulative
Tenor	5yrs	10yrs	3yrs	5yrs	10yrs	3yrs	5yrs
Coupon (%) for all investor Categories*	9.12%	9.30%	9.40%	9.50%	9.70%	NA	NA
Effective Yield (p.a.) for all investor Categories*	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

Source : Company, RHP

*The initial allottees under Category III and Category IV in the proposed Tranche 22 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 2 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 III, Series III, Series IVV and/or Series V. Accordingly, the amount payable on redemption to such Senior Citizens for NCDs under series VI and Series VII is Rs. 1,318.677 and Rs. 1,592.70 per NCD respectively provided the NCDs issued under the proposed Tranche 22 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.

Asit C. Mehta

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