

Shriram Transport Finance Company Ltd

NCD WATCH

Company Profile

Shriram Transport Finance Company Ltd (STFC) is one of the largest assets financing NBFC in India. The company's primary focus is on financing pre-owned commercial vehicles (CV), They also provide financing for passenger vehicles, multi-utility vehicles, 3 wheelers and tractors.

Salient features of the NCD issue

- The Issue is in the form of **secured, redeemable, non-convertible debentures** having options, suiting the needs of different categories of investors.
- Credit rating agency CARE has rated the issue 'CARE AA+' and CRISIL has rated the NCDs "CRISIL AA/Stable" for an amount of **upto Rs. 750 Cr.** 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.**
- An Applicants has the option to apply for NCDs in the physical form or in the dematerialised form except for the Series III NCDs which is issued in Dematerialised option only.
- Attractive **coupon of 10.90*% for 3 years and 11.15*% for 5 years for "Individual" holders on record date** (*Includes additional incentive on coupon for Individual)
- There is no Put /Call options for the NCDs.
- The principal amount of the NCDs together with all interest due on the NCDs shall be secured by adequate assets to ensure **100% asset cover which shall be free from any encumbrances.** NCD holders shall be secured by way of first and exclusive charge in favor of the Debenture Trustee on an **identified immovable property and specified future receivables of the Company** as decided by the Company & Debenture Trustee.
- STFC shall pay **interest on application money** on the amount allotted to the applicant other than ASBA Applicants, at the rate of **9.00%p.a.** and **interest on application money which is liable to be refunded** to applicants at the rate of **2.50%p.a.**, subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended.
- **Allotments shall be made on a first-come first serve basis,** based on the upload of each Application into the electronic book of the Stock Exchange, in each Portion subject to the Allocation Ratio.
- The NCDs will be listed on **NSE & BSE** and will be available in Demat form facilitating trading of these NCDs.
- As per clause (ix) of Section 193 of the I.T. Act, **NO TAX will be deducted at source from the interest on listed NCDs** held in the dematerialized form.
- Individual Investors (Retail & HNI) holding the NCDs on any record date, shall be eligible to additional incentive in terms of interest in case of Series I , II and III and redemption premium amount in case of Series IV and V respectively.

Issue highlights

Issue size: Rs.750 Crs*

*Issue of Rs 375 crores with an option to retain over subscription upto Rs. 375 crores.

Face value: Rs 1,000

Minimum Application: Rs 10,000 or 10 NCDs.

Issue summary

Issue opens: 16th July 2013

Issue closes: 29th July 2013[^]

[^]The Issue may close on such earlier date or extended date as may be decided by the company.

Lead managers: JM Financial, AK Capital Services Ltd., and ICICI Securities, HDFC Bank,

Registrar: Integrated Enterprises (India) Limited.

Debenture Trustees: IDBI Trusteeship Services Limited.

Credit rating by CARE

Rating	Issue Type
CARE AA+	NCDs

Credit rating by CRISIL

Rating	Issue Type
CRISIL AA/Stable	NCDs

The rating of CARE and CRISIL indicates high degree of safety and very low credit risk. The ratings provided by CARE and CRISIL may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating.

Business Overview

The business is broadly classified into the following two business platforms:

- Financing pre-owned commercial vehicles.
- Financing for passenger commercial vehicles, multi-utility vehicles, 3 wheelers and tractors.

As on March 31, 2013, they had 539 branches across India, including most of the major commercial vehicle hubs along various road transportation routes in India. Company has also established presence in 350 Rural Centres with a view of deeper penetration in the used commercial vehicle market and reaching out to relatively a newer customer segment.

The Assets under Management has grown by CAGR of 21.04% from Rs.23,354.24 Crores as of 31st March 2009 to Rs.50,119.87 Crores as on 31st March 2013 on an unconsolidated basis.

The Total Income increased from Rs.3,737.63 Crores in fiscal year 2009 to Rs.6,563.59 Crores in fiscal year 2013 while Profit after Tax increased from Rs.612.40 Crores in fiscal year 2009 to Rs.1,360.62 Crores in fiscal year 2013 at a CAGR of 22.09%.

Strengths and competitive advantages

- The largest asset financing NBFC in India
- Access to a range of cost effective funding sources
- Unique business model and a track record of strong financial performance
- Strong brand name
- Extensive experience and expertise in credit appraisal and collection processes
- Experienced senior management team

Strategy going forward

- Further expand operations by growing branch network and increasing partnership and co-financing arrangements with private financiers.
- Continue to develop “Automall” business through wholly-owned subsidiary Shriram Automall India Limited
- Consolidate and expand construction and equipment finance business through wholly-owned subsidiary, Shriram Equipment Finance Company Limited.
- Consolidate product portfolio
- Continue to implement advanced processes and systems.

Key growth and efficiency indicators for the last three Fiscals

Certain Key Operational Indicators	Fiscal 2011	Fiscal 2012	Fiscal 2013
Gross NPAs (Rs. crores)	528.58	693.79	1025.37
Net NPAs (Rs. crores)	74.46	97.22	227.64
Total Loan Assets (Rs. crores)	19865.61	22080.48	31967.99
Net Loan Assets (Rs. crores)	19411.49	21484.42	31170.26
% of Gross NPAs to Total Loan Assets	2.66%	3.14%	3.21%
% of Net NPAs to Total Loan Assets	0.38%	0.45%	0.73%

Source: Prospectus

Business Highlights (Unconsolidated Financials) (Rs in Crs)

Particulars	FY11	FY12	FY13
Total Income	5,401.05	5,893.88	6,563.59
PAT	1,229.88	1,257.45	1,360.62
Share capital	226.18	226.32	226.89
Debt Equity Ratio (number of times) prior to the issue =4.57			

Category of investors

Particulars	Category I	Category II	Category III	Category IV
	Institutional	Non Institutional	HNI	Retail
Reservation for each category	<p>Up to 10% of issue size</p> <ul style="list-style-type: none"> Rs.75 cr for allotment to QIB assuming Issue size of Rs.750 cr 	<p>Up to 10% of issue size</p> <ul style="list-style-type: none"> Rs.75 cr for allotment to Non Institutional Portion assuming Issue size of Rs.750 cr 	<p>Up to 30% of issue size</p> <ul style="list-style-type: none"> Rs.225 cr for allotment to HNI Portion assuming Issue size of Rs.750 cr (Investors applying for an amt aggregating to above Rs 5 lakh) 	<p>Up to 50% of issue size</p> <ul style="list-style-type: none"> Rs.375cr for allotment to Retail Portion assuming Issue size of Rs.750 cr (Investors applying for an amt aggregating upto and including Rs 5 lakh)
Who can Apply	<ul style="list-style-type: none"> Resident Public Financial Institutions, Statutory Corporations, Commercial Banks, Co-operative Banks, Regional Rural Banks incorporated in India and authorized to invest in the NCDs; Indian Provident Funds, Pension Funds, Superannuation Funds and Gratuity Funds, authorized to invest in the NCDs; Indian alternative Investment funds registered with SEBI; Indian Insurance Companies registered with the IRDA; National Investment Fund; and Indian Mutual Funds registered with SEBI 	<ul style="list-style-type: none"> Companies; bodies corporate and societies registered under the applicable laws in India and authorized to invest in the NCDs Trusts settled under the Indian Trusts Act, 1882, public/private charitable/ religious trusts settled and/or registered in India under applicable laws, which are authorized to invest in the NCDs; Resident Indian scientific and/or industrial research organizations, authorized to invest in the NCDs; Partnership firms formed under applicable laws in India in the name of the partners, authorized to invest in the NCDs; and Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009), authorized to invest in the NCDs 	<ul style="list-style-type: none"> Resident Indian individuals who apply for NCDs aggregating to a value more than Rs. 5 Lacs, across all Series of NCDs, and Hindu Undivided Families through the Karta who apply for NCDs aggregating to a value more than Rs. 5 Lacs, across all Series of NCDs. 	<ul style="list-style-type: none"> Resident Indian individuals who apply for NCDs aggregating to a value not more than Rs 5 Lacs, across all Series of NCDs and Hindu Undivided Families through the Karta who apply for NCDs aggregating to a value not more than Rs. 5 Lacs, across all Series of NCDs.
Who cannot apply	<p>Minors without a guardian name (<i>guardian is competent to contract under Indian Contract Act, 1872</i>); Foreign nationals 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; Foreign Institutional Investors, Qualified Financial Institutions; Overseas Corporate Bodies and Persons ineligible to contract under applicable statutory/ regulatory requirements are not eligible to invest in the issue.</p>			

Note : All categories of persons who are individuals or natural persons (*including HUF acting through their Karta*) including without limitation HNI & Retail Individual Investors who are eligible under applicable laws to hold the NCDs are collectively referred to as “**Individuals**”.

All categories of entities, associations, organizations, societies, trusts, funds, partnership firms, Limited Liability Partnerships, bodies corporate, statutory and/or regulatory bodies and authorities and other forms of legal entities who are NOT individuals or natural persons and are eligible under applicable laws to hold the NCDs including without limitation Institutional Investors and Non Institutional Investors are collectively referred to as “**Non Individuals**”.

Investment Options:

Options	Series I		Series II		Series III		Series IV		Series V	
Interest Payment	Annual		Annual		Monthly		N.A.		N.A.	
Face Value of NCDs	Rs. 1000									
Tenor	36 Months		60 Months		60 Months		36 Months		60 Months	
Put/Call Option	There is no put/call option for the NCDs									
Coupon (% p.a.)	9.65%		9.80%		9.40%		N.A.		N.A.	
Additional Incentive on Coupon(% p.a.)	Individuals	Non Individuals	Individuals	Non Individuals	Individuals	Non Individuals	N.A.		N.A.	
	1.25%	NIL	1.35%	NIL	1.23%	NIL				
Aggregate Coupon Rate (% p.a.)	Individuals	Non Individuals	Individuals	Non Individuals	Individuals	Non Individuals	N.A.		N.A.	
	10.90%	9.65%	11.15%	9.80%	10.63%	9.40%				
Effective Yield (% p.a.)	Individuals	Non Individuals	Individuals	Non Individuals	Individuals	Non Individuals	Individuals	Non individuals	Individuals	Non Individuals
	10.90%	9.65%	11.15%	9.80%	11.15%	9.80%	10.90%	9.65%	11.15%	9.80%
Minimum Application	Rs. 10,000/- (10 NCDs) (for all Series of NCDs, namely Series I, Series II, Series III, Series IV and Series V either taken individually or collectively)									
In Multiples of	Rs. 1000 (1 NCD)									
Interest Payment Date	The first interest payment will be made on 01 April 2014 for the period commencing from the Deemed Date of Allotment till 31 March 2014 . The last interest payment will be made at the time of redemption of the NCD on a pro rata basis.				The first interest payment will be made on 01 September 2013 for the period commencing from the Deemed Date of Allotment upto the aforementioned date. The last interest payment will be made at the time of redemption of the NCD on a pro rata basis		N.A.		N.A.	
Redemption Amount	Face Value + any accrued interest at the Redemption Date + Additional Incentive as may be applicable for Individual NCD Holders		50% of Face Value at the end of 48 Months & 50% of Face value at the end of 60 Months + any accrued interest at the Redemption Date + Additional Incentive as may be applicable for Individual NCD Holders		Face Value + any accrued interest at the Redemption Date + Additional Incentive as may be applicable for Individual NCD Holders		Individuals	Non Individuals	Individuals	Non Individuals
							1364.33 per NCD	1318.67 per NCD	763.37 per NCD at the end of 48 Months and 848.48 per NCD at the end of 60 Months	726.93 per NCD at the end of 48 Months and 798.17 per NCD at the end of 60 Months
Security	The principal amount of the NCDs to be issued together with all interest due on the NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured by way of first and exclusive charge in favour of the Debenture Trustee on an identified immovable property and specified future receivables of the Company as may be decided mutually by the Company and the Debenture Trustee. The Company will create appropriate security in favour of the Debenture Trustee for the NCD Holders on the assets adequate to ensure 100% asset cover for the NCDs, which shall be free from any encumbrances.									
Seniority	Senior, (to clarify, the claims of the NCD Holders shall be superior to the claims of any unsecured creditors, subject to applicable statutory and/or regulatory requirements). The NCDs would constitute direct and secured obligations of ours and shall rank pari passu inter se, and subject to any obligations under applicable statutory and/or regulatory requirements, shall also, with regard to the amount invested, be secured by way of first and exclusive charge on the identified immovable property and the specified future loan receivables of the Company.									

Source: Prospectus

AXIS CAPITAL LIMITED

Registered office: Axis House, 8th Floor, Wadia International Center, Pandurang Budhkar Marg, Worli, Mumbai 400 025.
Tel: +91 22 4325 2525; Fax: +91 22 4325 3000

www.axiscapital.co.in

This document has been prepared by Axis Capital Limited. Affiliates of Axis Capital Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating and target price of the Affiliates research report.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent.

This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient.

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options and other derivatives as well as non investment grade securities - involve substantial risk and are not suitable for all investors.

Axis Capital Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval.

Axis Capital Limited, its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document.

This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of Axis Capital Limited. The views expressed are those of the analyst and the Company may or may not subscribe to all the views expressed therein.

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Axis Capital Limited to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Copyright in this document vests exclusively with Axis Capital Limited.