



A.K. Stockmart Pvt. Ltd.



Public Issue of Secured Redeemable Non-Convertible
Debentures ("Tranche II Issue")

of

SHRIRAM TRANSPORT FINANCE COMPANY LIMITED

October 15, 2018 – October 29, 2018





SHRIRAM TRANSPORT FINANCE COMPANY LIMITED

INVESTMENT RATIONALE

- The issue offers yields ranging from 9.39% % to 9.70% depending upon the Category of Investor and the option applied for.
- The NCDs have been rated 'CRISIL AA+/Stable' by CRISIL for an amount of upto Rs. 5,000 Crores and 'IND AA+: Outlook Stable' by India Ratings and Research for an amount upto Rs. 5,000 Crores.
- The NCDs are proposed to be listed on the National Stock Exchange of India Limited ("NSE") and the BSE Limited ("BSE"). for the purposes of the Issue, BSE shall be the Designated Stock Exchange.
- Public issue of secured redeemable non-convertible debentures of face value of Rs. 1,000 each, ("NCDs"), for an amount of Rs. 300 crore ("BASE ISSUE SIZE") with an option to retain oversubscription up to Rs. 1050 crore aggregating upto Rs. 1350 ("Tranche II Issue").

COMPANY PROFILE

- Shriram Transport Finance Company Limited (STFC) was established in 1979 and has a long track record of over three decades in the commercial vehicle financing industry in India.
- The Company has been registered as a deposit-taking NBFC with the Reserve Bank of India (RBI) since 4 September 2000.
- It is one of the largest asset financing non-banking finance companies in the organised sector in India that cater to first time users ("FTB") and small road transport operators ("SRTOs") for financing pre-owned commercial vehicles.
- STFC 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.
- The widespread network of branches across India has been a key driver of its growth over the years. As of March 31, 2018, STFC has 1,213 branches across India, including most of the major commercial vehicle hubs along various road transportation routes in India.
- The total revenue (including exceptional items) increased from Rs 10,830.61 crores in fiscal 2017 to Rs 12,416.58 crores in fiscal 2018.
- The net profit after tax increased from Rs 1,257.34 crores in fiscal 2017 to Rs 1,568.02 crores in fiscal 2018.
- The Assets Under Management has grown from Rs 79,489.59 crores as of March 31, 2017 on a standalone basis to Rs 95,306.02 crores (comprising assets under financing activities of Rs 80514.15 crores and loan assets securitised and assigned of Rs14791.87 crores) as of March 31, 2018 on a standalone basis.
- The Net NPAs as a percentage of Net Loan Assets was 2.83% and 2.66% as of March 31, 2018, and March 31, 2017 respectively
- The capital adequacy ratio as of March 31, 2018 and March 31, 2017 computed on the basis of applicable RBI requirements was 16.87% and 16.94%, respectively, on a standalone basis, compared to the RBI stipulated minimum requirement of 15.00%.

Source: Shelf Prospectus dated June 22, 2018 and Tranche II Prospectus dated October 8, 2018

Disclaimer: Invest only after referring to the Shelf Prospectus and Tranche II Prospectus

STRENGTHS

- ***One of the largest asset financing NBFCs in India***

The company is one of the largest NBFCs in the organised sector in India that cater to FTBs and SRTOs for financing pre-owned commercial vehicles. The widespread network of 1,213 branches across India and presence in 862 rural centers as of March 31, 2018 enables the company to access a large base of approximately 1.86 million customers, including most major and minor commercial vehicle hubs along various road transportation routes in India. The widespread branch network enables STFC to service and support existing customers from proximate locations that provide customers with easy access to the services.

- ***Unique business model with a strong brand name and a track record of strong financial performance***

As the market for commercial vehicle financing, especially pre-owned commercial vehicle financing, is fragmented, STFC's credit evaluation techniques, relationship-based approach, extensive branch network and strong valuation skills makes its business model unique and sustainable as compared to other financiers. STFC has an established track record of developing and training recruits on its internally developed valuation techniques, substantial customer knowledge and relationship culture developed over the past four decades. The efficient credit approval procedures, credit delivery process and relationship based loan administration and monitoring methodology have also aided in increasing customer loyalty and earning repeat business and customer referrals.

- ***Access to a range of cost-effective funding sources***

STFC funds its capital requirements through a variety of sources. As of March 31, 2018, 85.40% of borrowed funds consisted of funds raised from financial institutions and banks (including public issues of non-convertible debentures), while the remaining 14.60% consisted of funds raised through retail borrowings. STFC meets its funding requirements predominantly through term loans from banks (including cash credit), the issue of redeemable non-convertible debentures and fixed deposits, which constituted 25.99%, 38.51% and 12.79% of the total borrowings, respectively, as of March 31, 2018. STFC have been able to achieve a relatively stable cost of funds, primarily due to their strong credit ratings, effective treasury management and innovative fund raising programmes. For the years ended March 31, 2018 and 2017, the cost of borrowing was 8.72% and 9.51% of total costs, respectively.

- ***Extensive experience and expertise in credit appraisal and collection processes***

STFC has developed a unique business model that addresses the needs of a specific market segment with increasing demand. STFC focuses on closely monitoring its assets and borrowers through relationship executives who develop long-term relationships with FTBs and SRTOs, which enables it to capitalise on local knowledge. STFC follows stringent credit policies, including limits on customer exposure, to ensure the asset quality of loans and the security provided for such loans. Further, it has nurtured a culture of accountability by making its relationship executives responsible for loan administration and monitoring as well as recovery of the loans they originate.

- ***Positive long-term industry prospects***

The market STFC serves enjoys positive long-term prospects as a result of favourable macro and microeconomic factors, including the favourable inflation and interest rate environment in India, further liberalisation initiatives and the opening of the economy by the Government, the increase in infrastructural development by the Government resulting in construction of more highways and road connectivity, leading to increased business for the customers, which would in turn lead to a higher demand for the vehicles it finances. The Indian Government is currently considering proposals, taking into account the views of the National Green Tribunal (NGT), to ban commercial vehicles older than ten years to reduce pollution which is presently applicable in Delhi and NCR region. If these proposals are enacted by the Indian Government for all jurisdictions, this may result in a change in the Asset Under Management (AUM) portfolio of the Company and the percentage of loans financed for the purchase of new vehicles may gradually increase.

- ***Experienced senior management team***

The board of directors consists of nine directors with extensive experience in the automotive and/or financial services sectors. It has an experienced management team, which is supported by a capable and motivated pool of employees. The Company offers robust internal training programmes and has availed itself to an organically developed pool of talented members. The senior and middle management personnel have significant experience and in-depth industry knowledge and expertise.

Source: Shelf Prospectus dated June 22, 2018 and Tranche II Prospectus dated October 8, 2018

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ISSUE STRUCTURE

Issuer	Shriram Transport Finance Company Limited
Type of instrument/ Name of the security/ Seniority	Secured Redeemable Non-Convertible Debentures
Mode of the issue	Public issue
Lead Managers	A.K. Capital Services Limited, Axis Bank Limited, Edelweiss Financial Services Limited, JM Financial Limited and Trust Investment Advisors Private Limited
Issue	Public Issue of secured, redeemable non-convertible debentures of face value of Rs. 1,000 each, for an amount of Rs. 5,000 Crore (“Shelf Limit”) in accordance with the terms and conditions set out in the Shelf Prospectus and separate Tranche Prospectus for each such tranche issue which should be read together with the Shelf Prospectus of the Issue.
Tranche II Issue	Public Issue of secured, redeemable non-convertible debentures of face value of Rs. 1,000 each, for an amount of Rs. 300 Crore (“Base Issue Size”) with an option to retain oversubscription up to Rs. 1050 Crore aggregating up to Tranche II Issue Limit of Rs. 1350 Crore and is being offered by way of the Tranche II Prospectus which should be read together with the Shelf Prospectus dated June 22, 2018 (“Shelf Prospectus”) in accordance with the terms and conditions set out in the Tranche II Prospectus and the Shelf Prospectus. The Shelf Prospectus together with the Tranche II Prospectus shall constitute the (“Prospectus”).
Base Issue	Rs. 300 Crore
Minimum Subscription	Rs. 225 Crore
Option to retain Oversubscription Amount	Upto the Tranche II Issue Limit, i.e. upto Rs. 1350 Crore
Interest type	Fixed
Issuance mode of the instrument	In dematerialised form* only
Day count basis	Actual/ Actual
Interest on application money	Not applicable
Default interest rate	The Company shall pay interest in connection with any delay in allotment, refunds in case of failure of the Tranche 2 Issue or non-receipt of listing and trading approval, listing, dematerialised credit, execution of Debenture Trust Deed, payment of interest, redemption of principal amount beyond the time limits prescribed under applicable statutory and/or regulatory requirements, at such rates as stipulated/ prescribed under applicable laws
Redemption Date/ Maturity Date	Shall mean three years from the Deemed Date of Allotment for Series III and VI NCDs, five years from the Deemed Date of Allotment for Series I, IV and VII NCDs and 10 years from the Deemed Date of Allotment for Series II and V NCDs. If the Redemption Date/ Maturity Date of any Series of the NCDs falls on a day that is not a Working Day, the redemption/ maturity proceeds shall be paid on the immediately preceding Working Day along with interest accrued on the NCDs until but excluding the date of such payment.
Redemption Amount	The principal amount of the NCDs along with interest accrued on them, if any, as on the Redemption Date
Face value	Rs. 1,000 per NCD
Put/ Call option	Not Applicable
Minimum Application size and in multiples of NCD thereafter	Rs. 10,000 collectively across all Series and in multiple of Rs. 1,000 (1 NCD) thereafter across all Series
Market Lot/ Trading Lot	One NCD
Pay-in date	Application Date. The entire Application Amount is payable on Application.
Credit ratings	The NCDs proposed to be issued under this Issue have been rated ‘CRISIL AA+/Stable’ by CRISIL for an amount of up to Rs. 5,000 Crore vide its letter dated June 8, 2018 and ‘IND AA+: Outlook Stable’ by India Ratings and Research for an amount of up to Rs. 5,000 Crore vide its letter dated June 8, 2018 (revalidated as on October 4, 2018). The rating of the NCDs by CRISIL and India Ratings and Research 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.
Listing	The NCDs are proposed to be listed on BSE and NSE. The NCDs shall be listed within six Working Days from the date of Tranche 2 Issue Closing Date.
Trading mode of the instrument	In dematerialised form only
Tranche II Issue Opening Date	October 15, 2018
Tranche II Issue Closing Date**	October 29, 2018
Security and Asset Cover	The NCDs proposed to be issued in the Tranche II 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 DTD, 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 the Tranche II Issue will be created in accordance with the terms of the DTD. 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.
Deemed date of Allotment	The date on which the Board of Directors/or the Debt Issuance Committee approves the Allotment of the NCDs for the Tranche II Issue or such date as may be determined by the Board of Directors/ or the Debt Issuance Committee thereof and notified to the Designated Stock Exchange. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment. All benefits relating to the NCDs including interest on NCDs shall be available to the Debenture Holders from the Deemed Date of Allotment.

**This Tranche II Issue shall remain open for subscription on Working Days from 10 a.m. to 5 p.m. during the period indicated above, except that this Tranche II Issue may close on such earlier date or extended date as may be decided by the Board of Directors of the Company (“Board”) or the Debt Issue Committee. In the event of an early closure or extension of this Tranche II Issue, the Company shall ensure that notice of the same is provided to the prospective investors through an advertisement in a daily national newspaper with wide circulation on or before such earlier or initial date of Issue closure. On the Tranche II Issue Closing Date, the Application Forms will be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) and uploaded until 5 p.m. or such extended time as may be permitted by the Stock Exchanges.

Source: Shelf Prospectus dated June 22, 2018 and Tranche II Prospectus dated October 8, 2018
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THE SPECIFIC TERMS OF EACH INSTRUMENT

Series	I	II	III	IV	V	VI	VII
Interest type	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Interest reset process	NA	NA	NA	NA	NA	NA	NA
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.) for all Investorcategories*	9.50%	9.70%	9.39%	9.49%	9.69%	9.40%	9.50%
Redemption amount(Rs. per NCD)	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,309.66	1,574.63
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 ofthereafter	Rs. 1,000 (1 NCD)						
Face Value / Issue Price (Rs. / NCD)	Rs. 1,000 (1 NCD)						
Mode of Interest Payment	Through various options available						

The Company 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 II 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 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 II 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 II 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.

ALLOCATION RATIO

QIB Portion	Corporate 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

Source: Shelf Prospectus dated June 22, 2018 and Tranche II Prospectus dated October 8, 2018
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MODES OF MAKING APPLICATIONS

Mode of Submission of Application Forms	To whom the Application Form has to be submitted
ASBA Applications	(i) If using physical Application Form, (a) to the Designated Intermediaries at relevant Collection Centres, or (b) to the Designated Branches of the SCSBs where the ASBA Account is maintained; or
	(ii) If using electronic Application Form, to the SCSBs, electronically through internet banking facility, if available.

INVESTOR CATEGORIES AND ALLOTMENT

Category I	Category II	Category III	Category IV
Institutional Investors	Non Institutional Investors	High Net-worth Individual, ("HNIs"), Investors	Retail Individual Investors
<ol style="list-style-type: none"> Public financial institutions, scheduled commercial banks, Indian multilateral and bilateral development financial institution which are authorized to invest in the NCDs; 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; Mutual Funds registered with SEBI Venture Capital Funds/ Alternative Investment Fund registered with SEBI; Insurance Companies registered with IRDA; State industrial development corporations; Insurance funds set up and managed by the army, navy, or air force of the Union of India; Insurance funds set up and managed by the Department of Posts, the Union of India; Systemically Important Non-Banking Financial Company, a nonbanking financial company registered with the Reserve Bank of India and having a net-worth of more than Rs 50,000 lakhs as per the last audited financial statements; 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; 	<ol style="list-style-type: none"> Companies within the meaning of section 2(20) of the Companies Act, 2013; statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs; Co-operative banks and regional rural banks Public/private charitable/ religious trusts which are authorised to invest in the NCDs; Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; Partnership firms in the name of the partners; Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); Association of Persons; and Any other incorporated and/ or unincorporated body of persons. 	Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs 10 lakhs across all series of NCDs in the Tranche II Issue.	Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs 10 lakhs across all series of NCDs in the Tranche II Issue.

APPLICATIONS CANNOT BE MADE BY

- 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

Source: Shelf Prospectus dated June 22, 2018 and Tranche II Prospectus dated October 8, 2018

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KEY OPERATIONAL AND FINANCIAL PARAMETERS (Standalone)**(Rs.in Crores)**

Parameters	Fiscal 2018	Fiscal 2017	Fiscal 2016
Net worth ⁽¹⁾	12544.42	11264.54	10104.16
Total Debt (Net of Unamortised discount)	63319.16	53110.10	49790.70
of which			
- Long-term borrowings- Non-Current	40375.92	33700.18	30269.67
- Short Term Borrowings	7676.46	4983.14	3330.35
- Current Maturities of Long Term Debts	15266.78	14426.78	16190.68
Fixed Assets	119.96	83.78	101.06
(i) Property, plant and equipment	118.22	82.17	99.61
(ii) Intangible assets	1.74	1.61	1.45
Total Non-Current Assets	60183.47	49327.22	44685.00
Cash and bank balances	3637.51	4440.69	2363.86
Current Investments	-	52.21	104.00
Total Current Assets	28286.91	25078.24	23274.03
Total Current Liabilities	28444.43	24103.74	23503.74
Assets Under Management ⁽²⁾	95306.03	79489.59	73406.62
Off Balance Sheet Assets ⁽³⁾	14791.88	13294.74	10866.28
Interest Income	12111.98	10748.76	10109.57
Interest Expense	5234.26	5048.63	4943.08
Provisioning & Write-offs	3122.11	2444.32	2106.79
Profit After Tax	1568.02	1257.34	1178.20
Gross NPA (%) ⁽⁴⁾	9.16%	8.17%	6.19%
Net NPA (%) ⁽⁵⁾	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%

(1) Net worth as defined in Section 2(57) of the Companies Act, 2013 means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation

(2) Assets Under Management: Total Loan Assets and loan assets securitised and Assigned

(3) Off-balance sheet assets mean hypothecation loans securitised or assigned till date.

(4) Gross NPA (%): Gross NPA means Outstanding loans including future principal and excluding unrealised interest accrued and due under NPA accounts. Gross NPA % is percentage of Gross NPA to Total Loan Assets.

(5) Net NPA (%): Net NPA means Gross NPA net off provision held for NPA accounts and provision for diminution in fair value of restructured loans. Net NPA % is percentage of Net NPA to Net Loan assets.

Gross Debt Equity Ratio of the Company:

Parameters	
Before Issue of the Debt Securities (In Times)	6.10
After Issue of the Debt Securities (In Times) *	6.46

* The debt-equity ratio post the Issue is indicative and is on account of assumed inflow of Rs. 135,000.00 lakhs from the Issue and includes inflow from subscription of Rs. 364,851.86 lakhs for Tranche I, as on June 30, 2018 and does not include contingent and off-balance sheet liabilities. The actual debt-equity ratio post the Issue would depend upon the actual position of debt and equity on the date of allotment.

Source: Shelf Prospectus dated June 22, 2018 and Tranche II Prospectus dated October 8, 2018

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DISCLAIMER:

‘The investors shall invest only on the basis of information contained in the final prospectus’

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