

Shriram Transport Finance Company Ltd

Shriram Transport Finance Company (STFC) is one of the largest asset financing NBFCs in India and among the leading organized finance provider for the commercial vehicle industry with a focus to provide various credit facilities to Small Truck Operators.

With a track record of over 32 years, STFC is a part of the "Shriram" conglomerate which has a significant presence in financial services viz., commercial vehicle financing business, consumer finance, life and general insurance, stock broking, chit funds and distribution of financial products. STFC has a pan-India presence through its wide network of 488 branches and tie ups with 500 private financiers across the country as of March 31st, 2011. STFC has a strong financial track record and has total assets under management (AUM) in excess of Rs 36,182.63 crores as on March 31st, 2011. STFC's net NPAs as a percentage of net loan assets was 0.38% as of March 31st, 2011. Total employee strength was approximately 16,919.

Issue Details

STFC Non Convertible Debenture (NCD) is opening on June 27th, 2011 for subscription and aims at collecting Rs 500 crore with a green-shoe option up to Rs 500 crore.

No income tax is deductible at source as per the provisions of Section 193 of the IT Act on interest on debentures issued by a company in a dematerialised form listed on recognised stock exchange in India.

Objects of the Issue

- Lending and investments
- To repay existing loans
- Business operations, including capital expenditure and working capital requirements

Issue Opens
27th June'11
Issue Closes
9th July'11

Recommendation

SUBSCRIBE - - ★ ★ ★ ★ ★

Rating

Secured NCD - 'CARE AA+' by CARE & 'AA/Stable' by CRISIL.

Minimum Investment: Rs 10,000

Yield: 11.00%-11.60%

Issuance and Trading

Compulsorily in Dematerialised Form

Listing of NCD: NSE

Investment Tenure

Secured NCDs option I:

- 60 months

Secured NCDs option II:

- 36 months

Issue Structure

Public Issue of NCDs aggregating upto Rs 50,000 lacs with an option to retain over-subscription upto Rs 50,000 lacs for issuance of additional NCDs, aggregating to a total of up to Rs 1,00,000 lacs. The key common terms and conditions of the NCDs are as follows:

Particulars	Terms and Conditions
Who can Apply	<p>Category I</p> <ul style="list-style-type: none"> • Public Financial Institutions, Statutory Corporations, Commercial Banks, Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs; • Provident Funds, Pension Funds, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs; • Venture Capital funds registered with SEBI; • Insurance Companies registered with the IRDA; • National Investment Fund; • Mutual Funds; <p>Category II</p> <ul style="list-style-type: none"> • Companies; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the NCDs; • 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; and • Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009) <p>Category III*</p> <p>The following persons/entities</p> <ul style="list-style-type: none"> • Resident Indian individuals; and • Hindu Undivided Families through the Karta.

TERMS AND CONDITIONS IN CONNECTION WITH THE NCDs**Nature of the NCDs**

We are offering NCDs which shall have a fixed rate of interest. The NCDs will be issued at a face value of Rs 1,000/- per NCD. Interest on the NCDs shall be payable on an annual basis, as set out hereinafter. The terms of the NCDs offered pursuant to the Issue are as follows:

Options	I	II
Frequency of Interest Payment	Annual	Annual
Minimum Application	Rs 10,000/-(10 NCDs)	
In Multiples of	Rs 1,000 (1 NCD)	Rs 1,000 (1 NCD)
Face Value of NCDs (Rs / NCD)	Rs 1,000	Rs 1,000
Issue Price (Rs / NCD)	Rs 1,000	Rs 1,000
Tenor	60 months	36 months
NCD Holders in Category I and Category II		
Coupon (%)	11.10% per annum	11.00% per annum
Effective Yield (per annum)	11.10%	11.00%
NCD holders in the Reserved Individual Portion		
Coupon (%)	11.60% per annum	11.35% per annum
Effective Yield (%) p.a.	11.60% per annum	11.35% per annum
Coupon (%) for NCD holders in the Unreserved Individual Portion	11.35% per annum	11.10% per annum
Effective Yield (%) p.a.	11.35% per annum	11.10% per annum
Put and call option	At the end of 48 months	Nil

View

Shriram Transport Finance NCD issue is a good investment opportunity for those investors who are expecting to get higher returns as compared to bank fixed deposits given its good credit rating and high creditworthiness. NCD is secured borrowings for the company that is, if the company were to wind up, NCD holders will rank above all unsecured creditors and other investors.

The interest rate of 11.00%-11.60% p.a., offered by this issue is higher than the rates offered by the commercial banks on their fixed deposits. This issue can earn an investor an additional spread of 75-100 basis points at a negligible incremental risk.

Besides the creditworthiness offered by STFC's NCD issue, it offers high liquidity as the NCD would be listed on National Stock Exchange of India, which is an added advantage.

However, it is not advisable to put all money in bonds/debt products. A diversification of portfolio is a must to reduce risk and enhance returns.

Keeping in mind, the company's track record, pedigree and better and assured returns than Bank FDs, **we recommend investors to subscribe to the Shriram Transport Finance NCD issue.**

We recommend investment in Shriram Transport Finance NCD for conservative investor and investors looking for better than Fixed Deposit returns, considering its very attractive yield and company's creditworthiness. The Issue is Rated AA+ by CARE, so there is no risk of default.

Why Invest?

- ✓ Higher Safety: Shriram NCD is secured debt
- ✓ High Liquidity as listed on NSE
- ✓ No TDS
- ✓ Better than FD Returns

Suitable for investors:

- With a Long term investment horizon, of 5 years
- Having a Low-medium risk appetite
- Looking for better than FD yield

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