SHRIRAM
Commercial Vehicle Finance
GETS YOU GOING

(2)

SEC /IDBI/14-15

October 14, 2014

To,
NATIONAL STOCK EXCHANGE OF INDIA LIMITED
Exchange Plaza, Bandra – Kurla Complex,
Bandra (East), Mumbai – 400 051

Dear Sir,

Sub : Half Yearly Communication to Exchanges w. r. t. Our Public Issue of Non Convertible Debenture 2014 (NCDs VII – Tranche-I Issue) aggregating to Rs.500 Crs. upto shelf limit of Rs.3000 Crores (Shelf Prospectus and Tranche-I Prospectus dated June 24, 2014 Public Issue).

As per Clause 6 of the Listing Agreement for debt securities, we are pleased to furnish the following informations:

1. **Credit Rating:** 'CARE AA+' (Double A Plus) by CARE, 'CRISIL AA/Positive' by CRISIL and 'IND AA+' by India Ratings & Research Private Limited letters dated June 20, 2014, August 28, 2014 dated June 20, 2014 respectively **(Please refer Annexure – I, II & III).**

2. **Asset Cover available**: Asset Coverage ratio will be provided after the results are approved in Board Meeting to be held in the fourth week of October, 2014.

3. **Debt Equity Ratio**: The Debt Equity Ratio will be provided after the results are approved in Board Meeting to be held in the fourth week of October, 2014.

4. **Security Cover for the Non-Convertible Debentures:** Security Cover will be provided after the results are approved in Board Meeting to be held in the fourth week of October, 2014.

5. **Previous due date for the payment of interest / principal and whether the same has been paid or not:**

   The monthly interest payment was made on September 01, 2014 and October 01, 2014 in respect of the ISIN No. INE721A07HK4 and INE721A07HL2 with NSE Scrip Code YA and YB.

6. **Next due date for payment of interest / principal :-**

   (i) Monthly interest payment will be due under ISIN No. INE721A07HK4 and INE721A07HL2 (NSE Script YA and YB) between the period October 01, 2014 to March 31, 2015 is appended below:

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Sr.No.	Month	Interest due date	Pay out date
1	October- 2014	November 01, 2014	November 01, 2014
2	November - 2014	December 01, 2014	December 01, 2014
3	December – 2014	January 01, 2015	January 01, 2015
4	January – 2015	February 01, 2015	January 31, 2015
5	February – 2015	March 01, 2015	February 28, 2015
6	March – 2015	April 01, 2015	April 01, 2015

(ii) Annual interest payment will be due on July 15, 2015. The scrip code and ISIN are as under **:**

Sr. No.	NSE SCRIP CODE	ISIN	Interest / principal payment Term
1	Y7	INE721A07HH0	Annual
2	Y8	INE721A07HI8	Annual
3	Y9	INE721A07HJ6	Annual

7. **Financial results:** The financial results for the quarter and half year ended on September 30, 2014 will be provided after the results are approved in Board Meeting to be held in the fourth week of October, 2014.

8. **Name of Stock exchange on which debentures are listed :**
   (i) BSE Limited and
   (ii) National Stock Exchange of India Limited

9. Listing Agreement: The copy of listing agreement has already been submitted.

Thanking you,

Yours faithfully,
For **SHRIRAM TRANSPORT FINANCE COMPANY LIMITED**

Vivek M. Achwal
Company Secretary

For IDBI TRUSTEESHIP SERVICES LTD.
AUTHORISED SIGNATORY

Encl : a/a.
CC: -
M/s. IDBI Trusteeship Services Ltd.
Asian Building, Ground Floor
17, R. Kamani Marg
Ballard Estate
Mumbai – 400 001

Annexure I

CARE Ratings
Professional Risk Opinion

20 PLUS YEARS
Analytical Excellence

Mr. Parag Sharma
Executive Director & CFO,
Shriram Transport Finance Co. Ltd.
Wockhardt Towers, Level 3
West Wing, C-2, G Block
Bandra Kurla Complex
Bandra (East)
Mumbai – 400 051

October 1, 2014

Confidential

Dear Sir,

Credit Rating for Outstanding Non-Convertible Debentures (NCD) and Subordinated Debt Issue

On a review of recent developments including operational and financial performance of your company for FY14 and Q1FY15, our Rating Committee has reviewed the following rating:

Instrument/Facility	Amount Rated (Rs. crore)	Rating[1]	Remarks
Non-Convertible Debentures (NCD)	15,450	CARE AA+ (Double A Plus)	Reaffirmed
Subordinated Debt	3,150	CARE AA+ (Double A Plus)	Reaffirmed

2. Refer **Annexure 1** for details of rated instruments.
3. The rationale for the rating will be communicated to you separately.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to suspend/withdraw/revise the rating assigned on the basis of new information or in the event of failure on the part of the company to furnish such information, material or clarifications as may be required by CARE. CARE shall also be

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CORPORATE OFFICE: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (E), Mumbai 400 022.
Tel.: +91-22-6754 3456; Fax: +91-22-6754 3457 | Email: care@careratings.com | www.careratings.com

CARE Ratings
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20 PLUS YEARS
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entitled to publicize/disseminate such suspension / withdrawal / revision in the assigned rating in any manner considered appropriate by it, without reference to you.

6. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

7. CARE ratings are **not** recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

[Abhishek Gupta]
Manager
abhishek.gupta@careratings.com

[Vishal Sanghavi]
Sr. Manager
vishal.sanghavi@careratings.com

Encl : As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.
In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

For SHRIRAM TRANSPORT FINANCE CO. LTD.

V. M. Achwal
Company Secretary

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CARE Ratings
Professional Risk Opinion

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Annexure I

Details of NCD and Subordinated Debt Rated

Instrument	Amount Rated (Rs. Cr)	Remarks
Non Convertible Debentures	50.0	NCD I
Non Convertible Debentures	500.0	NCD II
Non Convertible Debentures	500.0	NCD III
Non Convertible Debentures	1,000.0	NCD IV
Non Convertible Debentures	500.0	NCD V
Non Convertible Debentures	1,000.0	NCD VII
Non Convertible Debentures	300.0	NCD VI
Non Convertible Debentures	500.0	NCD VIII
Non Convertible Debentures	500.0	NCD IX
Non Convertible Debentures	500.0	NCD X
Non Convertible Debentures	500.0	NCD XI
Non Convertible Debentures	500.0	NCD XII
Non Convertible Debentures	250.0	NCD XIII
Non Convertible Debentures	600.0	NCD XIV
Non Convertible Debentures	500.0	NCD XV
Non Convertible Debentures	1,000.0	NCD XVI
Non Convertible Debentures	400.0	NCD XVII
Non Convertible Debentures	1,000.0	NCD XVIII
Non Convertible Debentures	750.0	NCD XIX
Non Convertible Debentures	100.0	NCD XX
Non Convertible Debentures	700.0	NCD XXI
Non Convertible Debentures	500.0	NCD XXII
Non Convertible Debentures	300.0	NCD XXIII
Non Convertible Debentures	3,000.0	NCD XXIV
Total	**15,450.0**	
Subordinated Debt	300.0	Sub Debt I
Subordinated Debt	300.0	Sub Debt II
Subordinated Debt	500.0	Sub Debt III
Subordinated Debt	500.0	Sub Debt IV
Subordinated Debt	200.0	Sub Debt V
Subordinated Debt	250.0	Sub Debt VI
Subordinated Debt	200.0	Sub Debt VII
Subordinated Debt	100.0	Sub Debt VIII
Subordinated Debt	200.0	Sub Debt IX

SHRIRAM TRANSPORT FINANCE CO. LTD.

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Subordinated Debt	200.0	Sub Debt X
Subordinated Debt	400.0	Sub Debt XI
Total	**3,150.0**	

Annexure II

Rating Rationale

CRISIL RATINGS

August 28, 2014
Mumbai

Shriram Transport Finance Company Limited

Rating outlook revised to 'Positive'

Total Bank Loan Facilities Rated	**Rs.250.0 Billion**
Long Term Rating	**CRISIL AA/Positive (Outlook revised from 'Stable' and rating reaffirmed)**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

(Refer to Annexure 1 for Facility-wise details)

Rs.30.0 Billion Non-Convertible Debenture Issue	**CRISIL AA/Positive (Outlook revised from 'Stable' and rating reaffirmed)**
Non-Convertible Debentures Aggregating Rs.102.80 Billion	**CRISIL AA/Positive (Outlook revised from 'Stable' and rating reaffirmed)**
Subordinated Debt Issue (Tier-II Bonds) Aggregating Rs.15.00 Billion	**CRISIL AA/Positive (Outlook revised from 'Stable' and rating reaffirmed)**
Fixed Deposit Programme	**FAA+/Positive (Outlook Revised from 'Stable'; Rating Reaffirmed)**
Rs.20.00 Billion Short-Term Debt Programme	**CRISIL A1+(Reaffirmed)**

CRISIL has revised its rating outlook on the long-term debt instruments, bank facilities and fixed deposits of Shriram Transport Finance Company Ltd (STFCL) to **'Positive'** from 'Stable', while reaffirming the ratings at **'CRISIL AA/FAA+'**. The rating on the company's short-term debt instruments and bank facilities has been reaffirmed at **'CRISIL A1+'**.

The outlook revision primarily reflects CRISIL's expectation that the commercial vehicle (CV) cycle will bottom out over the next few quarters. This is expected to lead to gradual improvement in STFCL's asset quality and profitability. The outlook revision also factors in CRISIL's belief that the company will sustain its strong competitive position in the pre-owned CV financing market and benefit from the sound growth potential for this segment over the medium term.

The ratings continue to reflect STFCL's healthy capitalisation, which provides a cushion against any asset-side risks, and its comfortable earnings profile. These rating strengths are partly offset by the company's average, though improving, resource profile.

CRISIL believes that the industry cycle for CV financiers is nearing its bottom and the segment should start witnessing a gradual recovery over the next few quarters. The expected improvement in industrial growth to 3.6 per cent in 2014-15 (refers to financial year, April 1 to March 31) from 0.4 per cent the previous year and easing of infrastructure constraints will result in rise in gross domestic product (GDP) growth to around 5.5 per cent in 2014-15 from a low of around 4.7 per cent in 2013-14. This will lead to improvement in utilisation of current CV capacity and will improve cash flows of transporters.

STFCL has pioneered the organised pre-owned CV financing market in India - it held around 80 per cent share in this market as on March 31, 2014. It is also the largest CV financier in the country. Pre-owned CV financing constituted about 88 per cent of the company's overall assets under management of Rs.544 billion as on June 30, 2014. With a presence of over three decades in this business, STFCL has created a strong and sustainable competitive advantage through deep understanding of the borrower profile and their credit behaviour, by building an effective and suitable operating model, extensive reach, as well as strong valuation capabilities of pre-owned vehicles. STFCL faces limited competition from other organised financiers, including banks, in this segment due to their limited presence given the inherent riskiness of the target product and customer profile.

Furthermore, STFCL's innovation in establishing Shriram Automall India Ltd provides a reliable platform for sale, refurbishment, and auction of pre-owned vehicles, besides enabling better price discovery of such vehicles. This innovation will support the development of the pre-owned CV industry, besides providing a steady source of customers to STFCL for its financing business.

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For SHRIRAM TRANSPORT FINANCE CO. LTD.

CRISIL believes that the growth opportunity in the pre-owned CV financing business remains strong, given that a large proportion of the financing requirement is still being catered to by the unorganised market comprising local money lenders, coupled with the replacement demand for more than three million units of CVs sold over the past five years. STFCL has been gradually expanding into rural markets and has set up 629 rural centres during the past two years to tap this opportunity.

CRISIL believes that STFCL has strong structural advantages over its peers, which will support its above- average growth plans and also enable it to maintain its leadership position in the pre-owned CV financing segment over the medium term.

STFCL has adequately managed asset quality challenges, despite the prolonged economic downturn over the past two years. Its gross non-performing assets (NPAs), at 3.7 per cent as on June 30, 2014 (as against 3.9 per cent as on March 31, 2014 and 3.2 per cent as on March 31, 2013), is expected to have reached near peak levels. Also, the company's asset quality performance in the pre-owned CV financing segment has been relatively better than that in the new CV financing segment, unlike in past experience. This has been primarily supported by its relationship based lending model and collection and recovery mechanisms. Further, STFCL has made adequate provisions for NPAs and hence its net NPAs have remained significantly lower at 0.8 per cent as on June 30, 2014.

CRISIL believes that STFCL's gross NPAs are unlikely to remain at these cyclical high levels by March 2015. Its asset quality is expected to improve gradually from the second half of 2014-15, as borrowers cash flows will be positively impacted from an improvement in capacity utilisation of existing vehicles. This will be primarily supported by improvement in the economic environment and policy impetus on infrastructure and investment activity. However, risks from deficient monsoons remain, which might dampen the prospects of a healthy recovery in asset quality.

STFCL's capitalisation remains healthy, with net worth of around Rs.85.4 billion and adjusted gearing (including securitisation) of 5.9 times as on June 30, 2014 (Rs.82.3 billion and 6.4 times as on March 31, 2014). The company's adjusted gearing has improved over the past three years from 7.4 times as on March 31, 2011. Its healthy capital position provides a cushion against asset-side risks, as reflected in its above-average net worth coverage of net NPAs of around 27 times as on March 31, 2014. CRISIL believes that STFCL's capitalisation will remain healthy over the medium term, given its demonstrated ability to access equity markets, and its comfortable return on net worth of 16.4 per cent in 2013-14.

STFCL has a comfortable earnings profile. The company's return on managed assets ratio, at 2.0 per cent in 2013-14, remained better than that of other CV financiers (average of 1.8 per cent), despite having declined over the past few years due to increase in credit costs and decline in net interest margin (NIM; including securitisation income). The company had a healthy NIM of 6.0 per cent in 2013-14 (6.3 per cent in 2012-13) given its strong competitive position, relatively high yields in the pre-owned vehicle financing segment, and the benefit of cheaper funding through securitisation. STFCL's operating costs are lower than those of its peers, with an operating expenses ratio at 1.5 per cent in 2013-14 (the same as in the previous year). The company's profitability is expected to improve gradually over the next few quarters in line with the likely improvement in its asset quality. Furthermore, the company's leadership position in pre-owned CV financing market will ensure that its profitability remains better than that of other CV financiers.

However, STFCL has an average resource profile. The company's dependence on securitisation remained high, at around 32 per cent of overall borrowings (including securitisation) as on March 31, 2014, despite declining from 37 per cent as on March 31, 2013. Furthermore, the company's cost of borrowings at 11.2 per cent during 2013-14 (11.3 per cent in 2012-13; based on quarterly average borrowings) remained higher than that of its peers. CRISIL believes that STFCL's ability to diversify its resource profile, reduce dependence on securitisation, and maintain competitive borrowing costs will remain key rating monitorables over the medium term.

Outlook: Positive

CRISIL believes that STFCL will sustain its strong market position in the pre-owned CV financing segment, along with its healthy capitalisation and comfortable earnings profile, over the medium term. The ratings may be upgraded if there is a turnaround in the CV cycle which is expected to result in an improvement in STFCL's asset quality and profitability. Conversely, the outlook may be revised to 'Stable' if the company's asset quality does not improve significantly, adversely impacting its earnings profile.



About the Company

STFCL, incorporated in 1979, is the flagship company of the Shriram group. The company is registered with the Reserve Bank of India as a deposit-taking, asset-financing non-banking financial company. It operates in the asset-financing sector and provides financing for vehicles such as CVs (both pre-owned and new), tractors, and passenger vehicles. The company has a pan-India presence, with 654 branches and 629 rural centers as on March 31, 2014.

STFCL reported total income (net of interest expense) and profit after tax (PAT) of Rs.38.1 billion and Rs.12.6 billion, respectively, for 2013-14, as against Rs.36.4 billion and Rs.13.6 billion, respectively, for 2012-13. For the quarter ended June 30, 2014, the company reported total income (net of interest expense) and PAT of Rs.9.9 billion and Rs.3.1 billion, respectively, as against Rs.9.8 billion and Rs.3.4 billion, respectively, for the corresponding period of the previous year.

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	**Amount (Rs.Billion)**	**Rating**	**Facility**	**Amount (Rs.Billion)**	**Rating**
Long-Term Bank Facility	88.6613	CRISIL AA/Positive	Long-Term Bank Facility	88.6613	CRISIL AA/Stable
Proposed Long-Term Bank Loan Facility	53.3887	CRISIL AA/Positive	Proposed Long-Term Bank Loan Facility	53.3887	CRISIL AA/Stable
Cash Credit/Working Capital Demand Loan	60.3950	CRISIL AA/Positive	Cash Credit/Working Capital Demand Loan	60.3950	CRISIL AA/Stable
Short-Term Bank Facility	11.9800	CRISIL A1+	Short-Term Bank Facility	11.9800	CRISIL A1+
Bank Guarantee Facility	8.0000	CRISIL AA/Positive	Bank Guarantee Facility	8.0000	CRISIL AA/Stable
Bank Guarantee Facility	27.5750	CRISIL A1+	Bank Guarantee Facility	27.5750	CRISIL A1+
Total	250.0000	--	Total	250.0000	--

Media Contacts	Analytical Contacts	Customer Service Helpdesk
Tanuja Abhinandan Communications and Brand Management CRISIL Limited Phone: +91 22 3342 1818 Email:tanuja.abhinandan@crisil.com **Jyoti Parmar** Communications and Brand Management CRISIL Limited Phone: +91 22 3342 1835 E-mail: jyoti.parmar@crisil.com	**Pawan Agrawal** Senior Director - CRISIL Ratings Phone:+91 22 3342 3301 Email: pawan.agrawal@crisil.com **Rupali Shanker** Director - CRISIL Ratings Phone:+91 22 3342 1952 Email: rupali.shanker@crisil.com	Timings: 10.00 am TO 7.00 pm Toll free Number:1800 267 1301 Email: CRISILratingdesk@crisil.com



India Ratings & Research

Annexure III

Fitch Group

Mr. Parag Sharma
Executive Director & CFO
Shriram Transport Finance Company
C-2, Level 3, West Wing, Wockhardt Towers,
Bandra Kurla Complex, Bandra (E),
2, NSC Bose Road,
Mumbai-400 051.

June 20, 2014

Dear Mr. Sharma,

Re: Ratings of Shriram Transport Finance Co. Ltd (STFC).

India Ratings (see definition below) communicates the following ratings of STFC:-

Long-term issuer rating: 'IND AA+'; Outlook Stable
INR30bn retail non-convertible debentures (to be issued in FY15): 'IND AA+'

In issuing and maintaining its ratings, India Ratings relies on factual information it receives from issuers and underwriters and from other sources India Ratings believes to be credible. India Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of India Ratings' factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings' ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

India Ratings seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given

SHRIRAM TRANSPORT FINANCE CO. LTD.

time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that India Ratings is continuously evaluating and updating. Therefore, ratings are the collective work product of India Ratings and no individual, or group of individuals, is solely responsible for a rating. All India Ratings reports have shared authorship. Individuals identified in an India Ratings report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

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It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

In this letter, "India Ratings" means India Ratings & Research Pvt. Ltd. and any successor in interest.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact us at +91 22 4000 1700.

Sincerely,
India Ratings

Ananda Bhoumik
Senior Director

Bhaskar Som
Director

For SHRIRAM TRANSPORT FINANCE CO. LTD.

V. M. Achwal
Company Secretary

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