

Shriram Transport Finance to raise ₹1,000 crore through public issue

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Shriram Transport Finance plans to raise about ₹1,000 crore through a public issue (debt issuance). The non-banking financial arm of the ₹60,000-crore Shriram Group also plans to foray into the rental business for vehicles and equipment.

Speaking to *Business Standard*, Umesh Revankar, managing director of Shriram Transport, said the company's assets under management (AUM) stood at about ₹45,000 crore, adding this would rise about 15 per cent. "Our rural foray last year, when we set up rural centres, has yielded good results and we are planning to double their number to 600 this year. Expansion of products and new channels are also on the cards," he said.

To support growth, the company planned to launch a public issue of about ₹1,000 crore, he said. "Every year, we would require ₹20,000-25,000 crore to meet disbursements, the majority of which would be met through debt and our own business."

On the Usha Thorat committee's recommendation for

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- It also plans to foray into the rental business for vehicles and equipment

higher provisioning norms for non-banking financial companies, he said, "Profitability of the business would not change. Currently, our actual credit loss is about two per cent. Therefore, we can get write-back of provisions. We fear due to the 90-day norm, the company has to start pressurising customers for early repayments, which may bring down the customer base."

According to analysts, the company's higher securitisation and favourable funding structure were likely to be reflected in improved net interest margins, currently about 7.5 per cent.

The company also plans to enter the rental business. "We are looking at entering the rental business of vehicles and equipment. When the economy picks up, this business would be a good bet. In many

countries, the rental business is as big as the loan book size," said Revankar.

He added many contractors didn't want to buy equipment and vehicles; they preferred to hire these for six to nine months. "We will lend the vehicles and the equipment," he added.

On equipment finance, a segment Shriram Transport entered last year, he said the company didn't record the growth expected, since infrastructure projects didn't pick up. "We estimated growth of about 25 per cent, but achieved only 20 per cent. Currently, the AUM is about ₹2,400 crore, and we would close the financial year with ₹3,000 crore. Next year, we are looking at 15-20 per cent growth," he said.

On industry trends last year, Revankar said the year had started on an uncertain note,

primarily because of the classification of the priority sector and securitisation. However, towards the end, things had improved, he added.

The company primarily focuses on bulk and light commercial vehicles (LCVs). While the new bulk vehicle sales weren't good, owing to the slowdown in the freight market, demand for used vehicles had picked up and the LCV business did reasonably well. Revankar said this was the first time the used car market included LCVs, as most LCVs were introduced five to six years earlier.

He said customers didn't want to invest in new vehicles, owing to business uncertainty and fuel price increases. The prices of used vehicles are about half those of new ones. However, maintenance costs are high.

Revankar said earlier, vehicles catering to towns and cities were used to address the needs of rural areas. But today, rural India sought vehicles catered to its needs, and LCVs played a major role in addressing this, he said, adding this trend would continue as long as there was a slowdown in the economy.