

Lock into it now

Shriram Transport Finance FDs offer attractive rates

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Interest rates are on the southward path, with the Reserve Bank springing a surprise rate cut two weeks ago. Banks such as Vijaya Bank have already followed this up with a 0.1 to 0.25 per cent reduction in deposit rates. Before rates head lower any further, it makes perfect sense to invest in fixed deposits of longer tenure now.

Higher risk, higher return

Banks and other financial institutions have already been reducing the interest they pay on their deposits for some months now as they look to manage their own margins, among other factors. In bank deposits, the best rate now for longer terms of three to five years is just 9.1 to 9.2 per cent, offered by DCB Bank.

NBFCs with AAA-rating, such as M&M, have also slashed rates from 10.25 to 9.75 per cent over the past year on three-year deposits.

Before the options dwindle any further, investors can lock into three-year deposits of Shriram Transport Finance. Though it carries higher risk because of its AA+ rating, this scheme offers 10.5 per cent returns.

Highest rates

The Shriram Transport FD has been rated MAA+ by ICRA and FAA+ by ICRA. These ratings indicate a high degree of safety in meeting interest and repayment obligations. The scheme's interest rates for this period are high-

er than those offered by several other NBFCs with similar credit ratings. For example, PNB Housing Finance pays 9.25 per cent for a three-year deposit, while HUDCO pays 9 per cent.

You can invest in both cumulative and non-cumulative options, though it is advisable to go for the former. The minimum investment is ₹5,000 for cumulative deposits and ₹10,000 for non-cumulative deposits, and in multiples of ₹1,000 thereafter.

The NBFC's five-year deposits, while topping the charts in terms of interest rates, are not advised.

The rate, at 10.5 per cent, is the same as the three-year deposit, but comes with a higher risk due to the longer tenure. It's also rather hard to judge long-term interest rate cycles.

About the company

Shriram Transport Finance primarily provides financing for commercial vehicles. The company holds about a quarter of the market for new truck financing and can benefit from the ongoing cyclical uptick in commercial vehicle sales.

Gross non-performing assets were 3.59 per cent for the April-December 2014 period on assets under management of ₹5,707 crore, almost unchanged from the 3.56 per cent in the year ago period. The company earned a net interest margin of 6.6 per cent in the first nine months of this fiscal, compared to the 6.8 per cent in the year-ago period.



Why lock in

- Banks are cutting interest rates
- Earn higher interest rates, at increased risk
- Minimum deposit of ₹5,000

Leader

Shriram Transport Finance holds a quarter of the market for new truck financing