Early Warning System

IFC-37767

Shriram TFC NCD

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Quick Facts

Countries	India
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	B
Voting Date	2016-06-15
Borrower	SHRIRAM TRANSPORT FINANCE COMPANY LIMITED
Sectors	Finance
Investment Type(s)	Loan
Investment Amount (USD)	$ 98.09 million

Project Description

The proposed project consists of a senior debt investment in Shriram Transport Finance Company Limited (“STFCL” or the “Company”) a leading non-banking finance company primarily focused on financing pre-owned commercial vehicle financing across India. STFCL incorporated in 1979, is the flagship company of the Shriram Group, and caters to more than 1.2 million clients who are typically first time users or driver turned owners. The Company has an outstanding asset under management of INR665billion as of 31st December 2015; 50% of which is in rural and semi-urban areas across all states in India.

People Affected By This Project

((i) Access to finance for micro-small and medium enterprises ("MSME"): STFCL has more than 80% of its clientele from the MSME sector and is expected to add another 600,000 MSME customers in the next five years which is expected to create estimated direct jobs of around 1.5 million.

(ii) Rural and Low Income States ("LIS") thrust: As STFCL increases its reach and penetration into underserved areas, the proportion of its assets in rural areas and LIS is expected to increase from 50% to 70% and from 21% to 30% respectively.

Investment Description

- International Finance Corporation (IFC)

STFCL is part of the Shriram Group, a diversified group established primarily as a chit fund business over three decades ago by R Thiagarajan, AVS Raja and T Jayaraman. The group had initially started with financing used commercial vehicles and now has businesses covering the entire financial sector. Over the last decade, Shriram Group has grown at a CAGR of over 40%, and has over 2400 branches, more than 45,000 employees, and a strong customer base of 9.5 million.

The shareholders of STFL include Shriram Capital (26.05%), Piramal Enterprises Limited (9.96%) and public (6.66%) whilst the remaining is held by diversified Foreign Institutional Investors/Foreign Portfolio Investors (52.91%) and body corporates/mutual funds/others (4.42%).

The proposed project involves an investment of upto US$150 million equivalent (approximately INR10 billion) in the form of senior debt of the Company.

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Shriram Transport Finance Company Limited (Financial Intermediary)

Private Actors Description

Shriram Transport Finance Company Limited is a leading non-banking finance company primarily focused on financing pre-owned commercial vehicle financing across India. STFCL incorporated in 1979, is the flagship company of the Shriram Group, and caters to more than 1.2 million clients who are typically first time users or driver turned owners. The Company has an outstanding asset under management of INR665billion as of 31st December 2015; 50% of which is in rural and semi-urban areas across all states in India.

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Contact Information

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

CONTACTS

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Campaign Documents

- Business and Human Rights Resource Center: Shriram Transport Finance Company Limited