

IFC to channel USD 200 million into Shriram Transport Finance to boost commercial vehicle purchases and MSMEs

New Delhi, India | July 25, 2019 – IFC, a member of the World Bank Group, will channel USD 200 million into Shriram Transport Finance to primarily fund purchases of commercial vehicles and support micro, small, and medium enterprises (MSMEs). The deal uses a unique securitization structure to mitigate foreign exchange risks and attract patient capital from pension funds, insurance firms, and foreign institutional investors.

Half of the total amount will come from IFC's own account and the rest mobilized from like-minded partners. Today, the first tranche of USD 82 million was disbursed, of which half is from IFC's own account.

The proceeds will be used for lending to small road transport operators and MSMEs in rural and semi-urban areas in low-income states. Shriram Transport Finance is the largest financier of commercial vehicles in India, focused on MSMEs that are economically weak and have limited credit history.

Currently, more than 90 percent of investor participation in Indian securitization transactions is from banks. They purchase securitized portfolios from NBFCs to achieve loan book growth and meet priority sector lending requirements. The participation of foreign and private institutional investors, such as pension funds and insurance companies, is limited.

“Commercial vehicles are an important engine for growth for the economy as they boost incomes and create jobs,” said Hemalata Mahalingam, Manager, Financial Institutions Group, IFC South Asia.

She further added, “The unique securitization structure will channel patient capital from diverse financial sources into the NBFC segment and support the development of India's debt capital markets.”

Mr. Umesh Revankar, MD and CEO, Shriram Transport Finance said, “We are glad to partner with IFC and we value our relationship with the organization. IFC, a World Bank arm has invested with us in the past as well.”

He further added, “NBFCs plays crucial role in last mile connectivity and financial



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inclusion. The funds raised will be used to



help the small commercial vehicle operators and MSMEs in rural

and semi urban markets. There is a huge growth opportunity in smaller towns and we are committed to unleash the potential of these geographies.”

NBFC’s are an important source of credit for road transport operators and MSMEs. MSMEs account for 31% of India’s GDP and 45% of exports. The biggest constraint they face is access to finance, with the credit gap pegged at USD 397 billion.

IFC has successfully supported several asset-financing NBFCs and was an early investor in this segment. In 2016, IFC invested in Shriram Transport to help expand its MSME loan portfolio to low-income states. In 2017, IFC invested in the Company’s first offshore, rupee-denominated bond issuance, also known as Masala bonds, to enable diversification of its funding sources.

About Shriram Transport Finance Company Limited

Shriram Transport Finance Company Limited is the flagship company of the Shriram group which has significant presence in Consumer Finance, Life Insurance, General Insurance, Stock Broking and Distribution businesses. Established in 1979, Shriram Transport is holistic finance provider for the commercial vehicle industry and seeks to partner small truck owners for every possible need related to their assets. It has PAN India presence with 1,585 branches. Based in Mumbai, it manages assets over 106,300 crores and has a live customer base of approx. 20.5 lacs. For more information, visit www.stfc.in.

About IFC

International Finance Corporation—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In FY18, we delivered \$23.3 billion in long-term financing for developing countries, leveraging the power of the private sector



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