

February 19, 2018

Sundaram Finance Limited

Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Amount (Rs. crore ¹)	Rating action
1	Shri Trust T 2018	PTCs	458.28	Provisional rating of [ICRA]AAA(SO) confirmed as final

**Instrument details are provided in Annexure I*

Rating Action

ICRA has confirmed the provisional ratings assigned to PTCs issued by Shri Trust T 2018 trust as final, as tabulated above. The PTCs are backed by receivables from a Rs. 458.28 crore (Principal outstanding) pool of Commercial Vehicle (CV) hire purchase and loan receivables originated by Sundaram Finance Limited (SFL).

Rationale

In October 2017, ICRA had assigned Provisional [ICRA]AAA(SO) rating to PTC Series issued by Shri Trust T 2018 trust. Since the executed transaction documents are in line with the rating conditions, and the legal opinion for the transaction have been provided to ICRA, the said ratings have now been confirmed as final.

Key rating drivers

Credit Strengths

- Availability of credit enhancement in the form of EIS and Credit Collateral;
- Low obligor concentration with the top 10 obligors together accounting for only ~2.4% of the overall pool principal amount;
- Moderate seasoning profile of the pool contracts with average seasoning of ~7.3 months;

Credit Weakness

- Share of overdue contracts is about 8.0% of the pool principal; however none of the contracts is overdue for more than one month.

Description of key rating drivers highlighted above:

According to the transaction structure, the loan pool receivables will be transferred “at par” to a Special Purpose Vehicle (SPV) and the Trust will issue a single series of PTCs, backed by the same. The first line of support for meeting scheduled PTC payouts is the subordination of EIS in the structure. Further credit support in the transaction is available through a Cash Collateral (CC) of 7.25% of the pool principal amount.

The pool is characterised by moderate seasoning (average seasoning of around 7.3 months) and has an average LTV of around 80%. The pool comprises of New CV (around 70.7% share in the pool) and Used CV (around 29.3% share in the pool) loan contracts.

¹ 100 lakh = 1 crore = 10 million

Key rating assumptions

ICRA's cash flow modeling for rating of ABS transactions involves simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for loss and the Co-efficient of Variation (CoV) are arrived at after taking into account the past performance of the Originator's portfolio and rated pools, and also the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor the current operating environment and any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected loss and prepayments during the balance tenure of the pools are as given in the table below.

Sr. No	Trust Name	Expected Loss (% of pool principal)	Prepayment
1	SHRI Trust T 2018	2.5% - 3.5%	3% - 6% p.a.

Analytical approach:

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Links to applicable Criteria

[Rating Methodology for Securitisation Transactions](#)

About the Originator:

SFL is the flagship of the T.S. Santhanam arm of the TVS Group that is associated with the Indian automotive industry via financing, trading as well as manufacturing. The company is one of the largest Asset Finance companies in the country with a total asset under management of around Rs.22,469 crore as of September 30, 2017.

While the company also lends to the corporate sector, its primary focus area continues to be financing retail purchases of CVs and cars. Retail CV and car business constitutes around 84% of the total managed advances of SFL. SFL currently has ratings outstanding of [ICRA]AAA (Stable) and [ICRA]A1+ for its various long-term and short-term debt programs respectively, from ICRA.

Excluding the transaction listed above, ICRA has assigned ratings to Purchaser Payouts/ PTCs under a total of 44 transactions involving bilateral assignment/ securitisation of retail loan receivables—primarily CV loans—originated by SFL. The ratings for the Purchaser Payouts/ PTCs under all the transactions have remained stable at the initial rating level till date.

Key Financial ratios:

SFL (Standalone)	FY2016	FY2017	Q1 FY2017	Q1 FY2018
Total Income (Rs. Crore)	2,475	2,458	562	622
Profit before tax (Rs. Crore)	683	720	132	177
Profit after tax (Rs. Crore)	477	495	90	117
Total Managed Portfolio (Rs. Crore)	17,895	20,735	18,603	21,320
Total Managed Assets (Rs. Crore)	21,136	24,306	22,041	25,029
% Tier 1	14.8%	14.4%	14.2%	14.6%
CAR%	18.4%	17.9%	17.4%	19.7%
Gearing	3.8	3.7	4.1	3.7
% RoMA (return on managed assets)	2.4%	2.2%	1.8%	2.0%
% Return on Net worth	15.2%	14.0%	11.1%	12.9%
Gross NPA%	2.08%	1.54%	2.15%	2.00%
Net NPA%	0.92%	0.55%	1.00%	0.93%
Net NPA/ Net worth	3.9%	2.3%	4.4%	3.8%

Source: SFL's investor presentation and ICRA research; Amount in Rs. Crore

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	Month-year & Rating February 2018	Month- year & Rating in October 2017	Month-year & Rating in FY2017	Month-year & Rating in FY2016
1	Shri Trust T 2018	PTC Series A	458.28	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

Complexity level of the rated instrument: Highly Complex

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I
Details of Instruments

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate [#]	Scheduled Maturity Date	Initial Amount (Rs. crore ²)	Current Rating
1	SHRI Trust T 2018	PTC Series A	October 2017	5.75% p.a.p.m.	April 2022	458.28	[ICRA]AAA(SO)

per annum payable monthly

² 100 lakh = 1 crore = 10 million



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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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