

## Shriram Transport Finance Company Limited

ICRA has assigned Provisional [ICRA]AAA(SO) rating to the PTCs backed by receivables from a pool of new and used vehicle loans originated by Shriram Transport Finance Company Limited (STFC), as mentioned in the table below. ICRA has also assigned Provisional [ICRA]BBB(SO) rating to the Second Loss Facility (SLF) of the credit collateral under the transaction<sup>†</sup>.

**Table 1: Transaction details**

Transaction Name	Description	Principal (Rs. crore <sup>1</sup> )	Maturity	Rating	Credit Collateral <sup>2</sup>
Sansar Trust June 2016	PTCs	116.90	November 2020	Provisional [ICRA]AAA(SO)	10.0%
	Second Loss Facility	6.37	November 2020	Provisional [ICRA]BBB(SO)	

The provisional ratings are subject to the fulfilment of all conditions under the structure, review of documentation pertaining to the transaction by ICRA, and STFC furnishing to ICRA an independent legal opinion and due diligence audit certificate on the transaction.

The provisional ratings are based on the strength of cash flows from the selected pool of contracts, STFC's established track record in the vehicle financing business, credit collateral (as mentioned in the table above), the structural features of the transaction, and the integrity of the legal structure. The loan pool receivables will be transferred to the Trust at par and the Trust would issue a single series of PTCs backed by these receivables.

The selected pool consists of receivables from loans given for both new and used vehicles in the Commercial Vehicle (CV; around 60% share in the pool), Passenger Vehicle (PV; around 14% share in the pool) and Construction Equipment (CE; around 26% share in the pool) asset classes. The selected pool is characterized by moderate seasoning profile (average seasoning of around 12 months) and notable share of overdue contracts (around 12% contracts in the pool by value are overdue as on the pool cut-off date). However, the pool is devoid of any contract overdue by more than one month.

### Past Pools' Performance

In the past, ICRA has rated 23 vehicle loan pools originated by STFC, out of which 12 transactions are live as on date. The most recent pool was rated in Mar - 16. The delinquency levels in the live pools have been low (loss-cum-180+ dpd level of sub 1.5% as on Mar 16) and there has not been any cash collateral utilization in any of the pools till Apr-16 payout. Any shortfall in collections has been absorbed by Excess Interest Spread (EIS) available in these transactions.

### About the Originator / Servicer:

STFC is the market leader in financing of used vehicles with a total AUM of Rs. 72,760 crore as on Mar-16. Used vehicle financing accounted for around 90% of its portfolio (managed assets) as on March 31, 2016. The company finances vehicles with age of up to 12 years. Around 30% of the used vehicle book pertains to refinance transactions while the balance pertains to buy-sell transactions.

During the financial year ended March 31, 2016, on a standalone basis, STFC reported a Profit After Tax (PAT) of Rs. 1,178 crore on an operating income of Rs. 10,223 crore against a PAT of Rs. 1,238 crore on an operating income of Rs. 8,612 crore during the previous financial year.

ICRA currently has a rating of [ICRA]AA(Stable) on the subordinated debt programme of STFC and MAA+(Stable) rating on the fixed deposit programme of STFC.

**June 2016**

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> Expressed as percentage of initial pool principal



*For further details please contact:*

*Analyst Contacts:*

**Mr. Kalpesh Gada** (Tel. No. +91 22 6114 3445)  
Head- Structured Finance  
kalpesh@icraindia.com

*Relationship Contacts:*

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500