

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[†].

Table 1: Transaction details

Transaction Name	Description	Principal (Rs. crore ¹)	Maturity	Rating	Credit Collateral ²
Sansar Trust Sep 2016	PTCs	413.22	April 2021	Provisional [ICRA]AAA(SO)	10.25%
	Second Loss Facility	24.79	April 2021	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 71% share in the pool), Passenger Vehicle (PV; around 22% share in the pool), Construction Equipment (CE; around 6% share in the pool) and Tractor (Tractor; around 1% share in the pool) asset classes. The selected pool is characterized by moderate seasoning profile (average seasoning of around 10 months) and moderate 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 25 vehicle loan pools originated by STFC, out of which 14 transactions are live as on date. The most recent pool was rated in Jun - 16. The delinquency levels in the live pools have been low (loss-cum-180+ dpd level of sub 1.8% as on Jun 16) and there has been nil/low cash collateral utilization in these pools till Jul-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. 74,808 crore as on Jun-16. Used vehicle financing accounted for around 89% of its portfolio (managed assets) as on June 30, 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 Quarter ended June 30, 2016 STFC reported a Profit After Tax (PAT) of Rs. 374 crore on a total income base of Rs. 2,686 crore against a PAT of Rs. 321 crore on a total income base of Rs. 2,353 crore during the corresponding period in the previous financial year. As on June 30, 2016 STFC had a net worth of Rs. 10,509 crore and had a reported capital adequacy of 17.37%. As on June 30, 2016 STFC had a Gross NPA% of 6.4% and a Net NPA as % of Net worth of 2.0% against a Gross NPA% of 4.1% and a Net NPA as % of Net worth of 0.9% a year earlier.

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

¹ 100 lakh = 1 crore = 10 million

² Expressed as percentage of initial pool principal



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.

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