

January 27, 2017

Shriram Transport Finance Company Limited

Sl.	Trust Name	Instrument*	Initial Amount (Rs. crore ¹)	Rating Action
1	Sansar Trust Sep 2016	PTCs	413.22	Provisional rating of [ICRA]AAA(SO) confirmed as final
		Second Loss Facility	24.79	Provisional rating of [ICRA]BBB(SO) confirmed as final

*Instrument details are provided in Annexure I

Rating Action

ICRA has confirmed the provisional ratings assigned to PTCs issued by Sansar Trust Sep 2016 trust as final, as tabulated above. The PTCs are backed by receivables from a Rs. 413.22 crore (Principal outstanding) pool of new and used Commercial Vehicles (CV), new and used Passenger Vehicles (PV), used Construction Equipment (CE) and Tractors loan receivables originated by Shriram Transport Finance Company Limited (STFC).

Rationale

In September 2016, ICRA had assigned Provisional [ICRA]AAA(SO) and Provisional [ICRA]BBB(SO) rating to PTC Series and Second Loss Facility issued by Sansar Trust Sep 2016 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 ~0.7% of the overall pool principal amount;
- Moderate geographical concentration with top 3 states accounting for ~31.6% of the overall pool principal amount;
- STFC's established track record in the vehicle loan business

Credit Weakness

- Moderate seasoning profile of the pool contracts with average seasoning of ~9.5 months;
- 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.

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 Credit Collateral (CC) of 11.00% of the pool principal amount. The credit collateral will be split into First Loss Facility (FLF) amounting to Rs. 20.65 crore and Second Loss Facility (SLF) amounting to Rs. 24.79 crore. The SLF would be utilised only after the FLF has been exhausted.

The pool is characterised by moderate seasoning (average seasoning of around 9.5 months) and LTV (average LTV of around 71%) profile. The pool has moderate share of overdue contracts as on the pool cut-off date. However, the pool is devoid of any contract overdue by more than one month. The pool comprises of New CV (around 11.3% share in the pool), Used CV (around 59.4% share in the pool), New PV (around 5.2% share in

¹ 100 lakh = 1 crore = 10 million



the pool), Used PV (around 16.7% share in the pool), Construction Equipments (around 5.8% share in pool) and Tractor (around 1.6% share in pool) loan contracts.

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

ICRA's Rating Methodology for Securitisation Transactions

<http://www.icra.in/Files/Articles/Securitisation%20Tran%20%20Methodology%20Dec%202016.pdf>

About the Originator:

STFC is the market leader in financing of used vehicles with a total AUM of more than Rs. 75,300 crore as on Sep-16. Used vehicle financing accounted for around 90% of its portfolio (managed assets) as on Sep 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 September 30, 2016 STFC reported a Profit After Tax (PAT) of Rs. 388 crore on a total income base of Rs. 2,713 crore against a PAT of Rs. 338 crore on a total income base of Rs. 2,464 crore during the corresponding period in the previous financial year. As on September 30, 2016 STFC had a net worth of Rs. 10,916 crore and had a reported capital adequacy of 17.37% .As on September 30, 2016 STFC had a Gross NPA% of 6.6 % and a Net NPA as % of Net worth of 2.0% against a Gross NPA% of 4.2% and a Net NPA as % of Net worth of 0.9% a year earlier.

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.

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 January 2017	Month- year & Rating in September 2016	Month-year & Rating in FY2015	Month-year & Rating in FY2014
1	Sansar Trust Sep 2016	PTCs	413.22	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
		Second Loss Facility	24.79	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)		

Complexity level of the rated instrument:

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)	Amount O/s after Dec-16 Payout (Rs. crore)	Current Rating
1	Sansar Trust Sep 2016	PTCs	Sep-16	7.50%	Apr-21	413.22	390.55	[ICRA]AAA(SO)
		Second Loss Facility		N.A.		24.79	24.79	[ICRA]BBB(SO)

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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. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. For more information, visit www.icra.in

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² 100 lakh = 1 crore = 10 million

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