

April 05, 2017

Shriram Transport Finance Company Limited

Sl.	Trust Name	Instrument*	Initial Issued Amount (Rs. crore ¹)	Rating action
1	Sansar Trust March 2017	Series A PTC	900.22	Provisional [ICRA]AAA(SO) Assigned
2		Second Loss Facility	54.01	Provisional [ICRA]BBB(SO) Assigned

**Instrument details are provided in Annexure I*

Rating Action

ICRA has assigned Provisional [ICRA]AAA(SO) ratings to PTCs backed by receivables from a pool of new and used vehicle loans originated by Shriram Transport Finance Company Limited (STFC). The PTCs are backed by receivables from a Rs. 900.22 crore pool of vehicle loans.

Rationale

The provisional ratings are based on the strength of cash flows from the selected pool of contracts, STFC's track record in business, the available credit enhancement in the form of credit collateral and subordination of Excess Interest Spread (EIS), and the integrity of the legal structure. The ratings are subject to fulfilment of all conditions under the structure and the review of documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit Strengths

- Availability of credit enhancement in the form of EIS and Credit Collateral;
- Moderate seasoning profile of the pool contracts with average seasoning of ~12.5 months;
- Low obligor concentration with the top 10 obligors together accounting for only ~1.0% of the overall pool principal amount;
- Lower geographical concentration with top 3 states accounting for ~30% of the overall pool principal amount

Credit Weakness

- Share of overdue contracts is about 10% of the pool principal; however none of the contracts is overdue for more than one month.
- Moderately high average LTV of ~72%.

¹ 100 lakh = 1 crore = 10 million



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 10% of the pool principal amount.

The pool is characterised by moderate seasoning (average seasoning of around 12.5 months) and has an average LTV of around 72%. The selected pool consists of receivables from loans given for both new and used vehicles in the Commercial Vehicle (CV; around 63% share in the pool), Passenger Vehicle (PV; around 14% share in the pool) and Construction Equipment (CE; around 23% share in the pool) asset classes.

Analytical approach:

The rating action is based on the analysis of the past performance of STFC’s portfolio and previously rated ICRA pools, key characteristics and composition of the current pool, performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

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 Company:

STFC is the market leader in financing of used vehicles with a total AUM of Rs. 76,281 crore as on December 2016. Used vehicle financing accounted for around 90% of its portfolio (managed assets) as on December 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 Quarter ended December 31, 2016 STFC reported a Profit After Tax (PAT) of Rs. 346 crore on a total income base of Rs. 2717 crore against a PAT of Rs. 375 crore on a total income base of Rs. 2568 crore during the corresponding period in the previous financial year. As on December 31, 2016 STFC had a net worth of Rs. 11,140 crore and had a reported capital adequacy of 17.60%. As on December 31, 2016, STFC had a Gross NPA% of 6.62% and a Net NPA of 1.71% against a Gross NPA% of 4.29% and a Net NPA of 0.88% a year earlier.

ICRA currently has a rating of MAA+ (Stable) 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

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated Amount (Rs. crore)	Month-year & Rating April 2017	Month- year & Rating in FY2016	Month- year & Rating in FY2015	Month- year & Rating in FY2014
1	Sansar Trust March 2017	Series A PTC	900.22	Provisional [ICRA]AAA(SO)	N. A.	N. A.	N. A.
2		Second Loss Facility	54.01	Provisional [ICRA]BBB(SO)	N. A.	N. A.	N. A.

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)	Current Rating
1	Sansar Trust March 2017	Series A PTC	March 2017	7.50%	September 2021	900.22	Provisional [ICRA]AAA(SO)
2		Second Loss Facility		NA		54.01	Provisional [ICRA]BBB(SO)

per annum payable monthly

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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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