

May 17, 2017

Shriram Transport Finance Company Limited

Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Amount (Rs. crore ¹)	Rating action
1	Sansar Trust Mar 2017	PTCs	900.22	Provisional rating of [ICRA]AAA(SO) confirmed as final
		Second Loss Facility	54.01	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 Mar 2017 trust as final, as tabulated above. The PTCs are backed by receivables from a Rs. 900.22 crore (Principal outstanding) pool of new and used Commercial Vehicles (CV), new and used Passenger Vehicles (PV) and new and used Construction Equipment (CE) receivables originated by Shriram Transport Finance Company Limited (STFC).

Rationale

In March 2017, ICRA had assigned Provisional [ICRA]AAA(SO) and Provisional [ICRA]BBB(SO) rating to PTC Series and Second Loss Facility issued by Sansar Trust Mar 2017 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;
- 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 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. 45.01 crore and Second Loss Facility (SLF) amounting to Rs. 54.01 crore. The SLF would be utilised only after the FLF has been exhausted.

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 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 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

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	Month-year & Rating May 2017	Month- year & Rating in March 2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015
1	Sansar Trust Mar 2017	PTCs	900.22	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
		Second Loss Facility	54.01	[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 Apr-17 Payout (Rs. crore)	Current Rating
1	Sansar Trust Mar 2017	PTCs	Mar-17	7.50%	Sep-21	900.22	864.64	[ICRA]AAA(SO)
		Second Loss Facility		N.A.		54.01	54.01	[ICRA]BBB(SO)

² 100 lakh = 1 crore = 10 million



Name and Contact Details of the Rating Analyst(s):

Analyst Contacts

Vibhor Mittal
(91) 22 6114 3440
vibhorm@icraindia.com

Sachin Joglekar
(91) 22 6114 3470
sachin.joglekar@icraindia.com

Himanshi Doshi
(91) 22 6114 3410
himanshi.doshi@icraindia.com

Name and Contact Details of Relationship Contacts:

L. Shivakumar
(91) 22 6114 3406
shivakumar@icraindia.com

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.

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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

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

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

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

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

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: 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

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

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

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