

October 04, 2017

Shriram Transport Finance Company Limited

Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Issued Amount (Rs. crore ¹)	Rating action
1	Sansar Trust Sep 2017 III	PTC Series A1	80.52	Provisional [ICRA]A1+(SO) Assigned
2		PTC Series A2	85.03	Provisional [ICRA]A1+(SO) Assigned
3		PTC Series A3	171.45	Provisional [ICRA]A1+(SO) Assigned
4		PTC Series A4	158.64	Provisional [ICRA]AAA(SO) Assigned
5		PTC Series A5	132.78	Provisional [ICRA]AAA(SO) Assigned
6		PTC Series A6	113.83	Provisional [ICRA]AAA(SO) Assigned
7		PTC Series A7	308.51	Provisional [ICRA]AAA(SO) Assigned
8		Second Loss Facility	65.15	Provisional [ICRA]BBB(SO) Assigned

*Instrument details are provided in Annexure I

Rating Action

ICRA has assigned Provisional [ICRA]A1+ [pronounced Provisional ICRA A one plus (Structured Obligation)] to PTC Series A1, PTC Series A2 and PTC Series A3 and Provisional [ICRA]AAA(SO) [pronounced Provisional ICRA triple A (Structured Obligation)] to PTC Series A4, PTC Series A5, PTC Series A6 and PTC Series A7. The PTCs are backed by receivables from Rs. 1,050.76 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 ~14.4 months;
- Low obligor concentration with the top 10 obligors together accounting for only ~0.2% of the overall pool principal amount;

¹ 100 lakh = 1 crore = 10 million

- Lower geographical concentration with top 3 states accounting for ~38% of the overall pool principal amount

Credit Weakness

- Share of overdue contracts is about 9.3% of the pool principal; however none of the contracts is overdue for more than one month.
- Moderately high average LTV of ~68%.

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 seven 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 11.2% of the pool principal amount.

The pool is characterised by moderate seasoning (average seasoning of around 14.4 months) and has an average LTV of around 68%. The selected pool consists of receivables from loans given for both new and used vehicles in the Commercial Vehicle (CV; around 56% share in the pool) and Passenger Vehicle (PV; around 34% share in the pool) asset classes.

Key rating assumptions

ICRA’s cash flow modeling for rating of ABS transactions involves simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for loss and the Co-efficient of Variation (CoV) are arrived at after taking into account the past performance of the Originator’s portfolio and rated pools, and also the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor the current operating environment and any industry specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making the aforementioned adjustments, the expected loss and prepayments during the balance tenure of the pools are as given in the table below.

Sr. No	Trust Name	Expected Loss (% of pool principal)	Prepayment
1	Sansar Trust Sep 2017 III	4.5% - 5.5%	10% - 14% p.a.

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

[Rating Methodology for Securitisation Transactions](#)

About the Company:

STFC is the market leader in financing of used vehicles with a total AUM of Rs. 81,612 crore as on June 2017. Used vehicle financing accounted for around 90% of its portfolio (managed assets) as on June 30, 2017. The company finances vehicles with age of up to 12 years.

During the Quarter ended June 30, 2017 STFC reported a Profit After Tax (PAT) of Rs. 449 crore on a total income base of Rs. 2899 crore against a PAT of Rs. 374 crore on a total income base of Rs. 2687 crore during the corresponding period in the previous financial year. As on June 30, 2017 STFC had a net worth of Rs. 11,587 crore and had a reported capital adequacy of 16.26%. As on June 30, 2017, STFC had a Gross NPA% of 8.03% and a Net NPA of 2.49% against a Gross NPA% of 6.38% and a Net NPA of 1.97% a year earlier.

ICRA currently has a rating of MAA+ (Stable) on the fixed deposit programme of STFC.

Key Financial ratios (Audited):

STFC (Standalone)	FY2016	FY2017
Total Income (Rs. Crore)	10,195	10,731
Profit before tax (Rs. Crore)	1,781	1,924
Profit after tax (Rs. Crore)	1,178	1,257
Total Managed Portfolio (Rs. Crore)	61,878	65,463
Total Managed Assets (Rs. Crore)	72,761	78,761
CAR%	17.56%	16.94%
Gearing	5.09	4.89
% RoMA (return on managed assets)	1.59%	1.51%
% Return on Net worth	12.19%	11.74%
Gross NPA%	6.18%	8.16%
Net NPA%	1.91%	2.65%

Source: STFC's investor presentation and ICRA research; Amount in Rs. Crore

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 October 2017	Month- year & Rating in FY2017	Month- year & Rating in FY2016	Month- year & Rating in FY2015
1	Sansar Trust Sep 2017 III	PTC Series A1	80.52	Provisional [ICRA]A1+(SO)	N. A.	N. A.	N. A.
2		PTC Series A2	85.03	Provisional [ICRA]A1+(SO)	N. A.	N. A.	N. A.
3		PTC Series A3	171.45	Provisional [ICRA]A1+(SO)	N. A.	N. A.	N. A.
4		PTC Series A4	158.64	Provisional [ICRA]AAA(SO)	N. A.	N. A.	N. A.
5		PTC Series A5	132.78	Provisional [ICRA]AAA(SO)	N. A.	N. A.	N. A.
6		PTC Series A6	113.83	Provisional [ICRA]AAA(SO)	N. A.	N. A.	N. A.
7		PTC Series A7	308.51	Provisional [ICRA]AAA(SO)	N. A.	N. A.	N. A.
8		Second Loss Facility	65.15	Provisional [ICRA]BBB(SO)	N. A.	N. A.	N. A.

^ Total rated PTCs (excluding the Second Loss Facility) are Rs. 1,050.76 crore

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 Sep 2017 III	PTC Series A1	September 2017	8.15%	June 2022	80.52	Provisional [ICRA]A1+(SO)
2		PTC Series A2		8.15%		85.03	Provisional [ICRA]A1+(SO)
3		PTC Series A3		8.15%		171.45	Provisional [ICRA]A1+(SO)
4		PTC Series A4		8.15%		158.64	Provisional [ICRA]AAA(SO)
5		PTC Series A5		8.15%		132.78	Provisional [ICRA]AAA(SO)
6		PTC Series A6		8.15%		113.83	Provisional [ICRA]AAA(SO)
7		PTC Series A7		8.15%		308.51	Provisional [ICRA]AAA(SO)
8		Second Loss Facility		NA		65.15	Provisional [ICRA]BBB(SO)

per annum payable monthly

[^] Total rated PTCs (excluding the Second Loss Facility) are Rs. 1,050.76 crore

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

Rahul Panigrahi

(91) 22- 6114 3436

rahul.panigrahi@icraindia.com

Ayush Agarwal

(91) 22- 6114 3417

ayush.agarwal@icraindia.com

Name and Contact Details of Relationship Contacts:

L Shivakumar

+91 80 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.

For more information, visit www.icra.in

© Copyright, 2017, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**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