

October 26, 2017

## Shriram Transport Finance Company Limited

### Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Amount (Rs. crore <sup>1</sup> )	Rating action
1	Sansar Trust Sep 2017 III	PTC Series A1	80.52	Provisional rating of [ICRA]A1+(SO) confirmed as final
2		PTC Series A2	85.03	Provisional rating of [ICRA]A1+(SO) confirmed as final
3		PTC Series A3	171.45	Provisional rating of [ICRA]A1+(SO) confirmed as final
4		PTC Series A4	158.64	Provisional rating of [ICRA]AAA(SO) confirmed as final
5		PTC Series A5	132.78	Provisional rating of [ICRA]AAA(SO) confirmed as final
6		PTC Series A6	113.83	Provisional rating of [ICRA]AAA(SO) confirmed as final
7		PTC Series A7	308.51	Provisional rating of [ICRA]AAA(SO) confirmed as final
8		Second Loss Facility	65.15	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 2017 III trust as final, as tabulated above. The PTCs are backed by receivables from a Rs. 1050.76 crore (Principal outstanding) pool of new and used Commercial Vehicles (CV) and new and used Passenger Vehicles (PV) receivables originated by Shriram Transport Finance Company Limited (STFC).

### Rationale

In October 2017, ICRA had assigned Provisional [ICRA]A1+(SO) rating to PTC Series A1, PTC Series A2 and PTC Series A3 and Provisional [ICRA]AAA(SO) rating to PTC Series A4, PTC Series A5, PTC Series A6 and PTC Series A7 and Provisional [ICRA]BBB(SO) rating to Second Loss Facility issued by Sansar Trust Sep 2017 III 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.

<sup>1</sup> 100 lakh = 1 crore = 10 million

## 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;
- 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 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.

### 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

[Rating Methodology for Securitisation Transactions](#)

### About the Originator:

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):**

<b>STFC (Standalone)</b>	<b>FY2016</b>	<b>FY2017</b>
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**

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

<sup>^</sup> 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](http://www.icra.in)

**Annexure I**  
**Details of Instruments**

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate <sup>#</sup>	Scheduled Maturity Date	Initial Amount (Rs. crore <sup>2</sup> ) <sup>^</sup>	Current Rating
1	Sansar Trust Sep 2017 III	PTC Series A1	September 2017	7.77%	June 2022	80.52	[ICRA]A1+(SO)
2		PTC Series A2		7.77%		85.03	[ICRA]A1+(SO)
3		PTC Series A3		7.77%		171.45	[ICRA]A1+(SO)
4		PTC Series A4		7.77%		158.64	[ICRA]AAA(SO)
5		PTC Series A5		7.77%		132.78	[ICRA]AAA(SO)
6		PTC Series A6		7.77%		113.83	[ICRA]AAA(SO)
7		PTC Series A7		7.77%		308.51	[ICRA]AAA(SO)
8		Second Loss Facility		NA		65.15	[ICRA]BBB(SO)

<sup>#</sup> per annum payable monthly

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

<sup>2</sup> 100 lakh = 1 crore = 10 million



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