

February 23, 2018

Shriram Transport Finance Company Limited

Summary of Rated Instruments

Sl.	Trust Name	Instrument*	Initial Amount (Rs. crore ¹)	Rating action
1	Sansar Trust December 2017 II	PTC Series A1	577.03	Provisional rating of [ICRA]AAA(SO) confirmed as final
		Second Loss Facility	24.52	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 December 2017 II trust as final, as tabulated above. The PTCs are backed by receivables from a Rs. 577.03 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 December 2017, ICRA had assigned Provisional [ICRA]AAA(SO) rating to PTC Series A and Provisional [ICRA]BBB(SO) rating to Second Loss Facility issued by Sansar Trust December 2017 II 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 months;
- Low obligor concentration with the top 10 obligors together accounting for only ~1.27% of the overall pool principal amount;
- Lower geographical concentration with top 3 states accounting for ~33% of the overall pool principal amount

Credit Weakness

- Share of overdue contracts is about 9.22% of the pool principal; however none of the contracts is overdue for more than one month.
- Moderately high average LTV of ~74%.

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 9.25% of the pool principal amount.

The pool is characterised by moderate seasoning (average seasoning of around 12 months) and has an average LTV of around 74%. The selected pool consists of receivables from loans given for both new and used vehicles in the Commercial Vehicle (CV; around 48% share in the pool), new and used vehicles in the Passenger Vehicle (PV; around 7% share in the pool) and new and used Construction Equipment (CE; around 45% share in the pool) asset classes.

Key rating assumptions

ICRA’s cash flow modelling 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 mean shortfall in principal collection during the tenure of the pool is estimated to be about 4.0% - 5.0%, with certain variability around it. The prepayment rate for the underlying pool is estimated to be in the range of 8.0% - 12.0% per annum.

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. 90,019 crore as on December 31, 2017. Used vehicle financing accounted for around 86% of its portfolio (managed assets) as on December 31, 2017. The company finances vehicles with age of up to 12 years.

In 9M FY2018 STFC reported a Profit After Tax (PAT) of Rs. 1423.42 crore on a total income base of Rs. 8967.79 crore against a PAT of Rs. 1107.71 crore on a total income base of Rs. 8118.30 crore during the corresponding period in the previous financial year. As on December 31, 2017 STFC had a net worth of Rs. 12,424 crore and had a reported capital adequacy of 16.15%. As on December 31, 2017, STFC had a Gross NPA% of 7.98% and a Net NPA of 2.45% against a Gross NPA% of 6.62% and a Net NPA of 1.71% a year earlier.

ICRA currently has a rating of MAA+ (Stable) on the fixed deposit programme of STFC and a rating of [ICRA]AA with Stable Outlook to the subordinate debt 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

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)^	Month-year & Rating February 2018	Month- year & Rating in December 2017	Month- year & Rating in FY2016	Month- year & Rating in FY2015
1	Sansar Trust	PTC Series A1	577.03	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
2	December 2017 II	Second Loss Facility	24.52	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	-

^ Total rated PTCs (excluding the Second Loss Facility) are Rs. 577.03 crore

Complexity level of the rated instrument: Highly Complex

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 December 2017 II	PTC Series A	December 2017	6.80%	Jun 2022	577.03	[ICRA]AAA(SO)
		Second Loss Facility		NA		24.52	[ICRA]BBB(SO)

[#] per annum payable monthly

[^] Total rated PTCs (excluding the Second Loss Facility) are Rs. 577.03 crore

² 100 lakh = 1 crore = 10 million



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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.

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