

Ref: SEC/FILING/BSE/NSE/20-21/68A/B

December 16, 2020

BSE Limited
P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 001.
Scrip Code: 511218

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, 5th Floor,
Plot no. C/1, G- Block,
Bandra-Kurla Complex,
Mumbai – 400 051.
NSE Symbol: SRTRANSFIN

Dear Sirs,

Sub.: Intimation under (i) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI-LODR) and (ii) Framework for Listing of Commercial Paper

We inform you that S&P Global Ratings (S&P) has affirmed its 'BB-' long-term and 'B' short-term Issuer credit ratings with Stable outlook on the long-term rating. With regard to senior secured notes issued by the Company S&P affirmed their 'BB-' rating. S&P removed the ratings from CreditWatch.

The rating actions are given below:

Particulars	Prior Rating	Revised Rating
Issuer Credit Rating	BB-/Watch Neg/B	BB-/Stable/B
Senior Secured Notes	BB-/Watch Neg	BB-

S&P Global Ratings rationale dated December 15, 2020 is enclosed.

This is in compliance with Regulation 30, Regulation 51(2), Regulation 56(1)(c), Regulation 62(1)(h)(iii) and other applicable Regulations of the SEBI-LODR, other applicable SEBI Regulations, if any and clause 2.3 of Annexure II of SEBI's Circular No. SEBI/HO/DDHS/CIR/P/2019/115 dated October 22, 2019 regarding the Framework for listing of Commercial Paper.

We request you to take the same on record.

Thanking you.

Yours faithfully,

for **SHRIRAM TRANSPORT FINANCE COMPANY LIMITED**



VIVEK ACHWAL
COMPANY SECRETARY

Encl.a/a

Shriram Transport Finance Company Limited

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Registered Office: 14A, South Phase, Industrial Estate, Guindy, Chennai – 600 032, Tamil Nadu, India. Tel: +91 44 4852 4666 | Fax: +91 44 4852 5666.

Website: www.stfc.in | Corporate Identity Number (CIN) – L65191TN1979PLC007874

Research Update:

Shriram Transport Finance Ratings Affirmed With Stable Outlook; Off CreditWatch

December 15, 2020

Overview

- Shriram Transport Finance Co. Ltd. (STFC) is likely to sustain a recent improvement in its resource mobilization, collections, and on-balance-sheet liquidity over the next 12 months.
- Our ratings factor in a deterioration in the India-based finance company's asset quality over the next few quarters owing to COVID-19.
- We are affirming our 'BB-/B' issuer credit ratings on STFC and the 'BB-' long-term issue rating on the company's senior notes. We are removing the ratings from CreditWatch, where they were placed with negative implications on June 26, 2020.
- The stable outlook on STFC reflects our view that the company's deterioration in asset quality will be manageable over the next 12 months.

Rating Action

On Dec. 15, 2020, S&P Global Ratings affirmed its 'BB-' long-term and 'B' short-term issuer credit ratings on Shriram Transport Finance Co. Ltd. (STFC). The outlook on the long-term rating is stable. We also affirmed our 'BB-' long-term issue rating on the finance company's senior notes. We removed the ratings from CreditWatch, where they were placed with negative implications on June 26, 2020.

Rationale

We removed the ratings from CreditWatch because we expect STFC to sustain an improvement in its liquidity over the next 12 months owing to higher collections and better refinancing conditions.

The company's results for the second quarter of fiscal 2021 (year ended March 31, 2021) were better than we expected, with a material recovery in semi-urban and rural markets. The reopening of the Indian economy following COVID-19 has increased cash flows of road transport operators (the company's key borrowers). Collections have improved significantly and were more than 90% (by value) in September–November, compared with about 50% in June–August and 30% in May.

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Research Update: Shriram Transport Finance Ratings Affirmed With Stable Outlook; Off CreditWatch

STFC's ability to tap various sources for funds over the past three to four months, including from banks, capital markets, and securitization, indicates an improvement in funding conditions. The company also raised Indian rupee (INR) 15 billion capital through a rights issue in August, which has improved its Tier 1 capital ratio by 200 basis points to 20.1% as of Sept. 30, 2020.

STFC's nonperforming loans are likely to rise in the next few quarters, and we have factored this into our ratings. The company's reported stage-3 (more than 90 days past due) loans declined to 7.3% of gross loans at end-September 2020, from 8% a quarter ago. The improvement in asset quality was helped by a six-month moratorium on loan repayment that lasted until end-August, and financial savings of borrowers. Management expects about 3% of STFC's gross loans to be stressed as mobility in urban areas remains below pre-pandemic levels. The stressed borrowers mainly operate passenger vehicles such as taxis, school or office buses, and their number of trips has declined significantly, hurting earnings. These loans could be restructured by the end of this fiscal year under the central bank's one-time window.

In our opinion, STFC's earnings have a buffer to absorb a moderate deterioration amid tough operating conditions. We forecast the company's credit costs will stay high at 2.5%-3.5% of gross loans over the next 12 months. Earnings will likely decline to 1.3%-1.7% of average assets (1.6% annualized for the first half of fiscal 2021) due to high credit costs and lower margins. We believe STFC's pre-provision earnings of 5.8% of assets can support higher credit costs, if required.

We expect STFC's capital will remain strong, with the S&P Global Ratings risk adjusted capital (RAC) ratio at about 11% over the next 12 months. Key risks to our RAC projection are higher credit costs or credit growth than we forecast.

In our opinion, STFC's continued reliance on securitization could hit its business stability. The company's credit growth over the past few quarters has been driven by securitized assets as funding conditions remained tight. We believe STFC's ability to securitize loans depends on market perceptions of its underlying asset quality, and reliance on this route can make the company's operations susceptible to adverse operating conditions.

Outlook

The stable outlook on STFC reflects our view that the company's deterioration in asset quality will be manageable and it will maintain its financial profile over the next 12 months.

Downside scenario

We will lower our ratings on STFC if the company's asset quality deteriorates significantly. This could curtail the company's access to funds, straining its liquidity.

We could also lower the rating if STFC's RAC ratio declines to below 10% on a sustained basis or the company's credit growth continues to be driven by securitized assets, affecting its business position.

Upside scenario

We don't see an upside to the rating over the next 12 months.

Ratings Score Snapshot

Issuer credit rating: BB-/Stable/B

SACP: bb-

Anchor: bb-

- Business position: Strong (+1)
- Capital, leverage and earnings: Strong (+1)
- Risk position: Moderate (-1)
- Funding and liquidity: Moderate (-1)

External influence: 0

- Government influence: 0
- Group influence: 0
- Guarantees or other external influences: 0

Rating above the sovereign: 0

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | General: Issue Credit Rating Methodology For Nonbank Financial Institutions And Nonbank Financial Services Companies, Dec. 9, 2014
- Criteria | Financial Institutions | General: Nonbank Financial Institutions Rating Methodology, Dec. 9, 2014
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Shriram Transport Finance Co. Ltd., Aug. 6, 2020
- Four Indian Finance Companies Downgraded On Weakening Economic Conditions Due To COVID-19; Ratings On Two Affirmed, June 26, 2020

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Shriram Transport Finance Co. Ltd.		
Issuer Credit Rating	BB-/Stable/B	BB-/Watch Neg/B
Shriram Transport Finance Co. Ltd.		
Senior Secured	BB-	BB-/Watch Neg

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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National Stock Exchange Of India Limited

Date of

16-Dec-2020

NSE Acknowledgement

Symbol:-	SRTRANSFIN
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Short Description:-	Credit Rating
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BSE ACKNOWLEDGEMENT

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Subject / Compliance Regulation	Announcement under Regulation 30 (LODR)-Credit Rating
Submitted By	Mathew
Designation	Designated Officer for Filing

Disclaimer : - Contents of filings has not been verified at the time of submission.