

SEC/FILING/BSE-NSE/15-16/68A-B

March 17, 2016

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.: Ratings by Fitch

We are attaching herewith the Fitch Ratings regarding our Company, Shriram Transport Finance Company Limited.

The Rating actions are as follows:
Shriram Transport Finance Company Limited

- Long- Term Foreign Currency Issuer Default Rating published at “BB+”; Outlook Stable
- Long Term Local- Currency Issuer Default Rating published at “BB+”: Outlook Stable
- Short- Term Issuer Default Rating published at “B”.

This is in compliance with the applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking you.

Yours faithfully,

For **SHRIRAM TRANSPORT FINANCE COMPANY LIMITED**



VIVEK ACHWAL
COMPANY SECRETARY

Shriram Transport Finance Company Limited

FitchRatings

Fitch Publishes India's Shriram Transport Finance's 'BB+' Rating; Outlook Stable

Fitch Ratings-Singapore/Mumbai-16 March 2016: Fitch Ratings has today published India-based non-bank finance company Shriram Transport Finance Company Limited's (STFC) Long-Term Foreign- and Local- Currency Issuer Default Ratings (IDRs) of 'BB+'. The Outlook is Stable. Fitch has also published STFC's Short-Term IDR of 'B'. A full list of rating actions is at the end of this rating action commentary.

The ratings are based on STFC's standalone creditworthiness, and reflect the company's unique market position and franchise strength in used commercial vehicle (CV) financing. The rating takes into account the strength of the company's management and its execution track record over a long period, which leaves the company well-positioned to adjust to a tighter regulatory environment in the future.

STFC targets a relatively higher-risk customer segment, which is reflected in the company's risk-appetite and asset-quality indicators. STFC's credit and operational risk appear well controlled, with net interest margins (NIM) that adequately compensate for expected through-the-cycle losses. Fitch expects credit losses to remain below historical levels despite a rise in non-performing loans (NPL) ratio and provisioning expenses due to a regulatory change to a tighter NPL recognition cycle.

The rating also reflects a relatively well-managed funding and liquidity position as well as above-average capitalisation. The Stable Outlook highlights Fitch's view that the rating is well-balanced at its current level.

KEY RATING DRIVERS

STFC's rating reflects its established business model in used-CV financing, with a loan market share of around 25% and a track record of more than three decades. STFC is the largest pan-India player in this market, which is mostly made up of unorganised regional players. Banks and other financial intermediaries do not yet pose significant competition as success in this market requires close customer relationships, sound valuation capabilities and a strong understanding of the transport market, which are all not easy to replicate. STFC primarily caters to individual customers or small CV operators, most of which do not use banks or other formal financial institutions and thus, make payments in cash. STFC's ability to closely track its customers' movements across India enhances its collection capabilities and helps mitigate the inherent operational risks.

Credit losses have been historically low at below 2% of average loans, and Fitch expects it to remain at these levels in the future. This is despite Fitch's expectation that NPLs will rise further from 4.3% at end-2015 (3.8% reported in March 2015) due to tighter NPL recognition standards. Loans that are 90 days past due (dpd) will be classified as NPLs from April 2018, compared with 180 dpd currently. Fitch expects STFC's proven ability in valuation of used CVs to support stronger recovery prospects and limit eventual credit losses.

STFC's profitability, with ROA of 2.2% for the nine months ended December 2015, is adequate, although it may decline as the ratio of credit costs to pre-provisioning profitability (PPOP) of 41% may rise with a rising NPL ratio. However, its loan-loss reserves of 80.2% at end-December 2015, which is above that of its peers, may be drawn on to manage further rises in credit costs.

STFC's NIM (7.1% for nine months ended December 2015) would benefit from exposure to fixed-rate high-yielding loans and steadily lower funding costs due to reducing domestic interest rates. Therefore, STFC's PPOP should provide a reasonable cushion against a moderate rise in credit costs. STFC's ratio of PPOP to average assets was 5.8% at end-March 2015.

STFC's core capitalisation is satisfactory, with Core Tier 1 capital ratio of around 15%-16%, given its riskier customer profile and higher operational risk. Growth in on- and off-balance sheet loan books (known as assets under management) is likely to remain robust. However, Fitch expects a higher level of securitisation to contain growth in risk-weighted assets and limit capital requirements at a time when profitability could be under pressure.

STFC's wholesale funding profile is supported by its franchise and is diversified within India across sources and tenor. The recent reduction in on-balance sheet liquidity, a result of more stable funding conditions, has been adequately managed during more challenging conditions in the past. Liquidity management is also supported by a policy that is regularly reviewed by its board and off-balance sheet funding sources, such as access to unutilised bank credit lines and securitisation.

RATING SENSITIVITIES

STFC's ability to maintain its credit profile in light of the impending changes to the NPL recognition norms is a key rating consideration going forward. Higher-than-expected credit loss ratios as a result of the transition, could negatively impact earnings and capitalisation, which could in turn put pressure on the rating. A sustained improvement in capitalisation would be positive for the ratings, though Fitch does not expect this in the near term.

The rating actions are as follows:

Shriram Transport Finance Company Limited
Long-Term Foreign-Currency Issuer Default Rating published at 'BB+'; Outlook Stable
Long-Term Local-Currency Issuer Default Rating published at 'BB+'; Outlook Stable
Short-Term Issuer Default Rating published at 'B'

Contact:
Primary Analyst
Ambreesh Srivastava
Senior Director
+65 6796 7218
Fitch Ratings Singapore Pte Ltd.
6 Temasek Boulevard
#35-04/05 Suntec Tower 4
Singapore

Secondary Analyst
Jobin Jacob
Associate Director
+91 22 4000 1773

Committee Chairperson
Mark Young
Managing Director
+65 6796 7229

Media Relations: Bindu Menon, Mumbai, Tel: +91 22 4000 1727, Email: bindu.menon@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable Criteria

Evaluating Corporate Governance (pub. 07 Dec 2015) (https://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=874784&cf=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOiJ0E0NTgyNDgzNjAsInNlc3Npb25LZXkiOiJLWjRyYXVzV25lZS90Q01pZnJhLk90V1K1P55Yo)

Global Non-Bank Financial Institutions Rating Criteria (pub. 28 Apr 2015) (https://www.fitchratings.com/creditratings/reports/report_frame.cfm?rpt_id=865351&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUz11NiJ9.eyJleHAiOiJlbnVudGzNjAsInNlc3Npb25LZXkiOiJlVjRYSkVMRFE2SEhZRVg0Q1pZnJhLTk9HVtK1P55Yo)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/creditratings/press_releases/content/ridf_frame.cfm?pr_id=1001048&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUz11NiJ9.eyJleHAiOiJlbnVudGzNjAsInNlc3Npb25LZXkiOiJlVjRYSkVMRFE2SEhZRVg0Q1pZnJhLTk9HVtK1P55Yo)

Solicitation Status (https://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=1001048)

Endorsement Policy (<https://www.fitchratings.com/jsp/creditratings/PolicyRegulation.faces?context=2&detail=31>)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS) (<http://fitchratings.com/understandingcreditratings>). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Endorsement Policy - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures (<https://www.fitchratings.com/regulatory>) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.