

Ref: SEC/FILING/SGX/20-21

December 16, 2020

Singapore Exchange

Securities Market Control
Securities & Market Data, Operations
11 North Buona Vista Drive,
#06-07 The Metropolis Tower 2,
Singapore 138589

Dear Sir,

Sub.: Announcement as required under Rule 323 of Part VII Continuing Listing Obligations

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 Rule 323 of Part VII Continuing Listing Obligations.

We request you to take the same on record.

Thanking you.

Yours faithfully,
for **SHRIRAM TRANSPORT FINANCE COMPANY LIMITED**

VIVEK
MADHUK
AR
ACHWAL
VIVEK ACHWAL
COMPANY SECRETARY
Encl.a/a

Digitally signed by:
VIVEK MADHUKAR
ACHWAL
DN: CN = VIVEK
MADHUKAR ACHWAL
C = IN, O = Personal
Date: 2020.12.16 10:58:
19 +05'30'

Shriram Transport Finance Company Limited

Corporate Office: Wockhardt Towers, Level — 3, West Wing, C-2, G-Block, Bandra — Kuria Complex, Bandra (East), Mumbai — 400 051. Tel: +91 22 4095 9595 | Fax: +91 22 4095 9597.

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.

PRIMARY CREDIT ANALYST

Nikita Anand
Singapore
+ 65 6216 1050
nikita.anand
@spglobal.com

SECONDARY CONTACTS

Geeta Chugh
Mumbai
+ 912233421910
geeta.chugh
@spglobal.com

Amit Pandey
Singapore
+ 65 6239 6344
amit.pandey
@spglobal.com

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.

Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.