SEC/FILING/BSE-NSE/21-22/68A-B September 16, 2021

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.: Announcement under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

This is to inform you Fitch Ratings has revised the Outlook on the Company's Long-Term Foreign and Local-Currency Issuer Default Ratings (IDR) to Stable from Negative, and has affirmed the ratings at 'BB'.

The Fitch Rating actions are as follows:

Instrument	**Prior Rating**	**Revised Rating**
Long Term Issuer Default Rating	BB Rating (Affirmed)/ Negative Outlook	BB Rating (Affirmed)/ Stable Outlook
Short Term Issuer Default Rating	B (Affirmed)	B (Affirmed)
Local Currency Long Term Issuer Default Rating	BB Rating (Affirmed) / Negative Outlook	BB Rating (Affirmed) / Stable Outlook
Senior Secured Long Term Rating	BB Rating (Affirmed) / Negative Outlook	BB Rating (Affirmed) / Stable Outlook

This is in compliance with Regulation 30 and other applicable Regulations of the Listing Regulations.

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

FitchRatings

RATING ACTION COMMENTARY

Fitch Revises Outlook on Shriram Transport Finance to Stable; Affirms at 'BB'

Tue 14 Sep, 2021 - 9:12 AM ET

Fitch Ratings - Singapore/Mumbai - 14 Sep 2021: Fitch Ratings has revised the Outlook on India-based Shriram Transport Finance Company Limited's (STFC) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) to Stable, from Negative, and has affirmed the ratings at 'BB'.

KEY RATING DRIVERS

IDRS

STFC's ratings reflect the company's longstanding franchise in used commercial-vehicle financing, experienced management, satisfactory execution record backed by established underwriting processes and risk controls, and improved loss-absorption buffers.

We have revised the Outlook to Stable as we believe STFC's credit profile is likely to remain resilient, despite lingering uncertainty in the macroeconomic outlook due to the Covid-19 pandemic. STFC's operating metrics have improved since the second half of fiscal year ended March 2021 (FY21) and it has maintained steady funding access, which we expect will be sustained. The company has strengthened its capital adequacy, liquidity and provisioning buffers over the past year, further improving its defences against credit impairment and refinancing risk.

STFC's high non-performing loan (NPL) ratio of 8.2% at end-June 2021 (FYE20: 8.5%) reflects its exposure to sub-prime borrowers who fall outside banks' typical customer base. The company adopts a more accommodative approach in recovering past-due loans, based on its experience that delinquent borrowers are often able to repay if allowed more time to do so. This, along with its largely secured loan book, explains its lower credit losses of around 2.7% of loans in FY21 (FY20: 2.5%) - which include pre-emptive provisions to cushion against pandemic-led uncertainties. Moreover, STFC's provision coverage ratio improved to 93% of NPLs in June 2021 (FYE20: 68%), forming a wider loss-absorption buffer against future impairment.

STFC's rural and semi-urban customer base underpins its high net interest margin. This, along with its moderate operating expense base, resulted in healthy pre-provisioning profitability to gross loans of around 5.6% in FY21 (FY20: 5.8%), helping to compensate for the higher impairment risk in its loan book. Fitch expects earnings to remain supported in the medium-term through sustained volume growth, careful margin and operating expense management and adequately contained credit costs.

STFC's leverage improved to 4.6x by end-June 2021, from 5.0x at end-March 2021 as STFC was able to raise a total of INR37.5 billion in equity capital since August 2020. This has strengthened its capital loss-absorption buffers against unexpected losses; its tier 1 capital adequacy ratio increasing to 21% by end-June 2021, from 18% at end-March 2020. Fitch expects little pressure on leverage in near term as internal capital generation should substantially be able to support STFC's loan growth targets.

STFC's longer-tenor asset portfolio is generally matched against its medium-term funding portfolio. Liquidity buffers have increased relative to a year ago, backed by enlarged holdings of unrestricted cash and liquid assets. We expect the company to pare this buffer back once it is more confident of the macroeconomic outlook. However, it is likely to keep its liquidity buffer commensurate with its rating to cover near-term debt maturities in case of a temporary liquidity squeeze. STFC has maintained adequate access to funding at competitive rates over the past year from diversified sources, including banks, mutual funds, public deposits, securitisation and offshore debt.

MTN PROGRAMME, SENIOR SECURED DEBT

The ratings on STFC's medium-term note (MTN) programme and foreign-currency senior secured debt are at the same level as its Long-Term Foreign-Currency IDR, while the rupee-denominated senior secured debt is rated at same level as its Long-Term Local-Currency IDR in accordance with Fitch's rating criteria.

Indian non-bank financial institution (NBFI) borrowings are typically secured and Fitch believes that non-payment of senior secured debt would best reflect an entity's uncured failure. NBFIs can issue unsecured debt in the overseas market, but such debt is likely to constitute a small portion of their funding and thus cannot be viewed as a primary financial obligation.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

IDRS

An upgrade is less likely in the near-term in light of the ongoing uncertainty in the operating environment. In the longer-term, any upgrade would depend on a material strengthening in the operating environment and domestic financial system, together with stable asset-quality trends, strengthened levels of profitability, and conservative leverage.

MTN PROGRAMME, SENIOR SECURED DEBT

Any positive action on the MTN programme and senior secured debt ratings would depend on similar action on STFC's Long-Term IDRs.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

IDRs

STFC's rating could be downgraded in the event of materially weaker asset quality and profitability relative to Fitch's expectations, significantly diminished funding access or weakened liquidity coverage either due to a much shorter-term debt maturity profile or overly thin liquidity buffer. Leverage consistently greater than 5.5x would weigh on the rating, as would an increase in risk appetite that reduces STFC's leverage tolerance.

MTN PROGRAMME, SENIOR SECURED DEBT

Any negative action on STFC's Long-Term IDRs would drive similar action on its MTN programme and senior secured debt ratings.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579

ISSUER PROFILE

STFC has a dominant position in used commercial-vehicle financing and is among India's larger non-bank financial companies. It has a monoline business model, with a strong understanding of its customer niche developed over four decades of industry experience.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

STFC has an ESG Relevance Score of '3' for Customer Welfare, compared with the standard score of '2' for the finance and leasing sector. This reflects its retail-focused operation, which exposes it to risk around fair lending practices and pricing transparency as well as repossession, foreclosure and collection practices. Aggressive practices in these areas may subject the company to legal, regulatory and reputational risk that may damage its credit profile. The relevance score of '3' for this factor reflects Fitch's view that such risks are adequately managed and have a low impact on STFC's credit profile at present.

The highest level of ESG credit relevance, if present, is a score of '3'. This means the ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR

ENTITY/DEBT	RATING			PRIOR
Shriram Transport Finance Company Limited	LT IDR	BB Rating Outlook Stable	Affirmed	BB Rating Outlook Negative
	ST IDR	B	Affirmed	B
	LC LT IDR	BB Rating Outlook Stable	Affirmed	BB Rating Outlook N...

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Non-Bank Financial Institutions Rating Criteria (pub. 29 Feb 2020) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Shriram Transport Finance Company Limited	EU Endorsed, UK Endorsed

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Non-Bank Financial Institutions Asia-Pacific India