

June 1, 2010

**CARE ASSIGNS RATING TO SUBORDINATED DEBT OF
SHRIRAM TRANSPORT FINANCE CO. LTD.
AND REAFFIRMS RATINGS OF VARIOUS DEBT INSTRUMENTS**

CARE has assigned a '**CARE AA**' [**Double A**] rating to the proposed Subordinated Debt issue of Shriram Transport Finance Company Ltd (STFCL) for an aggregate amount of Rs.500 crore with maturity between 5-10 years.

CARE has reaffirmed the '**CARE AA+**' [**Double A Plus**] rating to the Non Convertible Debenture issue of STFCL aggregating to Rs.2,050 crore (outstanding Rs.1,437 crore as on December 31, 2009), the '**CARE AA**' [**Double A**] rating assigned to Subordinated Debt of STFCL for amount aggregating to Rs.600 crore (outstanding Rs.502 crore as on December 31, 2009).

CARE has further retained the '**CARE AA+ (SO)**' [**Double A Plus (Structured Obligation)**] rating assigned to various PTCs collectively referred as Class A PTCs issued by Credit Enhancement Trust 2009 Series I backed by the receivables in the nature of principal amount of the specified fixed deposits which are given as credit enhancement in the retail loan pools originated by STFCL. The aforesaid PTCs are backed by unconditional and irrevocable guarantee from STFCL. Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk.

Instrument	Amt Rated (Rs cr)	Amt o/s. 31.12.09 (Rs cr)	Rating
Non Convertible Debentures	50	50	CARE AA+
Non Convertible Debentures	500	387	CARE AA+
Subordinate Debt	300	300	CARE AA
Non Convertible Debentures	500	Not placed yet	CARE AA+
Subordinate Debt	300	202	CARE AA
Non Convertible Debentures	1,000	1,000	CARE AA+
PTC issued by Credit Enhancement Trust 2009 Series I – Backed by Guarantee from STFCL*	632.5	632.5	CARE AA+(SO)
TOTAL DEBT RATED	3,282.5	2,571.5	-

Rating Rationale

The rating factors in STFCL's dominant position and almost three decades of experience in the pre-owned commercial vehicle (CV) financing segment, its overall healthy profitability parameters, its strong resource raising capabilities, and its proactive and experienced management. The rating is however constrained by STFCL's concentration in a single asset class and the underlying industry risk linked with its target customer segment of Small Truck Operators, which may be relatively more vulnerable to an economic downturn.

STFCL's ability to maintain the asset quality of its portfolio, which has grown rapidly in recent years, timely infusion of additional capital to fuel growth and maintaining its spreads would remain key rating sensitivities.

Company Profile

STFCL is the flagship company of the Chennai based Shriram Group and is classified as deposit taking Asset Finance NBFC. It was incorporated in 1979, with an objective to provide hire purchase and lease finance for the medium and heavy commercial vehicles to individual truck operators. It is the largest asset financing NBFC in India concentrated mainly in pre-owned vehicle financing business. During FY09, STFCL reported an PAT of Rs.612 crore on total income of Rs.3,731 crore and PAT of Rs.609 crore on total income of Rs.3,236 crore during 9MFY10.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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