

May 07, 2025

Suryoday Small Finance Bank Limited: Provisional [ICRA]AA+(SO) assigned to SN Series A1 and Provisional [ICRA]A(SO) assigned to Equity Tranche issued by Camion 03 2025, backed by a pool of vehicle loans receivables

Summary of rating action

Trust name	Instrument*	Rated amount (Rs. crore)	Rating action
Camion 03 2025	SN Series A1	37.41	Provisional [ICRA]AA+(SO); Assigned
	Equity Tranche	3.32	Provisional [ICRA]A(SO); Assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No ratings would have been assigned as it would not be meaningful
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Rationale

The Securitisation Notes (SNs) and Equity Tranche are backed by a pool of vehicle loan receivables originated by Suryoday Small Finance Bank Limited {(SSFBL/Originator; rated [ICRA]A (Stable)/[ICRA]A1+)} with an aggregate principal outstanding of Rs. 41.56 crore (pool receivables of Rs. 48.76 crore). SSFBL would be acting as the servicer for the transaction.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (80% of the pool principal billed). The balance principal (20% of the pool principal billed) is expected to be paid on a monthly basis and is promised on the legal maturity date. Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of SN Series A1 principal. For the Equity Tranche the entire principal is promised on the final maturity date while no yield is promised.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 8.00% of the initial pool principal, amounting to Rs. 3.32 crore, to be provided by the Originator, (ii) principal subordination of 10.00% of the pool principal for SN Series A1 and principal subordination of 2.00% of the pool principal for equity tranche, and (iii) the EIS of 8.37% of the initial pool principal for both SN Series A1 and equity tranche.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 417 contracts, with no contracts forming more than ~0.8% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of subordination, CC and EIS would absorb some amount of the losses in the pool and provide support in meeting the investor payouts.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date.

Adequate servicing capability of the originator – SSFBL has adequate processes for servicing of the loan accounts in the securitised pool. It has demonstrated long track record of regular collections and recovery across a wide geography and multiple economic cycles. However, the originator has limited vintage in vehicle finance.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Maharashtra, Odisha and Gujarat, contributing ~67% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Risk associated with lending business – The pools' performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.25% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 5% to 18% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Liquidity position: Strong

The liquidity for the SN Series A1 and Equity tranche is strong after factoring in the credit enhancement available to meet the promised payout to the investors. The total credit enhancement would be ~5.00 times and ~3.25 times the estimated loss in the pool for SN Series A1 and Equity Tranche respectively.

Rating sensitivities

Positive factors – The ratings could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%) leading to lower-than-expected delinquency levels and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (SSFBL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the analysis of the performance of SSFBL's vehicle loan portfolio till December 2024, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Auditor's certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

SSFBL, initially incorporated as Suryoday Micro Finance Limited, was set up in October 2008 as a non-banking financial company with the objective of providing loans to women in urban and semi-urban areas using the joint liability group (JLG) lending model. It received a licence from the Reserve Bank of India in FY2016 to commence operations as a small finance bank and started operating as a small finance bank on January 23, 2017.

As on December 31, 2024, the bank was operating in 15 states and Union Territories (UTs) across India through 708 branches, with a strong presence in Maharashtra, Tamil Nadu and Odisha. SSFBL catered to around 33 lakh clients while managing a portfolio of Rs. 9,563 crore as on December 31, 2024.

Key financial indicators (standalone; audited)

SSFBL	FY2023	FY2024	9MFY2025*
Accounting as per	IGAAP	IGAAP	IGAAP
Total income	1,281	1,808	1,640
Profit after tax	78	216	149
Total assets	9,861	12,378	13,926
Gross NPA	3.1%	2.9%	5.5%
CRAR	33.7%	28.4%	26.9%

Source: Bank, ICRA Research; All ratios as per ICRA's calculations; *Limited review; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust name	Instrument	Current rating (FY2026)		Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
			May 07, 2025	-	-	-
Camion 03 2025	SN Series A1	37.41	Provisional [ICRA]AA+(SO)	-	-	-
	Equity Tranche	3.32	Provisional [ICRA]A(SO)			

Complexity level of the rated instrument

Instrument	Complexity indicator
SN Series A1	Moderately Complex
Equity Tranche	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

Trust name	Instrument name	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Current rating
Camion 03 2025	SN Series A1	April 28, 2025	8.75%	January 29, 2029	37.41	Provisional [ICRA]AA+(SO)
	Equity Tranche		-		3.32	Provisional [ICRA]A(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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