

June 13, 2025

Shriram Finance Limited: Ratings reaffirmed for PTCs issued under two vehicle loan securitisation transactions

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Sansar Jan 24 II Trust	PTC Series A1	491.02	491.02	184.22	[ICRA]AAA(SO); reaffirmed
	PTC Series A2	210.41	210.41	210.41	[ICRA]AAA(SO); reaffirmed
	Second Loss Facility	35.07	35.07	35.07	[ICRA]A-(SO); reaffirmed
Sansar Jan 24 III Trust	PTC Series A	1,323.83	1,323.83	615.69	[ICRA]AAA(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by commercial vehicle (CV), passenger vehicle (PV), construction equipment (CE) and tractor loan receivables originated by Shriram Finance Limited {SFL; rated [ICRA]AA+ (Stable)}.

The rating reaffirmations factor in the build-up of the credit enhancement on account of healthy amortisation and strong pool performance. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pools till May 2025 payout month.

Pool performance summary

Parameter	Sansar Jan 24 II Trust	Sansar Jan 24 III Trust
Payout month	May 2025	May 2025
Months post securitisation	15	15
Pool amortisation	43.7%	48.7%
PTC amortisation		
Series A/ A1	62.5%	53.5%
Series A2	0.0%	
Cumulative collection efficiency ¹	101.2%	104.3%
Cumulative prepayment rate	5.2%	9.4%
Average monthly prepayment rate	0.4%	0.7%
Loss-cum-90+ dpd ² (% of initial pool)	1.6%	1.0%
Loss-cum-180+ dpd ³ (% of initial pool)	0.8%	0.3%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%
Breakeven collection efficiency ⁴ for PTC Series A/A1	78.4%	69.7%
CC (% of balance pool)	17.8%	6.8%
Excess interest spread (EIS; % of balance pool) for PTC A/A1 ⁵	7.4%	11.2%

¹ Cumulative collections till date (including advance collections) / (Cumulative billings till date + Opening overdue)

² Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a % of Initial Pool Principal

³ Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 180 days, as a % of Initial Pool Principal

⁴ (Balance cash flows payable to investor – CC available) / Balance pool cash flows

⁵ (Pool cash flows – Cash flows to PTC) / Pool principal outstanding

Parameter	Sansar Jan 24 II Trust	Sansar Jan 24 III Trust
Subordination (% of balance pool) for PTC A/A1		17.5%

Transaction structure

Sansar Jan 24 II Trust

As per the transaction structure, the monthly cash flow schedule will comprise the promised interest payout on a pro rata basis to PTC Series A1 and PTC Series A2. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date for both the tranche. The collections from the pool, after making the promised interest payouts to the PTCs, will be used to make the expected principal payouts to PTC Series A1, and following complete repayment of PTC Series A1 principal, towards expected principal payouts to PTC Series A2. Any 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 PTC Series A1 principal and following complete repayment of PTC Series A1 principal, towards prepayment of PTC Series A2 principal.

Sansar Jan 24 III Trust

As per the transaction structure, the monthly cash flow schedule will comprise the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final 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 the PTC Series A principal.

Key rating drivers and their description

Credit strengths

Adequate servicing capability of SFL - SFL, which is also servicing the loans in the transaction, has a well-established track record in the pre-owned commercial vehicle financing business of more than four decades and has adequate underwriting policies and collection procedures across a wide geography. It also has satisfactory processes for servicing the loan accounts in the securitised pool.

Build-up of credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with CC increasing to ~18% and ~7% of the balance pool principal in case of Sansar Jan 24 II Trust and Sansar Jan 24 III Trust, respectively. In case of Sansar Jan 24 III Trust, the subordination has increased to ~18% of the balance pool principal. Internal credit support is also available through EIS for the transactions.

Healthy pool performance – The performance of the pools has been healthy with cumulative collection efficiency (including OD) upwards of 100% till May 2025 payout month resulting in lower delinquencies with loss cum 90+ dpd for Sansar Jan 2024 II Trust and Sansar Jan 24 III Trust at 1.6% and 1.0% respectively. Further, the breakeven collection efficiency is lower than monthly collection efficiency.

Credit challenges

Risks associated with lending business – The pool's 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 the surveillance of asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after considering the past performance of the originator's portfolio and the rated pools, as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

For the current pools, ICRA has estimated the shortfall in the pool principal collection and prepayments during its tenure as provided in the following table:

S. No.	Transaction name	Estimated shortfall (% of initial pool principal)	Prepayment
1	Sansar Jan 24 II Trust	2.60%	4.8% - 18.0% p.a.
2	Sansar Jan 24 III Trust	2.00%	4.8% - 18.0% p.a.

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.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction name	Sansar Jan 24 II Trust	Sansar Jan 24 III Trust
Originator	Shriram Finance Limited	Shriram Finance Limited
Servicer	Shriram Finance Limited	Shriram Finance Limited
Trustee	IDBI Trusteeship Services Limited	Catalyst Trusteeship Limited
CC holding bank	Sumitomo Mitsui Banking Corporation (SMBC)	JP Morgan Chase Bank
Collection and payout account bank	ICICI Bank	JP Morgan Chase Bank

Liquidity position

Strong: For PTC Series A1 and PTC Series A2 of Sansar Jan 24 II Trust

The liquidity for the instruments is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is ~5.00 times the estimated loss for the pool.

Adequate: For second loss facility of Sansar Jan 24 II Trust

The liquidity for SLF is adequate after factoring in the cashflows from the pool which are adequate for the top up of the SLF, if needed, as per the defined waterfall mechanism.

Superior: For PTC Series A of Sansar Jan 24 III Trust

The liquidity for the instrument is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is over 6.00 times the estimated loss for the pool.

Rating sensitivities

Positive factors – Not applicable for PTCs; For SLF – The rating can be upgraded on the sustained strong collection performance of the underlying pool of contracts, resulting in an increase in the credit enhancement cover available.

Negative factors – Pressure on the ratings could emerge on sustained weak collections, resulting in higher-than-expected delinquency levels. Weakening in the credit profile of the servicer could also exert pressure on the ratings

Analytical approach

The rating action is based on the performance of the pools till May 2025 (payout month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the originator

Shriram Finance Limited [SFL; erstwhile Shriram Transport Finance Company Limited (STFC)], incorporated in 1979, is a part of the Shriram Group of companies and an upper layer non-banking financial company. Based on the National Company Law Tribunal order dated November 14, 2022, the operations of Shriram City Union Finance Limited (SCUF) and Shriram Capital Limited (SCL) were merged with STFC, which was rechristened Shriram Finance Limited on November 30, 2022.

SFL enjoys a leadership position in preowned commercial vehicle finance and has a pan-India presence with more than 3,800 branches and other offices. As on March 31, 2025, its assets under management (standalone) stood at Rs. 2.63 lakh crore comprising commercial vehicle finance (45%), passenger vehicle finance (21%), small and medium-sized enterprise (SME) lending (14%), construction equipment and farm equipment finance (7%), two-wheeler loans (6%), personal loans (4%), and gold loans (2%).

Key financial indicators

Standalone	FY2023*	FY2024^	FY2025^
	Audited	Audited	Limited Review
Total income	29,803	34,998	41,859
Profit after tax	5,979	7,190	9,761
Total managed assets#	2,16,010	2,52,802	3,11,330
Gross stage 3	6.2%	5.5%	4.6%
Capital-to-risk weighted assets ratio	22.6%	20.3%	20.7%

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore;

With the scheme of arrangement and amalgamation of STFC, SCUF and SCL becoming effective, figures for the year ended March 31, 2023 are not comparable with the figures for the year ended March 31, 2022

*For SFL, prior to the merger with SCUF and SCL; ^Consolidated, post-merger

#Total managed assets = Total assets + Impairment allowance + Direct assignment – Goodwill

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			
		Initial amount rated (Rs. crore)	Current amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				June 13, 2025	Jun 11, 2024	Feb 09, 2024	-
1 Sansar Jan 24 II Trust	PTC Series A1	491.02	184.22	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

	PTC Series A2	210.41	210.41	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-
	Second Loss Facility	35.07	35.07	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A(SO)	

Trust name	Instrument	Current Rating (FY2026)		Chronology of Rating History for the Past 3 Years			
		Initial amount rated (Rs. crore)	Current amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				June 13, 2025	Jun 06, 2024	Feb 28, 2024	-
2 Sansar Jan 24 III Trust	PTC Series A	1,323.83	615.69	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

Complexity level of the rated instrument

Trust	Instrument	Complexity indicator
Sansar Jan 24 II Trust	PTC Series A1	Moderately Complex
	PTC Series A2	Moderately Complex
	Second Loss Facility	Moderately Complex
Sansar Jan 24 III Trust	PTC Series A	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

ISIN No	Trust name	Instrument type	Date of issuance / sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
NA	Sansar Jan 24 II Trust	PTC Series A1	February 29, 2024	7.70%	May 20, 2026	184.22	[ICRA]AAA(SO)
		PTC Series A2		7.70%	February 20, 2029	210.41	[ICRA]AAA(SO)
		Second Loss Facility		-	February 20, 2029	35.07	[ICRA]A-(SO)
NA	Sansar Jan 24 III Trust	PTC Series A	February 29, 2024	8.75%	February 20, 2029	615.69	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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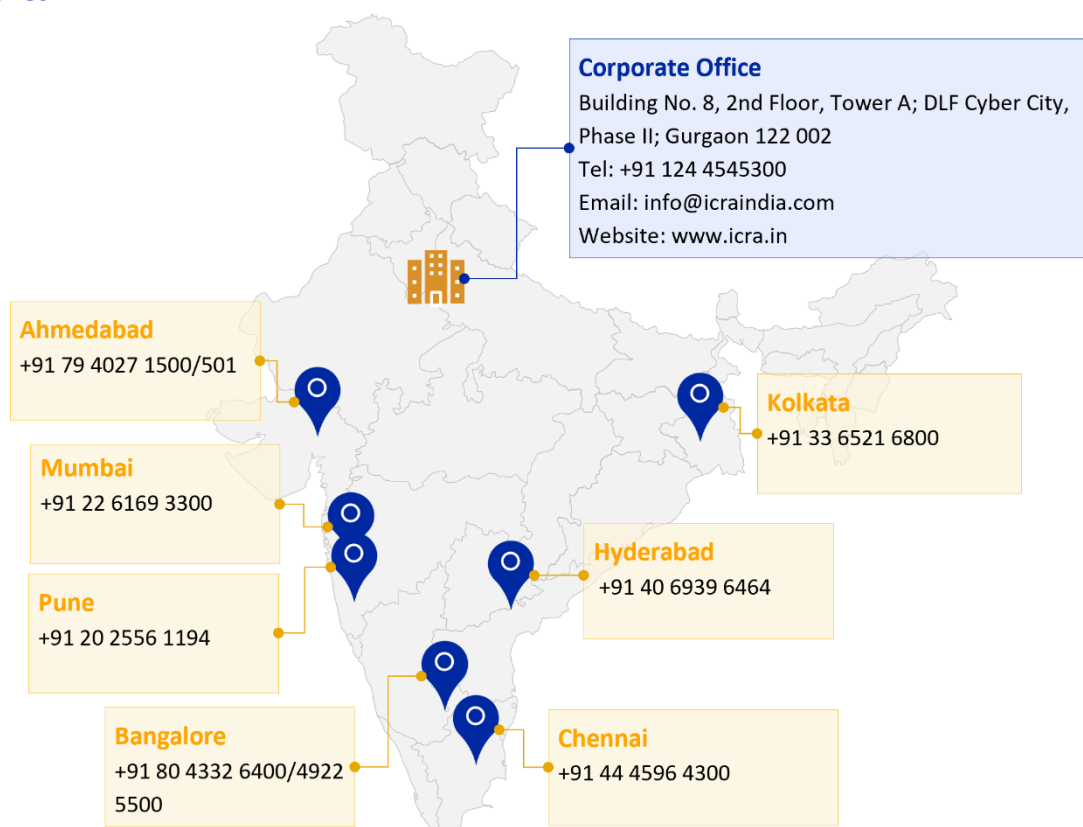


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