

October 29, 2024

Shriram Finance Limited: Ratings reaffirmed for two PTC transactions and rating withdrawn for one PTC transaction issued under vehicle loan securitisation

Summary of rating action

Trust Name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Amount O/s after Sep-24 payout (Rs. crore)	Rating Action
Sansar Trust June 2022 V	PTC Series A	326.73	112.28	16.29	[ICRA]AAA(SO); Reaffirmed
Sansar Trust Sep 2023 IX	PTC Series A1	542.67	542.67	239.68	[ICRA]AAA(SO); Reaffirmed
	PTC Series A2	34.64	34.64	34.64	[ICRA]BBB(SO); Reaffirmed
Sansar Trust Sep 2021 VI	PTC Series A	767.22	115.63	0.00	[ICRA]AAA(SO); To be withdrawn

*Instrument details are provided in Annexure I

Rationale

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

The ratings reaffirmation factors in the sustained healthy collection witnessed in the pools. There has been a build-up of the credit enhancement (CE) cover over the future PTC payouts due to the amortisation in the transactions. The breakeven collection efficiency is also comfortable compared to the actual collection level observed in the pools.

ICRA has withdrawn rating for the PTC issued in the Sansar Trust Sep 2021 VI transaction as all the payouts to the investors in this instrument have been made and no further payments are due. The key rating drivers, liquidity position and rating sensitivities have not been captured as the rating assigned to the instruments have been withdrawn. The previous detailed rating rationale of surveillance exercise is available at this [link](#).

Pool performance summary

Parameter	Sansar Trust June 2022 V	Sansar Trust Sep 2023 IX
Payout month	September 2024	September 2024
Months post securitisation	26	11
Pool amortisation	89.0%	52.5%
PTC Series A/A1 amortisation	95.0%	55.8%
Cumulative collection efficiency ¹	115.4%	106.6%
Cumulative prepayment rate	46.3%	15.2%
Average monthly prepayment rate	2.4%	1.5%
Loss-cum-90+ dpd ² (% of initial pool)	1.2%	1.3%
Loss-cum-180+ dpd ³ (% of initial pool)	1.0%	0.7%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%
Breakeven collection efficiency ⁴ for PTC Series A/A1	nm ⁵	69.3%
CC (% of balance pool)	55.2%	17.7%

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 Not meaningful

Parameter	Sansar Trust June 2022 V	Sansar Trust Sep 2023 IX
Excess interest spread (EIS; % of balance pool) for PTC A/A1 ⁶	19.6%	10.2%

Transaction structure

For Sansar Trust June 2022 V, as per the transaction structure, the monthly cash flow schedule comprises 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 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 Series A PTC principal.

For Sansar Trust Sep 2023 IX, as per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (94.00% of the pool principal billed) to Series A1 PTC. The balance principal (6.00% of the pool principal billed), is expected to be paid on a monthly basis until the maturity of Series A1 PTC. After the maturity of Series A1 PTC, 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 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 Series A1 PTC principal.

Key rating drivers and their description

Credit strengths

Track record of Originator – The Originator, 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.

Build-up of credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with CC increasing to 45.3% and 12.6% of the balance pool principal for Sansar Trust June 2022 V and Sansar Trust Sep 2023 IX respectively compared to 5.0% and 6.0% at time of securitisation. Internal credit support is also available through excess interest spread (EIS) of 19.6% and 10.2% for Sansar Trust June 2022 V and Sansar Trust Sep 2023 IX respectively. Further, internal credit support is available through subordination in both the pools.

Healthy pool performance – Delinquencies in the harder bucket with the loss-cum-90+ days past due (dpd; as percentage of initial pool principal) have remained low at ~2.0% for both the pools after September 2024 payout month. Nonetheless, the performance of both the pools has been healthy with cumulative collection efficiency (including advances) upwards of ~100% till September 2024 payout month while the breakeven collection efficiency remains comfortably below the monthly collection efficiency.

Credit challenges

Risks 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 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

⁶ (Pool cash flows – Cash flows to PTC) / Pool principal outstanding

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 Sansar Trust Sep 2023 IX, ICRA has estimated the shortfall in the pool principal collection during its tenure at 2.25% with certain variability around it. The average prepayment rate for the underlying pools is modelled in the range of 4.8% to 18.0% 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.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction Name	Sansar Trust June 2022 V	Sansar Trust Sep 2023 IX
Originator	Shriram Finance Limited	Shriram Finance Limited
Servicer	Shriram Finance Limited	Shriram Finance Limited
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC Holding Bank	JP Morgan Chase Bank N.A.	ICICI Bank Limited
Collection and payout account bank	JP Morgan Chase Bank N.A.	ICICI Bank Limited

Liquidity position

For Sansar Trust June 2022 V and Series A1 PTCs of Sansar Trust Sep 2023 IX: Superior

The liquidity for Sansar Trust June 2022 V is superior as the cash collateral available covers the future PTC investor payouts. For Series A1 PTCs of Sansar Trust Sep 2023 IX, the liquidity for the PTC instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 6.5 times the estimated loss in the pool.

For Series A2 PTCs of Sansar Trust Sep 2023 IX: Strong

The liquidity for the PTC instrument is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 3.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable for Sansar Trust June 2022 V and Series A1 PTCs of Sansar Trust Sep 2023 IX; The ratings for Series A2 PTCs of Sansar Trust Sep 2023 IX 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 rating could emerge on sustained weak collections, resulting in higher-than-expected delinquency levels. Weakening in the credit profile of the servicer (SFL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pools till September 2024 (payout month), the present delinquency levels and the CE available in the pool, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for 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 3,700+ branches and other offices. As of June 30, 2024, SFL had an AUM (consolidated) of Rs. 2.48 lakh crore comprising commercial vehicle finance (44%), passenger vehicle finance (19%), construction equipment and farm equipment finance (9%), small and medium-sized enterprise (SME) lending (12%), personal loans (4%), gold loans (2%) two-wheeler loans (5%) and housing loans (6%; through its subsidiary Shriram Housing Finance Limited).

Key financial indicators

Particulars	FY2023 [^]	FY2024 [^]	Q1 FY2025 [^]
	Audited	Audited	Limited Review
Total income	30,508	36,413	9,597
Profit after tax	6,011	7,391	2,029
Total managed assets[#]	2,23,769	2,66,453	2,76,104
Gross stage 3	6.0%	5.2%	5.2%
Capital to risk weighted assets ratio	22.6%	20.3%	NA

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore; NA- Not Available

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

[^]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 (FY2025)		Chronology of Rating History for the Past 3 Years				
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022
				October 29, 2024	October 25, 2023	October 19, 2022	July 19, 2022	-
1 Sansar Trust June 2022 V	PTC Series A	326.73	16.29	[ICRA]AAA (SO)	[ICRA]AAA(SO)	[ICRA]AAA (SO)	Provisional [ICRA]AAA(SO)	-

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years					
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				October 29, 2024	October 11, 2023	September 29, 2023	-	-	
2 Sansar Trust Sep 2023 IX	Series A1 PTCs	542.67	239.68	[ICRA]AAA (SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA (SO)	-	-
	Series A2 PTCs	34.64	34.64	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	-

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years						
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022
				October 29, 2024	October 29, 2023	November 28, 2022	November 17, 2021	October 20, 2021	September 29, 2021 [^]	
3 Sansar Trust Sep 2021 VI	PTC Series A	767.22	0.00	[ICRA]AAA (SO); withdrawn	[ICRA]AAA(SO)	[ICRA]AAA (SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	

[^]Initial rating assigned

Complexity level of the rated instrument

Trust	Instrument	Complexity Indicator
Sansar Trust June 2022 V	PTC Series A	Moderately Complex
Sansar Trust Sep 2023 IX	Series A1 PTCs	Moderately Complex
	Series A2 PTCs	Moderately Complex
Sansar Trust Sep 2021 VI	PTC Series A	Simple

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 Trust June 2022 V	PTC Series A	July 29, 2022	8.00%	June 20, 2027	16.29	[ICRA]AAA(SO)
INEOREK15015	Sansar Trust Sep 2023 IX	Series A1 PTCs	September 29, 2023	8.75%	October 18, 2028	239.68	[ICRA]AAA(SO)
INEOREK15023		Series A2 PTCs		Residual	October 18, 2028	34.64	[ICRA]BBB(SO)
NA	Sansar Trust Sep 2021 VI	PTC Series A	October 18, 2021	7.00%	June 22, 2028	0.00	[ICRA]AAA(SO); withdrawn

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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