

February 26, 2025

Sundaram Finance Limited: Rating reaffirmed for PTCs issued under three vehicle loan securitisation transactions

Summary of rating action

Trust name	Instrument*	Initial rated amount (Rs. crore)	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Shri Trust AN 2023	PTC Series A	395.64	225.14	131.26	[ICRA]AAA(SO); reaffirmed
Shri Trust AO 2023	PTC Series A	379.96	201.80	113.15	[ICRA]AAA(SO); reaffirmed
Shri Trust AP 2023	PTC Series A	369.91	187.67	135.15	[ICRA]AAA(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by vehicle loan receivables originated by Sundaram Finance Limited {SFL/Originator; rated [ICRA]AAA (Stable)}. SFL is also the servicer for the rated transactions. The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the high amortisation and healthy pool performance. The rating also draws comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pools till the December 2024 payout month.

Pool performance summary

Parameter	Shri Trust AN 2023	Shri Trust AO 2023	Shri Trust AP 2023
Payout month	December 2024	December 2024	December 2024
Months post securitisation	22	22	21
Pool amortisation	67.4%	70.8%	64.0%
PTC amortisation	66.8%	70.2%	63.5%
Cumulative collection efficiency ¹	99.5%	99.6%	99.0%
Cumulative prepayment rate	7.4%	6.4%	5.9%
Loss-cum-90+ (% of initial pool principal) ²	0.7%	0.4%	1.0%
Loss-cum-180+ (% of initial pool principal) ³	0.2%	0.2%	0.7%
Breakeven collection efficiency ⁴	68.6%	69.2%	77.3%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%	0.0%
EIS available (as a % of balance pool)	3.7%	1.3%	1.2%
CC available (as % of balance pool)	26.1%	29.1%	23.6%

Transaction structure

For Shri Trust AN 2023

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 but is promised on the final maturity date. The expected monthly principal payouts to the investors have been staggered in such a way that the principal portion of the billing pertaining to a particular month (month

¹ Cumulative collections / (Cumulative billings + Opening overdues at the time of securitisation)

² Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

³ Principal outstanding on contracts aged 180+ dpd / Principal outstanding on the pool at the time of securitisation

⁴ Breakeven collection efficiency = (Balance PTC cash flows – CC available) / Balance pool cash flows

M) will be paid in the corresponding payout to the investors in a staggered ratio of 80:20 in months M+1 and M+2, respectively. 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 PTC Series A principal.

For Shri Trust AO 2023

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 but is promised on the final maturity date. The expected monthly principal payouts to the investors have been staggered in such a way that the principal portion of the billing pertaining to a particular month (month M) will be paid in the corresponding payout to the investors in a staggered ratio of 80:20 in months M+1 and M+2, respectively. 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 PTC Series A principal.

For Shri Trust AP 2023

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 but is promised on the final maturity date. The expected monthly principal payouts to the investors have been staggered in such a way that the principal portion of the billing pertaining to a particular month (month M) will be paid in the corresponding payout to the investors in a staggered ratio of 80:20 in months M+1 and M+2, respectively. 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 PTC Series A principal.

Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed Shri Trust AN 2023, Shri Trust AO 2023 and Shri Trust AP 2023, basis the cash collateral (CC) mentioned in the table provided below.

Transaction name	Current CC outstanding [A]	CC required as per ICRA for maintaining present rating [B]	CC that can be released [C]= 60%*(A - B)	Revised CC limit [D] = (A - C)
Shri Trust AN 2023	33.65	11.78	13.12	20.53
Shri Trust AO 2023	32.30	11.31	12.60	19.70
Shri Trust AP 2023	31.45	12.58	11.32	20.13

Amount in Rs. crore

Based on the pools' performance, the rating for the PTCs will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the PTC investors. However, as per regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA.

Key rating drivers and their description

Credit strengths

Established track record and servicing capability of SFL – SFL has an established track record in the vehicle finance business with an operational history of almost seven decades. It has adequate processes for servicing loans with a demonstrated track record of regular collections and recoveries across a wide geography.

Substantial credit enhancement available in the structure – The rating factors in the build-up of the credit enhancement for the transactions, with a higher CC available as a percentage of the balance pool principal compared to the initial CC at the time of securitisation. Internal credit support is also available through the scheduled EIS for the pools.

Healthy pool performance – The pools’ performance has been strong with a cumulative collection efficiency of more than 99%, which has resulted in low delinquencies in the pools with a 90+ days past due (dpd) of less than 0.5% as of the December 2024 payout month for all the pools. Further, there have been no instances of CC utilisation till date owing to the strong collection performance and the presence of EIS in the transactions.

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 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 pools, ICRA has estimated the shortfall in the pool principal collection during their tenure at 1.00% for Shri Trust AN 2023 as well as Shri Trust AP 2023 and at 0.75% for Shri Trust AO 2023 with certain variability around it. The average prepayment rate for the underlying pools is modelled in the range of 4.0% to 6.0% 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 instruments.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction name	Shri Trust AN 2023	Shri Trust AO 2023	Shri Trust AP 2023
Originator	Sundaram Finance Limited	Sundaram Finance Limited	Sundaram Finance Limited
Servicer	Sundaram Finance Limited	Sundaram Finance Limited	Sundaram Finance Limited
Trustee	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited
CC bank	Bank of Baroda	Bank of Baroda	State Bank of India
Collection and payout account bank	Hongkong and Shanghai Banking Corporation Limited	State Bank of India	State Bank of India

Liquidity position: Superior

The liquidity is superior for the transactions after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 8.50 times the estimated loss in the pool for all three pools.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the rating could emerge on the sustained weak collection performance of the underlying pool, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pools till the December 2024 payout month (November 2024 collection month), the present delinquency profile of the pool of contracts, the performance expected over the balance pool tenure, and the credit enhancement available in the transactions.

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

About the originator

SFL is the flagship company of the TSF Group. It is one of the large non-banking financial companies (NBFCs) in the country with assets under management (AUM) of Rs. 50,199 crore as of December 2024. Its primary focus is on the financing of commercial vehicles (CVs) and cars. SFL has invested in various entities to provide a gamut of financial services like housing finance (Sundaram Home Finance Limited; SHFL), insurance (Royal Sundaram) and mutual funds (Sundaram Asset Management Company Limited; SAMCL).

Key financial indicators (as per Ind-AS)

SFL – Standalone	FY2023	FY2024	9M FY2025
	Audited	Audited	Provisional
Total income	4,110	5,494	4,752
Profit after tax	1,088	1,454	997
Total managed assets	41,140	50,999	NA
Gross stage 3	1.7%	1.3%	1.7%
Capital-to-risk weighted assets ratio (CRAR)	22.8%	20.5%	20.0%

Source: Company, ICRA Research; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. no.	Trust name	Instrument	Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Current rating (FY2025)		Chronology of rating history for the past 3 years		
					Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Feb 26, 2025	May 24, 2024			
1	Shri Trust AN 2023	PTC Series A	395.64	131.26	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

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					Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Feb 26, 2025	May 24, 2024			
2	Shri Trust AO 2023	PTC Series A	379.96	113.15	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

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					Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
					Feb 26, 2025	Aug 20, 2024			
3	Shri Trust AP 2023	PTC Series A	369.91	135.15	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
Shri Trust AN 2023	PTC Series A	Moderately Complex
Shri Trust AO 2023	PTC Series A	Moderately Complex
Shri Trust AP 2023	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

Trust name	Instrument type	Date of issuance /Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
Shri Trust AN 2023	PTC Series A	January 31, 2023	6.55%	June 25, 2027	131.26	[ICRA]AAA(SO)
Shri Trust AO 2023	PTC Series A	February 3, 2023	6.70%	September 25, 2027	113.15	[ICRA]AAA(SO)
Shri Trust AP 2023	PTC Series A	March 9, 2023	7.00%	September 25, 2027	135.15	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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