

April 21, 2025

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

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 Trust Dec 2023 III	Series A PTC	252.17	252.17	119.18	[ICRA]AAA(SO); reaffirmed
	Second loss facility	13.87	13.87	13.87	[ICRA]A-(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

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

The ratings reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts on account of high amortisation and healthy 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 pool till the March 2025 payout month.

Pool performance summary

Parameter	Sansar Trust Dec 2023 III
Payout month	March 2025
Months post securitisation	14
Pool amortisation	52.7%
PTC amortisation	52.7%
Cumulative collection efficiency ¹	103.1%
Cumulative prepayment rate	11.5%
Average monthly prepayment rate	0.9%
Loss-cum-90+ dpd ² (% of initial pool)	2.30%
Loss-cum-180+ dpd ³ (% of initial pool)	0.6%
Cumulative cash collateral (CC) utilisation	0.00%
Breakeven collection efficiency ⁴ for PTC Series A/A1	74.2%
CC (% of balance pool)	22.2%
Excess interest spread (EIS; % of balance pool) for PTC A/A1 ⁵	7.7%

Transaction structure

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 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. As per the transaction

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

structure, the monthly cash flow schedule will comprise the promised interest payments to Series A PTCs at the predetermined interest rate on the principal outstanding and the entire principal on the final maturity date (May 18, 2028). During the tenure of Series A PTCs, the collections from the pool, after making the promised interest payouts to Series A PTCs, will be used to make the expected principal payouts to Series A PTCs (100% of the pool principal billing). However, this principal payout is not promised and any shortfall in making the expected principal payment to Series A PTCs would be carried forward to the subsequent payout.

Reset of credit enhancement

At the Originator’s request for resetting the credit enhancement, ICRA has analysed the transaction, basis the cash collateral (CC) mentioned in the table provided below. Based on the pool’s performance, the ratings 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.

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)
Sansar Trust Dec 2023 III	26.48	18.53	4.77	21.71

Amount in Rs. crore

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 of more than four decades in the preowned commercial vehicle financing business with 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 ratings factor in the build-up in the credit enhancement with the CC increasing to ~22% of the balance pool principal. Internal credit support is also available through the EIS for the transaction.

Healthy pool performance – While delinquencies in the harder bucket have remained moderate with the loss-cum-90+ days past due (dpd; as percentage of initial pool principal) and loss-cum-180+ dpd at 2.3% and 0.6%, respectively, the performance of the pool has been healthy with a cumulative collection efficiency (including advances) of more than ~100% till the March 2025 payout month. Moreover, the breakeven collection efficiency remains comfortably below the 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 pool, 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 Trust Dec 2023 III	5.95%	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 ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction name	Sansar Trust Dec 2023 III
Originator	Shriram Finance Limited
Servicer	Shriram Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC holding bank	Kotak Mahindra Bank
Collection and payout account bank	Kotak Mahindra Bank

Liquidity position

For Series A PTCs: Strong

The liquidity for the instrument is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is ~4.50 times the estimated loss for the pool.

For second loss facility: Adequate

The liquidity for the second loss facility (SLF) is adequate after factoring in the credit enhancement available to meet the promised payout to the investor.

Rating sensitivities

Positive factors – Not applicable for Series A 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 pool till March 2025 (payout month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

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 3,700 branches and other offices. As on December 31, 2024, SFL's assets under management (AUM) stood at Rs. 2.54 lakh crore comprising commercial vehicle finance (45%), passenger vehicle finance (20%), construction equipment and farm equipment finance (9%), small and medium-sized enterprise (SME) lending (14%), personal loans (3%), gold loans (2%) and two-wheeler loans (6%).

Key financial indicators

Standalone	FY2023*	FY2024^	9M FY2025^
	Audited	Audited	Limited review
Total income	29,803	34,998	30,399
Profit after tax	5,979	7,190	6,132
Total managed assets#	2,16,010	2,52,802	3,00,986
Gross stage 3	6.2%	5.5%	5.4%
Capital-to-risk weighted assets ratio	22.6%	20.3%	21.0%

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

S. no.	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
					April 21, 2025	April 17, 2024	December 29, 2023	-
1	Sansar Trust Dec 2023 III	Series A PTC	252.17	119.18	[ICRA]AAA (SO)	[ICRA]AAA (SO)	Provisional [ICRA]AAA(SO)	-
		Second loss facility	13.87	13.87	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-

Complexity level of the rated instrument

Trust	Instrument	Complexity indicator
Sansar Trust Dec 2023 III	Series A PTCs	Moderately Complex
	Second loss facility	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	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 Dec 2023 III	Series A PTC	December 27, 2023	8.75%	May 18, 2028	119.18	[ICRA]AAA(SO)
		Second loss facility		-		13.87	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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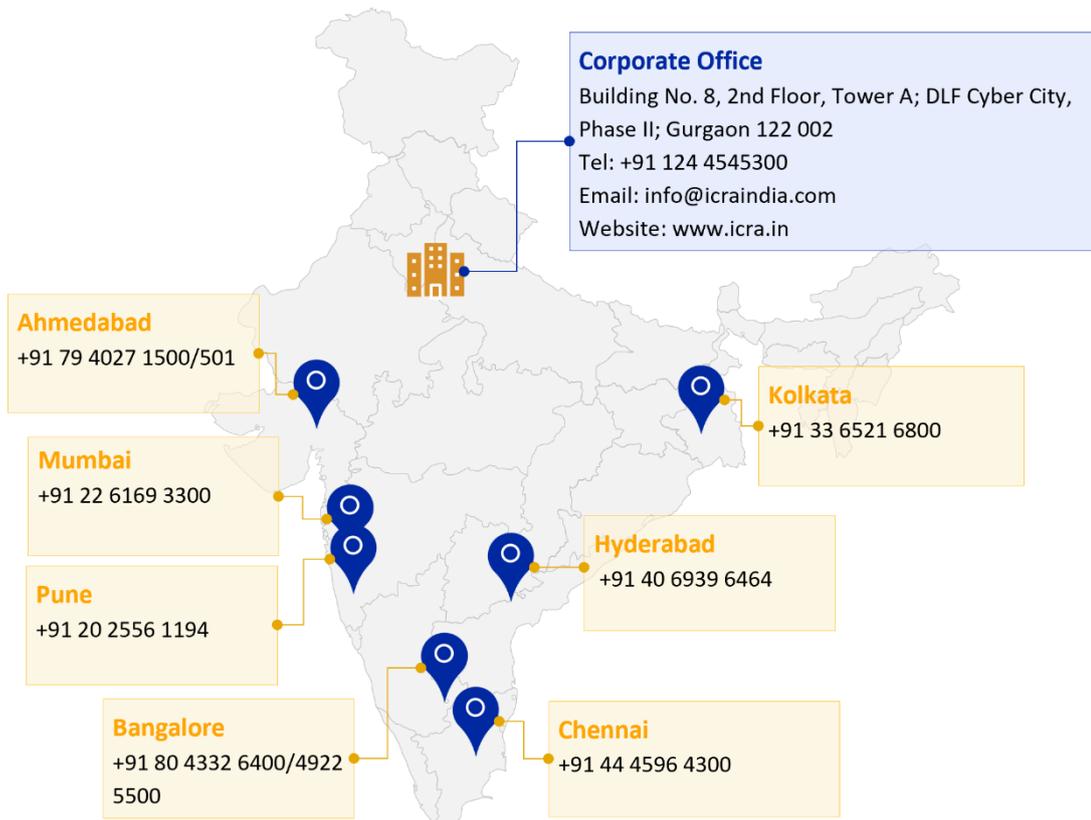
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