May 15, 2025

Shriram Finance Limited: Ratings confirmed as final for PTCs backed by vehicle, equipment and tractor loan receivables issued by Sansar Feb 2025 Trust

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Sansar Feb 2025 Trust	Series A1 PTC	1,889.64	[ICRA]AA+(SO); provisional rating confirmed as final
	Series A2 PTC	99.45	[ICRA]A-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned a provisional rating to the pass-through certificates (PTCs) issued by Sansar Feb 2025 Trust under a securitisation transaction originated by Shriram Finance Limited {SFL/Originator; rated [ICRA]AA+ (Stable)}. The PTCs are backed by a pool of vehicle, construction equipment, and tractor loan receivables originated by SFL with an aggregate principal outstanding of Rs. 1,989.09 crore (pool receivables of Rs. 2,397.64 crore).

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said ratings have now been confirmed as final.

Pool Performance Summary

Parameter	Sansar Feb 2025 Trust
Payout month	April 2025
Months post securitisation	1
Pool amortisation	3.40%
Amortisation	
Series A1 PTC	3.58%
Series A2 PTC	0.00%
Cumulative collection efficiency[1]	101.71%
Cumulative prepayment rate	0.27%
Loss-cum 0+ days past due (dpd)[2]	0.00%
Loss cum 30+ dpd[3]	0.00%
Loss cum 90+ dpd[4]	0.00%
Cumulative cash collateral utilisation	0.00%

Transaction structure

The transaction has a two-tranche structure, wherein Series A1 PTC will be equivalent to 95% of the initial pool principal and Series A2 PTC, equivalent to 5% of the initial pool principal, which will be subordinated to the Series A1 PTC.

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to Series A1 PTC. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) firstly to PTC Series A1 and then to PTC Series A2 (post PTC Series A1 is fully paid off).

[1] Cumulative collections (incl. advances)/ (Cumulative billings + Opening overdue at the time of securitisation)
[2] *Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation*
[3] *Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation*
[4] *Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation*

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 (and to Series A2 PTC post PTC Series A1 is fully paid off).

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal amounting to Rs. 99.45 crore provided by the Originator, (ii) subordination of 5.00% of the initial pool principal for Series A1 PTC, and (iii) the excess interest spread (EIS) of 9.47% of the initial pool principal.

Key rating drivers and their description

Credit strengths

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

Granular pool supported by the presence of credit enhancement – The pool is granular as on the cut-off date and comprises 68,590 contracts, with top 10 contracts forming ~0.2% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of cash collateral (CC), subordination and excess interest spread (EIS) would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool – The pool has amortised by ~30% with seasoning of ~18 months as of the cut-off date thereby reflecting the borrowers' relatively better credit profile and repayment track record.

Credit challenges

Presence of long tenure contracts – On the cut-off date, ~47% of the contracts in the pool had an original tenure of more than 48 months. The performance of such contracts has remained relatively weaker in the portfolio. Thus, the pool's performance would be dependent on the company's ability to limit the slippages of such borrowers.

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 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 3.00% with certain variability around it. The average prepayment rate for the underlying pool 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 ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction name	Sansar Feb 2025 Trust
Originator	Shriram Finance Limited
Servicer	Shriram Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	Hongkong and Shanghai Banking Corporation Limited
Collection and payout account bank	Hongkong and Shanghai Banking Corporation Limited

Liquidity position

For Series A1 PTC: Strong

The liquidity position for Series A1 PTC is strong after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be 4.5 times the estimated loss in the pool.

For Series A2 PTC: Adequate

The liquidity position for Series A2 PTC is adequate after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be 2.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors - Sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a rating upgrade.

Negative factors - The sustained weak collection performance of the underlying pool of contracts (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 (SFL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

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 December 31, 2024, its assets under management (standalone) stood at Rs. 2.54 lakh crore comprising commercial vehicle finance (46%), passenger vehicle finance (20%), small and medium-sized enterprise (SME) lending (14%), construction equipment and farm equipment finance (9%), two-wheeler loans (6%), personal loans (3%), and gold loans (2%).

Key financial indicators

SFL (standalone)	FY2023*	FY2024^	9M FY2025^
	Audited	Audited	Limited review
Total income	29,803	34,998	30,399
Profit after tax	5,979	7,193	7,622
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

Trust name	Current rating (FY2026)				Chronology of rating history for the past 3 years		
	Instrument	Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				May 15, 2025	Feb 18, 2025	-	-
Sansar Feb 2025 Trust	Series A1 PTC	1,889.64	1,889.64	**[ICRA]AA+(SO)**	**Provisional [ICRA]AA+(SO)**	-	-
	Series A2 PTC	99.45	99.45	**[ICRA]A-(SO)**	**Provisional [ICRA]A-(SO)**		

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTC	Moderately Complex
Series A2 PTC	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	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Rating
Sansar Feb 2025 Trust	Series A1 PTC	February 28, 2025	8.15%*	March 20, 2030	1,889.64	[ICRA]AA+(SO)
	Series A2 PTC		Residual		99.45	[ICRA]A-(SO)

*Source: Company; *Fixed*

Annexure II: List of entities considered for consolidated analysis

Not applicable

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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