

May 23, 2025

Shriram Finance Limited: Ratings reaffirmed for PTCs issued under three 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 Trust May 2023 III	PTC Series A	609.39	279.13	127.69	[ICRA]AAA(SO); reaffirmed
	Second loss facility	36.56	36.56	36.56	[ICRA]A-(SO); reaffirmed
Sansar Trust June 2023	Series A1 PTCs	505.22	337.53	212.51	[ICRA]AA+(SO); reaffirmed
	Series A2 PTCs	26.59	26.59	26.59	[ICRA]A-(SO); reaffirmed
Sansar Trust Sep 2023	Series A1 PTCs	475.90	281.26	194.45	[ICRA]AAA(SO); reaffirmed
	Series A2 PTCs	25.05	25.05	25.05	[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), construction equipment (CE) and tractor 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 on account of high amortisation and healthy pool performance. The ratings also draw comfort from the fact that the breakeven collection efficiency is comfortably below the actual collection level observed in the pools till the April 2025 payout month.

Pool performance summary

Parameter	Sansar Trust May 2023 III	Sansar Trust June 2023	Sansar Trust Sep 2023
Payout month	April 2025	April 2025	April 2025
Months post securitisation	22	21	19
Pool amortisation	79.1%	55.0%	56.2%
PTC amortisation			
Series A/A1	79.1%	57.9%	59.1%
Series A2		0.0%	0.0%
Cumulative collection efficiency ¹	104.4%	101.3%	100.5%
Cumulative prepayment rate	22.5%	7.2%	6.8%
Average monthly prepayment rate	1.2%	0.4%	0.4%
Loss-cum-90+ dpd ² (% of initial pool)	1.1%	0.9%	1.0%
Loss-cum-180+ dpd ³ (% of initial pool)	0.6%	0.5%	0.5%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%	0.0%
Breakeven collection efficiency ⁴ for PTC Series A/A1	48.5%	73.6%	74.2%
CC (% of balance pool)	52.5%	11.1%	11.4%

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

Parameter	Sansar Trust May 2023 III	Sansar Trust June 2023	Sansar Trust Sep 2023
Excess interest spread (EIS; % of balance pool) for PTC A/A1 ⁵	6.5%	19.2%	19.5%

Transaction structure

For Sansar Trust May 2023 III, the monthly cash flow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). Any surplus excess interest spread (EIS), after meeting the promised 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.

Sansar Trust June 2023 has a two-tranche structure with Series A1 PTCs comprising 95% of the pool principal as on the cut-off date, followed by Series A2 PTCs (5%). As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to Series A1 PTCs. 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 prepayment in the pool would be used for the prepayment of Series A1 PTC principal. The residual cash flows from the pool, after meeting the promised and expected payouts, will be passed on to Series A2 PTCs as yield on expected basis. After the maturity of Series A1 PTCs, a structure similar to the one used for Series A1 PTCs would be followed to make the principal, prepayment and residual cash flow payouts to Series A2 PTCs.

Sansar Trust Sep 2023 has a two-tranche structure, whereby Series A2 PTCs are subordinate to Series A1 PTCs. As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to the outstanding senior tranche. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to the outstanding senior tranche but is promised on the final maturity date. Any surplus EIS, after meeting the promised and expected payouts, will flow as expected interest payout to the subordinated tranche. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal. Following the maturity of Series A1 PTC, a similar structure would be followed for Series A2 PTC.

Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed all the transactions, basis the cash collateral (CC) mentioned in the table provided below. Based on the pools' 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 May 2023 III	67.0	20.1	28.2	38.9
Sansar Trust June 2023	26.6	13.3	8.0	18.6
Sansar Trust Sep 2023	25.0	12.5	7.5	17.5

Amount in Rs. crore

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

Key rating drivers and their description

Credit strengths

Adequate servicing capability of SFL – SFL, which is also servicing the loans in the transactions, has a well-established track record of more than four decades in the preowned CV financing business 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 pools.

Build-up of credit enhancement available in the structure – The ratings factor in the build-up in the credit enhancement cover with the CC increasing substantially to ~52%, ~11% and ~11% of the balance pool principal for Sansar Trust May 2023 III, Sansar Trust June 2023 and Sansar Trust Sep 2023, respectively. Internal credit support is also available through the EIS for all the transactions. Further, internal credit support is available through subordination in the Sansar Trust June 2023 and Sansar Trust Sep 2023 transactions.

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 1.0% for all the transactions as of the April 2025 payout month. Nonetheless, the performance of all the pools has been healthy with a cumulative collection efficiency (including advances) of more than 100% till the April 2025 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 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 Trust May 2023 III	5.25%	4.8% - 18.0% p.a.
2	Sansar Trust June 2023	3.50%	4.8% - 18.0% p.a.
3	Sansar Trust Sep 2023	4.25%	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 transactions are as follows:

Transaction name	Sansar Trust May 2023 III	Sansar Trust June 2023	Sansar Trust Sep 2023
Originator		Shriram Finance Limited	
Servicer		Shriram Finance Limited	
Trustee	IDBI Trusteeship Services Limited	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC holding bank	FLF ⁶ : ICICI Bank Limited SLF: Axis Bank Limited	Hongkong and Shanghai Banking Corporation Limited	Hongkong and Shanghai Banking Corporation Limited
Collection and payout account bank	ICICI Bank Limited	Hongkong and Shanghai Banking Corporation Limited	Hongkong and Shanghai Banking Corporation Limited

Liquidity position

For Sansar Trust May 2023 III, Series A1 of Sansar Trust June 2023 and Sansar Trust Sep 2023: Superior

The liquidity for the instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is over 6.0 times the estimated loss for all the pools.

For second loss facility of Sansar Trust May 2023 III and Series A2 PTCs of Sansar Trust June 2023 and Sansar Trust Sep 2023: Strong

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 over 5.0 times the estimated loss for PTC Series A2 of Sansar Trust June 2023 and the second loss facility of Sansar Trust May 2023 III. The total credit enhancement is ~4.50 times the estimated loss for PTC Series A2 of Sansar Trust Sep 2023.

Rating sensitivities

Positive factors – Not applicable for PTC Series A1 of Sansar May 2023 III and Sansar Trust Sep 2023

The ratings for the second loss facility of Sansar Trust May 2023 III, for Sansar Trust June 2023, and PTC Series A2 of Sansar Trust Sep 2023 can be upgraded on the sustained strong collection performance of the underlying pool of contracts, resulting in an increase in the available credit enhancement cover.

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 April 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

⁶ FLF: First loss facility

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	7,193	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
				May 23, 2025	August 23, 2024	August 10, 2023	June 05, 2023	-
1 Sansar Trust May 2023 III	PTC Series A	609.39	127.69	[ICRA]AAA (SO)	[ICRA]AAA(SO)	[ICRA]AAA (SO)	Provisional [ICRA]AAA(SO)	-
	Second loss facility	36.56	36.56	[ICRA]A-(SO)	[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
				May 23, 2025	August 23, 2024	August 10, 2023	June 29, 2023	-
Sansar Trust June 2023	Series A1 PTCs	505.22	212.51	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-
	Series A2 PTCs	26.59	26.59	[ICRA]A-(SO)	[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
				May 23, 2025	December 11, 2024	December 26, 2023	September 22, 2023	-
Sansar Trust Sep 2023	Series A1 PTCs	475.90	194.45	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-
	Series A2 PTCs	25.05	25.05	[ICRA]A(SO)	[ICRA]A(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-

Complexity level of the rated instrument

Trust	Instrument	Complexity indicator
Sansar Trust May 2023 III	PTC Series A	Moderately Complex
	Second loss facility	Moderately Complex
Sansar Trust June 2023	Series A1 PTCs	Moderately Complex
	Series A2 PTCs	Moderately Complex
Sansar Trust Sep 2023	Series A1 PTCs	Moderately Complex
	Series A2 PTCs	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 May 2023 III	PTC Series A	May 29, 2023	8.75%	June 15, 2028	127.69	[ICRA]AAA(SO)
		Second loss facility		-		36.56	[ICRA]A-(SO)
NA	Sansar Trust June 2023	Series A1 PTCs	June 23, 2023	8.30%	July 18, 2028	212.51	[ICRA]AA+(SO)
		Series A2 PTCs		Residual		26.59	[ICRA]A-(SO)
NA	Sansar Trust Sep 2023	Series A1 PTCs	September 26, 2023	8.30%	September 18, 2028	194.45	[ICRA]AAA(SO)
		Series A2 PTCs		Residual		25.05	[ICRA]A(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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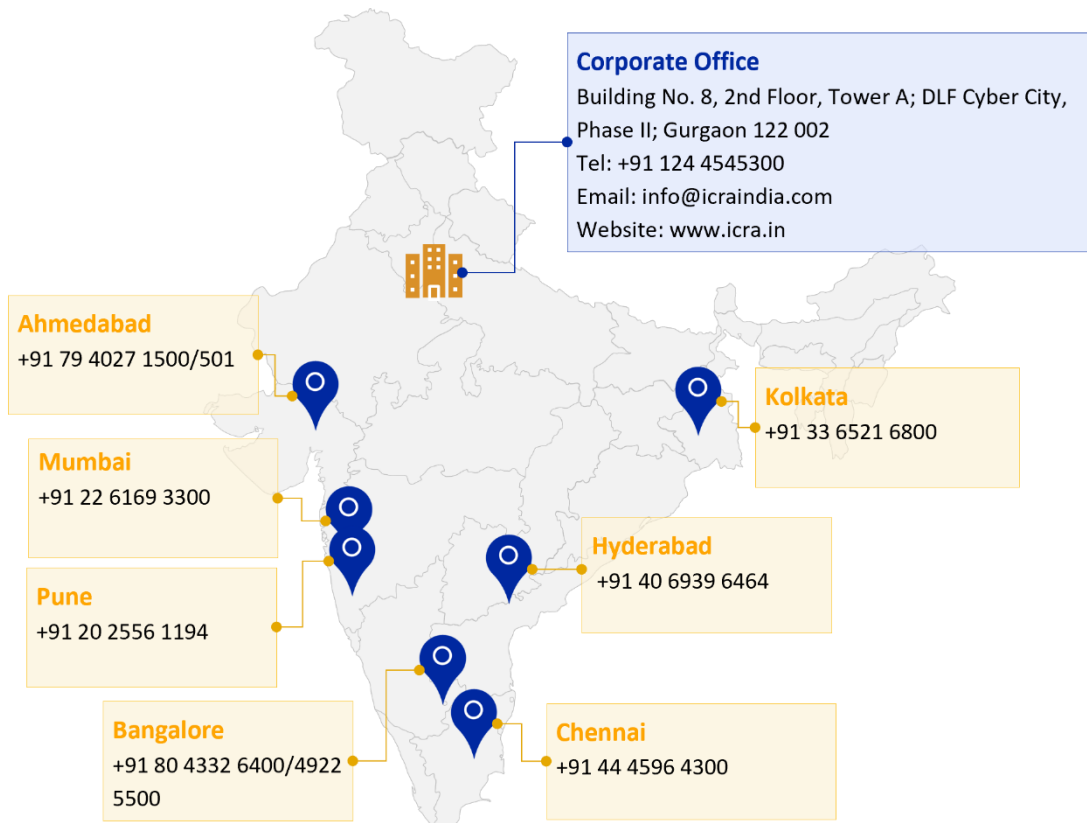


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