

May 27, 2025

## Sundaram Finance Limited: Rating confirmed as final for PTCs backed by pool of commercial vehicles, tractor and farm equipment loan receivables issued by Shri Trust BK 2025

### Summary of rating action

Trust Name	Instrument Type*	Rated Amount (Rs. Crore)	Rating Action
Shri Trust BK 2025	PTC Series A	342.84	[ICRA]AAA(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned provisional rating to the pass-through certificates (PTC) issued by Shri Trust BK 2025 under a securitisation transaction originated by Sundaram Finance Limited {SFL/Originator; rated [ICRA]AAA(Stable)}. The PTCs are backed by a pool of vehicle loan receivables originated by SFL with an aggregate principal outstanding of Rs. 342.84 crore (pool receivable of Rs. 413.10 crore). SFL is also the servicer for the rated transaction.

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 rating have now been confirmed as final.

### Transaction Structure

As per the transaction structure, the monthly cash flow schedule comprises of 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. Principal portion of billing pertaining to a particular month (month M), will be paid in the corresponding payout to the investors in 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.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 7.25% of the initial pool principal amounting to Rs. 24.86 crore provided by the Originator, and (ii) the EIS of 7.34% of the initial pool principal for PTC Series A.

### Key rating drivers and their description

#### Credit strengths

**Track record of SFL** – SFL, which would also be servicing the loans in the transaction, has an established track record in the vehicle finance business with an operational history of almost seven decades and has adequate underwriting policies and collection procedures.

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 1,796 contracts, with top 10 borrowers forming only ~3.3% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

**No overdue contracts in the pool** – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have ever been delinquent, which is a credit positive.

**Seasoned contracts in the pool** – The pool has seasoning of ~8 months as on the cut-off date with no delinquencies seen in any of the contracts, post loan disbursement. This reflects the relatively better credit profile and repayment track record of the borrowers.

### 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 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 2.75% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18% 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 transactions are as follows:

Transaction Name	Shri Trust BK 2025
Originator	Sundaram Finance Limited
Servicer	Sundaram Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC holding bank	IDBI Bank Limited
Collection and payout account bank	IDBI Bank Limited

### Liquidity position: Strong

The liquidity for PTC Series A is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 4.00 times the estimated loss in the pool.

### Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – Pressure on the rating could emerge due to sustained weak collection performance of the underlying pool (monthly collection efficiency of <90%), 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 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	
Applicable rating methodologies	<a href="#">Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the originator

SFL is the flagship company of the T. S. Santhanam arm of the TVS Group. The Group's association with the Indian automotive industry covers financing, trading and manufacturing. The company is one of the large NBFCs in the country with an AUM of Rs. 50,199 crore as of December 2024. The company's primary focus is on the financing of CVs and cars. SFL has invested in various entities to provide a gamut of financial services like housing finance (SHFL), insurance (Royal Sundaram) and mutual funds (SAMCL). The SFL Group provides a range of financial services including vehicle finance, housing finance, asset management and insurance among others.

SFL is an established player in the vehicle finance business with an operational history of more than six decades. The company has a demonstrated track record of operating across business cycles without any significant deterioration in its overall risk profile, supported by its good understanding of the target segments and an experienced management team. The company has a 12-member board, including six independent directors. SFL has established relationships with its customers (around 60% of commercial vehicle [CV] borrowers are repeat customers), which, along with the stringent underwriting norms and robust collection and recovery mechanism, have supported its business risk profile over the years.

### EXHIBIT 1: Key financial indicators

SFL – Standalone	FY2023 (Audited)	FY2024 (Audited)	9MFY2025 (Provisional)
Total income	4,110	5,494	4,752
Profit after tax	1,088	1,494	997
Total managed portfolio	34,552	43,987	--
Gross stage 3	1.7%	1.3%	1.7%
CRAR	22.8%	20.5%	20.0%

Source: Company data, 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

Trust name	Instrument	Current rating (FY2026)		Chronology of rating history for the past 3 years			
		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 27, 2025	Mar 25, 2025	-	-
Shri Trust BK 2025	PTC Series A	342.84	342.84	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
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 Name	Date of Issuance / Sanction	Coupon Rate (p.a.p.m)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Shri Trust BK 2025	PTC Series A	March 25, 2025	6.65%	April 22, 2030	342.84	[ICRA]AAA(SO)

Source: Company

#### 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.

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