

May 28, 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 AM 2023	PTC Series A	111.05	53.50	20.93	[ICRA]AAA(SO); reaffirmed
Shri Trust AX 2024	PTC Series A	333.80	333.80	194.52	[ICRA]AAA(SO); reaffirmed
Shri Trust AY 2024	PTC Series A	205.31	205.31	113.37	[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; rated [ICRA]AAA (Stable)}. 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 April 2025 payout month.

Pool performance summary

Parameter	Shri Trust AM 2023	Shri Trust AX 2024	Shri Trust AY 2024
Payout month	April 2025	April 2025	April 2025
Months post securitisation	27	15	15
Pool amortisation	81.7%	42.3%	45.5%
PTC amortisation	81.2%	41.7%	44.8%
Cumulative collection efficiency ¹	100.1%	98.7%	99.5%
Cumulative prepayment rate	6.8%	3.7%	2.4%
Monthly collection efficiency	97.4%	105.2%	101.8%
Loss-cum-90+ (% of initial pool principal) ²	0.0%	0.3%	0.0%
Loss-cum-180+ (% of initial pool principal) ³	0.0%	0.3%	0.0%
Breakeven collection efficiency ⁴	58.0%	86.1%	85.3%
Cumulative cash collateral (CC) utilisation	0.0%	0.0%	0.0%
CC available (as % of balance pool)	46.4%	13.9%	15.6%

¹ Cumulative current and overdue collections / Cumulative billings

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

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

⁴ Balance PTC cash flows - CC available / Balance pool cash flows

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 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 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.

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 cover 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 performance of the pools has been strong with a cumulative collection efficiency of more than 98%, which has resulted in low delinquencies in the pools with the 90+ days past due (dpd) being below 0.5% as of the April 2025 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.

After making these adjustments, the expected mean shortfall in principal collection and prepayments during the balance tenure of the pools are provided in the following table.

S. no.	Transaction name	Expected loss (% of initial pool principal)	Prepayment
1	Shri Trust AM 2023	0.50%	4.8% - 18.0% p.a.
2	Shri Trust AY 2024	1.50%	4.8% - 18.0% p.a.
3	Shri Trust AY 2024	1.25%	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 rating for the instrument.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction name	Shri Trust AM 2023	Shri Trust AX 2024	Shri Trust AY 2024
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	State Bank of India	State Bank of India
Collection and payout account bank	State Bank of India	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 6 times the estimated loss in the pool for all three pools.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the rating could arise due to the sustained weak collection performance of the underlying pools, 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 April 2025 payout 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	Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the company

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

SFL – Standalone	FY2023 (audited)	FY2024 (audited)	9M FY2025 (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	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 28, 2025	May 24, 2024	May 23, 2023	Jan 10, 2023
1	Shri Trust AM 2023	PTC Series A	111.05	20.93	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

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					May 28, 2025	May 03, 2024	Jan 23, 2024	-
2	Shri Trust AX 2024	PTC Series A	333.80	194.52	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

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					May 28, 2025	May 03, 2024	Jan 23, 2024	-
3	Shri Trust AY 2024	PTC Series A	205.31	113.37	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
Shri Trust AM 2023	PTC Series A	Moderately Complex
Shri Trust AX 2024	PTC Series A	Moderately Complex
Shri Trust AY 2024	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 AM 2023	PTC Series A	January 10, 2023	6.60%	October 25, 2027	20.93	[ICRA]AAA(SO)
Shri Trust AX 2024	PTC Series A	January 30, 2024	7.63%	January 25, 2029	194.52	[ICRA]AAA(SO)
Shri Trust AY 2024	PTC Series A	January 30, 2024	7.63%	June 25, 2028	113.37	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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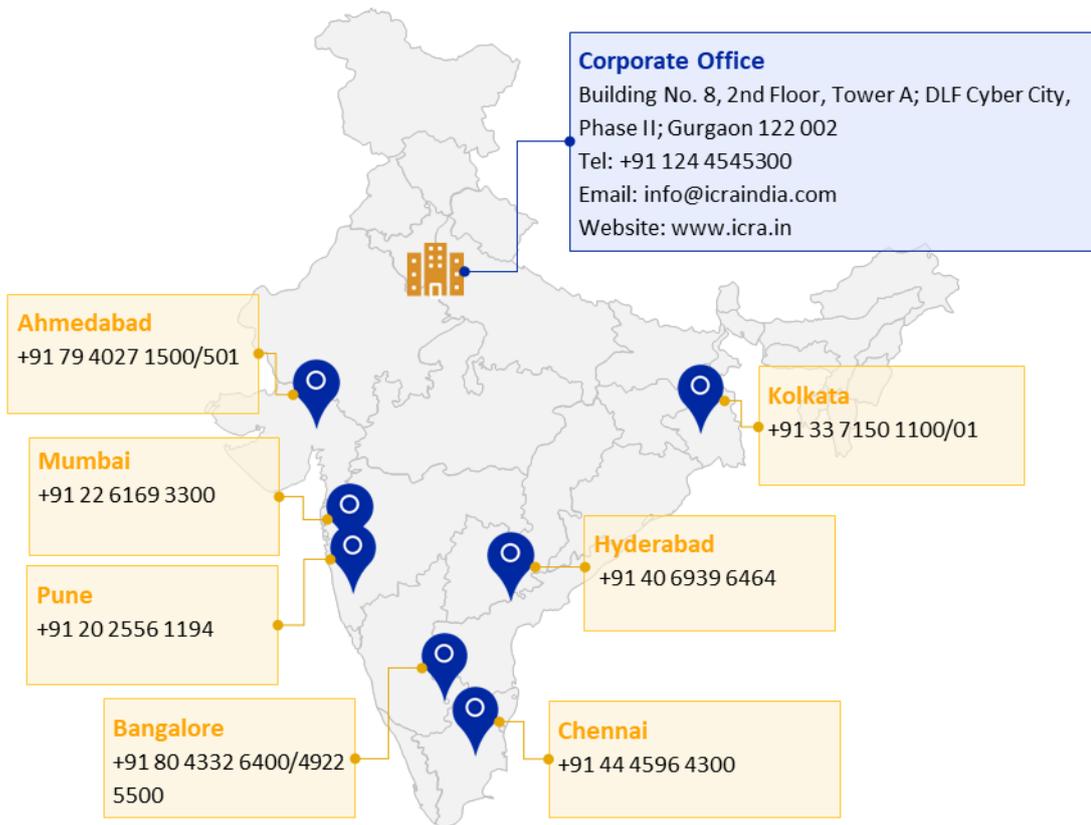
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