

June 02, 2025

Shri Ram Finance Corporation Private Limited: Rating confirmed as final for PTCs backed by two-wheeler loan receivables issued by Horse 2025

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Horse 2025	Series A1 PTC	53.44	[ICRA]A-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned a provisional rating to the Series A1 PTC issued by Horse 2025 under a securitisation transaction originated by Shri Ram Finance Corporation Private Limited (SRFCPL/Originator). The PTCs are backed by a pool of two-wheeler loan receivables originated by SRFCPL with an aggregate principal outstanding of Rs. 59.38-cr.ore (underlying pool receivables of Rs. 73.96 crore). SRFCPL is also the servicer of 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 has now been confirmed as final.

Pool performance summary

A summary of the performance of the pool after the April 2025 payout month has been provided below.

Parameter	Horse 2025
Months post securitisation	1
Payout month	Apr-25
Series A1 PTC amortisation	0.002%
Cumulative prepayment rate	0.3%
Cumulative collection efficiency ¹	95.9%
Loss-cum-0+ dpd (% of initial pool principal) ²	4.2%
Loss cum 30+ dpd (% of initial pool principal) ³	0.0%
Loss cum 90+ dpd (% of initial pool principal) ⁴	0.0%
Cumulative credit collateral utilisation	0.0%

Transaction structure

As per the transaction structure, the tenure of the pool shall be divided into two periods – replenishment period and amortisation period.

Replenishment period

The replenishment period will be for 18 months from the transaction commencement date. During this period, the Series A1 PTC investors will receive only the promised interest payouts on a monthly basis and the balance pool collections will be used by the trust to purchase fresh loan receivables as per the selection criteria such that the pool remains unchanged. If there is

¹Cumulative collections / (Cumulative billings + Opening overdues at the time of securitisation)

²Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

³Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation

⁴Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

any shortfall in assigning eligible contracts, the difference between the principal repayment of the pool and the replenishment done for the month shall be used for amortising the PTC. Any residual amount will flow back to the Originator.

The transaction also entails certain trigger events for early amortisation. A breach of any of these trigger events would lead to the end of the replenishment period and the start of the amortisation period. If a trigger event occurs any time during the replenishment period, the tenure of the PTCs shall be reduced and will be co-terminus with the remaining tenure of the pool of receivables assigned to the trust.

Amortisation period

After the replenishment period, the residual pool collections will be utilised to repay Series A1 PTC. The monthly cash flow schedule will comprise the promised interest payout for Series A1 PTC. The principal for Series A1 PTC 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 Series A1 PTC principal.

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. 2.97 crore, provided by the Originator, (ii) principal subordination of 10.00% of the initial pool principal for Series A1 PTC, and (iii) the EIS of 8.97%⁵ of the initial pool principal for Series A1 PTC.

Key eligibility criteria for the receivables

The eligibility criteria shall be met:

- On the commencement of the transaction
- At each replenishment event for all the new assets being added as well as for the updated pool (as applicable)

The following key eligibility criteria will have to be met:

- Maturity date of the underlying loans of the replenished pool should not be beyond the legal final maturity date (i.e. June, 24 2029)

The key eligibility criteria that have to be met are mentioned below.

- The Facility is a loan to an individual or propriety or partnership firms
- No Facility is classified as a non-performing asset (NPA) for the purposes of the directions and guidelines of the Reserve Bank of India (RBI)
- The pool should comply with the minimum holding period requirements prescribed by the RBI
- None of the loans in the pool should have residual maturity of less than 365 days
- No Facility is/shall be overdue as on the respective pool cut-off date for the initial pool/additional receivables to be purchased during the replenishment period
- Underlying obligor for any Facility should not have been restructured or rescheduled by any lender or become an NPA with any lender. Underlying obligor should not have had a written-off status/wilful defaulter/suit filed with the Originator
- All Facilities have an interest payment frequency of less than or equal to a month
- All the Facilities are fully disbursed by the Originator
- No security deposits (howsoever described) have been taken as security in relation to the Facility
- No Facility shall have a residual tenor of more than 48 months
- All Facilities has been disbursed at a fixed or floating rate of interest by the Eligible Originator and the rate of interest has not been downgraded by the Eligible Originator (nor has the Eligible Originator agreed or committed to any such reduction) and there are no provisions for a downward reset of the interest rate)

⁵ For amortisation period

- No Facility shall involve transactions with high environment & social (E&S) risk, i.e. a project or long-term corporate financing for activities, which are likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented, and which includes, for the avoidance of doubt, activities involving (i) involuntary resettlement; (ii) risk of adverse impacts on indigenous peoples; (iii) significant risks to or impacts on the environment, community health and safety, biodiversity, cultural heritage; or (iv) major occupational health and safety risks (risk of serious injury or fatality to workers)
- None of the Facilities should be a part of the exclusion list
- None of the vehicles to cost more than Rs. 1.5 lakh
- No single branch concentration to be more than 5%
- Loan-to-value (LTV) at origination to not exceed 80%
- Criteria based on scrub analysis:
 - ✓ No loans under write-off, restructured, suit filed, settled status unless the current bureau score exceeds 700
 - ✓ No loans with NPA status across lenders with NPA amount of more than Rs. 10,000 unless the current bureau score exceeds 700
 - ✓ No loans with maximum days past due (dpd) ever of more than 60 days with any lender
 - ✓ If current bureau score is less than 600, minimum seasoning should be six months

Trigger events for early amortisation

- Utilisation of CC to service Series A1 interest
- Rating downgrade of Originator/servicer by two notches from date of transaction
- 30+ portfolio at risk (PAR) on the outstanding pool breaches 15% [to be checked on each replenishment period payout date after assuming that pool collections, as per the replenishment waterfall, after paying the PTC interest shall be utilised to purchase additional 'nil overdue' contracts and such additional pool shall be a part of the denominator while calculating the ratio. Nonetheless, in case the trigger is breached and replenishment is stopped from that month, additional 'nil overdue' contracts shall not be purchased as per the replenishment waterfall during that month]
- Satisfaction of conditions that will trigger the turbo amortisation trigger

Triggers for turbo amortisation

In the event the following conditions are met, the Payment available to the Residuary Beneficiary shall not be made and will instead be used to prepay the Senior A1 PTCs.

- PAR 90 of the pool exceeds 6% of the initial pool [to be checked monthly] and PAR 30 exceeds 15% of the initial pool [to be checked monthly]
- Cumulative liquidity mismatch in any of the standard buckets (as prescribed the RBI) of the servicer [to be checked quarterly]
- Capital adequacy ratio (CAR) of the servicer (as reported to RBI) falls below 15% [to be checked quarterly]
- Net non-performing loans of the servicer exceeds 5%, where net non-performing loans = [(PAR 90 + Restructured troubled loans – Total provisions)/Assets under management]

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular with 15,760 contracts and the top 10 contracts forming 0.14% of the total pool as on the cut off date. Also, basis the eligibility criteria, the follow-on pools are expected to be granular, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb a part of the losses in the pool and provide support in meeting the PTC payouts.

No overdue contracts in the pool – The initial pool had no overdue contracts as on the pool cut-off date. Further, any follow-on pool would not include any overdue contracts on the date of assignment to the trust, which is a credit positive.

Servicing capability of SRFCPL – The originator has adequate processes for the servicing of the loan accounts in the securitised pool. It has demonstrated a long track record of regular collections and recoveries across a wide geography and multiple economic cycles.

Credit challenges

Moderate pool selection criteria – A potential concern pertaining to a replenishing structure is the uncertainty regarding the exact composition of the additional receivables. While the current transaction has a specified eligibility criteria, the follow-on pools may have lower seasoning, lower interest rate contracts, contracts from weaker geographies and a moderate share of contracts with lower bureau scores. Higher presence of lower interest rate contracts would impact the EIS adversely, which acts as a credit enhancement in the structure.

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Madhya Pradesh, Chhattisgarh and Odisha, contributing ~93% to the initial pool principal amount as on the cut-off date. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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. However, since the pool in the current transaction would be revised during the replenishment period, its characteristics would change unlike other PTC transactions where the pool is static. ICRA has used the defined eligibility criteria to arrive at a potential loss for the follow-on pools. The resulting collections from the current pool and follow-on pools, 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 transaction, ICRA has estimated the shortfall in the principal of the pool crystallised at the end of the replenishment period at 6.25% at the end of its tenure with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 2.4% to 9.0% 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 rating for the instrument.

Details of key counterparties

key counterparties in the rated transaction are as follows:

Transaction Name	Horse 2025
Originator	Shri Ram Finance Corporation Private Limited
Servicer	Shri Ram Finance Corporation Private Limited
Trustee	SBICAP Trustee Company Limited
CC holding bank	Utkarsh Small Finance Bank
Collection and payout account bank	State Bank of India

Liquidity position: Strong

The liquidity for Series A1 PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.00 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Since the principal amortisation would begin on the crystallisation of final pool, the rating is unlikely to be upgraded till the final pool is crystallised. The rating could be upgraded basis healthy collections observed in the final crystallised pool, leading to the buildup of the credit enhancement cover over the rated PTCs.

Negative factors – The rating could be downgraded on the occurrence of a trigger event, non-adherence to the key transaction terms and deterioration in the performance of the follow-on pools such that delinquencies during the amortisation period are higher than expected. 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	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

SRFCPL is a Raipur-based asset financing non-deposit taking non-banking financial company (NBFC), promoted by Mr. Ganesh Bhattar and his family members. The promoters have been engaged in two-wheeler financing through proprietorship concerns since 2004. The company received the NBFC-asset finance company (AFC) licence from the Reserve Bank of India in July 2008. Since then, it has diversified into four-wheeler finance, small medium enterprises loans, personal loans to government employees and microfinance loans. Currently, SRFCPL has a presence in the rural areas of Chhattisgarh, Madhya Pradesh, Odisha, Jharkhand, Maharashtra, Rajasthan, Andhra Pradesh and Uttar Pradesh and had a network of 240 branches as on December 31, 2024.

SRFCPL reported a profit after tax (PAT) of Rs. 35 crore in 9MFY2025 on a managed asset base of Rs. 1,381 crore as on December 31, 2024. Its net worth stood at Rs. 285 crore with a managed gearing of 3.48 times as on December 31, 2024. The gross non-performing assets (GNPAs) in relation to gross advances stood at 2.73% as on December 31, 2024.

Key financial indicators (audited)

	FY2023	FY2024	9MFY2025*
Total income	183	258	225
Profit after tax	35	49	35
Total managed assets	895	1,257	1,381
GNPA/ Gross Stage 3	2.75%	2.57%	2.73%
CRAR%	23.55%	23.59%	25.66%

Source: Company data, ICRA Research; *Provisional; 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
				June 02, 2025	March 06, 2025	-	-
Horse 2025	Series A1 PTC	53.44	53.44	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 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 type	Date of issuance / Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
Horse 2025	Series A1 PTC	February 28, 2025	11.25%	June 24, 2029	53.44	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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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.

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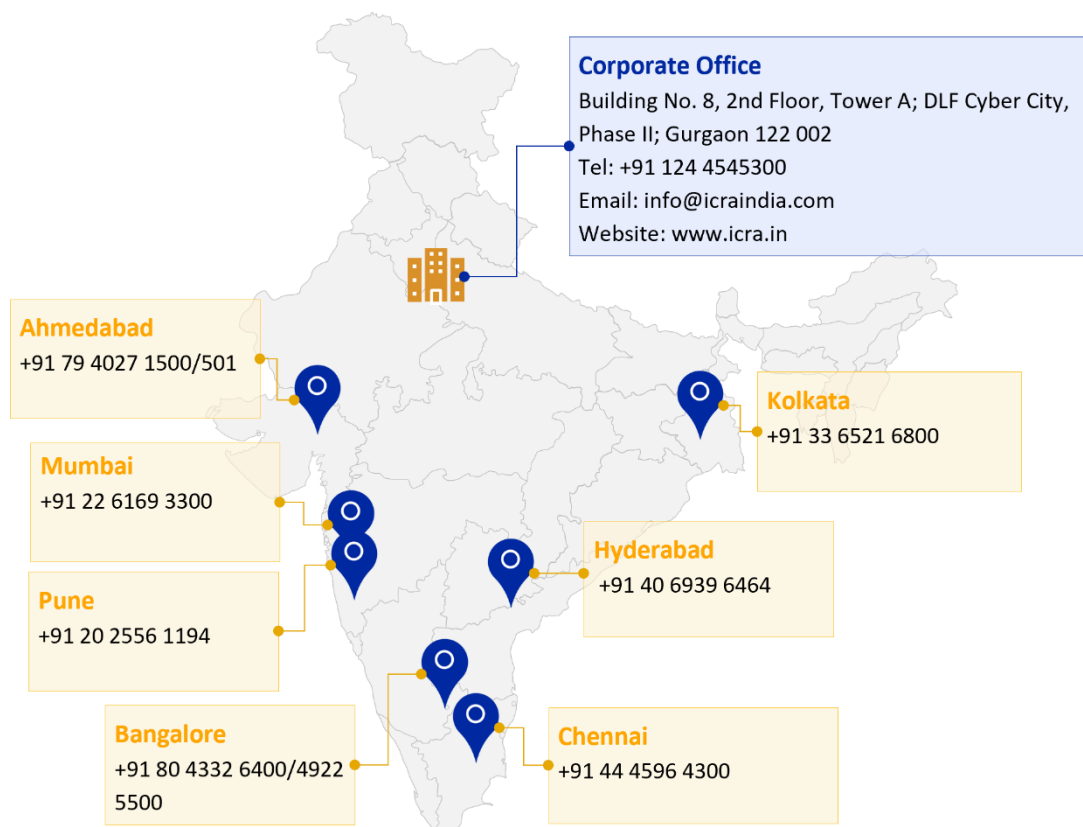


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