

July 24, 2025

Sundaram Finance Limited: Rating reaffirmed for PTCs issued under vehicle loan securitisation transaction

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 BA 2024	PTC Series A	234.94	234.94	127.78	[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 healthy amortisation and strong 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 pool till the June 2025 payout month.

Pool performance summary

Parameter	Shri Trust BA 2024
Payout month	June 2025
Months post securitisation	12
Pool amortisation	46.5%
PTC amortisation	45.6%
Cumulative collection efficiency ¹	97.5%
Cumulative prepayment rate	5.2%
Monthly collection efficiency	99.0%
Loss-cum-90+ (% of initial pool principal) ²	0.2%
Loss-cum-180+ (% of initial pool principal) ³	0.2%
Breakeven collection efficiency ⁴	80.9%
Cumulative CC utilisation	0.0%
CC available (as % of balance pool)	15.5%

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, which will 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. It has adequate processes for servicing loans with a 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 in the credit enhancement cover with the cash collateral (CC) increasing to 15.5% of the balance pool principal from 8.3% of the initial pool principal at the time of securitisation. Internal credit support is also available through EIS and subordination for the transaction.

Healthy pool performance – The pool's performance has been strong with a cumulative collection efficiency of more than 97%, which has resulted in low delinquencies with the 90+ days past due (dpd) at less than 0.3% as of the June 2025 payout month. Further, there have been no instances of CC utilisation till date owing to the strong collection performance and the presence of EIS in the transaction.

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.

ICRA has estimated the shortfall in the pool principal collection during its tenure at 1.25% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.80% 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 transaction are as follows:

Transaction name	Shri Trust BA 2024
Originator	Sundaram Finance Limited
Servicer	Sundaram Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC bank	State Bank of India
Collection and payout account bank	The Hongkong and Shanghai Banking Corporation Limited

Liquidity position: Superior

The liquidity is superior for the transaction after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 7.00 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the rating could emerge on the sustained weak collection performance of the underlying pool, 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 pool till the June 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 transaction.

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 T S Santhanam Group. It is one of the large non-banking financial companies (NBFCs) in the country with assets under management (AUM) of Rs. 45,671 crore as of June 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).

SFL reported a standalone net profit of Rs. 1,543 crore in FY2025 on a managed asset base of Rs. 59,752 crore compared with a net profit of Rs. 1,454 crore on a managed asset base of Rs. 51,443 crore in FY2024.

Key financial indicators (audited)

SFL – Standalone	FY2023	FY2024	FY2025
Total income	4,110	5,494	6,596
Profit after tax	1,088	1,454	1,543
Total managed assets	41,600	51,443	59,752
Gross stage 3	1.7%	1.3%	1.4%
Capital-to-risk weighted assets ratio (CRAR)	22.8%	20.5%	20.4%

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	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
					July 24, 2025	July 25, 2024	March 22, 2024	-
1	Shri Trust BA 2024	PTC Series A	234.94	127.78	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-

Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
Shri Trust BA 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 BA 2024	PTC Series A	March 28, 2024	7.08%	May 22, 2029	127.78	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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