

August 18, 2025

Sundaram Finance Limited: Rating reaffirmed for PTCs issued under four 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 AJ 2023	PTC Series A	478.01	105.60	29.28	[ICRA]AAA(SO); reaffirmed
Shri Trust AQ 2023	PTC Series A	207.05	103.02	49.65	[ICRA]AAA(SO); reaffirmed
Shri Trust AR 2023	PTC Series A	301.94	147.61	65.56	[ICRA]AAA(SO); reaffirmed
Shri Trust BE 2025	PTC Series A	211.60	211.60	149.53	[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/Originator; rated [ICRA]AAA (Stable)}. SFL is also the servicer for the rated transactions. 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 June 2025 payout month.

Pool performance summary

Parameter	Shri Trust AJ 2023	Shri Trust AQ 2023	Shri Trust AR 2023	Shri Trust BE 2025
Payout month	June 2025	June 2025	June 2025	June 2025
Months post securitisation	35	26	26	11
Pool amortisation (%)	94.1%	76.4%	78.8%	30.0%
PTC amortisation (%)	93.9%	76.0%	78.3%	29.3%
Cumulative collection efficiency (%) ¹	97.3%	101.7%	99.0%	99.8%
Cumulative prepayment rate (%)	10.6%	8.9%	9.2%	1.4%
Loss-cum-90+ (% of initial pool principal) ²	0.5%	0.5%	0.7%	0.2%
Loss-cum-180+ (% of initial pool principal) ³	0.2%	0.3%	0.7%	0.0%
Breakeven collection efficiency (%) ⁴	22.4%	73.6%	64.6%	87.7%
Cumulative cash collateral (CC) utilisation (%)	0.0%	0.0%	0.0%	0.0%
EIS available (as a % of balance pool)	1.9%	2.6%	1.4%	3.1%
CC available (as % of balance pool)	84.1%	27.9%	38.9%	11.8%

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

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

Shri Trust AJ 2023

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.

Shri Trust AQ 2023

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.

Shri Trust AR 2023

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.

Shri Trust BE 2025

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.

Reset of credit enhancement

At SFL's request for resetting the credit enhancement, ICRA has analysed two trusts i.e. Shri Trust AQ 2023 and Shri Trust AR 2023, basis the CC mentioned in the table provided below. Based on the pool's performance, the rating for the PTCs will remain unchanged even after the reset of the CC amount. 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 the present rating [B]	CC that can be released [C]= 60%*(A - B)	Revised CC Limit [D] = (A - C)
Shri Trust AQ 2023	13.61	4.66	5.37	8.24
Shri Trust AR 2023	24.91	6.23	11.21	13.70

All amounts in (Rs. crore)

Key rating drivers and their description

Credit strengths

Established track record and servicing capability of SFL- SFL, which is also servicing the loans in the transaction, has an established track record in the vehicle finance business with operational history of almost seven decades. It has adequate processes for servicing loan with demonstrated track record of regular collections and recovery across a wide geography.

Substantial credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with CC increasing in the range between 10% to 85% of the balance pool principal as compared to 8.00% to 9.00% of initial pool principal at time of securitisation. Internal credit support is also available through EIS and subordination for both the transactions

Healthy pool performance – Performance of the pool has been strong with cumulative collection efficiency higher than 97% which has resulted in low delinquencies in the pool with the 90+ days past due (dpd) being sub 1% as on June 2025 payout month. Further, there have been no instances of cash collateral utilisation till date owing to strong collection performance and presence of EIS in the transaction.

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.

For the current pools, ICRA has estimated the shortfall in the pool principal collection during its tenure as per the table below with certain variability around it. The average prepayment rate for the underlying pools is also given in the table below. 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.

S. No.	Transaction Name	Expected Loss* (% of initial pool principal)	Prepayment
1	Shri Trust AJ 2023	0.25%	4.8% - 18% p.a.
2	Shri Trust AQ 2023	0.75%	4.8% - 18% p.a.
3	Shri Trust AR 2023	0.75%	4.8% - 18% p.a.
4	Shri Trust BE 2025	1.75%	4.8% - 18% p.a.

*with certain variability around it

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Shri Trust AJ 2023	Shri Trust AQ 2023	Shri Trust AR 2023	Shri Trust BE 2025
Originator	Sundaram Finance Limited	Sundaram Finance Limited	Sundaram Finance Limited	Sundaram Finance Limited
Servicer	Sundaram Finance Limited	Sundaram Finance Limited	Sundaram Finance Limited	Sundaram Finance Limited
Trustee	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited	SBICAP Trustee Company Limited
CC bank	State Bank of India	State Bank of India	State Bank of India	Bank of India
Collection and payout account bank	The Hongkong and Shanghai Banking Corporation Limited	The Hongkong and Shanghai Banking Corporation Limited	State Bank of India	State Bank of India

Liquidity position

Superior for Shri Trust AJ 2023, Shri Trust AQ 2023 and Shri Trust AR 2023

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 9.00 times the estimated loss in the pool.

Strong for Shri Trust BE 2025

The liquidity is strong for the transaction after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.50 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 pools till the June 2025 payout month (May 2025 collection 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	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

SFL is the flagship company of the T S Santhanam Group. It is one of the large NBFCs in the country with an AUM of Rs. 45,671 crore as of June 2024. Its 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).

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 (as per Ind-AS)

SFL – Standalone	FY2023	FY2024	FY2025
	Audited	Audited	Audited
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

	Trust Name	Current Rating (FY2026)				Chronology of Rating History for the Past 3 Years			
		Instrument	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	
					Aug 18, 2025			Nov 22, 2022	Jun 30, 2022
1	Shri Trust AJ 2023	PTC Series A	478.01	29.28	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

	Trust Name	Current Rating (FY2026)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	
					Aug 18, 2025			Aug 1, 2023	Mar 28, 2023
2	Shri Trust AQ 2023	PTC Series A	207.05	49.65	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

	Trust Name	Current Rating (FY2026)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2026	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	
					Aug 18, 2025			Aug 1, 2023	Mar 28, 2023
3	Shri Trust AR 2023	PTC Series A	301.94	65.56	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

	Current Rating (FY2026)	Chronology of Rating History
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	Trust Name	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2026	for the Past 3 Years			
						Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023
					Aug 18, 2025	Aug 02, 2024	Jun 25, 2024	-	-
4	Shri Trust BE 2025	PTC Series A	211.60	149.53	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Shri Trust AJ 2023	PTC Series A	Moderately Complex
Shri Trust AQ 2023	PTC Series A	Moderately Complex
Shri Trust AR 2023	PTC Series A	Moderately Complex
Shri Trust BE 2025	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 AJ 2023	PTC Series A	June 26, 2022	5.65%	October 25, 2027	29.28	[ICRA]AAA(SO)
Shri Trust AQ 2023	PTC Series A	March 29, 2023	7.10%	September 25, 2027	49.65	[ICRA]AAA(SO)
Shri Trust AR 2023	PTC Series A	March 29, 2023	7.10%	September 25, 2027	65.56	[ICRA]AAA(SO)
Shri Trust BE 2025	PTC Series A	June 26, 2024	7.50%	December 25, 2028	149.53	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Manushree Sagar

+91 12 44545316

manushrees@icraindia.com

Himanshi Doshi

+91 22 6114 3410

himanshi.doshi@icraindia.com

Priya Gounder

+91 22 6114 3450

priya.gounder@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Ritu Rita

+91 22 6114 3409

ritu.rita@icraindia.com

RELATIONSHIP CONTACT

Mr. L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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