

November 4, 2025

Sundaram Finance Limited: Rating confirmed as final for PTCs backed by a pool of vehicle loan receivables issued by Shri Trust BS 2026

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Shri Trust BS 2026	PTC Series A	209.96	[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 BS 2026 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. 209.96 crore (pool receivables of Rs. 244.23 crore). SFL 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 have now been confirmed as final.

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. 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.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 6.50% of the initial pool principal, amounting to Rs. 13.65 crore, provided by the Originator, and (ii) the EIS of 5.16% of the initial pool principal for PTC Series A.

Key rating drivers and their description

Credit strengths

Track record of Originator – The Originator, 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 547 contracts, with top obligor having share less than ~2% 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. None of the contracts in the pool have ever been delinquent in the past, which is a credit positive.

Seasoned contracts in the pool – The pool has weighted average seasoning of ~9 months as on the cut-off date with no delinquencies seen in any of the contracts, post loan disbursement, thereby reflecting the borrowers’ relatively better credit profile and repayment track record.

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 2.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18.0% 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

The key counterparties in the rated transactions are as follows:

Transaction Name	Shri Trust BS 2026
Originator	Sundaram Finance Limited
Servicer	Sundaram Finance Limited
Trustee	SBICAP Trustee Company Limited
CC holding bank	State Bank of India
Collection and payout account bank	State Bank of India

Liquidity position: Strong

The liquidity position for PTC Series A is strong after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be ~3.75 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 (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	Comments
Applicable rating methodologies	Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the originator

SFL is the flagship company of the TSF Group. It is one of the large NBFCs in the country with AUM of Rs. 53,278 crore as of June 2025. 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. In Q1 FY2026, the provisional net profit of Rs. 429 crore was reported on a managed asset base of Rs. 62,161 crore.

Key financial indicators (as per Ind-AS)

SFL – Standalone	FY2024	FY2025	Q1 FY2026
	Audited	Audited	Provisional
Total income	5,494	6,596	1,886
Profit after tax	1,454	1,543	429
Total managed assets	51,443	59,752	62,161
Gross stage 3	1.3%	1.4%	1.9%
Capital-to-risk weighted assets ratio (CRAR)	20.5%	20.4%	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

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
				Nov 4, 2025	Sep 26, 2025			
Shri Trust BS 2026	PTC Series A	209.96	209.96	[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	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)	Maturity date	Current rated amount (Rs. crore)	Current rating
Shri Trust BS 2026	PTC Series A	Sep 25, 2025	6.43%	March 12, 2030	209.96	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Manushree Sagar

+91-124-4545316

manushrees@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Himanshi Doshi

+91 22 6114 3410

himanshi.doshi@icraindia.com

Ritu Rita

+91 22 6114 3409

ritu.rita@icraindia.com

Priya Gounder

+91 22 61143450

priya.gounderl@icraindia.com

RELATIONSHIP CONTACT

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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