

November 24, 2025

Shriram Finance Limited: Provisional ratings assigned to PTCs backed by commercial vehicle, construction equipment and tractor loan receivables issued by Sansar October 2025 II Trust

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Sansar October 2025 II Trust	Series A PTCs	920.29	Provisional [ICRA]AAA(SO); assigned
	Second loss facility	36.81	Provisional [ICRA]A-(SO); assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents

No rating would have been assigned as it would not be meaningful

Rationale

The pass-through certificates (PTCs) are backed by a pool of commercial vehicle, construction equipment and tractor loan receivables originated by Shriram Finance Limited {SFL/Originator; rated [ICRA]AA+ (Stable)} with an aggregate principal outstanding of Rs. 920.29 crore (pool receivables of Rs. 1,133.60 crore). SFL would be the servicer for the transaction.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

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 (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 the Series A PTC principal. The cash collateral (CC), if utilised in any month, will not be replenished from the EIS in the subsequent months.

The credit enhancement available in the structure is in the form of (i) a CC of 9.00% of the initial pool principal, amounting to Rs. 82.83 crore, provided by the Originator, and (ii) the EIS of 12.48% of the initial pool principal. The CC will be split into a first loss facility (FLF), amounting to Rs. 46.01 crore (5.00% of initial pool principal), and a second loss facility (SLF) amounting to Rs. 36.81 crore (4.0% of initial pool principal).

Key rating drivers and their description

Credit strengths

Adequate servicing capability of originator – SFL, which is also servicing the loans in the transaction, has an established track record of more than four decades in the preowned commercial vehicle financing business with adequate underwriting policies and collection procedures across a wide geography. It also has satisfactory processes for servicing the loan accounts in the securitised pool.

Granular pool supported by presence of credit enhancement – The pool was granular as on the cut-off date. It consists of 27,488 contracts with the top 10 contracts forming 0.32% of the initial pool principal, reducing the exposure to any single

borrower. Further, the credit enhancement available in the form of the CC and EIS would absorb some of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool – The pool had amortised by ~23% with seasoning of ~14 months as of the cut-off date. This reflects the relatively better credit profile and repayment track record of borrowers.

Credit challenges

Risks associated with lending business – The pool's performance would remain exposed to macroeconomic 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 3.50% 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 ratings for the instruments.

Liquidity position

For Series A PTCs: Strong

The liquidity position for PTC Series A1 is strong after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be 4.25 times the estimated loss in the pool.

For SLF: Adequate

The liquidity position for the SLF is adequate after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be 3.25 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable for Series A PTCs

For SLF: The sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency >95%), leading to lower-than-expected delinquency levels, and an increase in the cover available for future investor payouts from the credit enhancement would result in a rating upgrade.

Negative factors – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (SFL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of SFL's portfolio till June 2025, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical approach	Comments
Applicable rating methodologies	Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned ratings are provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee compliance letter
5. Chartered Accountant's know your customer (KYC) certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

Shriram Finance Limited [SFL; erstwhile Shriram Transport Finance Company Limited (STFC)], incorporated in 1979, is a part of the Shriram Group of companies and an upper layer non-banking financial company. Based on the National Company Law Tribunal order dated November 14, 2022, the operations of Shriram City Union Finance Limited (SCUF) and Shriram Capital Limited (SCL) were merged with STFC, which was rechristened Shriram Finance Limited on November 30, 2022.

SFL enjoys a leadership position in preowned commercial vehicle finance and has a pan-India presence with more than 3,700 branches and other offices. As on June 30, 2025, SFL's assets under management (AUM) stood at Rs. 2.72 lakh crore comprising commercial vehicle finance (45%), passenger vehicle finance (21%), construction equipment and farm equipment finance (8%), small and medium-sized enterprise (SME) lending (14%), personal loans (4%), gold loans (2%) and two-wheeler loans (6%).

Key financial indicators

Shriram Finance Limited (standalone)	FY2024	FY2025	Q1 FY2026
Total income	34,998	41,859	11,542
Profit after tax	7,190	9,761	2,156
Total managed assets	2,52,802	3,11,330	3,23,253
Gross stage 3 assets	5.5%	4.6%	4.5%
Capital-to-risk weighted assets ratio	20.3%	20.7%	20.8%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Total managed assets = Total assets + Impairment allowance + Direct assignment – Goodwill; Managed gearing includes direct assignment as debt

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
					November 24, 2025	-	-	-
1	Sansar October 2025 II Trust	Series A PTCs	920.29	920.29	Provisional [ICRA]AAA(SO)	-	-	-
		Second loss facility	36.81	36.81	Provisional [ICRA]A-(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A PTCs	Moderately Complex
Second loss facility	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
Sansar October 2025 II Trust	Series A PTCs	November 21, 2025	6.40%	July 16, 2030	920.29	Provisional [ICRA]AAA(SO)
	Second loss facility		6.40%		36.81	Provisional [ICRA]A-(SO)

Source: Company; *Fixed rate

Annexure II: List of entities considered for consolidated analysis

Not applicable

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