

December 26, 2025

Sundaram Home Finance Limited: Rating reaffirmed for PTCs issued under mortgage 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
Santhanam Series II	PTC Series A	260.21	76.87	58.08	[ICRA]AAA(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) have been originated by Sundaram Home Finance Limited {SHFL/Originator; rated [ICRA]AAA (Stable)} and are backed by a pool of housing loan receivables. SHFL is the servicer for the rated transaction.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTC payouts. The rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pool till the November 2025 payout month.

Pool performance summary

Parameter	Santhanam Series II
Payout month	November 2025
Months post securitisation	71
Pool amortisation	76.4%
PTC Series A amortisation (as % of initial PTC Series A principal)	77.7%
Cumulative collection efficiency ¹	99.9%
Breakeven collection efficiency ²	72.0%
Loss-cum-90+ (% of initial pool principal) ³	0.03%
Loss-cum-180+ (% of initial pool principal) ⁴	0.0%
Cumulative cash collateral (CC) utilisation (% of initial CC)	Nil
CC available (as % of balance pool principal)	14.8%
Excess interest spread (EIS) (as % of balance pool principal)	21.3%

¹ Cumulative collections till date / Cumulative billings till date + Opening overdues

² It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – CC available – Trapped EIS) / Balance pool cash flows

³ POS on contracts aged 90+ dpd + Overdues / Initial POS on the pool

⁴ POS on contracts aged 180+ dpd + Overdues / Initial POS on the pool

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and the principal payout (100% of the pool principal billed). Any surplus excess interest spread (EIS), after meeting the promised payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A principal.

Key rating drivers and their description

Credit strengths

Build-up of credit enhancement – The rating reaffirmation factors in the build-up in the credit enhancement on account of amortisation of pool with cash collateral increasing to ~15% of the balance pool as on November 2025 payout month compared to 6.00% at the time of initial rating exercise. Further internal credit support is also available through excess interest spread (EIS) in the transaction.

Healthy pool performance – The performance of pool has been strong with cumulative collection efficiency of above 99% and resultant low delinquencies in the pool with the 90+ days past due (dpd) remaining below 0.1% as on November 2025 payout month.

Established track record and servicing capability of originator – The company has an established track record of over two decades in the mortgage business with low eventual losses in the portfolio across economic cycles. It has adequate processes for servicing the loans with a demonstrated track record of regular collections and recoveries across a wide geography.

Credit challenges

Exposed to basis risk – The PTC yield for the transaction is linked to an external benchmark rate while the interest rate on the underlying loans of the pool is linked to the Originator's internal benchmark rate, leading to basis risk in the structure.

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 transaction 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 0.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 6.0% to 20.0% 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 transaction are as follows:

Transaction Name	Santhanam Series II
Originator	Sundaram Home Finance Limited
Servicer	Sundaram Home Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC bank	HDFC Bank Limited
Collection and payout account bank	HDFC Bank Limited

Liquidity position: Superior

The liquidity for PTC Series A is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be more than 10 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 <90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer (SHFL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till the November 2025 payout month, the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

Incorporated in 1999, Sundaram Home Finance Limited (SHFL) is a medium-sized housing finance company. It primarily provides housing loans and LAP. SHFL is a wholly owned subsidiary of Sundaram Finance Limited (SFL). As an operational strategy, SHFL is focused largely on the five southern states where SFL has a strong retail customer base. SHFL reported a net profit of Rs. 245 crore on a managed asset base of Rs. 18,164 crore in FY2025 against a net profit of Rs.236 crore on a managed asset base of Rs. 14,417 crore in FY2024. It reported a net profit of Rs. 137 crore in H1FY2026 on a managed asset base of Rs. 19,277 crore

Key financial indicators

SHFL	FY2024	FY2025	H1FY2026
	Audited	Audited	Audited
Accounting as per	Ind-AS	Ind-AS	Ind-AS
Total income#	1,398	1,587	917
Profit after tax	236	245	137
Total managed assets	14,417	18,164	19,277
Gross stage 3	1.2%	1.0%	1.2%
CRAR	20.3%	18.7%	18.4%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; # Excluding recovery of bad debts

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 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	
					Dec 26, 2025	Dec 31, 2024	Jan 29, 2024	Jan 31, 2023	
1	Santhanam Series II	PTC Series A	260.21	58.08	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Santhanam Series II	PTC Series A	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	Amount Rated (Rs. crore)	Current Rating
Santhanam Series II	PTC Series A	January 20, 2020	8.60%*	January 20, 2036	58.08	[ICRA]AAA(SO)

Source: Company; *Linked to repo rate

Annexure II: List of entities considered for consolidated analysis

Not applicable

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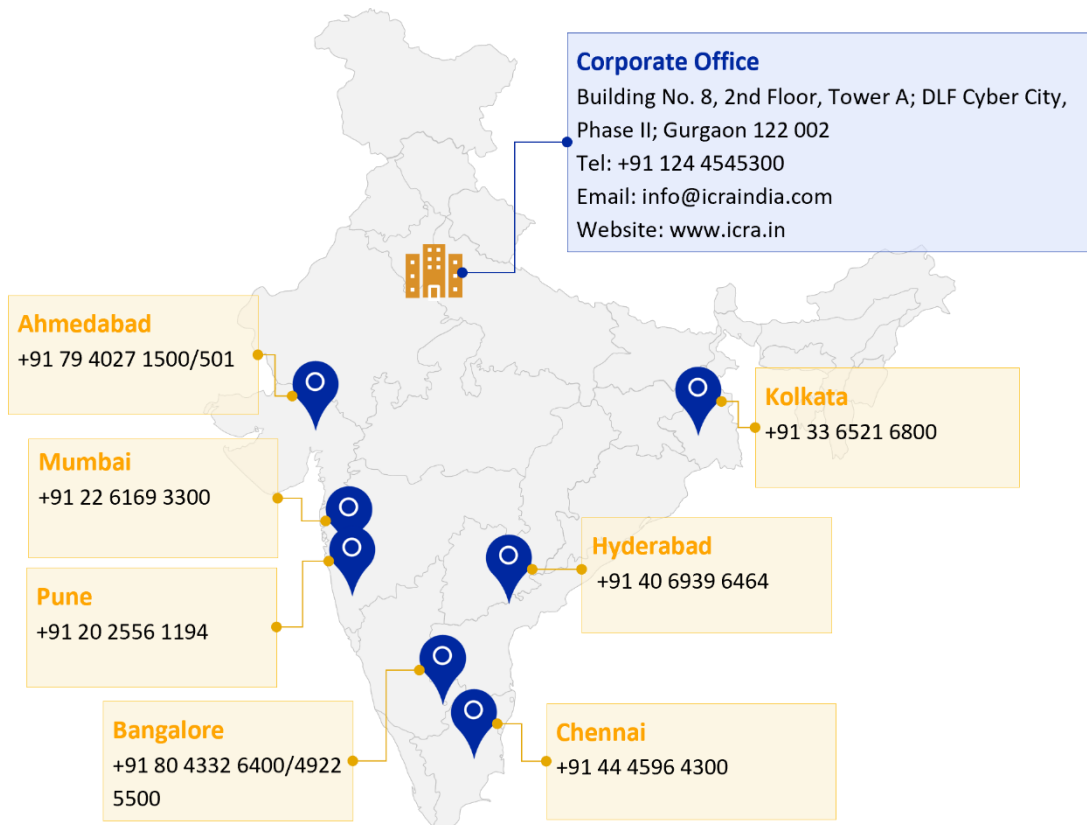
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