

December 29, 2025

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

### Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Sansar Dec 2025 Trust	Series A PTCs	383.28	Provisional [ICRA]AAA(SO); assigned
	Second loss facility	19.16	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. 383.28 crore (pool receivables of Rs. 482.14 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 10.00% of the initial pool principal, amounting to Rs. 38.32 crore, provided by the Originator, and (ii) the EIS of 13.66% of the initial pool principal. The CC will be split into a first loss facility (FLF), amounting to Rs. 19.16 crore (5.00% of initial pool principal), and a second loss facility (SLF) amounting to Rs. 19.16 crore (5.0% of initial pool principal).

### Key rating drivers and their description

#### Credit strengths

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

**Granular pool supported by the presence of credit enhancement** – The pool is granular as on the cut-off date and comprises 9,874 contracts, with top 10 contracts forming ~0.93% of the initial pool principal, thereby reducing the exposure to any single

borrower. Further, the credit enhancement available in the form of cash collateral (CC) and excess interest spread (EIS) would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

**Seasoned contracts in the pool** – The pool has amortised by ~16% with seasoning of ~9 months as of the cut-off date 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 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 4.25% 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 A is strong after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be 4.00 times the estimated loss in the pool.

#### For SLF: Adequate

The liquidity position for SLF is adequate after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be 2.75 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 September 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	<a href="#">Securitisation Transactions</a>
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](http://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	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
					December 29, 2025	-	-	-
1	Sansar Dec 2025 Trust	Series A PTCs	383.28	383.28	Provisional [ICRA]AAA(SO)	-	-	-
		Second loss facility	19.16	19.16	Provisional [ICRA]A-(SO)	-	-	-

## Complexity level of the rated instrument

Instrument	Complexity indicator
Series A PTCs	Highly Complex
Second loss facility	Highly 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
<b>Sansar Dec 2025 Trust</b>	Series A PTCs	December 23 2025	6.40%	January 16, 2031	383.28	Provisional [ICRA]AAA(SO)
	Second loss facility		6.40%		19.16	Provisional [ICRA]A-(SO)

Source: Company; \*Fixed rate

**Annexure II: List of entities considered for consolidated analysis**

Not applicable

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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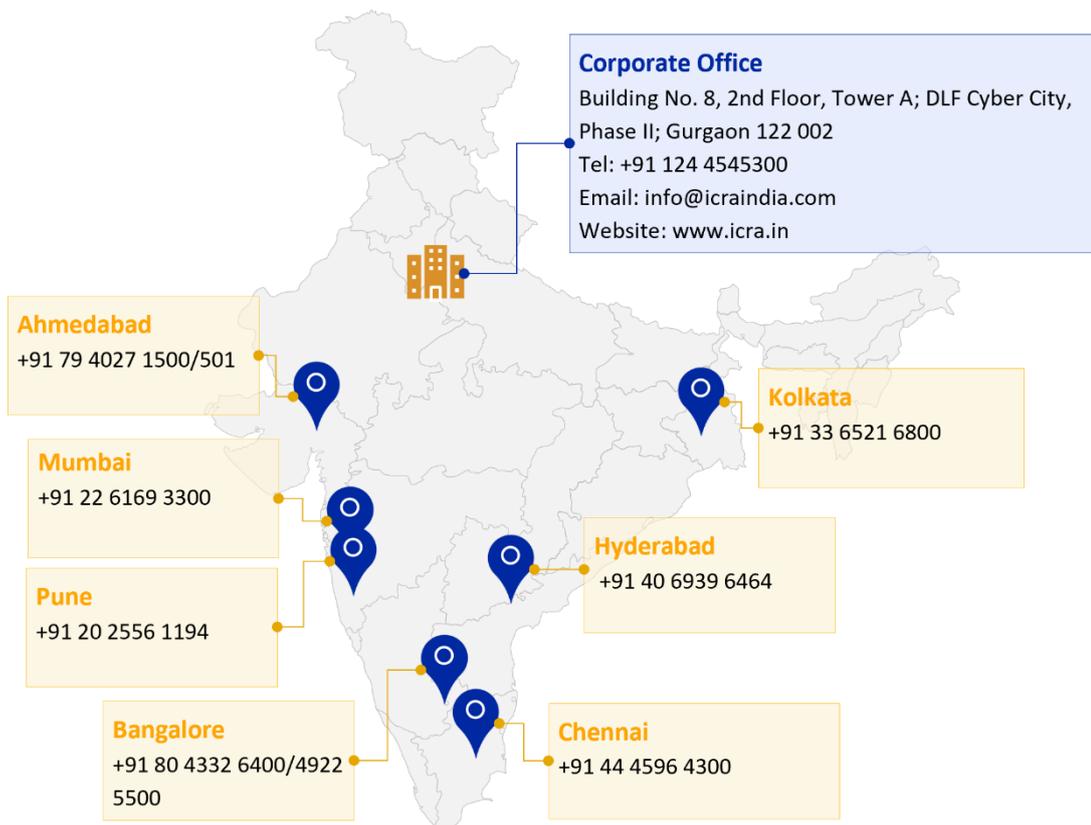
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