

February 25, 2026

## Sundaram Finance Limited: Rating reaffirmed for PTCs issued under vehicle 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
Shri Trust AP 2023	PTC Series A	369.91	135.15	44.21	[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 transaction. 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 pool till the December 2025 payout month.

### Pool performance summary

Parameter	Shri Trust AP 2023
Payout month	December 2025
Months post securitisation	33
Pool amortisation (%)	88.3%
PTC amortisation (%)	88.1%
Cumulative collection efficiency (%) <sup>1</sup>	99.3%
Cumulative prepayment rate (%)	9.1%
Loss-cum-90+ (% of initial pool principal) <sup>2</sup>	0.5%
Loss-cum-180+ (% of initial pool principal) <sup>3</sup>	0.4%
Breakeven collection efficiency (%) <sup>4</sup>	34.6%
Cumulative cash collateral (CC) utilisation (%)	Nil
EIS available (as a % of balance pool)	Nil
CC available (as % of balance pool)	82.3%

<sup>1</sup>Cumulative current and overdue collections / Cumulative billings

<sup>2</sup>Principal outstanding and overdue on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

<sup>3</sup>Principal outstanding and overdue on contracts aged 180+ dpd / Principal outstanding on the pool at the time of securitisation

<sup>4</sup>(Balance PTC cash flows – CC available) / Balance pool cash flows

## 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 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.

## 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 transactions, 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 to ~82% of the balance pool principal as compared to 8.5% of initial pool principal at time of securitisation.

**Healthy pool performance** – Performance of the pool has been strong with cumulative collection efficiency at ~97% which has resulted in low delinquencies in the pool with the 90+ days past due (dpd) being sub 1.0% as on December 2025 payout month. Further, there have been no instances of cash collateral utilisation till date owing to strong collection performance.

### 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 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 assumed at 4.8% to 18% p.a. 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 is as follows:

Transaction Name	Shri Trust AP 2023
Originator	Sundaram Finance Limited
Servicer	Sundaram Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC bank	State Bank of India
Collection and payout account bank	State Bank of India

### Liquidity position: Superior

The liquidity for PTC Series A 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 10.00 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

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Securitisation Transactions</a>
Parent/group Support	Not Applicable
Consolidation/standalone	Not Applicable

The rating action is based on the performance of the pool till the December 2025 payout 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 transaction.

### 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. 55,419 crore as of September 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).

### Key financial indicators (audited)

SFL – Standalone	FY2024	FY2025	H1 FY2026
	Audited	Audited	Provisional
Total income	5,494	6,596	3,704
Profit after tax	1,454	1,543	823.0
Total managed assets	51,443	59,752	66,213
Gross stage 3	1.3%	1.4%	2.0%
Capital-to-risk weighted assets ratio (CRAR)	20.5%	20.4%	19.3%

Source: Company, ICRA Research; Amount in Rs. crore

**Status of non-cooperation with previous CRA: Not applicable**

Any other information: Not applicable

### Rating history for past three years

Trust Name	Instrument	Current Rating (FY2026)		Chronology of Rating History for the Past 3 Years				
		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
				Feb 25, 2026	Feb 26, 2025	Aug 20, 2024	Aug 1, 2023	Mar 13, 2023
1 Shri Trust AP 2023	PTC Series A	369.91	44.21	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)

## Complexity level of the rated instruments

Instrument	Complexity indicator
PTC Series A	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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating
<b>Shri Trust AP 2023</b>	PTC Series A	March 9, 2023	7.00%	September 25, 2027	44.21	[ICRA]AAA(SO)

Source: Company

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

Not applicable

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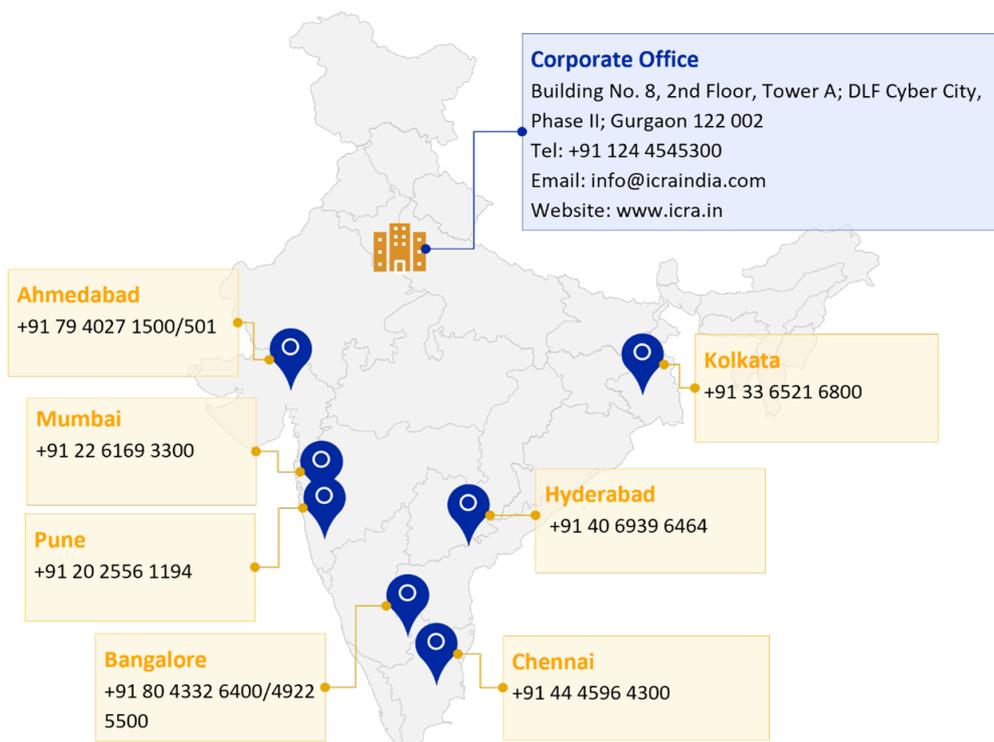


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