

April 17, 2024

## Shriram Finance Limited: Ratings confirmed as final for PTCs backed by vehicle loan receivables issued by Sansar Trust Dec 2023 III

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Sansar Trust Dec 2023 III	Series A PTCs	252.17	[ICRA]AAA(SO); provisional rating confirmed as final
	Second Loss Facility	13.87	[ICRA]A-(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

ICRA had assigned a provisional rating to the Series A pass-through certificates (PTCs) issued by Sansar Trust Dec 2023 III under a securitisation transaction originated by Shriram Finance Limited {SFL/originator; rated [ICRA]AA+ (Stable)}. The PTCs are backed by a pool of vehicle loan receivables originated by SFL with an aggregate principal outstanding of Rs 252.17 crore (pool receivable of Rs 317.85 crore).

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 ratings have now been confirmed as final.

A summary of the pool performance till March 2024 payout is shown in the table below:

Parameter	Sansar Trust Dec 2023 III
First payout date	February 18, 2024
Months post securitisation	2
Pool amortisation	7.75%
PTC Series A amortisation	7.75%
Cumulative Prepayment rate	2.07%
Cumulative collection efficiency*	110.10%
Loss-cum 0+ days past due (dpd)	3.24%
Loss cum 30+ dpd	0.00%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

\* Cumulative collection efficiency – (Sum of current + overdue collection since inception) / (Sum of billings since inception)

### Key rating drivers

#### Credit strengths

- Proven track record in pre-owned commercial vehicle (CV) financing segment along with its well-established franchise
- Availability of credit enhancement in the form of EIS and CC in the transaction
- Low obligor concentration with the top 10 accounting for 0.55% of the overall pool principal amount

#### Credit challenges

- High share contracts with high IRR and high LTV in the pool
- Performance of the pool would remain exposed to macroeconomic shocks/business disruptions

## Description of key rating drivers highlighted above

As per the transaction structure, the scheduled cash flow promised to Series A PTCs on each payout date comprises the interest payments to Series A PTCs at the predetermined interest rate on the principal outstanding while monthly principal payments will be on expected basis and are promised on the final maturity date. The collections from the pool, after making the promised interest payouts to Series A PTCs, will be utilised to make the expected principal payments to Series A PTCs (100% of the pool principal billing). However, this principal payout is not promised and any shortfall in making the expected principal payment to Series A PTCs would be carried forward to the subsequent payout.

The loan pool receivables are assigned at par to the PTC investors. The originator's claim in the EIS is subordinated to the PTC payouts. Thus, the EIS (amounting to 12.54% of the initial pool principal) acts as a source of credit enhancement in the transaction. After meeting the promised and expected payouts, the EIS will be passed on to the originator on a monthly basis. A CC equivalent to 10.50% of the initial pool principal also acts as credit enhancement in the transaction. The CC is split into a first loss facility (FLF) of 5.00% of the initial pool principal (Rs. 12.61 crore) and a second loss facility (SLF) of 5.50% of the initial pool principal amounting to Rs. 13.87 crore. The FLF and SLF would be in the form of a fixed deposit maintained with a designated bank acceptable to ICRA. However, SFL might replace the fixed deposit with a bank guarantee later, subject to the guarantor and the terms of the guarantee being acceptable to ICRA.

There are no overdue in the pool as on the cut-off date. The pool is well diversified with low obligator concentration and a weighted average seasoning of 8.3 months. It comprises new and used CV (new CV: 7.9% and used CV: 12.0%), new and used passenger vehicle (new PV: 19.5% and used PV: 25.9%), Two wheelers (34.7%) loan contracts. The pool has moderate geographical concentration with the top 3 states (Maharashtra, Uttar Pradesh and Andhra Pradesh) contributing 41.2% to the initial pool principal amount. It also has a high share of contracts with high LTV and high IRR. Further, the pool's performance would remain exposed to macroeconomic shocks/business disruptions.

**Past rated pools:** ICRA has rated over 50 pools so far, backed by new & used CV, new & used PV, new & used CE and tractor loans, originated by SFL. Overall, the performance of all live pools (which have completed at least two payouts) has remained healthy till the March 2024 payout, with cumulative collection efficiency of more than 100%.

## Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after considering the performance of the originator's portfolio as well as the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 4.00-5.00% of the initial pool principal, with certain variability around it. The average prepayment rate for the underlying pool is estimated at 12.00% per annum.

## Liquidity position:

### For Series A PTCs: Strong

The liquidity position for PTC Series A strong after factoring in the CE available for meeting the promised payouts to the investor. The total CE would be ~3.9 times the estimated loss in the pool.

### For SLF: Strong

The cash flows from the pool and the available FLF are comfortable for the top-up of the SLF, if needed, as per the defined waterfall mechanism.

### Rating sensitivities

**Positive factors** – Not applicable for the PTC. The rating for SLF could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency of more than 95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the CE.

**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 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 2023, 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="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

### 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 3,700+ branches and other offices. As of December 31, 2023, SFL's assets under management (consolidated) stood at Rs. 2.26 lakh crore, comprising commercial vehicle finance (45%), passenger vehicle finance (18%), construction equipment and farm equipment finance (8%), small and medium-sized enterprise lending (10%), personal loans (4%), gold loans (3%) two-wheeler loans (5%) and housing loans (5%; through its subsidiary – Shriram Housing Finance Limited).

### Key financial indicators

Particulars	FY2022*	FY2023^	9M FY2024^
	Audited	Audited	Provisional
Total income	19,274	30,508	26,459
Profit after tax	2,721	6,011	5,373
Total managed assets#	1,52,742	2,23,769	2,54,307
Gross stage 3	7.1%	6.0%	5.5%
Capital to risk weighted assets ratio	23.0%	22.6%	21.0%

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore  
 With the scheme of arrangement and amalgamation of STFC, SCUF and SCL becoming effective, figures for the year ended March 31, 2023 are not comparable with the figures for the year ended March 31, 2022

\*For SFL, prior to the merger with SCUF and SCL; ^Consolidated post-merger

#Total managed assets = Total assets + Impairment allowance + Direct assignment – Goodwill; Managed gearing includes off-book portfolio as debt

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

Any other information: None

### Rating history for past three years

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Apr 17, 2024	Dec 29, 2023	-	-
Sansar Trust Dec 2023 III	Series A PTCs	252.17	252.17	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
	Second Loss Facility	13.87	13.87	[ICRA]A-(SO)	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	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
<b>Sansar Trust Dec 2023 III</b>	Series A PTCs	Dec 2023	8.75%	May 2028	252.17	[ICRA]AAA(SO)
	Second Loss Facility		Residual	May 2028	13.87	[ICRA]A-(SO)

\* Scheduled PTC maturity date at transaction initiation; may change on account of prepayments

Source: Company

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

Not Applicable

## ANALYST CONTACTS

**Abhishek Dafria**

+91 22 6114 3440

[abhishek.dafria@icraindia.com](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Anubhav Agrawal**

+91 22 6114 3439

[anubhav.agrawal@icraindia.com](mailto:anubhav.agrawal@icraindia.com)

**Diptajyoti Banik**

+91 22 6114 3412

[diptajyoti.banik@icraindia.com](mailto:diptajyoti.banik@icraindia.com)

**Priya Gounder**

+91 22 6114 3454

[priya.gounder@icraindia.com](mailto:priya.gounder@icraindia.com)

**Rushabh Gohel**

+91 22 6114 3450

[rushabh.gohel@icraindia.com](mailto:rushabh.gohel@icraindia.com)

## RELATIONSHIP CONTACT

**Mr. L. Shivakumar**

+91 22 6114 3304

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

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)

## ICRA Limited



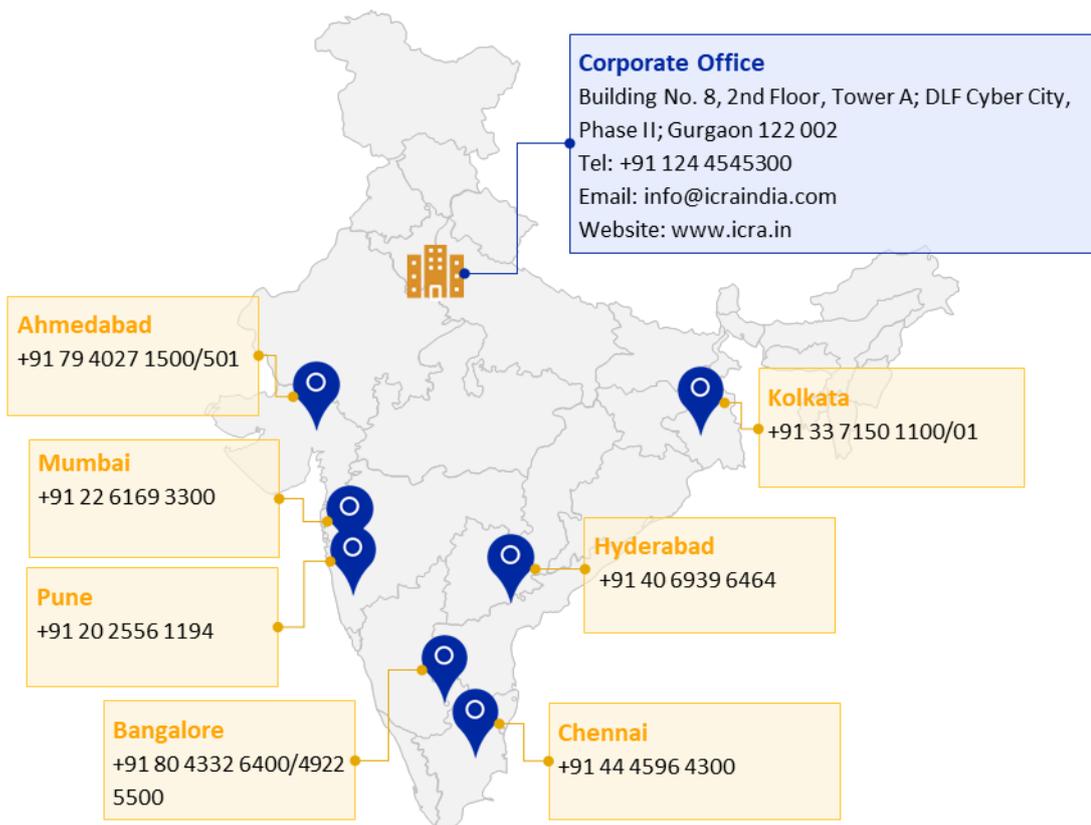
### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.