

December 11, 2024

Shriram Finance Limited: Rating actions for five PTCs issued under vehicle loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial rated amount (Rs. crore)	Amount O/s after last surveillance (Rs. crore)	Amount O/s after Oct-24 payout (Rs. crore)	Rating Action
Sansar Trust Aug 2022 II	PTC Series A	655.18	385.73	217.53	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	29.48	29.48	29.48	[ICRA]A-(SO); Reaffirmed
Sansar Trust Sep 2022 II	PTC Series A	214.44	122.19	49.28	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	9.65	9.65	9.65	[ICRA]A-(SO); Reaffirmed
Sansar Trust Dec 2022	Series A1 PTCs	1,070.02	390.40	50.74	[ICRA]AAA(SO); Reaffirmed
	Series A2 PTCs	1,070.02	655.64	336.68	[ICRA]AAA(SO); Reaffirmed
Sansar Trust July 2023 III	PTC Series A	517.72	NA	271.93	[ICRA]AAA(SO); Reaffirmed
Sansar Trust Sep 2023	Series A1 PTCs	475.90	NA	281.26	[ICRA]AAA(SO); upgraded from [ICRA]AA+(SO)
	Series A2 PTCs	25.05	NA	25.05	[ICRA]A(SO); upgraded from [ICRA]A-(SO);

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) tabulated above are backed by commercial vehicle (CV), passenger vehicle (PV), construction equipment and tractor loan receivables originated by Shriram Finance Limited {SFL/Originator; rated [ICRA]AA+ (Stable)}.

The rating upgrade/reaffirmations factor in the build-up of the credit enhancement cover over the future PTC payouts on account of moderate to high amortisation and healthy pool performance. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pool till October 2024 payout month.

Pool performance summary

Parameter	Sansar Trust Aug 2022 II	Sansar Trust Sep 2022 II	Sansar Trust Dec 2022	Sansar Trust July 2023 III	Sansar Trust Sep 2023
Payout month	October 2024	October 2024	October 2024	October 2024	October 2024
Months post securitisation	25	24	21	14	13
Pool amortisation	66.80%	77.02%	81.63%	43.20%	38.86%
PTC amortisation	66.80%	77.02%	81.90%	47.48%	38.86%
Cumulative collection efficiency ¹	105.65%	130.49%	113.75%	107.17%	100.84%

¹ Cumulative collections till date (including advance collections) / (Cumulative billings till date + Opening overdue)

Parameter	Sansar Trust Aug 2022 II	Sansar Trust Sep 2022 II	Sansar Trust Dec 2022	Sansar Trust July 2023 III	Sansar Trust Sep 2023
Cumulative prepayment rate	14.11%	42.29%	37.46%	5.90%	5.18%
Average monthly prepayment rate	0.61%	2.26%	2.21%	0.43%	0.41%
Loss-cum-90+ dpd² (% of initial pool)	0.82%	0.55%	1.58%	0.60%	0.72%
Loss-cum-180+ dpd³ (% of initial pool)	0.60%	0.23%	1.44%	0.43%	0.46%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%	0.00%	0.00%
Breakeven collection efficiency⁴ for PTC Series A/A1	68.39%	55.79%	34.73%	72.03%	78.35%
CC (% of balance pool)	28.61%	41.34%	65.32%	6.16%	8.18%
Excess interest spread (EIS; % of balance pool) for PTC A/A1⁵	7.30%	12.34%	10.27%	10.53%	8.67%

Transaction structure

For Sansar Trust Aug 2022 II and Sansar Trust July 2023 III, 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 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.

For Sansar Trust Sep 2022 II, as per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). Any surplus 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 Series A1 PTC principal.

For Sansar Trust Dec 2022, the transaction has a two-tranche structure. As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout (on a pro-rata basis) and principal payout. The Series A2 PTCs are promised the principal on a monthly basis (equivalent to 50% of the initial pool principal billing for Series A2 PTC, adjusted for the scheduled principal prepayments made in prior periods) and scheduled prepayments equivalent to 0.8% of the outstanding Series A2 PTCs' principal on a monthly basis for the first six months and 0.6% every month thereafter. Further, Series A1 PTCs are promised a monthly principal payment equivalent to the difference between the revised monthly pool principal billing and the scheduled principal payment to Series A2 PTCs and any pool prepayment collections in excess of the scheduled prepayments to Series A2 PTCs. Any surplus EIS, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis.

For Sansar Trust Sep 2023, the transaction has a two-tranche structure, whereby Series A2 PTCs are subordinate to Series A1 PTCs. As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to the outstanding senior tranche. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to the outstanding senior tranche but is promised on the final maturity date. Any surplus EIS, after meeting the promised and expected payouts, will flow as expected interest payout to the subordinated tranche. Any prepayment in the pool would be

² Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a % of Initial Pool Principal

³ Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 180 days, as a % of Initial Pool Principal

⁴ (Balance cash flows payable to investor – CC available) / Balance pool cash flows

⁵ (Pool cash flows – Cash flows to PTC) / Pool principal outstanding

used for the prepayment of Series A1 PTC principal. Following the maturity of Series A1 PTC, a similar structure would be followed for Series A2 PTC.

Key rating drivers and their description

Credit strengths

Track record of Originator – The Originator, which is also servicing the loans in the transaction, has a well-established track record in the pre-owned commercial vehicle financing business of more than four decades and has adequate underwriting policies and collection procedures.

Build-up of credit enhancement available in the structure – The rating factors in the build-up in the credit enhancement with CC increasing substantially ranging between 28% and 65% of the balance pool principal for Sansar Trust Aug 2022 II, Sansar Trust Sep 2022 II and Sansar Trust Dec 2022 transactions, while it has increased to 6.2% and 8.2% for Sansar Trust July 2023 III and Sansar Trust Sep 2023 transactions respectively. Internal credit support is also available through EIS for all the transactions. Further, internal credit support is available through subordination in Sansar Trust July 2023 III and Sansar Trust Sep 2023 transactions.

Healthy pool performance – While delinquencies in the harder bucket with the loss-cum-90+ days past due (dpd; as percentage of initial pool principal) have remained moderate at ~1.5% for Sansar Trust Dec 2022, it has been low at sub-1.0% for the other pools after October 2024 payout month. Nonetheless, the performance of both the pools has been healthy with cumulative collection efficiency (including advances) upwards of ~100% till October 2024 payout month while the breakeven collection efficiency remains comfortably below the monthly collection efficiency.

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 the surveillance of asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance 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 past performance of the originator’s portfolio and the rated pools, as well as the performance and 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.

For the current pools, ICRA has estimated the shortfall in the pool principal collection and prepayments during its tenure as provided in the following table:

S. No.	Transaction Name	Estimated Shortfall (% of initial pool principal)	Prepayment
1	Sansar Trust Aug 2022 II	3.75%	4.8% - 18.0% p.a.
2	Sansar Trust Sep 2022 II	4.00%	4.8% - 18.0% p.a.
3	Sansar Trust Dec 2022	4.50%	4.8% - 18.0% p.a.
4	Sansar Trust July 2023 III	3.75%	4.8% - 18.0% p.a.
5	Sansar Trust Sep 2023	4.25%	4.8% - 18.0% 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 are as follows:

Transaction Name	Sansar Trust Aug 2022 II	Sansar Trust Sep 2022 II	Sansar Trust Dec 2022	Sansar Trust July 2023 III	Sansar Trust Sep 2023
Originator	Shriram Finance Limited	Shriram Finance Limited	Shriram Finance Limited	Shriram Finance Limited	Shriram Finance Limited
Servicer	Shriram Finance Limited	Shriram Finance Limited	Shriram Finance Limited	Shriram Finance Limited	Shriram Finance Limited
Trustee	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC holding bank	JP Morgan Chase Bank N.A.	ICICI Bank Limited	ICICI Bank Limited	JP Morgan Chase Bank N.A.	Hongkong and Shanghai Banking Corporation Limited
Collection and payout account bank	JP Morgan Chase Bank N.A.	ICICI Bank Limited	ICICI Bank Limited	JP Morgan Chase Bank N.A.	Hongkong and Shanghai Banking Corporation Limited

Liquidity position

For Sansar Trust Sep 2022 II, Sansar Trust Dec 2022, Sansar Trust July 2023 III and PTC Series A of Sansar Trust Aug 2022 II: Superior

The liquidity for the instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is over 6.75 times the estimated loss for all the pools.

For second loss facility of Sansar Trust Aug 2022 II and Series A1 PTCs of Sansar Trust Sep 2023: Strong

The liquidity for the instruments is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is ~4.75 times the estimated loss for second loss facility of Sansar Trust Aug 2022 II. Similarly, the total credit enhancement is ~5.00 times the estimated loss for Series A1 PTCs of Sansar Trust Sep 2023.

For Series A2 PTCs of Sansar Trust Sep 2023: Adequate

The liquidity for the instrument is adequate after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement is ~3.00 times the estimated loss for Series A2 PTCs of Sansar Trust Sep 2023.

Rating sensitivities

Positive factors – Not applicable for PTCs of Sansar Trust Aug 2022 II , Sansar Trust Sep 2022 II , Sansar Trust Dec 2022, Sansar Trust July 2023 III and Series A1 PTCs of Sansar Trust Sep 2023; The ratings for second loss facility of Sansar Trust Aug 2022 II and Sansar Trust Sep 2022 II and Series A2 PTCs of Sansar Trust Sep 2023, can be upgraded on the sustained strong collection performance of the underlying pool of contracts, resulting in an increase in the credit enhancement cover available.

Negative factors – Pressure on the rating could emerge on sustained weak collections, resulting in higher-than-expected delinquency levels. 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 performance of the pools till October 2024 (payout month), the present delinquency levels and the CE available in the pool, and the performance expected over the balance tenure of the pools.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
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 on September 30, 2024, SFL's assets under management (AUM; consolidated) stood at Rs. 2.58 lakh crore comprising commercial vehicle finance (45%), passenger vehicle finance (19%), small and medium-sized enterprise (SME) lending (13%), construction equipment and farm equipment finance (9%), housing loans (6%; through its subsidiary Shriram Housing Finance Limited), two-wheeler loans (5%), personal loans (3%), and gold loans (2%).

Key financial indicators

Particulars	FY2023*	FY2024^	H1 FY2025^
	Audited	Audited	Limited Review
Total income	30,508	36,413	19,694
Profit after tax	6,011	7,391	4,179
Total managed assets[#]	2,23,769	2,66,453	2,84,652
Gross stage 3	6.0%	5.2%	5.4%
Capital to risk weighted assets ratio	22.6%	20.3%	NA

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore; NA – Not available

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

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				Date & Rating in FY2022
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023		
				December 11, 2024	January 19, 2024	January 23, 2023	September 23, 2022	
1 Sansar Trust Aug 2022 II	PTC Series A	655.18	217.53	[ICRA]AAA (SO)	[ICRA]AAA(SO)	[ICRA]AAA (SO)	Provisional [ICRA]AAA(SO)	-
	Second Loss Facility	29.48	29.48	[ICRA]A-(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years				Date & Rating in FY2022	
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023		
				December 11, 2024	January 19, 2024	January 23, 2023	September 30, 2022		
2 Sansar Trust Sep 2022 II	PTC Series A	214.44	49.28	[ICRA]AAA (SO)	[ICRA]AAA(SO)	[ICRA]AAA (SO)	Provisional [ICRA]AAA(SO)	-	
	Second Loss Facility	9.65	9.65	[ICRA]A-(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years				Date & Rating in FY2022	
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023		
				December 11, 2024	January 19, 2024	January 17, 2023	December 23, 2022		
3 Sansar Trust Dec 2022	Series A1 PTCs	1,070.02	50.74	[ICRA]AAA (SO)	[ICRA]AAA(SO)	[ICRA]AAA (SO)	Provisional [ICRA]AAA(SO)	-	
	Series A2 PTCs	1,070.02	336.68	[ICRA]AAA (SO)	[ICRA]AAA(SO)	[ICRA]AAA (SO)	Provisional [ICRA]AAA(SO)	-	

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years				
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				December 11, 2024	December 13, 2023	August 22, 2023	-	-
4 Sansar Trust July 2023 III	PTC Series A	517.72	271.93	[ICRA]AAA (SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years				
		Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				December 11, 2024	December 26, 2023	September 22, 2023	-	-
5 Sansar Trust Sep 2023	Series A1 PTCs	475.90	281.26	[ICRA]AAA (SO)	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-
	Series A2 PTCs	25.05	25.05	[ICRA]A (SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-

Complexity level of the rated instrument

Trust	Instrument	Complexity Indicator
Sansar Trust Aug 2022 II	PTC Series A	Moderately Complex
	Second Loss Facility	Moderately Complex
Sansar Trust Sep 2022 II	PTC Series A	Simple
	Second Loss Facility	Simple
Sansar Trust Dec 2022	Series A1 PTCs	Moderately Complex
	Series A2 PTCs	Moderately Complex

Trust	Instrument	Complexity Indicator
Sansar Trust July 2023 III	PTC Series A	Moderately Complex
Sansar Trust Sep 2023	Series A1 PTCs	Moderately Complex
	Series A2 PTCs	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 Type	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Current Rating
Sansar Trust Aug 2022 II	PTC Series A	September 30, 2022	7.30%	September 20, 2027	217.53	[ICRA]AAA(SO)
	Second Loss Facility		-		29.48	[ICRA]A-(SO)
Sansar Trust Sep 2022 II	PTC Series A	September 29, 2022	7.30%	May 18, 2027	49.28	[ICRA]AAA(SO)
	Second Loss Facility		-		9.65	[ICRA]A-(SO)
Sansar Trust Dec 2022	Series A1 PTCs	December 30, 2022	8.01%	January 22, 2028	50.74	[ICRA]AAA(SO)
	Series A2 PTCs		8.01%		336.68	[ICRA]AAA(SO)
Sansar Trust July 2023 III	PTC Series A	August 25, 2023	8.70%	August 20, 2028	271.93	[ICRA]AAA(SO)
Sansar Trust Sep 2023	Series A1 PTCs	September 26, 2023	8.30%	September 18, 2028	281.26	[ICRA]AAA(SO)
	Series A2 PTCs		Residual		25.05	[ICRA]A(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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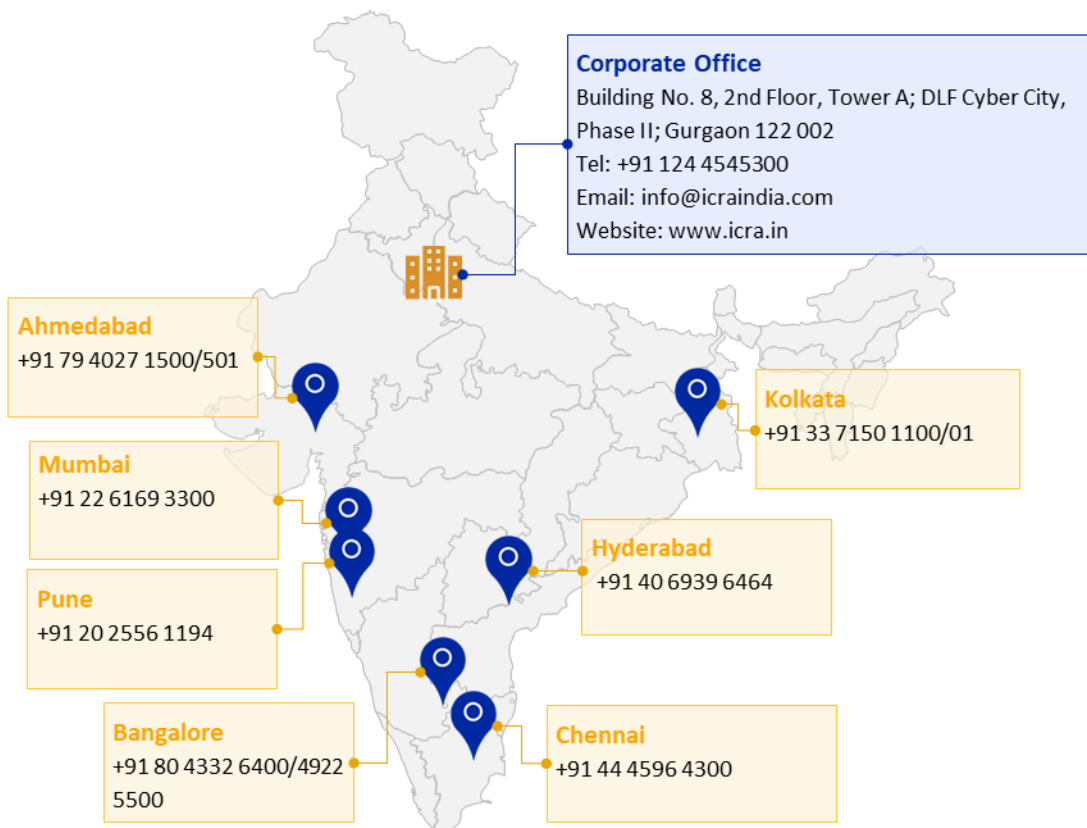
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