

March 21, 2025

Shriram Finance Limited: Ratings confirmed as final for PTCs backed by vehicle loan receivables issued by Sansar Dec 2024 IV Trust

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Sansar Dec 2024 IV Trust	Series A1 PTC	909.64	[ICRA]AAA(SO); provisional rating confirmed as final
	Series A2 PTC	79.10	[ICRA]A-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned provisional ratings to the pass-through certificates (PTCs) issued by Sansar Dec 2024 IV Trust under a securitisation transaction originated by Shriram Finance Limited {SFL/Originator; rated [ICRA]AA+ (Stable)}. The PTCs are backed by a pool of vehicle, construction equipment, and two-wheeler loan receivables originated by SFL with an aggregate principal outstanding of Rs. 988.74 crore (pool receivables of Rs. 1,228.04 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.

Pool performance summary

Parameter	Sansar Dec 2024 IV Trust
Payout month	February 2025
Months post securitisation	2
Pool amortisation	8.61%
Amortisation	8.61%
Series A1 PTC	9.35%
Series A2 PTC	0.00%
Cumulative collection efficiency ¹	101.35%
Cumulative prepayment rate	1.18%
Loss-cum 0+ days past due (dpd) ²	1.32%
Loss-cum-30+ dpd ³	0.00%
Loss-cum-90+ dpd ⁴	0.00%
Cumulative cash collateral utilisation	0.00%

Transaction structure

The transaction has a two-tranche structure, wherein Series A1 PTCs will be equivalent to 92% of the initial pool principal while Series A2 PTCs will be equivalent to 8% of the initial pool principal and will be subordinated to Series A1 PTCs.

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to Series A1 PTC. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to PTC Series A1, followed by PTC Series A2 (after PTC Series A1 is fully paid off).

¹ Cumulative collections (incl. advances) / (Cumulative billings + Opening overdue at the time of securitisation)

² Principal outstanding on contracts aged 0+ dpd / Principal outstanding on the pool at the time of securitisation

³ Principal outstanding on contracts aged 30+ dpd / Principal outstanding on the pool at the time of securitisation

⁴ Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. However, on the occurrence of any predefined acceleration event, the EIS shall be utilised for accelerating the principal payment due to Series A1 PTC (and to Series A2 PTC after PTC Series A1 is fully paid off). An acceleration event is triggered if the 90+ days past due (dpd) is equal to or more than 5% of the outstanding pool principal. Any prepayment in the pool would be used for the prepayment of Series A1 PTC principal (and to Series A2 PTC after PTC Series A1 is fully paid off).

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 49.44 crore, provided by the Originator, (ii) subordination of 8.00% of the initial pool principal for Series A1 PTC, and (iii) the EIS of 15.96% of the initial pool principal for Series A1 and A2 PTCs.

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 of more than four decades in the preowned commercial vehicle financing business with adequate underwriting policies and collection procedures.

Adequate servicing capability of originator – The Originator has adequate processes for the servicing of the loan accounts in the securitised pool. It has a demonstrated track record of more than four decades of regular collections and recoveries across a wide geography.

Granular pool supported by presence of credit enhancement – The pool was granular as on the cut-off date, comprising 1,13,158 contracts with the top 10 contracts forming only 0.4% of the initial pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb a part of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool – The pool had amortised by ~22% with seasoning of ~9 months as of the cut-off date, reflecting the relatively better credit profile and repayment track record of the borrowers.

Credit challenges

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.

Presence of high LTV contracts – On the cut-off date, ~57% of the contracts in the pool had a loan-to-value (LTV) of more than 85%. Thus, the pool's performance would remain dependent on the company's ability to limit the slippages of such borrowers.

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 4.75% 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 final ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transaction are as follows:

Transaction name	Sansar Dec 2024 IV Trust
Originator	Shriram Finance Limited
Servicer	Shriram Finance Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	Deutsche Bank A.G.
Collection and payout account bank	Deutsche Bank A.G.

Liquidity position

For Series A1 PTC: Strong

The liquidity position for PTC Series A1 is strong after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be around 4.25 times the estimated loss in the pool.

For Series A2 PTC: Adequate

The liquidity position for PTC Series A2 is adequate after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be around 2.75 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable for Series A1 PTC

For Series A2 PTC, 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 ratings.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical approach	Comments
Applicable rating methodologies	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 more than 3,800 branches and other offices. As on December 31, 2024, its assets under management (standalone) stood at Rs. 2.54 lakh crore comprising commercial vehicle finance (46%), passenger vehicle finance (20%), small and medium-sized enterprise (SME) lending (14%), construction equipment and farm equipment finance (9%), two-wheeler loans (6%), personal loans (3%), and gold loans (2%).

Key financial indicators

SFL (standalone)	FY2023*	FY2024^	9M FY2025^
	Audited	Audited	Limited review
Total income	29,803	34,998	30,399
Profit after tax	5,979	7,193	7,622
Total managed assets#	2,16,010	2,52,802	3,00,986
Gross stage 3	6.2%	5.5%	5.4%
Capital-to-risk weighted assets ratio	22.6%	20.3%	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

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				
		Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				March 21, 2025	December 24, 2024			
Sansar Dec 2024 IV Trust	Series A1 PTC	909.64	909.64	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-
	Series A2 PTC	79.10	79.10	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTC	Moderately Complex
Series A2 PTC	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 (p.a.p.m.)	Maturity date	Amount rated (Rs. crore)	Rating
Sansar Dec 2024 IV Trust	Series A1 PTC	November 21, 2024	8.75%	December 20, 2028	909.64	[ICRA]AAA(SO)
	Series A2 PTC		Residual		79.10	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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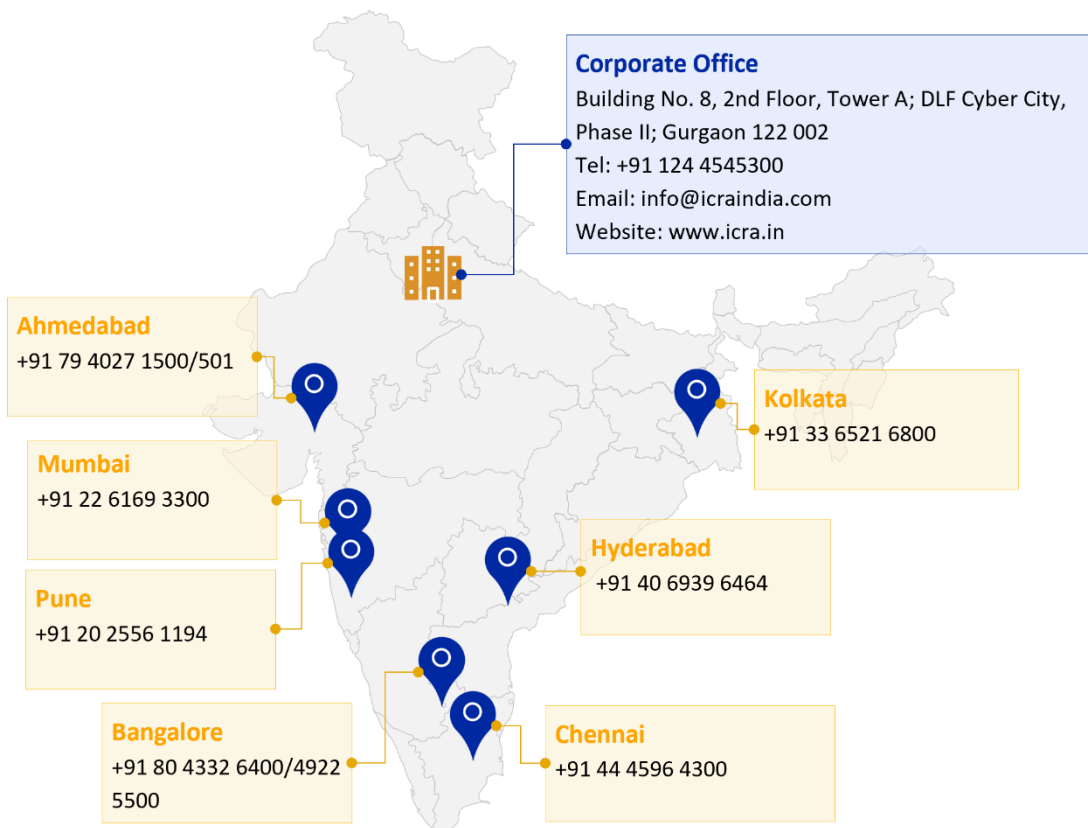
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