

March 24, 2025

## Shriram Finance Limited: Provisional ratings assigned to PTCs backed by vehicle loan receivables issued by Sansar March 2025 Trust

### Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Sansar March 2025 Trust	PTC Series A	99.40	Provisional [ICRA]AA+(SO); assigned
	Equity Tranche	7.48	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. 106.88 crore (pool receivables of Rs. 132.44 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

The transaction has a two-tranche structure, wherein PTC Series A will be equivalent to 93% of the initial pool principal while the equity tranche, equivalent to 7% of the initial pool principal, will be subordinated to PTC Series A.

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to PTC Series A. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) firstly to PTC Series A and then to the equity tranche (after PTC Series A is fully paid off). 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 PTC Series A principal (and to the equity tranches after PTC Series A is fully paid off).

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 3.00% of the initial pool principal, amounting to Rs. 3.21 crore, provided by the Originator, (ii) subordination of 7.00% of the initial pool principal for PTC Series A, and (iii) the EIS of 12.57% of the initial pool principal for PTC Series A and the equity tranche.

### Key rating drivers and their description

#### Credit strengths

**Adequate servicing capability 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 and has adequate underwriting policies, recovery, and regular collections across a wide geography.

**Granular pool supported by presence of credit enhancement** – The pool was granular as on the cut-off date. It comprises 3,245 contracts with the top 10 contracts forming 2.4% 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 ~20% with seasoning of ~11 months as of the cut-off date, reflecting the borrowers' relatively better credit profile and repayment track record.

### Credit challenges

**Presence of long-tenure contracts** – As of the cut-off date, ~36% of the contracts in the pool had an original tenure of more than 48 months. The performance of such contracts has remained relatively weaker in the portfolio. Thus, the pool's performance would depend on the company's ability to limit slippages of such borrowers.

**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.

### 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 PTC Series A: 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 4.0 times the estimated loss in the pool.

#### For equity tranche: Adequate

The liquidity position for the equity tranche is adequate after factoring in the credit enhancement available for meeting the promised payouts to the investor. The total credit enhancement would be 2.25 times the estimated loss in the pool.

### Rating sensitivities

**Positive factors** – 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 could also exert pressure on the ratings.

## Analytical approach

The rating action is based on the analysis of the performance of SFL's portfolio till December 2024, 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 3,800 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 between 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

S. no.	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
1	Sansar March 2025 Trust	PTC Series A	99.40	99.40	Mar 24, 2025 Provisional [ICRA]AA+(SO)	-	-	-
		Equity Tranche	7.48	7.48	Provisional [ICRA]A-(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity indicator
PTC Series A	Moderately Complex
Equity Tranche	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	Current rated amount (Rs. crore)	Current rating
<b>Sansar March 2025 Trust</b>	PTC Series A	March 24, 2025	7.75%	September 20, 2029	99.40	Provisional [ICRA]AA+(SO)
	Equity Tranche		Residual		7.48	Provisional [ICRA]A- (SO)

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)

**Anubha Rustagi**  
+91 22 6114 3456  
[anubha.rustagi2@icraindia.com](mailto:anubha.rustagi2@icraindia.com)

**Rushabh Gohel**  
+91 22 6114 3450  
[rushabh.gohel@icraindia.com](mailto:rushabh.gohel@icraindia.com)

## RELATIONSHIP CONTACT

**L Shivakumar**  
+91 22 6114 3406  
[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



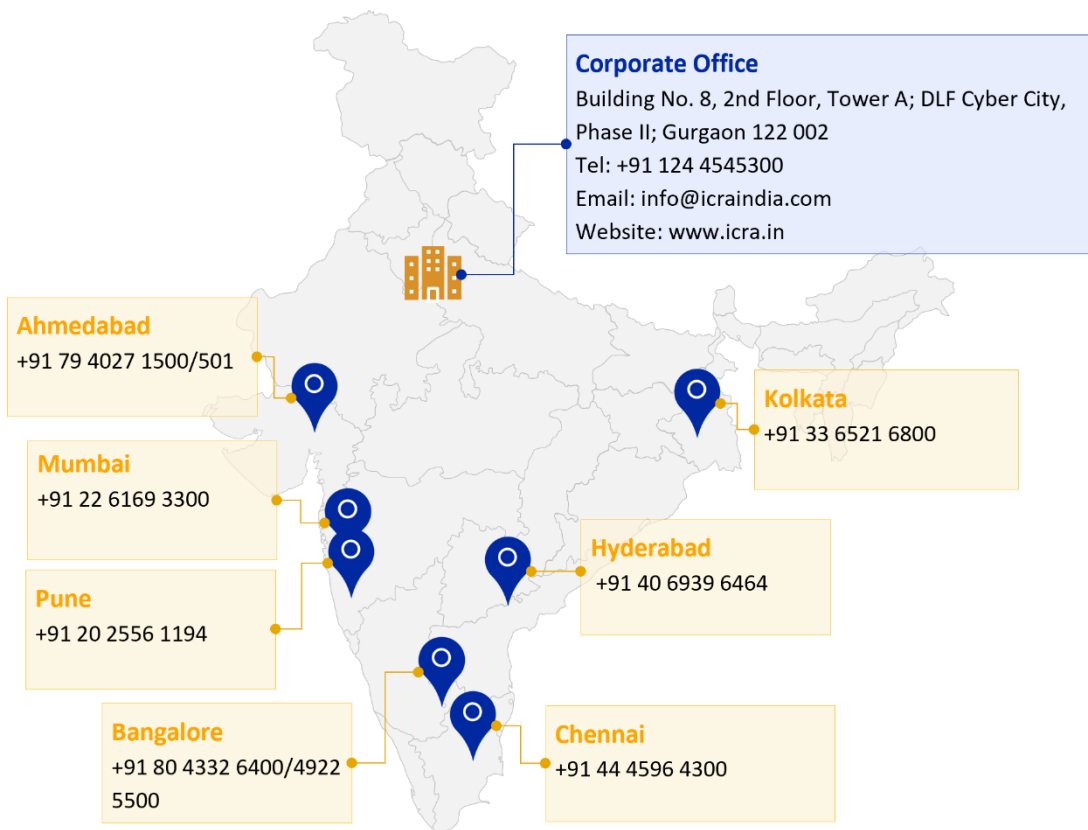
### Registered Office

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

Tel: +91 11 23357940-45



### Branches



© Copyright, 2025 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.