July 24, 2025

# Shriram Finance Limited: Rating reaffirmed for assignee payouts issued under a vehicle loan securitisation transaction

## Summary of rating action

| Trust Name | Instrument* | Initial Rated Amount (Rs. crore) | Amount O/s after Last Surveillance (Rs. crore) | Current Outstanding Amount after June 2025 Payout (Rs. crore) | Rating Action |
|---|---|---|---|---|---|
| **Bank of India - PCG MAR-2020** | Assignee Payouts | 234.76 | 12.11 | 0.69 | [ICRA]AA+(SO); Reaffirmed |

**Instrument details are provided in Annexure I*

## Rationale

The assignee payouts are backed by vehicle loan receivables originated by Shriram Finance Limited {SFL/Originator; rated [ICRA]AA+(Stable)}. The rating for Bank of India – PCG MAR-2020 has been reaffirmed on account of the significant amortisation in the pool, which has led to the credit collateral (CC) covering the entire future assignee payouts.

## Pool performance summary

| Parameter | Bank of India – PCG MAR-2020 |
|---|---|
| **Payout month** | June 2025 |
| **Months post securitisation** | 63 |
| **Assignee amortisation (as % of initial assignee payout principal)** | 99.9% |
| **Cumulative collection efficiency[1]** | 109.0% |
| **Cumulative prepayment rate** | 49.6% |
| **Average monthly prepayment rate** | 1.1% |
| **Loss-cum-90+ dpd[2] (% of initial pool)** | 0.1% |
| **Loss-cum-180+ dpd[3] (% of initial pool)** | 0.1% |
| **Cumulative CC utilisation** | 0.00% |
| **CC[4] (% of balance pool)** | >100% |

## 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 (100% of the pool principal billed) but is promised on the final maturity date. 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 assignee payouts principal.

*[1] Cumulative collections till date (including advance collections) / (Cumulative billings till date + Opening overdue)*
*[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] CC is available in the form of unconditional and irrevocable guarantee from SFL*

## Key rating drivers and their description

### Credit strengths

**Adequate servicing capability of SFL** - SFL, 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 across a wide geography. It also has satisfactory processes for servicing the loan accounts in the securitised pool.

**Build-up of credit enhancement available in the structure** – The rating factors in the build-up in the credit enhancement with the CC covering the entire balance assignee payouts, on account of the significant amortisation of the pool after the June 2025 payout month.

**Healthy pool performance** – The performance of the pool has been healthy with a cumulative collection efficiency (including advances) of more than ~100% till the June 2025 payout month. This has led to low delinquencies in the harder bucket with the loss-cum-90+ days past due (dpd; as percentage of initial pool principal) below 0.5%. Further, there have been no instances of CC utilisation for the pool till date owing to the strong collection performance and the presence of EIS in the transaction.

### Credit challenges

Not Applicable

## 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.

## Details of key counterparties

The key counterparties in the rated transaction are as follows:

| Transaction Name | Bank of India – PCG MAR-2020 |
|---|---|
| **Originator** | Shriram Finance Limited |
| **Servicer** | Shriram Finance Limited |
| **Trustee** | Catalyst Trusteeship Limited |
| **Credit Collateral provider** | Shriram Finance Limited |
| **Collection and payout account Bank** | Bank of India |

## Liquidity position: Superior

The CC available covers the future assignee payouts.

## Rating sensitivities

**Positive factors** – The rating can be upgraded if there is an improvement in SFL's credit profile since collateral is in the form of guarantee from SFL.

**Negative factors** – The rating could be downgraded if there is a deterioration in SFL's credit profile.

## Analytical approach

The rating action is based on the performance of the pool till June 2025 (payout month), the present delinquency levels and the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

| 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 3,220 branches and other offices. As of March 31, 2025, SFL had an AUM of Rs. 2.63 lakh crore comprising commercial vehicle finance (45%), passenger vehicle finance (20%), construction equipment and farm equipment finance (9%), small and medium-sized enterprise (SME) lending (14%), personal loans (4%), gold loans (2%) and two-wheeler loans (6%).

### Key financial indicators

| Particulars | FY2023 | FY2024 | FY2025 |
|---|---|---|---|
| **Shriram Finance Limited (standalone)** | **Audited** | **Audited** | **Audited** |
| **Total income** | 29,803 | 34,998 | 41,859 |
| **Profit after tax** | 5,979 | 7,190 | 9,761 |
| **Total managed assets#** | 2,16,010 | 2,52,802 | 3,11,330 |
| **Gross stage 3** | 6.2% | 5.5% | 4.6% |
| **Capital to risk weighted assets ratio** | 22.6% | 20.3% | 20.7% |

*Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. Crore*
*#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 | Current Rating (FY2026) | | | Chronology of Rating History for the Past 3 Years | | | |
|---|---|---|---|---|---|---|---|---|
| | | Instrument | Initial Rated Amount (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating in FY2026 | Date & Rating in FY2025 | Date & Rating in FY2024 | Date & Rating in FY2023 |
| | | | | | Jul 24, 2025 | Jul 22, 2024 | Jul 21, 2023 | Jul 28, 2022 |
| 1 | **Bank of India – PCG MAR-2020** | Assignee Payouts | 234.76 | 0.69 | **[ICRA]AA+(SO)** | **[ICRA]AA+(SO)** | **[ICRA]AA+(SO)** | **[ICRA]AA+(SO)** |

## Complexity level of the rated instrument

| Trust Name | Instrument | Complexity Indicator |
|---|---|---|
| **Bank of India – PCG MAR-2020** | Assignee Payouts | 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) | Current Rating |
|---|---|---|---|---|---|---|
| **Bank of India – PCG MAR-2020** | Assignee Payouts | March 31, 2020 | 9.00% | December 22, 2025 | 0.69 | [ICRA]AA+(SO) |

*Source: Company*

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

Not applicable

## ANALYST CONTACTS

**Manushree Saggar**
+91 124 4545 316
manushrees@icraindia.com

**Anubhav Agrawal**
+91 22 6114 3439
anubhav.agrawal@icraindia.com

**Priya Gounder**
+91 22 6114 3454
priya.gounder@icraindia.com

**Sachin Joglekar**
+91 22 6114 3470
sachin.joglekar@icraindia.com

**Swapnali Chavan**
+91 22 6114 3412
swapnali.chavan@icraindia.com

## RELATIONSHIP CONTACT

**L. Shivakumar**
+91 22 6114 3304
shivakumar@icraindia.com

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

## About ICRA Limited:

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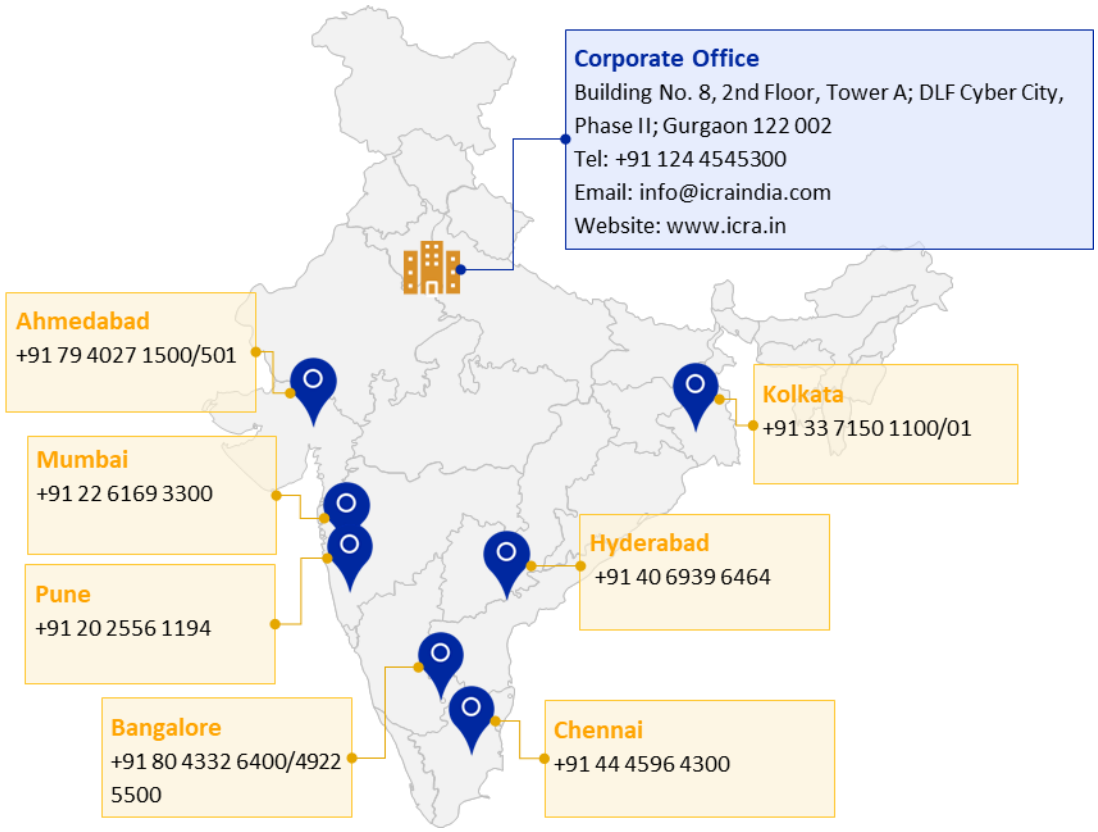
# ICRA Limited

## Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

## Branches

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