July 18, 2025

Shriram Finance Limited: Ratings confirmed as final for PTCs backed by vehicle, equipment and tractor loan receivables issued by Sansar June 2025 II Trust

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Sansar June 2025 II Trust	PTC Series A1	195.21	[ICRA]AAA(SO); provisional rating confirmed as final
	PTC Series A2	83.66	[ICRA]AAA(SO); provisional rating confirmed as final
	Second Loss Facility	12.55	[ICRA]A-(SO); provisional rating confirmed as final

**Instrument details are provided in Annexure I*

Rationale

ICRA had assigned a provisional rating to the pass-through certificates (PTCs) issued by Sansar June 2025 II 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 tractor loan receivables originated by SFL with an aggregate principal outstanding of Rs. 278.87 crore (pool receivables of Rs. 351.05 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

The first payout date is July 20, 2025.

Transaction structure

As per the transaction structure, the monthly cash flow schedule will comprise the promised interest payout on a pro rata basis to PTC Series A1 and Series A2. 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 for both tranches. The collections from the pool, after making the promised interest payouts to the PTCs, will be used to make the expected principal payouts to PTC Series A1. Following the complete repayment of the PTC Series A1 principal, the collections will be used for the expected principal payouts to PTC Series A2. Any 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 A1 principal and, following its complete repayment, towards the prepayment of the PTC Series A2 principal. The cash collateral (CC), if utilised in any month, will not be replenished from the EIS in subsequent months.

The credit enhancement available in the structure is in the form of (i) a CC of 10.00% of the initial pool principal, amounting to Rs. 27.89 crore, provided by the Originator, and (ii) the EIS of 13.27% of the initial pool principal. The CC is split into a first loss facility (FLF), amounting to Rs. 13.94 crore (5.00% of initial pool principal), and a second loss facility (SLF) amounting to Rs. 13.94 crore (5.00% of initial pool principal).

Key rating drivers and their description

Credit strengths

Adequate servicing capability of Originator – SFL, which is also servicing the loans in the transaction, has an established track record of more than four decades in the preowned commercial vehicle financing business with adequate underwriting policies and collection procedures across a wide geography. It also has satisfactory processes for servicing the loan accounts in the securitised pool.

Granular pool supported by presence of credit enhancement – The pool was granular as on the cut-off date, comprising 6,483 contracts, with the top 10 contracts forming only 1.66% 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. This reflects the relatively better credit profile and repayment track record of the borrowers.

Credit challenges

Presence of long-tenure contracts – On the cut-off date, ~52% 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 be dependent on the company's ability to limit the slippage 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 4.00% 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 June 2025 II Trust
Originator	Shriram Finance Limited
Servicer	Shriram Finance Limited
Trustee	IDBI Trusteeship Services Limited
CC holding bank	State Bank of India
Collection and payout account bank	ICICI Bank Limited

Liquidity position

PTC Series A1 and PTC Series A2: Strong

The liquidity position for PTC Series A1 and Series A2 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.

SLF: Adequate

The available FLF provides adequate enhancement for the SLF, if needed, as per the defined waterfall mechanism.

Rating sensitivities

Positive factors – Not applicable for PTC Series A1 and PTC Series A2.

For SLF: 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 3,220 branches and other offices. As on March 31, 2025, the company's assets under management (AUM) stood at 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

SFL (standalone)	FY2023	FY2024	FY2025
	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

Trust name	Current rating (FY2026)					Chronology of rating history for the past 3 years		
	Instrument	Initial rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026		Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				July 18, 2025	June 23, 2025	-	-	-
Sansar June 2025 II Trust	PTC Series A1	195.21	195.21	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-
	PTC Series A2	83.66	83.66	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-
	Second loss facility	12.55	12.55	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)			

Complexity level of the rated instrument

Instrument	Complexity indicator
PTC Series A1	Moderately Complex
PTC Series A2	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 (p.a.p.m.)*	Maturity date	Current Rated Amount (Rs. crore)	Current Rating
Sansar June 2025 II Trust	PTC Series A1	June 27, 2025	6.95%	July 20, 2030	195.21	[ICRA]AAA(SO)
	PTC Series A2		6.95%		83.66	[ICRA]AAA(SO)
	Second loss facility		Residual		12.55	[ICRA]A-(SO)

*Source: Company; *Fixed*

Annexure II: List of entities considered for consolidated analysis

Not applicable

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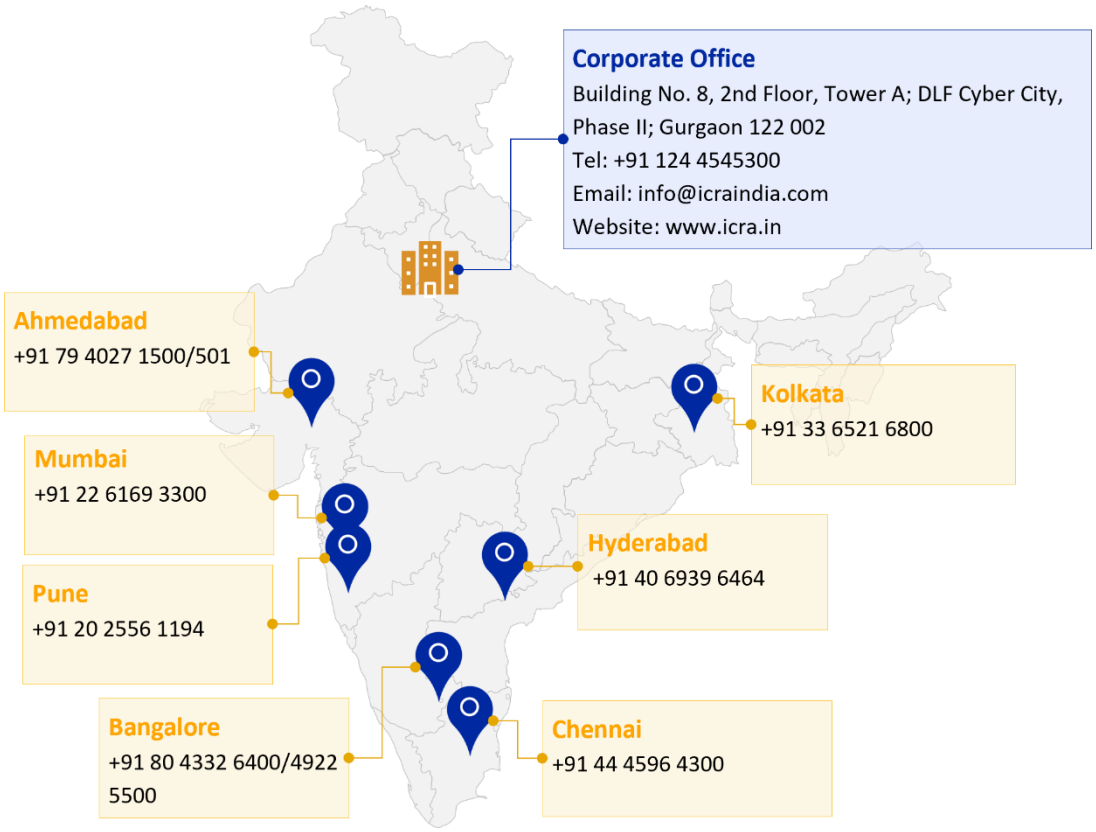

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