Sansar Dec 2025 III Trust

Originator: Shriram Finance Limited

January 05, 2026

Instrument#	Amount (₹ crore)	Structure	Tenure* (months)	Rating[1]	Credit Enhancement$ (₹ crore)		Rating Action
					First Loss Credit Enhancement	Second Loss Credit Enhancement	
Series A1 PTCs	456.54	Par (TI-TP)	59	Provisional CARE AAA (SO)	22.83	20.54	Assigned
Second Loss Credit Enhancement Facility	20.54	Ultimate Payment		Provisional CARE A-(SO)		-	Assigned

Details of instruments/facilities in Annexure-1.

Pass-through certificates (PTCs) are rated based on timely payment of interest and timely payment of principal monthly.

* Tenure / door-to-door maturity may change due to prepayments or changes in interest rates.

$ Excess interest spread (EIS) shall flow back to the originator on a monthly basis

Rating in the absence of pending steps/documents	No rating can be assigned

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has assigned a rating of 'Provisional CARE AAA (SO)' [pronounced as 'Triple A (Structured Obligation)'] to the Series A1 PTCs, and 'Provisional CARE A- (SO)' [pronounced as 'Single A minus (Structured Obligation)'] to the Second Loss Credit Enhancement (SLCE) proposed to be issued by Sansar Dec 2025 III Trust backed by vehicle and equipment loan receivables originated by Shriram Finance Limited (SFL).

The rating is based on credit quality of underlying loans, support in the form of credit enhancement (CE), credit underwriting and servicing capability of the originator, well-defined payment mechanism, and robust legal structure of the transaction.

The final rating will be assigned after copies of following documents, duly executed in accordance with the structure and to the satisfaction of CareEdge Ratings, are furnished by the originator:

a. Assignment agreement
b. Trust deed
c. Power of attorney
d. A legal opinion from an independent legal counsel
e. Due diligence audit report
f. Any other documents executed for the transaction.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Factors that could, individually or collectively, lead to positive rating action/upgrade:

For Series A1 PTC: None

For SLCE:

- Delinquencies (90+ days past due [DPD] as percentage of initial principal outstanding [POS]) of less than 2% and sustained high collection efficiency (cumulative collection efficiency of over 98%).
- Sustained Build-up of First Loss Credit Enhancement (FLCE) of over 2x initial proposed (as a percentage of balance POS).

Negative factors - Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Delinquencies (90+ DPD as percentage of initial POS) of over 7% and the sustained lower collection efficiency (cumulative collection efficiency of less than 90%).
- Deterioration in credit profile of the originator.
- Utilisation of FLCE and SLCE.
- Non-adherence to key transaction terms envisaged at the time of the rating.

[1]Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Analytical approach

The rating is based on inter alia, analysis of underlying pool of receivables, expected pool performance, performance of originator's portfolio and transaction structure including the proposed credit enhancement (CE).

Detailed description of key rating drivers

The transaction is structured at par and Series A1 PTCs are rated for the timely payment of interest and timely payment of principal monthly.

The assigned pool consists of over 16,600 vehicle and equipment loan contracts, aggregating to a principal outstanding of ₹456.54 crore as on the cut-off date. Top three states account for ~36% of the pool. All contracts are current on payment. The pool has weighted an average seasoning of ~13 months with an amortisation of ~26%. The pool is granular with scheduled of cash flows from Underlying loans. Assignment of the receivables to the special purpose vehicle (SPV) lends strength to these cash flows and the rating factors terms of servicing agreement as detailed hereinafter.

The CE will comprise of FLCE of 5.00%, and SLCE of 4.50% and subordination of excess interest spread (EIS) of ~13% of the pool POS in the structure. The FLCE and SLCE will be in the form of fixed deposits (FDs) with a lien marked in favour of the trust, per CareEdge Ratings' criteria. The support of OC and EIS is subject to realisation. The EIS is also subject to compression considering prepayments in the pool. Cash flow from the underlying pool, and external CE, will be used to make payout to PTC investors.

Key strengths:

- Robustness of transaction structure and a well-defined payment mechanism.
- CE comprising FLCE, SLCE and EIS.
- No overdue contracts as on the pool cut-off date.
- Underwriting policies and the collection capabilities of SFL.
- High weighted average seasoning (based on equated monthly instalments [EMIs] paid) of ~13 months with amortisation of ~26% as of pool cut-off date.

Key weaknesses:

- Underlying borrowers in the pool have volatile cashflows.

Liquidity – Strong for Series A1 PTCs:

Inherent liquidity in the structure is strong. Interest and principal payouts for Series A1 PTCs are promised every month. In case of delinquency, payouts are expected to be supported by CE comprising of FLCE, SLCE and EIS.

Liquidity- Adequate for SLCE:

Inherent liquidity in the structure for SLCE is adequate and it is supported by EIS and FLCE.

Key rating assumptions and adequacy of credit enhancement:

CareEdge Ratings has analysed the transaction to assess whether the CE is sufficient to cover the shortfalls. Since the transaction is sensitive to credit quality of underlying pool, CareEdge Ratings has analysed performance of static pools provided by originator and overall portfolio performance of originator. Considering borrower profile, nature of loan, pool characteristics, and portfolio performance, CareEdge Ratings has taken average shortfall at 3.00-4.00% of POS. Base case shortfalls were stressed along with other key factors, such as timing of shortfalls, recovery assumptions, and time to recovery. Pool cash flow has been further adjusted for prepayments of underlying loans, assuming monthly prepayments in range of 0.50-1.00%. CareEdge Ratings has stipulated CE, which is commensurate with credit rating of PTCs.

Key risks, concerns and mitigants:

The securitisation transaction involves several risks, including credit risk from borrower defaults, commingling risk due to time lags in fund deposits, prepayment risk from early principal repayments, servicer bankruptcy risk, legal risk regarding the validity of receivable transfers, and counterparty risk involving transaction parties. These risks are factored while assigning rating, wherever needed, and partially mitigated through credit enhancements, separate record-keeping, credit rating/profile of the originator, transaction structuring, true sale of receivables, legal opinion from independent legal counsel. The transaction structure also has provision to change counterparties including trustee, and banker among others.

Applicable criteria

Policy on Default Recognition
Assignment of Provisional rating
CARE Ratings' methodology for asset/mortgage-backed securitisation

Validity of provisional rating

Provisional rating shall be converted into a final rating after receipt of transaction documents duly executed/ completion of mentioned steps within 90 days from the instrument's date of issuance. An extension of 90 days may be granted on a case-to-case basis in line with CareEdge Ratings' Policy on Assignment of Provisional Ratings.

Risks associated with provisional nature of credit rating

When a rating is assigned pending execution of certain critical documents or steps to be taken, the rating is a 'Provisional' rating indicated by prefixing 'Provisional' before the rating symbol. On execution of critical documents to the satisfaction of CareEdge Ratings, the final rating is assigned. In the absence of documents/ completion of steps or where such documents deviate significantly from those considered, provisional rating will be reviewed in line with the Policy on Assignment of Provisional Ratings.

About the originator / servicer and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Securitisation

SFL ('CARE AAA; Stable' / 'CARE A1+' dated December 31, 2025) is a diversified player, with a tangible net worth (TNW) of ₹50,697 crore and assets under management (AUM) of ₹2,81,310 crore as on September 30, 2025. The company caters to over 6.7 million customers across India. The growth strategy for the company will be focused on driving the self-employed and the micro, small and medium enterprise (MSME) economy. The company has a pan-India presence, spread across 3,225 branch offices as on September 30, 2025. Notably, 53% of its presence through branches will be in rural areas. With the merger of Shriram Transport Finance Company Limited (STFCL), the largest financier of commercial vehicles, and Shriram City Union Finance Limited (SCUF), the largest two-wheeler financer and leader in micro, small and medium enterprise (MSME) lending, SFL has been established as the one of the largest retail NBFCs in India. SFL is engaged in vehicle loan business for over 20 years and is an active player in securitisation/bilateral market and as on September 30, 2025, SFL has over 140 such live pools with initial size amounting to ~₹75,000 crore.

Parag Sharma has been appointed the Managing Director & CEO of SFL. He has also served as the Managing Director and CEO of SCUF prior to the merger with STFCL. SFL's operations are led by Umesh Revankar, Executive Vice Chairman, who has been with the Shriram group for over 35 years. He was previously Vice Chairman and Managing Director for erstwhile STFCL. Sunder Subramanian serves as the Joint Managing Director and Chief Executive Officer of SFL. The senior management of the company is equipped with rich experience of operating in the commercial vehicle (CV) and two-wheeler financing business.

Key financial indicators - SFL

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	H1FY26 (UA)
Total operating income	34,998	41,859	23,464
PAT	7,190	9,436	4,465
Assets under management	2,24,862	2,63,190	2,81,309
On-book gearing (x)	4.30	4.62	3.87
AUM/Tangible net worth	5.20	5.19	4.64
Gross non-performing assets (GNPA) (%)	5.45	4.55	4.57
Return on managed assets (ROMA) (%)	3.29	3.71	3.14
Capital adequacy ratio (CAR) (%)	20.30	20.66	20.68

A: Audited; UA: Unaudited; Note: these are latest financial results available.

Key terms of servicer contract:

The servicing agreement shall cover role of the originator as the collection and payment agent (CPA) for the SPV in managing collections from underlying borrowers, who have consented to such assignment through provisions incorporated in the respective loan agreements. The servicer (originator) follows its standard procedures for collections, including recovery actions, and ensures

timely transfers of funds to the SPV under an M+1 payment structure. The trustee monitors the sufficiency of funds for investor payouts one day prior to payout date and utilises CC in case of shortfall. The servicer must also submit detailed reports on billing, collections (including prepayment), overdue amounts with aging thereof, cash flow schedules to the trustee and such other information as may be required by the trustee. Terms of the agreement shall have provisions for the appointment of an alternate servicer in case of servicer event of default.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Pass Through Certificates	-	-	-	-	456.54	Provisional CARE AAA (SO)
Second Loss Facility	-	-	-	-	20.54	Provisional CARE A- (SO)

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Pass Through Certificates	LT	456.54	Provisional CARE AAA (SO)				
2	Second Loss Facility	LT	20.54	Provisional CARE A- (SO)				

LT- Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of Instrument	Complexity Level
1.	Pass Through Certificates	Highly complex
2.	Second Loss Facility	Highly complex

Annexure-5: Lender details

Not applicable

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Pradeep Kumar V Senior Director **CARE Ratings Limited** Phone: 044-2850 1000 E-mail: pradeep.kumar@careedge.in	Vineet Jain Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3456 E-mail: vineet.jain@careedge.in Sriram Rajagopalan Director **CARE Ratings Limited** Phone: +91-22-6754 3652 E-mail: sriram.rajagopalan@careedge.in Chirag Gambhir Associate Director **CARE Ratings Limited** Phone: +91-22-6754 3423 E-mail: chirag.gambhir@careedge.in

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