

June 27, 2022

Cholamandalam Investment and Finance Company Limited: Rating actions on PTCs and SLF issued under three vehicle loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount O/s after May-22 Payout (Rs. crore)	Rating Action
Platinum Trust June 2019	PTC Series A	282.48	91.08	0.00	[ICRA]AAA(SO); Withdrawn
	Second Loss Facility	13.42	13.42	0.00	[ICRA]BBB(SO); Withdrawn
Platinum Trust February 2020	PTC Series A	304.76	176.38	83.90	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	15.24	15.24	15.24	[ICRA]A(SO); Upgraded from [ICRA]BBB+(SO)
Platinum Trust March 2021	PTC Series A	471.69	NA	226.88*	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	23.58	NA	23.58	[ICRA]BBB-(SO); Reaffirmed
Platinum Trust September 2021- Tranche II	PTC Series A	159.81	NA	116.74	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	7.99	NA	7.99	[ICRA]BBB-(SO); Reaffirmed

*As on April 2022, pay out

Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under three securitisation transactions originated by Cholamandalam Investment and Finance Company Limited (CIFCL; rated [ICRA]AA+(Stable)/[ICRA]A1+), as tabulated above. ICRA has also reaffirmed the rating of the Second Loss Facility (SLF) under two transactions and reaffirmed rating of the SLF under one transaction. The PTCs are backed by Light Commercial Vehicle (LCV), Medium and Heavy Commercial Vehicle (MHCV) and Multi-Utility Commercial Vehicle (MUV) loan receivables originated by CIFCL. The rating has been reaffirmed on account of the moderate to high amortisation in the transactions, which has led to the build-up of the credit enhancement cover over the future PTC payouts. A summary of the performance of the live pools after the May 2022 payouts has been provided below.

ICRA has also withdrawn ratings of PTCs and SLF issued under Platinum Trust June 2019 transaction as all the payouts have been made and no further payments are due to the investors.

Pool performance summary

A summary of the performance of the three live pools till the May 2022 payout month has been tabulated below.

Parameter	Platinum Trust February 2020	Platinum Trust March 2021	Platinum Trust September 2021-Tranche II
Months post securitisation	27	14	8
Pool amortisation (%)	67.3%	54.8%	26.9%
PTC amortisation (%)	72.47%	51.90%	26.95%
Cumulative collection efficiency (%) ¹	90.4%	96.4%	96.4%

¹ Cumulative collections / (Cumulative billings + opening overdues at the time of securitisation)

Parameter	Platinum Trust February 2020	Platinum Trust March 2021	Platinum Trust September 2021-Tranche II
Cumulative prepayment rate (%)	30.7%	7.0%	6.0%
Average monthly collection efficiency for last three months ² (%)	102.5%	101.3%	99.5%
Average monthly prepayment rate (%)	1.4%	0.5%	0.4%
Loss-cum-90+ (% of initial pool principal) ³	1.1%	0.3%	0.1%
Loss-cum-180+ (% of initial pool principal) ⁴	0.7%	0.2%	0.0%
Breakeven collection efficiency for PTCs(%) ⁵	57.1%	77.8%	80.7%
Cumulative cash collateral (CC) utilisation (%)	0.0%	0.0%	0.0%
CC available (as % of balance pool)	24.5%	17.7%	11.0%
First Loss Facility (FLF) (as % of balance pool)	9.2%	6.6%	4.1%
SLF (as % of balance pool)	15.3%	11.1%	6.8%
Excess Interest Spread (EIS) (as % of balance pool)	7.9%	6.3%	11.3%

Key rating drivers

Credit strengths

- Moderate to high amortisation of the pools, leading to lower uncertainty around performance of the balance pool contracts
- Build-up of CC available in the balance pools

Credit challenges

- Moderate share of MHCV asset class for Platinum Trust February 2020 and Platinum Trust March 2021 which is performing relatively weaker in portfolio
- Pool performance would be exposed to any disruptions caused by the Covid-19 pandemic

Description of key rating drivers highlighted above

The collection efficiencies for the pools have shown an increasing trend M-o-M. The cumulative collection efficiency of Platinum Trust Feb 2020 is above 90% and in the range of 95%-98% for Platinum Trust Mar 2021 and Platinum Trust Sep 2021-Tranche II. Due to the healthy collection performance, delinquencies have remained low with the 90+ days past due (dpd) being below 2.0% as of May 2022 collection month. Interim shortfalls in pool collections have been met through EIS and CC utilisation in some months. However, the CC has been fully replenished as on May 2022 payout month. The performance of the pools would remain exposed to any fresh disruptions caused by the pandemic.

Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to reaffirm the ratings for PTCs and SLF and upgrade the rating for SLF in one transaction. ICRA will continue to monitor the performance of these transactions. Any further rating action will be based on the performance of the pools and the availability of credit enhancement relative to ICRA's expectations.

² (Last 3 months cumulative collections including current, overdues and advance collections)/(Last 3 months cumulative billings)

³ Principal outstanding on contracts aged 90+ dpd / principal outstanding on the pool at the time of securitisation

⁴ Principal outstanding on contracts aged 180+ dpd / principal outstanding on the pool at the time of securitisation

⁵ Breakeven collection efficiency = (Balance PTC cash flows - CC available)/ balance pool cash flows

Key rating assumptions

ICRA's cash flow modelling for the surveillance of asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the originator's portfolio and the rated pools, as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected mean shortfall in principal collection and prepayments during the balance tenor of the pools are provided in the following table.

S. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Platinum Trust Feb 20	1.0% - 1.5%	8% - 12% p.a.
2	Platinum Trust Mar 2021	1.0% - 1.5%	8% - 12% p.a.
3	Platinum Trust Sep 2021- Tranche II	2.0% - 2.5%	8% - 12% p.a.

Liquidity position: Superior for PTC A1 of the pools

Liquidity position is expected to be superior as the collections from the pool and credit collateral available are expected to be highly comfortable to meet the balance PTC payouts. Assuming a monthly collection efficiency of even 50% in the underlying pool contracts for Platinum Trust February 2020, in the current stress scenario, the available credit collateral would cover the shortfalls in the promised investor payouts for a period of 9 months.

Liquidity position: Strong for SLF for Platinum Trust February 2020

The second loss facility has comfortable support available in the transactions from the first loss facility and EIS.

Liquidity position: Adequate for SLF for Platinum Trust March 2021 and Platinum Trust September 2021- Tranche II

The second loss facility has adequate support available in the transactions from the first loss facility and EIS

Rating sensitivities

Positive factors – The ratings of SLF can be upgraded, provided the collections improve substantially to increase the CC cover over the balance PTC payables.

Negative factors – Pressure on the ratings could emerge due to sustained weak collection performance of the underlying pool leading to higher-than-expected delinquency levels and CE utilization levels.

Analytical approach

The rating action is based on the performance of the pools till May 2022 (payout month), the present delinquency profile of the pool of contracts, the performance expected over the balance pool tenure, and the credit enhancement available in the transactions.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions ICRA's Policy on Withdrawal of Credit Rating

Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

About the company

CIFCL, a non-banking financial company, is a part of the Chennai-based Murugappa Group of companies. Incorporated in 1978, CIFCL operates through 1,145 branches across 29 states and Union Territories (UTs) with net assets under management (AUM) of Rs. 76,907 crores as of March 2022. The company's core business segments include vehicle finance (69%) and home equity (HE) loans (22%). It has housing loan and SME loan portfolios, which largely constitute the rest of the portfolio. The SME segment portfolio is expected to remain modest over the near term as the company is expected to concentrate on the vehicle finance, HE and housing finance segments.

CIFCL has two wholly-owned subsidiaries viz., Cholamandalam Home Finance Limited (erstwhile Cholamandalam Distribution Services Limited) and Cholamandalam Securities Limited, and an associate entity – White Data Systems India Private Limited (31% stake). Cholamandalam Home Finance Limited is awaiting a licence from National Housing Bank.

Key financial indicators

CIFCL - Standalone	FY2020	FY2021	FY2022
Total income (Rs. crore)	8,715	9,576	10,139
Profit after tax (Rs. crore)	1,052	1,515	2,147
Total managed assets (Rs. crore)	60,549	69,996	76,907
Gross stage 3 (%)	3.80%	3.96%	4.37%
Net stage 3 (%)	2.22%	2.21%	2.64%

Source: Company, ICRA Research

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 (FY2023)				Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) after May-22 pay-out	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		Date & Rating in FY2019
					June 27, 2022	July 27, 2021	July 27, 2020	November 29, 2019	June 28, 2019 [^]	-
1	Platinum Trust June 2019	PTC Series A	282.48	0.00	[ICRA]AAA(SO); Withdrawn	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-
		Second Loss Facility	13.42	0.00	[ICRA]BBB(SO); Withdrawn	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB(SO)	-

[^]Initial ratings assigned

S. No.	Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years					
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) after May-22 pay-out	Date & Rating in FY2023	Date & Rating in FY2022			Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
						June 27, 2022	July 27, 2021	November 20, 2020			
2	Platinum Trust February 2020	PTC Series A	304.76	83.90	[ICRA]AAA(SO); Reaffirmed	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	
		Second Loss Facility	15.24	15.24	[ICRA]A(SO); Upgraded from [ICRA]BBB+(SO)	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	

^Initial ratings assigned

S. No.	Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years					
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) after May-22 pay-out	Date & Rating in FY2023	Date & Rating in FY2022			Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
						June 27, 2022	June 03, 2021	April 01, 2021^			
3	Platinum Trust March 2021	PTC Series A	471.69	226.88*	[ICRA]AAA(SO); Reaffirmed	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-	
		Second Loss Facility	23.58	23.58	[ICRA]BBB-(SO); Reaffirmed	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-	-	-	

^Initial ratings assigned

*As on April 2022, pay out

S. No.	Trust Name	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years					
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) after May-22 pay-out	Date & Rating in FY2023	Date & Rating in FY2022			Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
						June 27, 2022	December 23, 2021	October 08, 2021^			
4	Platinum Trust September 2021- Tranche II	PTC Series A	159.81	116.74	[ICRA]AAA(SO); Reaffirmed	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-	
		Second Loss Facility	7.99	7.99	[ICRA]BBB-(SO); Reaffirmed	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-	-	-	

^Initial ratings assigned

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Platinum Trust June 2019	PTC Series A	Moderately Complex
Platinum Trust February 2020	PTC Series A	Simple

Platinum Trust March 2021	PTC Series A	Moderately Complex
Platinum Trust September 2021- Tranche II	PTC Series A	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: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument Type	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Platinum Trust June 2019	PTC Series A	Jun-19	7.85%	Nov-23	0.00	[ICRA]AAA(SO); withdrawn
	Second Loss Facility		NA		0.00	[ICRA]BBB(SO); withdrawn
Platinum Trust February 2020	PTC Series A	Feb-20	7.05%	Jul-24	83.90	[ICRA]AAA(SO)
	Second Loss Facility		NA		15.24	[ICRA]A(SO)
Platinum Trust March 2021	PTC Series A	Mar-21	5.90%	Sep-25	226.88 [^]	[ICRA]AAA(SO)
	Second Loss Facility		NA		23.58	[ICRA]BBB(SO)
Platinum Trust September 2021- Tranche II	PTC Series A	Sep-21	4.00%	Mar-26	116.74	[ICRA]AAA(SO)
	Second Loss Facility		NA		7.99	[ICRA]BBB(SO)

*Scheduled maturity at transaction initiation; may change on account of prepayments in the underlying pool

[^]As on April 2022 pay out

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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