

May 30, 2023 <sup>(Revised)</sup>

## 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 April 2023 Payout (Rs. crore)	Rating Action
Platinum Trust March 2021	PTC Series A	471.69	226.88	76.21	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	23.58	23.58	13.68	[ICRA]A-(SO); Upgraded from [ICRA]BBB-(SO)
Platinum Trust September 2021- Tranche II	PTC Series A	159.81	116.74	62.36	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	7.99	7.99	7.99	[ICRA]A-(SO); Upgraded from [ICRA]BBB-(SO)
Platinum Trust February 2020	PTC Series A	304.76	83.90	0.00	[ICRA]AAA(SO); Withdrawn
	Second Loss Facility	15.24	15.24	0.00	[ICRA]A(SO); Withdrawn

\*Instrument details are provided in Annexure I

### Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) issued under two securitisation transactions originated by Cholamandalam Investment and Finance Company Limited (CIFCL; rated [ICRA]AA+ (Stable)/[ICRA]A1+), as tabulated above. 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 April 2023 payouts has been provided below.

ICRA has also withdrawn the ratings assigned to the PTCs and second loss facility (SLF) issued under the Platinum Trust February 2020 transaction as all payouts have been made and no further payment is due to the investors.

### Reset of credit enhancement

At CIFCL's request for resetting the credit enhancement for Platinum Trust March 2021 and Platinum Trust September 2021-Tranche II, ICRA has analysed the transactions at a cash collateral (CC) of 14.54% and 8.20%, respectively, of the balance pool principal against the currently available CC of 48.48% and 20.51% (after the April 2023 payouts), respectively. Based on the pools' performance, the current rating for the PTCs will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the PTC investors.

However, as per regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA.

## Pool performance summary

A summary of the performance of the two live pools till the April 2023 payout month has been tabulated below.

Parameter	Platinum Trust March 2021	Platinum Trust September 2021- Tranche II
Months post securitisation	25	19
Pool amortisation (%)	83.40%	60.98%
PTC amortisation (%)	83.40%	60.98%
Cumulative collection efficiency (%) <sup>1</sup>	97.64%	98.69%
Cumulative prepayment rate (%)	11.36%	8.70%
Average monthly collection efficiency for last three months <sup>2</sup> (%)	99.78%	99.91%
Average monthly prepayment rate (%)	0.48%	0.48%
Loss-cum-90+ (% of initial pool principal) <sup>3</sup>	0.54%	0.56%
Loss-cum-180+ (% of initial pool principal) <sup>4</sup>	0.25%	0.34%
Breakeven collection efficiency for PTCs (%) <sup>5</sup>	48.74%	74.13%
Cumulative cash collateral (CC) utilisation (%)	0.00%	0.00%
CC available (as % of balance pool)	78.33%	20.51%
First loss facility (FLF; as % of balance pool)	48.20%	7.69%
SLF (as % of balance pool)	30.13%	12.82%
Excess interest spread (EIS; as % of balance pool)	4.58%	8.59%

## Key rating drivers

### Credit strengths

- High amortisation of the pools, leading to lower uncertainty regarding the performance of the balance pool contracts
- Healthy collection efficiency in the pools till April 2023 payout month
- Build-up of CC available in the balance pools

### Credit challenges

- Performance of the pools would remain exposed to macro-economic shocks/business disruptions

## Description of key rating drivers highlighted above

The collection efficiency of both pools has shown an increasing trend on a monthly basis. The cumulative collection efficiency for both trusts has been in the range of 97-99%. Due to the healthy collection performance, delinquencies have remained low with the 90+ days past due (dpd) remaining below 1.0% as of the March 2023 collection month. Interim shortfalls in pool collections have been met through the excess interest spread (EIS) and CC utilisation in some months. However, no CC has been utilised for these pools in the last 12 months and there has been no cumulative CC utilisation as of the April 2023 payout month. The performance of the pools would, however, remain exposed to any fresh macro-economic shocks/business disruptions.

<sup>1</sup> Cumulative collections / (Cumulative billings + Opening overdues at the time of securitisation)

<sup>2</sup> (Last 3 months' cumulative collections including current, overdue and advance collections) / (Last 3 months' cumulative billings)

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

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

<sup>5</sup> Breakeven collection efficiency = (Balance PTC cash flows – CC available) / Balance pool cash flows

Overall, the credit enhancement available for meeting the balance payouts to the investors is sufficient to reaffirm the rating for the PTCs and upgrade the rating for the SLF in both transactions. 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.

### 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 considering 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 tenure of the pools are provided in the following table.

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

### Liquidity position: Superior for PTC Series A of the pools

As per the transaction structure, only the interest amount is promised to the PTC holders on a monthly basis while the principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pools and the available credit enhancement are expected to be highly comfortable to meet the promised payouts to the PTC investors.

### Liquidity position: Strong for the SLF in the pools

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

### Rating sensitivities

**Positive factors** – Not applicable for PTC Series A. The rating of the SLF can be upgraded on the sustained strong collection performance of the underlying pool of contracts, resulting in an increase in the credit enhancement cover available for the SLF.

**Negative factors** – Pressure on the ratings could emerge on the sustained weak collection performance of the underlying pools, leading to higher-than-expected delinquency levels and credit enhancement utilisation levels.

### Analytical approach

The rating action is based on the performance of the pools till April 2023 (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	<a href="#">Rating Methodology for Securitisation Transactions</a> <a href="#">ICRA's Policy on Withdrawal of Credit Ratings</a>
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 1,166 branches across 29 states and Union Territories (UTs) with net assets under management (AUM) of Rs. 1,06,498 crore as March 2023. The company's core business segments include vehicle finance (64%) and home equity loans (21%). It also provides housing loans and small and medium-sized enterprise (SME) loans, which largely constitute the rest of the portfolio.

CIFCL has three wholly-owned subsidiaries, viz. Cholamandalam Home Finance Limited (erstwhile Cholamandalam Distribution Services Limited), Cholamandalam Securities Limited, and Payswiff Technologies Private Limited, and an associate entity – White Data Systems India Private Limited (31% stake).

## Key financial indicators

CIFCL (standalone)	FY2021	FY2022	FY2023
<b>Total income</b>	9,576	10,139	12,978
<b>Profit after tax</b>	1,515	2,147	2,666
<b>Assets under management (AUM)</b>	69,996	76,907	1,06,498
<b>Gross stage 3 (%)</b>	4.0%	4.37%	3.01%
<b>Net stage 3 (%)</b>	2.2%	2.64%	1.62%

Source: Company, ICRA Research; Amount in Rs. crore

## 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 (FY2024)				Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) after April-23 pay-out	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021		
					May 30, 2023	June 27, 2022	July 27, 2021	November 20, 2020	August 17, 2020	
1	Platinum Trust February 2020	PTC Series A	304.76	0.00	[ICRA]AAA(SO); Withdrawn	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)
		Second Loss Facility	15.24	0.00	[ICRA]A(SO); Withdrawn	[ICRA]A(SO)	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)

^Initial ratings assigned

S. No.	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) after April-23 pay-out	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	
					May 30, 2023	June 27, 2022	June 03, 2021	April 01, 2021^	-	
2	Platinum Trust March 2021	PTC Series A	471.69	76.21	[ICRA]AAA(SO); Reaffirmed	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-
		Second Loss Facility	23.58	13.68	[ICRA]A-(SO); Upgraded	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-

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S. No.	Trust Name	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) after Apr-23 pay-out	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021
					May 30, 2023	June 27, 2022	December 23, 2021	October 08, 2021 <sup>^</sup>	-
3	Platinum Trust September 2021- Tranche II	PTC Series A	159.81	62.36	[ICRA]AAA(SO); Reaffirmed	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-
		Second Loss Facility	7.99	7.99	[ICRA]A-(SO); Upgraded	[ICRA]BBB-(SO)	[ICRA]BBB-(SO)	Provisional [ICRA]BBB-(SO)	-

<sup>^</sup>Initial ratings assigned

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
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: [Click Here](#)

**Annexure I: Instrument details**

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Rating
Platinum Trust February 2020	PTC Series A	Feb-20	7.05%	Jul-24	0.00	[ICRA]AAA(SO); Withdrawn
	Second Loss Facility		NA		0.00	[ICRA]A(SO); Withdrawn
Platinum Trust March 2021	PTC Series A	Mar-21	5.90%	Sep-25	76.21	[ICRA]AAA(SO)
	Second Loss Facility		NA		13.68	[ICRA]A-(SO)
Platinum Trust September 2021- Tranche II	PTC Series A	Sep-21	4.00%	Mar-26	62.36	[ICRA]AAA(SO)
	Second Loss Facility		NA		7.99	[ICRA]A-(SO)

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

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

Not Applicable

**Corrigendum:**

Document dated May 30, 2023, has been corrected with revisions as detailed below:

- Sections where revision has been made:
  - Summary of rating action
  - Rating history for past three years
  - Annexure I: Instrument details
- Revision made:
  - Amount O/s after April 2023 Payout (Rs. crore) (Rated amount) for trust “Platinum Trust September 2021- Tranche II “is revised from Rs.5.11 to Rs. 7.99

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