

June 23, 2023

## Cars24 Financial Services Private Limited: Ratings reaffirmed for PTCs issued under three used car loan securitisation transactions

### Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/S after Last Surveillance (Rs. crore)	Current Outstanding Amount after May 2023 Payout (Rs. crore)	Rating Action
<b>Rambling 01 2022</b>	PTC Series A1	16.71	7.71	6.05	[ICRA]A-(SO); Reaffirmed
	PTC Series A2	0.95	0.95	0.95	[ICRA]BBB(SO); reaffirmed
	PTC Series A3	1.33	1.33	1.33	[ICRA]BB(SO); reaffirmed
<b>Nimbus 2022 VF McLaren</b>	Series A1 PTC	16.57	NA	8.33	[ICRA]A-(SO); Reaffirmed
	Series A2 PTC	0.74	NA	0.74	[ICRA]BBB(SO); reaffirmed
	Series A3 PTC	0.92	NA	0.92	[ICRA]BB+(SO); reaffirmed
<b>Heather 03 2022</b>	Series A1 PTC	14.25	NA	7.25	[ICRA]A-(SO); Reaffirmed
	Series A2 PTC	0.64	NA	0.64	[ICRA]BBB(SO); reaffirmed
	Series A3 PTC	0.80	NA	0.80	[ICRA]BB+(SO); reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

The pass-through certificates (PTCs) tabulated above are backed by used car loan receivables originated by Cars24 Financial Services Private Limited (CF SPL). The ratings reaffirmation factors in the sustained healthy collections witnessed in all the above-mentioned pools. There has been a build-up of the credit enhancement (CE) cover over the future PTC payouts due to the healthy amortisation in all the transactions. The breakeven collection efficiency is also comfortable compared to the actual collection level observed in the pools. Nonetheless, the performance of the pools would remain exposed to any macroeconomic shocks or business disruptions.

A summary of the performance of the pools after the May 2023 payouts has been provided below.

### Pool performance summary

Parameter	Rambling 01 2022	Nimbus 2022 VF McLaren	Heather 03 2022
Months post securitisation	16	14	14
Pool amortisation	56.13%	44.75%	43.74%
PTC Series A1 amortisation (as % of initial PTC Series A1 principal)	63.79%	49.75%	49.15%
PTC Series A2 amortisation (as % of initial PTC Series A2 principal)	0.00%	0.00%	0.00%
PTC Series A3 amortisation (as % of initial PTC Series A3 principal)	0.00%	0.00%	0.00%
Cumulative collection efficiency <sup>1</sup>	98.31%	97.80%	96.84%
Cumulative prepayment rate	18.50%	16.60%	14.11%
Average monthly prepayment rate	1.27%	1.29%	1.08%
Loss-cum-30+ dpd <sup>2</sup> (% of initial pool)	1.43%	1.73%	2.27%

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

<sup>2</sup> Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 90 days, as a % of Initial Pool Principal

Parameter	Rampling 01 2022	Nimbus 2022 VF McLaren	Heather 03 2022
Loss-cum-90+ dpd <sup>3</sup> (% of initial pool)	0.51%	0.05%	0.64%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%
Breakeven collection efficiency <sup>4</sup> for PTC Series A1	56.91%	67.39%	66.20%
CC (% of balance pool)	11.40%	9.05%	8.89%
Principal subordination (% of balance pool) for PTC A1 <sup>5</sup>	27.36%	18.14%	19.55%
Excess interest spread (EIS; % of balance pool) for PTC A1 <sup>6</sup>	11.87%	12.43%	12.88%

### Reset of credit enhancement

At CFSPL's request for resetting the CE for the Rampling 01 2022 transaction, ICRA has analysed the transaction at a cash collateral (CC) of 5.1% of the balance pool principal after the May 2023 payouts (against the currently available CC of 11.4%). Based on the pools' performance, the ratings for the PTCs will remain unchanged even after resetting the CC amount. The CC reset shall be subject to the approval of the PTC investors. However, as per the 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.

### Key rating drivers

#### Credit strengths

- Healthy amortisation of PTCs resulting in build-up of CC, principal subordination and EIS available for the balance PTC payouts
- Low delinquency build-up in the harder buckets for all three pools

#### Credit challenges

- High geographical concentration of the contracts in the pools at the state level
- Pools' performance will remain exposed to any macroeconomic shocks/ business disruptions

### Description of key rating drivers highlighted above

As per the transaction structure for all the transactions, PTC Series A2 and PTC Series A3 are subordinate to PTC Series A1. During the tenure of PTC Series A1, the collections from the pool, after making the promised interest payouts to PTC Series A1, will be used to make the expected principal payouts to PTC Series A1 (to the extent of 100% of pool principal billed). This will be followed by the expected interest payouts to PTC Series A2 and then the expected interest payouts to PTC Series A3. The principal payout is not promised and any shortfall in making the expected principal payment to PTC Series A1 would be carried forward to the subsequent payouts. Post the maturity of PTC Series A1, PTC Series A2 and PTC Series A3 would follow a similar pattern, i.e. interest payouts on the outstanding senior tranche will be promised every month while the principal will be passed to the extent of 100% of the pool principal billed.

The pools' performance has remained healthy with a cumulative collection efficiency of more than 96% as of the May 2023 payout month. The loss-cum-90+ days past due (dpd) was low at sub-1.0% after the May 2023 payout month. Any shortfall in collections in the past was absorbed by the subordination/EIS in the structure while there was nil CC utilisation as of the May 2023 payout month. As these pools are moderate to highly amortised, there has been a significant build-up in the CE cover for the balance tenure of the PTC payouts even after CC utilisation.

ICRA will continue to monitor the performance of the transactions. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations. Notwithstanding collections in recent months, ICRA notes

<sup>3</sup> Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 180 days, as a % of Initial Pool Principal

<sup>4</sup> (Balance Cash flows payable to investor – CC available) / Balance Pool Cash flows

<sup>5</sup> (Pool Principal – PTC Principal) / Pool Principal outstanding

<sup>6</sup> (Pool Cash flows – Cash flows to PTC) / Pool Principal outstanding

that the performance of the pools would remain exposed to any macroeconomic shocks or business disruptions, leading to lower-than-expected collections.

### Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the 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 rated pools as well as the 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 loss and prepayments during the balance tenure of the pools are provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Rampling 01 2022	2.00-3.00%	4.80-18.00% p.a.
2	Nimbus 2022 VF McLaren	2.00-3.00%	4.80-18.00% p.a.
3	Heather 03 2022	2.25-3.25%	4.80-18.00% p.a.

### Liquidity position

#### For PTC Series A1 of Rampling 01 2022, Nimbus 2022 VF McLaren and Heather 03 2022: Strong

As per the transaction structure, only the interest amount is promised to the PTC Series A1 holders on a monthly basis while the entire principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the PTC Series A1 investors.

#### For PTC Series A2 of Rampling 01 2022, Nimbus 2022 VF McLaren and Heather 03 2022: Adequate

After PTC Series A1 is fully paid, the interest amount is promised to the PTC Series A2 holders on a monthly basis and the entire principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be adequate to meet the promised payouts to the PTC Series A2 investors.

#### For PTC Series A3 of Rampling 01 2022, Nimbus 2022 VF McLaren and Heather 03 2022: Stretched

After PTC Series A1 and A2 are fully paid, the interest amount is promised to the PTC Series A3 holders on a monthly basis and the entire principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be stretched for meeting the promised payouts to the PTC Series A3 investors.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded on the strong collection performance of the underlying pools (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the CE cover for the remaining payouts.

**Negative factors** – Pressure on the ratings could emerge on the sustained weak collection performance of the underlying pools (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and CE utilisation levels.

### Analytical approach

The rating action is based on the performance of the pools till May 2023 (payout month), the present delinquency levels and the CE available in the pools, and the performance expected over the balance tenure of these pools.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable

<b>Consolidation/Standalone</b>	Not Applicable
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## About the originator

Incorporated in September 2018, CFSPL is registered with the Reserve of India (RBI) as a non-banking financial company (NBFC). It is a wholly-owned subsidiary of Cars24 Services Private Limited (CSPL). The company's lending operations are classified into two segments: digital business lending (DBL) and digital retail lending (DRL).

DBL represents loans extended to used car dealers empanelled with CSPL. This is primarily a revolving line of credit extended to used car dealers. At present, CFSPL caters to ~1,400 used car dealers empanelled with CSPL. The DBL product is further classified into Unnati regular and Unnati plus. Under the DRL segment, CFSPL provides loans to retail customers mainly for purchasing used cars. CFSPL serves as the captive financing unit of its parent (CSPL) and extends funding to customers purchasing used cars through CSPL's online platform.

## Key financial indicators

CFSPL	FY2021	FY2022	FY2023
	IGAAP	IGAAP	IndAS
<b>Total income</b>	24.3	78.0	163.56
<b>Profit after tax</b>	(14.5)	(16.6)	0.09
<b>Assets under management</b>	170.4	597.9	888.77
<b>Gross non-performing assets (NPA)</b>	0.5%*	0.7%	0.9%
<b>Net NPA</b>	0.0%	0.0%	0.5%

Source: Company data, ICRA Research; Amount in Rs. crore; \* Based on 180+ delinquency numbers

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				Date & Rating in FY2021
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		
					Jun 23, 2023	Mar 15, 2023	Mar 14, 2022	Feb 04, 2022 <sup>^</sup>	
1	Ramplimg 01 2022	PTC Series A1	16.71	6.05	[ICRA]A-(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-
		PTC Series A2	0.95	0.95	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-
		PTC Series A3	1.33	1.33	[ICRA]BB(SO)	[ICRA]BB(SO)	[ICRA]BB(SO)	Provisional [ICRA]BB(SO)	-

<sup>^</sup>Initial ratings assigned

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years			
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Jun 23, 2023	Jun 22, 2022	Mar 31, 2022 <sup>^</sup>	-
2	Nimbus 2022 VF McLaren	Series A1 PTC	16.57	8.33	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-
		Series A2 PTC	0.74	0.74	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-
		Series A3 PTC	0.92	0.92	[ICRA]BB+(SO)	[ICRA]BB+(SO)	Provisional [ICRA]BB+(SO)	-

<sup>^</sup>Initial ratings assigned

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years				
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Jun 23, 2023	Jun 16, 2022	Apr 05, 2022 <sup>^</sup>	-	-
3	Heather 03 2022	Series A1 PTC	14.25	7.25	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-
		Series A2 PTC	0.64	0.64	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	-
		Series A3 PTC	0.80	0.80	[ICRA]BB+(SO)	[ICRA]BB+(SO)	Provisional [ICRA]BB+(SO)	-	-

<sup>^</sup>Initial ratings assigned

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Rampling 01 2022	PTC Series A1	Moderately Complex
	PTC Series A2	Moderately Complex
	PTC Series A3	Moderately Complex
Nimbus 2022 VF McLaren	Series A1 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
Heather 03 2022	Series A1 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
	Series A2 PTC	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)	Current Rating
<b>Rambling 01 2022</b>	PTC Series A1	January 2022	10.50%	June 2026	6.05	[ICRA]A-(SO)
	PTC Series A2		14.00%		0.95	[ICRA]BBB(SO)
	PTC Series A3		14.00%		1.33	[ICRA]BB(SO)
<b>Nimbus 2022 VF McLaren</b>	Series A1 PTC	March 2022	10.15%	August 2026	8.33	[ICRA]A-(SO)
	Series A2 PTC		13.50%		0.74	[ICRA]BBB(SO)
	Series A3 PTC		13.50%		0.92	[ICRA]BB+(SO)
<b>Heather 03 2022</b>	Series A1 PTC	March 2022	10.65%	August 2026	7.25	[ICRA]A-(SO)
	Series A2 PTC		14.00%		0.64	[ICRA]BBB(SO)
	Series A3 PTC		14.00%		0.80	[ICRA]BB+(SO)

\* The actual tenure is likely to be shorter owing to prepayments and accelerated amortisation

Source: Company

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

Not applicable

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