

February 27, 2024

Cholamandalam Investment and Finance Company Limited: Ratings reaffirmed for PTCs and SLFs 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 January 2024 Payout (Rs. crore)	Rating Action
DBS VF Platinum Trust Sep 2022 III	PTC Series A	386.86	386.86	210.87	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	14.51	14.51	14.51	[ICRA]BBB+(SO); Reaffirmed
Platinum Trust Sep 2022 Tranche IV	PTC Series A	416.67	416.67	192.92	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	15.63	15.63	15.63	[ICRA]BBB+(SO); Reaffirmed
Platinum Trust October 2022	PTC Series A	901.10	901.10	330.03	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	36.04	36.04	36.04	[ICRA]BBB+(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) and second loss facility (SLF) issued under three securitisation transactions originated by Cholamandalam Investment and Finance Company Limited (CIFCL; rated [ICRA]AA+ (Positive)/[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 January 2024 payout has been provided below.

Reset of credit enhancement

At CIFCL's request for resetting the credit enhancement for Platinum Trust Sep 2022 Tranche IV and Platinum Trust October 2022, ICRA has analysed the transactions at a cash collateral (CC) of 8.75% and 9.56%, respectively, of the balance pool principal against the currently available CC of 14.58% and 19.11% (after the January 2024 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 three live pools till the January 2024 payout month has been tabulated below.

Parameter	DBS VF Platinum Trust Sep 2022 III	Platinum Trust Sep 2022 Tranche IV	Platinum Trust October 2022
Months post securitisation	16	16	15
Pool amortisation (%)	45.49%	53.70%	63.37%
PTC amortisation (%)	45.49%	53.70%	63.37%

Parameter	DBS VF Platinum Trust Sep 2022 III	Platinum Trust Sep 2022 Tranche IV	Platinum Trust October 2022
Cumulative collection efficiency (%) ¹	98.21%	98.58%	98.97%
Cumulative prepayment rate (%)	6.95%	9.24%	10.15%
Average monthly collection efficiency for last three months ² (%)	98.66%	99.12%	99.35%
Average monthly prepayment rate (%)	0.45%	0.60%	0.71%
Loss-cum-90+ (% of initial pool principal) ³	0.47%	0.52%	0.39%
Loss-cum-180+ (% of initial pool principal) ⁴	0.33%	0.34%	0.22%
Breakeven collection efficiency for PTCs (%) ⁵	84.15%	82.27%	78.63%
Cumulative CC utilisation (%)	0.00%	0.00%	0.00%
CC available (as % of balance pool)	12.38%	14.58%	19.11%
First loss facility (FLF; as % of balance pool)	5.50%	6.48%	8.19%
SLF (as % of balance pool)	6.88%	8.10%	10.92%
Excess interest spread (EIS; as % of balance pool)	5.77%	5.73%	4.74%

Key rating drivers

Credit strengths

- Moderate to high amortisation of the pools, leading to lower uncertainty regarding performance of the balance pool contracts
- Buildup 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 the pools has shown an increasing trend on a monthly basis. The cumulative collection efficiency of the trusts has been in the range of 98-99%. Due to the healthy collection performance, delinquencies have remained low with the 90+ days past due (dpd) remaining below 1.0% as of the December 2023 collection month. Interim shortfalls in pool collections have been met through the excess interest spread (EIS) in some months. However, no CC has been utilised for these pools since inception. The performance of the pools would, nevertheless, remain exposed to fresh macro-economic shocks/business disruptions.

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

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

² (Last 3 months' cumulative collections including current, overdue 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 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.	DBS VF Platinum Trust Sep 2022 III	1.0% - 2.0%	8% - 12% p.a.
2.	Platinum Trust Sep 2022 Tranche IV	1.0% - 2.0%	8% - 12% p.a.
3.	Platinum Trust October 2022	0.5% - 1.5%	8% - 12% p.a.

Liquidity position of PTC Series A of the pools

Platinum Trust October 2022: Superior

The liquidity for this instrument is superior after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be greater than 6 times the estimated loss in the pool.

DBS VF Platinum Trust Sep 2022 III and Platinum Trust Sep 2022 Tranche IV: Strong

The liquidity for the instruments is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be in the range of 5-6 times the estimated losses in the pools.

Liquidity position of SLFs in the pools

DBS VF Platinum Trust Sep 2022 III and Platinum Trust Sep 2022 Tranche IV: Adequate

The liquidity for the SLFs is adequate after factoring in the FLF available for topping up the SLF, if needed, as per the defined waterfall mechanism.

Platinum Trust October 2022: Strong

The liquidity for the SLF is strong after factoring in the FLF available for topping up the SLF, if needed, as per the defined waterfall mechanism.

Rating sensitivities

Positive factors – NA for PTC Series A

The rating for the SLFs could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency of more than 95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the credit enhancement.

Negative factors – The ratings could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency of less than 90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pools till January 2024 (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
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	FY2022	FY2023	9M FY2024
Total income	10,139	12,978	13,724
Profit after tax	2,147	2,666	2,365
Total managed assets ⁶	85,128	1,15,278	1,45,037
Return on managed assets	2.6%	2.7%	2.4%
Managed gearing (times)	6.1	6.9	6.7
Gross stage 3	4.4%	3.0%	2.8%
CRAR	19.6%	17.1%	19.4%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

⁶ Total assets (as per balance sheet) + assignment book; for H1 FY2024, total managed assets = Rs. 1,43,718 crore + Rs. 1,319 crore = Rs. 1,45,037 crore

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)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Feb 27, 2024	Feb 21, 2023	Sep 30, 2022 [^]		
1	DBS VF Platinum Trust Sep 2022 III	PTC Series A	386.86	210.87	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
		Second loss facility	14.51	14.51	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [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)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Feb 27, 2024	Feb 21, 2023	Oct 03, 2022 [^]		
2	Platinum Trust Sep 2022 Tranche IV	PTC Series A	416.67	192.92	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
		Second loss facility	15.63	15.63	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [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)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Feb 27, 2024	Feb 21, 2023	Nov 03, 2022 [^]		
3	Platinum Trust October 2022	PTC Series A	901.10	330.03	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
		Second loss facility	36.04	36.04	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-

[^]Initial ratings assigned

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
DBS VF Platinum Trust Sep 2022 III	PTC Series A	Simple
	Second loss facility	Simple
Platinum Trust Sep 2022 Tranche IV	PTC Series A	Simple
	Second loss facility	Simple
Platinum Trust October 2022	PTC Series A	Simple
	Second loss facility	Simple

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
DBS VF Platinum Trust Sep 2022 III	PTC Series A	Sep-22	7.40%	Nov-27	210.87	[ICRA]AAA(SO)
	Second loss facility		NA		14.51	[ICRA]BBB+(SO)
Platinum Trust Sep 2022 Tranche IV	PTC Series A	Sep-22	7.67%	Feb-28	192.92	[ICRA]AAA(SO)
	Second loss facility		NA		15.63	[ICRA]BBB+(SO)
Platinum Trust October 2022	PTC Series A	Oct-22	7.98%	Mar-27	330.03	[ICRA]AAA(SO)
	Second loss facility		NA		36.04	[ICRA]BBB+(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

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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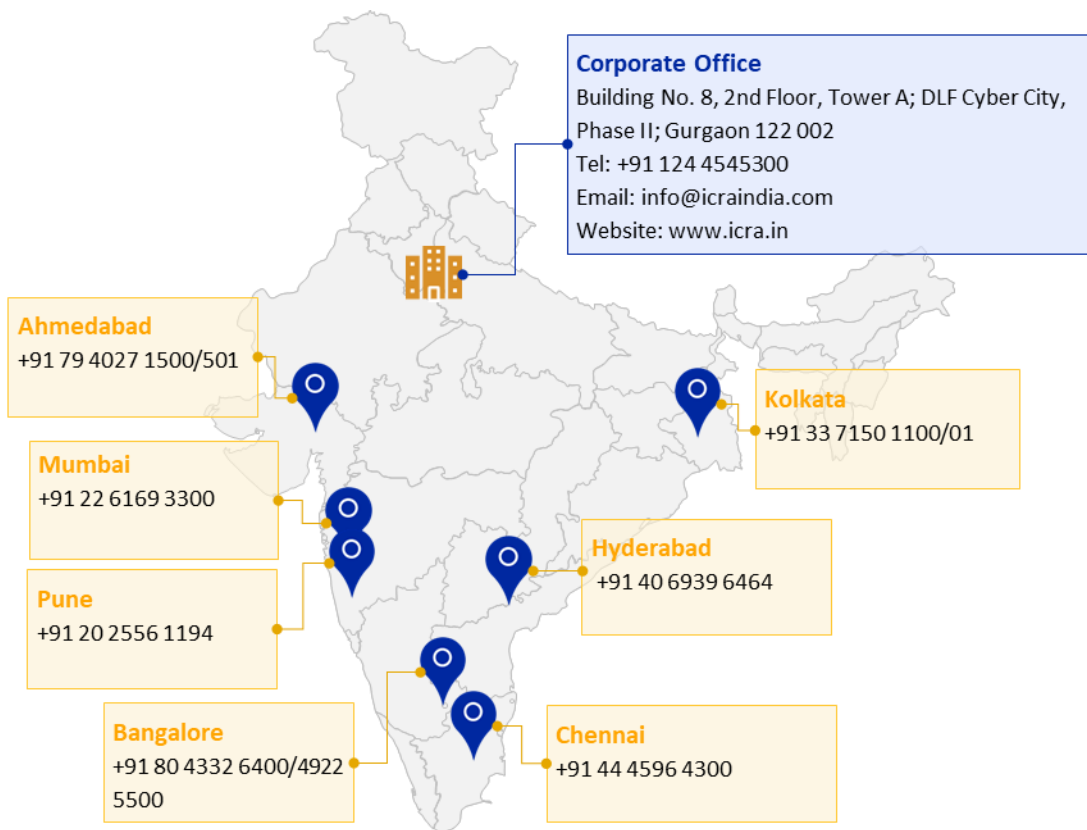
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