

March 20, 2024

Cars24 Financial Services Private Limited: Rating actions for securities issued under two 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 Feb 2024 Payout (Rs. crore)	Rating Action
Royal 09 2021	PTC Series A1	10.08	3.03	0.00	[ICRA]A-(SO); Withdrawn
	PTC Series A2	0.45	0.45	0.36	[ICRA]AA+(SO); Upgraded from [ICRA]BBB(SO)
	PTC Series A3	0.57	0.57	0.57	[ICRA]A+(SO); Upgraded from [ICRA]BB+(SO)
Camaro 12 22	Series A1 SN	38.13	NA	22.65	[ICRA]A(SO); Reaffirmed
	Series A2 SN	2.27	NA	2.27	[ICRA]BBB(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The securities tabulated above are backed by used car loan receivables originated by Cars24 Financial Services Private Limited (CF SPL). The ratings upgrade and reaffirmation factor in the sustained healthy collections witnessed in the pools. The credit enhancement (CE) cover, with respect to the future pass-through certificate (PTC) payouts, has built up due to the healthy amortisation in 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.

ICRA has also withdrawn the outstanding rating on PTC Series A1 of the Royal 09 2021 transaction. All the payouts to the investors in this instrument have been made and no further payments are due to the investors. The key rating drivers, liquidity position and rating sensitivities have not been captured for this instrument as the rating assigned to this instrument has been withdrawn. The previous detailed rating rationales are available at the following link: [Click Here](#)

A summary of the performance of the pools after the February 2024 payouts has been provided below.

Pool performance summary

Parameter	Royal 09 2021	Camaro 12 22
Months post securitisation	28	14
Pool amortisation	89.86%	37.40%
Series A1 amortisation (as % of initial Series A1 principal)	100.00%	57.31%
Series A2 amortisation (as % of initial Series A2 principal)	20.00%	0.00%
Series A3 amortisation (as % of initial Series A3 principal)	0.00%	NA
Cumulative collection efficiency ¹	97.04%	97.83%
Cumulative prepayment rate	26.03%	11.98%
Average monthly prepayment rate	1.07%	0.99%
Loss-cum-30+ dpd ² (% of initial pool)	0.40%	2.51%
Loss-cum-90+ dpd ³ (% of initial pool)	0.29%	1.12%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%
Breakeven collection efficiency ⁴ for live senior tranche	NA	72.57%
CC (% of balance pool)	49.30%	10.46%

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

² Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of initial pool principal

³ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of initial pool principal

⁴ (Balance cash flows payable to investor – CC available) / Balance pool cash flows

Parameter	Royal 09 2021	Camaro 12 22
Principal subordination (% of balance pool) for live senior tranche ⁵	68.45%	12.22%
Excess interest spread (EIS; % of balance pool) for live senior tranche ⁶	11.15%	11.59%

Key rating drivers

Credit strengths

- Moderate to high amortisation of PTCs, resulting in build-up of cash collateral (CC), principal subordination and excess interest spread (EIS) available for the balance PTC payouts
- Low delinquency build-up in hard buckets of both pools

Credit challenges

- Pools' performance will remain exposed to macroeconomic shocks/business disruptions

Description of key rating drivers highlighted above

The pools' performance has remained healthy with a cumulative collection efficiency of more than 97% as of the February 2024 payout month. The loss-cum-90+ days past due (dpd) was low at sub-1.5% after the February 2024 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 February 2024 payout month. As these pools are moderately to highly amortised, there has been a medium to significant build-up in the CE cover for the balance tenure of the investor payouts.

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 CE relative to ICRA's expectations. Notwithstanding collections in recent months, ICRA notes 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	Royal 09 2021	0.50-1.50%	4.80-18.00% p.a.
2	Camaro 12 22	3.00-4.00%	4.80-18.00% p.a.

⁵ (Pool principal – PTC principal) / Pool principal outstanding

⁶ (Pool cash flows – Cash flows to PTC) / Pool principal outstanding

Liquidity position

PTC Series A2 and PTC Series A3 of Royal 09 2021: Superior

The liquidity for the instruments is superior after factoring in the CE available to meet the promised payouts to the investor. The total CE would exceed 6 times the estimated loss in the pools.

Series A1 SN and Series A2 SN of Camaro 12 22: Strong

The liquidity for both instruments in the transaction is strong after factoring in the CE available to meet the promised payouts to the investors. The total CE would be ~5.25 times and ~3.75 times the estimated loss in the pool for Series A1 securitisation note (SN) and Series A2 SN, respectively.

Rating sensitivities

Positive factors – Given the short balance tenure of the PTCs, the ratings of Royal 09 2021 transaction are unlikely to be upgraded. For the Camaro 12 22 transaction, the ratings could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the CE cover for the remaining payouts.

Negative factors – Given the short balance tenure of the PTCs, the ratings of the Royal 09 2021 transaction are unlikely to be downgraded. For the Camaro 12 22 transaction, pressure on the ratings could emerge on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%) leading to higher-than-expected delinquency levels and CE 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 February 2024 (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	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

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. Currently, 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 primarily for purchasing used cars. Although CFSPL started as a captive financing unit of its parent (CSPL), 75% of its origination is currently through the leads generated by CSPL's online marketplace and the rest (25%) is through other channels (dealer partners). The company provides financing for the purchase of used cars.

Key financial indicators

CFSP	FY2022	FY2023	9M FY2024*
	IGAAP	IGAAP	IndAS
Total income	78.0	163.56	200.17
Profit after tax	(16.6)	1.64	10.11
Assets under management	598	1,317	2,048
Gross non-performing assets (NPA)#	0.5%	0.8%	1.1%
CRAR	65.2%	90.9%	81.3%

Source: Company data, ICRA Research; Amount in Rs. crore; *Provisional financials; # Based on 90+ 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		
						Mar 20, 2024	Mar 15, 2023	Oct 27, 2022	Nov 23, 2021	
1	Royal 09 2021	PTC Series A1	10.08	0.00	[ICRA]A-(SO); Withdrawn	[ICRA]A-(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-
		PTC Series A2	0.45	0.36	[ICRA]AA+(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-
		PTC Series A3	0.57	0.57	[ICRA]A+(SO)	[ICRA]BB+(SO)	[ICRA]BB+(SO)	[ICRA]BB+(SO)	Provisional [ICRA]BB+(SO)	-

[^]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
						Mar 20, 2024	Mar 21, 2023		
2	Camaro 12 22	Series A1 SN	38.13	22.65	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-
		Series A2 SN	2.27	2.27	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	-

[^]Initial ratings assigned

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Royal 09 2021	PTC Series A2	Moderately Complex
	PTC Series A3	Moderately Complex
Camaro 12 22	Series A1 SN	Moderately Complex
	Series A2 SN	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
Royal 09 2021	PTC Series A1	September 2021	10.85%	March 2026	0.00	[ICRA]A-(SO); Withdrawn
	PTC Series A2		14.00%		0.36	[ICRA]AA+(SO)
	PTC Series A3		14.50%		0.57	[ICRA]A+(SO)
Camaro 12 22	Series A1 SN	December 2022	11.20%	May 2027	22.65	[ICRA]A(SO)
	Series A2 SN		Residual		2.27	[ICRA]BBB(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

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Sumit Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Palak Bhatt

+91 22 6114 3456

palak.bhatt@icraindia.com

Rushabh Gohel

+91 22 6114 3450

rushabh.gohel@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.