

April 25, 2024

## Cholamandalam Investment and Finance Company Limited: Ratings reaffirmed for PTCs and SLFs issued under two 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 March 2024 Payout (Rs. crore)	Rating Action
PLATINUM TRUST NOVEMBER 2022	PTC Series A	571.00	571.00	300.32	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	21.41	21.41	21.41	[ICRA]BBB+(SO); Reaffirmed
PLATINUM TRUST NOVEMBER 2022 TRANCHE I	PTC Series A	500.02	500.02	292.93	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	18.75	20.00	20.00	[ICRA]BBB+(SO); Reaffirmed

\*Instrument details are provided in Annexure I

### Rationale

ICRA has reaffirmed the ratings for the pass-through certificates (PTCs) and second loss facility (SLF) issued under the 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 ratings have been reaffirmed on account of the moderate 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 pool after the March 2024 payout has been provided below.

### Pool performance summary

A summary of the performance of the live pool till the March 2024 payout month has been tabulated below.

Parameter	PLATINUM TRUST NOVEMBER 2022	PLATINUM TRUST NOVEMBER 2022 TRANCHE I
Months post securitisation	16	16
Pool amortisation (%)	47.40%	41.42%
PTC amortisation (%)	47.40%	41.42%
Cumulative collection efficiency (%) <sup>1</sup>	98.37%	98.56%
Cumulative prepayment rate (%)	7.85%	9.02%
Average monthly collection efficiency for last three months <sup>2</sup> (%)	98.77%	99.33%
Monthly prepayment rate (%)	1.22%	1.09%
Loss-cum-90+ (% of initial pool principal) <sup>3</sup>	0.69%	0.38%
Loss-cum-180+ (% of initial pool principal) <sup>4</sup>	0.37%	0.19%
Breakeven collection efficiency for PTCs (%) <sup>5</sup>	83.76%	85.26%

<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

Parameter	PLATINUM TRUST NOVEMBER 2022	PLATINUM TRUST NOVEMBER 2022 TRANCHE I
Cumulative CC utilisation (%)	0.00%	0.00%
CC available (as % of balance pool)	13.31%	11.95%
First loss facility (FLF; as % of balance pool)	5.70%	5.12%
SLF (as % of balance pool)	7.13%	6.83%
Excess interest spread (EIS; as % of balance pool)	5.32%	5.93%

## Key rating drivers

### Credit strengths

- Established position in the vehicle finance market backed by its strong franchisee base and diverse product portfolio.
- Moderate to high amortisation of the pools, leading to lower uncertainty regarding performance of the balance pool contracts
- Buildup of credit enhancement 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 pools is in the range of ~98 to 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 2024 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 the 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 PTC and the SLF for the 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 NOVEMBER 2022	1.25% - 2.25%	4.8% - 18% p.a.
2.	PLATINUM TRUST NOVEMBER 2022 TRANCHE I	1.0% - 2.0%	4.8% - 18% p.a.

## Liquidity position

### Strong for PTC Series A for both the trust:

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 4.5-5.5 times the estimated losses in the pool.

### For PLATINUM TRUST NOVEMBER 2022 TRANCHE I

#### Strong For SLF:

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

### For PLATINUM TRUST NOVEMBER 2022

#### Adequate For SLF:

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

## Rating sensitivities

**Positive factors** – NA for PTC Series A. The rating for SLF 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 CE.

**Negative factors** – The rating 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 CE utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating.

## Analytical approach

The rating action is based on the performance of the pools till March 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	<a href="#">Rating Methodology for Securitisation Transactions</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	FY2022	FY2023	9M FY2024
Total income	10,139	12,978	13,724
Profit after tax	2,147	2,666	2,365
Total managed assets <sup>6</sup>	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

## Rating history for past three years

S. No.	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
1	PLATINUM TRUST NOVEMBER 2022	PTC Series A	571.00	300.32	[ICRA]AAA (SO) Apr 25, 2024	[ICRA]AAA(SO) Apr 14, 2023	Provisional [ICRA]AAA(SO) Dec 01, 2022 <sup>^</sup>	-	
		Second loss facility	21.41	21.41	[ICRA]BBB+ (SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	

<sup>^</sup>Initial ratings assigned

<sup>6</sup> 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

S. No	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	
					Apr 25, 2024	Apr 14, 2023	Dec 01, 2022 <sup>^</sup>		
2	PLATINUM TRUST NOVEMBER 2022 TRANCHE I	PTC Series A	500.02	292.93	[ICRA]AAA (SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	
		Second loss facility	18.75	20.00	[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 NOVEMBER 2022	PTC Series A	Simple
	Second loss facility	Simple
PLATINUM TRUST NOVEMBER 2022 TRANCHE I	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
<b>PLATINUM TRUST NOVEMBER 2022</b>	PTC Series A	Nov-22	7.65%	Apr-29	300.32	[ICRA]AAA(SO)
	Second loss facility		NA		21.41	[ICRA]BBB+(SO)
<b>PLATINUM TRUST NOVEMBER 2022 TRANCHE I</b>	PTC Series A	Nov-22	8.00%	Apr-29	292.93	[ICRA]AAA(SO)
	Second loss facility		NA		20.00	[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.

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.

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