

June 10, 2024

## Cholamandalam Investment and Finance Company Limited: Provisional [ICRA]AAA(SO) assigned to PTC Series A backed by vehicle loan receivables issued by PLATINUM TRUST MAY 2024 – TRANCHE II; Provisional [ICRA]A-(SO) assigned to second loss facility

### Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
PLATINUM TRUST MAY 2024 – TRANCHE II	PTC Series A	999.26	Provisional [ICRA]AAA(SO); Assigned
	Second loss facility	17.49	Provisional [ICRA]A-(SO); Assigned

\*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
--	--

### Rationale

The pass-through certificates (PTCs) are backed by a pool of vehicle loan receivables originated by Cholamandalam Investment and Finance Company Limited {CIFCL/Originator; rated [ICRA]AA+ (Positive)} with an aggregate principal outstanding of Rs. 999.26 crore (pool receivables of Rs. 1,281.82 crore).

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

### Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). Any surplus excess interest spread (EIS), after meeting the promised payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of the PTC Series A principal.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 6.75% of the initial pool principal, amounting to Rs. 67.45 crore, to be provided by the Originator, and (ii) the EIS of 9.27% of the initial pool principal for PTC Series A. The CC will be split into a first loss facility (FLF), amounting to Rs. 49.96 crore (5.00% of initial pool principal), and a second loss facility (SLF) amounting to Rs. 17.49 crore (1.75% of initial pool principal).

### Key rating drivers and their description

#### Credit strengths

**Track record of originator** – The Originator, which would also be servicing the loans in the transaction, has an established track record of more than four decades in the lending business with adequate underwriting policies and collection procedures.

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of ~13,900 contracts, with the top 10 contracts forming only 1% of the pool principal, thereby reducing the exposure to any single borrower.

**Availability of credit enhancement** – The ratings factor in the credit enhancement available in the form of a CC of 6.75% of the initial pool principal to be provided by the Originator and the EIS of 9.27% of the initial pool principal in the structure.

Further, the credit enhancement available would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

**Seasoned contracts in the pool** – The pool has a seasoning of ~10 months, with no delinquent contracts as on the cut-off date. This reflects the borrowers' relatively better credit profile, which is a credit positive.

### Credit challenges

**High LTV contracts** – The proportion of contracts with a loan-to-value (LTV) ratio of more than 80% is high at ~78% (in terms of the principal amount outstanding on the cut-off date). Borrowers with high LTV loans are more likely to default and are sensitive to economic downturns.

**Risks associated with lending business** – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans.

### Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 3.0% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18.0% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

### Liquidity position: Strong

The liquidity for PTC Series A is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 3.75 times the estimated loss in the pool. The liquidity for the SLF is strong after factoring in the FLF available for the top-up of the SLF, if needed, as per the defined waterfall mechanism. For the SLF, the total credit enhancement would be around 3.0 times the estimated loss in the pool.

### Rating sensitivities

**Positive factors** – Not applicable for PTC Series A. The rating for the SLF can be upgraded, provided there is 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 due to the sustained weak collection performance of the underlying pool (monthly collection efficiency of <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 analysis of the performance of CIFCL’s portfolio till December 2023, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

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

## Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned ratings are provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant’s Know Your Customer (KYC) certificate
6. Any other documents executed for the transaction

## Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional ratings would be withdrawn for the transaction even if the instrument has been issued.

## Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the ratings, the provisional ratings will be withdrawn in accordance with ICRA’s Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## About the originator

CIFCL, a non-banking financial company, is a part of the Chennai-based Murugappa Group of companies. Incorporated in 1978, it operates through 1,387 branches across 29 states and Union Territories (UTs) with assets under management (AUM) of Rs. 1,45,572 crore as of March 2024. The company’s core business segments include vehicle finance (58%) and loan against property (21%). The small and medium enterprise (SME) loan (12%) and housing loan (9%) segments largely constitute the rest of the portfolio. CIFCL has forayed into three new business divisions in the consumer and SME ecosystem, namely Consumer & Small Enterprise Loan (CSEL), Secured Business & Personal Loans (SBPL) and SME. The share and performance of these segments in the overall portfolio remains to be observed.

As of March 2024, CIFCL had two wholly-owned subsidiaries, Cholamandalam Home Finance Limited and Cholamandalam Securities Limited, a joint venture with Payswift Technologies Private Limited, and the following associate entities – Vishvakarma Payments Private Limited and Paytail Commerce Private Limited.

### Key financial indicators (audited)

CIFCL	FY2022	FY2023	FY2024*
Total income	10,139	12,978	19,216
Profit after tax	2,147	2,666	3,423
Total managed assets <sup>1</sup>	85,128	1,15,278	1,57,672
Return on managed assets	2.6%	2.7%	2.5%
Managed gearing (times)	6.1	6.9	6.9
Gross stage 3	4.4%	3.0%	2.5%
CRAR	19.6%	17.1%	18.6%

Source: Company, ICRA Research; Amount in Rs. crore; \*Provisional numbers

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

Any other information: None

### Rating history for past three years

S. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					June 10, 2024	-	-	-
1	PLATINUM TRUST MAY 2024 – TRANCHE II	PTC Series A	999.26	999.26	Provisional [ICRA]AAA(SO)	-	-	-
		Second loss facility	17.49	17.49	Provisional [ICRA]A-(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
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](#)

<sup>1</sup> Total assets (as per balance sheet) + Assignment book; for FY2024, total managed assets = Rs. 1,56,451 crore + Rs. 1,221 crore = Rs. 1,57,672 crore

**Annexure I: Instrument details**

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m.)	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
<b>PLATINUM TRUST MAY 2024 – TRANCHE II</b>	PTC Series A	May 2024	8.50%	December 2029	999.26	Provisional [ICRA]AAA(SO)
	Second loss facility		-		17.49	Provisional [ICRA]A-(SO)

\* Scheduled PTC maturity date at transaction initiation; may change on account of prepayments

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](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

[sachin.joglekar@icraindia.com](mailto:sachin.joglekar@icraindia.com)

**Sumit Kumar Pramanik**

+91 22 6114 3400

[sumit.pramanik@icraindia.com](mailto:sumit.pramanik@icraindia.com)

**Palak Bhatt**

+91 22 6114 3456

[palak.bhatt@icraindia.com](mailto:palak.bhatt@icraindia.com)

**Rushabh Gohel**

+91 22 6114 3450

[rushabh.gohel@icraindia.com](mailto:rushabh.gohel@icraindia.com)

## RELATIONSHIP CONTACT

**Mr. L. Shivakumar**

+91 22 6114 3304

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

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

[info@icraindia.com](mailto: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](http://www.icra.in)

## ICRA Limited



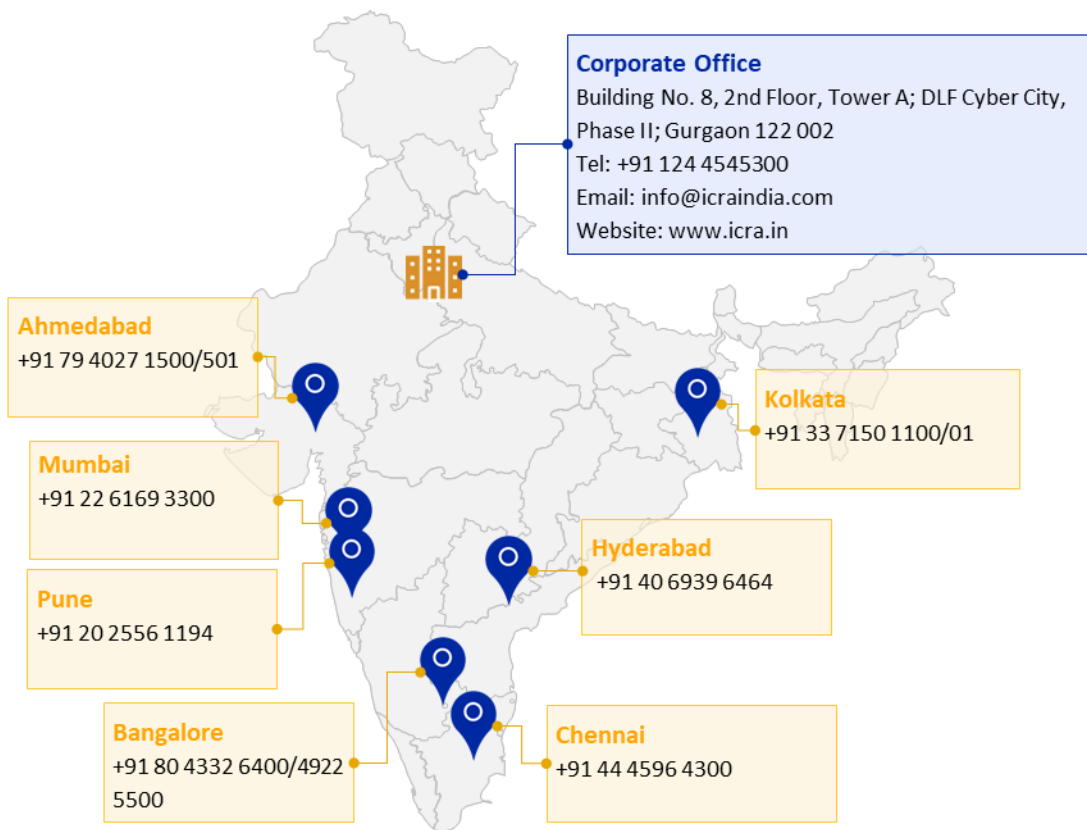
### Registered Office

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](http://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.