

June 28, 2024

Cars24 Financial Services Private Limited: Rating actions for securities 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-24 Payout (Rs. crore)	Rating Action
Ramplng 01 2022	PTC Series A1	16.71	6.05	0.63	[ICRA]AA+(SO); Upgraded from [ICRA]A-(SO)
	PTC Series A2	0.95	0.95	0.95	[ICRA]A+(SO); Upgraded from [ICRA]BBB(SO)
	PTC Series A3	1.33	1.33	1.33	[ICRA]A(SO); Upgraded from [ICRA]BB(SO)
Croon 02 23	Series A1 SN	29.36	NA	16.39	[ICRA]A(SO); Reaffirmed
	Series A2 SN	1.75	NA	1.75	[ICRA]BBB(SO); Reaffirmed
Cappella 03 23	Series A1 PTC	16.53	NA	8.82	[ICRA]A+(SO); Reaffirmed
	Series A2 PTC	1.30	NA	1.30	[ICRA]BBB(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs)/securitisation notes (SNs) are backed by used car loan receivables originated by Cars24 Financial Services Private Limited (CFSPL/Originator). The rating actions factor in the build-up of the credit enhancement cover over the future PTC payouts on account of the high amortisation and healthy performance of the pools. Further, the rating upgrade for Series A1 PTC of the Ramplng 01 2022 trust is on account of the significant amortisation in the pool, which has led to the cash collateral (CC) covering the entire future PTC payouts. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pools till the May 2024 payout month.

Pool performance summary

Parameter	Ramplng 01 2022	Croon 02 23	Cappella 03 23
Payout month	May 2024	May 2024	May 2024
Months post securitisation	28	15	14
Pool amortisation (as % of initial pool principal)	84.12%	40.67%	41.35%
Series A1 amortisation (as % of initial Series A1 principal)	96.23%	44.16%	46.67%
Series A2 amortisation (as % of initial Series A2 principal)	0.00%	0.00%	0.00%
Series A3 amortisation (as % of initial Series A3 principal)	0.00%	NA	NA
Cumulative collection efficiency¹	98.49%	98.26%	98.07%
Cumulative prepayment rate	25.18%	14.13%	15.31%
Average monthly prepayment rate	1.03%	1.01%	1.18%
Loss-cum-30+ dpd² (% of initial pool)	1.00%	2.35%	1.54%
Loss-cum-90+ dpd³ (% of initial pool)	0.88%	1.19%	0.82%
Cumulative CC utilisation	0.00%	0.00%	0.00%
Breakeven collection efficiency⁴ for Series A1	NA	71.57%	66.54%
CC (% of balance pool)	31.48%	11.15%	8.52%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + Opening overdues at the start of the transaction)

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	Rampling 01 2022	Croon 02 23	Cappella 03 23
Principal subordination (% of balance pool) for Series A1 ⁵	79.12%	12.94%	19.08%
Excess interest spread (EIS; % of balance pool) for Series A1 ⁶	11.85%	11.36%	14.43%

Transaction structure

Rampling 01 2022

The transaction has a three-tranche structure, whereby PTC Series A2 and PTC Series A3 are subordinate to PTC Series A1 while PTC Series A3 is subordinate to PTC Series A2.

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to the outstanding senior tranche. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to the outstanding senior tranche but is promised on the final maturity date. This will be followed by the expected interest payout to the subordinated tranches. After the maturity of the senior tranche, the subordinated tranches 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 on expected basis to the extent of 100% of the pool principal billed.

Croon 02 23

The transaction has a two-tranche structure, whereby Series A2 SN is subordinate to Series A1 SN.

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (92.50% of the pool principal billed) to Series A1 SN. The balance principal (7.50% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A1 SN. Following the maturity of Series A1 SN, the principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date to Series A2 SN.

Cappella 03 23

The transaction has a two-tranche structure, whereby PTC Series A2 is subordinate to PTC Series A1.

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to the outstanding senior tranche. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to the outstanding senior tranche but is promised on the final maturity date. This will be followed by the expected interest payout to the subordinated tranches. After the maturity of the senior tranche, the subordinated tranches 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 on expected basis to the extent of 100% of the pool principal billed.

Key rating drivers and their description

Credit strengths

Build-up of credit enhancement available in the structure – The ratings factor in the build-up of the credit enhancement with the CC increasing substantially to 32% for the Rampling 01 2022 transaction and ranging between 9% and 11% for the Croon 02 23 and Cappella 03 23 transactions. Credit support is also available in the transactions through the EIS and subordination.

Healthy performance of pools – The pools have exhibited strong performance with a cumulative collection efficiency of ~98% till the May 2024 payout month. This has resulted in low delinquencies in the pools with the 90+ days past due (dpd) between 0.8% and 1.2%. The breakeven collection efficiency has also declined substantially for the Ramping 01 2022 transaction and

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

⁶ (Pool Cash flows – Cash flows to PTC A) / Pool Principal outstanding

has reduced moderately for the Croon 02 23 and Cappella 03 23 transactions. Further, there have been no instances of CC utilisation in any of the pools till date owing to the strong collection performance and the presence of EIS in the transactions.

Credit challenges

Risks associated with lending business – The pools’ 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 pools, ICRA has estimated the shortfall in the pool principal collection during its tenure at 1.00%, 3.25% and 3.00% for Rampling 01 2022, Croon 02 23 and Cappella 03 23, respectively. The average prepayment rate for all the pools 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 ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	Rampling 01 2022	Croon 02 23	Cappella 03 23
Originator	CFSP	CFSP	CFSP
Servicer	CFSP	CFSP	CFSP
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC bank	ICICI Bank	ICICI Bank	DCB Bank
Collection and payout account bank	ICICI Bank	ICICI Bank	ICICI Bank

Liquidity position

Rampling 01 2022: Superior

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

Croon 02 23 and Cappella 03 23: Strong

The liquidity for the instruments is strong after factoring in the credit enhancement available to meet the promised payout to the investor. For Croon 02 23, the total credit enhancement for Series A1 SN and Series A2 SN would be ~5.25 times and ~3.75 times, respectively. Similarly, for Cappella 03 23, the total credit enhancement for Series A1 PTC and Series A2 PTC would be ~6.00 times and ~4.75 times, respectively.

Rating sensitivities

Positive factors – Given the short balance tenure of the PTCs, the ratings for Rampling 01 2022 are unlikely to be upgraded. For Croon 02 23 and Cappella 03 23, the ratings could be upgraded on the strong collection performance of the underlying pools on a sustained basis, leading to the build-up of the credit enhancement cover for the remaining payouts.

Negative factors – Given the short balance tenure of the PTCs, the ratings for Rampling 01 2022 are unlikely to be downgraded. For Croon 02 23 and Cappella 03 23, pressure on the ratings could emerge on the sustained weak collection performance of the underlying pools, leading to higher-than-expected delinquency levels and credit utilisation levels. Weakening in the credit profile of the servicer (CF SPL) could also exert pressure on the ratings.

Analytical approach

The rating actions are based on the performance of the pools till May 2024 (payout month), the present delinquency levels and the credit enhancement 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, CF SPL 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, CF SPL caters to ~10,000 used car dealers empanelled with CSPL. The DBL product is further classified into Unnati regular and Unnati plus. Under the DRL segment, CF SPL provides loans to retail customers primarily for purchasing used cars. CF SPL started as a captive financing unit of its parent (CSPL). However, at present, 75% of its origination is through the leads generated by CSPL's online marketplace while the balance is through other channels (dealer partners). The company provides finance for the purchase of used cars to its customers.

Key financial indicators

CF SPL	FY2022	FY2023	FY2024*
	IGAAP	IGAAP	IndAS
Total income	78.0	163.6	273.7
Profit after tax	(16.6)	1.6	18.1
Assets under management	598	1,317	2,164
Gross non-performing assets (NPA)#	0.5%	0.8%	1.2%
Net NPA	0.0%	0.5%	0.6%
Capital-to-risk weighted assets ratio	65.17%	90.89%	78.15%

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 (FY2025)		Chronology of Rating History for the Past 3 Years					
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023	
					Jun 28, 2024	Jun 23, 2023	Mar 15, 2023	Mar 14, 2022	Feb 04, 2022	
1	Rampling 01 2022	PTC Series A1	16.71	0.63	[ICRA]AA+(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	
		PTC Series A2	0.95	0.95	[ICRA]A+(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	
		PTC Series A3	1.33	1.33	[ICRA]A(SO)	[ICRA]BB(SO)	[ICRA]BB(SO)	[ICRA]BB(SO)	Provisional [ICRA]BB(SO)	

Sr. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years					
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023	
					Jun 28, 2024	Jun 07, 2023	Mar 01, 2023	Date & Rating in FY2022		
2	Croon 02 23	Series A1 SN	29.36	16.39	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-		
		Series A2 SN	1.75	1.75	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-		

Sr. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years					
			Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023	
					Jun 28, 2024	Jun 07, 2023	Apr 04, 2023	-	-	
3	Cappella 03 23	Series A1 PTC	16.53	8.82	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-	
		Series A2 PTC	1.30	1.30	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	-	

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
Croon 02 23	Series A1 SN	Moderately Complex
	Series A2 SN	Moderately Complex
Cappella 03 23	Series A1 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 (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating
Rambling 01 2022	PTC Series A1	January 31, 2022	10.50%	June 22, 2026	0.63	[ICRA]AA+(SO)
	PTC Series A2		14.00%		0.95	[ICRA]A+(SO)
	PTC Series A3		14.00%		1.33	[ICRA]A(SO)
Croon 02 23	Series A1 SN	February 27, 2023	11.30%	July 23, 2027	16.39	[ICRA]A(SO)
	Series A2 SN		Residual		1.75	[ICRA]BBB(SO)
Cappella 03 23	Series A1 PTC	March 31, 2023	11.15%	August 22, 2027	8.82	[ICRA]A+(SO)
	Series A2 PTC		Residual		1.30	[ICRA]BBB(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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