

July 26, 2024

Cholamandalam Investment and Finance Company Limited: Rating actions for securities 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)	Current Rated Amount (Rs. crore)	Rating Action
PLATINUM TRUST MARCH 2023 - TRANCHE II	PTC Series A	1,602.26	1,602.26	655.86	[ICRA]AAA(SO); Reaffirmed
	Second loss Facility	60.09	60.09	60.09	[ICRA]A-(SO); Upgraded from [ICRA]BBB+(SO)
PLATINUM TRUST APRIL 2023 - TRANCHE I	PTC Series A	1,250.82	1,250.82	564.46	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	46.91	46.91	46.91	[ICRA]A-(SO); Upgraded from [ICRA]BBB+(SO)
PLATINUM TRUST APRIL 2023 - TRANCHE V	PTC Series A	1,521.37	1,521.37	946.26	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	57.05	57.05	57.05	[ICRA]BBB+(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) and second loss facility (SLF) are backed by vehicle loan receivables originated by Cholamandalam Investment and Finance Company Limited (CIFCL/Originator; rated [ICRA]AA+ (Positive)/[ICRA]A1+). The ratings reaffirmation/upgradation factor in the build-up of the credit enhancement cover over the future PTC payouts on account of the moderate to high amortisation and healthy performance of the pools. 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 June 2024 payout month.

Pool performance summary

Parameter	PLATINUM TRUST MARCH 2023 – TRANCHE II	PLATINUM TRUST APRIL 2023 – TRANCHE I	PLATINUM TRUST APRIL 2023 – TRANCHE V
Payout month	June 2024	June 2024	June 2024
Months post securitisation	15	14	14
Pool amortisation	59.07%	54.87%	37.80%
PTC amortisation	59.07%	54.87%	37.80%
Cumulative collection efficiency ¹	98.21%	98.80%	102.22%
Average monthly collection efficiency for last three months ²	98.83%	98.63%	98.89%
Cumulative prepayment rate	11.07%	8.78%	6.70%
Loss-cum-90+ (% of initial pool principal) ³	0.57%	0.41%	0.36%

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

² (Cumulative collections including current, overdue and advance collections) / (Cumulative billings)

³ Principal outstanding on contracts aged 90+ dpd / Principal outstanding on the pool at the time of securitisation

Parameter	PLATINUM TRUST MARCH 2023	PLATINUM TRUST APRIL 2023 –	PLATINUM TRUST APRIL 2023 –
	– TRANCHE II	TRANCHE I	TRANCHE V
Loss-cum-180+ (% of initial pool principal) ⁴	0.32%	0.20%	0.14%
Breakeven collection efficiency for PTCs ⁵	81.11%	82.63%	85.66%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%	0.00%
CC available (as % of balance pool)	16.49%	14.96%	10.85%
First loss facility (FLF; as % of balance pool)	7.33%	6.65%	4.82%
SLF (as % of balance pool)	9.16%	8.31%	6.03%
Excess interest spread (EIS; as % of balance pool)	4.82%	4.63%	5.96%

Transaction structure

As per the transaction structure, the monthly cash flow schedule for all three transactions comprises the promised interest payout and the promised 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 PTC Series A principal.

Reset of credit enhancement

At the originator's request for resetting the credit enhancement, ICRA has analysed the PLATINUM TRUST MARCH 2023 – TRANCHE II and PLATINUM TRUST APRIL 2023 – TRANCHE I transactions and the underlying pools as per the details mentioned below.

Transaction Name	Current CC Outstanding [A]	CC Required as per ICRA for Maintaining Present Rating [B]	CC that can be Released [C] = 60%*(A – B)	Revised CC Limit [D] = (A – C)
PLATINUM TRUST MARCH 2023 – TRANCHE II	108.16	64.90	25.96	82.20
PLATINUM TRUST APRIL 2023 – TRANCHE I	84.43	54.88	17.73	66.70

Amount in Rs. crore

Based on the pools' performance, the rating for the PTCs will remain unchanged even after the cash collateral (CC) amount is reset as per the table above. However, as per regulatory guidelines, the maximum 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. The CC reset shall be subject to the approval of the PTC investors.

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 10 years in the lending business with adequate underwriting policies and collection procedures.

Granular pools, supported by build-up in credit enhancement – The pools are granular, with the top 10 obligors forming less than 1.5% of the pool principal, thereby reducing the exposure to any single borrower. The ratings factor in the build-up of

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

credit enhancement for all the transactions, with a higher cash collateral available as a percentage of the balance pool principal as compared to the initial cash collateral at the time of securitisation. Internal credit support is also available through the scheduled EIS for all the pools.

Healthy pool performance – The performance of the pools has been strong with a cumulative collection efficiency of more than 97% till the June 2024 payout month and breakeven collection efficiency below the monthly collection efficiency trend observed in the pools. For all the pools, the loss-cum-90+ and 180+ days past due (dpd) were below 1% in the last 12 months. Further, there have been no instances of cash collateral utilisation in the pools till date owing to the strong collection performance and the presence of EIS.

Credit challenges

High loan-to-value (LTV) contracts – The proportion of contracts with a loan-to-value (LTV) ratio of more than 80% ranges between 43% and 76% for the pools (in terms of the balance 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 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 principal collection and prepayments during their tenure as provided in the following table.

S. No.	Transaction Name	Estimated Shortfall* (% of initial pool principal)	Prepayment
1.	PLATINUM TRUST MARCH 2023 – TRANCHE II	1.25%	4.8% - 18% p.a.
2.	PLATINUM TRUST APRIL 2023 – TRANCHE I	1.25%	4.8% - 18% p.a.
3.	PLATINUM TRUST APRIL 2023 – TRANCHE V	1.75%	4.8% - 18% p.a.

* Estimated shortfall in principal collection with certain variability around it

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	PLATINUM TRUST MARCH 2023 – TRANCHE II	PLATINUM TRUST APRIL 2023 – TRANCHE I	PLATINUM TRUST APRIL 2023 – TRANCHE V
Originator	Cholamandalam Investment and Finance Company Limited		
Servicer	Cholamandalam Investment and Finance Company Limited		

Transaction Name	PLATINUM TRUST MARCH 2023 – TRANCHE II	PLATINUM TRUST APRIL 2023 – TRANCHE I	PLATINUM TRUST APRIL 2023 – TRANCHE V
Trustee	IDBI Trusteeship Services Limited		
CC holding bank	ICICI Bank	ICICI Bank	HDFC Bank
Collection and payout account bank	ICICI Bank	ICICI Bank	HDFC Bank

Liquidity position

PLATINUM TRUST MARCH 2023 – TRANCHE II and PLATINUM TRUST APRIL 2023 – TRANCHE I

PTC Series A: Superior

The liquidity for PTC Series A is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~6.00 and ~6.25 times the estimated loss in PLATINUM TRUST MARCH 2023 – TRANCHE II and PLATINUM TRUST APRIL 2023 – TRANCHE I, respectively.

For SLF: Strong

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

PLATINUM TRUST APRIL 2023 – TRANCHE V

PTC Series A: 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 ~5.00 times the estimated loss in the pool.

For SLF: Adequate

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

Rating sensitivities

Positive factors – NA for PTC Series A

The ratings for the SLF can be upgraded on the 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 on the sustained weak collection performance of the underlying pools (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 (CIFCL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pools till June 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 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%). Housing loans (9%) and small and medium enterprise (SME) loans (12%) 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 is yet 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 Payswiff 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 assets⁶	85,244	1,15,389	1,57,908
Gross stage 3	4.4%	3.0%	2.5%
CRAR	19.6%	17.1%	18.6%

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)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
1	PLATINUM TRUST MARCH 2023 – TRANCHE II	PTC Series A	1,602.26	655.86	[ICRA]AAA(SO) Jul 26, 2024	[ICRA]AAA(SO) Jul 07, 2023	Provisional [ICRA]AAA(SO) Mar 24, 2023	-
		Second loss facility	60.09	60.09	[ICRA]A-(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-

⁶ Total assets (as per balance sheet) + Assignment book; for FY2024, total managed assets = Rs. 1,56,686 crore + Rs. 1,222 crore = Rs. 1,57,908 crore

S. No	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					Jul 26, 2024	Aug 09, 2023	Apr 28, 2023		
2	PLATINUM TRUST APRIL 2023 – TRANCHE I	PTC Series A	1,250.82	564.46	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)		-
		Second loss facility	46.91	46.91	[ICRA]A-(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)		-

S. No	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years			
		Instrument	Initial Amount Rated (Rs. crore)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					Jul 26, 2024	Jul 20, 2023	May 08, 2023		
3	PLATINUM TRUST APRIL 2023 – TRANCHE V	PTC Series A	1,521.37	946.26	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)		-
		Second loss facility	57.05	57.05	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)		-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
PLATINUM TRUST MARCH 2023 – TRANCHE II	PTC Series A	Simple
	Second loss facility	Simple
PLATINUM TRUST APRIL 2023 – TRANCHE I	PTC Series A	Simple
	Second loss facility	Simple
PLATINUM TRUST APRIL 2023 – TRANCHE V	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 (p.a.p.m.)	Maturity Date	Current Amount Rated (Rs. crore)	Rating
PLATINUM TRUST MARCH 2023 – TRANCHE II	PTC Series A	March 24, 2023	8.60%	August 21, 2027	655.86	[ICRA]AAA(SO)
	Second loss facility		NA		60.09	[ICRA]A-(SO)
PLATINUM TRUST APRIL 2023 – TRANCHE I	PTC Series A	April 25, 2023	8.00%	August 21, 2027	564.46	[ICRA]AAA(SO)
	Second loss facility		NA		46.91	[ICRA]A-(SO)
PLATINUM TRUST APRIL 2023 – TRANCHE V	PTC Series A	April 29, 2023	7.85%	October 23, 2028	946.26	[ICRA]AAA(SO)
	Second loss facility		NA		57.05	[ICRA]BBB+(SO)

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 3400

sumit.pramanik@icraindia.com

Palak Bhatt

+91 22 6114 3450

palak.bhatt@icraindia.com

Diptajyoti Banik

+91 22 6114 3412

diptajyoti.banik@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shivakumar

+91 22 6114 3406

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

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ICRA Limited



Registered Office

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

Tel: +91 11 23357940-45



Branches



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