

September 05, 2024 ^(Revised)

Cholamandalam Investment and Finance Company Limited: Ratings confirmed as final for PTCs issued under a vehicle loan receivables securitisation transaction

Summary of rating action

Trust Name	Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
PLATINUM TRUST MAY 2024 - TRANCHE II	PTC Series A	999.26	984.96	[ICRA]AAA(SO); provisional rating confirmed as final
	Second loss facility	17.49	17.49	[ICRA]A-(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

In June 2024, ICRA had assigned provisional ratings to the pass through certificates (PTCs) instruments issued by PLATINUM TRUST MAY 2024 - TRANCHE II. The PTCs are backed by a pool of vehicle loan and construction equipment loan receivables originated by Cholamandalam Investment and Finance Company Limited {CIFCL/Originator; rated [ICRA]AA+(Positive)} with an aggregate principal outstanding of Rs. 984.96 crore (pool receivables of Rs. 1262.20 crore).

Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

Pool performance summary

Parameter	PLATINUM TRUST MAY 2024 - TRANCHE II
Payout month	August 2024
Months post securitisation	3
Pool amortisation	6.59%
PTC Series A amortisation	6.59%
Cumulative Prepayment rate	1.10%
Cumulative collection efficiency ¹	95.27%
Loss cum 0+ days past due (dpd) ²	5.82%
Loss cum 30+ dpd ³	0.21%
Loss cum 90+ dpd ⁴	0.00%
Cumulative cash collateral (CC) utilisation	0.00%

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and the principal payout (100% of the pool principal billed). Any surplus excess interest spread (EIS), after meeting the promised payouts, will

¹ Cumulative collections till date including advance collections but excluding prepayments/ Cumulative billings till date + Opening overdues

² POS on contracts aged 0+ dpd + overdues / Initial POS on the pool

³ POS on contracts aged 30+ dpd + overdues / Initial POS on the pool

⁴ POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

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.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 6.85% of the initial pool principal, amounting to Rs. 67.45 crore, provided by the Originator, and (ii) the EIS of 9.69% 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 (1.85% 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 in the lending business of more than 10 years and has adequate underwriting policies and collection procedures.

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 13,660 contracts, with top 10 obligors forming only 1.31% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS 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 moderate seasoning of ~10 months with no delinquent contracts as on the cut-off date thereby reflecting the borrowers' relatively better credit profile, which is a credit positive.

Credit challenges

High loan-to-value (LTV) contracts – Proportion of contracts with LTV ratio of more than 80% is high at ~78% (in terms of the principal amount outstanding on the cut-off date). Borrower with high LTV loans is 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 3.00% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4% to 18% 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.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name		PLATINUM TRUST MAY 2024 - TRANCHE II
Originator	Cholamandalam Investment and Finance Company Limited	
Servicer	Cholamandalam Investment and Finance Company Limited	
Trustee	IDBI Trusteeship Services Limited	
CC holding Bank	HDFC Bank	
Collection and payout account Bank	HDFC Bank	

Liquidity position

For PTC Series A: Strong

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 ~3.75 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 rating could emerge due to sustained weak collection performance of the underlying pool (monthly collection efficiency of <90%), leading to higher-than-expected delinquency levels and CE utilization levels. Weakening in the credit profile of the servicer (CIFCL) could also exert pressure on the rating.

Analytical approach

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
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, it operates through 1,438 branches across 29 states and Union Territories (UTs) with net assets under management (AUM) of Rs. 1,55,442 crore as of June 2024. Its core business segments include vehicle finance (57%) and home equity (HE) loans (21%). CIFCL has forayed into three new business divisions in the consumer and small and medium enterprises (SME) ecosystem, namely Consumer & Small Enterprise Loan (CSEL), Secured Business & Personal Loans (SBPL) and SME, which contributed 13% to the AUM while housing finance accounted for the rest (9%). As of June 2024, CIFCL had two wholly-owned subsidiaries, Cholamandalam Home Finance Limited and Cholamandalam Securities Limited, a joint venture with Payswiff Technologies Private Limited, and an associate entity –Vishvakarma Payments Private Limited.

CIFCL (standalone) reported a net profit of Rs. 3,423 crore on a managed asset base of Rs. 1,60,194 crore in FY2024 compared with a net profit of Rs. 2,666 crore on a managed asset base of Rs. 1,17,607 crore in FY2023. It reported a provisional net profit of Rs. 942 crore on a managed asset base of Rs. 1,76,516 crore in Q1 FY2025.

CIFCL (consolidated) reported a net profit of Rs. 3,411 crore on a managed asset base of Rs. 1,60,429 crore in FY2024 compared with a net profit of Rs. 2,677 crore on a managed asset base of Rs. 1,17,718 crore in FY2023.

Key financial indicators (audited)

\	FY2023	FY2024	Q1 FY2025
Total income	12,978	19,216	5,829
Profit after tax	2,666	3,423	942
Total managed assets	1,17,607	1,60,194	1,76,516
Gross stage 3	3.0%	2.5%	2.6%
CRAR	17.1%	18.6%	18.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRAs: Not applicable

Any other information: None

Rating history for past three years

Trust Name	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
		Amount Rated (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Sept 05, 2024	June 10, 2024			
PLATINUM TRUST MAY 2024 - TRANCHE II	PTC Series A	999.26	984.96	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	-
	Second loss facility	17.49	17.49	[ICRA]A-(SO)	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](#)

Annexure I: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate (p.a.p.m)	Maturity Date	Current Rated Amount (Rs. crore)	Rating
PLATINUM TRUST MAY 2024 - TRANCHE II	PTC Series A	May 31, 2024	8.30%	Nov 22, 2029	984.96	[ICRA]AAA(SO)
	Second loss facility		-		17.49	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

Corrigendum:

Document dated September 05, 2024, has been corrected with revisions as detailed below:

- Sections where revision has been made:
 - The asterisk (*) footnote marker above Maturity Date header in Annexure I: Instrument details on Page 6
- Revision made:
 - The asterisk (*) footnote marker above Maturity Date header has been removed

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

Diptajyoti Banik
+91 22 6114 3412
diptajyoti.banik@icraindia.com

Palak Bhatt
91 22 6114 3456
alak.bhatt@icraindia.com

RELATIONSHIP CONTACT

Mr. 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.