

September 27, 2024

Cholamandalam Investment and Finance Company Limited: Ratings reaffirmed for PTCs issued under two vehicle loan securitisation transactions

Summary of rating action

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
PLATINUM TRUST JUNE 2023 - TRANCHE I	PTC Series A	1,400.01	1,400.01	868.01	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	52.50	52.50	52.50	[ICRA] BBB+(SO); Reaffirmed
PLATINUM TRUST JULY 2023 - TRANCHE I	PTC Series A	654.14	654.14	422.25	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	11.45	11.45	11.45	[ICRA]A-(SO); Reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) and second loss facilities (SLFs) 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 factors in the build-up of the credit enhancement cover over the future PTC payouts on account of the moderate amortisation and healthy performance of the pools. The ratings also draw comfort from the fact that the breakeven collection efficiency is comfortably below the actual collection level observed in the pools till the August 2024 payout month.

Pool performance summary

A summary of the performance of the pools till the August 2024 payout month has been tabulated below.

Parameter	PLATINUM TRUST JUNE 2023 –	PLATINUM TRUST JULY 2023 –
	TRANCHE I	TRANCHE I
Payout month	August 2024	August 2024
Months post securitisation	14	13
Pool amortisation	38.00%	35.45%
PTC amortisation	38.00%	35.45%
Cumulative collection efficiency ¹	98.93%	98.94%
Average monthly collection efficiency for last three months ²	98.93%	99.24%
Cumulative prepayment rate	8.75%	6.23%
Loss-cum-90+ (% of initial pool principal) ³	0.46%	0.32%
Loss-cum-180+ (% of initial pool principal) ⁴	0.24%	0.13%
Breakeven collection efficiency for PTCs ⁵	85.41%	84.92%

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

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

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

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

Parameter	PLATINUM TRUST JUNE 2023 –	PLATINUM TRUST JULY 2023 –
	TRANCHE I	TRANCHE I
Cumulative cash collateral (CC) utilisation	0.00%	0.00%
CC available (as % of balance pool)	10.89%	10.46%
First loss facility (FLF; as % of balance pool)	4.84%	7.75%
SLF (as % of balance pool)	6.05%	2.71%
Excess interest spread (EIS; as % of balance pool)	6.24%	7.60%

Transaction structure

As per the transaction structure for both trusts, the monthly cash flow schedule 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 pools would be used for the prepayment of the PTC Series A principal.

Key rating drivers and their description

Credit strengths

Build-up in credit enhancement – The ratings factor in the build-up of credit enhancement for the transactions, with a higher cash collateral available as a percentage of the balance pool principal compared to the initial cash collateral at the time of securitisation. Internal credit support is also available through the scheduled EIS for the pools.

Healthy pool performance – The performance of the pools has been strong with a cumulative collection efficiency of more than ~98% till the August 2024 payout month and a breakeven collection efficiency below the monthly collection efficiency trend observed in the pools. The loss-cum-90+ in the pools has been 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 LTV contracts – The proportion of contracts with a loan-to-value (LTV) ratio of more than 80% ranges between 65% and 70% 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 JUNE 2023 – TRANCHE I	2.75%	4.8% - 18% p.a.
2.	PLATINUM TRUST JULY 2023 – TRANCHE I	3.00%	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 ratings for the instruments.

Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	PLATINUM TRUST JUNE 2023 – TRANCHE I	PLATINUM TRUST JULY 2023 – TRANCHE I
Originator	Cholamandalam Investment and Finance Company Limited	Cholamandalam Investment and Finance Company Limited
Servicer	Cholamandalam Investment and Finance Company Limited	Cholamandalam Investment and Finance Company Limited
Trustee	IDBI Trusteeship Services Limited	IDBI Trusteeship Services Limited
CC holding bank	HDFC Bank	HDFC Bank
Collection and payout account bank	HDFC Bank	HDFC Bank

Liquidity position

For PLATINUM TRUST JUNE 2023 – TRANCHE I and PLATINUM TRUST JULY 2023 – TRANCHE I

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 be in the range of 4.75-5.25 times the estimated loss in the pools.

For PLATINUM TRUST JUNE 2023 – TRANCHE I

For SLF: Adequate

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

For PLATINUM TRUST JULY 2023 – TRANCHE I

For SLF: Strong

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.

Rating sensitivities

Positive factors – Not applicable 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 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 (CIFCL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pools till August 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 assets ⁶	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

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

Rating history for past three years

S. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years					
			Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					September 27, 2024	September 18, 2023	June 30, 2023	-		
1	PLATINUM TRUST JUNE 2023 – TRANCHE I	PTC Series A	1,400.01	868.01	[ICRA] AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	
		Second loss facility	52.50	52.50	[ICRA] BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-	

S. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years					
			Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
					September 27, 2024	October 12, 2023	August 01, 2023	-		
2	PLATINUM TRUST JULY 2023 – TRANCHE I	PTC Series A	654.14	422.25	[ICRA] AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-	
		Second loss facility	11.45	11.45	[ICRA] A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	-	

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
PLATINUM TRUST JUNE 2023 – TRANCHE I	PTC Series A	Simple
	Second loss facility	Simple
PLATINUM TRUST JULY 2023 – 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 (p.a.p.m.)	Maturity Date	Current Rated Amount (Rs. crore)	Rating
PLATINUM TRUST JUNE 2023 – TRANCHE I	PTC Series A	June 28, 2023	7.98%	December 23, 2028	868.01	[ICRA]AAA(SO)
	Second loss facility		NA		52.50	[ICRA]BBB+(SO)
PLATINUM TRUST JULY 2023 – TRANCHE I	PTC Series A	July 26, 2023	7.89%	January 23, 2029	422.25	[ICRA]AAA(SO)
	Second loss facility		NA		11.45	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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