

November 13, 2024

## Cars24 Financial Services Private Limited: Ratings reaffirmed for securities issued under two 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)	Amount O/s after Oct-24 payout (Rs. crore)	Rating action
Indigo 08 22	Series A1 SN	31.34	16.48	7.79	[ICRA]A(SO); Reaffirmed
	Series A2 SN	1.86	1.86	1.86	[ICRA]BBB(SO); Reaffirmed
Jaimini 08 22	Series A1 PTC	34.23	16.43	6.78	[ICRA]A+(SO); Reaffirmed
	Series A2 PTC	1.92	1.92	1.92	[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 (CFSP/Originator). The ratings reaffirmation factors 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. 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 October 2024 payout month.

### Pool performance summary

Parameter	Indigo 08 22	Jaimini 08 22
Payout month	October 2024	October 2024
Months post securitisation	26	26
Pool amortisation (as % of initial pool principal)	69.29%	71.37%
Series A1 amortisation (as % of initial Series A1 principal)	75.16%	80.19%
Series A2 amortisation (as % of initial Series A2 principal)	0.00%	0.00%
Cumulative collection efficiency <sup>1</sup>	97.82%	98.20%
Cumulative prepayment rate	26.03%	44.01%
Average monthly prepayment rate	1.15%	2.21%
Loss-cum-30+ dpd <sup>2</sup> (% of initial pool)	1.96%	1.27%
Loss-cum-90+ dpd <sup>3</sup> (% of initial pool)	0.79%	0.46%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%
Breakeven collection efficiency <sup>4</sup> for Series A1	52.06%	41.70%
CC (% of balance pool)	21.15%	17.46%
Principal subordination (% of balance pool) for Series A1 <sup>5</sup>	25.16%	38.42%
Excess interest spread (EIS; % of balance pool) for Series A1 <sup>6</sup>	10.10%	11.80%

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

<sup>2</sup> Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 30 days, as a % of Initial pool principal

<sup>3</sup> Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a % of Initial pool principal

<sup>4</sup> (Balance cash flows payable to investor – CC available)/Balance pool cash flows

<sup>5</sup> (Pool principal – PTC principal)/Pool principal outstanding

<sup>6</sup> (Pool cash flows – Cash flows to PTC A)/Pool principal outstanding

## Transaction structure

### Indigo 08 22

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.

### Jaimini 08 22

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 tranche. Following the maturity of Series A1 PTC, 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 PTC.

## Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed Indigo 08 22 and Jaimini 08 22, basis the cash collateral (CC) mentioned in the table below. Based on the pools' performance, the ratings for the PTCs will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the PTC investors. However, as per regulatory guidelines, the 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.

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)
Indigo 08 22	2.20	0.66	0.92	1.28
Jaimini 08 22	1.92	0.58	0.81	1.12

Amount in Rs. crore

## 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 for both pools, with a higher CC available as a percentage of the balance pool principal compared to the initial CC at the time of securitisation. Internal credit support is also available through the scheduled excess interest spread (EIS) for both pools.

**Healthy performance of pools** – The performance of both pools has been strong with a cumulative collection efficiency of more than 97% till the October 2024 payout month and a breakeven collection efficiency comfortably below the monthly collection efficiency trend observed in the pools. For both pools, the loss-cum-90+ days past due (dpd) has been below 1.0% in the last 12 months. Further, there have been no instances of CC utilisation for the pools till date owing to the strong collection performance and the presence of the EIS.

## 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.

ICRA has estimated the shortfall in the pool principal collection during its tenure at 1.75% and 1.25% for Indigo 08 22 and Jaimini 08 22, respectively. The average prepayment rate for both 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	Indigo 08 22	Jaimini 08 22
Originator	CF SPL	CF SPL
Servicer	CF SPL	CF SPL
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC bank	ICICI Bank	ICICI Bank
Collection and payout account bank	ICICI Bank	ICICI Bank

## Liquidity position: 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 in the range of 6.00-9.25 times the estimated loss in the pool for Indigo 08 22 and 9.50-13.00 times the estimated loss in the pool for Jaimini 08 22.

## Rating sensitivities

**Positive factors** – The ratings could be upgraded on the strong collection performance of the underlying pool (monthly collection efficiency >95%) on a sustained basis, leading to the build-up of the credit enhancement cover for the remaining payouts.

**Negative factors** – Pressure on the ratings could emerge on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and credit enhancement 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 the October 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	<a href="#">Rating Methodology for Securitisation Transactions</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

## About the originator

Incorporated in September 2018, CFSPL 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: direct business lending (DBL) and direct 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, CFSPL 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, CFSPL provides loans to retail customers primarily for purchasing used cars. CFSPL 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

CFSPL	FY2023	FY2024*	Q1 FY2025**
	IGAAP	IndAS	IndAS
Total income	163.6	287.9	84.8
Profit after tax	1.6	18.4	2.5
Assets under management	1,317	2,178	2,266
Gross non-performing assets (NPA)#	0.8%	1.2%	1.4%
Net NPA	0.5%	0.6%	0.7%
Capital-to-risk weighted assets ratio (CRAR)	90.89%	50.91%	54.12%

Source: Company data, ICRA Research; Amount in Rs. crore; \*Based on the auditor's suggestion, the entire credit enhancement of the PTC transactions has been deducted from the Tier I capital against only the first loss credit enhancement (FLCE) part for the CRAR calculation. Hence, the CRAR reduced significantly in FY2024 compared to FY2023; \*\*Provisional

## 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				Date & Rating in FY2022
			Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2023		
					Nov 13, 2024	Dec 21, 2023	Dec 08, 2022	Sep 01, 2022 <sup>^</sup>	
1	Indigo 08 22	Series A1 SN	31.34	7.79	[ICRA]A(SO)	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-
		Series A2 SN	1.86	1.86	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-

<sup>^</sup>Initial rating assigned

Sr. No.	Trust Name	Instrument	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years				Date & Rating in FY2022		
			Initial Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024			Date & Rating in FY2023	
					Nov 13, 2024	Dec 21, 2023	Dec 08, 2022	Sep 01, 2022 <sup>^</sup>			
2	Jaimini 08 22	Series A1 PTC	34.23	6.78	[ICRA]A+(SO)	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-		
		Series A2 PTC	1.92	1.92	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-		

<sup>^</sup>Initial rating assigned

### Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Indigo 08 22	Series A1 SN	Moderately Complex
	Series A2 SN	Moderately Complex
Jaimini 08 22	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	Current Amount Rated (Rs. crore)	Current Rating
<b>Indigo 08 22</b>	Series A1 SN	August 30, 2022	10.75%	February 24, 2027	7.79	[ICRA]A(SO)
	Series A2 SN		Residual		1.86	[ICRA]BBB(SO)
<b>Jaimini 08 22</b>	Series A1 PTC	August 26, 2022	10.80%	January 26, 2027	6.78	[ICRA]A+(SO)
	Series A2 PTC		Residual		1.92	[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](mailto:abhishek.dafria@icraindia.com)

**Sachin Joglekar**

+91 22 6114 3470

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

**Sumit Pramanik**

+91 22 6114 3462

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

**Pratik Vora**

+91 22 6114 3438

[pratik.vora@icraindia.com](mailto:pratik.vora@icraindia.com)

**Rushabh Gohel**

+91 22 6114 3450

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

## RELATIONSHIP CONTACT

**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)

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## ICRA Limited



### Registered Office

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

Tel: +91 11 23357940-45



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