

November 25, 2024

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

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 AUG 2023 – TRANCHE II	PTC Series A	355.77	355.77	234.33	[ICRA]AAA(SO); Reaffirmed
	Second loss facility	6.23	6.23	6.23	[ICRA]A-(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 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 pool. The ratings also draw comfort from the fact that the breakeven collection efficiency is comfortably below the actual collection level observed in the pool till the October 2024 payout month.

Pool performance summary

A summary of the performance of the pool till the October 2024 payout month has been tabulated below.

Parameter	PLATINUM TRUST AUG 2023 – TRANCHE II
Payout month	October 2024
Months post securitisation	14
Pool amortisation	34.13%
PTC amortisation	34.13%
Cumulative collection efficiency ¹	98.42%
Average monthly collection efficiency for last three months ²	98.09%
Cumulative prepayment rate	7.01%
Loss-cum-90+ (% of initial pool principal) ³	0.56%
Loss-cum-180+ (% of initial pool principal) ⁴	0.22%
Breakeven collection efficiency for PTCs ⁵	83.85%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool)	10.25%
First loss facility (FLF; as % of balance pool)	7.59%
SLF (as % of balance pool)	2.66%
Excess interest spread (EIS; as % of balance pool)	7.86%

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

Transaction structure

As per the transaction structure, 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 pool would be used for the prepayment of the PTC Series A 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 of more than three decades in the lending business with adequate underwriting policies and collection procedures.

Build-up of credit enhancement available in the structure – The ratings factor in the build-up of credit enhancement for the transaction, 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 excess interest spread (EIS) for the pool.

Healthy pool performance – The delinquencies in the pool have remained low with the loss-cum-90+ days past due (dpd; as percentage of initial pool principal) at 0.6% in the last 12 months (after the October 2024 payout). Further, the pool's performance has been healthy with a cumulative collection efficiency of more than 98%, comfortably above the breakeven collection efficiency level.

Credit challenges

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 principal collection and prepayments during the tenure as provided in the following table.

S. No.	Transaction Name	Estimated Shortfall* (% of initial pool principal)	Prepayment
1.	PLATINUM TRUST AUG 2023 – TRANCHE II	2.00%	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 transaction are as follows:

Transaction Name	PLATINUM TRUST AUG 2023 – 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

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 is 4.75 times the estimated loss in the pool.

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 rating 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.

Analytical approach

The rating action is based on the performance of the pool till October 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 transaction.

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 1,508 branches across 29 states and Union Territories (UTs) with net assets under management (AUM) of Rs. 1,64,642 crore as of September 2024. Its core business segments include vehicle finance (56%) and home equity (HE) loans (20%). 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 14% to the AUM while housing finance accounted for the rest (10%). As of September 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 Rs. 2,666 crore and Rs. 1,17,607 crore, respectively, in FY2023. It reported a provisional net profit of Rs. 1,905 crore on a managed asset base of Rs. 1,82,652 crore in H1 FY2025.

Key financial indicators (audited)

CIFCL	FY2023	FY2024	H1 FY2025
Total income	12,978	19,216	12,122
Profit after tax	2,666	3,423	1,905
Total managed assets⁶	1,15,389	1,57,908	1,82,652
Gross stage 3	3.0%	2.5%	2.8%
CRAR	17.1%	18.6%	18.0%

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	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
					November 25, 2024	November 20, 2023	September 05, 2023	-	-
1	PLATINUM TRUST AUG 2023 – TRANCHE II	PTC Series A	355.77	234.33	[ICRA] AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-
		Second loss facility	6.23	6.23	[ICRA] A-(SO)	[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](#)

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

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 AUG 2023 – TRANCHE II	PTC Series A	August 31, 2023	7.90%	February 23, 2029	234.33	[ICRA]AAA(SO)
	Second loss facility		NA		6.23	[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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