

March 25, 2025

Cars24 Financial Services Private Limited: Ratings reaffirmed for SNs issued under used car 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
Camaro 12 22	Series A1 SN	38.13	22.65	10.57	[ICRA]A(SO); reaffirmed
	Series A2 SN	2.27	2.27	2.27	[ICRA]BBB(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The securitisation notes (SNs) are backed by used car loan receivables originated by Cars24 Financial Services Private Limited (CFSPL/Originator). CFSPL also acts as the servicer in the transaction.

The ratings reaffirmation factors in the build-up of the credit enhancement cover over the future SN payouts on account of high amortisation and healthy pool performance. The delinquencies in the transaction remain low with the 90+ days past due (dpd) at less than 2%. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pool till the February 2025 payout month.

Pool performance summary

Parameter	Camaro 12 22
Payout month	February 2025
Months post securitisation	26
Pool amortisation (as % of initial pool principal)	66.49%
SN amortisation	
Series A1 SN	72.28%
Series A2 SN	0.00%
Cumulative collection efficiency ¹	97.05%
Loss-cum-30+ (% of initial pool principal) ²	2.16%
Loss-cum-90+ (% of initial pool principal)	1.26%
Breakeven collection efficiency ³	
Series A1 SN	54.67%
Series A2 SN	68.64%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	19.55%
Excess interest spread (EIS; as % of balance pool principal)	
Series A1 SN	10.23%
Series A2 SN	10.23%
Cumulative prepayment rate ⁴	22.06%

¹ Cumulative current and overdue collections till date / Cumulative billings till date + Opening overdues

² POS on contracts aged 30+ dpd + Overdues / Initial POS on the pool

³ It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flow payable to investor – Credit collateral available) / Balance pool cash flow

⁴ POS at the time of prepayment of contracts prepaid till date / Initial pool principal

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (92.5% of the pool principal billed). The balance principal (7.5% of the pool principal billed) is expected to be paid on a monthly basis until the maturity of Series A1 SN. 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 Series A1 SN principal. Following the maturity of Series A1 SN, payouts to Series A2 SN (principal payouts to Series A2 SN investors) will be on expected basis, which will be due and payable only on the final maturity date.

Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed Camaro 12 22 basis the cash collateral (CC) mentioned in the table below. Based on the pool's performance, the ratings for the SNs will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the SN 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)
Camaro 12 22	2.70	0.95	1.05	1.65

Amount in Rs. crore

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The rating action factors in the build-up in the credit enhancement with the CC increasing to 19.55% of the balance pool principal from 6.5% at the time of securitisation. Internal credit support is also available through principal subordination along with the EIS.

Healthy pool performance – The pool's performance has been strong with a cumulative collection efficiency of more than ~97% till the February 2025 payout month. Moreover, the breakeven collection efficiency is comfortably below the monthly collection efficiency trend observed in the pool. For the current pool, the loss-cum-90+ dpd has been below 1.5% in the last 12 months. Further, there have been no instances of CC utilisation till date owing to the strong collection performance and presence of EIS.

Adequate servicing capability of CFSPL – The company has adequate processes for servicing the loan accounts in the securitised pool. It has a proven track record of regular collections and recoveries across multiple geographies.

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 the pool principal collection during its tenure at 2.00% for Camaro 12 22, with certain variability around it. The average prepayment rate for the underlying pool 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 transaction are as follows:

Transaction name	Camaro 12 22
Originator	CFSPL
Servicer	CFSPL
Trustee	Catalyst Trusteeship Limited
CC bank	ICICI Bank
Collection and payout account bank	ICICI Bank

Liquidity position

The liquidity position is superior for Series A1 SN and strong for Series A2 SN after factoring in the credit enhancement available to meet the promised payouts to the investor. The total credit enhancement would be 8.00 times the estimated loss in the pool for Series A1 SN and 5.25 times the estimated loss in the pool for Series A2 SN.

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 (CFSPL) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pool till the February 2025 payout month (January 2024 collection month), the present delinquency profile of the pool, the credit enhancement available in the pool, and the performance expected over the balance tenure of the pool.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

About the originator

Incorporated in September 2018, CFSPL is registered with the Reserve Bank 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: Dealer Business Loan (DBL) and Retail Lending (RL).

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 RL 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.

CFSPL	FY2023	FY2024*	9M FY2025**
	IGAAP	Ind-AS	Ind-AS
Total income	163.6	287.9	242.4
Profit after tax	1.6	18.4	9.5
Assets under management	1,317	2,164	2,321
Gross non-performing assets (NPAs)	0.8%	1.2%	2.5%
Capital-to-risk weighted asset ratio (CRAR)	90.89%	50.91%	45.91%

Source: Company data, ICRA Research; Amount in Rs. crore; *Based on the auditor's suggestion, the entire credit enhancement for the pass-through certificate (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 has reduced significantly in FY2024 compared to FY2023; **Provisional financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Trust name	Current rating (FY2025)				Chronology of rating history for the past 3 years			
	Instrument	Initial amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				March 25, 2025	March 20, 2024	March 21, 2023	December 21, 2022	-
Camaro 12 22	Series A1 SN	38.13	10.57	[ICRA]A(SO)	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-
	Series A2 SN	2.27	2.27	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-

Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
Camaro 12 22	Series A1 SN	Moderately Complex
	Series A2 SN	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	Amount rated (Rs. crore)	Current rating
Camaro 12 22	Series A1 SN	December 20,	11.20%	May 24,	10.57	[ICRA]A(SO)
	Series A2 SN	2022	Residual	2027	2.27	[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 Kumar Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Arijit Datta

+91 22 6114 3433

arijit.datta@icraindia.com

Pratik Vora

+91 22 6114 3438

pratik.vora@icraindia.com

RELATIONSHIP CONTACT

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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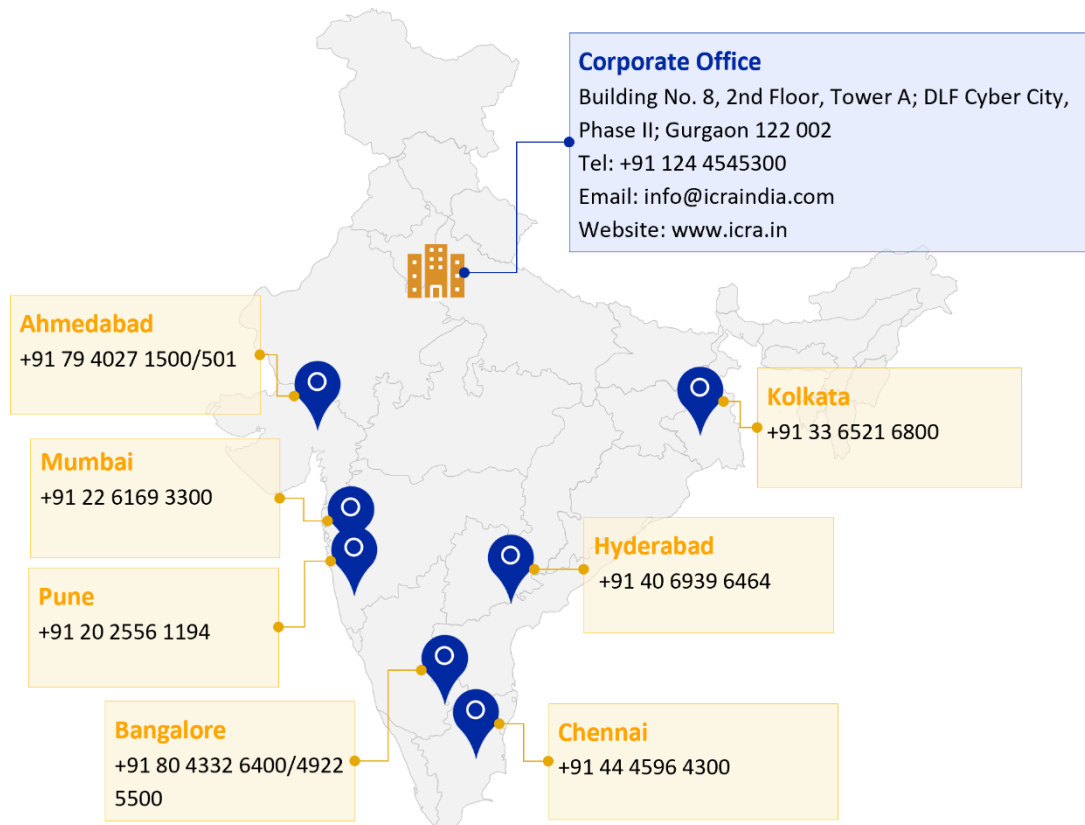
Registered Office

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

Tel: +91 11 23357940-45



Branches



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