

April 16, 2024

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*	Current Rated Amount (Rs. crore)	Rating Action
PLATINUM TRUST FEB 2024 – TRANCHE I	PTC Series A	1,713.14	[ICRA]AAA(SO); provisional rating confirmed as final

*Instrument details are provided in Annexure I

Rationale

ICRA had assigned a provisional rating to Pass-Through Certificates (PTCs) Series A issued by PLATINUM TRUST FEB 2024 – TRANCHE I under a securitisation transaction originated by Cholamandalam Investment and Finance Company Limited {CIFCL; rated [ICRA]AA+ (Positive)}. The PTCs are backed by a pool of vehicle loan receivables originated by CIFCL with an aggregate principal outstanding of Rs 1,713.14 crore (pool receivables of Rs 2,368.48 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 ratings have now been confirmed as final.

A summary of the pool performance till March 2024 payout is shown in the table below:

Parameter	PLATINUM TRUST FEB 2024 – TRANCHE I
First payout date	Mar 25, 2024
Months post securitisation	1
Pool amortisation	3.18%
PTC Series A amortisation	3.49%
Cumulative Prepayment rate	0.56%
Cumulative collection efficiency	92.11%
Loss-cum 0+ days past due (dpd)	7.89%
Loss cum 30+ dpd	0.00%
Loss cum 90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

Key rating drivers

Credit strengths

- Established position in the vehicle finance market backed by its strong franchisee base and fairly diverse product portfolio.
- Availability of credit enhancement in the form of excess interest spread (EIS) and Cash Collateral (CC)
- Absence of delinquent contracts in the pool as on the cut-off date

Credit challenges

- Proportion of contracts with loan-to-value (LTV) ratio of more than 80% is high in the initial pool at ~57%.
- Performance of the pool would remain exposed to macro-economic shocks / business disruptions, if any

Description of key rating drivers highlighted above

As per the transaction structure, the monthly cash flow schedule will comprise the promised interest payments to PTC Series A at the predetermined interest rate on the principal outstanding and the entire principal on the final maturity date (May 05,

2030). During the tenure of PTC Series A, the collections from the pool, after making the promised interest payouts to the PTCs, will be used to make the expected principal payouts to PTC Series A. However, this principal payout is not promised and any shortfall in making the expected principal payment to PTC Series A would be carried forward to the subsequent payout.

The loan pool receivables will be assigned at par to the PTC investors. The first line of support for PTC Series A in the transaction is in the form of over-collateralisation of 9.00% of the initial pool principal, which will be in the form of an equity tranche. The originator's claim on the EIS in the transaction is subordinated to the PTC payouts. Thus, the EIS acts as a source of credit enhancement in the transaction. After meeting the promised and expected payouts, the EIS will be passed on to the originator on a monthly basis. However, on the occurrence of a PTC default or any other predefined acceleration event, the residual EIS every month shall be utilised for accelerating the principal payment due to the subscribers of PTC Series A.

A CC equivalent to 3.00% of the initial pool principal (Rs. 56.48 crore) also acts as credit enhancement in the transaction. The CC is in the form of a fixed deposit maintained with a designated Bank acceptable to ICRA. In the event of a shortfall in meeting the promised PTC payouts during any month, the Trustee will utilise the EIS first, followed by the CC, to meet the shortfall.

There were no overdue in the pool as on the pool cut-off date (January 31, 2024). The pool is characterised by contracts with a weighted average seasoning of ~16 months and well diversified with low obligator concentration as on the cut-off date. It consists of new and used multipurpose utility vehicle (new MUV: ~42% and used MUV: ~17%), new and used light commercial vehicle (new LCV: ~5% and used LCV: ~5%) and new and used heavy commercial vehicle (new HCV: ~2% and used HCV: ~4%) loan contracts. It has a high share of contracts with an LTV ratio of more than 80% (~57%) as on the cut-off date. Further, the performance of the pool would remain exposed to any macroeconomic shocks/business disruptions.

Past rated pools: ICRA currently has rating outstanding on 20 PTC transactions of CIFCL. The performance of the live pools (which have completed more than three months post securitisation) remained healthy till the March 2024 payouts. Any CC utilisation in the past was fully topped up in subsequent months and there has been no CC utilisation in the past 12 months.

Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after considering the performance of the originator's portfolio as well as the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated between 2.25% - 3.25% of the initial pool principal, with certain variability around it. The average prepayment rate for the underlying pool is estimated 12.0% p.a.

Liquidity position

For 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 would be ~6.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable for the PTCs

Negative factors – The ratings could be downgraded on the sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency of less than 90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

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, CIFCL operates through 1,166 branches across 29 states and Union Territories (UTs) with net assets under management (AUM) of Rs. 1,06,498 crore as March 2023. The company's core business segments include vehicle finance (64%) and home equity loans (21%). It also provides housing loans and small and medium-sized enterprise (SME) loans, which largely constitute the rest of the portfolio.

CIFCL has three wholly-owned subsidiaries, viz. Chola mandalam Home Finance Limited (erstwhile Chola mandalam Distribution Services Limited), Chola mandalam Securities Limited, and Payswiff Technologies Private Limited, and an associate entity – White Data Systems India Private Limited (31% stake).

Key financial indicators

CIFCL	FY2022	FY2023	9M FY2024
Total income	10,139	12,978	13,724
Profit after tax	2,147	2,666	2,365
Total managed assets ¹	85,128	1,15,278	1,45,037
Return on managed assets	2.6%	2.7%	2.4%
Managed gearing (times)	6.1	6.9	6.7
Gross stage 3	4.4%	3.0%	2.8%
CRAR	19.6%	17.1%	19.4%

Source: Company, ICRA Research; Amount in Rs. Crore

Status of non-cooperation with previous CRAs: Not applicable

Any other information: None

¹ Total assets (as per balance sheet) + assignment book; for H1 FY2024, total managed assets = Rs. 1,43,718 crore + Rs. 1,319 crore = Rs. 1,45,037 crore

Rating history for past three years

	Trust Name	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					April 16, 2024			
1	PLATINUM TRUST FEB 2024 – TRANCHE I	PTC Series A	1,713.14	1,713.14	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A	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
PLATINUM TRUST FEB 2024 – TRANCHE I	PTC Series A	February 2024	8.40%	May 2030	1,713.14	[ICRA]AAA(SO)

*Scheduled maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

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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.

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