

December 21, 2023

Cars24 Financial Services Private Limited: Ratings reaffirmed for PTCs 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)	Current Outstanding Amount after Nov 2023 Payout (Rs. crore)	Rating Action
Indigo 08 22	Series A1 SN	31.34	NA	16.48	[ICRA]A(SO); Reaffirmed
	Series A2 SN	1.86	NA	1.86	[ICRA]BBB(SO); Reaffirmed
Jaimini 08 22	Series A1 PTC	34.23	NA	16.43	[ICRA]A+(SO); Reaffirmed
	Series A2 PTC	1.92	NA	1.92	[ICRA]BBB+(SO); Reaffirmed

*Trusts are referred to as Indigo and Jaimini, respectively

®Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs)/securitisation notes (SNs), collectively referred to as securities, tabulated above are backed by used car loan receivables originated by Cars24 Financial Services Private Limited (CFSPL). The ratings reaffirmation factors in the sustained healthy collections witnessed in all the above-mentioned pools. The credit enhancement (CE) cover over the future securities payouts has built up due to the moderate amortisation in both transactions. The breakeven collection efficiency is also comfortable compared to the actual collection levels observed in the pools. Nonetheless, the performance of the pools would remain exposed to any macroeconomic shocks or business disruptions.

A summary of the performance of the pools after the November 2023 payouts has been provided below.

Pool performance summary

Parameters	Indigo	Jaimini
Months post securitisation	15	15
Pool amortisation	43.67%	46.28%
Series A1 amortisation (as % of initial Series A1 principal)	47.41%	52.00%
Series A2 amortisation (as % of initial Series A2 principal)	0.00%	0.00%
Cumulative collection efficiency ¹	97.89%	98.76%
Cumulative prepayment rate	17.50%	27.02%
Average monthly prepayment rate	1.27%	2.08%
Loss-cum-30+ dpd ² (% of initial pool)	3.58%	1.63%
Loss-cum-90+ dpd ³ (% of initial pool)	1.05%	0.29%
Cumulative cash collateral (CC) utilisation	0.00%	0.00%
Breakeven CE ⁴ for Series A1	69.96%	65.36%
CC (% of balance pool)	11.54%	9.31%
Principal subordination (% of balance pool) for Series A1 ⁵	13.65%	20.47%
Excess interest spread (EIS; % of balance pool) for Series A1 ⁶	12.22%	12.67%

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

² Inclusive of Unbilled and Overdue principal portion of contracts delinquent for more than 30 days as a % of Initial pool principal

³ Inclusive of Unbilled and Overdue principal portion of contracts delinquent for more than 90 days as a % of Initial pool principal

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

⁵ (Pool principal – PTC principal) / Pool principal outstanding

⁶ (Pool cash flows – Cash flows to PTC) / Pool principal outstanding

Key rating drivers

Credit strengths

- Moderately high amortisation of securities resulting in build-up of CC, principal subordination and EIS available for balance payouts
- Low delinquency build-up in the hard buckets of both pools

Credit challenges

- Pools' performance will remain exposed to any macroeconomic shocks/business disruptions

Description of key rating drivers highlighted above

The pools' performance has remained healthy with a cumulative collection efficiency of more than 97% as of the November 2023 payout month. The loss-cum-90+ days past due (dpd) was low at sub-1.0% after the November 2023 payout month. Any shortfall in collections in the past was absorbed by the subordination/EIS in the structure while there was nil CC utilisation as of the November 2023 payout month. As both pools are moderately amortised, there has been a medium to significant build-up in the CE cover for the balance tenure of the investor payouts.

ICRA will continue to monitor the performance of these transactions. Any further rating action will be based on the performance of the pools and the availability of CE relative to ICRA's expectations. Notwithstanding collections in recent months, ICRA notes that the performance of the pools would remain exposed to any macroeconomic shocks or business disruptions, leading to lower-than-expected collections.

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 taking into account the past performance of the originator's portfolio and rated pools 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 of contracts.

After making these adjustments, the expected loss and prepayments during the balance tenure of the pools are provided in the table below.

Sr. No.	Transaction Name	Expected Loss (% of initial pool principal)	Prepayment
1	Indigo	3.00-3.50%	4.80-18.00% p.a.
2	Jaimini	2.00-2.50%	4.80-18.00% p.a.

Liquidity position

Indigo 08 22 Series A1 SN: Strong

The cash collections and the credit collateral available in the transaction are expected to be comfortable to meet the Series A1 SN investor payouts. Assuming a monthly collection efficiency of even 50% in the underlying pool of contracts in a stress scenario, the recommended credit collateral would cover the shortfalls in the securities payouts for a period of eight months.

Jaimini 08 22 Series A1 PTC: Strong

As per the transaction structure, only the interest amount is promised to the Series A1 PTC holders on a monthly basis while the entire principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be comfortable to meet the promised payouts to the Series A1 PTC investors.

Jaimini 08 22 Series A2 PTC and Indigo 08 22 Series A2 SN: Adequate

After Series A1 PTC/Series A1 SN is fully paid, the entire principal amount is promised on the scheduled maturity date of the transaction. The cash flows from the pool and the available CE are expected to be adequate to meet the promised payouts to the Series A2 PTC/ Series A2 SN investors.

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 (CE) 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 CE utilisation levels. Weakening in the credit profile of the servicer could also exert pressure on the rating

Analytical approach

The rating action is based on the performance of the pools till November 2023 (payout month), the present delinquency levels and the CE available in the pools, and the performance expected over the balance tenure of these pools.

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 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 divided into two segments: digital business lending (DBL) and digital 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. At present, CFSPL caters to ~1,400 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 mainly for purchasing used cars. CFSPL serves as the captive financing unit of its parent (CSPL) and extends funding to customers purchasing used cars through CSPL's online platform.

Key financial indicators

CF SPL	FY2022	FY2023	Q1 FY2024*
	IGAAP	IndAS	IndAS
Total income	78.0	163.6	62.7
Profit after tax	(16.6)	0.1	1.3
Assets under management	597.9	888.8	988.0
Gross non-performing assets (NPA)	0.7%	1.2%	1.5%
Net NPA	0.0%	0.8%	1.0%

Source: Company data, ICRA Research; Amount in Rs. crore; * Provisional numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Trust Name	Current Rating (FY2024)			Chronology of Rating History for the Past 3 Years				
		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Dec 21, 2023	Dec 08, 2022	Sep 01, 2022 [^]	-	-
1	Indigo 08 22	Series A1 SN	31.34	16.48	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-	-
		Series A2 SN	1.86	1.86	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	-

[^]Initial ratings assigned

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		Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021
					Dec 21, 2023	Dec 08, 2022	Sep 01, 2022 [^]	-	-
2	Jaimini 08 22	Series A1 PTC	34.23	16.43	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-	-
		Series A2 PTC	1.92	1.92	[ICRA]BBB+(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-	-

[^]Initial ratings 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	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
Indigo 08 22	Series A1 SN	August 2022	10.75%	February 2027	16.48	[ICRA]A(SO)
	Series A2 SN		Residual		1.86	[ICRA]BBB(SO)
Jaimini 08 22	Series A1 PTC	August 2022	10.80%	January 2027	16.43	[ICRA]A+(SO)
	Series A2 PTC		Residual		1.92	[ICRA]BBB+(SO)

* The actual tenure is likely to be shorter owing to prepayments and accelerated amortisation

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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