

September 05, 2024<sup>(Revised)</sup>

## Cholamandalam Investment and Finance Company Limited: Rating 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 MAY 2024 - TRANCHE I	PTC Series A	498.41	[ICRA]AA+(SO); provisional rating confirmed as final

\*Instrument details are provided in Annexure I

### Rationale

In May 2024, ICRA had assigned a provisional rating to the pass through certificates (PTCs) instrument, issued by PLATINUM TRUST MAY 2024 - TRANCHE I. The PTCs are backed by a pool of vehicle loan and construction equipment loan receivables originated by Cholamandalam Investment and Finance Company Limited {CIFCL/Originator; rated [ICRA]AA+ (Positive)} with an aggregate principal outstanding of Rs. 498.41 crore (pool receivables of Rs. 628.03 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 rating has now been confirmed as final.

### Pool performance summary

Parameter	PLATINUM TRUST MAY 2024 - TRANCHE I
Payout month	August 2024
Months post securitisation	3
Pool amortisation	9.64%
PTC Series A amortisation	9.64%
Cumulative Prepayment rate	1.09%
Cumulative collection efficiency <sup>1</sup>	98.51%
Loss cum 0+ days past due (dpd) <sup>2</sup>	4.25%
Loss cum 30+ dpd <sup>3</sup>	0.38%
Loss cum 90+ dpd <sup>4</sup>	0.00%
Cumulative cash collateral (CC) utilisation	0.00%

### Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout and the 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 PTC Series A principal.

The credit enhancement available in the structure is in the form of (i) CC of 5.00% of the initial pool principal (Rs. 24.92 crore) provided by the Originator, and (ii) EIS of 11.71% of the initial pool principal in the structure for PTC Series A.

<sup>1</sup> Cumulative collections till date including advance collections but excluding prepayments/ Cumulative billings till date + Opening overdues

<sup>2</sup> POS on contracts aged 0+ dpd + overdues / Initial POS on the pool

<sup>3</sup> POS on contracts aged 30+ dpd + overdues / Initial POS on the pool

<sup>4</sup> POS on contracts aged 90+ dpd + overdues / Initial POS on the pool

## 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 in the lending business of more than 10 years and has adequate underwriting policies and collection procedures.

**Granular pool supported by presence of credit enhancement** – The pool is granular, consisting of 30,377 contracts, with top 10 obligors forming only 1.67% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC, subordination and EIS would absorb some amount of the losses in the pool and provide support in meeting the PTC payouts.

**Seasoned contracts in the pool** – The pool has a moderate seasoning of ~8 months with no delinquent contracts as on the cut-off date thereby reflecting the borrowers’ relatively better credit profile, which is a credit positive.

### Credit challenges

**High loan-to-value (LTV) contracts** – Proportion of contracts with LTV ratio of more than 80% is high at ~63% (in terms of the principal amount outstanding on the cut-off date). Borrower with high LTV loans is more likely to default and are sensitive to economic downturns.

**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 3.25% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4% to 18% 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 rating for the instrument.

### Details of key counterparties

The key counterparties in the rated transactions are as follows:

Transaction Name	PLATINUM TRUST MAY 2024 - TRANCHE I
Originator	Cholamandalam Investment and Finance Company Limited
Servicer	Cholamandalam Investment and Finance Company Limited
Trustee	IDBI Trusteeship Services Limited
CC holding Bank	ICICI Bank
Collection and payout account Bank	ICICI Bank

## Liquidity position

### For PTC Series A: Strong

The liquidity for the instruments is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~3.50 times the estimated loss in the pool.

## Rating sensitivities

**Positive factors** – The rating could be upgraded on the sustained strong collection performance of the underlying pool of contracts (monthly collection efficiency of more than 95%), leading to lower-than-expected delinquency levels, and on an increase in the cover available for future investor payouts from the CE.

**Negative factors** – Pressure on the rating could emerge due to sustained weak collection performance of the underlying pool (monthly collection efficiency of <90%), leading to higher-than-expected delinquency levels and CE utilization levels. Weakening in the credit profile of the servicer (CIFCL) could also exert pressure on the rating.

## 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	<a href="#">Rating Methodology for Securitisation Transactions</a>
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, it operates through 1,438 branches across 29 states and Union Territories (UTs) with net assets under management (AUM) of Rs. 1,55,442 crore as of June 2024. Its core business segments include vehicle finance (57%) and home equity (HE) loans (21%). 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 13% to the AUM while housing finance accounted for the rest (9%). As of June 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 a net profit of Rs. 2,666 crore on a managed asset base of Rs. 1,17,607 crore in FY2023. It reported a provisional net profit of Rs. 942 crore on a managed asset base of Rs. 1,76,516 crore in Q1 FY2025.

CIFCL (consolidated) reported a net profit of Rs. 3,411 crore on a managed asset base of Rs. 1,60,429 crore in FY2024 compared with a net profit of Rs. 2,677 crore on a managed asset base of Rs. 1,17,718 crore in FY2023.

### Key financial indicators (audited)

\	FY2023	FY2024	Q1 FY2025
Total income	12,978	19,216	5,829
Profit after tax	2,666	3,423	942
Total managed assets	1,17,607	1,60,194	1,76,516
Gross stage 3	3.0%	2.5%	2.6%
CRAR	17.1%	18.6%	18.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRAs: Not applicable

Any other information: None

### Rating history for past three years

Trust Name	Instrument	Current Rating (FY2025)				Chronology of Rating History for the Past 3 Years		
		Amount Rated (Rs. crore)	Current Rated Amount (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Sept 05, 2024	May 28, 2024			
PLATINUM TRUST MAY 2024 - TRANCHE I	PTC Series A	498.41	498.41	[ICRA]AA+(SO)	Provisional [ICRA]AA+(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A	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](#)

**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 MAY 2024 - TRANCHE I	PTC Series A	May 24, 2024	8.65%	May 22, 2030	498.41	[ICRA]AA+(SO)

Source: Company

**Annexure II: List of entities considered for consolidated analysis**

Not Applicable

**Corrigendum:**

Document dated September 05, 2024, has been corrected with revisions as detailed below:

- Sections where revision has been made:
  - The asterisk (\*) footnote marker above Maturity Date header in Annexure I: Instrument details on Page 6
- Revision made:
  - The asterisk (\*) footnote marker above Maturity Date header has been removed

## 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 3400  
[sumit.pramanik@icraindia.com](mailto:sumit.pramanik@icraindia.com)

**Diptajyoti Banik**  
+91 22 6114 3412  
[diptajyoti.banik@icraindia.com](mailto:diptajyoti.banik@icraindia.com)

**Palak Bhatt**  
91 22 6114 3456  
[alak.bhatt@icraindia.com](mailto:alak.bhatt@icraindia.com)

## RELATIONSHIP CONTACT

**Mr. 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)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

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

Tel: +91 11 23357940-45



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.