

January 27, 2025

Cars24 Financial Services Private Limited: Rating actions for securities issued under four used car loan securitisation transactions

Summary of rating actions

Trust Name	Instrument*	Initial Rated Amount (Rs. crore)	Amount O/S after Last Surveillance (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Nimbus 2022 VF McLaren	Series A1 PTC	16.57	4.65	0.55	[ICRA]AA+(SO); Upgraded from [ICRA]A+(SO)
	Series A2 PTC	0.74	0.74	0.74	[ICRA]A+(SO); Upgraded from [ICRA]A(SO)
	Series A3 PTC	0.92	0.92	0.92	[ICRA]A(SO); Upgraded from [ICRA]BBB+(SO)
Heather 03 2022	Series A1 PTC	14.25	4.00	0.40	[ICRA]AA+(SO); Upgraded from [ICRA]A+(SO)
	Series A2 PTC	0.64	0.64	0.64	[ICRA]A+(SO); Upgraded from [ICRA]A(SO)
	Series A3 PTC	0.80	0.80	0.80	[ICRA]A(SO); Upgraded from [ICRA]BBB+(SO)
CAROLE 06 2022	Series A1 SN	59.67	25.47	9.48	[ICRA]A+(SO); Upgraded from [ICRA]A(SO)
	Series A2 SN	3.21	3.21	3.21	[ICRA]A(SO); Upgraded from [ICRA]BBB(SO)
Cadence 09 22	Series A1 PTC	21.55	10.93	4.11	[ICRA]A+(SO); Reaffirmed
	Series A2 PTC	1.21	1.21	1.21	[ICRA]A(SO); Upgraded from [ICRA]A-(SO)

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs)/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 transactions.

The rating actions factor in the build-up of the credit enhancement cover over the future PTC payouts on account of the high amortisation and healthy pool performance. Further, the rating upgrade for Series A1 PTCs of the Nimbus 2022 VF McLaren and Heather 03 2022 trusts are on account of the significant amortisation in the pools, which has led to the cash collateral (CC) covering the entire future PTC payouts. The rating also draws comfort from the fact that the breakeven collection efficiency is comfortably lower than the actual collection levels observed in the pool till the December 2024 payout month.

Pool performance summary

Parameter	Nimbus 2022 VF McLaren	Heather 03 2022	CAROLE 06 2022	Cadence 09 22
Payout month	December 2024	December 2024	December 2024	December 2024
Months after securitisation	33	33	30	27
Pool amortisation (as % of initial pool principal)	86.19%	85.95%	77.76%	71.29%
Series A1 amortisation (as % of initial Series A1 principal)	96.66%	97.19%	84.12%	80.92%
Series A2 amortisation (as % of initial Series A2 principal)	0.00%	0.00%	0.00%	0.00%
Series A3 amortisation (as % of initial Series A3 principal)	0.00%	0.00%	NA	NA

Parameter	Nimbus 2022 VF McLaren	Heather 03 2022	CAROLE 06 2022	Cadence 09 22
Cumulative collection efficiency ¹	96.80%	96.72%	97.95%	94.86%
Cumulative prepayment rate	30.54%	28.68%	25.81%	11.60%
Average monthly prepayment rate	1.10%	1.02%	0.99%	0.46%
Loss-cum-30+ dpd ² (% of initial pool)	0.94%	1.13%	1.16%	2.75%
Loss-cum-90+ dpd ³ (% of initial pool)	0.69%	0.68%	0.47%	1.35%
Cumulative CC utilisation	0.00%	0.00%	0.00%	0.00%
Breakeven collection efficiency ⁴ for Series A1	0.00%	0.00%	34.21%	39.32%
Breakeven collection efficiency for Series A2	15.01%	11.43%	53.85%	54.30%
Breakeven collection efficiency for Series A3	51.87%	47.65%	NA	NA
CC (% of balance pool)	36.22%	35.60%	31.53%	17.41%
Principal subordination (% of balance pool) for Series A1 ⁵	78.23%	82.22%	33.61%	40.87%
Principal subordination (% of balance pool) for Series A2	49.26%	53.74%	11.13%	23.45%
Principal subordination (% of balance pool) for Series A3	13.04%	18.14%	NA	NA
Excess interest spread (EIS; % of balance pool) for Series A1 ⁶	10.96%	11.57%	10.13%	12.27%
Excess interest spread (EIS; % of balance pool) for Series A2	9.15%	9.76%	10.13%	12.27%
Excess interest spread (EIS; % of balance pool) for Series A3	4.33%	4.84%	NA	NA

Transaction structure

Nimbus 2022 VF McLaren and Heather 03 2022

As per the transaction structure, Series A2 PTC and Series A3 PTC are subordinate to Series A1 PTC. During the tenure of Series A1 PTC, the collections from the pool, after making the promised interest payouts to Series A1 PTC, will be used to make the expected principal payouts to Series A1 PTC (to the extent of 100% of pool principal billed). This will be followed by the expected interest payout to Series A2 PTC and then the expected interest payout to Series A3 PTC. The principal payout is not promised and any shortfall in making the expected principal payment to Series A1 PTC would be carried forward to the subsequent payout. Following the maturity of Series A1 PTC, the payout to Series A2 PTC and Series A3 PTC would follow a similar pattern, i.e., interest payouts on the outstanding senior most tranche will be promised every month while the principal will be passed to the extent of 100% of the pool principal billed. Principal is promised at the maturity date.

CAROLE 06 2022

As per the transaction structure, Series A2 SN is subordinate to Series A1 SN. During the tenure of Series A1 SN, the collections from the pool will be used to make the promised interest and principal (to the extent of 93% principal billed) payouts to Series A1 SN. After the maturity of Series A1 SN, payouts to Series A2 SN (principal payouts to Series A2 SN investors) will be on an

¹ (Cumulative current and overdue collections till date) / (Cumulative billing till date + Opening overdues at the start of the transaction)

² Inclusive of unbilled and overdue principal share of contracts delinquent for more than 30 days, as % of Initial pool principal

³ Inclusive of unbilled and overdue principal share of contracts delinquent for more than 90 days, as % of Initial pool principal

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

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

⁶ (Pool cash flows – Cash flows to PTC/SN A1) / Pool principal outstanding

expected basis, which will be due and payable only on the final maturity date. The final maturity date for both tranches is December 21, 2026.

Cadence 09 22

As per the transaction structure, Series A2 PTC is subordinate to Series A1 PTC. During the tenure of Series A1 PTC, the collections from the pool, will be used to make the promised interest payout and expected principal payouts (to the extent of principal billed) to Series A1 PTC. Following the maturity of Series A1 PTC, payout to Series A2 PTC (principal payouts to Series A2 PTC investors) will be on an expected basis, which will be due and payable only on the final maturity date. The final maturity date for both the tranches of PTCs is February 26, 2027.

Key rating drivers and their description

Credit strengths

Substantial credit enhancement available in the structure – The rating upgrade factors in the build-up in the credit enhancement with the CC fully covering the future PTC payouts to the Series A1 investors of McLaren and Heather transactions. For other instruments, the rating factors in the build-up of credit enhancement, with a higher cash collateral available as a percentage of the balance pool principal as compared to the initial cash collateral at time of securitisation. Internal credit support is also available through scheduled EIS for all the pools.

Healthy pool performance – Performance of all the four pools have been strong with cumulative collection efficiency above ~95% till Dec 2024 payout month and break-even collection efficiencies comfortably lower than the monthly collection efficiency trend observed in the pools. For all the four pools, the loss cum 90+ dpd has been below 1.5% in the last 12 months. Further, there have been no instances of cash collateral utilisation for the pools till date owing to strong collection performance and presence of EIS.

Adequate servicing capability of the originator – The company has adequate processes for servicing the loan accounts in the securitised pool. It has a demonstrated track record of about a decade of regular collections and recovery across multiple geographies.

Credit challenges

Risks associated with lending business – The pools' 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.

Transaction Name	Estimated Shortfall* (% of initial pool principal)	Prepayment (p.a.)
Nimbus 2022 VF McLaren	0.75%	4.8-18.0%
Heather 03 2022	0.75%	4.8-18.0%
CAROLE 06 2022	1.00%	4.8-18.0%
Cadence 09 22	1.75%	4.8-18.0%

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 transactions are as follows:

Transaction Name	Nimbus 2022 VF McLaren	Heather 03 2022	CAROLE 06 2022	Cadence 09 22
Originator	CFSPL	CFSPL	CFSPL	CFSPL
Servicer	CFSPL	CFSPL	CFSPL	CFSPL
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC bank	ICICI Bank	ICICI Bank	ICICI Bank	ICICI Bank
Collection and payout account bank	ICICI Bank	ICICI Bank	ICICI Bank	ICICI Bank

Liquidity position: Superior

The liquidity for the instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be in the range of 7.0-20.0 times the estimated loss in the pools.

Rating sensitivities

Positive factors – The ratings could be upgraded on the strong collection performance of the underlying pool 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 leading to higher-than-expected delinquency levels and CE utilisation levels. Weakening in the credit profile of the servicer (CFSPL) could also exert pressure on the ratings.

Analytical approach

The rating actions are based on the performance of the pools till December 2024 (payout month), the present delinquency levels and the credit enhancement 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 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.

Key financial indicators

CFSPL	FY2023	FY2024*	Q1 FY2025**
	IGAAP	IndAS	IndAS
Total income	163.6	287.9	84.8
Profit after tax	1.6	18.4	2.5
Assets under management	1,317	2,178	2,266
Gross non-performing assets (NPA)#	0.8%	1.2%	1.4%
Net NPA	0.5%	0.6%	0.7%
Capital-to-risk weighted assets ratio (CRAR)	90.89%	50.91%	54.12%

Source: Company data, ICRA Research; Amount in Rs. crore; *Based on the auditor's suggestion, the entire credit enhancement of the 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 reduced significantly in FY2024 compared to FY2023; **Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Sr. No.	Trust Name	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2025)	Chronology of Rating History for the Past 3 Years				
					Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022	
					Jan 27,2025	Jan 29, 2024	Jun 23, 2023	Jun 22, 2022	Mar 31, 2022^	
1	Nimbus 2022 VF McLaren	Series A1 PTC	16.57	0.55	[ICRA]AA+(SO)	[ICRA]A+(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	
		Series A2 PTC	0.74	0.74	[ICRA]A+(SO)	[ICRA]A(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	
		Series A3 PTC	0.92	0.92	[ICRA]A(SO)	[ICRA]BBB+(SO)	[ICRA]BB+(SO)	[ICRA]BB+(SO)	Provisional [ICRA]BB+(SO)	

^Initial ratings assigned

Sr. No	Trust Name	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2025)	Chronology of Rating History for the Past 3 Years					Date & Rating in FY2022
					Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023			
					Jan 27, 2025	Jan 29, 2024	Jun 23, 2023	Jun 16, 2022	Apr 05, 2022^	-	
2	Heather 03 2022	Series A1 PTC	14.25	0.40	[ICRA]AA+(SO)	[ICRA]A+(SO)	[ICRA]A-(SO)	[ICRA]A-(SO)	Provisional [ICRA]A-(SO)	-	
		Series A2 PTC	0.64	0.64	[ICRA]A+(SO)	[ICRA]A(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-	
		Series A3 PTC	0.80	0.80	[ICRA]A(SO)	[ICRA]BBB+(SO)	[ICRA]BB+(SO)	[ICRA]BB+(SO)	Provisional [ICRA]BB+(SO)	-	

^Initial ratings assigned

Sr. No.	Trust Name	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years			
					Date & Rating in FY2025	Date & Rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022
					Jan 27, 2025	Jan 29, 2024	Oct 30, 2023	Nov 07, 2022	Jun 30, 2022^	-
3	CAROLE 06 2022	Series A1 SN	59.67	9.48	[ICRA]A+(SO)	[ICRA]A(SO)	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	-
		Series A2 SN	3.21	3.21	[ICRA]A(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-

^Initial ratings assigned

Sr. No.	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
							Jan 27, 2025	Jan 29, 2024	
4	Cadence 09 22	Series A1 PTC	21.55	4.11	[ICRA]A+(SO)	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-
		Series A2 PTC	1.21	1.21	[ICRA]A(SO)	[ICRA]A-(SO)	[ICRA]BBB+(SO)	Provisional [ICRA]BBB+(SO)	-

^Initial ratings assigned

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Nimbus 2022 VF McLaren	Series A1 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
	Series A3 PTC	Moderately Complex
Heather 03 2022	Series A1 PTC	Moderately Complex
	Series A2 PTC	Moderately Complex
	Series A3 PTC	Moderately Complex
CAROLE 06 2022	Series A1 SN	Moderately Complex
	Series A2 SN	Moderately Complex
Cadence 09 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 (p.a.p.m.)	Maturity Date*	Current Rated Amount (Rs. crore)	Current Rating
Nimbus 2022 VF McLaren	Series A1 PTC	March 23,2022	10.15%	August 22,2026	0.55	[ICRA]AA+(SO)
	Series A2 PTC		13.50%		0.74	[ICRA]A+(SO)
	Series A3 PTC		13.50%		0.92	[ICRA]A(SO)
Heather 03 2022	Series A1 PTC	March 30,2022	10.65%	August 22,2026	0.40	[ICRA]AA+(SO)
	Series A2 PTC		14.00%		0.64	[ICRA]A+(SO)
	Series A3 PTC		14.00%		0.80	[ICRA]A(SO)
CAROLE 06 2022	Series A1 SN	June 29,2022	10.50%	December 21,2026	9.48	[ICRA]A+(SO)
	Series A2 SN		Residual		3.21	[ICRA]A(SO)
Cadence 09 22	Series A1 PTC	September 28,2022	10.90%	February 22,2027	4.11	[ICRA]A+(SO)
	Series A2 PTC		Residual		1.21	[ICRA]A(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

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sumit Pramanik

+91 22 6114 3462

sumit.pramanik@icraindia.com

Arijit Datta

+91 22 6114 3433

arijit.datta@icraindia.com

Sachin Joglekar

+91 22 6114 3470

sachin.joglekar@icraindia.com

Pratik Vora

+91 22 6114 3438

pratik.vora@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3304

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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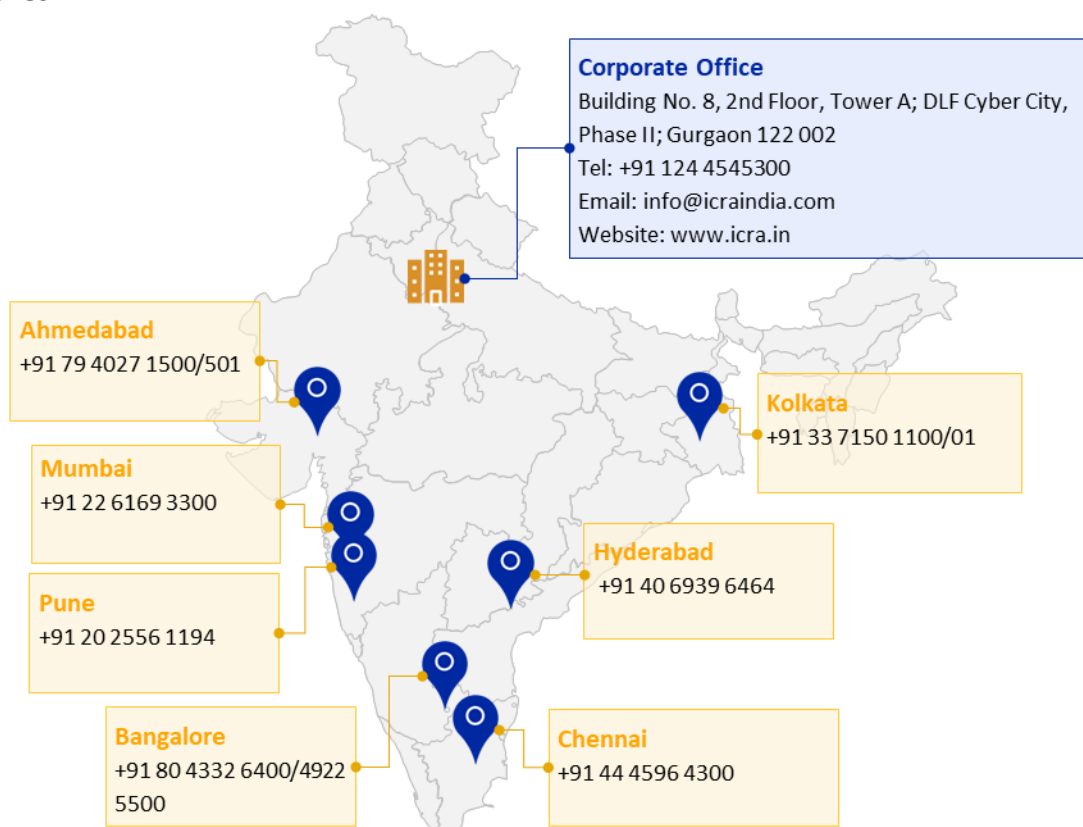


Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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