

April 29, 2025

Cars24 Financial Services Private Limited: Rating reaffirmed for PTCs issued under one 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
Hummer 02 2024	Series A1 PTC	45.00	NA	33.74	[ICRA]A+(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass through certificates (PTCs) are backed by used car loan receivables originated by Cars24 Financial Services Private Limited (CFSPL/ Originator). CFSPL also acts as the servicer for the transaction.

The rating reaffirmation factors in the build-up of the credit enhancement cover over the future PTC 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 rating also draws comfort from the fact that the breakeven collection efficiency is comfortably lower than the actual collection level observed in the pools till the March 2025 payout month.

Pool performance summary

Parameter	Hummer
Payout month	March 2025
Months post securitisation	13
Pool amortisation (as % of initial pool principal)	33.27%
PTC amortisation - Series A1 PTC	41.36%
Cumulative collection efficiency ¹	97.43%
Loss-cum-30+ (% of initial pool principal) ²	2.60%
Loss-cum-90+ (% of initial pool principal)	1.19%
Breakeven collection efficiency ³ for Series A1 PTC	61.89%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%
CC available (as % of balance pool principal)	5.99%
Excess interest spread (EIS; as % of balance pool principal)	21.78%
Cumulative prepayment rate ⁴	12.59%

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. A part of the residual cash flows from the pool (60% of the residual cash flow), after meeting the promised and expected payouts, will be used for the prepayment of PTC Series A1 principal. Any prepayment in the pool would be used for the prepayment of PTC Series A1 principal.

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 flows payable to investor – Credit collateral available) / Balance pool cash flows

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

Key rating drivers and their description

Credit strengths

Credit enhancement built-up in the structure – The rating action factors in the build-up in the credit enhancement with the cash collateral increasing to 6.0% of the balance pool principal from 4.0% at the time of securitisation. Internal credit support is also available through principal subordination along with excess interest spread (EIS).

Healthy pool performance – Performance of the pool has been strong with cumulative collection efficiency above ~97% till Mar 2025 payout month and break-even collection efficiency comfortably lower than 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 cash collateral utilisation till date owing to strong collection performance and presence of EIS.

Adequate servicing capability of Cars24 – The company has adequate processes for servicing the loan accounts in the securitised pool. It has demonstrated a proven track record of regular collections and recovery 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 3.25% for Hummer 02 24, 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	Hummer
Originator	CF SPL
Servicer	CF SPL
Trustee	Vardhaman Trusteeship Private Limited
CC bank	DCB Bank
Collection and payout account bank	ICICI Bank

Liquidity position

The liquidity for Series A1 PTC is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 7.75 times the estimated loss in the pool for Series A1 PTC.

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 (Cars24) could also exert pressure on the ratings.

Analytical approach

The rating action is based on the performance of the pool till the March 2025 payout month (February 2024 collection month), the present delinquency profile of the pools, the credit enhancement available in the pools, 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 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.

CF SPL	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 PTC transactions has been deducted from the Tier I capital against only the first loss credit enhancement (FLCE) part for the capital-to-risk weighted assets ratio (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 (FY2026)				Chronology of rating history for the past 3 years		
	Instrument	Initial amount rated (Rs. crore)	Current amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				April 29, 2025	April 25, 2024	March 06, 2024	-
Hummer 02 2024	Series A1 PTC	45.00	33.74	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-

Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
Hummer 02 2024	Series A1 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 amount rated (Rs. crore)	Current rating
Hummer 02 2024	Series A1 PTC	March 02, 2024	10.10%	May 29, 2029	33.74	[ICRA]A+(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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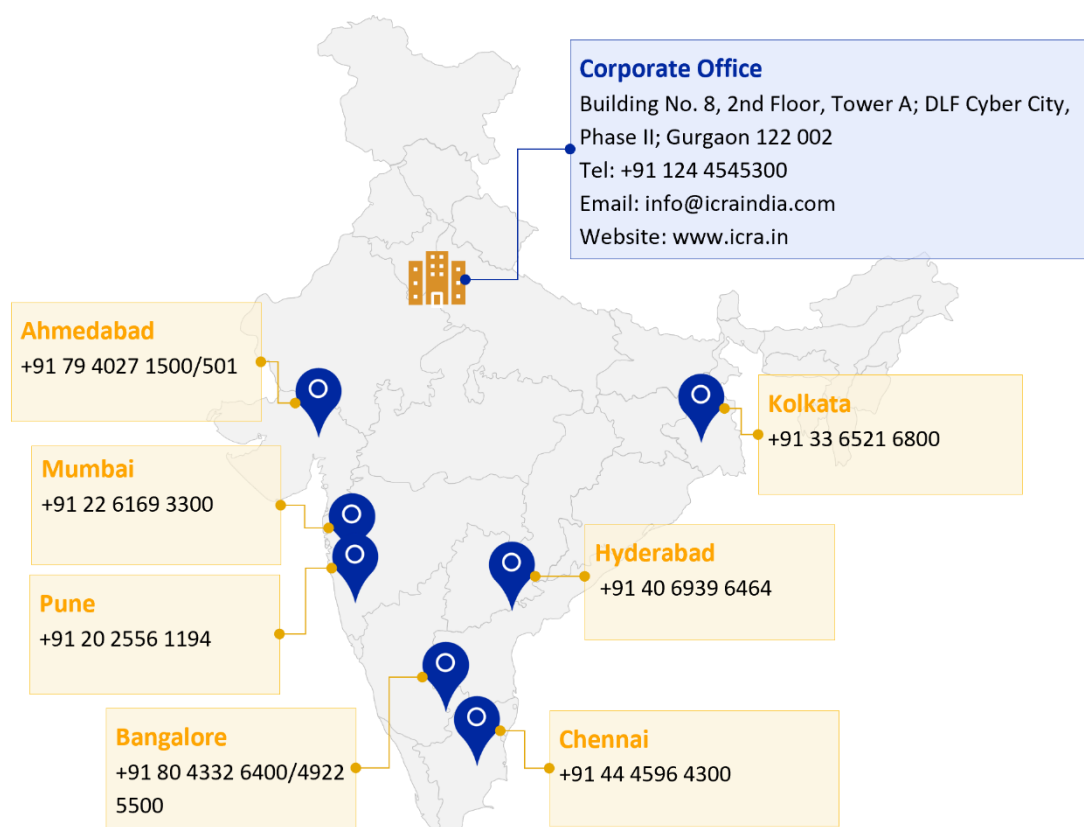


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