

June 02, 2025

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

Summary of rating actions

Trust name	Instrument*	Initial rated amount (Rs. crore)	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Croon 02 23	Series A1 SN	29.36	16.39	7.96	[ICRA]A(SO); reaffirmed
	Series A2 SN	1.75	1.75	1.75	[ICRA]BBB(SO); reaffirmed
Cappella 03 23	Series A1 PTC	16.53	8.82	4.03	[ICRA]A+(SO); reaffirmed
	Series A2 PTC	1.30	1.30	1.30	[ICRA]A-(SO); upgraded from [ICRA]BBB(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 ratings actions 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 transactions remained low with the 90+ days past due (dpd) at less than 2%. The ratings also draw comfort from the fact that the breakeven collection efficiency is lower than the actual collection level observed in the pools till the April 2025 payout month.

Pool performance summary

Parameter	Croon 02 23	Cappella 03 23
Payout month	April 2025	April 2025
Months post securitisation	26	25
Pool amortisation (as % of initial pool principal)	67.04%	66.92%
SN/PTC amortisation		
Series A1 SN/PTC	68.28%	92.01%
Series A2 SN/PTC	0.00%	0.00%
Cumulative collection efficiency¹	97.80%	97.77%
Loss-cum-30+ (% of initial pool principal)²	1.48%	1.05%
Loss-cum-90+ (% of initial pool principal)	0.76%	0.50%
Breakeven collection efficiency³		
Series A1 SN/PTC	53.83%	47.57%
Series A2 SN/PTC	67.99%	65.60%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.00%	0.00%
CC available (as % of balance pool principal)	20.08%	15.11%
Excess interest spread (EIS; as % of balance pool principal)		
Series A1 SN/PTC	10.41%	12.01%
Series A2 SN/PTC	10.41%	12.01%
Cumulative prepayment rate⁴	23.50%	23.93%

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

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

Transaction structure

Croon 02 23

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 92.5% principal billed) payouts to Series A1 SN. Post the maturity of Series A1 SN, payouts to Series A2 SN (principal payouts to Series A2 SN investors) will be on expected basis, which will be due and payable only on the final maturity date.

Cappella 03 23

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout to the outstanding senior tranche. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) to the outstanding senior tranche but is promised on the final maturity date. This will be followed by the expected interest payout to the subordinated tranches. After the maturity of the senior tranche, the subordinated tranches would follow a similar pattern, i.e. interest payouts on the outstanding senior tranche will be promised every month while the principal will be passed on expected basis to the extent of 100% of the pool principal billed.

Reset of credit enhancement

At the Originator's request for resetting the credit enhancement, ICRA has analysed Croon 02 23 basis the cash collateral (CC) mentioned in the table below. Based on the pool's performance, the ratings for the SNs will remain unchanged even after the CC amount is reset. The CC reset shall be subject to the approval of the SN investors. However, as per regulatory guidelines, the amount of CC that can be released would be restricted to 60% of the difference between the current CC amount and the revised CC amount allowed by ICRA.

Transaction name	Current CC outstanding [A]	CC required as per ICRA for maintaining present rating [B]	CC that can be released [C] = 60%*(A - B)	Revised CC limit [D] = (A - C)
Croon 02 23	2.10	0.74	0.82	1.28

Amount in Rs. crore

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 (CC) increasing to 20.08% and 15.11% for the Croon 02 23 and Cappella 03 23 transactions since 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 pools have been strong with cumulative collection efficiency above ~97.5% till April 2025 payout month and break-even collection efficiency comfortably lower than the monthly collection efficiency trend observed in the pools. For the current 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 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 1.75% for Croon 02 23, and Cappella 03 23 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	Croon 02 23	Cappella 03 23
Originator	CFSPL	CFSPL
Servicer	CFSPL	CFSPL
Trustee	Catalyst Trusteeship Limited	Catalyst Trusteeship Limited
CC bank	ICICI Bank	DCB Bank
Collection and payout account bank	ICICI Bank	ICICI Bank

Liquidity position

The liquidity for the instruments is superior after factoring in the credit enhancement available to meet the promised payout to the investor. For Croon 02 23, the total credit enhancement for Series A1 SN and Series A2 SN would be 9.50 times and 6.25 times, respectively. Similarly, for Cappella 03 23, the total credit enhancement for Series A1 PTC and Series A2 PTC would be more than 10 times and 7.00 times, respectively.

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 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 credit enhancement utilisation levels. Weakening in the credit profile of the servicer (CFSPL) could also exert pressure on the ratings.

Analytical approach

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

CFSPL	FY2022	FY2023	FY2024*	FY2025**
	IGAAP	IGAAP	IndAS	IndAS
Total Income	78.0	163.6	287.9	321.2
Profit after Tax	(16.6)	1.6	18.4	13.0
Assets under Management	598	1,317	2,164	2,378
Gross Non-performing Assets (NPA)	0.5%	0.8%	1.2%	2.9%
Net NPA	0.0%	0.5%	0.6%	1.5%
Capital-to-risk weighted asset ratio (CRAR)	65.17%	90.89%	50.91%	42.37%

*Based on the auditor's suggestion, the entire credit enhancement of the PTC transactions has been deducted from the Tier-1 capital as against only FLCE part for CRAR calculation. Hence, CRAR has reduced significantly in FY24 compared to FY23, **Provisional

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)	Amount outstanding (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
				June 02, 2025	June 28, 2024	June 07, 2023	March 01, 2023	
Croon 02 23	Series A1 SN	29.36	7.96	[ICRA]A(SO)	[ICRA]A(SO)	[ICRA]A(SO)	Provisional [ICRA]A(SO)	
	Series A2 SN	1.75	1.75	[ICRA]BBB(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	

Trust name	Current rating (FY2026)				Chronology of rating history for the past 3 years			
	Instrument	Initial amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023
				June 02, 2025	June 28, 2024	June 07, 2023	April 04, 2023	-
Cappella 03 23	Series A1 PTC	16.53	4.03	[ICRA]A+(SO)	[ICRA]A+(SO)	[ICRA]A+(SO)	Provisional [ICRA]A+(SO)	-
	Series A2 PTC	1.30	1.30	[ICRA]A-(SO)	[ICRA]BBB(SO)	[ICRA]BBB(SO)	Provisional [ICRA]BBB(SO)	-

Complexity level of the rated instrument

Trust name	Instrument	Complexity indicator
Croon 02 23	Series A1 SN	Moderately Complex
	Series A2 SN	Moderately Complex
Cappella 03 23	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 amount rated (Rs. crore)	Current rating
Croon 02 23	Series A1 SN	February 27, 2023	11.30%	July 23, 2027	7.96	[ICRA]A(SO)
	Series A2 SN		Residual		1.75	[ICRA]BBB(SO)
Cappella 03 23	Series A1 PTC	March 31, 2023	11.15%	August 22, 2027	4.03	[ICRA]A+(SO)
	Series A2 PTC		Residual		1.30	[ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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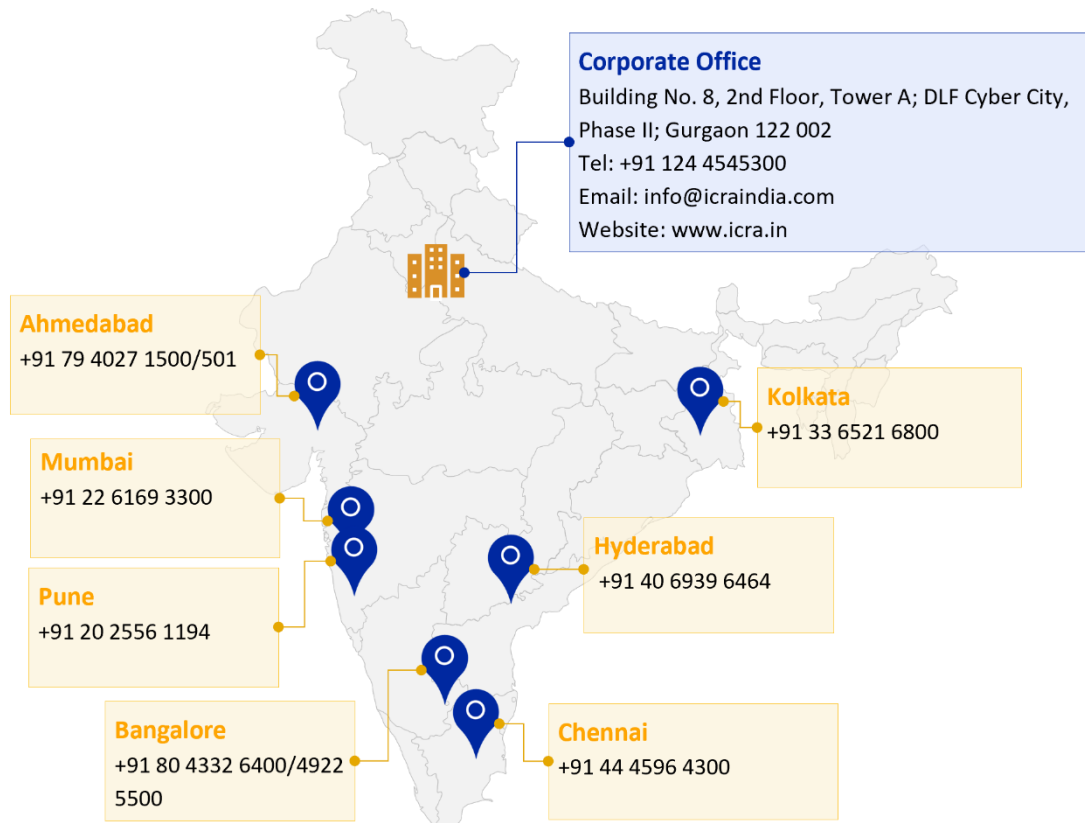


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