

June 04, 2025

WheelsEMI Private Limited: Provisional ratings assigned to PTCs and equity tranche PTC backed by vehicle loan receivables issued by Kepler 05 2025

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Kepler 05 2025	Series A1(a) PTCs	15.95	Provisional [ICRA]AA-(SO); assigned
	Series A1(b) PTCs	1.77	Provisional [ICRA]A-(SO); assigned
	Equity Tranche PTC	1.01	Provisional [ICRA]BBB(SO); assigned

*Instrument details are provided in Annexure I

Rating in the absence of pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

The pass-through certificates (PTCs) and Equity Tranche PTC would be backed by a pool of vehicle loan receivables originated by WheelsEMI Private Limited {WheelsEMI/Originator; rated [ICRA]BBB (Stable)} with an aggregate principal outstanding of Rs. 20.26 crore (underlying pool receivables of Rs. 24.78 crore). WheelsEMI would also act as the servicer for the transaction.

The provisional ratings are based on the strength of the cash flows from the selected pool of contracts along with the eligibility criteria for the follow-on pools, the credit enhancement available in the structure as well as the integrity of the legal structure. The provisional ratings are subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the equity tranche PTC payouts are completely subordinated to the PTC Series A1 payouts. Till September 15, 2026, the collections from the pool will be used for making the promised interest payouts to Series A1(a) and Series A1(b) PTCs on a pari passu basis. After making the promised interest payouts to Series A1(a) and A1(b) PTCs, the collections will be used to make the expected principal payouts to Series A1(a) PTCs till its redemption followed by the expected principal payout to Series A1(b) PTCs. The entire principal repayment to all tranches is promised on the scheduled maturity date of the respective tranches. From September 16, 2026 till the final maturity date, the collections from the pool will be used for making the promised interest payouts to Series A1(a) and Series A1(b) PTCs on a pari passu basis. After making the promised interest payouts, collections will be utilised for the redemption of Series A1(a) and A1(b) PTCs on a pari passu basis. The excess interest spread (EIS) available, after meeting the expected and promised PTC payments, will flow back to the Originator on a monthly basis.

All prepayment amounts would be passed on to Series A1(a) PTCs till September 15, 2026. From September 16, 2026, the prepayment amounts would be passed on to Series A1(a) and Series A1(b) PTCs on a pari passu basis for the respective amounts outstanding till complete redemption.

The transaction has defined certain trigger events, on the occurrence of which the residual cash flows would be passed on to the Series A1 PTC investors.

The credit enhancement available in the structure is in the form of (i) a cash collateral (CC) of 5.00% of the initial pool principal, amounting to Rs. 1.01 crore, to be provided by the Originator, (ii) principal subordination of 21.25% of the initial pool principal for Series A1(a) PTCs, 12.50% for Series A1(b) PTCs and 7.50% for the Equity Tranche PTC, and (iii) the EIS of 14.74% of the pool principal for all three tranches.

Key rating drivers and their description

Credit strengths

Granular pool supported by presence of credit enhancement – The current pool is granular, consisting of 2,782 contracts and top 10 contracts forming less than ~2.00% 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.

Healthy bureau score of borrowers – All the contracts in the pool belong to borrowers with a CIBIL score of at least 700. This reflects the relatively better credit profile.

No overdue contracts in the pool – The pool has been filtered in such a manner that there are no overdue contracts as on the cut-off date. Further, all the contracts in the pool have never been delinquent post loan disbursement, thereby reflecting the borrowers' relatively better credit profile, which is a credit positive.

Adequate servicing capability of WheelsEMI – The Originator has adequate processes for servicing the loan accounts in the securitised pool. It has a considerable track record of over a decade of regular collections across geographies and multiple economic cycles.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Uttar Pradesh, Bihar and Madhya Pradesh, contributing ~83% to the initial pool principal amount. The pool's performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

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 5.25% of the pool principal with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 2.4% to 9.0% 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.

Liquidity position

Series A1(a) PTCs: Superior

The liquidity for Series A1(a) PTCs is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~6.75 times the estimated loss in the pool.

Series A1(b) PTCs and Equity Tranche PTC: Strong

The liquidity for Series A1(b) PTCs and the Equity Tranche PTC is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~5.00 times and ~4.25 times of the estimated loss in the pool for Series A1(b) PTCs and the Equity Tranche PTC, 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 – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the ratings.

Analytical approach

The rating action is based on the analysis of the performance of WheelsEMI's portfolio till March 2025¹, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned ratings are provisional and would be converted into final upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Auditor's certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

¹ Provisional

About the originator

WheelsEMI Private Limited is a Pune-based, registered non-deposit taking non-banking financial company (NBFC), which provides financing for new as well as pre-owned two-wheelers (2Ws). It is promoted by Mr. Srinivas Kantheti and Mr. V Karunakaran, who acquired Vardnarayan Savings and Investment Co Pvt Ltd., a small finance company based out of Nanded (Maharashtra) with a loan book of Rs. 35 lakh (at the time of acquisition) in 2017. WheelsEMI provides 2W financing to low-income customers.

The company has a wholly owned subsidiary, BluBird Auto Trade Private Limited (BluBird), incorporated in April 2019. BluBird's primary business is the leasing and renting of vehicles, primarily to logistics companies. It also deals in the purchase and sale of used vehicles.

Key financial indicators (standalone)

WheelsEMI	FY2023	FY2024	FY2025*
Total income	183	253	304
Profit after tax	(37)	0.6	2.36
Total managed assets	1,096	1,636	1,818
Gross stage 3^	3.6%	5.4%	1.2%
CRAR	48.4%	37.6%	30.1%

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore; *Provisional financials as provided by the company

^ On AUM

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. no.	Trust name	Current rating (FY2026)			Chronology of rating history for the past 3 years			
		Instrument	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
					June 04, 2025	-	-	-
1	Kepler 05 2025	Series A1(a) PTCs	15.95	15.95	Provisional [ICRA]AA-(SO)	-	-	-
		Series A1(b) PTCs	1.77	1.77	Provisional [ICRA]A-(SO)	-	-	-
		Equity Tranche PTC	1.01	1.01	Provisional [ICRA]BBB(SO)			

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1(a) PTCs	Moderately Complex
Series A1(b) PTCs	
Equity Tranche PTC	

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.)	Scheduled maturity date	Current amount rated (Rs. crore)	Current rating
Kepler 05 2025	Series A1(a) PTCs	May 30, 2025	11.50%	October 15, 2028	15.95	Provisional [ICRA]AA-(SO)
	Series A1(b) PTCs		12.50%	October 16, 2028	1.77	Provisional [ICRA]A-(SO)
	Equity Tranche PTC		-	October 17, 2028	1.01	Provisional [ICRA]BBB(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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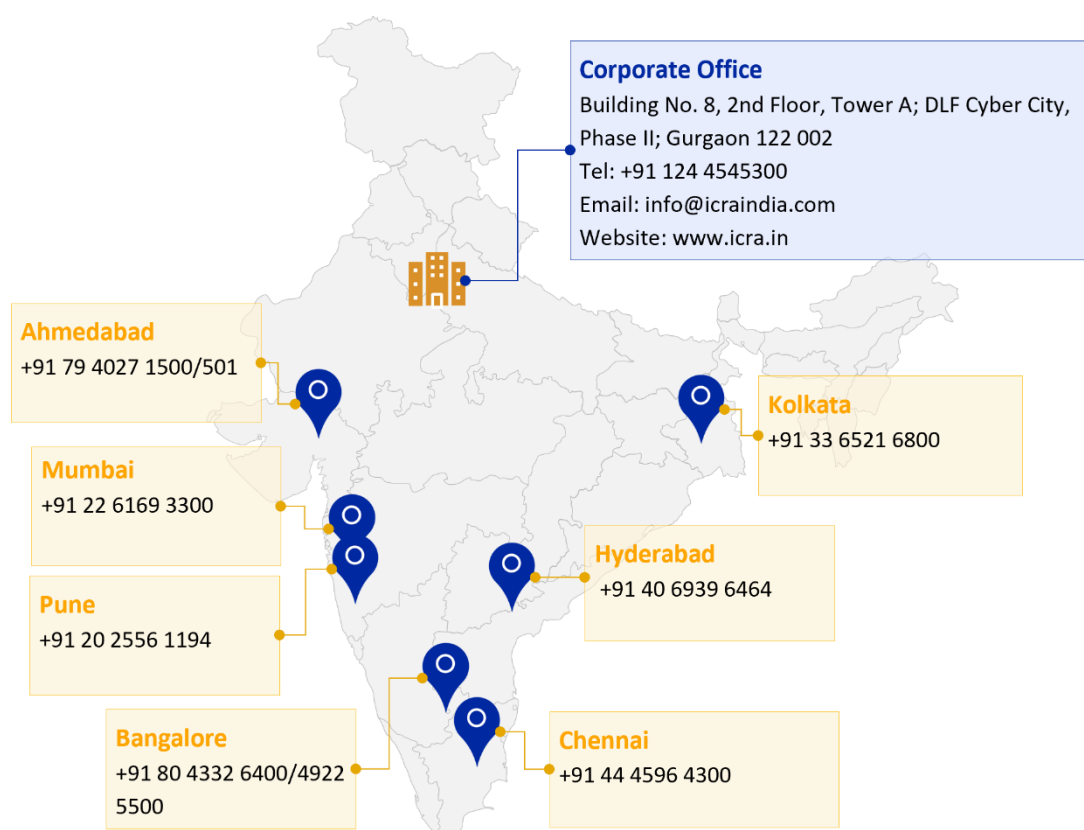


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