July 31, 2025

Cholamandalam Investment and Finance Company Limited: Provisional [ICRA]AAA(SO) assigned to PTCs backed by vehicle loan receivables issued by PLATINUM TRUST JUN 2025 - TRANCHE I; Provisional [ICRA]A-(SO) assigned to second loss facility

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
PLATINUM TRUST JUN 2025 - TRANCHE I	PTC Series A	2,520.10	Provisional [ICRA]AAA(SO); assigned
	PTC Series B	132.64	Provisional [ICRA]AAA(SO); assigned
	Second loss facility	39.79	Provisional [ICRA]A-(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

Rationale

The pass-through certificates (PTCs) are backed by a pool of vehicle loan receivables originated by Cholamandalam Investment and Finance Company Limited {CIFCL/Originator; rated [ICRA]AA+ (Positive)} with an aggregate principal outstanding of Rs. 2,652.74 crore (pool receivables of Rs. 3,402.01 crore). CIFCL 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, the credit enhancement available in the structure as well as the integrity of the legal structure. The 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 monthly cash flow schedule comprises the promised interest payout on a pro rata basis to PTC Series A and PTC Series B. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) on a pro rata basis to both series but is promised on the final maturity date. Any prepayment in the pool would be used for the prepayment of both series on a pro rata basis. The residual cash flows from the pool, after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. It is also stated that the cash collateral (CC), if utilised, will not be replenished from the excess interest spread (EIS) in subsequent months.

Upon the occurrence of certain predefined trigger events, the principal is expected to be paid on a monthly basis to PTC Series A (100% of the pool principal billed), and upon its full redemption, to PTC Series B. Similarly, prepayments will be made to PTC Series A, and upon its redemption, to PTC Series B.

The credit enhancement available in the structure is in the form of (i) a CC of 6.50% of the initial pool principal, amounting to Rs. 172.43 crore, to be provided by the Originator, and (ii) the EIS of 13.97% of the initial pool principal for PTC Series A and PTC Series B. The CC will be split into a first loss facility (FLF), amounting to Rs. 132.64 crore (5.00% of initial pool principal), and a second loss facility (SLF) amounting to Rs. 39.79 crore (1.50% of initial pool principal).

Key rating drivers and their description

Credit strengths

Established track record of CIFCL – CIFCL, which would also be servicing the loans in the transaction, has an established track record of more than four decades in the lending business with adequate underwriting policies and collection procedures across a wide geography. The company has sufficient processes for servicing the loan accounts in the securitised pool.

Granular pool supported by presence of credit enhancement – The pool is granular, consisting of 1,14,857 contracts, with the top 10 obligors forming only 0.15% of the pool principal, thereby reducing the exposure to any single borrower. Further, the credit enhancement available in the form of the CC and EIS would absorb a part of the losses in the pool and provide support in meeting the PTC payouts.

Seasoned contracts in the pool – The pool had a weighted average seasoning of 10.2 months with no delinquent contracts as on the cut-off date. This reflects the relatively better credit profile of the borrowers, which is a credit positive.

Credit challenges

High LTV contracts – The proportion of contracts with a loan-to-value (LTV) ratio of more than 80% is high at ~65% (in terms of the principal amount outstanding on the cut-off date). Borrowers with high LTV loans are 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 3.00% 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.

Liquidity position: Strong

The liquidity for PTC Series A and PTC Series B is strong after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be ~4.50 times the estimated loss in the pool.

The liquidity for the SLF is strong after factoring in the FLF available for the top-up of the SLF, if needed, as per the defined waterfall mechanism.

Rating sensitivities

Positive factors – NA for PTC Series A and PTC Series B

The rating for the SLF can be upgraded on the sustained strong collection performance of the underlying pool of contracts, resulting in an increase in the credit enhancement cover available for the SLF.

Negative factors – Pressure on the ratings could emerge on the sustained weak collection performance of the underlying pool (monthly collection efficiency of <90%), leading to higher-than-expected delinquency levels and credit enhancement utilisation levels. Weakening in the credit profile of the servicer (CIFCL) could also exert pressure on the ratings. The rating for PTC Series B could also face pressure on the occurrence of the specific trigger events mentioned in the transaction structure.

Analytical approach

The rating action is based on the analysis of the performance of CIFCL's portfolio till December 2024, 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	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. Chartered Accountant's Know Your Customer (KYC) certificate
6. Any other documents executed for the transaction

Validity of the provisional ratings

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 ratings would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional ratings

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 ratings, the provisional ratings will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the originator

CIFCL, a non-banking financial company, is a part of the Chennai-based Murugappa Group of companies. Incorporated in 1978, it operates through 1,577 branches across 29 states and Union Territories (UTs) with net assets under management (AUM) of Rs. 1,74,566 crore as of December 2024. Its core business segments include vehicle finance (53%) and home loan (HL) and loan against property (LAP; 24%). CIFCL has forayed into three new business divisions in the consumer and small and medium enterprise (SME) ecosystem, namely Consumer & Small Enterprise Loan (CSEL), Secured Business & Personal Loans (SBPL) and SME, which contributed 23% to the AUM as of December 2024.

As of March 2025, 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.

Key financial indicators (audited)

CIFCL (standalone)	FY2023	FY2024	FY2025
Total income	12,978	19,216	26,055
Profit after tax	2,666	3,423	4,259
Total managed assets	1,17,607	1,60,194	2,07,875
Gross stage 3	3.0%	2.5%	2.8%
CRAR	17.1%	18.6%	19.8%

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

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 rated amount (Rs. crore)	Current rated amount (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				July 31, 2025	-	-	-
PLATINUM TRUST JUN 2025 – TRANCHE I	PTC Series A	2,520.10	2,520.10	**Provisional [ICRA]AAA(SO)**	-	-	-
	PTC Series B	132.64	132.64	**Provisional [ICRA]AAA(SO)**	-	-	-
	Second loss facility	39.79	39.79	**Provisional [ICRA]A-(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
PTC Series A	Moderately Complex
PTC Series B	Moderately Complex
Second loss facility	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
PLATINUM TRUST JUN 2025 – TRANCHE I	PTC Series A	July 29, 2025	7.40%	December 20, 2031	2,520.10	Provisional [ICRA]AAA(SO)
	PTC Series B		7.40%		132.64	Provisional [ICRA]AAA(SO)
	Second loss facility		-		39.79	Provisional [ICRA]A-(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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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

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