

**Rating Rationale**

February 14, 2024 | Mumbai

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**Platinum Trust Jan 2024- Tranche IV  
(Originator: Cholamandalam Investment and Finance Company Limited)**

^ Provisional CRISIL AA+ (SO)^ assigned to Series A PTCs

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**Rating Action**

Trust Name	Details	Amount Rated (Rs.Crore)	Pool Principal (Rs.Crore)	Original Tenure (Months)^	Credit Collateral^ (Rs.Crore)*	Ratings/Credit Opinions	Rating Action
Platinum Trust Jan 2024- Tranche IV	Series A PTCs&	1457.97	1457.97	77	72.90	Provisional CRISIL AA+ (SO)^	Provisional Rating Assigned

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

&Series A PTC holders are entitled to receive timely interest and timely principal

\*Additionally, scheduled excess interest spread (EIS) amounting to Rs 156.07 crore (assuming zero prepayments) also provides credit support to PTCs

^Indicates door to door tenure. Actual tenure will depend on the level of prepayments in the pool, and exercise of the clean-up call option @A prefix of 'Provisional' indicates that the rating centrally factors in the strength of specific structures, and is contingent upon occurrence of certain steps or execution of certain documents by the issuer, as applicable, without which the rating would either have been different or not assigned ab initio. This is in compliance with a May 6, 2015 directive ^Standardizing the term, rating symbol, and manner of disclosure with regards to conditional/ provisional/ in-principle ratings assigned by credit rating agencies' by Securities and Exchange Board of India (SEBI) and April 27, 2021 circular ^Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments^ by SEBI

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**Detailed Rationale**

CRISIL Ratings has assigned its ^Provisional CRISIL AA+ (SO)^ ratings to series A pass-through certificates (PTCs) issued by ^Platinum Trust Jan 2024- Tranche IV^ under a securitisation transaction originated by Cholamandalam Investment Finance Company Limited (CIFCL; rated ^CRISIL A1+^). ^

This securitisation transaction is backed by receivables from commercial vehicle, construction equipment, two-wheeler and three-wheeler loans originated by CIFCL. The rating/ credit opinion is based on the credit support available to the PTCs, credit quality of underlying receivables, CIFCL's origination and servicing capabilities, the payment mechanism, and soundness of the transaction's legal structure.

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The transaction has a ^Par with excess interest spread (EIS)^ structure. CIFCL will assign the pool to ^Platinum Trust Jan 2024- Tranche IV^, which will issue the PTCs to investors. Series A PTC payouts are supported by credit collateral in the form of fixed deposits and EIS.

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The total credit support available in the transaction is as below:

- Internal credit support in the form of scheduled EIS assuming zero prepayments aggregating Rs 156.07 crore (10.7% of pool principal) for Series A PTCs.
- External credit enhancement of Rs 72.90 crore (5.0% of the pool principal or 3.8% of pool cashflows) is in the form of a fixed deposit.

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Series A PTC holders are entitled to receive timely interest and timely principal payments on a monthly basis.

**Key Rating Drivers & Detailed Description**

**Strengths:**

- Credit support available in the structure
  - Credit collateral of Rs 72.90 crore (5.0% of the pool principal or 3.8% of pool cashflows) provides credit support to Series A PTCs. The PTCs also benefit from internal credit support through scheduled EIS (assuming zero prepayment) aggregating to Rs 156.07 crore (10.7% of pool principal).
- Repayment track record of contracts in the pool
  - The contracts in the pool have weighted average number of instalments paid of 12.1, and consequently, the pool has amortised by 19.6% as of the cut-off date of 31<sup>st</sup> December, 2023.

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**Weaknesses:**

- Potential effect of macro-economic headwinds
  - Borrowers in the underlying pool could come under pressure due to a challenging macroeconomic environment. Headwinds such as increased fuel costs, an increasing interest rate scenario, and moderation in demand on account of inflation and geo-political uncertainties. These factors may hamper pool collection ratios.
- Higher LTV contracts in pool
  - 48.6% of the pool cashflows are from contracts having LTV higher than 85% while the weighted average LTV of the pool is 83.0%

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These aspects have been factored by CRISIL Ratings in its rating analysis.

**Liquidity: Strong**

Liquidity position is strong given that the credit enhancement (internal and external combined) in the structure is sufficient to cover losses exceeding 1.5 times the currently estimated base shortfalls.

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**Rating Sensitivity factors****Upward factor**

- Credit enhancement (based on both internal and external credit enhancements) available in the structure exceeding 2.6 times the estimated base case shortfalls on the residual cash flows of the pool

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**Downward factors**

- Credit enhancement (based on both internal and external credit enhancements) falling below 2.0 times the estimated base case shortfalls.
- A sharp downgrade in the rating of the servicer/originator.
- Non-adherence to the key transaction terms envisaged at the time of the rating.

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**About the pool**

The pool securitised comprises of commercial vehicle, construction equipment, two-wheeler and three-wheeler loans. The pool has weighted average number of instalments paid of 12.1. The pool has moderate geographic concentration with top three states accounting for 29.9% of pool principal. Average ticket size is Rs 2.88 lakhs with weighted average interest rate of 15.1%. All the contracts in the pool were current as on pool cut-off date (December 31<sup>st</sup>, 2023). CRISIL Ratings has adequately factored all these aspects in its rating analysis.

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**Additional disclosures for Provisional ratings:**

The provisional rating is contingent upon execution of the following documents, as applicable:

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**Legal Documents**

- Declaration of Trust
- Deed of Assignment of receivables in the process of securitisation
- Cash Collateral Agreement
- Accounts Agreement
- Servicing Agreement; and
- Power of Attorney

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**Other Documents**

- Information Memorandum
- Legal Opinion
- Auditors Certificate
- Originator's Representation and Warranties Letter
- Trustee Awareness Letter

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The provisional rating shall be converted into a final rating after receipt of transaction documents duly executed within 90 days from the date of issuance of the instrument. The final rating assigned post conversion shall be consistent with the available documents. In case of non-receipt of the duly executed transaction documents within the above-mentioned timelines, the rating committee of CRISIL Ratings may grant an extension of up to another 90 days in line with its policy on provisional ratings.

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**Rating that would have been assigned in absence of the pending documentation:** In the absence of documentation considered while assigning provisional rating as mentioned above, CRISIL Ratings would not have assigned any rating.

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**Risks associated with provisional nature of credit rating:**

A prefix of 'Provisional' to the rating symbol indicates that the rating is contingent upon execution of certain documents by the issuer, as applicable. In case the documents received deviates significantly from the expectations, CRISIL Ratings may take an appropriate action including placing the rating on watch or a rating change on a case-to-case basis. In the absence of the pending documentation, the rating on the instrument would either have been different or not assigned ab initio.

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**Rating Assumptions**

To assess the base case shortfalls for the transaction, CRISIL Ratings has analysed the static pool performance (with information on 90+ delinquencies) on new and used vehicles provided by CIFCL for originations in the period FY 2014 to Q3 FY 2023 (with performance data till March 2023). CRISIL has also analysed performance of past rated securitisation transactions and the performance of CIFCL's vehicle finance portfolio. 90+ delinquency (as % of managed assets) for CIFCL's vehicle finance portfolio was 3.3% as of September 2023.

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CRISIL Ratings has also factored in pool specific characteristics and estimated the base case shortfalls in the pool by the maturity of the transaction in the range of 4.0% to 6.0% of pool cashflows.

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- CRISIL Ratings has assumed a stressed monthly prepayment rate of 0.3 to 0.8% in its analysis.
- CRISIL Ratings does not envisage any risk arising on account of commingling of cash flows since CRISIL Ratings' short term rating on the servicer is 'CRISIL A1+'.
- CRISIL Ratings has adequately factored in the risks arising on account of counterparties (refer to counterparty details below).
- CRISIL Ratings has run sensitivities based on various shortfall curves (front-ended, back-ended, and normal) and has adequately factored the same in its analysis.

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**Counterparty details**

Capacity	Counterparty Name	Counterparty Rating/ Track record	Effect on credit ratings in case of non-performance
Originator	CIFCL	Rated ~ CRISIL A1 +	No effect.
Servicer Â	CIFCL	Rated ~ CRISIL A1 +	Significant effect, because of change in servicing quality and replacement

			cost of servicer (not factored in by CRISIL Ratings given its rating on the servicer). However, CRISIL Ratings does not envisage the requirement for replacement.
Collection and Payout Account Bank	HDFC Bank Limited	Rated $\hat{\text{A}}$ ~CRISIL AAA/CRISIL AA+/Stable/CRISIL A1+ $\hat{\text{A}}$ <sup>TM</sup>	Negligible effect. Account bank can be changed without impacting the rating.
Cash collateral in the form of Fixed Deposit	$\hat{\text{A}}$ ICICI Bank Limited	Rated $\hat{\text{A}}$ ~CRISIL AAA/CRISIL AA+/Stable'	Negligible effect. Bank with whom the fixed deposit is maintained can be changed without impacting the rating.
Trustee	IDBI Trusteeship Services Limited	NA	Negligible effect. Can be replaced at minimal cost.

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#### About the Originator

Part of the Chennai-based Murugappa group, Chola Finance was incorporated in 1978. The company mainly provides vehicle financing and LAP, along with home loans, MSME and agricultural loans. The company has ventured into new businesses in the consumer and MSME ecosystem, namely CSEL, SBPL and SME finance in the second half of fiscal 2022. It had 1,191 branches across 29 states in India, with 80% presence across tier III to tier VI cities, as on March 31, 2023.

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The Murugappa group currently holds 51.6% equity stake in Chola Finance, of which 45.5% is held by Cholamandalam Financial Holdings Limited, a group company. Chola Finance currently has two subsidiaries: Cholamandalam Securities Ltd (CSEC) and Cholamandalam Home Finance Ltd (CHFL), joint venture with Payswiff Technologies Pvt Ltd and three associates: White Data System India Pvt Ltd, Vishvakarma Payments Pvt Ltd and Paytail Commerce Pvt Ltd.

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For FY2023, profit after tax (PAT) was Rs 2,666 crore, against Rs 2,147 crore and Rs 1,515 crore, respectively, for the previous fiscals.

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#### Key Financial Indicators

As on/for the quarter ended March 31	$\hat{\text{A}}$	2023	2022	2021
<b>Total Assets</b>	<b>Rs crore</b>	<b>113516</b>	<b>82363</b>	<b>74548</b>
<b>Total income (net of interest expense)</b>	<b>Rs crore</b>	<b>7229</b>	<b>5840</b>	<b>5000</b>
<b>Profit after tax</b>	<b>Rs crore</b>	<b>2666</b>	<b>2147</b>	<b>1515</b>
<b>Gross Stage III</b>	<b>%</b>	<b>3.0</b>	<b>4.4</b>	<b>4.0</b>
<b>Adjusted gearing</b>	<b>Times</b>	<b>6.8</b>	<b>5.9</b>	<b>6.7</b>
<b>Return on average managed assets</b>	<b>%</b>	<b>2.7</b>	<b>2.7</b>	<b>2.2</b>
<b>CAR</b>	<b>%</b>	<b>17.1</b>	<b>19.6</b>	<b>19.1</b>

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#### Past rated pools

CRISIL Ratings has ratings outstanding on fifteen securitisation transactions originated by CIFCL. CRISIL Ratings is receiving monthly performance reports pertaining to these transactions.

**Any other information:** Not Applicable

#### Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - $\hat{\text{A}}$  Details of Instrument' $\hat{\text{A}}$  in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - $\hat{\text{A}}$  including those that are yet to be placed - $\hat{\text{A}}$  based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

#### Annexure - Details of Instrument(s)

ISIN	Name of the security	Date of issuance	Coupon Rate (%)	Maturity Date*	Size of the issue $\hat{\text{A}}$ (Rs.Crore)	Complexity level	Rating assigned	Cash collateral (Rs.Crore)#
NA <sup>%</sup>	Series A PTCs	31-Jan-2024	8.65% (p.a.p.m.)	22-Jun-2030	1457.97	Highly Complex	Provisional CRISIL AA+ (SO)	72.90

\*Indicates door to door tenure. Actual tenure will depend on the level of prepayments in the pool, and exercise of the clean-up call option

#Additional credit support includes Rs 156.07 crore for Series A PTCs in form of scheduled cash flow subordination (assuming zero prepayments)

<sup>%</sup>ISIN yet to be issued

#### Annexure - Rating History for last 3 Years

$\hat{\text{A}}$	Current			2024 (History)		2023 $\hat{\text{A}}$		2022 $\hat{\text{A}}$		2021 $\hat{\text{A}}$		Start of 2021
	Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
	Series A PTCs	LT	1457.97	Provisional CRISIL AA+ (SO)	$\hat{\text{A}}$	--	$\hat{\text{A}}$	--	$\hat{\text{A}}$	--	$\hat{\text{A}}$	--

All amounts are in Rs.Cr.

#### Criteria Details

Links to related criteria

[Meaning and applicability of SO and CE symbol](#)

[CRISILs rating methodology for ABS transactions](#)

[Evaluating risks in securitisation transactions - A primer](#)

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