

September 15, 2023

## Nissan Renault Financial Services India Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible debenture	100.00	100.00	[ICRA]AA- (Stable); reaffirmed
Commercial paper	400.00	400.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>500.00</b>	<b>500.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings reaffirmation takes into consideration Nissan Renault Financial Services India Private Limited's (NRFSI) strong parentage in the form of Nissan Motor Company Limited<sup>1</sup> (Nissan), which holds 70%<sup>2</sup> in the company through its wholly-owned subsidiary, Nissan International Holdings B.V. NRFSI's ratings remain strongly linked to the expectation of continued support from Nissan (parent), which, along with Renault SA (Renault), has extended capital, funding, management and operational support in the past. Nissan is a global automobile manufacturer with a presence in major auto markets including North America, Japan and China. ICRA notes that Nissan's financial profile has improved over the past two years; it reported an adjusted EBITDA<sup>3</sup> of 554.4 billion yen for the 12 months ending December 2022 vis-à-vis 410.8 billion yen in FY2022 (67.0 billion yen in FY2021). Going forward, ICRA will continue to monitor the movement in Nissan's credit risk profile and will take appropriate rating action on NRFSI as its ratings are underpinned by its parentage.

The ratings continue to factor in NRFSI's comfortable capitalisation (gearing of 2.8 times as of June 2023) and asset quality. The ratings, however, take note of the company's moderate track record of operations with a predominant reliance on the financing of Nissan/Renault-branded passenger vehicles as it is a captive financier. The ratings also consider the highly competitive nature of the auto financing industry, which limits the company's scope to expand its business margins.

### Key rating drivers and their description

#### Credit strengths

**Strong parentage with Nissan holding 70% stake via its wholly-owned subsidiary** – NRFSI is a 70:30 joint venture (JV) between Nissan International Holdings B.V., a wholly-owned subsidiary of Nissan, and RCI Banque (RCI), a wholly-owned subsidiary of Renault. The company is the captive financing arm for the Nissan and Renault brand of cars manufactured by Renault Nissan Automotive India Private Limited (RNAIPL). The ratings take note of the India-focused initiatives of the parent, including new product launches and expansion of the dealer network, which make NRFSI a critical part of the Nissan-Renault Group's (the Group) overall India business strategy.

NRFSI has received Rs. 710-crore equity from the shareholders since inception and enjoys adequate funding lines from Group companies at favourable terms. It also has board representation in the form of two Directors from Renault/Nissan. Given its

<sup>1</sup> Moody's Investors Service has a Baa3 issuer rating with a stable outlook for Nissan Motor Company Limited

<sup>2</sup> The balance (30%) is held by RCI Banque, a wholly-owned subsidiary of Renault SA (Renault). Moody's has a Baa1 rating with a stable outlook for the senior unsecured debt instruments of RCI

<sup>3</sup> Adjusted for pensions, operating leases, unusual and non-standard adjustments

strategic importance to the Group, the common branding and strong ownership, ICRA expects NRFSI to continue benefitting from the operational, financial and management support from the shareholders and Group entities.

**Comfortable asset quality** – NRFSI’s asset quality improved with 90+ days past due (dpd) of 1.8% as of June 2023 and 1.7% as of March 2023 vis-à-vis 2.2% as of March 2022 on account of recoveries from the retail as well as wholesale book. The asset quality of the wholesale book improved with a 90+dpd of 5.1% and 7.4% as of June 2023 and March 2023, respectively, vis-à-vis 7.6% as of March 2022 (loans to dealers constituted 8.2%, 6.5% and 6.8% of the overall portfolio as of June 2023, March 2023 and March 2022, respectively). The 90+dpd in the retail book remained stable at 1.5% as of June 2023 (1.3% as of March 2023) vis-à-vis 1.8% as of March 2022. ICRA expects NRFSI to maintain its portfolio delinquencies in a range-bound manner in the near term, supported by tight control on its underwriting in the wholesale segment and steady collection efforts to limit slippages in the retail segment.

**Comfortable capitalisation profile** – NRFSI has a comfortable capitalisation profile, characterised by a net worth and gearing of Rs. 1,096 crore and 2.8 times, respectively, as of June 2023. ICRA notes that the company may not need significant external capital to achieve a medium-term compound annual growth rate (CAGR) of 10-15% for its portfolio. ICRA expects timely capital support from the shareholders, if required, given the strategic importance of NRFSI to the Group’s Indian operations.

**Adequate funding support from Group companies; however, funding diversification at competitive rates required for long-term growth plans** – NRFSI’s funding profile predominantly comprises inter-corporate loans from RNAIPL. As of June 2023, about 36% of the borrowings was from RNAIPL, followed by working capital loans from banks (28%), external commercial borrowings from banks (16%), and term loans from banks (16%). The company raises funds from a few international banks, leveraging its parentage and the Group’s established relationships. Although the company currently enjoys favourable funding rates from its Group companies, ICRA notes that the same could get refinanced on maturity at higher rates, which would impact its average cost of funding over the near-to-medium term. Going forward, it would be critical to diversify and secure funds at competitive rates to support business expansion and to improve profitability.

## Credit challenges

**Moderate track record of operations** – NRFSI was incorporated in October 2013 and received a non-banking financial company (NBFC) licence in June 2014. Its overall portfolio increased at a CAGR of 10% during FY2018-FY2023 and stood at Rs. 3,878 crore as of March 2023 (Rs. 3,979 crore as of June 2023). The company continues to focus on the sale of new vehicles of the Nissan and Renault brands. NRFSI’s assets under management (AUM) is expected to reach Rs. 4,400 crore by March 2024, largely supported by the uptick in the average loan ticket size.

**Competitive business segment** – NRFSI faces competition from established players, including banks and other large NBFCs. Although its finance penetration improved to 24% in FY2023 from 21% in FY2022, the moderation in the market share of original equipment manufacturers (OEMs) impacted volumes. Nevertheless, disbursements grew by 14% in FY2023, resulting in AUM growth of 12%. Going forward, the portfolio growth would be contingent on the success of the OEMs’ planned product launches, revision in vehicle prices and NRFSI’s penetration levels.

**Moderate profitability levels** – NRFSI’s net profitability moderated to 1.4% and 1.6% in Q1 FY2024 and FY2023, respectively, from 2.1% in FY2022 (0.9% in FY2021) on account of lower margins. Margins were impacted as the company was unable to meaningfully pass on the increase in funding costs amid the competitive intensity in the segment. However, credit costs remained under control at 0.4% in Q1 FY2024 as well as FY2023 and 0.5% in FY2022. This was aided by the improvement in the asset quality even as the higher credit provisioning created during FY2020-FY2022 supported the overall provision levels. This supported the net profitability to an extent. Going forward, improving interest margins and higher fee-based income would be crucial for incremental profitability.

## Liquidity position: Strong

NRFSI had cash and liquid investments of Rs. 55 crore as on July 31, 2023 and about Rs. 814 crore of sanctioned credit lines from banks. It has repayment obligations of Rs. 200 crore of external commercial borrowings, Rs. 100 crore to RNAIPL (inter-corporate loans) during August-October 2023, and working capital demand loan (WCDL) borrowings amounting to Rs. 270 crore over the same period. The WCDL facilities are typically rolled over. The company's collections remain relatively stable and access to commensurate funding lines provides comfort from a liquidity perspective.

## Rating sensitivities

**Positive factors** –NRFSI's rating could be upgraded, or outlook revised to Positive in case of significant improvement in Nissan's risk profile.

**Negative factors** – The ratings would remain sensitive to any weakening in Nissan's risk profile or lower-than-expected support from Nissan. A substantial deterioration in NRFSI's asset quality, impacting the earnings, or a steady weakening in its liquidity and capitalisation profile would also negatively impact the ratings.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Non-banking Finance Companies</a> <a href="#">Rating Approach – Implicit Parent or Group Support</a>
Parent/Group support	The ratings factor in the high likelihood of financial support from Nissan because of the close business linkages. ICRA also expects the parent to be willing to extend financial support to NRFSI to protect its reputation from the consequences of a Group entity's distress. There is a track record of timely financial support (both debt and equity) to NRFSI, whenever required.
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company.

## About the company

Incorporated in October 2013, NRFSI is a systemically important, non-deposit taking non-banking financial company (SI-ND-NBFC). It provides financing for the Nissan and Renault brand of vehicles (retail loans) and extends inventory funding facilities to the automobile dealers (wholesale loans) of the above-mentioned vehicles. The company provides its financing services through more than 500 sales counters spread across India. NRFSI is a 70:30 joint venture between Nissan International Holdings B.V., a wholly-owned subsidiary of Nissan, and RCI, a wholly-owned subsidiary of Renault.

In FY2023, NRFSI reported a net profit of Rs. 61.4 crore on a total asset base of Rs. 4,069.3 crore compared with Rs. 71.1 crore and Rs. 3,477.6 crore, respectively, in FY2022. In Q1 FY2024, it reported a provisional net profit of Rs. 14.5 crore on a total asset base of Rs. 4,196.3 crore

## Key financial indicators (Ind-AS)

Standalone	FY2022	FY2023	Q1 FY2024 (P)
Total income	367.6	384.6	98.2
Profit after tax	71.1	61.4	14.5
Net worth	1,016.1	1,080.3	1,096.0
Loan book	3,365.8	3,787.3	3,885.2
Total managed assets	3,477.6	4,069.3	4,196.3
Return on managed assets	2.1%	1.6%	1.4%
Return on net worth	7.3%	5.9%	5.3%

Standalone	FY2022	FY2023	Q1 FY2024 (P)
Managed gearing (times)	2.4	2.7	2.8
Gross stage 3	2.2%	1.7%	1.8%
Net stage 3	0.9%	0.5%	0.5%
Solvency (Net stage 3/Net worth)	3.1%	1.6%	1.9%
CRAR	29.4%	27.6%	27.7%

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

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years				
	Type	Amount Rated	Amount Outstanding	Date & Rating	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	
		(Rs. crore)	(Rs. crore)	Sep-15-23	Sep-30-22	Jan-31-22	May-31-21	Apr-13-20	
1 Non-convertible debenture	Long term	100	100	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Negative)	[ICRA]AA-(Negative)	
2 Commercial paper	Short term	400	400	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

### Complexity level of the rated instrument

Instrument	Complexity Indicator
Non-convertible debenture	Not Applicable
Commercial paper	Not Applicable

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**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Unallocated	Non-convertible debenture	NA	NA	NA	100.00	[ICRA]AA- (Stable)
Unallocated	Commercial paper	NA	NA	NA	400.00	[ICRA]A1+

Source: Company

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

## ANALYST CONTACTS

**Karthik Srinivasan**  
+91 22 6114 3444  
[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**A M Karthik**  
+91 44 4596 4308  
[a.karthik@icraindia.com](mailto:a.karthik@icraindia.com)

**R Srinivasan**  
+91 44 4596 4315  
[r.srinivasan@icraindia.com](mailto:r.srinivasan@icraindia.com)

**Shaik Abdul Saleem**  
+91 40 4547 4829  
[shaik.saleem@icraindia.com](mailto:shaik.saleem@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## 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](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.