

May 31, 2024

Nissan Renault Financial Services India Private Limited: Rating reaffirmed for PTCs issued under new car loan securitisation transaction

Summary of rating action

Trust Name	Instrument*	Initial Amount (Rs. crore)	Amount O/s after Last Surveillance (Rs. crore)	Amount after Apr-24 Payout (Rs. crore)	Rating Action
Magnite Trust 1	PTC Series A	99.84	NA	58.97	[ICRA]AAA(SO); reaffirmed

*Instrument details are provided in Annexure I

Rationale

The pass-through certificates (PTCs) are backed by new car loan receivables originated by Nissan Renault Financial Services India Private Limited (NRFSI/Originator; rated [ICRA]AA-(Stable)/[ICRA]A1+).

The rating reaffirmation 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 rating also draws comfort from the fact that the breakeven collection efficiency is lower compared to the actual collection level observed in the pool till the April 2024 payout month.

Pool performance summary

Parameter	Magnite Trust 1
Payout month	April 2024
Months post securitisation	13
Pool amortisation	40.94%
PTC amortisation	40.94%
Cumulative collection efficiency ¹	99.69%
Cumulative prepayment rate	11.27%
Loss-cum-30+ days past due (dpd) ² (% of initial pool principal)	0.52%
Loss-cum-90+ dpd ³ (% of initial pool principal)	0.11%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool principal)	17.66%
Excess interest spread (EIS) ⁴ (as % of balance pool principal)	1.57%
Principal subordination (% of balance pool principal)	0.00%
Breakeven collection efficiency ⁵	84.24%

¹ (Cumulative Current and Overdue Collections till date)/(Cumulative Billing till date + Opening Overdues at the start of the transaction)

² Inclusive of Unbilled and Overdue Principal portion of Delinquent contracts overdue by more than 30 days, as a % of Initial Pool Principal

³ Inclusive of Unbilled and Overdue Principal portion of Delinquent contracts overdue by more than 90 days, as a % of Initial Pool Principal

⁴ (Pool Cash flows – Cash flows to PTC investors – Originator's residual share)/Pool Principal outstanding

⁵ (Balance Cash flows payable to investor – CC available)/Balance Pool Cash flows

Transaction structure

According to the transaction structure, the monthly cash flow schedule comprises the promised interest payout and principal payout (100% of the pool principal billed). Any surplus excess interest spread (EIS), after meeting the promised and expected payouts, will flow back to the Originator on a monthly basis. Any prepayment in the pool would be used for the prepayment of PTC Series A principal.

Key rating drivers and their description

Credit strengths

Healthy amortisation of pool leading to build up in credit enhancement – The rating factors in the build-up in the credit enhancement following the healthy collections and amortisation of the pool. The CC has built up to 17.66% of the balance pool principal from 9.50% of the pool principal at the onset of the transaction. While the transaction structure has both interest and principal promised to the PTC investors on a monthly basis the healthy collections have ensured no utilisation of CC in any of the payouts.

Healthy collections and low delinquencies – The pool has exhibited healthy cumulative collection efficiency of 99.69% and low delinquencies with loss-cum-30+ dpd of 0.52% and loss-cum-90+ dpd of 0.11% as on April 2024 payout. The monthly collection efficiency has been upwards of 99% in all of the months.

Credit challenges

Risks associated with lending business – The pool's performance would remain exposed to macro-economic shocks and business disruptions 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 2.25% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4% to 12% 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 rating for the instrument.

Liquidity position: Superior

The liquidity for the PTC instrument is superior after factoring in the credit enhancement available to meet the promised payouts to the investors. The total credit enhancement would be ~7.5 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Sustained weak collection performance of the underlying pool of contracts (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 rating.

Analytical approach

The rating action is based on the performance of the pool till April 2024 payout month (March 2024 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 October 2013, NRFSI is a systemically important, non-deposit taking non-banking financial company (NBFC-ND-SI), classified under the middle layer of the Reserve Bank of India’s (RBI) scale-based regulations. It provides financing for the Nissan and Renault brand of vehicles (retail loans) and extends 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. 3,481.6 crore, respectively, in FY2022. In H1 FY2024, it reported a provisional net profit of Rs. 30.5 crore on a total asset base of Rs. 3,880.6 crore.

Key financial indicators (Standalone)

Particulars	FY2022 (Audited)	FY2023 (Audited)	H1 FY2024 (Provisional)
Total Income	367.6	384.6	201.6
Profit after tax	71.1	61.4	30.5
Total Managed Assets	3,481.6	4,069.3	3,880.6
Gross Stage 3	2.2%	1.7%	1.7%
CRAR	29.4%	27.6%	28.7%

Source: Company, ICRA Research; 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 (FY2025)				Chronology of Rating History for the Past 3 Years			
	Instrument	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				May 31, 2024	May 18, 2023	April 04, 2023	-	-
Magnite Trust 1	PTC Series A	99.84	58.97	[ICRA]AAA(SO)	[ICRA]AAA(SO)	Provisional [ICRA]AAA(SO)	-	-

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
Magnite Trust 1	PTC Series A	Simple

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	Coupon Rate [^]	Maturity Date [*]	Amount Rated (Rs. Crore)	Current Rating
Magnite Trust 1	PTC Series A	March 2023	7.90%	February 2029	58.97	[ICRA]AAA(SO)

**Scheduled maturity at transaction initiation; may change on account of prepayments; [^]p.a.p.m.*

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not Applicable

ANALYST CONTACTS

Abhishek Dafria

+91 22 6114 3440

abhishek.dafria@icraindia.com

Sachin Joglekar

+91 22-6114 3470

sachin.joglekar@icraindia.com

Gaurav Mashalkar

+91 22 6114 3431

gaurav.mashalkar@icraindia.com

Alwin Thankachan

+91 22 6114 3411

alwin.thankachan@icraindia.com

Advait Athavale

+91 22 6114 433

advait.athavale@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3304

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

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

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

ICRA Limited



Registered Office

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

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 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 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.