

March 04, 2025

## Nissan Renault Financial Services India Private Limited: Long-term rating downgraded to [ICRA]A+ (Stable), Short-term rating reaffirmed [ICRA]A1+

### 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]A+ (Stable); downgraded from [ICRA]AA- (Stable)
Commercial paper	100.00	100.00	[ICRA]A1+; reaffirmed
Term loans	200.00	200.00	[ICRA]A+ (Stable); downgraded from [ICRA]AA- (Stable)
<b>Total</b>	<b>400.00</b>	<b>400.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating action considers the weakening in the credit profile of Nissan Motor Company Limited<sup>1</sup> (Nissan), which holds 70%<sup>2</sup> in Nissan Renault Financial Services India Private Limited (NRFSI) through its wholly-owned subsidiary, Nissan International Holdings B.V. Going forward, ICRA will continue to monitor the movement in Nissan's credit risk profile and will take an 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 1.8 times as of December 2024) 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<sup>3</sup>-branded passenger vehicles as it is a captive financier. ICRA notes that NRFSI's loan portfolio declined in FY2024 and 9M FY2025, largely on account of the reduction in the sales volume of the OEMs. The sales volume/market share trend of the OEMs would be a key sensitivity for NRFSI's ability to grow its disbursements and loan portfolio. The ratings also consider the highly competitive nature of the auto financing industry, which limits the company's scope to expand its business margins.

The Stable outlook reflects ICRA's expectation that NRFSI's capitalisation and asset quality will remain comfortable and it would continue to receive timely operational and managerial support from Nissan over the near-to-medium term.

### Key rating drivers and their description

#### Credit strengths

**Comfortable asset quality** – NRFSI's portfolio delinquencies remained comfortable, notwithstanding some increase in 9M FY2025. The 90+ days past due (dpd) stood at 2.0% as of December 2024 vis-à-vis 1.6% as of March 2024 and 1.9% as of June 2024, partly supported by write-offs. The company wrote off Rs. 30.2 crore in FY2024 from its wholesale lending portfolio (i.e.

<sup>1</sup> The senior unsecured rating was downgraded to Ba1 with negative outlook from Baa3 by Moody's Investors Service (Moody's) on February 21, 2025

<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> Original equipment manufacturers (OEMs)

lending to dealers, which constituted 7.9% of the overall portfolio as of March 2024), resulting in an improvement in this segment's 90+dpd to 1.2% as of March 2024 from 7.4% as of March 2023. The 90+dpd in the retail book weakened slightly to 1.7% as of March 2024 from 1.3% as of March 2023 as the company increased its exposure to the self-employed category of customers; however, the asset quality of this segment remains comfortable. ICRA expects NRFSI's portfolio delinquencies to remain range-bound in the near term, supported by tight control on its underwriting in the wholesale segment and steady collection efforts in the retail segment.

**Comfortable capitalisation profile** – NRFSI has a comfortable capitalisation profile, characterised by a net worth and gearing of Rs. 1,208 crore and 1.8 times, respectively, as of December 2024. ICRA notes that the company may not need significant external capital for portfolio growth.

**Strategic importance to Nissan's India operations** – 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 Directors from Nissan/Renault. Given its strategic importance to the Group, the common branding and strong ownership, ICRA expects NRFSI to continue benefitting from the operational and management support from the shareholders and Group entities.

**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 Renault Nissan Automotive India Private Limited (RNAIPL). As of December 2024, 50.9% of the borrowings was from RNAIPL, followed by term loans from banks (31.1%), working capital loans from banks (16.3%), and securitisation (1.7%). The company raises funds from a few international banks, leveraging its parentage and the Group's established relationships. Although NRFSI currently enjoys favourable funding rates from its Group companies, ICRA notes that the same got refinanced on maturity at higher rates, which would impact its average cost of funding over the near-to-medium term. The company needs to diversify and secure funds at competitive rates to support business expansion and improve profitability.

## Credit challenges

**Moderate track record of operations; competitive business segment** – NRFSI was incorporated in October 2013 and received a non-banking financial company (NBFC) licence in June 2014. Its overall portfolio stood at Rs. 3,442.7 crore as of December 2024 and Rs. 3,691.9 crore as of March 2024 (Rs. 3,877.6 crore as of March 2023). The decline in the portfolio was mainly due to lower disbursements as OEM sales volume moderated. The company continues to focus on the sale of new vehicles of the Nissan and Renault brands. NRFSI's loan portfolio is expected to remain flat in the near term due to the moderation in demand for the ageing models of OEMs.

NRFSI faces competition from established players, including banks and other large NBFCs. This results in significant constraints on its lending yields and consequently its interest margins. The company has been taking steps, including increasing the share of higher-yielding loans such as loans to self-employed borrowers, used vehicle loans, etc. However, the impact of the same could be limited in the near term. NRFSI's financing penetration with the OEMs improved to 25.4% in FY2024 (26.5% in Q1 FY2025) from 23.5% in FY2023, which helped restrict the decline in its assets under management (AUM) in FY2024 to 4.8%. Going forward, 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 is moderate and stood at 1.6% in 9M FY2025 as well as FY2024. The profitability was impacted in 9M FY2025 due to the increase in credit costs to 0.8% from 0.5% in FY2024 on account of write-offs. Nonetheless, it was supported by the improvement in the net interest margin to 4.8% in 9M FY2025 from 4.4% in FY2024, partly due to the moderation in the leverage levels. Going forward, improving interest margins and higher fee-based income would be crucial for incremental profitability.

## Liquidity position: Strong

NRFSI had about Rs. 1,636 crore of sanctioned credit lines from banks as on January 31, 2025, which are available on immediate basis for utilisation. It has repayment obligations of Rs. 271 crore during February-April 2025. 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 positively impacted in case of a significant improvement in Nissan's risk profile.

**Negative factors** – Further weakening in Nissan's risk profile could have a negative impact on the ratings. A substantial deterioration in NRFSI's asset quality, impacting 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>
Parent/Group support	While arriving at the ratings of NRFSI, operational and managerial support from Nissan is taken into consideration
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 brands of vehicles (retail loans) and extends term loans and inventory funding facilities to the automobile dealers (wholesale loans) of the above-mentioned vehicles. 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.

NRFSI reported a net profit of Rs. 64.4 crore in FY2024 on a total managed asset base of Rs. 3,788.8 crore compared with Rs. 61.4 crore and Rs. 4,159.6 crore, respectively, in FY2023. It reported a provisional net profit of Rs. 44.0 crore in 9M FY2025 on a total managed asset base of Rs. 3,531.6 crore.

## Key financial indicators (Ind-AS)

NRFSI – Standalone	Ind-AS	Ind-AS	Ind-AS
	Audited FY2023	Audited FY2024	Provisional 9M FY2025
Total income	384.6	405.4	292.8
Profit after tax	61.4	64.4	44.0
Total managed assets	4,159.6	3,788.8	3,531.6
Return on managed assets	1.6%	1.6%	1.6%
Managed gearing (times)	2.7	2.2	1.8
Gross stage 3	1.7%	1.6%	2.0%
CRAR	27.6%	30.5%	32.3%

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

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	FY2025					FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Mar 04 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Non-convertible debenture</b>	Long term	100	[ICRA]A+ (Stable)	Sep-06-24	[ICRA]AA- (Stable)	Nov-24-23	[ICRA]AA- (Stable)	Sep-30-22	[ICRA]AA- (Stable)	Jan-31-22	[ICRA]AA- (Stable)
						Sep-15-23	[ICRA]AA- (Stable)			May-31-21	[ICRA]AA- (Negative)
<b>Commercial paper</b>	Short term	100	[ICRA]A1+	Sep-06-24	[ICRA]A1+	Nov-24-23	[ICRA]A1+	Sep-30-22	[ICRA]A1+	Jan-31-22	[ICRA]A1+
						Sep-15-23	[ICRA]A1+			May-31-21	[ICRA]A1+
<b>Term loans</b>	Long term	200	[ICRA]A+ (Stable)	Sep-06-24	[ICRA]AA- (Stable)	Nov-24-23	[ICRA]AA- (Stable)				

### Complexity level of the rated instrument

Instrument	Complexity indicator
<b>Non-convertible debenture</b>	Very Simple
<b>Commercial paper</b>	Very Simple
<b>Long-term fund-based term loans</b>	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

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
Yet to be placed	Non-convertible debenture	NA	NA	NA	100.00	[ICRA]A+ (Stable)
Yet to be placed	Commercial paper	NA	NA	NA	100.00	[ICRA]A1+
NA	Term loans	Jun-30-23 – Aug-05-24	NA	Jun-27-25 & Aug-05-27	200.00	[ICRA]A+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis

Not applicable

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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.

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