

April 04, 2023

## Nissan Renault Financial Services India Private Limited: Provisional [ICRA]AAA(SO) assigned to PTC Series A issued by Magnite Trust 1, backed by a pool of new car loan receivables

### Summary of rating action

Trust Name	Instrument*	Rated Amount (Rs. crore)	Rating Action
Magnite Trust 1	PTC Series A	99.84	Provisional [ICRA]AAA(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
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### Rationale

ICRA has assigned a provisional rating to the pass-through certificates (PTCs) Series A issued under a securitisation transaction originated by Nissan Renault Financial Services India Private Limited (NRFSI; rated [ICRA]AA-(Stable)/[ICRA]A1+). The PTCs are backed by a pool of Rs. 99.84-crore (principal amount; receivables of Rs. 116.51 crore) new car loan receivables.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts. Credit enhancement (CE) is available in the form of (i) a cash collateral (CC) of 9.50% of the initial pool principal to be provided by the originator, (ii) excess interest spread (EIS) of 2.42% of the initial pool principal in the structure, as well as the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

### Key rating drivers

#### Credit strengths

- Availability of credit enhancement in the form of EIS and cash collateral
- Average seasoning of ~23 months as on the pool cut-off date
- There are no overdue contracts in the pool as on the cut-off date

#### Credit challenges

- Higher share of self-employed borrowers in pool with ~62% share
- Higher share of high LTV contracts with ~56% share of contracts having LTV more than 80%
- Performance of the pool would remain exposed to macro-economic shocks/business disruptions, if any

### Description of key rating drivers highlighted above

According to the transaction structure, the loan pool receivables will be assigned at par to the PTC investors. The promised cash flow schedule for PTC Series A on a monthly basis will comprise the interest (at the predetermined yield) on the outstanding PTC principal and the principal to the extent of 100% of the billed pool principal on each payout date. The residual excess available after meeting the promised payouts to the PTCs and top up of CC, will be passed on to the originator every month. The pool amortisation schedule and the promised payouts to the PTC investors are subject to modification on account of prepayments.

The first line of support for PTC Series A in the transaction is in the form of an EIS of 2.42% of the initial pool principal. A CC of 9.50% of the initial pool principal (Rs. 9.49 crore) to be provided by NRFSI will act as further CE in the transaction. In the event of a shortfall in meeting the promised PTC payouts during any month, the trustee will utilise the CC to meet the same.

There are no overdues in the pool as on the cut-off date. The loan contracts in the pool have a high average seasoning of 23 months as on the cut-off date. The pool has a higher share of self-employed borrowers which comprise 62% of the pool principal. The pool has a higher share of high LTV contracts with 56% of the pool principal having LTV greater than 80%. The pool is geographically diversified with top state of Tamil Nadu having 22% share in pool principal. None of the contracts in the pool have a CIBIL score of below 700 while all contracts in the pool also have a healthy past repayment track record. The performance of the pool would remain exposed to any macro-economic shocks/business disruptions.

### Key rating assumptions

ICRA's cash flow modelling for rating asset-backed securitisation (ABS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the performance of the originator's portfolio as well as the characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

After making these adjustments, the expected mean shortfall in principal collection during the tenure of the pool is estimated at 2.00-3.00% of the initial pool principal, with certain variability around it. The prepayment rate for the underlying pool is estimated at 4.0-12.0% per annum.

### Liquidity position: Superior

The liquidity of the rated transaction is expected to be superior, supported by the healthy collections expected from the pool of contracts and the presence of a CC amounting to 9.50% of the pool principal amount. Even assuming a monthly collection efficiency of only 50% in the underlying pool of contracts in a stress scenario, the CC would cover the shortfalls in the scheduled PTC payouts for a period of six months.

### Rating sensitivities

**Positive factors** – Not Applicable

**Negative factors** – Pressure on the rating could emerge on the sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and CE utilisation levels.

## Analytical approach

The rating action is based on the analysis of the performance of NRFSI's portfolio till February 2023, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the CE cover available in the transaction.

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Securitisation Transactions</a>
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 rating is 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 rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of any continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

## Risks associated with the provisional rating

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 rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## About the originator

Nissan Renault Financial Services India Private Limited (NRFSI) is a 70:30 joint venture between Nissan International Holdings B.V, a wholly owned subsidiary of Nissan Motor Company Limited and RCI Banque S.A, a wholly owned subsidiary of Renault S.A. NRFSI was incorporated in October 2013 and received its NBFC licence in July 2014. The company is a systemically important - non-deposit taking non-banking finance company (SI-ND-NBFC). The company provides financing against vehicles (Nissan, Renault and Datsun branded vehicles) and also provides working capital/term loan and inventory funding facility to automobiles dealers (wholesale loans). The company provides its financing services through 540 sales counters spread across India.

In FY2022, NRFSI reported a net profit of Rs. 71.1 crore on a total asset base of Rs. 3,477.6 crore as compared with net profit of Rs. 28.9 crore on a total asset base of Rs. 3,377.9 crore for FY2021.

### Key financial indicators (IndAS)

Standalone	FY2020	FY2021	FY2022
Total income	322.7	323.4	367.6
Profit after tax	44.2	28.9	71.1
Total managed assets	3,125.3	3,377.9	3,477.6
Gross stage 3	2.6%	2.3%	2.2%
Net stage 3	1.2%	1.0%	0.9%

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

Sr. No.	Trust Name	Instrument	Current Rating (FY2024)		Chronology of Rating History for the Past 3 Years			
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
1	Magnite Trust 1	PTC Series A	99.84	99.84	April 04, 2023 Provisional [ICRA]AAA(SO)	-	-	-

### Complexity level of the rated instrument

Instrument	Complexity Indicator
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 / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
<b>Magnite Trust 1</b>	PTC Series A	March 2023	7.90%	February 2029	99.84	Provisional [ICRA]AAA(SO)

\* Scheduled PTC maturity date at transaction initiation; may change on account of prepayments

Source: Company

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

Not Applicable

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## About ICRA Limited:

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For more information, visit [www.icra.in](http://www.icra.in)

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