

May 18, 2023

Nissan Renault Financial Services India Private Limited: Rating confirmed as final for PTC Series A backed by new car loan receivables issued by Magnite Trust 1

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Magnite Trust 1	PTC Series A	99.84	[ICRA]AAA(SO); provisional rating confirmed as final

*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

In April 2023, ICRA had assigned a Provisional [ICRA]AAA(SO) rating to pass-through certificates (PTC) Series A issued by Magnite Trust 1. The PTCs are backed by a pool of Rs. 99.84-crore (principal amount; receivables of Rs. 116.51 crore) of new car loan receivables originated by Nissan Renault Financial Services India Private Limited (NRFSI; rated [ICRA]AA-(Stable)/[ICRA]A1+). Since the executed transaction documents are in line with the rating conditions and the legal opinion for the transaction has been provided to ICRA, the said rating has now been confirmed as final.

A summary of the pool's performance after the April 2023 payout is shown in the table below.

Parameter	Magnite Trust 1
Months post securitisation	1
Pool amortisation	3.49%
PTC Series A amortisation	3.49%
Cumulative collection efficiency (including advance collections)	99.82%
Cumulative prepayment rate	1.16%
Loss-cum-0+ days past due (dpd)	0.46%
Loss-cum-30+ dpd	0.00%
Loss-cum-90+ dpd	0.00%
Cumulative cash collateral utilisation	0.00%

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 as on the cut-off date
- Higher share of high LTV contracts with ~56% share of contracts having LTV more than 80% as on the cut-off date
- 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.

Past rated pools: This is the first PTC transaction of NRFSI being rated by ICRA.

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 initial 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 trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

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

Standalone	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Audited)	9MFY2023 (Unaudited)
Total income	322.7	323.4	367.6	284.7
Profit after tax	44.2	28.9	71.1	50.5
Total managed assets	3,125.3	3,377.9	3,477.6	3,873.2
Gross stage 3	2.6%	2.3%	2.2%	1.6%
Net stage 3	1.2%	1.0%	0.9%	0.5%

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
					May 18, 2023	April 04, 2023			
1	Magnite Trust 1	PTC Series A	99.84	99.84	[ICRA]AAA(SO)	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
Magnite Trust 1	PTC Series A	March 2023	7.90%	February 2029	99.84	[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:

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.

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