

October 14, 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 after Previous Rating Exercise (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Magnite Trust 1	PTC Series A	99.84	58.97	44.66	[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; [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 September 2024 payout month.

Pool performance summary

Parameter	Magnite Trust 1
Payout month	September 2024
Months post securitisation	18
Pool amortisation	55.27%
PTC amortisation	55.27%
Cumulative collection efficiency ¹	99.53%
Cumulative prepayment rate	14.84%
Loss-cum-30+ days past due (dpd) ² (% of initial pool principal)	0.98%
Loss-cum-90+ dpd ³ (% of initial pool principal)	0.45%
Cumulative cash collateral (CC) utilisation	0.00%
CC available (as % of balance pool principal)	21.25%
Excess interest spread (EIS) ⁴ (as % of balance pool principal)	1.41%
Principal subordination (% of balance pool principal)	0.00%
Breakeven collection efficiency ⁵	79.51%

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.

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

Reset of credit enhancement

At the request of the originator for resetting the credit enhancement, ICRA has analysed for the transactions at a CC of 11.0% of the balance pool principal (i.e. Rs. 4.91 crore) against the currently available CC of 21.25% of the balance pool principal (after September 2024 payouts). Based on the pool's performance, the rating will remain unchanged even after the reset of the CC amount. The CC reset shall be subject to the approval of the PTC investors. However, as per the regulatory guidelines, the amount of the CC that can be released would be restricted to 60% of the difference between the current CC amount and revised CC amount allowed by ICRA.

Key rating drivers and their description

Credit strengths

High amortisation leading to build up in credit enhancement – The pool and PTCs have amortised by 55.27% after the September 2024 payout. The high amortisation and healthy collections has led to build up in credit enhancement in the transaction. The cash collateral (CC) has built up to 21.25% of the balance pool principal from 9.50% of the pool principal at the onset of the transaction while the EIS has declined marginally. There has been no utilisation of CC till date.

Healthy collections and low delinquencies – The pool has exhibited high collection efficiency of 99.53% and very low delinquencies with loss-cum-30+ dpd of 0.98% and loss-cum-90+ dpd of 0.45%.

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 their tenure at 1.25% of initial pool principal with certain variability around it. The average prepayment rate for the 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.

Details of key counterparties

The key counterparties in the rated transaction is as follows:

Transaction Name	Magnite Trust 1
Originator	Nissan Renault Financial Services India Private Limited
Servicer	Nissan Renault Financial Services India Private Limited
Trustee	Catalyst Trusteeship Limited
CC holding bank	Federal Bank
Collection and payout account bank	Federal Bank

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 ~8 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not Applicable.

Negative factors – The sustained weak collection performance of the underlying pool of contracts (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher CE utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer (NRFSI) could also exert pressure on the rating.

Analytical approach

The rating action is based on the performance of the pool till the September 2024 payout month (August 2024 collection month), the present delinquency profile of the pool, the credit enhancement available in the transaction, 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 (SI-ND-NBFC). It provides financing for the Nissan and the 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.

In FY2024, NRFSI reported a net profit of Rs. 64.4 crore on a total asset base of Rs. 3,710.2 crore compared with a net profit of Rs. 61.4 crore on a total asset base of Rs. 4,069.3 crore for FY2023. In Q1 FY2025, it reported a provisional net profit of Rs. 16.7 crore on a total asset base of Rs. 3,651.3 crore

Key financial indicators

NRFSI	FY2023 (Audited)	FY2024 (Audited)	Q1 FY2025 (Unaudited)
Total income	384.6	405.4	98.2
PAT	61.4	64.4	16.7
Total managed assets	4,159.6	3,788.8	3731.6
Gross stage 3	1.7%	1.6%	1.9%
CRAR	27.6%	30.5%	31.4%

Source: Company data, 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)	Current Amount Rated (Rs. crore)	Date & Rating in FY2025		Date & Rating in FY2024		Date & Rating in FY2023	Date & Rating in FY2022
				October 14, 2024	May 31, 2024	May 18, 2023	April 04, 2023	-	-
Magnite Trust 1	PTC Series A	99.84	44.66	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[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 Type	Date of Issuance	Coupon Rate (p.a.p.m.)	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Magnite Trust 1	PTC Series A	March 31, 2023	7.90%	February 20, 2029	44.66	[ICRA]AAA(SO)

Source: Company

Annexure II: List of entities considered for consolidated analysis

Not applicable

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