Ratings

CRISIL
An S&P Global Company

Pursuant to SEBI notifications, CRISIL Limited (CRISIL) has transferred its Ratings business to its wholly owned subsidiary, CRISIL Ratings Limited (CRISIL Ratings), with effect from December 31st 2020. Any reference to CRISIL in the documents published by the Ratings division of CRISIL, such as Rating Rationales, Credit Rating Reports, Press Releases, Criteria, Methodology, FAQs, Policies and Disclosures, shall henceforth refer to CRISIL Ratings.

Rating Rationale

March 26, 2021 | Mumbai

John Deere Financial India Private Limited

'CRISIL AAA/Stable' assigned to Non Convertible Debentures

Rating Action

Total Bank Loan Facilities Rated	**Rs.270 Crore**
Long Term Rating	**CRISIL AAA/Stable (Reaffirmed)**

Rs.200 Crore Non Convertible Debentures	**CRISIL AAA/Stable (Assigned)**
Rs.400 Crore Non Convertible Debentures	**CRISIL AAA/Stable (Reaffirmed)**
Rs.100 Crore (Reduced from Rs.400 Crore) Non Convertible Debentures	**CRISIL AAA/Stable (Reaffirmed)**
Rs.500 Crore Non Convertible Debentures	**CRISIL AAA/Stable (Reaffirmed)**
Rs.600 Crore Commercial Paper	**CRISIL A1+ (Reaffirmed)**

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its **'CRISIL AAA/Stable'** rating to Rs 200 crore of Non-Convertible Debentures of John Deere Financial India Private Limited (JDFIPL) and has reaffirmed its 'CRISIL AAA/Stable/CRISIL A1+' ratings on the bank facilities and other debt instruments.

CRISIL has withdrawn its rating on the non-convertible debentures of Rs 300 crore (See Annexure 'Details of Rating Withdrawn' for details) after receiving confirmation from the debenture trustee as these instruments are fully redeemed. The rating withdrawal is in line with CRISIL's policy.

The ratings continue to factor in the strategic importance of the company to the ultimate parent, Deere & Company (Deere & Co; rated 'A/Stable/A-1' by S&P Global Ratings [S&P Global]) and the strong moral obligation of the latter to support the Indian subsidiary. This is based on JDFIPL's role in supporting sales in India; Deere's ultimate ownership of the company; the shared brand; and strong operational linkages. The rating also factors in JDFIPL's comfortable capitalisation and limited track record of operations.

Being a captive financier, the company caters to the farmer segment buying John Deere tractors. Given the normal monsoon and harvest, the asset quality metrics for the company improved with GNPA at 4.6% as on December 31, 2020, compared with 6.5% as on March 31, 2020. The same was also on account of increased focus on collection strategy and higher John Deere dealer coverage. The collection efficiencies mirror the trend reflecting on an improvement to 93% in Jan/Feb-21 as against a low of 43% in April 2020. Even in terms of restructuring the company has not restructured any account. Nevertheless, given the segment of tractor financing, the asset quality metrics may inch up over the medium term and therefore, the ability of the company to maintain asset quality as the company scales up its operations would be demonstrated only over a longer term.

On the liquidity front, the company is comfortable, with as of January 31, 2021, JDFIPL having cash and cash equivalents of Rs 49 crore and Rs 1091 crore of unutilised CC/WCDL/ICD lines and. Against the same, they have total debt payments of Rs 231 crore over the next 6 months till July 2021.

Analytical Approach

For arriving at the ratings, CRISIL has factored in the support expected from Deere & Co. given the strategic importance of JDFIPL to the former, and the strong moral obligation to support the entity given the ownership, shared brand and strong operational integration.

<u>Key Rating Drivers & Detailed Description</u>
Strengths:
*** Strategic importance to, and expectation of strong support from, the ultimate parent, Deere & Co**
JDFIPL is a wholly owned subsidiary of John Deere India Private Limited (JDIPL), an indirectly wholly owned subsidiary, and the manufacturing arm in India, of Deere & Co. JDFIPL is strategically important to Deere & Co given the role the former plays in strengthening the sales and market share of John Deere equipment in India. JDFIPL financed around 39% of the parent's sales during first nine months of fiscal 2021, up from 12.8% during fiscal[1] 2015. Moreover, the group has infused total capital of Rs 485.9 crore in JDFIPL as on December 31, 2020, with Rs 50 crore being infused in March 2020 and another Rs 162 crore in fiscal 2021.

Risk management policies, systems, and processes are in line with those globally approved by Deere & Co. The operations are closely integrated with those of other John Deere businesses in India as well as globally. The Indian treasury team works closely with the global team in planning and managing funding requirement, and benefits from the global relationships of Deere & Co with foreign banks operating in India. The senior management team has significant experience in the Deere & Co ecosystem. The board of directors also has representation from other businesses of Deere & Co. Furthermore, the Indian parent (JDIPL) has provided an inter-corporate deposit line of Rs 500 crore to JDFIPL.

The ownership, shared brand, and strong operational integration lead to substantial support from Deere & Co to the Indian subsidiary. The extent of the ownership and the support that is likely to be extended therefore remain key rating sensitivity factors.

*** Comfortable capitalisation**
Capitalisation metrics are comfortable with networth at Rs 637.2 crore, and overall capital adequacy ratio at 19.7% as on December 31, 2020 (compared to Rs 478.1 crore and 19.3% as on March 31, 2020). The group has infused total capital of Rs 485.9 crore in JDFIPL till date with Rs 50 crore being infused in fiscal 2020 and another Rs 150 crore being infused in fiscal 2021. Gearing is comfortable at 3.9 times as on December 31, 2020 (4.1 times as on March 31, 2020) and is anticipated to remain at similar levels over the medium term.

Weakness:
*** Relatively small player in the overall finance market, with limited track record of operations**
The company commenced operations only in 2013. The loan portfolio was modest at around Rs 3225 crore as on December 31, 2020 (around Rs 2415 crore as on March 31, 2020). Being a captive financier, the company caters to the farmer segment buying John Deere tractors. Given the normal monsoon and harvest, the asset quality metrics for the company improved with GNPA at 4.6% as on December 31, 2020, compared with 6.5% as on March 31, 2020. The same was also on account of increased focus on collection strategy and higher John Deere dealer coverage. The collection efficiencies mirror the trend reflecting on an improvement to 93% in Jan/Feb-21 as against a low of 43% in April 2020. Even in terms of restructuring the company has not restructured any account. Nevertheless, given the segment of tractor financing, the asset quality metrics may inch up over the medium term and therefore, the ability of the company to maintain asset quality as the company scales up its operations would be demonstrated only over a longer term.

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[1] Fiscal refers to financial year for the period April-March

<u>Liquidity: Superior</u>
The asset liability maturity (ALM) profile shows cumulative positive gap in the up to one year bucket as of December 31, 2020, after taking effect of available lines of credit. However, without considering the available lines of credit, there are cumulative mismatches. Nevertheless, CRISIL believes that these lines are available and drawable on demand. Hence, the inherent negative gaps are adequately mitigated. As of January 31, 2021, JDFIPL had cash and cash equivalents of Rs 49 crore and Rs 1091 crore of unutilised CC/WCDL/ICD lines. Against the same, they have total debt payments of Rs 231 crore over the next 6 months till July 2021. Furthermore, CRISIL expects JDFIPL to receive need-based support from its parent, Deere & Co.

<u>Outlook: Stable</u>
CRISIL believes JDFIPL will continue to benefit over the medium term from strong financial, managerial, and operational support from Deere & Co.

<u>Rating Sensitivity Factors</u>
Downward Factors
- Downward revision in the S&P Global rating of Deere & Co. by 2 notches or higher
- If there is a significant diminution in the stake held by, or the support expected from, Deere & Co.

<u>About the Company</u>
JDFIPL is a wholly owned subsidiary of JDIPL, which in turn is indirectly wholly owned by Deere & Co. JDIPL has been present in India since 1998, initially through a joint venture with Larsen & Toubro Ltd. JDFIPL was incorporated in October 2011 with the aim to support sales of JDIPL vehicles in India. JDFIPL finances John Deere equipment in India by extending retail credit to customers. In December 2017, Deere & Co completed the acquisition of Wirtgen Group, manufacturer of road construction equipment. After the acquisition, Wirtgen Group entities in India are subsidiaries of JDIPL.

Deere & Co, headquartered in US, is a world leader in farm and farm equipment manufacturing with a global presence. The company operates through three business segments: agriculture and turf, construction and forestry, and financial services. Deere reported consolidated net income of USD 1.2 billion (Rs 8,749[2] crore) on net sales and revenue of USD 9.1 billion (Rs 66,348[2] crore) for the quarter ended January 2021.

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[2] *1 USD= INR 72.90 as on January 31, 2021*

Key Financial Indicators

As on /for the period/ for the year ended	Units	Dec-20	Mar-20	Mar-19
Total assets	Rs cr.	3209.4	2451.2	1832.8
Total income	Rs cr.	325.1	330.9	232.8
Profit	Rs cr.	53.8	25.3	22.4
Gross NPA	%	4.6	6.5	5.0
Gearing	Times	3.9	4.1	3.5
Return on assets	%	2.5*	1.2	1.5

**Annualised*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Level	Rating outstanding with outlook
INE00V208033	Debentures	01-Jun-20	7.10%	01-Jun-23	100	Simple	CRISIL AAA/Stable
INE00V208041	Debentures	07-Jul-20	6.40%	15-Sep-22	100	Simple	CRISIL AAA/Stable
INE00V208058	Debentures	07-Jul-20	6.20%	15-Sep-21	200	Simple	CRISIL AAA/Stable
INE00V208066	Debentures	28-Jan-21	5.75%	20-Jan-23	300	Simple	CRISIL AAA/Stable
INE00V208017	Debentures	21-Jan-19	9.45%	10-Jan-22	500	Simple	CRISIL AAA/Stable
NA	Commercial Paper	NA	NA	7-365 Days	600	Simple	CRISIL A1+
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	270	NA	CRISIL AAA/Stable

Annexure - Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Level
INE00V208025	Debentures	28-Mar-19	9.30%	25-Sep-20	300	Simple

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	270.0	CRISIL AAA/Stable		--	07-05-20	CRISIL AAA/Stable	25-02-19	CRISIL AAA/Stable	28-12-18	CRISIL AAA/Stable	--
			--		--	27-02-20	CRISIL AAA/Stable	09-01-19	CRISIL AAA/Stable	05-10-18	CRISIL AAA/Stable	--
			--		--		--		--	18-05-18	CRISIL AAA/Stable	--
			--		--		--		--	08-03-18	CRISIL AAA/Stable	--
			--		--		--		--	05-03-18	CRISIL AAA/Stable	--

Commercial Paper	ST	600.0	CRISIL A1+		--	07-05-20	CRISIL A1+	25-02-19	CRISIL A1+	28-12-18	CRISIL A1+	--
			--		--	27-02-20	CRISIL A1+	09-01-19	CRISIL A1+	05-10-18	CRISIL A1+	--
			--		--		--		--	18-05-18	CRISIL A1+	--
			--		--		--		--	08-03-18	CRISIL A1+	--
			--		--		--		--	05-03-18	CRISIL A1+	--
			--		--		--		--	23-02-18	CRISIL A1+	--
Non Convertible Debentures	LT	1200.0	CRISIL AAA/Stable		--	07-05-20	CRISIL AAA/Stable	25-02-19	CRISIL AAA/Stable	28-12-18	CRISIL AAA/Stable	--
			--		--	27-02-20	CRISIL AAA/Stable	09-01-19	CRISIL AAA/Stable		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	**Amount (Rs.Crore)**	**Rating**	**Facility**	**Amount (Rs.Crore)**	**Rating**
Proposed Long Term Bank Loan Facility	**270**	**CRISIL AAA/Stable**	**Proposed Long Term Bank Loan Facility**	**134.5**	**CRISIL AAA/Stable**
-	**-**	**-**	**Term Loan**	**135.5**	**CRISIL AAA/Stable**
Total	**270**	**-**	**Total**	**270**	**-**

Links to related criteria
[CRISILs Approach to Financial Ratios]
[Rating Criteria for Finance Companies]
[Mapping global scale ratings onto CRISIL scale]
[CRISILs Criteria for rating short term debt]
[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support]

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CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

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For more information, visit www.crisil.com/ratings

About CRISIL Limited

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