

Rating Rationale

May 07, 2020 | Mumbai

John Deere Financial India Private Limited

'CRISIL AAA/Stable' assigned to NCD

Rating Action

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

Rs.400 Crore Non Convertible Debentures	CRISIL AAA/Stable (Assigned)
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.400 crore non-convertible debentures of John Deere Financial India Private Limited (JDFIPL) and reaffirmed its 'CRISIL AAA/Stable/CRISIL A1+' ratings on the bank facilities and other debt instruments.

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.

The nationwide lockdown (originally till April 14, 2020) declared by the Government of India to contain the spread of the Novel Coronavirus (Covid-19) will have near-term impact on disbursements and collections of JDFIPL. The lockdown is now further extended till May 17, 2020 albeit that there has been partial lifting of restrictions based on classification of zones, CRISIL believes that eventual lifting of restrictions will continue to be in a phased manner. Any delay in return to normalcy will put further pressure on collections and asset quality metrics. Furthermore, CRISIL notes that a large proportion of JDFIPL's customers have opted for moratorium. The manner of lifting of lockdown restrictions and the time taken for the borrowers' operations to return to normalcy is a key monitorable. Additionally, any change in the fundamental behaviour of the borrower which could result in depletion of the ability of JDFIPL to recover is also a key monitorable.

On the liabilities side, the Reserve Bank of India (RBI) announced regulatory measures under 'Covid-19 - Regulatory Package', whereby lenders were permitted to grant moratorium on bank loans. However, JDFIPL has not applied for moratorium from any of its lenders.

Nevertheless, herein, CRISIL believes that JDFIPL has sufficient liquidity to manage this period wherein asset-side collections will be limited while liability-side outflows continue as per schedule. At a standalone level, as of April 27, 2020, the liquidity cover for JDFIPL for payments until June 2020 was comfortable at around 3.6 times. As on April 27, 2020, JDFIPL had cash and cash equivalents of Rs 73 crore and Rs 535 crore of unutilised WCDL/ICD lines. Against the same, they have total debt payments of Rs 166.5 crore (including Rs 115 crore of scheduled CC/WCDL lines which typically gets renewed or rolled over) over the next 3 months till June 2020. Furthermore, CRISIL expects JDFIPL to receive need-based support from its parent, Deere & Co.

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.

Key Rating Drivers & Detailed Description

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 37% of the

parent's sales during first nine months of fiscal 2020, up from 12.7% during fiscal 2015. Moreover, the group has infused total capital of Rs 393.9 crore in JDFIPL till date with Rs 50 crore being infused in March 2020. Further, the group is also planning to infuse additional capital of Rs 50 crore till October 2020.

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 399.7 crore, and overall capital adequacy ratio at 17.8% as on December 31, 2019 (compared to Rs 380.6 crore and 22.0% as on March 31, 2019). The group has infused total capital of Rs 393.9 crore in JDFIPL till date with Rs 50 crore being infused in fiscal 2020. Further, the group is also planning to infuse additional capital of Rs 50 crore till October 2020. Gearing is comfortable at 4.4 times as on December 31, 2019 (3.5 times as on March 31, 2019) and is anticipated to remain at similar levels over the medium term.

Weaknesses

***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 2239.3 crore as on December 31, 2019 (around Rs 1678 crore as on March 31, 2019). Asset quality improved with gross non-performing assets at 4.2% as on December 31, 2019, compared with 5.0% as on March 31, 2019, driven by increased focus on collection strategy. However, given the limited track record of operations, the portfolio is not yet seasoned. The ability to maintain asset quality as the company scales up its operations would be demonstrated only over a longer term.

Liquidity Superior

The asset liability maturity (ALM) profile shows cumulative positive gap in the up to one year bucket as of September 30, 2019, after taking effect of available lines of credit. However, without considering the available lines of credit, the cumulative gap in six months to one year bucket is negative. Nevertheless, CRISIL believes that these lines are available and drawable on demand. Hence, the inherent negative gaps are adequately mitigated. As of April 27, 2020, JDFIPL had cash and cash equivalents of Rs 73 crore and Rs 535 crore of unutilised WCDL/ICD lines. Against the same, they have total debt payments of Rs 184 crore (including Rs 115 crore of scheduled CC/WCDL lines which typically gets renewed or rolled over) over the next 5 months till August 2020. Furthermore, CRISIL expects JDFIPL to receive need-based support from its parent, Deere & Co.

Outlook: Stable

CRISIL believes JDFIPL will continue to benefit over the medium term from strong financial, managerial, and operational support from Deere & Co.

Rating Sensitivity Factors

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.

About the Company

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 0.52 billion (Rs 3,7362 crore¹) on net sales and revenue of USD 7.6 billion (Rs 54,606¹ crore) for the quarter ended January 2020.

¹USD= INR 71.85 as on February 24, 2020.

Key Financial Indicators

As on/for the period/ for the year ended	Units	Dec-19	Mar-19	Mar-18
Total assets	Rs.Cr	2326.6	1832.8	1251.9
Total income	Rs.Cr	236.5	232.8	153.2

Profit	Rs.Cr	19.1	22.4	8.2
Gross NPA	%	4.2	5.0	5.1
Gearing	Times	4.4	3.5	2.8
Return on assets	%	1.2*	1.5	0.8

*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)	Rating outstanding with outlook
NA	Debenture^	NA	NA	NA	400	CRISIL AAA/Stable
NA	Debenture^	NA	NA	NA	100	CRISIL AAA/Stable
INE00V208025	Debentures	28-Mar-19	9.30%	25-Sep-20	300	CRISIL AAA/Stable
INE00V208017	Debentures	21-Jan-19	9.45%	10-Jan-22	500	CRISIL AAA/Stable
NA	Commercial Paper	NA	NA	7-365 Days	600	CRISIL A1+
NA	Term Loan	30-Mar-17	NA	19-Mar-21	47.5	CRISIL AAA/Stable
NA	Term Loan	17-Apr-17	NA	20-Apr-21	28.0	CRISIL AAA/Stable
NA	Term Loan@	NA	NA	NA	60.0	CRISIL AAA/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	134.5	CRISIL AAA/Stable

@not availed

^yet to be issued

Annexure - Rating History for last 3 Years

Instrument	Current			2020 (History)		2019		2018		2017		Start of 2017
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Commercial Paper	ST	600.00	CRISIL A1+	27-02-20	CRISIL A1+	25-02-19	CRISIL A1+	28-12-18	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	1300.00 07-05-20	CRISIL AAA/Stable	27-02-20	CRISIL AAA/Stable	25-02-19	CRISIL AAA/Stable	28-12-18	CRISIL AAA/Stable		--	--
						09-01-19	CRISIL AAA/Stable					
Fund-based Bank Facilities	LT/ST	270.00	CRISIL AAA/Stable	27-02-20	CRISIL AAA/Stable	25-02-19	CRISIL AAA/Stable	28-12-18	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			

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	134.5	CRISIL AAA/Stable	Proposed Long Term Bank Loan Facility	134.5	CRISIL AAA/Stable

Term Loan	135.5	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](#)

[CRISILs Criteria for rating short term debt](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)

[Mapping global scale ratings onto CRISIL scale](#)

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p>	<p>Krishnan Sitaraman Senior Director - CRISIL Ratings CRISIL Limited D:+91 22 3342 8070 krishnan.sitaraman@crisil.com</p> <p>Ajit Velonie Director - CRISIL Ratings CRISIL Limited D:+91 22 4097 8209 ajit.velonie@crisil.com</p> <p>Vishal Singh Rating Analyst - CRISIL Ratings CRISIL Limited D:+91 22 3342 3419 Vishal.Singh@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

About CRISIL Limited

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 1,00,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets 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 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

CRISIL PRIVACY

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way. CRISIL or its associates may have other commercial transactions with the company/entity.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com.

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL