

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

December 22, 2022 | Mumbai

John Deere Financial India Private Limited

Ratings reaffirmed at 'CRISIL AAA/Stable/CRISIL A1+'

Rating Action

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

Rs.300 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.50 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.350 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.200 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.400 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.100 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)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable/CRISIL A1+' rating on the existing debt instruments of John Deere Financial India Private Limited (JDFIPL).

CRISIL Ratings has also withdrawn its rating on non-convertible debentures of Rs 600 crore (See Annexure 'Details of Rating Withdrawn' for details) in line with its withdrawal policy. CRISIL Ratings has received independent confirmation that these instruments are fully redeemed.

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.

Analytical Approach

The ratings factor 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 (JD IPL), 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 35% of the parent's sales during the first half of fiscal 2023 which has remained in the range of 35-40% over the past two fiscals, up from 12.8% during fiscal^[1] 2015. Moreover, the group has infused total capital of Rs 535.9 crore in JDFIPL till date.

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 1000 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 and are supported by strong internal accruals and regular capital infusions from the parent with networth at Rs 876.1 crore, and overall capital adequacy ratio at 21.4% as on September 30, 2022 against Rs 817.9 crore and 20.8% as on March 31, 2022 (Rs 715.1 crore and 20.4% as on March 31, 2021). The group has infused total capital of Rs. 535.9 crore in JDFIPL till date. Gearing remained comfortable at 3.5 times as on September 30, 2022, as compared to 3.7 times as on March 31, 2022 (3.7 times as on March 31, 2021) and is anticipated to remain under 4.5 times over the medium term.

Weakness:

- **Relatively small player in the overall finance market**

The company commenced operations in 2012. The gross loan portfolio was modest at around Rs 4048.4 crore as on September 30, 2022 (around Rs 3891.0 crore as on March 31, 2022 and Rs 3443.6 crore as on March 31, 2021) and has grown at a CAGR of 32.4% over the past 3 fiscals. Being a captive financier, the company caters to the farmer segment buying John Deere tractors, the company also provides loans for construction equipment post-acquisition of Wirtgen group by parent Deere & Co. The financing of the construction equipment portfolio stood at 9% of the AUM as on September 30, 2022.

- The asset quality metrics remained stable at 6.2% as on September 30, 2022 as against 6.4% as on March 31, 2022 (5.7% as on March 31, 2021). The inching up in fiscal 2022 was primarily on account of the adoption of IRACP norms from December 2021. The average collection efficiencies too have improved and remained comfortable in the range of 97-98% over the past two years. The restructured portfolio also stood limited at 0.3% of the AUM as on September 30, 2022. Nevertheless, given the segment of tractor financing, the asset quality metrics are susceptible to economic risks and therefore, the ability of the company to maintain asset quality as the company scales up its operations remains a key monitorable.

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

Liquidity: Superior

The asset liability maturity (ALM) profile shows cumulative positive gap in all the buckets up to 5 years as on September 30, 2022, after taking effect of available lines of credit. However, without considering the available lines of credit, there is a cumulative negative gap in 15 days to one month, one month to 2 month and 3 months to 6 months bucket, as of September 30, 2022. Nevertheless, CRISIL Ratings believes that these lines are available and drawable on demand. Hence, the inherent negative gaps are adequately mitigated. As of September 30, 2022, JDFIPL had cash and cash equivalents of Rs 19 crore and Rs 390 crore of unutilised CC/WCDL lines and Rs 450 crore of unutilized term loan. Against the same, they have total debt payments of Rs 852 crore over the next 6 months till March 2023. Furthermore, CRISIL Ratings expects JDFIPL to receive need-based support from its ultimate parent, Deere & Co.

Outlook: Stable

CRISIL Ratings 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 7.1 billion (Rs 58,203² crore) on net sales and revenue of USD 52.6 billion (Rs 429,133¹ crore) for the year ended September 2022.

^[1] 1 USD= INR 81.62 as on September 30, 2022

Key Financial Indicators

As on /for the period ended	Units	Sep-22#	Mar-22	Mar-21
Total assets	Rs cr.	3995.9	3,924.2	3,464.1
Total income	Rs cr.	309.7	585.1	456.1
Profit	Rs cr.	69.2	108.6	74
Gross NPA	%	6.2	6.4	5.7
Gearing	Times	3.5	3.7	3.7
Return on assets	%	3.5*	2.9	2.5

#As per provisional financials

*Annualised

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisil.com/complexity-levels. 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
INE00V208066	Debentures	28-Jan-21	5.75%	20-Jan-23	300	Simple	CRISIL AAA/Stable
INE00V208074	Debentures	23-Sep-21	6.35%	18-Feb-25	400	Simple	CRISIL AAA/Stable
INE00V208082	Debentures	05-Jan-22	6.40%	20-Jun-25	300	Simple	CRISIL AAA/Stable
NA	Commercial Paper	NA	NA	7-365 Days	600	Simple	CRISIL A1+
NA	Term Loan	NA	NA	24-Sep-24	159.38	NA	CRISIL AAA/Stable
NA	Term Loan	NA	NA	14-Dec-23	107.5	NA	CRISIL AAA/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	3.12	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
INE00V208041	Debentures	7-Jul-20	6.40%	15-Sep-22	100	Simple
INE00V208017	Debentures	21-Jan-19	9.45%	10-Jan-22	500	Simple

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	270.0	CRISIL AAA/Stable		--	24-12-21	CRISIL AAA/Stable	07-05-20	CRISIL AAA/Stable	25-02-19	CRISIL AAA/Stable	CRISIL AAA/Stable
			--		--	14-09-21	CRISIL AAA/Stable	27-02-20	CRISIL AAA/Stable	09-01-19	CRISIL AAA/Stable	--

			--	--	06-09-21	CRISIL AAA/Stable		--		--	--	--	--
			--	--	26-03-21	CRISIL AAA/Stable		--		--	--	--	--
Commercial Paper	ST	600.0	CRISIL A1+	--	24-12-21	CRISIL A1+	07-05-20	CRISIL A1+	25-02-19	CRISIL A1+	CRISIL A1+	CRISIL A1+	CRISIL A1+
			--	--	14-09-21	CRISIL A1+	27-02-20	CRISIL A1+	09-01-19	CRISIL A1+	--	--	--
			--	--	06-09-21	CRISIL A1+		--		--	--	--	--
			--	--	26-03-21	CRISIL A1+		--		--	--	--	--
Non Convertible Debentures	LT	1900.0	CRISIL AAA/Stable	--	24-12-21	CRISIL AAA/Stable	07-05-20	CRISIL AAA/Stable	25-02-19	CRISIL AAA/Stable	CRISIL AAA/Stable	CRISIL AAA/Stable	CRISIL AAA/Stable
			--	--	14-09-21	CRISIL AAA/Stable	27-02-20	CRISIL AAA/Stable	09-01-19	CRISIL AAA/Stable	--	--	--
			--	--	06-09-21	CRISIL AAA/Stable		--		--	--	--	--
			--	--	26-03-21	CRISIL AAA/Stable		--		--	--	--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	3.12	Not Applicable	CRISIL AAA/Stable
Term Loan	159.38	MUFG Bank	CRISIL AAA/Stable
Term Loan	107.5	Bank of America N.A.	CRISIL AAA/Stable

This Annexure has been updated on 22-Dec-2022 in line with the lender-wise facility details as on 3-Aug-2021 received from the rated entity

Criteria Details

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

Media Relations	Analytical Contacts	Customer Service Helpdesk
Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com	Krishnan Sitaraman Senior Director and Deputy Chief Ratings Officer CRISIL Ratings Limited D:+91 22 3342 8070 krishnan.sitaraman@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com
Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com	Ajit Velonie Director CRISIL Ratings Limited D:+91 22 4097 8209 ajit.velonie@crisil.com	
Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com	Shaunak Samirbhai Shah Rating Analyst CRISIL Ratings Limited B:+91 22 3342 3000 Shaunak.Shah@crisil.com	

--	--	--

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 Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

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 ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is 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](#)

CRISIL PRIVACY NOTICE

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 is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid 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 Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings 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 Ratings 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 to 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 Ratings 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 Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The 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 Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings 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 RATINGS 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 Ratings 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. Public ratings and analysis by CRISIL Ratings, 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 website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings 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 prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>