

## Rating Rationale

May 07, 2024 | Mumbai

### John Deere Financial India Private Limited

*NCD Reaffirmed; Bank Loan Facilities and CP Rating Reaffirmed and Withdrawn*

#### Rating Action

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Long Term Rating	CRISIL AAA/Stable (Rating Reaffirmed and Withdrawn)

Rs.350 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.100 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.100 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.350 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.50 Crore Non Convertible Debentures	CRISIL AAA/Stable (Reaffirmed)
Rs.600 Crore Commercial Paper	CRISIL A1+ (Rating Reaffirmed and Withdrawn)

*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' rating on the non-convertible debentures of John Deere Financial India Private Limited (JDFIPL).

The ratings continues 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 & Co's ultimate ownership of the company; the shared brand; and strong operational linkages. The rating also factors in JDFIPL's comfortable capitalization. Nevertheless, these strengths are partially offset by the company being a relatively small player in overall financing sector and asset quality metrics being susceptible to economic risks.

CRISIL Ratings has **withdrawn** its rating on bank facilities of Rs.270 crore and commercial paper of Rs 600 crore (See 'Annexure - Details of Rating Withdrawn' for details) at company's request and on receipt of NOC from the bankers. CRISIL Ratings has also **withdrawn** its ratings on non-convertible debentures of Rs 100 crore and has received independent confirmation that the instrument has been redeemed. The withdrawal is in line with CRISIL Ratings' policy on withdrawal of the ratings.

#### Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of JDFIPL and has factored in the support expected from Deere & Co. to the JDFIPL 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 35-40% of the parent's sales during the fiscal 2024 which has remained in similar range over the past two fiscals. Moreover, the group has infused total capital of ~Rs 536 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 timely capital infusions from the parent with networth Rs. 1029.1 crore, and overall capital adequacy ratio at 21.9% as on December 31, 2023, against Rs 950.2 crore and 21.3% as on March 31, 2023 (Rs 817.9 crore and 20.8% as on March 31, 2022). The group has infused total capital of ~Rs. 536 crore in JDFIPL till date. Gearing remained comfortable at 3.5 times as on December 31, 2023, as compared to 3.6 times as on March 31, 2023 (3.7 times as on March 31, 2022) and is expected to remain under 4 times over the medium term.

### **Weakness:**

#### **Relatively small player in the overall financing sector**

The company commenced operations in 2012. The gross loan portfolio has grown at a CAGR of 22.5% over the past 3 fiscals and was modest at around Rs. 4,723 crore as on December 31, 2023 as against Rs 4,447 crore as on March 31, 2023 (around Rs 3891.4 crore as on March 31, 2022). 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 12% of the AUM as on December 31, 2023.

### **Susceptibility of asset quality metrics to economic risks**

The asset quality metrics improved with GNPA's at 5.0% as on March 31, 2023 as against 6.4% as on March 31, 2022 (5.7% as on March 31, 2021). This further improved to 4.2% as on December 31, 2023. The average collection efficiencies too have improved and remained comfortable in the range of 97-99% over the past two years which have supported the improvement in the asset quality metrics. 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.

### **Liquidity: Superior**

The asset liability maturity (ALM) profile shows cumulative positive gap in all the buckets up to 5 years as on March 31, 2024, after taking effect of available lines of credit. However, without considering the available lines of credit, there is a cumulative negative gap in certain brackets upto 1 year, as of March 31, 2024. Nevertheless, CRISIL Ratings believes that these lines are available and drawable on demand. Hence, the inherent negative gaps are adequately mitigated. As of March 31, 2024, JDFIPL had cash and cash equivalents of Rs 23 crore and Rs 770 crore of unutilised CC/WCDL lines and Rs 625 crore of unutilized term loan. Against the same, they have total debt payments of Rs 1037 crore over the next 6 months till September 2024. 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 1.751 billion for first quarter ender January 28, 2024 on net sales and revenue of USD 12.185 billion

### Key Financial Indicators

As on /for the period ended	Units	Dec-23	Mar-23	Mar-22	Mar-21
Total assets	Rs cr.	4703.8	4402.7	3,924.2	3,464.1
Total income	Rs cr.	518.3	637.6	585.1	456.1
Profit	Rs cr.	95.9	143.3	108.6	74
Gross NPA	%	4.2	5.0	6.4	5.7
Gearing	Times	3.5	3.6	3.7	3.7
Return on assets	%	2.8*	3.4	2.9	2.5

\*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.crisilratings.com](http://www.crisilratings.com). 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
NA	Debentures^	NA	NA	NA	50	Simple	CRISIL AAA/Stable
INE00V208090	Debentures	12-Jan-2023	8.0%	19-Jul-2024	350	Simple	CRISIL AAA/Stable
INE00V208074	Debentures	23-Sep-2021	6.35%	18-Feb-2025	400	Simple	CRISIL AAA/Stable
INE00V208082	Debentures	05-Jan-2022	6.40%	20-Jun-2025	300	Simple	CRISIL AAA/Stable
INE00V208108	Debentures	17-May-2023	8.10%	22-Nov-2024	300	Simple	CRISIL AAA/Stable

^Yet to be issued

### Annexure - Details of Rating Withdrawn

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity Level	Rating outstanding
INE00V208033	Debentures	01-Jun-2020	7.10%	01-Jun-2023	100	Simple	Withdrawn
NA	Commercial Paper	NA	NA	7-365 Days	600	Simple	CRISIL A1+ (Rating Reaffirmed and Withdrawn)
NA	Term Loan	NA	NA	24-Sep-2024	159.38	NA	CRISIL AAA/Stable (Rating Reaffirmed and Withdrawn)
NA	Term Loan	NA	NA	14-Dec-2023	107.5	NA	CRISIL AAA/Stable (Rating Reaffirmed)

							and Withdrawn)
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	3.12	NA	CRISIL AAA/Stable (Rating Reaffirmed and Withdrawn)

## Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	270.0	CRISIL AAA/Stable (Rating Reaffirmed and Withdrawn)		--	10-05-23	CRISIL AAA/Stable	30-12-22	CRISIL AAA/Stable	24-12-21	CRISIL AAA/Stable	CRISIL AAA/Stable
					--		--	22-12-22	CRISIL AAA/Stable	14-09-21	CRISIL AAA/Stable	--
					--		--		--	06-09-21	CRISIL AAA/Stable	--
					--		--		--	26-03-21	CRISIL AAA/Stable	--
Commercial Paper	ST	600.0	CRISIL A1+ (Rating Reaffirmed and Withdrawn)		--	10-05-23	CRISIL A1+	30-12-22	CRISIL A1+	24-12-21	CRISIL A1+	CRISIL A1+
					--		--	22-12-22	CRISIL A1+	14-09-21	CRISIL A1+	--
					--		--		--	06-09-21	CRISIL A1+	--
					--		--		--	26-03-21	CRISIL A1+	--
Non Convertible Debentures	LT	1500.0	CRISIL AAA/Stable		--	10-05-23	CRISIL AAA/Stable	30-12-22	CRISIL AAA/Stable	24-12-21	CRISIL AAA/Stable	CRISIL AAA/Stable
					--		--	22-12-22	CRISIL AAA/Stable	14-09-21	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 &amp; Facilities

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

## Criteria Details

## Links to related criteria

[CRISILs Approach to Financial Ratios](https://www.crisilratings.com/mnt/winshare/Ratings/RatingList/RatingDocs/JohnDeereFinancialIndiaPrivateLimited_May 07_ 2024_RR_342095.html)

**Rating Criteria for Finance Companies****Mapping global scale ratings onto CRISIL scale****Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support**

Media Relations	Analytical Contacts	Customer Service Helpdesk
<b>Aveek Datta</b> Media Relations <b>CRISIL Limited</b> M: +91 99204 93912 B: +91 22 3342 3000 <a href="mailto:AVEEK.DATTA@crisil.com">AVEEK.DATTA@crisil.com</a>	Ajit Velonie Senior Director <b>CRISIL Ratings Limited</b> B: +91 22 3342 3000 <a href="mailto:ajit.velonie@crisil.com">ajit.velonie@crisil.com</a>	Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301  For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a>
<b>Prakruti Jani</b> Media Relations <b>CRISIL Limited</b> M: +91 98678 68976 B: +91 22 3342 3000 <a href="mailto:PRAKRUTI.JANI@crisil.com">PRAKRUTI.JANI@crisil.com</a>	Malvika Bhotika Director <b>CRISIL Ratings Limited</b> B: +91 22 3342 3000 <a href="mailto:malvika.bhotika@crisil.com">malvika.bhotika@crisil.com</a>	For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a>
<b>Rutuja Gaikwad</b> Media Relations <b>CRISIL Limited</b> B: +91 22 3342 3000 <a href="mailto:Rutuja.Gaikwad@ext-crisil.com">Rutuja.Gaikwad@ext-crisil.com</a>	FORAM ATUL SARVAIYA Manager <b>CRISIL Ratings Limited</b> B: +91 22 3342 3000 <a href="mailto:FORAM.SARVAIYA@crisil.com">FORAM.SARVAIYA@crisil.com</a>	



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