

March 13, 2023

Citicorp Finance (India) Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term market linked debenture programme	1,241.68	1,241.68	PP-MLD[ICRA]AAA (Stable); outstanding
NCD programme	1,211.00	1,211.00	[ICRA]AAA (Stable); outstanding
Short-term debt (ICD)	2,000.00	2,000.00	[ICRA]A1+; outstanding
CP programme	4,000.00	4,000.00	[ICRA]A1+; outstanding
Long-term fund-based term loan	2,000.00	2,000.00	[ICRA]AAA (Stable); outstanding
Total	10,452.68	10,452.68	

*Instrument details are provided in Annexure I

Rationale

On March 1, 2023, Citicorp Finance (India) Limited (CFIL) informed the exchanges about the completion of the transfer of its consumer business, comprising the asset-backed finance (commercial vehicle and construction equipment financing) and the personal loans lines of business, to Axis Bank. CFIL received a lump sum consideration of Rs. 60 crore for the transfer of this business. The said consideration is subject to contractual and customary true up and/or true down adjustments and changes in the business position from January 31, 2023 to 24:00 hours on February 28, 2023.

This transfer is a part of the announcement made by Citigroup Inc (Citigroup) on April 15, 2021, wherein it decided to direct its investments and resources to the businesses where it has greater scale and potential, i.e. the Institutional Clients Group (ICG) business vertical. As a result, Citigroup decided to exit from its consumer franchises in 13 markets including India.

While the sale has led to a significant reduction in the size of CFIL's loan book (these loans constituted 59% of the overall loan book as on December 31, 2022), the company will continue to offer loans through other institutional lending products. Also, this transfer is not expected to impact CFIL's credit profile as its ratings derive significant strength from its ultimate parentage in the form of Citibank NA (rated Aa3/Stable by Moody's Investors Service) and the support in the form of operational synergies with the parent.

The ratings consider the company's alignment with Citigroup's governance practices, robust risk management systems and standards, treasury platforms and liability structuring expertise. ICRA believes that CFIL will remain strategically important to Citigroup, given the linkages with the ICG business, and expects that support from the Group would be forthcoming as and when required. The ratings also factor in the company's good capitalisation profile (net worth of Rs. 3,861 crore and gearing of 1.49 times as on December 31, 2022), adequate financial flexibility by virtue of its parentage, comfortable liquidity profile and good asset quality indicators.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Impact of Parent or Group Support on an Issuer's Credit Rating
Parent/Group support	Parent/Group Company: Citibank NA

	The ratings derive significant strength from the company's ultimate parentage in the form of Citibank NA. CFIL also enjoys a high level of operational synergies with its parent, with access to senior management guidance, robust risk management systems and standards, treasury platforms and liability structuring expertise. ICRA expects liquidity support from the parent to be forthcoming, if required.
Consolidation/Standalone	Standalone

About the company

Citicorp Finance (India) Limited (CFIL) is registered as a non-banking financial company (NBFC) with the Reserve Bank of India and is ultimately owned by Citigroup Inc. CFIL is Citigroup's flagship non-banking finance entity providing corporate loans, CV loans, CE loans, loan against securities (LAS), personal and trade advances. Following the announcement by Citigroup in April 2021 regarding its strategy review and its decision to focus on the Institutional Clients Group (ICG) business vertical and the subsequent announcement regarding the sale of the consumer business by CFIL to Axis Bank in March 2022, CFIL completed the transfer of the consumer finance business from March 1, 2023. Going forward, the company will be focusing on institutional lending, commercial real estate, and the strategic equity portfolio (LAS). As on December 31, 2022, ~59% of CFIL's total loan book comprised the consumer financing business, with corporate loans and the strategic equity portfolio (LAS) accounting for the balance.

CFIL reported a net profit of Rs. 140 crore on total income of Rs. 603 crore in FY2022 compared to Rs. 154 crore and Rs. 779 crore, respectively, in FY2021. As on March 31, 2022, its net worth was Rs. 3,912 crore and its total assets stood at Rs. 9,767 crore. In 9M FY2023, CFIL reported a net profit of Rs. 102 crore on total income of Rs. 500 crore. As on December 31, 2022, the total loan book stood at Rs. 7,292 crore comprising the consumer finance business (Rs. 4,269 crore) and the ICG business (corporate loans & LAS; Rs. 3,023 crore). The reported gross and net stage 3 stood at 0.17% and 0.08%, respectively, while the reported capital adequacy stood at 43.01% as on December 31, 2022.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)						Chronology of Rating History for the Past 3 Years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 13, 2023 (Rs. crore)	Date & Rating in FY2023			Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				Mar 13, 2023	Jan 4, 2023	Sep 15, 2022	Mar 08, 2022	Feb 15, 2021	May 10, 2019
							Dec 28, 2021 May 05, 2021	Oct 16, 2020	Jan 03, 2020
1 Long-term market linked debenture programme	LT	1,241.68	430.15	PP-MLD[ICRA]AAA (Stable)	PP-MLD[ICRA]AAA (Stable)	PP-MLD[ICRA]AAA (Stable)	PP-MLD[ICRA]AAA (Stable)	PP-MLD[ICRA]AAA (Stable)	PP-MLD[ICRA]AAA (Stable)
2 NCD programme	LT	1,211.00	0	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3 Short-term debt (ICD)	ST	2,000.00	0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4 CP programme	ST	4,000.00	0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5 Long-term fund-based term loan	LT	2,000.00	0	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)

LT – Long term, ST – Short term

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term debt (ICD)	Very Simple
Long-term market linked debenture programme	Complex
NCD programme	Simple
CP programme	Very Simple
Long-term fund-based term loan	Very 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 as on March 13, 2023

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE915D07N75	MLD	Jan-29-2021	Nifty-linked	Jan-31-2028	45.6	PP-MLD [ICRA]AAA (Stable)
INE915D07N91	MLD	Feb-26-2021	Nifty-Linked	Feb-24-2028	38.46	PP-MLD [ICRA]AAA (Stable)
INE915D07N91	MLD	Feb-26-2021	Nifty-Linked	Feb-24-2028	5.1	PP-MLD [ICRA]AAA (Stable)
INE915D07O17	MLD	Mar-30-2021	Nifty-Linked	Mar-30-2028	32.34	PP-MLD [ICRA]AAA (Stable)
INE915D07M76	MLD	Jul-31-2020	Nifty-linked	Jul-31-2026	34.85	PP-MLD [ICRA]AAA (Stable)
INE915D07M35	MLD	May-29-2020	Nifty-linked	May-29-2029	61.5	PP-MLD [ICRA]AAA (Stable)
INE915D07N42	MLD	Nov-26-2020	Nifty-linked	Nov-26-2027	14.6	PP-MLD [ICRA]AAA (Stable)
INE915D07O66	MLD	Mar-30-2022	Nifty 100 Enhanced ESG-linked	Mar-30-2026	45.2	PP-MLD [ICRA]AAA (Stable)
INE915D07O90	MLD	Sep-29-2022	Nifty-linked	Sep-28-2029	60.5	PP-MLD [ICRA]AAA (Stable)
INE915D07P16	MLD	Nov-16-2022	Nifty-linked	Nov-16-2029	27.1	PP-MLD [ICRA]AAA (Stable)
INE915D07P24	MLD	Nov-28-2022	Nifty-linked	Nov-28-2029	55.9	PP-MLD [ICRA]AAA (Stable)
INE915D07P40	MLD	Jan-30-2023	Nifty-linked	Jan-30-2030	9.0	PP-MLD [ICRA]AAA (Stable)
Yet to be placed	MLD	NA	NA	NA	811.53	PP-MLD [ICRA]AAA (Stable)
Yet to be placed	NCD	NA	NA	NA	1,211.00	[ICRA]AAA (Stable)
Yet to be placed	Term loan	NA	NA	NA	2,000	[ICRA]AAA (Stable)
Yet to be placed	Commercial paper programme	NA	NA	7-365 days	4,000	[ICRA]A1+
Yet to be placed	Short-term debt programme (ICD)	NA	NA	7-365 days	2,000	[ICRA]A1+

Source: Company, ICRA Research

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not applicable

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