

May 16, 2023

Citicorp Finance (India) Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/short-term fund-based bank lines	0	1,832	[ICRA]AAA(Stable)/[ICRA]A1+; reaffirmed/assigned
Long-term fund-based term loan	2,000.00	2,000.00	[ICRA]AAA(Stable); reaffirmed
Long-term market linked debenture programme	1,241.68	1,241.68	PP-MLD[ICRA]AAA (Stable); reaffirmed
NCD programme	1,211.00	1,211.00	[ICRA]AAA(Stable); reaffirmed
Short-term debt (ICD)	2,000.00	2,000.00	[ICRA]A1+; reaffirmed
CP programme	4,000.00	4,000.00	[ICRA]A1+; reaffirmed
Total	10,452.68	12,284.68	

*Instrument details are provided in Annexure-I

Rationale

The ratings for Citicorp Finance (India) Limited (CFIL) derive significant strength from the company's ultimate parentage in the form of Citibank NA1 (rated Aa3/Stable by Moody's Investors Service) and 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. The ratings also factor in CFIL's strong capitalisation profile (net worth of Rs. 3,861 crore and gearing of 1.5 times as on December 31, 2022), diversified borrowing mix, good financial flexibility by virtue of its parentage, its adequate liquidity profile and comfortable asset quality indicators (gross non-performing advances (NPAs) of 0.17% as on December 31, 2022, and expected to be nil post the sale of assets to Axis Bank in March 2023). ICRA notes that while the sale has led to a significant reduction in the size of CFIL's loan book (the consumer 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. ICRA believes that CFIL will remain strategically important to Citigroup, given the shared brand name and similar lines of business, and expects that support would be forthcoming, as and when required. ICRA notes that the company's profitability indicators are modest with a return on average assets (RoA) and a return on average net worth (RoNW) of 1.4% and 3.4%, respectively, in FY2022 (1.4% and 3.7%, respectively, in FY2021). In 9M FY2023, CFIL's reported a profit after tax (PAT) of Rs. 102 crore with RoA and RoNW of 1.4% and 3.5%, respectively. Going forward, CFIL's ability to grow the business volumes in its focus segments and arrest fresh slippages, thus keeping a check on the credit costs, will have a bearing on its overall earnings profile.

Key rating drivers and their description

Credit strengths

Strong parentage, enabling access to funding and managerial support – CFIL's ratings are underpinned by the support from the ultimate parent, i.e., Citibank NA. Any dilution in the support or a revision in the parent's credit profile could warrant a change in CFIL's ratings. The parentage has also supported the financial flexibility of the company and it has been able to borrow at competitive rates. Additionally, sanctioned but unutilised banking facilities from Citibank NA of Rs. 1,832 crore support CFIL's liquidity profile. In addition to the financial flexibility enjoyed by CFIL by virtue of being a part of the Group, it

benefits from the high level of operational synergies with its parent, which include common risk management systems and standards, treasury platforms and liability structuring expertise.

Strong capitalisation – CFIL’s capitalisation levels are good in relation to its current scale of operations. The company reported a healthy capital adequacy ratio (capital-to-risk weighted assets ratio – CRAR) of 43% (Tier I – 42.6%) as on December 31, 2022. The gearing remained stable at 1.5 times as on December 31, 2022, compared to 1.4 as on March 31, 2022. In ICRA’s opinion, the company would be able to fund its targeted growth going forward, while maintaining prudent capitalisation levels without any external capital requirement. However, internal capital generation is likely to remain modest. At the same time, ICRA expects support from the parent to be forthcoming, if required.

Comfortable asset quality indicators – CFIL’s asset quality indicators are comfortable with gross and net NPAs of 0.17% and 0.08%, respectively, as on December 31, 2022, compared with 0.20% and 0.10%, respectively, as on March 31, 2022. The delinquencies are expected to be nil post the sale of consumer business as the delinquent accounts were largely from the consumer business. At the same time, the significant share of corporate loans in CFIL’s portfolio augments the portfolio vulnerability arising from higher concentration. The risk is somewhat mitigated by the better credit profile of the borrowers. ICRA also notes CFIL’s intention to grow the commercial real estate book, which could augment the portfolio vulnerability. However, ICRA expects that the company would be able to leverage the robust risk management systems of Citigroup and, hence, grow the portfolio while maintaining the underwriting standards. Going forward, the company’s ability to maintain the asset quality while growing its business volumes will remain a key monitorable.

Credit challenges

Profitability remains modest – Till 9M FY2023, the company continued to build the consumer book and given the relatively higher yields in that segment, the overall yields for the company improved. However, the same was partly offset by the commensurate rise on cost of funds, given the rise in systemic interest rates, leading to the company reporting stable spreads and margins (~3%) in 9M FY2023 compared to FY2022. During the same period, better operating efficiencies on a larger loan book and hence lower operating expenses in relation to average assets (1.6%) and low credits costs led to CFIL reporting higher profit before tax in relation to average assets of 2.1% compared with 1.7% in FY2022. However, higher tax outgo led to stable RoA of 1.4% in 9M FY2023. Going forward, the net interest margins for the company could moderate, given the focus on the relatively lower yielding institutional lending segment and improvement in profitability indicators would be contingent on its ability to grow the business from current levels.

Liquidity position: Adequate

CFIL’s liquidity profile is adequate. As per the asset-liability statement as on March 31, 2023, the debt repayments (including interest) till September 30, 2023, stood at ~Rs. 2,681 crore, along with cash and liquid investments of Rs. 2,029 crore and total sanctioned unutilised bank lines of Rs. 3,432 crore (including line of credit of Rs. 1,832 crore from Citibank NA). ICRA also notes that CFIL enjoys strong financial flexibility to mobilise long-term funding on the back of its parentage and access to high net-worth individual (HNI) investors.

Rating sensitivities

Positive factors – Not applicable

Negative factors – CFIL’s ratings are underpinned by the support from the ultimate parent, Citibank NA, and any significant dilution in the expectation of support or a significant deterioration in the credit profile of the parent could warrant a rating downgrade. Pressure on the ratings could emerge on the sustained weakening of the capitalisation profile and/or weakening of the asset quality, leading to a deterioration in the solvency levels, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating methodology for non-banking finance companies Rating approach – Implicit parent or group support
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 an NBFC with the Reserve Bank of India and is ultimately owned by Citigroup Inc. Post 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 has completed 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 solution (LAS/SES).

Going forward, the company will be focusing on institutional lending, commercial real estate, and the strategic equity solution (LAS/SES). As on December 31, 2022, ~59% of CFIL's total loan book comprised the consumer financing business, with corporate loans and the strategic equity solution (LAS/SES) 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/SES; 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% as on December 31, 2022.

Key financial indicators (audited)

Particulars	FY2020	FY2021	FY2022	9MFY2023*
Total income**	835	776	603	500
Profit after tax	113	154	140	102
Net worth	4,131	4,201	3,912	3,861
Loan book (gross)	8,577	7,592	7,028	7,292
Total assets	10,959	10,825	9,839	10,105
Return on assets	1%	1.4%	1.4%	1.4%
Return on net worth	2.7%	3.7%	3.4%	3.5%
Gross gearing (times)	1.6	1.5	1.4	1.5
Gross NPA %	0.1%	0.05%	0.20%	0.17%
Net NPA %	0.03%	0.03%	0.10%	0.08%
Solvency (Net stage 3/Net worth)	0.06%	0.05%	0.18%	0.32%
CRAR	41.9%	45.5%	40.4%	43%

Source: Company, ICRA Research; * Provisional numbers basis abridged financials; All ratios as per ICRA's calculations; Amount in Rs. crore; ** Total income excludes gain from assignment

Note: Amount in Rs. crore; All calculations are as per ICRA Research
Total assets and net worth exclude revaluation reserves

Source: CFIL, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

S. no.	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated	Amount o/s as of May 08, 2023	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
			(Rs. crore)	(Rs. crore)	16-May-23	13-Mar-23 04-Jan-23 15-Sep-22	08-Mar-22 28-Dec-21 05-May-21	15-Feb-21 16-Oct-20
1	Long-term Market Linked Debenture programme	LT	1,241.68	315	PP-MLD[ICRA]AAA (Stable)	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)	PP-MLD[ICRA]AA (Stable)
2	NCD Programme	LT	1,211.00	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
3	Short Term Debt (ICD)	ST	2,000.00	875	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	CP Programme	ST	4,000.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Long-term fund-based term loan	LT	2,000.00	500	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
6	Long-term/short term fund based bank lines	LT/ST	1,832	-	[ICRA]AAA(Stable)/ [ICRA]A1+	-	-	-

LT – Long term, ST – Short term

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/short term fund based bank lines	Simple
Long term fund-based term loan	Simple
Long term Market Linked Debenture programme	Complex
NCD Programme	Simple
Short Term Debt (ICD)	Very Simple
CP Programme	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 May 08, 2023

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE915D07M35	MLD	29-May-20	NIFTY 50 Linked	29-May-29	14.2	PP-MLD [ICRA]AAA (Stable)
INE915D07M76	MLD	31-Jul-20	NIFTY 50 Linked	31-Jul-26	16.9	PP-MLD [ICRA]AAA (Stable)
INE915D07N42	MLD	26-Nov-20	NIFTY 50 Linked	26-Nov-27	11.1	PP-MLD [ICRA]AAA (Stable)
INE915D07N75	MLD	29-Jan-21	NIFTY 50 Linked	31-Jan-28	30.95	PP-MLD [ICRA]AAA (Stable)
INE915D07N91	MLD	26-Feb-21	NIFTY 50 Linked	24-Feb-28	16.36	PP-MLD [ICRA]AAA (Stable)
INE915D07N91	MLD	15-Mar-21	NIFTY 50 Linked	24-Feb-28	5.1	PP-MLD [ICRA]AAA (Stable)
INE915D07O17	MLD	30-Mar-21	NIFTY 50 Linked	30-Mar-28	25.84	PP-MLD [ICRA]AAA (Stable)
INE915D07O66	MLD	30-Mar-22	Nifty 100 Enhanced ESG index	30-Mar-26	41.7	PP-MLD [ICRA]AAA (Stable)
INE915D07O90	MLD	29-Sep-22	NIFTY 50 Linked	28-Sep-29	60.5	PP-MLD [ICRA]AAA (Stable)
INE915D07P16	MLD	16-Nov-22	NIFTY 50 Linked	16-Nov-29	27.1	PP-MLD [ICRA]AAA (Stable)
INE915D07P24	MLD	28-Nov-22	NIFTY 50 Linked	28-Nov-29	55.9	PP-MLD [ICRA]AAA (Stable)
INE915D07P40	MLD	30-Jan-23	NIFTY 50 Linked	30-Jan-30	9	PP-MLD [ICRA]AAA (Stable)
NA*	MLD	NA	NA	NA	927.03	PP-MLD [ICRA]AAA (Stable)
NA*	NCD	NA	NA	NA	1211	[ICRA]AAA (Stable)
NA*	Commercial paper programme	NA	NA	7-365 days	4,000	[ICRA]A1+
NA	Short-term debt programme (ICD)	NA	NA	7-365 days	2,000	[ICRA]A1+
NA	Long term fund-based term loan	2022	NA	2024	2,000	[ICRA]AAA (Stable)
NA	Long-term/short term fund Based	2020	NA	2024	1,832	[ICRA]AAA(Stable)/[ICRA]A1+

Source: CFIL; *Proposed

[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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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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