January 12, 2024 (Revised)

# Citicorp Finance (India) Limited: Ratings reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Long-term market linked debenture programme | 1,101.77 | 1,101.77 | PP-MLD[ICRA]AAA (Stable); reaffirmed |
| Long-term market linked debenture programme | 139.91 | 0.00 | PP-MLD[ICRA]AAA (Stable); reaffirmed & withdrawn |
| 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 |
| Long-term fund-based term loan | 2,000.00 | 2,000.00 | [ICRA]AAA (Stable); reaffirmed |
| Long-term/Short-term fund based – Others | 1,832.00 | 1,832.00 | [ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed |
| **Total** | **12,284.68** | **12,144.77** | |

**Instrument details are provided in Annexure I*

## Rationale

The ratings for Citicorp Finance (India) Limited (CFIL) derive significant strength from its parentage in the form of Citibank NA (rated Aa3/Stable by Moody's Investors Service) and its synergies with the Citigroup Inc. ICRA believes that CFIL will remain strategically important to Citigroup, given the shared brand name and expects that support would be forthcoming as and when required. 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. 3,889 crore and gearing of 0.3 times as on September 30, 2023), good financial flexibility by virtue of its parentage, adequate liquidity profile and comfortable asset quality indicators (nil gross stage 3) as on September 30, 2023.

ICRA notes that while the sale of the consumer finance business has led to a significant reduction in the size of CFIL's gross loan book, the company continues to offer institutional loan products such as the corporate loan portfolio, real estate lending and strategic equity solution (LAS/SES). Further, the loan book declined to Rs. 2,140 crore as on September 30, 2023 from Rs. 2,769[1] crore as on March 31, 2023 on account of specific large repayments and moderation in fresh disbursements in the institutional loan book. The ratings also factor in the company's moderate profitability indicators in the past. The profitability, however, improved in H1 FY2024 with the return on assets (RoA) at 2.1% compared with 1.4% in FY2023 on account of improvement in net interest margin (NIM), supported by the decline in leverage. Going forward, CFIL's ability to grow the business volumes in the focus segment (institutional loan segment) and keep a check on the credit costs will be key from a credit perspective.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 139.91-crore long-term market linked debentures as they have been fully redeemed with no amount outstanding against the same. The rating was withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings (click here for the policy).

[1] *Excludes reverse repo transaction and accrued interest thereon of Rs. 505 crore*

## 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 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 company also has financial flexibility due to its parentage and 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. Besides this, it benefits from the high level of 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 strong in relation to its current scale of operations. The company reported a healthy capital adequacy ratio (capital-to-risk weighted assets ratio – CRAR) of 87.07% as on September 30, 2023. The gearing declined to 0.3 times as on September 30, 2023 from 1.0 times as on March 31, 2023, owing to the decline in the loan book. 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 nil gross stage 3 assets as on September 30, 2023 as well as March 31, 2023 compared to 0.4%, respectively, as on March 31, 2022. The delinquencies have been nil, post the sale of the consumer finance business, as the delinquent accounts were largely from this business. At the same time, the significant share of corporate loans in CFIL's portfolio increases the portfolio vulnerability arising from higher concentration. The risk is somewhat mitigated by the better credit profile of the borrowers. 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

**Moderate profitability** – CFIL's profitability indicators have been moderate in the past with a 5-year average (FY2019 to FY2023) RoA of 1.4%, NIM of 2.9% and gearing of 1.5 times. However, the profitability improved in H1 FY2024 with the RoA at 2.1% on account of the improvement in the NIM to 4.0%. This was driven by the decline in leverage to 0.3 times and higher investment income than in the past. Further, the sale of the consumer finance business, along with the reduction in corresponding costs, led to some moderation in the operating costs and operating expenses in relation to average assets with the same expected to remain at 1.5% going forward as well. In line with the past trend, the credit cost has remained low, supporting the overall profitability. Going forward, the company's NIM could moderate, given its focus on the relatively lower-yielding institutional lending segment. The improvement in CFIL's profitability indicators would be contingent on its ability to grow the business from the current level.

**Modest scale of operations** – The sale of the personal loan book, asset-backed finance and a part of the mortgage loan portfolio to Axis Bank was concluded on March 1, 2023. Consequently, Citigroup's exit from its consumer franchises in India market brought down the total loan book by 60% YoY in FY2023. Following the sale, the company continues to offer loans through institutional lending products. The loan book declined further by 45% in H1 FY2024 (loan book of Rs. 2,140 crore as on September 30, 2023) from FY2023 on account of certain large repayments and moderation in disbursements. In addition to the loan book, the company has a trading book, which includes investments in high rated bonds and Government securities (G-Secs). CFIL is expected to increase its disbursements and grow its loan book, going forward, with focus on institutional lending products.

## Liquidity position: Adequate

CFIL's liquidity profile is adequate. As per the asset-liability management statement as on September 30, 2023, the cash and bank balance stood at Rs. 263 crore along with debt repayments of ~Rs. 898 crore and expected inflows from performing advances of Rs. 1,838 crore over the next 1 year. The cumulative mismatches remain positive across all time periods. The liquidity is further supported by the sanctioned but unutilised lines from Citibank NA of Rs. 1,832 crore and Rs. 2,000 crore from HDFC Bank. ICRA also notes that CFIL enjoys strong financial flexibility to mobilise long-term funding on the back of its parentage, AAA debt rating 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 parent, Citibank NA. A significant dilution in the expectation of support or a 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** | ICRA's Credit Rating Methodology for Non-banking Finance Company<br>ICRA's Credit Policy on Withdrawal of Credit Ratings |
| **Parent /Group support** | Parent/Group Company: Citibank NA<br>The ratings derive significant strength from the company's 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. In April 2021, Citigroup had announced its strategy review and its decision to focus on the Institutional Clients Group (ICG) business vertical. It had subsequently announced the sale of the consumer finance business by CFIL to Axis Bank in March 2022. CFIL completed the transfer of its consumer finance business on March 1, 2023. Going forward, the company will be focusing on institutional lending, commercial real estate, and the strategic equity solution (LAS/SES).

CFIL reported a net profit of Rs. 124 crore on gross total assets of Rs. 7,750 crore in FY2023 compared to Rs. 140 crore and Rs. 9,802 crore, respectively, in FY2022. Further, CFIL reported a net profit of Rs. 66 crore on a gross total asset base of Rs. 5,137 crore in H1 FY2024. As on September 30, 2023, the company's net worth was Rs. 3,889 crore compared to Rs. 3,886 crore as on March 31, 2023 and Rs. 3,912 crore as on March 31, 2022.

## Key financial indicators (audited)

| Particulars | FY2021 | FY2022 | FY2023 | H1 FY2024* |
|---|---|---|---|---|
| **Total income** | 779 | 283^ | 387^ | 216 |
| **Profit after tax** | 154 | 140 | 124 | 66 |
| **Gross total assets** | 10,825 | 9,802 | 7,750 | 5,137 |
| **Return on assets** | 1.4% | 1.4% | 1.4% | 2.1% |
| **Gearing (times)** | 1.5 | 1.4 | 1.0 | 0.30 |
| **Gross stage 3** | 0.0% | 0.4% | 0.0% | 0.0% |
| **CRAR** | 45.50% | 40.36% | 69.12% | 87.07% |

*Source: Company, ICRA Research;*

*Note: Amount in Rs. crore; All calculations are as per ICRA Research*
** Provisional numbers basis abridged financials*
*^Total income for continuing operations only. Total income including discontinued operations: FY2022= Rs. 639 crore, FY2023= Rs. 663 crore*
*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 | Type | Current Rating (FY2024) | | | | Chronology of Rating History for the Past 3 Years | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Amount Rated | Amount o/s as of Jan 12, 2024 | Date & Rating in FY2024 | | Date & Rating in FY2023 | Date & Rating in FY2022 | Date & Rating in FY2021 |
| | | | (Rs. crore) | (Rs. crore) | Jan 12, 2024 | May 16, 2023 | Mar 13, 2023<br>Jan 04, 2023<br>Sep 15, 2022 | Mar 08, 2022<br>Dec 28, 2021<br>May 05, 2021 | Feb 15, 2021<br>Oct 16, 2020 |
| 1 | Long-term market linked debenture programme | LT | 1101.77 | 299.69 | 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 | Long-term market linked debenture programme | LT | 139.91 | 0 | PP-MLD[ICRA]AAA (Stable); reaffirmed and withdrawn | PP-MLD[ICRA]AAA (Stable) | PP-MLD[ICRA]AAA (Stable) | PP-MLD[ICRA]AAA (Stable) | PP-MLD[ICRA]AAA (Stable) |
| 3 | NCD programme | LT | 1,211.00 | 0 | [ICRA]AAA (Stable) | [ICRA]AAA (Stable) | [ICRA]AAA (Stable) | [ICRA]AAA (Stable) | [ICRA]AAA (Stable) |
| 4 | Short-term debt (ICD) | ST | 2,000.00 | 0 | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 5 | CP programme | ST | 4,000.00 | 0 | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 6 | 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) |
| 7 | Long-term/Short-term fund-based bank lines | LT/ST | 1,832.00 | 0 | [ICRA]AAA (Stable)/ [ICRA]A1+ | [ICRA]AAA (Stable)/ [ICRA]A1+ | - | - | - |

*LT – Long term, ST – Short term*

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| **Long-term market linked debenture programme** | Complex |
| **NCD programme** | Simple |
| **Short-term debt (ICD)** | Very Simple |
| **CP programme** | Very Simple |
| **Long-term fund-based term loan** | Very Simple |
| **Long-term/Short-term fund-based – Others** | 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 January 12, 2024

| ISIN | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| **INE915D07N42** | **MLD** | Nov-26-2020 | NIFTY 50 Linked | Nov-26-2027 | 14.60 | PP-MLD [ICRA]AAA (Stable) |
| **INE915D07N75** | **MLD** | Jan-29-2021 | NIFTY 50 Linked | Jan-31-2028 | 45.60 | PP-MLD [ICRA]AAA (Stable) |
| **INE915D07O17** | **MLD** | Mar-30-2021 | NIFTY 50 Linked | Mar-30-2028 | 32.34 | PP-MLD [ICRA]AAA (Stable) |
| **INE915D07O66** | **MLD** | Mar-30-2022 | Nifty 100 Enhanced ESG index | Mar-30-2026 | 45.20 | PP-MLD [ICRA]AAA (Stable) |
| **INE915D07O90** | **MLD** | Sep-29-2022 | NIFTY 50 Linked | Sep-28-2029 | 60.50 | PP-MLD [ICRA]AAA (Stable) |
| **INE915D07P16** | **MLD** | Nov-16-2022 | NIFTY 50 Linked | Nov-16-2029 | 27.10 | PP-MLD [ICRA]AAA (Stable) |
| **INE915D07P24** | **MLD** | Nov-28-2022 | NIFTY 50 Linked | Nov-28-2029 | 55.90 | PP-MLD [ICRA]AAA (Stable) |
| **INE915D07P40** | **MLD** | Jan-30-2023 | NIFTY 50 Linked | Jan-30-2030 | 9.00 | PP-MLD [ICRA]AAA (Stable) |
| **INE915D07P65** | **MLD** | Oct-17-2023 | NIFTY 50 Linked | Oct-13-2028 | 61.50 | PP-MLD [ICRA]AAA (Stable) |
| **INE915D07M35** | **MLD** | May-29-2020 | NIFTY 50 Linked | May-29-2029 | 61.50 | PP-MLD [ICRA]AAA (Stable); withdrawn |
| **INE915D07N91** | **MLD** | Feb-26-2021 | NIFTY 50 Linked | Feb-24-2028 | 38.46 | PP-MLD [ICRA]AAA (Stable); withdrawn |
| **INE915D07N91** | **MLD** | Mar-15-2021 | NIFTY 50 Linked | Feb-24-2028 | 5.10 | PP-MLD [ICRA]AAA (Stable); withdrawn |
| **INE915D07M76** | **MLD** | Jul-31-2020 | NIFTY 50 Linked | Jul-31-2026 | 34.85 | PP-MLD [ICRA]AAA (Stable); withdrawn |
| **Yet to be placed** | **MLD** | NA | NA | NA | 750.03 | PP-MLD [ICRA]AAA (Stable) |
| **Yet to be placed** | **NCD** | NA | NA | NA | 1,211.00 | [ICRA]AAA (Stable) |
| **Yet to be placed** | **CP** | NA | NA | NA | 4,000 | [ICRA]A1+ |
| **Unallocated** | **Short-term debt programme (ICD)** | NA | NA | 7-365 days | 2,000 | [ICRA]A1+ |
| **Unallocated** | **Long term fund-based term loan** | NA | NA | NA | 2,000 | [ICRA]AAA (Stable) |
| **Unallocated** | **Long-term/Short-term fund based** | NA | NA | NA | 1,832 | [ICRA]AAA (Stable)/[ICRA]A1+ |

*Source: CFIL*

*Please click here to view details of lender-wise facilities rated by ICRA*

## Annexure II: List of entities considered for consolidated analysis

Not Applicable

## Corrigendum

Updated the figure for “Total Income for FY2022” in the Key Financial Indicators table on page *4* on the document dated *January 12, 2024.*

## ANALYST CONTACTS

**Karthik Srinivasan**
+91 22 6114 3444
karthiks@icraindia.com

**A M Karthik**
+91 44 4596 4308
a.karthik@icraindia.com

**Manushree Saggar**
+91 124 4545 316
manushrees@icraindia.com

**Niharika Tomar**
+91 124 4545 324
niharika.tomar@icraindia.com

**Sandeep Sharma**
+91 22 6114 3419
sandeep.sharma@icraindia.com

## RELATIONSHIP CONTACT

**L. Shivakumar**
+91 22 6114 3406
shivakumar@icraindia.com

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit www.icra.in

## ICRA Limited


### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45


### Branches