

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Long-term market linked debenture programme	139.91	0.00	PP-MLD[ICRA]AAA (Stable); reaffirmed & withdrawn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. 2,769¹ 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 ICRA's Credit Policy on Withdrawal of Credit Ratings
Parent /Group support	Parent/Group Company: Citibank NA 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 Jan 04, 2023 Sep 15, 2022	Mar 08, 2022 Dec 28, 2021 May 05, 2021	Feb 15, 2021 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*.

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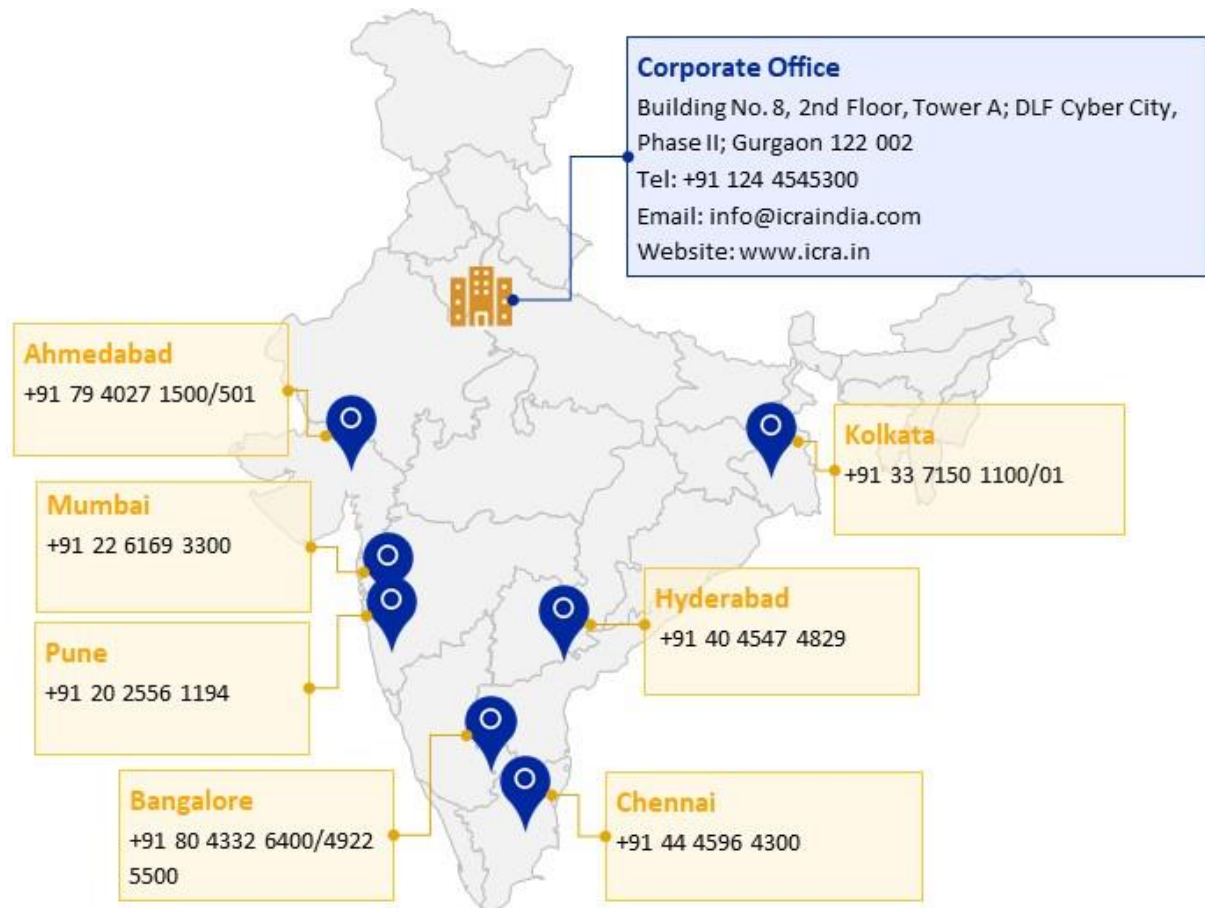
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