

August 19, 2024

## GIC Housing Finance Limited: Rating upgraded to [ICRA]AA+ (Stable); Rating simultaneously withdrawn for Rs. 225-crore NCD programme

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term bank lines – Fund based/Non-fund based	12,500	9,000	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable)
Non-convertible debenture programme	225	-	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable) and withdrawn
Non-convertible debenture programme	1,355	1,355	[ICRA]AA+ (Stable); upgraded from [ICRA]AA (Stable)
Short-term bank lines – Fund based	1,000	1,000	[ICRA]A1+; reaffirmed
Commercial paper programme	1,500	1,500	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>16,580</b>	<b>12,855</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating action factors in GIC Housing Finance Limited's (GICHF) improved asset quality and solvency profile. The improvement in the asset quality indicators was driven by continuous recovery efforts, strengthening of the collections team and process, including the empanelment of external agencies to make recoveries from delinquent accounts, and some write-offs. The reported gross stage 3 assets declined to 3.7% as on March 31, 2024 (4.0% as on June 30, 2024) from 4.4% as on March 31, 2023 (7.3% as on March 31, 2022). As a result, the company's solvency (Net stage 3/Net worth) improved significantly to 13.9% as on June 30, 2024 from 32.7% as on March 31, 2022. The capitalisation profile has also improved over the years, supported by internal capital generation and the moderation in the scale of operations. The gearing declined to 4.6 times as on June 30, 2024 (5.4 times as on March 31, 2023) while the capital adequacy ratio of 33.6%, as on March 31, 2024, was well above the regulatory requirement.

The ratings also consider the long track record of operations of more than 30 years, the focus on salaried home loans and the granular nature of the loan book. While GICHF had slowed down disbursements due to the Covid-19 pandemic and asset quality challenges, the same is picking up pace (YoY growth of 19% and 65% in FY2024 and Q1 FY2025, respectively) and ICRA expects the portfolio to start increasing gradually. The ratings continue to factor in the strong parentage in the form of General Insurance Corporation of India (GIC-Re) with GIC-Re and its erstwhile subsidiaries holding a 42.41% stake as on June 30, 2024. Given the ownership, strong board representation and shared brand name, ICRA expects GICHF to continue receiving managerial, operational and financial support from GIC-Re, as and when required.

The ratings remain constrained by the moderate earnings profile and relatively higher interest rate risk. Moreover, given the higher share of fixed rate loans vis-à-vis borrowings, the company remains exposed to relatively higher interest rate risk, especially in a rising interest rate scenario. GICHF reported a net profit of Rs. 151 crore in FY2024 (Rs. 39 crore in Q1 FY2025) compared to Rs. 213 crore in FY2023 (Rs. 32 crore in Q1 FY2024). ICRA expects some pressure on the net interest margin, going forward. The company's ability to manage its margins while controlling its operating and credit costs will remain important from a profitability perspective.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company would be able to maintain a steady credit profile supported by its long track record, the granular nature of its loan portfolio and the comfortable capitalisation profile. Further, ICRA expects support from GIC-Re to be forthcoming, if needed.

ICRA has upgraded and simultaneously withdrawn the rating for the Rs. 225-crore non-convertible debentures as the instruments have matured with no amount outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

## Key rating drivers and their description

### Credit strengths

**Established track record, focus on salaried home loan segment and granular nature of loan book** – Incorporated in 1989, GICHF has a long track record in the housing finance business. As on June 30, 2024, it was operating in 21 states through a network of 71 branches and 5 satellite offices with assets under management (AUM) of Rs. 10,281 crore. While the company had slowed down disbursements due to the pandemic and asset quality challenges, the same is picking up pace and ICRA expects the portfolio to start increasing gradually. It reported a YoY increase of 19% and 65% in disbursements in FY2024 and Q1 FY2025, respectively.

GICHF's loan book is granular with individual home loans (including renovation loans) accounting for 92% of the portfolio as on June 30, 2024, followed by loan against property (LAP; the balance). Also, within individual borrowers, the company remains focused on salaried borrowers (78% of the portfolio as on June 30, 2024). Given its presence primarily in retail housing loans and the granular nature of its portfolio, GICHF's credit concentration remains low.

**Comfortable capitalisation profile** – The company's capitalisation profile has been improving, supported by internal capital generation and the moderation in the scale of operations. The gearing has been declining and was reported at 4.6 times as on June 30, 2024 (5.4 times as on March 31, 2023). The capital adequacy ratio of 33.6%, as on March 31, 2024, was well above the regulatory requirement of 15%. In ICRA's opinion, given GICHF's growth plans and internal capital generation, the capitalisation profile is expected to remain comfortable in the near-to-medium term. Over the long term, if the growth momentum increases considerably, the company may need external capital to maintain comfortable capitalisation levels.

**Improved asset quality and solvency** – With the waning of the effects of the pandemic, continuous recovery efforts, strengthening of the collections team and process, including the empanelment of external agencies to make recoveries from delinquent accounts, and some write-offs, the company's asset quality indicators have improved significantly over the past two years. The gross stage 3 assets declined to 4.0% as on June 30, 2024 from 4.4% as on March 31, 2023 (7.3% as on March 31, 2022). With an adequate provision cover of 36.6%, the net stage 3 assets were lower at 2.6% as on June 30, 2024 (2.5% as on March 31, 2024; 3.0% as on March 31, 2023; 4.3% as on March 31, 2022). Given the improvement in the asset quality, the solvency profile (Net stage 3/Net worth) improved significantly to 13.9% as on June 30, 2024 from 32.7% as on March 31, 2022. Further, ultimate losses are expected to be low, given the secured nature of the loans. GICHF's ability to control slippages while scaling up its operations and recovering from delinquent loans will be a key monitorable.

**Strong parentage of GIC-Re** – GIC-Re, together with its erstwhile subsidiaries (The New India Assurance Company Limited, United India Insurance Company Limited, The Oriental Insurance Company Limited and National Insurance Company Limited), held a 42.41% stake in GICHF as on June 30, 2024. Given the ownership, strong board representation and shared brand name with GIC-Re, ICRA expects the company to continue receiving managerial, operational and financial support from GIC-Re, as and when required.

### Credit challenges

**Moderate profitability indicators** – GICHF reported a net profit of Rs. 151 crore in FY2024 compared to Rs. 213 crore in FY2023. The net interest margin compressed to 3.0% of the average managed assets (AMA) in FY2024 from 3.3% in FY2023 owing to the systemic increase in interest rates and the relatively higher share of fixed rate loans vis-à-vis borrowings. Operating

expenses increased to 1.2% of AMA in FY2024 from 1.0% in FY2023 as the company continued to recruit and invest in its systems and processes. With improved asset quality indicators, credit costs remained low at 0.1% of AMA in FY2024. GICHF reported a return of 1.4% on AMA and 8.6% on average net worth in FY2024 compared to 1.8% and 13.3%, respectively, in FY2023.

In Q1 FY2025, the company reported a net profit of Rs. 39 crore vis-à-vis Rs. 32 crore in Q1 FY2024. The overall profitability remains moderate and ICRA expects some pressure on the net interest margin, going forward. The company's ability to manage its margins while controlling its operating and credit costs will remain important from a profitability perspective.

**Competitive pressure and higher interest rate risk on account of relatively higher fixed interest rate portfolio** – GICHF faces competition from banks and leading housing finance companies (HFCs), primarily while lending to the salaried borrower segment. Competition is expected to remain high over the medium term, specifically in the salaried borrower segment. Further, with a higher share of fixed rate loans vis-à-vis borrowings, the company remains exposed to interest rate risk, especially in a rising interest rate scenario. Its funding mix mainly comprises long-term loans from banks (78% of total borrowings as on March 31, 2024), which are floating in nature. GICHF used to provide loans through a 61-month product, which were at a fixed rate for the stipulated initial 61-month period, with a floating rate thereafter. Though it has stopped disbursing these loans, ~30% of its portfolio, as on March 31, 2024, remains on a fixed interest rate basis. In ICRA's view, GICHF's ability to grow its book, while maintaining/improving its profitability, asset quality and solvency profile, will remain a key rating factor.

### Environmental and social risks

Given the service-oriented business of the company, its direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material. While lending institutions can be exposed to environmental risks indirectly through their portfolio of assets, GICHF's exposure to environmentally sensitive segments remains low. Hence, indirect transition risks arising from changes in regulations or policies concerning the underlying assets are not material.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and could invite regulatory censure. GICHF has not faced such lapses over the years.

### Liquidity position: Adequate

As on March 31, 2024, the company held Rs. 171 crore of cash and cash equivalents, bank deposits and liquid investments. Additionally, it had sanctioned but unutilised funding lines of Rs. 984 crore as on March 31, 2024. GICHF's structural liquidity statement (SLS), as on March 31, 2024, had positive cumulative mismatches in the up to six months bucket, factoring in the lines of credit committed by other institutions. Given the relatively longer tenure of its assets vis-à-vis liabilities, the company's ability to roll over its borrowings will remain a key rating monitorable. The granular nature of the loan book and established track record of raising funds from diverse sources support the liquidity profile.

### Rating sensitivities

**Positive factors** – A significant improvement in the scale of operations and sustained improvement in the asset quality and earnings profile (RoMA exceeding 2.5% consistently) could positively impact the long-term rating.

**Negative factors** – GICHF's ratings are strongly underpinned by its parentage in the form of GIC-Re. Any change in the expectation of support from the parent or a deterioration in the credit profile of GIC-Re shall negatively impact the ratings. Further, a deterioration in the capitalisation or asset quality indicators with the solvency ratio (Net stage 3/Net worth) increasing beyond 25% on a sustained basis would be a credit negative.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Rating Methodology for Non-banking Finance Companies</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	Given the shareholding, board representation and shared brand name with GIC-Re, ICRA expects GICHF to continue receiving managerial, operational and financial support from GIC-Re, as and when required
Consolidation/Standalone	Standalone

## About the company

GIC Housing Finance Limited was founded in 1989 by GIC-Re and its erstwhile subsidiaries, National Insurance Company Limited, The New India Assurance Company Limited, The Oriental Insurance Company Limited, and United India Insurance Company Limited, together with Unit Trust of India (UTI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI), Housing Development Finance Corporation (HDFC) and State Bank of India (SBI), all of which contributed to the initial share capital. Later on, HDFC, SBI, ICICI, UTI, and IFCI sold their stakes in GIC HF and ceased to be promoters. As on June 30, 2024, the promoter group held a 42.41% stake in the company, with GIC-Re being the largest shareholder.

## Key financial indicators (audited)

GIC Housing Finance Limited	FY2022	FY2023	FY2024	Q1 FY2025 <sup>^</sup>
As per	Ind-AS	Ind-AS	Ind-AS	Ind-AS
Total income	1,156	1,129	1,070	277
Profit after tax	174	213	151	39
Total managed assets	12,435	11,244	10,768	10,835
Return on average managed assets	1.4%	1.8%	1.4%	1.4%
Gearing (reported; times)	6.9	5.4	4.7	4.6
Gross stage 3 assets	7.3%	4.4%	3.7%	4.0%
Capital-to-risk weighted assets ratio	25.7%	31.5%	33.6%	NA

Total managed assets = Total assets + Impairment allowance; <sup>^</sup> Limited review; NA – Not available

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years				
	Type	Amount Rated (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022		
			Aug 19, 2024	Aug 23, 2023	Aug 26, 2022	Aug 27, 2021	Apr 12, 2021	
1 Long-term bank lines – Fund based/Non-fund based	Long term	9,000	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA+ (Negative)
2 Non-convertible debenture programme	Long term	605	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA+ (Negative)
3 Non-convertible debenture programme	Long term	225	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA+ (Negative)
4 Non-convertible debenture programme	Long term	-	-	[ICRA]AA (Stable); withdrawn	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA+ (Negative)
5 Non-convertible debenture programme	Long term	750	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	-	-	-	-
6 Short-term bank lines – Fund based	Short term	1,000	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
7 Commercial paper programme	Short term	1,500	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Source: Company

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term bank lines – Fund based/Non-fund based	Simple
Non-convertible debenture programme	Simple
Short-term bank lines – Fund based	Simple
Commercial paper 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**

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE289B07057	Non-convertible debenture	Mar 21, 2022	3-month T-Bill + 300 bps	Oct 20, 2023	225	[ICRA]AA+ (Stable); withdrawn
INE289B07073	Non-convertible debenture	Feb 27, 2023	8.70%	Nov 27, 2024	325	[ICRA]AA+ (Stable)
NA	Non-convertible debentures – Yet to be issued	-	-	-	280	[ICRA]AA+ (Stable)
NA	Non-convertible debentures – Yet to be issued	-	-	-	750	[ICRA]AA+ (Stable)
NA	Long-term bank facilities	Jul 2015 - Dec 2022	4.61-8.75%	Jul 2023 - Dec 2031	9,000	[ICRA]AA+ (Stable)
NA	Short-term bank facilities	Dec 2019 - Feb 2021	7.56-8.6%	Sep 2023 - Mar 2024	1,000	[ICRA]A1+
INE289B14IW9	Commercial paper	May 07, 2024	7.60%	Aug-06-24	200	[ICRA]A1+
INE289B14IX7	Commercial paper	May 15, 2024	7.60%	Aug-14-24	150	[ICRA]A1+
INE289B14IY5	Commercial paper	May 28, 2024	7.98%	Feb-14-25	125	[ICRA]A1+
NA	Commercial paper – Yet to be issued	-	-	7-365 days	1,025	[ICRA]A1+

Source: Company

[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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