December 10, 2024

# Citicorp Services India Private Limited: Ratings reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| **Long-term / Short-term – Fund-based limits** | 0.00 | 4,500.00 | [ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed |
| **Long-term – Fund-based limits** | 2,900.00 | - | - |
| **Long-term/Short-term – Unallocated** | 1,600.00 | - | - |
| **Total** | **4,500.00** | **4,500.00** | |

**Instrument details are provided in Annexure-I*

## Rationale

The reaffirmation of ratings for Citicorp Services India Private Limited (CSIPL) factors in the strength derived from its strong parentage in the form of Citibank N.A. (rated Aa3/Stable by Moody's Investors Service) and its strong operational and financial synergies with the parent. CSIPL operates as a global capability centre for Citigroup, providing a host of shared services related to technology, analytics, finance, operations, risk and allied services. CSIPL generates its entire revenues from Citibank N.A and its associates across the globe.

Further, the ratings continue to derive comfort from CSIPL's healthy financial risk profile, marked by healthy revenue growth over the years, robust internal accrual generation, comfortable leverage levels and debt protection metrics. In FY2024, CSIPL recorded a YoY growth of 27.4% supported by its strategic importance to the Citigroup on account of low-cost advantages and talent availability. Its operating profit margins are backed by the cost-plus markup basis of billing to Citigroup entities, which saw some moderation in FY2024 due to revision in the pricing arrangement. Moreover, healthy accretion to reserves translated into a comfortable capital structure and healthy coverage metrics. Given its strategic importance for Citigroup, ICRA expects CSIPL's revenue growth momentum to remain healthy for the near-to-medium term, along with sustenance of its operating profitability. Additionally, its credit profile is expected to remain healthy with healthy accrual generation, no material increases in debt and strong liquidity given the regulatory requirements of maintaining liquidity of six months on monthly average of twelve months of operating expense.

The ratings also take into account CSIPL's geographical concentration of revenues, with the US market generating 71% of its revenues. As a result, it remains susceptible to any adverse regulations in the US market that may restrict the outsourcing to other countries. Moreover, as CSIPL generates its entire revenues from Citigroup entities, its revenue growth is susceptible to any slowdown in the financial services industry. The ratings also consider industry-specific factors such as wage inflation and challenges of talent retention and reskilling. Any higher-than-expected dividend payouts, any major taxation-related liabilities that may arise in the future, and any major impact of emerging technologies remain a key monitorable for the company.

The Stable outlook on CSIPL's rating reflects ICRA's opinion that the company will continue to benefit from its strategic importance as a key global capability centre for Citigroup, CSIPL's healthy financial profile and strong liquidity position.

## Key rating drivers and their description

### Credit strengths

**Strong parentage ensures exceptional financial flexibility and access to funding support** – CSIPL is a step-down subsidiary of the New York-based global bank, Citibank N.A and is wholly owned by Citicorp Overseas Investment Corporation. This strong parentage provides CSIPL with exceptional financial flexibility and access to funding support from the group, if needed.

**Entire revenues derived from Citigroup with cost-plus markup arrangement supports revenues and profitability** – CSIPL acts as a global capability centre for Citigroup, and its entire revenues are generated from Citibank N.A. and its associates. CSIPL provides a host of shared services related to technology, analytics, finance, operations, risk, and allied services. The company's contribution and criticality of services to Citigroup has resulted in strong growth momentum for CSIPL over the recent fiscals. CSIPL bills its customers on a cost-plus markup basis. While the company witnessed healthy revenue growth in FY2024 at Rs. 12,122.5 crore, the operating profitability witnessed moderation due to downward revision of the mark-up from April 1, 2023. Nonetheless they continue to remain healthy at ~15%. Going forward, CSIPL's strategic importance to the Citigroup will continue to support the growth momentum along with sustenance of its margins.

**Strong financial risk profile characterised by healthy capital structure, robust debt protection metrics and strong liquidity position** – CSIPL's financial risk profile is strong, characterised by healthy scale of operations, sizeable net worth, healthy debt protection metrics, and a strong liquidity profile. In FY2024, CSIPL recorded a YoY revenue growth of 27.4% in FY2024 with operating margins of 14.9%. The healthy accrual generation with limited reliance on external debt (except lease liabilities) has translated into a comfortable capital structure (gearing of 0.3 time as on March 2024) and healthy coverage metrics (Total Debt/OPBITDA of 1.0 times as on March 31, 2024). CSIPL's credit profile is also expected to remain comfortable supported by strong accruals generation and no significant increase in its debt levels in the near-to-medium term.

### Credit challenges

**Industry specific challenges such as employee attrition and talent availability** – The company may be impacted by industry-specific factors such as wage inflation and challenges of talent retention and reskilling. Its attrition levels have remained lower than the industry average, at ~7.6% as of September 2024.

**Susceptible to slowdown in the financial services sector and high exposure to the US market** – The ratings take into account CSIPL's geographical concentration of revenues, with the US accounting for 71% of its FY2024 revenues. As a result, it remains susceptible to any adverse regulations in the US market that may restrict the outsourcing to low-cost countries. Moreover, as CSIPL generates its entire revenues from Citigroup entities, its revenue growth is susceptible to any slowdown in the financial services industry.

## Liquidity position: Strong

CSIPL's liquidity remains strong and is supported by robust accrual generation and unencumbered deposits of ~Rs. 5,969.0 crore, as of September 30, 2024. Moreover, no debt-funded capex plans as well as no major debt repayment liability over the near term further enhance the company's liquidity profile. ICRA also notes that CSIPL enjoys exceptional financial flexibility owing to its parentage. However, the company's cash flow position is also dependent upon any sizeable dividend payouts to its parent in future.

## Rating sensitivities

**Positive factors –** NA

**Negative factors –** CSIPL's ratings are underpinned by the support from its ultimate parent, Citibank N.A., and any significant change in operational and financial linkages with the parent or a significant deterioration in the credit profile of the parent could warrant a rating downgrade. Pressure on the ratings could also emerge in case of a sustained decline in internal accruals, or higher than expected dividend payout, leading to moderation in coverage metrics or weakening of its liquidity position, on a sustained basis.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>IT - Software & Services |
| **Parent/Group support** | Parent/Group Company: Citibank N.A.<br>The ratings derive significant strength from the company's ultimate parentage in the form of Citibank N.A. CSIPL enjoys a high level of operational and financial linkages with its parent, as its entire revenues are generated from its parent and its associates. ICRA expects liquidity support from the parent to be forthcoming, if required. |
| **Consolidation/Standalone** | Standalone |

## About the company

CSIPL, a Citigroup entity in India, is a service-oriented company with its registered office in Mumbai. CSIPL is a wholly-owned subsidiary of Citibank Overseas Investment Corporation and a step-down subsidiary of Citibank N.A.

CSIPL is a global captive capability centre for Citigroup in India. The company is engaged in the business of rendering information technology and information technology-enabled services (IT and ITeS) such as application development, user acceptance testing (UAT), production support, monitoring production environment, incident management, infrastructure management, analytics, decision support and operational support in various operational processes, based on application, vendor supervision and allied services.

### Key financial indicators (audited)

| CSIPL – Standalone | FY2023 | FY2024 |
|---|---|---|
| **Operating income** | 9,515.4 | 12,122.5 |
| **PAT** | 1,171.5 | 1,259.3 |
| **OPBDIT/OI** | 18.5% | 14.9% |
| **PAT/OI** | 12.3% | 10.4% |
| **Total outside liabilities/Tangible net worth (times)** | 0.4 | 0.5 |
| **Total debt/OPBDIT (times)** | 0.7 | 1.0 |
| **Interest coverage (times)** | 25.1 | 18.1 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

## 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) | Dec 10, 2024 | Date & rating in FY2024 | | Date & rating in FY2023 | Date & rating in FY2022 |
| | | | | | Mar 27, 2024 | Nov 21, 2023 | - | - |
| 1 | Fund-based Limits | Long-term/ Short-term | 4500.0 | [ICRA]AAA (Stable)/ [ICRA]A1+ | - | - | - | - |
| 1 | Fund-based Limits | Long-term | - | - | [ICRA]AAA (Stable) | - | - | - |
| 2 | Unallocated | Long-term/ Short-term | - | - | [ICRA]AAA (Stable)/ [ICRA]A1+ | [ICRA]AAA (Stable)/ [ICRA]A1+ | - | - |

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| Long-term/Short-term – Fund-based Limits | 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 | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| **NA** | **Fund-based Limits** | NA | NA | NA | 4500.00 | [ICRA]AAA (Stable)/ [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

## ANALYST CONTACTS


**Shamsher Dewan**
+91 124 4545328
shamsherd@icraindia.com

**Kinjal Shah**
+91 022 61143400
kinjal.shah@icraindia.com

**Deepak Jotwani**
+91 124 4545870
deepak.jotwani@icraindia.com

**Charvi Sagar**
+91 124 4545373
charvi.sagar@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.

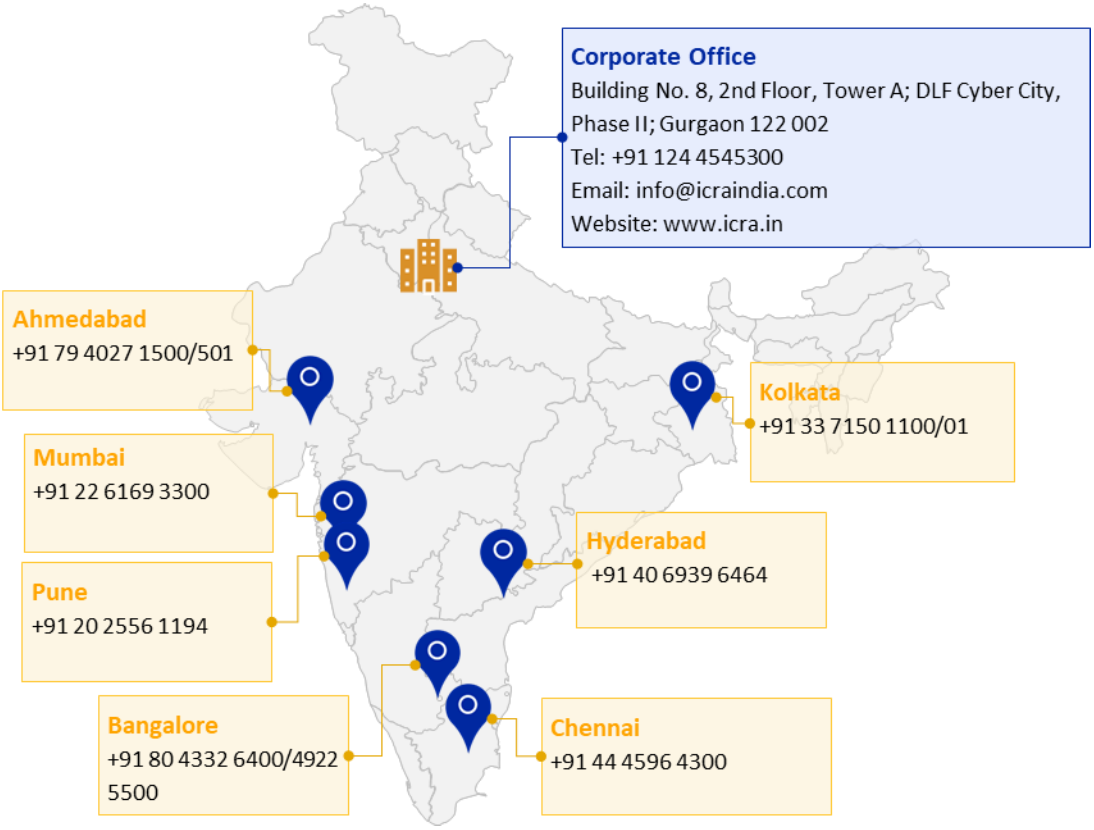
For more information, visit www.icra.in

# ICRA Limited

## Registered Office

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

## Branches






ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.