

Rating Rationale

March 07, 2024 | Mumbai

Citicorp Finance (India) Limited

Ratings reaffirmed at 'CRISIL AAA/Stable/CRISIL A1+'

Rating Action

| | |
|----------------------------------|-------------------------|
| Total Bank Loan Facilities Rated | Rs.700 Crore |
| Short Term Rating | CRISIL A1+ (Reaffirmed) |

| | |
|--|--------------------------------|
| Rs.2000 Crore Non Convertible Debentures | CRISIL AAA/Stable (Withdrawn) |
| Rs.7400 Crore (Reduced from Rs.10000 Crore) Non Convertible Debentures | CRISIL AAA/Stable (Reaffirmed) |
| Rs.2000 Crore Short Term Deposit | CRISIL A1+ (Reaffirmed) |
| Rs.4000 Crore Commercial Paper | CRISIL A1+ (Reaffirmed) |

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable/CRISIL A1+' ratings on the debt instruments and short term bank facilities of Citicorp Finance (India) Ltd (CFIL).

The ratings continue to factor in the expectation of strong support to CFIL from its ultimate parent, Citibank N.A (US) (rated 'A+/Stable/A-1' by S&P Global Ratings [S&P Global]) as part of its operations in India. The ratings also factor in the healthy capitalisation of CFIL, supported by nil non-performing assets (NPAs) and its diversified resource profile. These strengths are partially offset by the company's average earnings profile.

CRISIL Ratings has also **withdrawn** its rating on the non-convertible debentures of Rs 2325 crore (See Annexure 'Details of Rating Withdrawn' for details) on redemption and receipt of requisite documentation. The rating is withdrawn in line with CRISIL Ratings' policy on withdrawal of ratings.

Analytical Approach

For arriving at the rating, CRISIL Ratings has factored in the support that CFIL is expected to receive from its ultimate parent, Citibank N.A (US).

Key Rating Drivers & Detailed Description

Strengths:

- Strategic importance to, and strong support from ultimate parent, Citibank N.A (US)**
 CFIL is currently owned by Citibank Overseas Investment Corporation (COIC) through other intermediate holding companies. COIC, wholly owned by Citibank N.A (US), is the holding company for the international subsidiaries of Citigroup Inc (Citigroup). Citibank N.A (US) will continue to provide capital support to CFIL through COIC. Citibank N.A (US) holds 93.12%^[1] in CFIL and has stated its intention of ensuring that CFIL meets all its debt obligation in a timely manner.

Furthermore, CFIL also benefits from a high level of operational synergies with its parent, with senior management oversight, common risk management systems and standards and treasury platforms. These arrangements of CFIL with the group entity for specific support or expertise is basis arms- length arrangements.

CRISIL Ratings believes Citibank N.A (US) will maintain its significant majority ownership of CFIL over the medium term, and support, if required, will be made available to CFIL through Citibank N.A (US). Besides majority ownership shared brand, strong management and operational integration leads to a high moral obligation on Citibank N.A (US) to support CFIL. The extent of ownership by Citibank N.A (US) or any change in CRISIL Rating's opinion on CFIL's strategic importance to Citibank N.A (US), will be key rating sensitivity factors.

- **Healthy capitalisation**

As on December 31, 2023, CFIL's capitalisation was healthy with networth and overall capital adequacy ratio of Rs 4009 crore and 85.58% respectively (Rs 3886 crore and 69.1% respectively as on March 31, 2023). Further the gearing continues to remain low at around 0.3 times as on December 31, 2023 (1.0 times as on March 31, 2023). CRISIL Ratings believes that CFIL will continue to maintain healthy capitalisation over the medium term.

- **Healthy asset quality**

Risk management policies, and systems and processes of CFIL are closely aligned with those of Citi franchise. Furthermore, post the 2008 crisis, CFIL has tightened its origination and credit appraisal mechanisms, and collection systems. Asset quality remains strong with GNPA and NNPA at nil as on December 31, 2023, (nil as on March 31, 2023 and 0.2% and 0.1% as on March 31, 2022). Post completion of the sale of CFIL's consumer finance business to Axis bank, CFIL now houses only corporate lending business. Hence, the concentration risk in the portfolio has increased and any unanticipated slippage will remain a key monitorable. Nevertheless, CRISIL Ratings notes that all corporate loan borrowers have a relationship at the franchise level.

- **Diversified resource profile**

CFIL has a fairly diversified resource profile with 62% of the borrowings in the form of non-convertible debentures while around 27% in the form of market linked debentures and rest 11% in the form of inter corporate deposit. In addition, the company also has access to bank lines of Rs 3,832 crore. CFIL also benefits from its association with Citigroup, which enables them to borrow at competitive rates (weighted average cost of borrowings ranges between 6.89% - 7.22% for past 1 fiscal)

Weakness:

- **Average earnings profile**

In the past 5-years (from fiscal 2019 to 2023), the profitability of the company remained moderate, with return on assets (RoA) remained range bound at 0.8%-1.4%. However, in the first nine months of fiscal 2024, PAT and RoA stood at Rs. 184 crore and 3.8%(annualized) respectively (Rs. 124 crore and 1.4% respectively in fiscal 2023). The earning profile of the company improved in the first nine months of fiscal 2024, with NIMs (on total income basis) improved to 5.8% (4.0% in fiscal 2023) owing to higher interest income from investment because of sizable consideration received from sale of consumer business to Axis bank and lower interest expense owing to lower gearing of 0.3 times as on December 31, 2023. Further, the earning profile is supported by lower credit cost. The credit costs for the company have remained comfortable and range bound between 0.1%-0.8% over the past 5 years. Further, in first nine months of fiscal 2024, the credit costs remained negative at 0.2 % as on December 31, 2023, owing to the provision reversals. Nevertheless, scaling up of the portfolio along with a resultant improvement in the earnings profile with controlled credit costs will remain a key monitorable.

^[1] CFIL is ultimately 100% owned by Citigroup Inc

Liquidity: Superior

Liquidity profile of the company is superior. CFIL has reported cumulative positive gaps (including committed lines) in upto 1 year bucket as per the ALM profile as on December 31, 2023. As on January 31, 2024, the company had debt repayments of around Rs 779 crores from February 2024 to July 2024. Against the same, CFIL had liquid investments and unutilized bank lines of Rs. 6,461 crores.

Outlook: Stable

CRISIL Ratings believes Citibank N.A (US) will maintain significant majority ownership in CFIL and will continue to provide strategic, financial, and management support to the latter over the medium term.

Rating Sensitivity factors

Downward Factors

- Downward revision in S&P's rating on Citibank N.A by 2 notches or more
- Any significant diminution in the stake held by, or the support expected from, Citibank N.A. (US).
- Any change in strategic importance of CFIL for the India operations of Citibank N.A. (US)

About the Company

CFIL primarily provides corporate finance and loans against securities. It is 93.1% held by Citibank N.A (US) while the remaining is held by other entities of Citigroup. As on December 31, 2023, CFIL had a loan book of Rs 1482 crore, offering wholesale products with lending book majorly comprising of loan against shares (~47%), corporate loans (~53%). In addition, CFIL had investments in corporate bonds.

About the parent Citibank N.A (US)

Citibank N.A (US) provides commercial and consumer banking products and services. It offers checking accounts, savings accounts, certificates of deposit, and individual retirement accounts and rollovers; credit cards; lending products, such as home equity lines and loans, personal lines and loans, and mortgages; and investment products, which include insurance, annuities, advisory accounts, bonds, mutual funds, and securities backed lending; and financial education on wealth management. It also provides business and small business banking products, cash management, treasury management,

and merchant services. Citibank N.A (US) was formerly known as First National City Bank and changed its name to Citibank, N.A (US) in March 1976. The company was founded in 1812 and is based in Sioux Falls, South Dakota with locations and offices worldwide. Citibank N.A (US) operates as a subsidiary of Citigroup

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

| ISIN | Name of Instrument | Date of Allotment | Coupon Rate (%) | Maturity Date | Issue Size (Rs.Cr) | Complexity levels | Rating assigned with outlook |
|--------------|--------------------------|-------------------|-----------------|---------------|--------------------|-------------------|------------------------------|
| NA | Debenture^ | NA | NA | NA | 5770 | Simple | CRISIL AAA/Stable |
| INE915D07O82 | Debenture | 16-Sep-2022 | 6.25% | 16-Sep-2025 | 50 | Complex | CRISIL AAA/Stable |
| INE915D07P08 | Debenture | 31-Oct-2022 | 7% | 31-Oct-2025 | 30 | Complex | CRISIL AAA/Stable |
| INE915D07P32 | Debenture | 30-Nov-2022 | 7.35% | 30-Nov-2025 | 25 | Complex | CRISIL AAA/Stable |
| NA | Short Term Deposit | NA | NA | 7-365 days | 2000 | Simple | CRISIL A1+ |
| NA | Short Term Bank Facility | NA | NA | NA | 700 | NA | CRISIL A1+ |
| NA | Commercial Paper | NA | NA | 7-365 days | 4000 | Simple | CRISIL A1+ |

^Yet to be issued

Annexure - Details of Rating Withdrawn

| ISIN | Name of the instrument | Date of issuance | Coupon rate (%) | Maturity Date | Issue Size (Rs.Crore) | Complexity level | Rating assigned with outlook |
|--------------|------------------------|------------------|-----------------|---------------|-----------------------|------------------|------------------------------|
| INE915D08CU4 | Debenture | 16-Dec-2022 | 8.24% | 01-Mar-2025* | 600 | Complex | Withdrawn |
| INE915D08CO7 | Debenture | 11-Feb-2022 | 5.60% | 13-Feb-2024* | 200 | Complex | Withdrawn |
| INE915D07O74 | Debenture | 17-Aug-2022 | 7% | 17-Aug-2024* | 250 | Complex | Withdrawn |
| INE915D08CP4 | Debenture | 21-Feb-2022 | 5.47% | 14-Mar-2024* | 500 | Complex | Withdrawn |
| INE915D08CR0 | Debenture | 08-Mar-2022 | 5.75% | 29-Mar-2024* | 250 | Complex | Withdrawn |
| INE915D08CT6 | Debenture | 16-Mar-2022 | 5.67% | 29-Mar-2024* | 525 | Complex | Withdrawn |

*Call option is exercised by the company

Annexure - Rating History for last 3 Years

| Instrument | Type | Current | | 2024 (History) | | 2023 | | 2022 | | 2021 | | Start of 2021 |
|-----------------------|------|--------------------|------------|----------------|--------|----------|------------|----------|-------------------|----------|--------------|---------------|
| | | Outstanding Amount | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Rating |
| Fund Based Facilities | ST | 700.0 | CRISIL A1+ | | -- | 28-03-23 | CRISIL A1+ | 26-12-22 | CRISIL AAA/Stable | 23-12-21 | CRISIL A1+ / | CRISIL A1+ / |

| | | | | | | | | | | | CRISIL AAA/Stable | CRISIL AAA/Stable |
|------------------------------------|----|--------|----------------------|--|----|----------|----------------------|----------|---|----------|---|----------------------|
| | | | -- | | -- | 13-03-23 | CRISIL AAA/Stable | 23-12-22 | CRISIL A1+ / CRISIL AAA/Stable | 10-11-21 | CRISIL A1+ / CRISIL AAA/Stable | Withdrawn |
| | | | -- | | -- | | -- | 08-04-22 | CRISIL A1+ / CRISIL AAA/Stable | 26-04-21 | CRISIL A1+ / CRISIL AAA/Stable | -- |
| Commercial Paper | ST | 4000.0 | CRISIL A1+ | | -- | 28-03-23 | CRISIL A1+ | 26-12-22 | CRISIL A1+ | 23-12-21 | CRISIL A1+ | CRISIL A1+ |
| | | | -- | | -- | 13-03-23 | CRISIL A1+ | 23-12-22 | CRISIL A1+ | 10-11-21 | CRISIL A1+ | -- |
| | | | -- | | -- | | -- | 08-04-22 | CRISIL A1+ | 26-04-21 | CRISIL A1+ | -- |
| Commodity Linked Debentures | LT | | -- | | -- | | -- | | -- | | -- | Withdrawn |
| Equity Linked Debentures | LT | | -- | | -- | | -- | | -- | | -- | Withdrawn |
| Non Convertible Debentures | LT | 7400.0 | CRISIL AAA/Stable | | -- | 28-03-23 | CRISIL AAA/Stable | 26-12-22 | CRISIL AAA/Stable | 23-12-21 | CRISIL AAA/Stable | CRISIL AAA/Stable |
| | | | -- | | -- | 13-03-23 | CRISIL AAA/Stable | 23-12-22 | CRISIL AAA/Stable | 10-11-21 | CRISIL AAA/Stable | -- |
| | | | -- | | -- | | -- | 08-04-22 | CRISIL AAA/Stable | 26-04-21 | CRISIL AAA/Stable | -- |
| Short Term Debt | ST | | -- | | -- | | -- | | -- | | -- | Withdrawn |
| Short Term Deposit | ST | 2000.0 | CRISIL A1+ | | -- | 28-03-23 | CRISIL A1+ | 26-12-22 | CRISIL A1+ | 23-12-21 | CRISIL A1+ | CRISIL A1+ |
| | | | -- | | -- | 13-03-23 | CRISIL A1+ | 23-12-22 | CRISIL A1+ | 10-11-21 | CRISIL A1+ | -- |
| | | | -- | | -- | | -- | 08-04-22 | CRISIL A1+ | 26-04-21 | CRISIL A1+ | -- |

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

| Facility | Amount (Rs.Crore) | Name of Lender | Rating |
|--------------------------|-------------------|----------------|------------|
| Short Term Bank Facility | 700 | Citibank N. A. | CRISIL A1+ |

Criteria Details

Links to related criteria

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Finance Companies](#)

[Mapping global scale ratings onto CRISIL scale](#)

[CRISILs Criteria for rating short term debt](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)

| Media Relations | Analytical Contacts | Customer Service Helpdesk |
|---|---|--|
| <p>Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com</p> <p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> | <p>Ajit Velonie Senior Director CRISIL Ratings Limited B: +91 22 3342 3000 ajit.velonie@crisil.com</p> <p>Malvika Bhotika Director CRISIL Ratings Limited B: +91 22 3342 3000 malvika.bhotika@crisil.com</p> | <p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestor@crisil.com</p> |

Rutuja Gaikwad
Media Relations
CRISIL Limited
B: +91 22 3342 3000
Rutuja.Gaikwad@ext-crisil.com

Shaunak Samirbhai Shah
Rating Analyst
CRISIL Ratings Limited
B: +91 22 3342 3000
Shaunak.Shah@crisil.com

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in

the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>