

ICICI Home Finance Company Ltd

October 12, 2018

Ratings

Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Senior Bonds	799 (reduced from Rs.979 crore)	CARE AAA (SO)*; Stable (Triple A (Structured Obligation); Outlook: Stable)	Reaffirmed

Details of instruments/facilities in Annexure 1

*based on Letter of comfort from ICICI Bank Ltd (rated 'CARE AAA' (Triple A), 'CARE A1+' (A One Plus)).

#Senior bonds of Rs. 180 crore have matured hence rating has been withdrawn.

Detailed Rationale & Key Rating Drivers

The rating factors in the strong parentage of ICICI Home Finance Company Ltd [IHFC; a wholly-owned subsidiary of ICICI Bank (IBL)], IBL's explicit support in the form of financial and managerial assistance, the high degree of financial flexibility enjoyed by IHFC by virtue of being IBL's subsidiary as well as its comfortable capitalization levels. The rating takes note of the moderation in profitability and asset quality of IHFC in FY18. Ownership of IBL and continued parent support, in addition to IHFC's ability to maintain profitability, capital adequacy and asset quality are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong parentage and its support in the form of financial and managerial assistance

ICICI Home Finance Company Limited (IHFC) is the wholly owned subsidiary of ICICI Bank Ltd (IBL) rated 'CARE AAA; Stable', 'CARE A1+', one of the largest private sector banks in India. By the virtue of being the wholly owned subsidiary of IBL, the company enjoys financial flexibility. The rating further derives strength from managerial support extended to IHFC by IBL. Some of the key senior management personnel of IHFC have previously held key positions at IBL.

Comfortable capitalization and strong resource raising ability

As on March 31, 2018, CAR was comfortable at 23.84% (Tier I ratio of 22.44%) as compared to 26.96% (Tier I ratio of 24.61%) as on March 31, 2017 and the gearing was 5.16 times as compared to 4.69 times as on March 31, 2017. In addition, the company has strong resource raising ability given its parent support. Majority of total borrowings of IHFC are at present unsecured in nature. Rs.4221.17 crore of bonds (21% is secured and 79% unsecured in nature) which forms 53% of the total borrowings. Unsecured CP is 4%, unsecured FD 3%, and other unsecured term loans are 40% of the total borrowings.

Liquidity Profile

The liquidity position as on March 31, 2018 was moderate with negative cumulative mismatches for upto one year bucket which is within the NHB limits. However, the company has unutilised bank lines of Rs.1350 crore along with overdraft facilities by various banks and unutilised rated amounts of bonds and CP to take care of the liquidity mismatches. Further, the liquidity profile of the company derives additional strength from its parentage.

Moderation in Profitability

The total loan book grew by 7.5% Y-o-Y in FY18. Disbursements grew by 34% in FY18 in all the products except Construction Realty Finance (CRF) for which the disbursements reduced by 15% as the company saw higher delinquency in the CRF portfolio. However, interest income declined by 6.14% Y-o-Y in FY18 due to the yields falling from 11.34% in FY17 to 9.79% in FY18 because of the reduction in the CRF portfolio which yields 13-14% vis-à-vis current HL and LAP portfolio which yields 8.5-9.75%. In addition, there was an interest reversal of Rs. 13 crore due to the NPA in the CRF portfolio. The operating expense as a % of total assets increased to 1.35% in FY18 from 1.23% in FY17. The provision also increased from Rs.-4 crore in FY17 to Rs. 94 crore in FY18 of which the NPA provision increased from Rs. -0.29 crore in FY17 to Rs. 38.65 crore in FY18.

Due to lower interest income and increase in the operating expense and the increase in the provision, PAT declined to Rs. 64.25 crore in FY18 from Rs.183.26 crore in FY17. On account of the above, ROTA stood at 0.66% (FY17 2.01% and FY16 2.03%) and RONW stood at 4.05% (FY17: 11.87% and FY16: 11.91%).

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Moderation in asset quality

Gross NPA ratio and Net NPA ratios rose to 3.44% and 2.11% respectively as on March 31, 2018 from 1.73% and 0.74% respectively, as on March 31, 2017 due to the rise in the NPA in the CRF portfolio by 17% of the CRF loans outstanding from NIL in FY17. Thus, the company has lowered the CRF portfolio and now expanding its focus on the affordable housing segment for the coming years. It has also entered into the consumer durables segment and loan against securities to diversify the product mix.

The Net NPA to Net worth ratio stood at 12.84% [P.Y.: 4.18%] as on March 31, 2018.

Industry Prospects

HFC's are expected to maintain their good profitability on the basis of strong business growth and stable asset quality over the medium term. However, rising competition and the resultant possible dilution in credit underwriting norms, long term funding and asset quality are the key challenges for the sector. However, there are some industry concerns on the LAP book with many players witnessing substantial rise in the delinquency level.

Analytical approach: Standalone financial and business profile along with factoring in the strong linkages with its parent.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios – Financial sector](#)

[CARE's criteria for Housing Finance Companies](#)

About the Company

ICICI Home Finance Company Ltd (IHFC), incorporated on May 28, 1999, is a wholly-owned subsidiary of ICICI Bank Ltd (IBL – rated 'CARE AAA; Stable', 'CARE A1+'). IHFC caters to customer segment and geographies where IBL has no or limited presence. At the group level, this model helps cover larger scale and also brings in focus in the mortgage lending business. As informed by the IHFC officials, it has been decided by ICICI Bank to continue to expand the business under IHFC. IHFC has been hiring laterally from other NBFCs/HFCs including appointing of senior personnel from ICICI Bank for various senior positions.

As on March 31, 2018, IHFC had presence of 58 branches (63 as on Mar 31, 2017) and a staff of 330 (287 as on Mar.31, 2017). As on March 31, 2018 the loan book grew by 7.5% to Rs.9645.91 crore.

Brief Financials (Rs. crore)	FY17 (A)	FY18(A)
Total operating income	1,049	964
PAT	183	64
Interest coverage (times)	1.42	1.18
Total Assets	9,427	10,227
Net NPA (%)	0.74	2.11
ROTA (%)	2.01	0.66

A: Audited

All analytical ratios are based on CARE's Calculation.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Ravi Kumar

Tel: 022-6754 3421

Mobile: 9004607603

Email: ravi.kumar@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer:

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Rating assigned along with Rating Outlook
Secured NCD	18-Mar-09	10.75	18-Mar-19	300	CARE AAA (SO); Stable
Secured NCD	25-Nov-09	9.29	25-Nov-19	400	CARE AAA (SO); Stable
Unsecured NCD	25-Nov-09	9.29	25-Nov-19	99	CARE AAA (SO); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Date(s) & Rating(s) assigned in 2018-2019	Rating history		
		Type	Amount Outstanding (Rs. crore)	Rating		Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fixed Deposit	-	-	-		-	-	-
2.	Debt-Subordinate Debt	LT	207.00	CARE AAA (SO); Stable	1)CARE AAA (SO); Stable (31-Jul-18) 2)CARE AAA (SO); Stable (06-Jul-18)	1)CARE AAA (SO); Stable (10-Jul-17) 2)CARE AAA (SO); Stable (03-Apr-17)	1)CARE AAA (SO) (25-Jul-16)	1)CARE AAA (SO) (08-Jul-15)
3.	Borrowings-Unsecured Long Term	LT	799.00	CARE AAA (SO); Stable	1) 2)CARE AAA (SO); Stable (06-Jul-18)	1)CARE AAA (SO); Stable (10-Jul-17) 2)CARE AAA (SO); Stable (03-Apr-17)	1)CARE AAA (SO) (25-Jul-16)	1)CARE AAA (SO) (08-Jul-15)
4.	Fixed Deposit	LT	-	-	-	1)Withdrawn (03-Apr-17)	1)CARE AAA (FD) (SO) (10-Oct-16) 2)CARE AAA (FD) (SO) (22-Aug-16) 3)CARE AAA (FD) (SO) (25-Jul-16)	1)CARE AAA (FD) (SO) (18-Aug-15) 2)CARE AAA (FD) (SO) (08-Jul-15)
5.	Fixed Deposit	LT	4000.00	CARE AAA (FD); Stable	1)CARE AAA (FD); Stable (31-Jul-18) 2)CARE AAA (FD); Stable (06-Jul-18)	1)CARE AAA (FD); Stable (10-Jul-17) 2)CARE AAA (FD); Stable (03-Apr-17)	1)CARE AAA (FD); Stable (30-Dec-16) 2)CARE AAA (FD) (25-Jul-16)	1)CARE AAA (FD) (08-Jul-15)
6.	Borrowings-Unsecured Long Term	LT	12000.00	CARE AAA; Stable	1)CARE AAA; Stable (31-Jul-18) 2)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (10-Jul-17)	1)CARE AAA; Stable (30-Dec-16) 2)CARE AAA (25-Jul-16)	1)CARE AAA (08-Jul-15)
7.	Debt-Subordinate Debt	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (06-Jul-18)	1)CARE AAA; Stable (10-Jul-17)	1)CARE AAA; Stable (30-Dec-16) 2)CARE AAA (25-Jul-16)	1)CARE AAA (08-Jul-15)
8.	Commercial Paper	ST	4000.00	CARE A1+	1)CARE A1+ (06-Jul-18)	1)CARE A1+ (25-Sept-17)	-	-

CONTACT
Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691