ICICI Home Finance Company Limited (Revised)

June 29, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Debt-Subordinate debt	500.00	CARE AAA; Stable	Reaffirmed
Market-linked debentures	2,000.00	CARE PP-MLD AAA; Stable	Reaffirmed
Non-convertible debentures	11,000.00	CARE AAA; Stable	Reaffirmed
Fixed deposit	5,000.00	CARE AAA; Stable	Reaffirmed
Commercial paper	4,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Detailed Rationale and key rating drivers

The ratings assigned to the debt instruments of ICICI Home Finance Company Limited (ICICI HFC) derive strength from its parentage of ICICI Bank (IBL; rated CARE AAA; Stable) and the strategic importance of ICICI HFC to the parent group (ICICI). The rating further factors in the managerial support that ICICI HFC receives along with the shared brand name, funding support, and financial flexibility with access to diversified funding sources which enhances the resource-raising capability of the company. The ratings also factor in ICICI HFC's adequate capitalisation levels, the increasing presence in retail home loan market with focus on affordable housing segment and the expected parent support which outweigh moderate but improving asset quality and profitability.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Significant fall in the shareholding of IBL in ICICI HFC and weakening of the expected parent support.
- Weakening of the credit profile of IBL resulting in a downgrade in rating of IBL, which could lead to a similar rating change on ICICI HFC.
- Significant deterioration in the asset quality, with a net non-performing assets (NPA) ratio of over 6.5% on a sustained basis.

Analytical approach:

Standalone. Factoring in the strong linkages and expected support from its parent IBL which holds 100% shareholding.

Outlook: Stable

Stable outlook is on account of improvement in the profitability post increase in the levels of disbursements of loans during FY23 which is expected to continue in the near term and improvement in the asset quality parameters.

Detailed description of the key rating drivers:

Key strengths:

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

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

ICICI HFC is a wholly owned subsidiary of IBL (rated CARE AAA; Stable / CARE A1+). It has a strategic positioning for the group as an entity which focuses on affordable housing financing, which the group has planned to scale up. ICICI HFC caters to customer segment and geographies, where IBL has no or limited presence and focuses on Tier II and Tier III cities as against IBL which focuses largely on more prime segment. Furthermore, IBL is also assisting ICICI HFC in the expansion and scale-up of its business activities. By virtue of being a wholly owned subsidiary of IBL, ICICI HFC enjoys high financial flexibility enabling it to raise funds at competitive rates. During July 2022, IBL infused equity capital of ₹250 crore into ICICI HFC. Furthermore, ICICI HFC is expected to receive capital and funding support from IBL on a need basis, subject to regulatory approval. IBL also has a representation on the Board of the company. The Board is headed by Vinod Dhall (Chairman) and the operations of the company are looked after by Anirudh Kamani (Managing Director & Chief Executive Officer), having vast and well-round experience across domains along with well experienced non-executive directors having an experience of more than 25 years in banking.

Diversified resource profile:

The resource profile of ICICI HFC is diversified, with term loans from banks, refinance from the National Housing Bank (NHB), capital market borrowings, and fixed deposits. The resource profile is also diversified in terms of investors comprising public sector and private sector banks, mutual funds, retirement funds, foreign institutional investors (FIIs), corporates and the public or high net worth individuals (HNIs). Deposits constituted 25% (PY: 24%) of total borrowings as on March 31, 2023, while bank borrowings (including NHB refinance) constituted 36% (PY: 28%), market borrowings constituted 35% (PY: 35%), balance through commercial paper (CP) which constituted 5% (PY: 2%). Furthermore, the company has also been doing direct assignment (sell down) of its loan portfolio. As on March 31, 2023, the company's assigned loan portfolio stood at ₹4,501 crore (P.Y.- ₹ 3,363 crore), constituting 20.42% of the assets under management (AUM). Furthermore, the company has been able to maintain its cost of funds during FY23, due to its strategy to borrow short to medium term fixed rate liabilities specifically in the early part of the year when the rates were comparatively lower and borrow long-term floating rate liabilities linked to MCLRs/external benchmarks. Additionally, during the fiscal, the company prepaid term loans amounting to ₹2,131 crore, which in addition to high-cost term loans included high-cost External Commercial Borrowing (ECB) facility resulting in reduction in cost of borrowing.

Adequate capitalisation and moderate gearing levels:

ICICI HFC has been maintaining adequate capitalisation levels over the last few years and reported total capital adequacy ratio (CAR) and Tier-I CAR of 23.47% and 19.2%, respectively, as on March 31, 2023, as compared to 21.9% and 16.95%, respectively, as on March 31, 2022. During FY23, IBL has infused an equity capital of ₹250 crore in the company.

During FY23, the company's net worth increased due to infusion of equity capital (₹250 crore), increase in retained earnings by around ₹225 crore (P.Y.: ₹131 crore) and an increase in OCI reserves by ₹166 crore (P.Y.: ₹153 crore). Overall gearing stood at 5.33x (post adjustment for fair value gains: 6.04x) as on March 31, 2023 as compared to overall gearing of 6.11x (post adjustment for fair value gains: 6.63x) as on March 31, 2022.

Although, the leverage has decreased, the company plans to grow its portfolio which would increase the leverage in the near term. The company plans to maintain leverage below 8x calculated on its net owned funds (NOF) going forward.

Increasing presence in the home loan market along with efforts to increase geographical diversification albeit lower seasoning and higher proportion of self-employed customers:

ICICI HFC caters to customer segment and geographies where IBL has no or limited presence. During the past few years, the bank has started focusing of the affordable housing portfolio and lower ticket-size exposures in the construction finance segment. The product mix of the company is almost similar to the previous year. Home loans, LAP and construction finance constituted 70.79% (PY: 71.16%), 25.78% (PY: 26.95%) and 3.43% (PY: 1.93%) respectively of the gross loan book. During the year the net assets under management increased by 23.42% vis-à-vis industry growth of 11%. The proportion of the self-employed customers accounted for 62% (PY: 63%) which is relatively vulnerable to the economic cycle as compared to the salaried customer segment. Further during the year, the company opened 43 branches and closed 13 nonperforming branches. Currently, it has presence in 22 states; however, the geographical concentration in the state of Maharashtra, though slightly improved, continues to be high at 23.31% of the total exposure (PY: 24.99%).

Key rating weaknesses

Moderate asset quality:

ICICI HFC has seen improvement in its asset quality parameters over the years; however, they remain moderate compared to the other players in the housing finance segment. The GS3 ratio and NS3 ratio of the company improved from 5.78% and 4.3% as on March 31, 2022 to 3.14% and 2.04% as on March 31, 2023 respectively, on account of recoveries of ₹643.6 crore as well as write-offs in Fy23. The company's restructured advances book stood at ₹695 crore as on March 31, 2023, constituting 3.97% of net advances, out of which stage 3 accounted for ₹130 crore. Net stressed assets to tangible net worth stood at 37.63% (P.Y.: 70.33%) as on March 31, 2023. During the year the slippages have reduced from ₹861 crore to ₹569 crore. The company's Stage 3 provision coverage ratio stood at 36%.

Profitability improvement over the last few years:

Over the last three years, ICICI HFC has seen an improvement in profitability. The company saw increase in yield on advances from 10.11% in FY22 to 10.78% in FY23 as 97% of the portfolio is at floating rate, which enabled it to pass on the increase in the cost of borrowings. During FY23, the company increased its PLR by 125 bps. Since there was no increase in the company's cost of funds as the same was mitigated with prepayments of ECB and other high-cost borrowings during FY23 (6.9%), it resulted in an improved NIM of 4.70% for FY23 (PY: 3.65%). Further the non-interest income in the form of fees and commission has increased marginally i.e from ₹31.4 crore to ₹39.5 crore due to the increase in processing and referral fees. Operating expenses have increased in FY23 due to the opening of 43 branches and increased legal expense from ₹23 crore in FY22 to ₹48 crore in FY23. On book, the ROTA of the company has improved from 1.05% to 1.73% due to the reduced credit cost from 1.12% in FY22 to 1.02% in FY23.

Liquidity: Adequate

The asset-liability maturity (ALM) profile of the company as on March 31, 2023, showed no cumulative mismatches (including sanctioned but undrawn term loans) in the up to the one-year bucket. The company, being a housing loan lender, has inherent ALM mismatches in longer-time buckets due to the relatively longer maturity profile of assets vis-à-vis the borrowings. However, the company has a strong resource-raising ability which helps it maintain adequate liquidity. As on May 31, 2023, the company has undrawn lines of ₹2,450 crore and OD limit of ₹375 crore. Also, being part of ICICI group adds comfort.

Environment, social, and governance (ESG) risks: NA

Applicable criteria

Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios - Financial Sector
Rating Outlook and Credit Watch
Short Term Instruments
Housing Finance Companies
Market Linked Notes

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Finance	Housing Finance Company

ICICI HFC, incorporated on May 28, 1999, is a wholly owned subsidiary of IBL (rated 'CARE AAA; Stable', 'CARE A1+'). ICICI HFC has a network of 200 branches and a strength of 2,751 employees. ICICI HFC primarily caters to the customer segment and geographies where IBL has no or limited presence. ICICI HFC's total loan book stood at ₹17,543 crore as on March 31, 2023, and AUM stood at ₹22,044 crore. ICICI HFC provides housing loans (comprises 71% of the loan book), LAP (26%), and construction financing (3%). From 2018, the company has also been giving affordable housing loans (AHL). Affordable loans accounted for 37% of the total mortgage disbursements.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	1613.5	1,591.76	1,950.75
PAT	21.6	164.17	301.82
ROTA (%)	0.14	1.05	1.73
Overall gearing	7.36	6.11	5.33
Net NPA (%)	5.19	4.30	2.04

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

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

Any other information: Not applicable.

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹crore)	Rating Assigned along with Rating Outlook
Debentures-NCD	Various ISIN's^	Various Issuance dates	Various Coupon Rates	Various Maturity Dates	7,107.2	CARE AAA; Stable
Debentures-NCD	INE071G07298	December 05, 2019	8.00%	December 05, 2024	120	CARE AAA; Stable
Debentures-NCD	INE071G07298	January 30, 2020	8.00%	December 05, 2024	350	CARE AAA; Stable
Debentures-NCD	INE071G07256	April 28, 2020	7.60%	April 28, 2025	120	CARE AAA; Stable
Debentures-NCD	INE071G07322	May 26, 2020	7.45%	July 05, 2024	200	CARE AAA; Stable
Debentures-NCD	INE071G07330	May 26, 2020	8.00%	May 24, 2030	5	CARE AAA; Stable
Debentures-NCD	Proposed	-	-	-	3,097.8	CARE AAA; Stable
Debt-Subordinate debt	INE071G08AH0	June 10, 2020	8.02%	June 10, 2030	50	CARE AAA; Stable
Debt-Subordinate debt	INE071G08AH0	Jun 26, 2020	8.02%	June 10, 2030	45.5	CARE AAA; Stable
Debt-Subordinate debt	Proposed	-	-	-	404.5	CARE AAA; Stable
Debentures-MLD	INE071G07355^	June 26, 2019	8.10%	June 25, 2021	30.00	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07348^	August 06, 2019	8.00%	August 06, 2021	119.50	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07355^	August 20, 2019	8.10%	June 25, 2021	45.80	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07363^	September 06, 2019	7.70%	January 06, 2022	27.00	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07363^	October 23, 2019	7.70%	January 06, 2022	11.50	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07348^	October 23, 2019	8.00%	August 06, 2021	6.00	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07363^	November 29, 2019	7.70%	January 06, 2022	15.80	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07371^	August 26, 2020	5.15%	August 26, 2022	110.00	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07496	July 27, 2022	6.76%	January 25, 2024	179.9	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07504	August 24, 2022	7.00%	February 23, 2024	84.30	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07538	September 26, 2022	7.30%	March 26, 2025	57	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07546	October 12, 2022	7.56%	April 11, 2025	110	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07553	November 14, 2022	7.65%	April 29, 2025	40	CARE PP-MLD AAA; Stable
Debentures-MLD	Proposed	-	-	-	1,163.2	CARE PP-MLD AAA; Stable
Fixed deposit	-	-	-	Ongoing	5,000	CARE AAA; Stable
Commercial Paper	INE071G14EQ1	06-Apr-23	7.25%	27-Jun-23	175	CARE A1+
Commercial Paper	INE071G14ER9	19-May-23	7.23%	18-Aug-23	125	CARE A1+
Commercial Paper	INE071G14ES7	23-May-23	7.09%	22-Aug-23	125	CARE A1+

Commercial Paper	INE071G14ET5	07-Jun-23	7.00%	06-Sep-23	300	CARE A1+
Commercial Paper	Proposed	-	-	-	3,275	CARE A1+

MLD: Market linked Debenture, NCD: Nonconvertible debentures

^The instruments have been fully repaid. The instruments would be removed post discussion with the issuer for withdrawal of rating.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fixed Deposit	LT	5000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Dec-22) 2)CARE AAA; Stable (05-Jul-22) 3)CARE AAA; Stable (22-Jun-22)	1)CARE AAA (FD); Stable (06-Jul-21)	1)CARE AAA (FD); Stable (21-Sep-20) 2)CARE AAA (FD); Stable (07-Jul-20)
2	Debentures-Non Convertible Debentures	LT	11000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Dec-22) 2)CARE AAA; Stable (05-Jul-22)	1)CARE AAA; Stable (06-Jul-21)	1)CARE AAA; Stable (07-Jul-20)
3	Debt-Subordinate Debt	LT	500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Dec-22) 2)CARE AAA; Stable (05-Jul-22)	1)CARE AAA; Stable (06-Jul-21)	1)CARE AAA; Stable (07-Jul-20)
4	Commercial Paper-Commercial Paper (Standalone)	ST	4000.00	CARE A1+	-	1)CARE A1+ (07-Dec-22) 2)CARE A1+ (05-Jul-22)	1)CARE A1+ (06-Jul-21)	1)CARE A1+ (07-Jul-20)
5	Debentures-Market Linked Debentures	LT	1000.00	CARE PP-MLD AAA; Stable	-	1)CARE PP-MLD AAA; Stable (07-Dec-22) 2)CARE PP-MLD AAA; Stable (05-Jul-22)	1)CARE PP-MLD AAA; Stable (06-Jul-21)	1)CARE PP-MLD AAA; Stable (07-Jul-20)

6	Debentures-Market Linked Debentures	LT	1000.00	CARE PP-MLD AAA; Stable	-	1)CARE PP-MLD AAA; Stable (07-Dec-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Debentures-Market Linked Debentures	Highly Complex
3	Debentures-Non Convertible Debentures	Simple
4	Debt-Subordinate Debt	Complex
5	Fixed Deposit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us:

Media Contact	Analytical Contacts
Name: Mradul Mishra **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Name: Saikat Roy **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Name: Sanjay Agarwal Senior director **CARE Ratings Limited** Phone: +91-22- 6754 3500 / 582 E-mail: sanjay.agarwal@careedge.in Name: Sudhakar Prakasam Director **CARE Ratings Limited** Phone: +91-044 -28501000 E-mail: P.Sudhakar@careedge.in Name: Aditya R Acharekar Associate director **CARE Ratings Limited** Phone: +91-22-67543058 E-mail: aditya.acharekar@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in