ICICI Home Finance Company Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Long Term Instruments	500.00	CARE AAA; Stable	Reaffirmed
Market Linked Debentures	1,000.00	CARE PP-MLD AAA; Stable	Reaffirmed
Market Linked Debentures	1,000.00	CARE PP-MLD AAA; Stable	Reaffirmed
Non Convertible Debentures	11,000.00	CARE AAA; Stable	Reaffirmed
Non Convertible Debentures	5,000.00	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.

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 capitalization levels, the increasing presence in retail home loans, loan against property and construction finance 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 asset (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 FY24 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 retail home loans, loan against property and construction finance segment, which the group has planned to scale up. ICICI HFC has presence in product segments and geographies that complement the bank's offerings. 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 Q1FY25, IBL infused equity capital of ~₹500 crore into ICICI HFC. Nevertheless, capitalisation is expected to remain adequate, backed by steady internal cash accrual and capital support from ICICI Bank, as and when required, subject to arms' length dealings and regulatory compliances. IBL also has a representation on the Board of the company. The Board is headed by Mr. Rakesh Jha, Director on Board of ICICI Bank (Non-Executive Director, Chairman) and the operations of the company are looked after by Ms. Vineeta Rajadhyaksha (Managing Director & Chief Executive Officer), having vast and well-round experience of more than 27 years including 19 years in Banking along with well experienced non-executive directors.

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 20% (PY: 25%) of total borrowings as on March 31, 2024, while bank borrowings (including NHB refinance) constituted 39% (PY: 36%), market borrowings constituted 38% (PY: 35%), balance through commercial paper (CP) which constituted 3% (PY: 5%). Furthermore, the company has also been doing direct assignment (sell down) of its loan portfolio. As on March 31, 2024, the company's assigned loan portfolio stood at ₹7,328 crore (P.Y.- ₹ 4,501 crore), constituting 24.55% of the assets under management (AUM). Additionally, during the fiscal, the company prepaid term loans amounting to ₹463.87 crore resulting in savings 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 19.92% and 16.62%, respectively, as on March 31, 2024, as compared to 23.47% and 19.2%, respectively, as on March 31, 2023. During Q1FY25, IBL has infused an equity capital of ~₹500 crore in the company.

During FY24, the company's net worth increased due to increase in retained earnings by around ₹428 crore (P.Y.: ₹225 crore) and an increase in OCI reserves by ₹39 crore (P.Y.: ₹166 crore). Overall gearing stood at 5.45x as on March 31, 2024 as compared to overall gearing of 5.32x as on March 31, 2023. The leverage has increased in line with the growing portfolio of the company. Considering the changes in the regulatory landscape, the Company proposes to maintain the leverage within the regulatory and internal stipulated limits.

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 has presence in product segments and geographies that complement the bank's offerings. During the past few years, the Company has started focusing of the retail home loans, loan against property and construction finance segment. The product mix of the company is almost similar to the previous year. Home loans, LAP, construction finance and others constituted 66.43% (PY: 70.78%), 28.49% (PY: 25.78%), 4.93% (PY: 3.25%) and 0.15% (PY: 0.19%) respectively of the gross loan book. During the year the net assets under management increased by 35.4%. The proportion of the self-employed customers accounted for 62% (PY: 61%) which is relatively vulnerable to the economic cycle as compared to the salaried customer segment. Further during the year, the company increased its presence from 200 branches to 216 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 23.3% of total AUM (PY: 24.75%).

Key weaknesses

Improved asset quality:

ICICI HFC has seen improvement in its asset quality parameters over the years. The GS3 ratio and NS3 ratio of the company improved to 1.72% and 1.06% as on March 31, 2024 from 3.14% and 2.03% as on March 31, 2023 respectively, on account of growth in the AUM, recoveries/upgrade of Rs. 400 crore as well as write off of Rs. 90 crores during FY24. The company's restructured advances book stood at ₹616 crore as on March 31, 2024, constituting 2.74% of net advances, out of which stage 3 accounted for ₹ 103 crore. Net stressed assets to tangible net worth stood at 25.33% (P.Y.: 37.63%) as on March 31, 2024. During the year the slippages have reduced to ₹321 crore from ₹569 crore. The company's Stage 3 provision coverage ratio stood at 39%.

Profitability improvement over the last few years:

Over the last three years, ICICI HFC has seen significant improvement in profitability. The company saw increase in yield on advances from 10.11% in FY22 to 10.78% in FY23 and 11.25% in FY24 as 97% of the portfolio is at floating rate, which enabled it to pass on the increase in the cost of borrowings, it resulted in an improved NIM of 4.90% for FY24 (PY: 4.70%). Further the non-interest income in the form of fees and commission has increased marginally i.e from ₹39.5 crore to ₹53.5 crore due to the increase in processing and referral fees. Operating expenses have increased in FY24 due to the opening of 16 branches and increased employee benefit expense from ₹219 crore in FY23 to ₹350 crore in FY24. On book, the ROTA of the company has improved from 1.75% to 2.66% due to the reduced credit cost from 1.01% in FY23 to 0.28% in FY24.

Liquidity: Adequate

The asset-liability maturity (ALM) profile of the company as on March 31, 2024, 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, 2024, the company has undrawn lines of ₹3,875 crore and OD limit of ₹419 crore. Also, being part of ICICI group adds comfort.

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

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Housing Finance Companies
Short Term Instruments
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 216 branches and a strength of 4,483 employees. ICICI HFC primarily caters to the customer segment and geographies that complement the bank's offerings. ICICI HFC's total loan book stood at ₹22,522 crore as on March 31, 2024, and AUM stood at ₹29,850 crore. ICICI HFC provides housing loans (comprises 67% of the loan book), LAP (28%), and construction financing (5%). From 2018, the company has also been giving retail home loans. Home loans accounted for 64% of the total mortgage disbursements.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	1,591.76	1,950.75	2,648.26
PAT	164.17	301.82	572.32
ROTA (%)	1.08	1.75	2.66
Overall gearing	6.11	5.33	5.58
Net NPA (%)	4.30	2.04	1.06

A: Audited; 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	7,107.20	CARE AAA; Stable
Debentures-NCD	INE071G07298	December 05, 2019	8.00%	December 05, 2024	120.00	CARE AAA; Stable
Debentures-NCD	INE071G07298	January 30, 2020	8.00%	December 05, 2024	350.00	CARE AAA; Stable
Debentures-NCD	INE071G07256	April 28, 2020	7.60%	April 28, 2025	120.00	CARE AAA; Stable
Debentures-NCD	INE071G07322	May 26, 2020	7.45%	July 05, 2024	200.00	CARE AAA; Stable
Debentures-NCD	INE071G07330	May 26, 2020	8.00%	May 24, 2030	5.00	CARE AAA; Stable
Debentures-NCD	Proposed	-	-	-	8,097.80	CARE AAA; Stable
Debt-Subordinate debt	INE071G08AH0	June 10, 2020	8.02%	June 10, 2030	50.00	CARE AAA; Stable
Debt-Subordinate debt	INE071G08AH0	Jun 26, 2020	8.02%	June 10, 2030	45.50	CARE AAA; Stable
Debt-Subordinate debt	Proposed	-	-	-	404.50	CARE AAA; Stable
Debentures-MLD	INE071G07538	September 26, 2022	7.30%	March 26, 2025	57.00	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07546	October 12, 2022	7.56%	April 11, 2025	110.00	CARE PP-MLD AAA; Stable
Debentures-MLD	INE071G07553	November 14, 2022	7.65%	April 29, 2025	40.00	CARE PP-MLD AAA; Stable
Debentures-MLD	Proposed	-	-	-	1,793.00	CARE PP-MLD AAA; Stable
Fixed deposit	-	-	-	Ongoing	5,000.00	CARE AAA; Stable
Commercial Paper	INE071G14FN5	16-May-24	7.40%	14-Aug-24	75.00	CARE A1+
Commercial Paper	INE071G14FO3	17-May-24	7.40%	16-Aug-24	75.00	CARE A1+
Commercial Paper	INE071G14FP0	03-Jun-24	7.20%	02-Sep-24	50.00	CARE A1+
Commercial Paper	INE071G14FP0	03-Jun-24	7.20%	02-Sep-24	50.00	CARE A1+
Commercial Paper	INE071G14FQ8	20-Jun-24	7.18%	19-Sep-24	200.00	CARE A1+
Commercial Paper	Proposed	-	-	-	3,550.00	CARE A1+

MLD: Market Linked Debenture, NCD: Non-Convertible Debenture

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

Note: ISIN INE071G07355, INE071G07348, INE071G07363, INE071G07371, INE071G07496, INE071G07504 have been matured

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 2024-2025	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
1	Fixed Deposit	LT	5000.00	CARE AAA; Stable	1)CARE AAA; Stable (06-Jun-24)	1)CARE AAA; Stable (29-Jun-23)	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)
2	Debentures-Non Convertible Debentures	LT	11000.00	CARE AAA; Stable	1)CARE AAA; Stable (06-Jun-24)	1)CARE AAA; Stable (29-Jun-23)	1)CARE AAA; Stable (07-Dec-22) 2)CARE AAA; Stable (05-Jul-22)	1)CARE AAA; Stable (06-Jul-21)
3	Debt-Subordinate Debt	LT	500.00	CARE AAA; Stable	1)CARE AAA; Stable (06-Jun-24)	1)CARE AAA; Stable (29-Jun-23)	1)CARE AAA; Stable (07-Dec-22) 2)CARE AAA; Stable (05-Jul-22)	1)CARE AAA; Stable (06-Jul-21)
4	Commercial Paper-Commercial Paper (Standalone)	ST	4000.00	CARE A1+	1)CARE A1+ (06-Jun-24)	1)CARE A1+ (29-Jun-23)	1)CARE A1+ (07-Dec-22) 2)CARE A1+	1)CARE A1+ (06-Jul-21)

							(05-Jul-22)	
5	Debentures-Market Linked Debentures	LT	1000.00	CARE PP-MLD AAA; Stable	1)CARE PP-MLD AAA; Stable (06-Jun-24)	1)CARE PP-MLD AAA; Stable (29-Jun-23)	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)
6	Debentures-Market Linked Debentures	LT	1000.00	CARE PP-MLD AAA; Stable	1)CARE PP-MLD AAA; Stable (06-Jun-24)	1)CARE PP-MLD AAA; Stable (29-Jun-23)	1)CARE PP-MLD AAA; Stable (07-Dec-22)	-
7	Debentures-Non Convertible Debentures	LT	5000.00	CARE AAA; Stable	1)CARE AAA; Stable (06-Jun-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: 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.

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About us:

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