Home Credit India Finance Private Limited

February 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	4,000.01 (Enhanced from 450.01)	CARE AA-; Stable	Upgraded from CARE BBB+ and removed from Rating Watch with Developing Implications; Stable outlook assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has removed the 'Rating Watch with Developing Implications' and upgraded the rating assigned to bank facilities of Home Credit India Finance Private Limited (HCIF) considering completion of sale of 100% stake of Home Credit Group to TVS Holdings Limited (TVSHL; rated 'CARE AA+; Stable'), Premji Invest and other minority shareholders. TVSHL acquired an 80.74% equity stake in HCIF, while Premji Invest (10.79%) and other associates of TVSHL group (8.47%) purchased the remaining 19.26%. Consequent to the completion of the Acquisition, HCIF has become a subsidiary of TVSHL.

TVS Holdings Limited (TVSHL; formerly known as Sundaram Clayton Limited) is registered with the Reserve Bank of India ('RBI') as a core investment company (CIC) to carry on Non-Banking Financial Institution ('NBFC-CIC') without accepting public deposits. TVSHL is a leading Indian conglomerate, which includes finance, IT and two-wheeler business divisions based in Chennai. TVSHL holds importance as the holding entity of TVS Motor Company Limited (TVSM; rated 'CARE AA+; Stable'), the group's flagship entity, having strong credit profile and consistent track record of dividend payment.

Revision of rating for bank facilities of HCIF factors in its strong support from the parent group. The company continues to derive strength from the growing scale of operations, stable profitability profile and adequate capitalisation levels. However, the rating is constrained by its relatively riskier borrower segment and the largely unsecured nature of the loan book, concentrated resource profile and moderate asset quality.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Improving credit profile of the parent TVSHL.
- Significant scale-up of operations with geographical diversity while keeping asset quality and credit costs under control.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Deteriorating credit profile of the parent TVSHL.
- Any material changes in parent support and/or changes in the shareholding of the company, with TVSHL group's stake declining below 51%.
- Deterioration in capitalisation with CAR (%) below 17% on a sustained basis.

Analytical approach:

Standalone; factoring linkages with the parent, TVSHL (rated 'CARE AA+; Stable').

Outlook: Stable

The stable outlook factors in CARE Ratings Limited's (CARE Ratings') expectation that HCIF will be able to grow its scale of operations, while maintaining adequate capitalisation levels.

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

Detailed description of key rating drivers:

Key strengths

Part of TVSHL Group

TVSHL completed the acquisition of HCIF, making HCIF part of the TVSHL group. TVSHL serves as the holding company for several key entities, including TVS Motor Company Limited (TVSM), TVS Digital Limited (TVSDL), and TVS Holdings (Singapore) Pte Limited. The group has a strong presence in industries such as manufacturing two-wheelers, and auto components among others.

TVSHL is the ultimate parent of TVS Credit Services Limited (TVS Credit). The acquisition of HCIF enhances the group's presence in the financial services sector and allows them to leverage synergies between the two NBFCs. TVSHL holds an 80.74% equity stake in HCIF, while Premji Invest and other associates of TVSHL hold the remaining shares. The company has a 30-month window from date of RBI approval to have only one NBFC within the group as prescribed by RBI.

Growth in scale of operations

HCIF reported growth in its assets under management (AUM) to ₹5,961 crore as on March 31, 2024, registering a 14% year on year growth. The cash loan segment saw an 8% growth in this period, reaching ₹4,359 crore, which constitutes ~80% of the AUM. It is to be noted that cash loan is offered only to credit tested customers having a satisfactory repayment record of consumer durable loans with the company. As on December 31, 2024, 92% of the cash loan portfolio had a CIBIL score exceeding 725.

The company's AUM improved to ₹6,206 crore as on December 31, 2024, of which, cash loans amount to 73%. CARE Ratings expects the AUM growth to remain consistent in the near team.

The company's operations are spread across 21 states, with top three states together contributing 46% of the on balance sheet gross loans ("gross loans") as on December 31, 2024. With HCIF focusing on digitisation of lending operations, state concentration of the loan portfolio has improved consequently.

Adequate capitalisation and gearing levels

As on date, HCIF has comfortable capitalisation profile. In FY24 (refers to April 01, 2023, to March 31, 2024), owing to positive net accruals, HCIF's tangible net worth (TNW; net worth excluding deferred tax and intangible assets) improved by ~20% on y-o-y basis as it rose to ₹1,224 crore as on March 31, 2024. However, with growth in asset book and impact of increase in risk-weight for unsecured loan portfolio as stipulated by RBI, the overall capital adequacy ratio (CAR) of HCIF declined marginally from 21.90% as on March 31, 2023, to 18.70% as on March 31, 2024, despite remaining well-above the statutory requirement of 15%. As on December 31, 2024, the company's CAR (%) stood at 18.56%. The company's overall gearing stood at 3.09x as on March 31, 2024, and 3.01x as on December 31, 2024. CARE Ratings expects capitalisation levels to remain adequate with regular capital support from the group on need basis.

Stable profitability metrics

HCIF has reported a net profit after tax (PAT) of ₹142 crore in FY24, against PAT of ₹80 crore in FY23 with return on total assets (ROTA) improving from 1.85% in FY23 to 2.81% in FY24. Net interest margin (NIM; measured on average adjusted total assets) has largely remained stable at 25% in FY24 compared to FY23. The company lowered cost of funds y-o-y and reduced operational expenditure in FY24. Opex (measured on average adjusted total assets) reduced from 19.32% in FY23 to 14.84% in FY24. Benefits of operating leverage were visible with shifting of HCIF's business model to a variable cost structure from a high fixed cost structure. Starting July 2021, the company made a standing instruction mandate compulsory before disbursing cash loans. While there is an improving trend in the 0+ days past due (DPD; FY24: 12.3%; FY23: 16.0%), credit costs for HCIF (as a percentage of the average total assets) were elevated at 11.79% in FY24, primarily due to a shift in its write-off policy to 180 days from 270 days. In 9MFY25, the company reported PAT of ₹68 crore with a ROTA of 1.60% and credit cost of 13.51%. NIM continues to remain stable at ~25% with an opex (measured on average adjusted total assets) of ~14.51%. Going forward, HCIF's ability to control credit costs and improve operating efficiency will be key profitability drivers.

Key weaknesses

Moderate asset quality

With presence majorly in the unsecured personal loan segment, asset quality remains moderate with credit costs remaining higher. Gross non-performing assets (GNPA) and net NPA (NNPA) stood at 4.64% and 0.95%, respectively, as on March 31, 2024, against 8.27% and 1.74%, respectively, as on March 31, 2023, primarily due to a shift in its write-off policy to 180 days from 270 days. GNPA and NNPA stood at 5.36% and 1.19%, respectively, as on December 31, 2024. HCIN maintains a stage 3 provision coverage ratio of 80.28% at in FY24 (FY23: 80.33%).

The 30+ DPD as a percentage of gross loans stood at 8.25% as on March 31, 2024, against 12.05% as on March 31, 2023. As on December 31, 2024, 30+ DPD stood at 8.96%. The company's ability to manage its asset quality would remain critical. CARE Ratings expects the asset quality to remain moderate given relatively riskier credit profile of customers.

Relatively riskier borrower segment and largely unsecured nature of the loan book

The company provides loans for the purchase of consumer durables (primarily mobile phones) and cash loans (unsecured personal loans). HCIF also offers addon products in the form of non-credit value-added services. HCIF caters to a mix of borrowers, ones with existing credit history and ones who are new to credit (primarily for consumer durable loans), with the share of salaried individuals and self-employed in the overall book in the ratio of 60:40. As on March 31, 2024, cash loans comprised 80% (84%: March 31, 2023) of the AUM, whereas the remaining 20% (16%: March 31, 2023) was consumer durables. As on December 31, 2024, cash loans comprised 73% of AUM and remaining was consumer durables. Going forward, with changes and developments made by HCIF in terms of enhancing its CIBIL score and digital footprint requirements for borrowers, the overall borrower profile is expected to improve gradually.

Concentrated resource profile

Before the acquisition by TVSHL group, HCIF predominantly depended on Home Credit Group B.V for credit support in the form of external commercial borrowings (ECBs) as the primary source for its long-term borrowing needs. As on December 31, 2024, borrowings in the form of ECB stood at 61% of the overall borrowings. Of the remaining borrowings, 10% was in the form of term loans from banks/NBFC's, 19% is in the form of CC/WCDL and remaining 10% comes from securitisation.

Post the acquisition by TVSHL group, the ECBs have been replaced with bank borrowing. CARE Ratings expects the company to diversify funding profile by leveraging pedigree of the Group.

Liquidity: Adequate

Per the asset-liability maturity statement dated December 31, 2024, there were no negative cumulative mismatches in any of the time buckets except in the time bucket of six months to one year. This was considering the ECB payment to the Home Credit group. However, the company has repaid and replaced its outstanding ECB exposure by bank borrowings as on January 31, 2025. Excluding ECB exposure, there were no negative cumulative mismatches in any of the time buckets up to one year per ALM dated December 31, 2024. HCIF had a liquidity cover of ₹491 crore in the form of cash and bank balances and ₹135 crore as undrawn sanction limit as on January 31, 2025. Additionally, the support from TVSHL group adds further comfort.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Rating Outlook and Rating Watch
Financial Ratios - Financial Sector
Non Banking Financial Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

HCIF is a non-deposit-taking systemically important non-banking financial company (NBFC-ND-SI) registered with the Reserve Bank of India (RBI). HCIF has become a subsidiary of TVSHL effective January 31, 2025, where TVSHL owns 80.74% equity stake of HCIF and the remaining 19.26% equity stake has been purchased by Premji Invest and other associates of TVS Holdings. Earlier, HCIF was the Indian arm of the international consumer finance provider Home Credit N.V. with operations spanning Europe and Asia. In 2012, the Home Credit Group acquired Rajshree Auto Finance Private Limited (incorporated in October 1997) for its entry into the Indian market, and on June 05, 2013, the company's name changed to its present name. HCIF is engaged in providing loans to the retail segment for consumer durables (primarily mobile phones) and cash loans. HCIF also offers add-on products in the form of non-credit value-added services. HCIF operates through the point of sales (POS) model and online model with ~45,000 POS across 528 cities as on September 30, 2024.

Brief Financials (₹ crore)	31-03-2023	31-03-2024	31-12-2024
Standalone	A	A	UA
Total income	1,737	1,932	1,612
PAT	80	142	68
Interest coverage (times)	1.31	1.47	1.28
Total assets	4,621	5,463	5,853
Net NPA (%)	1.74	0.95	1.19
ROTA (%)	1.85	2.81	1.60

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working Capital Limits	-	-	-	July, 2026	3602.13	CARE AA-; Stable
Fund-based - LT-Working Capital Limits	-	-	-	-	120.00	CARE AA-; Stable
Fund-based - LT-Working Capital Limits	-	-	-	December, 2025	277.88	CARE AA-; Stable

Annexure-2: Rating history for 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	Fund-based - LT-Working Capital Limits	LT	3602.13	CARE AA-; Stable	1)CARE BBB+ (RWD) (21-May-24)	1)CARE BBB+; Stable (07-Jul-23)	1)CARE BBB+; Stable (05-Dec-22) 2)CARE BBB+; Negative (07-Jul-22)	1)CARE BBB+; Stable (05-Jul-21)
2	Fund-based - LT-Working Capital Limits	LT	120.00	CARE AA-; Stable	1)CARE BBB+ (RWD) (21-May-24)	1)CARE BBB+; Stable (07-Jul-23)	1)CARE BBB+; Stable (05-Dec-22) 2)CARE BBB+; Negative (07-Jul-22)	1)CARE BBB+; Stable (05-Jul-21)
3	Fund-based - LT-Working Capital Limits	LT	277.88	CARE AA-; Stable	1)CARE BBB+ (RWD) (21-May-24)	1)CARE BBB+; Stable (07-Jul-23)	1)CARE BBB+; Stable (05-Dec-22) 2)CARE BBB+; Negative (07-Jul-22)	1)CARE BBB+; Stable (05-Jul-21)

LT: Long term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here]

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

Contact us

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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.

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