

Schedule 1 of SEBI guidelines dated June 6, 2008

Private & Confidential – For Private Circulation Only



**ICICI Home Finance Company Limited**

Registered & Corporate Office: ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051

Tel.: (022) 26531414 Fax: (022) 26531230

Contact Person: Mr. Amol Chitnavis ; E-mail: [amol.chitnavis@icicibank.com](mailto:amol.chitnavis@icicibank.com);

Website: [www.icicihomefinancecoltd.com](http://www.icicihomefinancecoltd.com)

**Private Placement of Unsecured Redeemable Senior Bonds in the nature of Debentures aggregating Rs. 25 crore with a right to retain over subscription for 60 months at an interest of 10.25 % payable annually.**

**NOTE:** The Bonds offered herein are Unsecured Redeemable Senior Bonds in the nature of Debentures and shall be covered by a negative lien on the assets of the Issuer. The Issuer undertakes to maintain a negative lien on the assets of the Issuer to the extent of the value of the redeemable Senior Bonds under the Issue and the other borrowings and debt issues of the Issuer for which negative lien has already been provided by the Issuer. Further, the Issuer shall not transfer or otherwise dispose of its capital or fixed assets, part with any of its other assets, both present and future, to the extent specified above (i.e. the value of the redeemable Senior Bonds under the Issue and other borrowings and debt issues of the Issuer for which negative lien has been provided by the Issuer), except, in the ordinary course of its business or on account of any refinancing and/or securitization. The unsecured redeemable Senior Bonds will rank pari passu with all other existing direct, and unsubordinated borrowings of the Issuer.

**GENERAL RISKS:** For taking an investment decision, the investors must rely on their own examination of ICICI Home Finance Company Limited (the "Issuer") and the Issue including the risks involved. The Bonds have not been recommended or approved by Securities and Exchange Board of India ("SEBI") nor does SEBI guarantees the accuracy or adequacy of this document.

**CREDIT RATING:**

**For Senior Bonds:**

ICRA "LAAA" - This rating indicates highest-credit-quality. The rated instrument carries the lowest credit risk.

CARE "CARE AAA (so)" - Instruments carrying this rating are considered to be of best quality, offering highest safety for timely servicing of debt obligations. This rating is based on the credit enhancement by ICICI Bank in the form of letter of comfort.

The rating is not a recommendation to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal or suspension at any time by the assigning rating agency and each should be evaluated independently of any other rating. The ratings obtained are subject to revision at any point of time in the future. The

rating agencies have a right to suspend, withdraw the rating at any time on the basis of new information, etc.

Listing: The bonds issued under the schedule would be Listed on the Wholesale Debt Segment (WDM) of the Bombay Stock Exchange Limited.

***REGISTRAR & TRANSFER AGENT***

**3i INFOTECH LIMITED**

Tower #5, 3rd to 6th Floors,  
International Infotech Park, Vashi  
Navi Mumbai 400 703  
Tel. No.: (022) 6792 8000  
Fax No.: (022) 6792 8099

This Schedule under SEBI guidelines dated June 6, 2008 for private placement of bonds is neither a prospectus nor a statement in lieu of prospectus and does not constitute an offer to the public generally to subscribe for or otherwise acquire the bonds to be issued by Issuer.

## I. Name Address & Registered Office of the Company

ICICI Home Finance Company Ltd  
 ICICI Bank Tower,  
 Bandra Kurla Complex,  
 Bandra East,  
 Mumbai – 400 059

## II. Name, Address and other details of Directors on Board as on January 31, 2009

Name, Description, address and business	Age	Qualification	Particulars of other directorships
Mr. V. Vaidyanathan Chairman ICICI Home Finance Company Limited ICICI Bank Towers Bandra-Kurla Complex Mumbai 400051  Company Executive	41	MBA, AMP (HBS)	ICICI Bank Limited ICICI Lombard General Insurance Company ICICI Securities Limited ICICI Investment Management Company Ltd
Mr. Sachin Khandelwal Vice Chairman ICICI Home Finance Company Limited ICICI Bank Towers Bandra-Kurla Complex Mumbai 400051  Company Executive	41	B Sc., B.E (Mechanical), MMS (Marketing)	
Mr. Jayesh Gandhi (Independent Director) A/4 Mewawala Apartment, 53-D, St. Mary Road, Vile Parle (West), Mumbai 400 056 Chartered Accountant	47	B. Com F.C.A.	Aventis Pharma Limited Raiji & Horwath Consultancy Services Pvt. Ltd. i-Process Services (India) Private Limited SBI Funds Management Private Limited
Mr S Santhanakrishnan (Independent Director) Flat G 5, Block 2, Prime Terrace, 150, L B Road, Tiruvanmiyur, Chennai -	65	M Sc, CAIIB, DSM, Diploma in Training and Development ISTD	Easy Access Finance Ltd - Non Executive Chairman Reliance Capital Trustee Company – Trustee Director
Mr. Rahul Mallick Managing Director & CEO ICICI Home Finance Company Limited ICICI Bank Towers	44	B Sc (Chemistry) MBA	-

Bandra-Kurla Complex Mumbai 400051			
Company Executive			

### **III. Summary of the business / activities**

#### **Business Activity**

Our business activities consist of retail housing finance and corporate loans to real estate developers and businesses, distribution of third party investment products and other fee-based products and services and sourcing and servicing of loans for the ICICI group.

Long-term housing loans to individuals and corporations and construction finance to builders are secured by a mortgage of the property financed. These loans are extended for maturities generally ranging from five to 20 years and a large proportion of these loans are at floating rates of interest. This reduces the interest rate risk that we assume. Any change in the benchmark rate to which the rate of interest on the home loan is referenced is passed on to the borrower on the first day of the succeeding quarter or the succeeding month, as applicable. Any decrease in the rate of interest payable on floating rate home loans is effected by an acceleration of the repayment schedule, keeping the monthly installment amount unchanged. Any increase in the rate of interest payable on floating rate home loans is effected first by a prolongation of the repayment schedule, keeping the monthly installment amount unchanged, and based on certain criteria, by changing the monthly installment amount.

ICICI HFC provides advisory and consultancy services for real estate businesses. It acts as a facilitator for retail customers, both prospective buyers and sellers. As part of the corporate property services, ICICI HFC acts as a real estate consultant to developers and corporate clients providing customized real estate solutions to meet specific client requirements, for example, rent securitisation, joint venture structuring, sale and lease back transactions and investments and research.

ICICI HFC also acts as the sourcing agent for ICICI Bank for its retail finance activities including home loans products.

#### **Product Offering**

Products offered to customers in the retail housing loan sector include:

**Home Loans** – Home Loans are given for acquisition or construction of residential property and purchase of land and construction thereon to all categories of borrowers. The loans are extended for under construction or ready for possession or resale properties. The residential property is taken as the security for the loan by creating an equitable mortgage by deposit of the title deeds.

**Home Improvement Loans** – Home Improvement Loans are extended for the purpose of painting, tiling and flooring, grills and windows, plumbing and sanitary work, structural changes, external repairs, water proofing, boundary wall construction,

construction of underground or overhead tanks etc. The property on which the improvement work is to be done is taken as the security for the loan by creating an equitable mortgage by deposit of the title deeds.

**Home Equity Loans** - Home Equity Loans are given against residential and commercial properties. The loan can be utilized for the purpose of education, business, marriage, purchase and improvement of property, medical treatment and other personal needs. An end use letter is taken from the customer specifying the final use of the borrowed funds. The property is taken as security for the loan by creating an equitable mortgage by deposit of title deeds.

**Office Premises Loans** – Office Premises loans are extended for the purpose of purchase, construction, extension, improvement of an office, shop, clinic or nursing home. The commercial property is taken as the security for the loan by creating an equitable mortgage by deposit of the title deeds.

**NRI Loans** – Loans given to non-resident Indians for acquisition / construction of a residential property, purchase of land and construction thereon and improvement and loan against existing property. The property is taken as the security for the loan by creating an equitable mortgage by deposit of the title deeds.

Corporate finance for real estate requirements is extended based on the financial strength of the borrowing entity. The product line for the non-retail segment for real estate financing includes construction finance and lease rental discounting. Construction finance is given to developers or builders for project acquisition and construction costs. Lease rental discounting facility is given to corporates to unlock the value from leased premises.

### **Consultancy and Advisory**

**Home Search** – Home Search acts as the facilitator for retail customers, both prospective buyers and sellers, to identify the property to match their need and liking. We act as the intermediary between prospective buyers and sellers.

**Corporate Property Services** - The corporate property services is primarily a real estate consultancy business of ICICI Home Finance Company Limited. It provides consulting services in various segments including:

- Sale and leasing services for commercial, retail and industrial space
- Investment advisory services for clients through financial analysis of investment deals, offering the best possible investment based on the quantum to be invested, analysing investment horizon and expected returns, providing report on future outlook on prices, government incentives, growth potential, supply and demand situation and conducting due diligence and negotiations.
- Facilitating rent securitization to meet the financial needs of clients and helping in securitizing their cash flows from the rentals
- Conducting market research studies, feasibility studies, portfolio strategy for real estate holdings to gauge the future of real estate demand and facilitate corporates in real estate decision-making
- Valuing diversified properties like large residential plots and apartments, office properties, petrol pumps, large mills and industrial premises, retail malls and family entertainment centers.

•With more and more developers keen on participating in Joint Ventures with other clients, ICICI HFC would map the requirements of both the sides in structuring a deal, which would be of the mutual benefit to both the groups.

#### **IV. Brief History of the Company since incorporation and changes in capital structure**

##### **Background**

ICICI Home Finance Company Limited is a housing finance company registered with NHB. We are a wholly owned subsidiary of ICICI Bank Ltd., the second-largest bank in India and the largest bank in the private sector in terms of total assets, with total assets of Rs. 3,997.00 billion as on March 31, 2008.

ICICI HFC was incorporated on May 28, 1999, as a wholly owned subsidiary of erstwhile ICICI Personal Financial Services Limited. ICICI HFC obtained its certificate of commencement of business on July 9, 1999. Subsequently, it became a wholly owned subsidiary of the erstwhile ICICI Ltd. with effect from November 22, 1999. Following the merger of erstwhile ICICI Ltd. with ICICI Bank, ICICI HFC became a wholly owned subsidiary of ICICI Bank.

##### **CAPITAL STRUCTURE**

(Rs. in billion)

<b>As at March 31, 2008</b>		
1.	SHARE CAPITAL	
A)	AUTHORISED	
	2385,000,000 Equity shares of Rs. 10/- each	23.85
	15,000,000 Preference shares of Rs. 10/- each	0.15
	Total Authorised Capital	24.00
B)	ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL <sup>1</sup>	
	78,3750,000 Equity Shares of Rs 10/- each	7.84
C)	ISSUED, SUBSCRIBED AND PAID UP PREFERENCE SHARE CAPITAL <sup>2</sup>	
	15,000,000 Preference Shares of Rs. 10/- each	0.15
	<b>Total Issued Capital (B) and (C)</b>	<b>7.99</b>
2.	DEPOSITS AND BORROWINGS	
A)	Deposits	2.53
	Total (A)	<b>2.53</b>
B)	Borrowings	
(i)	Borrowings in India	
	Subordinate debt for Holding Company (Subordinated for Tier II capital)	4.20

Loans and Advances from Banks	39.55
Commercial Paper	18.84
Bonds	7.00
Total (B) (i)	<b>69.59</b>
(ii) Borrowings outside India	-
Total (B) (ii)	-
Total Borrowings (B) (i) and (ii)	<b>69.59</b>
<b>Total Deposits and Borrowings (A) and (B)</b>	<b>72.12</b>

Secured borrowings in (B) (i) and (ii) is Rs. Nil

#### Notes

1 43,750,000 equity shares of Rs.10 each fully paid up issued to shareholders of ICICI Distribution Finance Private Limited on amalgamation

2 The Preference Shares for Rs.15 crores were allotted on March 14, 2002 and are convertible into equity shares at the option of the Preference Shareholder after completion of one year but before completion of seven years from the date of allotment in the ratio of 1:1. However, the said Preference Shares shall be compulsorily and automatically convertible into one Fully Paid-up Equity Share of Rs.10 each for every one Preference Share of Rs.10 held on March 14,2009

### Details of Equity Share Capital

Date of allotment	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment	Reasons of allotment	Cumulative Capital (Rs.)
June 19, 1999	700	10.00	10.00	Cash	Subscriber to the Memorandum of Association	7000
November 22, 1999	19,999,300	10.00	10.00	Cash	Promoters contribution	200,000,000
September 29, 2000	75,000,000	10.00	10.00	Cash	Promoters contribution	950,000,000
October 4, 2001	20,000,000	10.00	10.00	Cash	Promoters contribution	1,150,000,000
December 28, 2004	25,000,000	10.00	10.00	-	Conversion of preference shares into equity	1,400,000,000
August 20, 2005	43,750,000	10.00	10.00	Allotted to the shareholders of ICICI Distribution Finance Private Limited (IDFL) in the ratio of five equity shares of ICICI Home Finance Company Limited (IHFC) for every one equity share held in IDFL	Amalgamation of IDFL with IHFC	1,837,500,000
March 31, 2006	100,000,000	10.00	10.00	Cash	Rights issue	2,837,500,000
December 12, 2007	500,000,000	10.00	10.00	Cash	Preferential issue	7,837,500,000
June 1, 2008	250,000,000	10.00	10.00	Cash	Right Issue	10,337,489,000
November 20, 2008	50,000,000	10.00	10.00	Cash	Right Issue	10,837,489,000

### Details of Preference Share Capital

Date of allotment	No. of preference shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment	Reasons of allotment	Cumulative preference Capital (Rs.)
December 28, 2001	25,000,000	10.00	10.00	Adjusted against debt	Promoters Contribution	250,000,000
March 14, 2002	15,000,000	10.00	10.00	Adjusted against debt	Promoters Contribution	400,000,000



December 28, 2004	25,000,000	10.00	10.00	Converted in equity shares	-	150,000,000
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The following tables set forth, for the details indicated, our top shareholders and their holdings:

a. At Nov 30, 2008

Sr. No.	Name of the Equity Shareholders	No. of shares	Remark
1.	ICICI Bank Limited	1,083,748,900	
2.	Others	1,100	Beneficial interest in the shares is held by ICICI Bank Limited
	Total	1,083,750,000	

b. At June 30, 2008

Sr. No.	Name of the Equity Shareholders	No. of shares	Remark
1.	ICICI Bank Limited	1,033,748,900	
2.	Others	1,100	Beneficial interest in the shares is held by ICICI Bank Limited
	Total	1,033,750,000	

c. At June 10, 2008

Sr. No.	Name of the Equity Shareholders	No. of shares	Remark
1.	ICICI Bank Limited	1,033,748,900	
2.	Others	1,100	Beneficial interest in the shares is held by ICICI Bank Limited
	Total	1,033,750,000	

d. At May 31, 2008

Sr. No.	Name of the Equity Shareholders	No. of shares	Remark
1.	ICICI Bank Limited	783,748,900	
2.	Others	1,100	Beneficial interest in the shares is held by ICICI Bank Limited
	Total	783,750,000	

e. At June 30, 2006

Sr. No.	Name of the Equity Shareholders	No. of shares	Remark
1	ICICI Bank Limited	283,748,900	
2	Others	1,100	Beneficial interest in the shares is held by ICICI Bank Limited
	Total	283,750,000	

**Details of Loans Outstanding as on March 31, 2008**

Sr. No.	Particulars	Amount (Rs. Million)
	<b>Loans</b>	
1	Loans from Scheduled Commercial Banks	39,550.10
2	Bonds	7,000.00
3	Commercial Papers	18,837.07
4	Subordinated Debt	4,199.45
	<b>Deposits</b>	
5	Fixed Deposits	2,533.11
	Total	72,119.72

## V. Securities to be issued and listed under current document

Under the purview of current document the company intends to raise an amount of Rs. 25 crore (with a right to retain an over subscription) of Unsecured Redeemable Senior Bonds in the nature of Debentures for 60 months. The coupon rate payable annually would be 10.25%.

The company has a valid AAA and AAA (so) rating from ICRA and CARE respectively as per the details given below and the rating letters from rating agencies are enclosed at the end of this document.

The detailed term sheet for the proposed bond issue is given in section XXIII of this document.

### CREDIT RATING:

#### For Senior Bonds:

ICRA "LAAA" - This rating indicates highest-credit-quality. The rated instrument carries the lowest credit risk.

CARE "CARE AAA (so)" - Instruments carrying this rating are considered to be of best quality, offering highest safety for timely servicing of debt obligations. This rating is based on the credit enhancement by ICICI Bank in the form of letter of comfort.

The rating is not a recommendation to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal or suspension at any time by the assigning rating agency and each should be evaluated independently of any other rating. The ratings obtained are subject to revision at any point of time in the future. The rating agencies have a right to suspend, withdraw the rating at any time on the basis of new information, etc.

## VI. Details of the Issue Size

### OFFER OF BONDS

We are seeking offers for subscription through Private Placement of Unsecured Redeemable Senior Bonds in the nature of Debentures aggregating Rs. 25 crore with a right to retain an over subscription for 60 months @ 10.25% per annum.

## NATURE OF BONDS

<b>Issue Size</b>	:	Rs. 25 crore with a right to retain over subscription.
<b>Instrument</b>	:	Unsecured Redeemable Senior Bonds in the Nature of Debentures
<b>Tenor</b>	:	60 months
<b>Coupon Rate</b>	:	10.25% payable annually
<b>Instrument Form</b>	:	Only in Demat Mode
<b>Face Value</b>	:	Rs. 1,000,000/- per bond
<b>Type of Interest</b>	:	Fixed
<b>Option</b>	:	No Put / Call
<b>Listing</b>	:	Wholesale Debt Segment of NSE / BSE

## ISSUE PROGRAMME:

<b>Issue Opens on</b>	:	February 10, 2009
<b>Issue Closes latest by</b> (latest closing date)	:	February 10, 2009
<b>Allocation/ Finalization of Basis of Allotment/ Pay in Date</b>	:	February 17, 2009
<b>Deemed Date of Allotment</b>	:	February 17, 2009

**Note:** ICICI HFC Ltd reserves the right to change the Issue Programme and also accept or reject any application, in part or in full, without assigning any reason.

## VII. Details of utilization of proceeds

The funds to be raised through private placement of Bonds issue under this issue will be used to augment our resources and meet the demand for providing housing finance and other products and for general corporate purpose.

The main object clause of our Memorandum of Association enables us to undertake the activities for which the funds are to be raised through private placement of Bonds and also the activities which we have been carrying on till date.

## VIII. Material Contracts and Agreements involving financial obligations

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Issue) which are or may be deemed material have been entered or to be entered into by the Company. These material contracts, and material documents referred to hereunder, may be inspected at the Registered Office of our Company between 10.00 am to 4.00 pm on working days.

### ***Material Contracts***

- 1) Copy of letter from the Company dated January 24, 2008 appointing 3i Infotech Limited as Registrar and Transfer Agent to the Issue.

### ***Material Documents***

- 1) Certified true copies of the Memorandum and Articles of Association of the Company, as amended from time to time.
- 2) Copy of the Certificate of Incorporation of the Company dated May 28, 1999.

- 3) Copy of Certificate of Commencement of Business dated July 9, 1999.
- 4) Certified true copy of the Resolution(s) of the Members of the Company passed at the Extraordinary General Meeting held on September 17, 2007 for increase in borrowing limits.
- 5) Certified true copy of the Resolution of the Members of the Company passed at the Annual General Meeting held on September 28, 2007 appointing S. R. Batliboi & Co., as statutory auditors of the Company.
- 6) Certified true copy of the resolution passed by the Board of Directors at its meeting held on September 2, 2008, appointing Mr. Rahul Mallick as the Managing Director and CEO of the company.
- 7) Copy of tripartite agreement dated December 30, 2004 between the Company, 3i Infotech Limited (formerly known as ICICI Infotech Limited) and National Securities Depository Limited.
- 8) Copy of tripartite agreement dated July 18, 2003 between Company, 3i Infotech Limited (formerly known as ICICI Infotech Limited) and Central Depository Services (India) Limited.
- Any of the contracts or documents mentioned herein may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

**The following are the details of other important transactions with related parties::**

The Company being a finance company, the transactions with related parties in the normal course of business have not been disclosed. The following are the details of other significant transactions with related parties:

Amount (Rs.)

Name	Particulars	Year ended Mar 31, 2008	Year ended Mar 31, 2007

Holding Company	<b>A. Transaction during the year</b>		
	Rent paid	3,573,504	37,827
	Staff costs	195,596,473	24,489,152
	Miscellaneous expenses	129,388,919	8,616,882
	Interest and other finance expenses	297,915,547	314,823,393
	Bank Guarantee Comm.	8,730,739	8,692,
	Management fees	626,262,814	713,833,355
	Property Service Fee	45,000	
	Expenses recovered	526,802,137	2,266,467,458
	Interest Income on fixed deposits	13,760,350	6,511,373
	Purchase of housing loan portfolio	6,231,360,657	13,171,403,226
	Dividend – Equity Share	431,318,75	255,375,00
	Dividend – Preference Share	15,000	15,000
	<b>B. Outstanding Balances</b>		
	Bank balance (including interest accrued on fixed deposits)	750,999,543	223,003,956
	Amount recoverable on Account of expenses	288,521,771	386,663,965
	Equity Share Capital	7,837,500,000	2,837,500,000
	Preference share Capital	150,000,000	150,000,000
	Sub-debt loan	4,199,445,150	1,199,445,150
	Guarantees	3,100,000,000	3,100,000,000
	Letter of Comfort	65,248,387.92	44,833,589.77
	Notional principal of hedge	3,500,000,000	7,250,000,000
	Amount payable on Account of expenses (Including interest accrued but not due on unsecured loans)	86,806,510	107,435,395

Fellow Subsidiaries / Associate Companies	Insurance paid	1,432,647	37,070,495
	Insurance claim	211,694,162	121,769,350
	Fee Receivable	19,883,703	3,595,603
	Other receivables	11,136,399	-
	Miscellaneous Expense	31,876,559	3,125,268-
	Investment in Shares	513,800,000	-
	Property Service Group fee	45,688,616	3,595,603

- (i) Holding Company: ICICI Bank Limited
- (ii) Fellow Subsidiaries: ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Plc., ICICI Bank Canada, ICICI Wealth Management Inc., ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Asset Management Company Limited, ICICI Prudential Trust Limited, ICICI Securities Primary Dealership Limited and ICICI Bank Eurasia Limited Liability Company.
- (iii) Key Management Personnel: Mr. Sunil Rohokale, Managing Director & CEO up to August 30, 2008 and Mr. Rahul Mallick, September 2, 2008 onwards.

## IX. Details of Past Borrowings

### Details of Loans Outstanding as on March 31, 2008

Sr. No.	Particulars	Amount (Rs. Million)
	<b>Loans</b>	
1	Loans from Scheduled Commercial Banks	39,550.10
2	Bonds	7,000.00
3	Commercial Papers	18,837.07
4	Subordinated Debt	4,199.45
	<b>Deposits</b>	
5	Fixed Deposits	2,533.11
	Total	72,119.72

### Details of Bonds Outstanding as on -January 31, 2009

S No	Nomenclature	Series	Issue Date	Maturity Date	Outstanding Amount (Rs. Mn)	Coupon Rate %
	<b>Senior Debt</b>					
1	10.00ICICIHFC2009	HDBFEB08	February 28, 2008	August 28, 2009	4,250.00	10.00
2	10.20ICICIHFC2010	HDBMAR08	March 25, 2008	June 25, 2010	2,000.00	10.20
3	10.00ICICIHFC2013	HDBMRH08	March 27, 2008	March 27, 2013	750.00	10.00
4	9.50ICICIHFC2009	HDBAPR08	April 11, 2008	October 11, 2009	1,250.00	9.50
5	10.70ICICIHFC2013	HDBJUL08	July 18, 2008	July 18, 2013	2,000.00	10.70
6	11.45ICICIHFC2010	HDBAG081	August 14, 2008	August 14, 2010	591.00	11.45
7	11.45ICICIHFC2011	HDBAG082	August 14, 2008	August 14, 2011	200.00	11.45
8	11.25ICICIHFC2013	HDBAG083	August 14, 2008	August 14, 2013	70.00	11.25
9	11.75ICICIHFC2010	HDBSEP08	September 17, 2008	February 17, 2010	500.00	11.75
10	11.35ICICIHFC2018	HDBSEP081	September 23, 2008	September 23, 2018	1800.00	11.35
11	11.75ICICIHFC2010	HDBSEP082	September 24, 2008	September 24, 2010	600.00	11.75
12	12.80ICICIHFC2010	HDBOC081	October 15, 2008	April 06, 2010	100.00	12.80
	<b>Subordinated Debt</b>					
13	9.80ICICIHFC2013	HDBMY081	May 23, 2008	August 23, 2013	770.00	9.80

14	9.90ICICIHFC2018	HDBMY082	May 23, 2008	May 23, 2018	503.00	9.90
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## **X. Material Development**

1. There has been a capital infusion of Rs. 500 million by ICICI Bank Ltd on November 20 in addition to capital infusion of Rs 2500 million on June 1, 2008. Post investment, the paid up capital of the company has gone up from Rs. 10337.49 million to Rs. 10837.49 million. The total capital including beneficial interest in shares (held by ICICI Bank) has gone up from Rs. 10337.50 million to Rs. 10837.50. The details of capital as on May 31, 2008 and June 30, 2008 and November 30, 2008 are given below:

### **a. At Nov 30, 2008**

Sr. No.	Name of the Equity Shareholders	No. of shares	Remark
1.	ICICI Bank Limited	1,083,748,900	
2.	Others	1,100	Beneficial interest in the shares is held by ICICI Bank Limited
	Total	1083,750,000	

### **b. As on June 30, 2008**

Sr. No.	Name of the Equity Shareholders	No. of shares	Remark
1.	ICICI Bank Limited	1,033,748,900	
2.	Others	1,100	Beneficial interest in the shares is held by ICICI Bank Limited
	Total	1,033,750,000	

### **c. As on May 31, 2008**

Sr. No.	Name of the Equity Shareholders	No. of shares	Remark
1.	ICICI Bank Limited	783,748,900	
2.	Others	1,100	Beneficial interest in the shares is held by ICICI Bank Limited
	Total	783,750,000	

The following tables set forth, as on November 30, 2008, certain information regarding the total ownership of our Equity Shares:

Name of the Equity Shareholders	% of Shares	Shares Held
ICICI Bank Limited	100.00	1,083,748,900
Others (Beneficial interest in the shares is held by ICICI Bank)	0.00	1,100
<b>Total</b>	<b>100.00</b>	<b>1,083,750,000</b>



The following tables set forth, as on May 31, 2008, certain information regarding the total ownership of our Equity Shares:

<b>Name of the Equity Shareholders</b>	<b>% of Shares</b>	<b>Shares Held</b>
ICICI Bank Limited	100.00	783,748,900
Others (Beneficial interest in the shares is held by ICICI Bank)	0.00	1,100
<b>Total</b>	<b>100.00</b>	<b>783,750,000</b>

- The company has announced the financial results for nine months of the current financial year (2008 -09). The summary of the audited financials as on December 31, 2008 is given below:

<b>Balance Sheet Items</b>	<b>Amount (Rs. Mn)</b>
<b>Sources of Funds</b>	
Share Capital (incl'd preference shares of Rs. 15 crore)	10987.5
Reserves & Surplus	1299.0
Secured Loans	3800.0
Unsecured Loans	106130.94
<b>Application of Funds</b>	
<b>Fixed Assets</b>	63.60
Investments	9045.41
Loans & Other Credit Facilities	111718.50
Net Current Assets	983.16
<b>P&amp; L Items</b>	
Income	10769.90
Expenditure	9656.97
Profit Before Taxation	1112.94
Provision for Taxation	330.00
Net Provision for Taxation (earlier years)	7.58
Deferred Tax	(124.51)
Fringe Benefit Tax	5.02
Profit After Taxation	894.85

- The company has appointed Mr S Santhanakrishnan as an independent director on the board in its meeting held on July 24, 2008.
- The company in its meeting of Board of Directors held on September 2, 2008 has appointed Mr. Rahul Mallick as the Managing Director and CEO. in place of Mr. Sunil Rohokale who resigned from the service of the company.
- ICICI Bank has withdrawn the nomination of Mr. Rajiv Sabharwal and appointed Mr. Sachin Khandelwal as additional director on board of the company on December 27, 2008. The company in its meeting of Board of Directors held on January 21, 2009 has

appointed Mr. Sachin Khandelwal as Vice Chairman of the company in place of Mr. Rajiv Sabharwal, who resigned from the service of bank.

6. The board in its meeting held on January 21, 2009 also accepted the resignation of Mr. Ashok Alladi, independent director from the board of directors.

### **XI. Debt Securities issued for consideration other than cash, at premium or discount, in pursuance of an option**

The company till date has not issued any security for consideration other than cash either at premium or at discount. The details of outstanding securities issued by the company are given in section IX.

### **XII. Details of highest ten holders of each kind of securities**

**a. At January 31, 2009**

Sr. No.	Name of the Equity Shareholders	No. of shares	Remark
1.	ICICI Bank Limited	1,083,748,900	
2.	Others	1,100	Beneficial interest in the shares is held by ICICI Bank Limited
	Total	1,083,750,000	

**b. List of Top 10 holders of Senior Bonds as on January 31,2009**

Sr. No.	Name of Allottee	Address	No. of bonds allotted
1	RELIANCE CAPITAL TRUSTEE CO. LTD.	Deutsche Bank AG, Domestic custody services, Hazarimal Somani Marg, Fort Mumbai.	5350
2	Life Insurance Corporation	Life Insurance Corporation of India Ltd, Yogakshema, Investment Department, 6 <sup>th</sup> Floor, Jeevan Bima Marg, Mumbai 400 021	3800
3	HDFC TRUSTEE COMPANY LIMITED	HDFC Bank Ltd, Trade World, A wing, ground floor, Kamla Mill compound, Senapati bapat marg, Lower Parel.,Mumbai	1000
4	TATA TRUSTEE COMPANY PRIVATE LTD	HDFC Bank Ltd, Trade World, A wing, ground floor, Kamla Mill compound, Senapati bapat marg, Lower Parel.,Mumbai	995

5	ICICI Prudential Life Insurance Company Ltd	Deutsche Bank AG, Domestic custody services, Hazarimal Soman Marg, Fort Mumbai.	747
6	BIRLA SUN LIFE TRUSTEE COMPANY LIMITED	Birla Sunlife Ltd, Off Andheri Kurla Road, Makwana Lane, Marol, Andheri East Mumbai	600
7	TATA OFFSHORE INDIA INFRASTRUCTURE SCHEME	HDFC Bank Ltd, Trade World, A wing, ground floor, Kamla Mill compound, Senapati bapat marg, Lower Parel., Mumbai	255
8	DSP MERRILL LYNCH TRUSTEE CO. PVT LTD A/C - DSP MERRILL LYNCH FMP-15M - SERIES 2	CITI BANK N A (Custody Services) C/o Ramnord House, 77, Annie Besant Road, worli, Mumbai 400018	250
9	KOTAK MAHINDRA TRUSTEE COMPANY LTD.	Deutsche Bank AG, Domestic custody services, Hazarimal Soman Marg, Fort Mumbai.	250
10	ICICI LOMBARD GENERAL INSURANCE COMPANY LTD.	Race course road, Mahalakshmi Mumbai	250
		<b>Total</b>	<b>13497</b>

**c. List of Top 10 holders of Subordinate Debt as on January 31, 2009**

Sr. No.	Name of Allottee	Address	No. of bonds allotted
1	NATIONAL INSURANCE COMPANY LTD	3, Middelton Street Kolkata	250
2	UNITED INDIA INSURANCE COMPANY LIMITED	16 Whites Road Chennai	200
3	GENERAL INSURANCE CORPORATION OF INDIA	170, J T Road, Churchgate Mumbai	150
4	ORIENTAL BANK OF COMMERCE	Treasury Department, 1st Floor, Head Office, Rajiv Chowk, New Delhi	100
5	DELHI DEVELOPMENT AUTHORITY	Room No 215, Vikas Sandan, INA, New Delhi	50
6	THE LIFE INSURANCE CORPORATION OF INDIA PROVIDENT FUND NO 1	LIC Of India, Central Office, West Wing, Yogakshema Building, J B Marg, Mumbai.	50
7	NEYVELI LIGNITE CORPORATION EMPLOYEES PROVIDENT FUND TRUST	No 2, Mueseum Road, Block 2, Nyeveli	50
8	THE INDIAN IRON AND STEEL COMPANY LIMITED WORKS PROVIDENT	PF Section, SAIL IISCO Plant, PO Burnpur, West Bengal	50

	FUND		
9	ESCORTS INVESTMENT TRUST LTD A/C ESCORTS MUTUALFUND-OP- PORTUNITIES FUND	HDFC Bank Ltd, World Trade Cen- ter, Ground Floor, Senapati Bapat Marg, Lower Parel Mumbai	50
10	CESC LIMITED PROVIDENT FUND	CESC House, Chowranghee Square Kolkata	50
	<b>Total</b>		1000

### **XIII. Undertaking to use a common form of transfer**

The company has been issuing debentures in Demat form only and there are no physical holdings. However ICICI HFC would use a common transfer form for physical holdings if at a later stage there is some holding in physical form due to the depository giving the rematerialisation option to any investor.

### **XIV. Redemption Amount, Period of Maturity, Yield on Redemption**

The proposed issue is for private placement of Unsecured Redeemable Senior Bonds in the nature of debentures aggregating Rs. 25 crore with a right to retain over subscription. The bonds would be issued for 60 months. The company would pay an annual coupon of 10.25% . Since the bonds are being issued at par value ((of Rs. 1000000) and would be redeemed at Rs. 1000000 per bond) the yield on redemption would be same as coupon rate.

### **XV. Terms of Offer or Purchase**

#### **Issue of Unsecured Redeemable Senior Bonds in the nature of debentures aggregating Rs. 25 crore with a right to retain over subscription.**

Issuer:	ICICI Home Finance Company Ltd. (ICICI HFC)
Issue Size:	Rs. 25 crore with a right to retain over subscription
Instrument:	Unsecured Redeemable Senior Bonds in the nature of Debentures
Instrument Form:	Only in Demat Mode
Put/Call Option:	No put/Call option
Face Value:	Rs. 10,00,000/- per bond
Issue Price:	Rs. 10,00,000/- per bond
Interest on Application Money:	The interest on application money payable by the Issuer would be at the applicable coupon rate from the date of realisation of cheque(s)/ Demand draft(s) upto one day prior to Deemed Date of Allotment. In case of refunds at the applicable interest rate from the date of realisation of cheque(s)/ demand draft(s) upto one day prior to date of refund on the refunded portion. This will be paid

	within 10 days of Deemed Date of Allotment  In case of default in payment of interest and/or principle redemption on the due dates , additional interest @ 2.0% p.a. over the documented rate will be payable by the company for the defaulting period.
Interest Payment:	Interest would be paid every year on February 17 (the date of allotment) and on Maturity, as applicable. The interest payment for any broken period would be paid on a pro-rata basis.
Interest Calculation:	The interest on the outstanding principal for each annual period would be calculated on an actual /365 day count basis.
Record Date:	For Interest and Redemption payment, record date would be 30 days prior to interest and/or redemption date.
Listing:	The Bonds would be listed on the Wholesale Debt Market Segment (WDM) of the Bombay Stock Exchange (BSE).
Credit Rating:	"LAAA" by ICRA, "CARE AAA (so)" by CARE
Trustee:	IDBI Trusteeship Services Ltd

Tenure	60 Months
Maturity	February 17, 2014
Coupon Rate (p.a.)*	10.25% payable annually
Type (Fixed / Book building)	Fixed
Minimum Application	10 bonds and in multiple of 1 bonds thereafter

\* Subject to TDS at applicable rates

#### Issue Programme:

Issue Opens on:	February 10, 2009
Issue Closes on: (latest closing date)	February 10, 2009
Allocation/ Finalisation of Basis of Allotment:	February 17, 2009
Deemed Date of Allotment:	February 17, 2009

ICICI Home Finance Company Ltd reserves the right to change the Issue Programme and also accept or reject any application in part or in full, at its sole discretion and without assigning any reason or prior notice.

Basis of Allotment:	Preference would be given to investors who invest on earlier dates (First come first serve basis). ICICI Home Finance Company Ltd may stop accepting subscription at any time during the Private Placement.
---------------------	---

Date: February 10 , 2009

#### Specific Disclosures:

The Bonds are subject to terms and conditions specified in Schedule 1 filed by ICICI Home Finance Company Ltd with the National Stock Exchange / Bombay Stock Exchange.

**Trustee for the Bondholders:**

IDBI Trusteeship Services Ltd.  
Asian Building, Ground Floor,  
17, R. Kamani Marg, Ballard Estate,  
Mumbai 400 001.  
TEL. NO.: (022) 66311771/72/73  
FAX NO.: (022) 66311776

**XVI. Discount on the offer price**

The bonds are being issued at face value and not at discount to offer price. Further till date no bonds have been issued by company at discount to face value.

**XVII. Debt Equity Ratio**

The debt equity ratio of the company as on March 31, 2008 stands at 8.66 times as against 12.10 times as on March 31, 2007. As on December 31, 2008 the Debt Equity ratio of the company was 9.29 times while the same as on January 31, 2009 was 8.63 times. Post issue if the company receives the base subscription the debt equity ratio would be 8.65 times. The Debt Equity Ratio if the company receives over subscription would be worked out post issue and informed to exchange based on the amount of over subscription received.

**XVIII. Servicing behavior of the existing debts**

Till date the company has discharged all its liabilities in time and would continue doing so in future as well. The company has been paying regular interest and on redemption repaying the bank. The first interest on any bonds issued by the company would be due in February 2009 which would be paid for by the company in time.

**XIX. Permission and Consent from the creditors**

Since the debentures being issued are unsecured redeemable senior bonds , the same doesn't require the consent of the creditors of ICICI HFC.

**XX. Name of the Debenture Trustee(s)**

**IDBI Trusteeship Services Ltd**  
Asian Building, Ground Floor,  
17, R Kamani Marg, Ballard Estate  
Mumbai 400 001  
Phone No: 022 – 6631 1771/2/3  
Fax No: 022 – 6631 1776

ITSL through their letters no 1042/ ITSL/ OPR/ 2008/CL-23 & 1043/ ITSL/ OPR/ 2008/CL-23 dated June 13, 2008 have agreed to act as trustee to the bond issue of ICICIHFC, for Rs. 1175 crore redeemable Senior Bonds in the nature of Debentures and Rs. 370 crore redeemable Subordinated Bonds in the nature of Debentures for inclusion as tier II capital, respectively.

## **XXI. Rating Rationale adopted by rating agencies**

### **For Senior Bonds:**

ICRA "LAAA" - This rating indicates highest-credit-quality. The rated instrument carries the lowest credit risk.

CARE "CARE AAA (so)" - Instruments carrying this rating are considered to be of best quality, offering highest safety for timely servicing of debt obligations. This rating is based on the credit enhancement by ICICI Bank in the form of letter of comfort.

The rating rationale adopted by rating agencies has been shared with the company. The rating rationale as released by ICRA and CARE (the rating agencies for the issue) is attached in the end of this document.

## **XXII. Listing of Bonds**

The company has filed a request with the Bombay Stock Exchange for in principle approval for listing of its bonds through letter dated . We are awaiting approval for the same. Once approved, the bonds being issued are proposed to be listed at BSE. The address of the exchange is:

Bombay Stock Exchange  
P J Towers  
Dalal Street  
Mumbai – 400059

## **XXIII. Term Sheet**

### **Issue of Unsecured Redeemable Senior Bonds in the nature of debentures aggregating Rs. 25 crore with a right to retain over subscription.**

Issuer:	ICICI Home Finance Company Ltd. (ICICI HFC)
Issue Size:	Rs. 25 crore with a right to retain over subscription
Instrument:	Unsecured Redeemable Senior Bonds in the nature of Debentures
Instrument Form:	Only in Demat Mode
Put/Call Option:	No put/Call option
Face Value:	Rs. 10,00,000/- per bond

Issue Price:	Rs. 10,00,000/- per bond
Interest on Application Money:	The interest on application money payable by the Issuer would be at the applicable coupon rate from the date of realisation of cheque(s)/ Demand draft(s) upto one day prior to Deemed Date of Allotment. In case of refunds at the applicable interest rate from the date of realisation of cheque(s)/ demand draft(s) upto one day prior to date of refund on the refunded portion. This will be paid within 10 days of Deemed Date of Allotment  In case of default in payment of interest and/or principle redemption on the due dates , additional interest @ 2.0% p.a. over the documented rate will be payable by the company for the defaulting period.
Interest Payment:	Interest would be paid every year on February 17 (the date of allotment) and on Maturity, as applicable. The interest payment for any broken period would be paid on a pro-rata basis.
Interest Calculation:	The interest on the outstanding principal for each annual period would be calculated on an actual /365 day count basis.
Record Date:	For Interest and Redemption payment, record date would be 30 days prior to interest and/or redemption date.
Listing:	The Bonds would be listed on the Wholesale Debt Market Segment (WDM) of the Bombay Stock Exchange (BSE).
Credit Rating:	"LAAA" by ICRA, "CARE AAA (so)" by CARE
Trustee:	IDBI Trusteeship Services Ltd

Tenure	60 Months
Maturity	February 17, 2014
Coupon Rate (p.a.)*	10.25% payable annually
Type (Fixed / Book building)	Fixed
Minimum Application	10 bonds and in multiple of 1 bonds thereafter

\* Subject to TDS at applicable rates

#### Issue Programme:

Issue Opens on:	February 10, 2009
Issue Closes on: (latest closing date)	February 10, 2009
Allocation/ Finalisation of Basis of Allotment:	February 17, 2009
Deemed Date of Allotment:	February 17, 2009

ICICI Home Finance Company Ltd reserves the right to change the Issue Programme and also accept or reject any application in part or in full, at its sole discretion and without assigning any reason or prior notice

Basis of Allotment:	Preference would be given to investors who invest on earlier dates (First come first serve basis). ICICI Home Finance Company Ltd may stop accepting subscription at any time during the Private Placement.
---------------------	---



Date: February 10, 2009

**Specific Disclosures:**

The Bonds are subject to terms and conditions specified in Schedule 1 filed by ICICI Home Finance Company Ltd with the National Stock Exchange / Bombay Stock Exchange.

**Trustee for the Bondholders:**

IDBI Trusteeship Services Ltd.

Asian Building, Ground Floor,

17, R. Kamani Marg, Ballard Estate,

Mumbai 400 001.

TEL. NO.: (022) 66311771/72/73 FAX NO.: (022) 66311776



CONFIDENTIAL

Ref No: 2008-09/635/2697  
September 19, 2008

Mr. Prashant Jain  
ICICI Home Finance Company Limited  
ICICI Bank Towers  
Bandra-Kurla Complex  
Bandra (East)  
Mumbai 400 051

Dear Sir,

Re : ICRA Credit Rating for the Bond Programme of Rs.4000 crore (enhanced from Rs.2000 crore).

Please refer to your request vide your letter dated August 06, 2008 for rating the Bonds programme of your company. Our Rating Committee of ICRA, after due consideration, has assigned the "LAAA" (pronounced L triple A) Rating to your aforesaid Bonds Programme of Rs.4000 crores. This rating is the highest-credit-quality rating assigned by ICRA. The rated instrument carries the lowest credit risk.

In any of your publicity material or other document wherever you are using our above rating, it should be stated as "LAAA". We would appreciate if you can sign on the duplicate copy of this letter and send it to us within 10 days from the date of this letter as a token of your acceptance and use of the assigned rating. The rationale for assigning the above rating will be sent to you on receipt of your confirmation about the use of our rating, as above. Any intimation by you about the above rating to any Banker/Lending Agency/Government Authorities/Stock Exchange would constitute use of this rating by you.

If the instrument rated as above, is not issued by you within a period of 10 months from the date of the letter communicating the rating, the same would stand withdrawn unless revalidated before expiry of the 10 months.

You are required to forthwith inform us about any default or delay in repayment of interest and/or principal amount of the instrument rated, as above, or any other debt instruments / borrowings. You are also required to keep us forthwith informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/debts of the company with any lender (s) / investor (s).

The rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us.

If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned.

You are required to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority (ics) is exceeded.

ICRA reserves the right to suspend, withdraw or revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

The ratings, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the Non-Convertible Debentures issued by you.

Electronic: Marwari, 3rd Floor  
Papa Shah Marathe Marg  
Prabhadevi, Mumbai - 400 025

tel: +91 22 24331046/53/62/74/85-87  
+91 22 24362044/24325103/30470500  
Fax: +91 22 24331390

website: www.icra.in  
email: mumbai@icraindia.com



..2.

Should you require any clarifications, please do not hesitate to get in touch with us.

We thank you for your kind co-operation during the course of the rating exercise.

With kind regards,

Yours faithfully,  
For ICRA Limited

A handwritten signature in black ink, appearing to read 'Anjan Deb Ghosh', is written above the printed name.

**ANJAN DEB GHOSH**  
Senior Vice President

A handwritten signature in black ink, appearing to read 'Karthik Srinivasan', is written above the printed name.

**KARTHIK SRINIVASAN**  
Vice President



## ICICI HOME FINANCE COMPANY LIMITED

### Contact:

Saket Kumar  
sakets@icraindia.com  
+91-22-3047 0039

Karthik Srinivasan  
Karthiks@icraindia.com  
+91-22- 3047 0028

### Rating

ICRA has assigned A1+ (pronounced A one plus) rating to the Rs. 40 billion short term debt programme (including commercial paper) of ICICI Home Finance Company Limited (ICICI Home). ICRA has also assigned LAAA rating (pronounced L triple A) to the Rs. 40 billion long term bonds programme (enhanced from Rs. 20 billion). Further, ICRA has retained MAAA (pronounced M Triple A) ratings on the fixed deposits programme, LAAA rating on the Rs. 60 billion fund based bank limits and LAAA rating on the Rs. 5 billion Lower Tier II bonds programme. The ratings indicate highest-credit-quality rating assigned by ICRA to the aforementioned instruments.

*(Refer Annexure for Rating History)*

### Key Financial Indicators

	31.03. 08	31.03. 07	31.03. 06
Total Assets	85,473	46,182	40,880
Total Borrowings	72,120	40,866	35,915
Equity Capital	7,988	2,988	2,988
Net Worth	8,892	3,693	3,514
Total Income	6,347	4,443	3,135
Net Profit	704	470	123
Interest Income/Avg. Total assets (%)	7.40	8.22	7.03
Interest Expenses/Avg. Borrowings (%)	6.15	7.13	6.10
Net Interest Margin (%)	1.25	1.09	0.93
Fee & Other Income/Avg. Total Assets (%)	1.86	1.80	1.59
Non-Interest Expenses/Avg. Total Assets (%)	1.79	1.60	1.76
Net Profit/Avg. Total Assets (%)	1.07	1.08	0.34
Total Debt/Net Worth (Reported) (Times)	8.11	11.07	10.22
Capital/Risk Asset (%)	17.58	13.29	15.23

*Note: Amounts in Rs. million*

Website:  
[www.icra.in](http://www.icra.in)



### Credit Strengths

- Strong parentage and brand name, given that ICICI Home Finance is a wholly owned subsidiary of ICICI Bank Limited
- Diversified loan portfolio providing retail housing loans, loan against property and construction loans, with retail focus
- Diversifying revenue streams, with increased focus on new avenues of fee income like property consultancy business

### Credit Challenges

- Manage and maintain the asset quality on riskier construction loans/loans against property segment
- Maintain profitability in the face of intense competition in the mortgage finance business.
- Manage growth while maintaining asset quality - now that ICICI Home has resumed to book assets on its balance sheet (Dec 2007 onwards)

### Rating Rationale

The ratings indicate highest-credit-quality rating assigned by ICRA and takes into consideration ICICI Home's strong parentage (ICICI Bank, which has outstanding ratings of LAAA, MAAA and A1+ from ICRA), the high financial flexibility it enjoys as a wholly owned subsidiary of ICICI Bank, besides its access to committed lines of credit from banks. ICRA has noted the capital infusion of Rs. 5 billion in ICICI Home in December 2007 and Rs. 2.5 billion in June 2008, with plans to increase its scale of operations. ICICI Home also acts as in-house outsourcing agent for the ICICI Bank group.

Till November 2007, the company has by and large been acting as a sourcing and servicing agent for ICICI Bank. ICICI Home was also raising bulk funds from the market (and ICICI Bank) and buying mortgage portfolio from peers, largely ICICI bank. Thus, with low net interest margins of around 1% and small fee income (primarily management fees from ICICI Bank), operating expenses and provisioning requirements, the profitability indicators remained low. With loans being booked on the balance sheet of ICICI Home December 2007 onwards, the Net Interest Margins have improved. The improved Net Interest Margins have been offset by increase in operating expenses. This has resulted in return on assets for Q1FY09 at 0.92%<sup>1</sup> as against 1.07% during entire FY08.

December 2007 onwards, ICICI Home Finance has commenced to build its book across all its three business segments: home loans, loan against property and construction loans, with a target ratio of individual loans: non-individual loans at 80:20. As of now, ICICI Home Finance is roughly maintaining the target ratio of individual home loans at around 40%, loan against property at around 40% and construction loan at around 20%, with the total loan at Rs. 97.61 billion as on July 31, 2008. With the company booking assets on its balance sheet, the proportion of floating rate loan increased to over 90% of the total loans as on June 30, 2008. The higher proportion of floating rate loans would help the company mitigate interest rate risk.

Even as ICICI Home continues to build its balance sheet, it would closely watch the asset quality indicators. As per the management, ICICI Home Finance will not sacrifice asset quality for growth. The Gross NPA % stood at 0.38% and the net NPA % stood at 0.25% as on June 30, 2008. However, given the short track record and increasing asset base, ability to maintain superior asset quality indicators remains to be demonstrated.

The ALM profile is similar to peer companies with an average borrowing profile of around 3 years and an average asset profile of 7-8 years. The ALM profile could change in the current year with the company's plans to raise short-term funds from the CP market, but given the strong parentage and the possibility to exchange portfolio with the parent is likely to mitigate any liquidity risks for the company. As on September 30, 2008 ICICI HF has more liabilities maturing in the 0-1 year bucket. However, in the shorter bucket (<1 month maturity) there is no mismatch as on September 30, 2008. In any case, strong parentage alleviates any liquidity concerns. ICICI Home intends to access Daily Put Call (DPC) market as an alternate source for overnight borrowing. The company has indicated that borrowing through DPC route would not exceed Rs. 3 billion at any point in time, and that the money raised through this route would not be from the perspective of growing the balance sheet. ICICI Home would also focus on raising long term liabilities. Also as on date, ICICI Home has raised significant retail deposits. Capitalization of ICICI Home strengthened on account of ICICI bank infusing Rs. 5 billion of equity capital in December, 2007 and Rs. 2.5 billion in June 2008. There are no imminent plans of ICICI to sell ICICI Home or to dilute its 100% stake in the company. Thus, continued support to ICICI Home from its parent is likely. The company's gearing stood at 7.10 times as on June 30, 2008 as

<sup>1</sup> annualized

against 8.11 times as on March 31, 2008(11.07 times as on March 31, 2007) and remains within the NHB norm of 16 times.

ICICI Home has put in place adequate credit and monitoring systems. ICICI Home undertakes an evaluation process for construction finance, wherein all the projects are mapped to an internal scale. Broad project evaluation parameters are reputation of builder, project cash flows, security available and other projects executed by the builder. For loan against property, ICICI Home Finance undertakes a systematic due diligence. ICICI Home undertakes bankers' verification of every case. For individual home loans, ICICI Home derives comfort from moderate Loan to Value against the property mortgaged.

### Recent Results

For the six-month ended September 30, 2008, ICICI Home reported net profits of Rs. 0.39 billion on a total income of Rs. 6.48 billion, as against net profits of Rs. 0.70 billion on a total income of Rs. 6.34 billion for FY08. The asset base of ICICI Home stood at Rs. 125.44 billion as on September 30, 2008 as against Rs. 85.47 billion as on March 31, 2008.

### Background

ICICI Home incorporated in 1999 is a wholly owned subsidiary of ICICI Bank. This entity was booking loans on its books till November 2001. From December 2001 till November 2007, the loans were being booked in ICICI Bank (erstwhile ICICI Limited from Nov 2001 to March 2002, when ICICI Ltd. merged into ICICI Bank), wherein ICICI Home primarily acted as a sourcing agent for ICICI Bank. Since early 2004-05, ICICI Home has become the outsourcing agent for ICICI Bank for all retail finance activities, rather than only home loans products. Consequently, the head count at ICICI Home has been ramped up from around 500 (March 2004) to over 4500 (as on date). As per the arrangement, ICICI Home would pay the salary to these employees and recover @105% from ICICI Bank (including a 5% management fees). Since December 2007, the company has started to book the assets to its own balance sheet, apart from acting as a sourcing and servicing agent for ICICI Bank. In Q4FY08, a large part of retail loan against property and construction finance team and in Q1FY09 a large part of home loans team moved from ICICI bank to ICICI Home. With an asset base of over Rs 125 billion, ICICI Home is one of the largest housing finance company in India in terms of asset base.

### Business model undergoes modification December 2007 onwards

Till November 2007, the company has by and large been acting as a sourcing and servicing agent for ICICI Bank. The business model used to be of raising funds from the market (and ICICI Bank) and buying mortgage portfolio yields (at rates lower than direct lending rates). Thus, with low net interest margins of around 1% and small fee income (primarily management fees from ICICI Bank), operating expenses and provisioning requirements, the profitability indicators continued to remain low.

With loans being booked on the balance sheet of ICICI Home December 2007 onwards, the Net Interest Margins have improved. The net interest margins further derive strength from the fact that a significant proportion of the incremental lending in Q4 FY08 and Q1FY09 was to high yielding retail loan against property construction loans to the corporate. The improved Net Interest Margins have been offset by increase in operating expenses. This has resulted in return on assets for Q1FY09 at 0.92% as against 1.07% during entire FY08.

### ICICI Home commences to book construction loans, loan against property and individual home loan assets

December 2007 onwards, ICICI home finance has commenced to build its book across all its three business segments: home loans, loan against property and construction loans, with a target ratio of individual loans: non-individual loans at 80:20. As of now, ICICI Home Finance is roughly maintaining the target ratio of home loans at around 40%, loan against property at around 40% and construction loan at around 20%, with the total loan at Rs. 97.61 billion as on July 31, 2008. The key portfolio characteristics across various segments are as follows:

	CF	LAP	Home Loans
Loan to Value	55%	60%	75%
Median Ticket Size(incremental)	Rs 231mn	Rs 4 mn	Rs 4 mn
Tenor	1.5 years	7.5 years	10 years



**Change in business model results in high proportion of floating rate loans**

December 2007 onwards, with the company booking assets on its balance sheet, the proportion of floating rate loan increased to over 90% of the total loans as on June 30, 2008. The higher proportion of floating rate loans would help the company mitigate interest rate risk.

**Comfortable asset quality indicators**

Even as ICICI Home continues to build its balance sheet, it would closely watch the asset quality indicators. As per the management, ICICI Home Finance will not sacrifice asset quality for growth. The Gross NPA % stood at 0.38% and the net NPA % stood at 0.25% as on June 30, 2008. However, given the short track record and increasing asset base, ability to maintain superior asset quality indicators remains to be demonstrated.

**Strong parent support alleviates liquidity concerns**

The main source of funds for ICICI Home remains the banking system (including its parent, ICICI Bank). Going forward, the entity plans to increasingly tap the Non convertible debentures, Term loans and Commercial Papers route for bulk borrowings and Fixed deposits for retail borrowing. Given its strong parentage and lines of credit from its parent, ICICI Home has been able to mobilise funds at fine rates. With over 90% of its assets on floating rates, ICICI Home is in a position to benefit in a rising interest rate scenario.

The ALM profile is similar to peer companies with an average borrowing profile of around 3 years and an average asset profile of 7-8 years. The ALM profile could change in the current year with the company's plans to also raise short-term funds from the CP market, but given the strong parentage and the possibility to exchange portfolio with the parent is likely to mitigate any liquidity risks for the company. Nonetheless, ICICI Home would also focus on raising long term liabilities. Also as on date, ICICI Home has raised significant retail deposits. While deposits entails a negative carry (12.5% on SLR Investments), still the company feels that the benefits of a more stable liabilities (which would help smoothen the ALM profile) outweigh the costs. As the book grows, ICICI Home intends to keep a close watch on the ALM profile. As on September 30, 2008 ICICI HF has more liabilities maturing in the 0-1 year bucket. However, in the shorter bucket (<1 month maturity) there is no mismatch as on Sep 30 2008. In any case, strong parentage alleviates any liquidity concerns.

ICICI Home intends to access Daily Put Call (DPC) market as an alternate source for overnight borrowing. The company has indicated that borrowing through DPC route would not exceed Rs. 3 billion at any point in time, and that the money raised through this route would not be from the perspective of growing the balance sheet.

**Capital infusion to enable the company grow its book size going forward**

ICICI Home maintained capital adequacy ratio of 17.58% as on March 31, 2008 (13.29% as on March 31, 2006). The capital adequacy ratio stood at 18.19% (Tier I: 12.40% as on June 30, 2008). The company's gearing stood at 7.10 times as on June 30, 2008 as against 8.11 times as on March 31, 2008 (11.07 times as on March 31, 2007) and remains within the NHB norm of 16 times.

Capitalization of ICICI Home strengthened on account of ICICI bank infusing Rs. 5 billion of equity capital in December, 2007. The second tranche of Rs. 2.5 billion equity infusion from ICICI bank took place in June 2008. As per the company, the target return on equity over the medium term is close to 15%. There are no imminent plans of ICICI to sell ICICI Home or to dilute its 100% stake in the company. Thus, continued support to ICICI Home from its parent is likely.

**Systems in place to manage credit risks**

ICICI Home has put in place adequate credit and monitoring systems. The company follows its due diligence procedure that examines the client's financials and operations. ICICI Home undertakes an evaluation process for construction finance, wherein all the projects are mapped to an internal scale. Broad project evaluation parameters are reputation of builder, project cash flows, security available and other projects executed by the builder. As per ICICI Home, it does not finance land acquisition. It finances only those companies that comfortably cross a predefined hurdle. For loan against property, ICICI Home Finance undertakes a systematic due diligence. ICICI Home undertakes bankers' verification of every case. Comfort is derived not only from the valuation of property against which the loan is sanctioned, but also against the cash flows from the end use of the borrowed funds. ICICI Home also checks the bank statements of the customers to verify the financial strength. For individual home loans, ICICI Home derives comfort from moderate Loan to Value against the property mortgaged.

### Key Players- Individual Home Loan Market

		Mar-08			Mar-07			Mar-06	
		portfolio	Growth	Market Share	portfolio	Growth	Market Share	portfolio	Market Share
LAAA	ICICI <sup>2</sup>	731	6%	18%	681	38%	20%	492	18%
LAAA	HDFC	483	29%	14%	373	23%	12%	302	12%
AAA	SBI	421	14%	12%	371	60%	12%	232	8%
AAA	LIC HFL	206	21%	8%	170	19%	6%	142	6%
LAA+	IDBI	100	8%	3%	92	25%	3%	73	3%
LAAA	PNB	82	10%	2%	75	25%	2%	60	2%
LAA+	BOI	86	23%	3%	70	64%	2%	43	2%
LAAA	Canara	66	1%	2%	65	-2%	2%	67	3%
LAAA	BOB	67	26%	2%	54	41%	2%	38	2%
LAA+	Union	65	27%	2%	51	4%	2%	49	2%
LAA+	Axis bank	77	63%	2%	47	83%	2%	26	1%
AA+	Syndicate Bank	83	80%	2%	46	18%	2%	38	2%
	Total Market Size	3,430	13%	100%	3,039	24%		2,448	

(Rs. billion)

Mortgage loan market is fairly concentrated with top 5 players accounting for around 53% of market share as against 42% overall banking credit held by the SCBs in India. ICICI, SBI and HDFC dominate the mortgage market. PSBs on the strength of their vast network have developed large portfolios. Apart from these big players, there are some small housing finance companies that operate in their respective niches.

### Background

ICICI Home, incorporated in 1999, with its registered office in Mumbai is a wholly owned subsidiary of ICICI Bank. It acts as the sourcing and servicing arm of the bank for retail assets. With an asset base of over Rs.125 billion as on September 30, 2008, it is the third largest housing finance company in the country. During FY08, ICICI Home reported net profits of Rs.704 million on a total income of Rs. 5,347 million as against Rs. 470 million and Rs. 4,443 million respectively in FY07.

November 2008

<sup>2</sup> Includes ICICI Home.



**Annexure –Rating History**

Amount Outstanding	Maturity Date	Rating Outstanding	Previous Ratings	
		Sep 2008	Mar 2008	Jan 2008
Rs 40,00 billion short term debt programme	One year from date of placement	A1+	A1+ (Rs. 30 billion)	A1+ (Rs. 20 billion)
Rs. 40 billion long term bonds programme		LAAA	LAAA (Rs. 20 billion)	LAAA (Rs. 10 billion)
Rs. 5 billion subordinated debt programme		LAAA	LAAA	LAAA
Rs. 60 billion Fund based bank limits		LAAA	LAAA	
Fixed Deposit Programme		MAAA	MAAA	MAAA

**Annexure -Summary Financials – ICICI Home Finance Company Limited**

(in Rs. million)	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
<b>SUMMARY PROFIT &amp; LOSS ACCOUNT</b>					
Interest Income on Housing Loans		3,567	2,314	1,978	1,215
	4,835				
Other Interest Income		11	212	46	19
	34				
Total Interest Income		3,577	2,526	2,024	1,234
	4,869				
Interest Expense		(3,102)	(2,192)	(1,691)	(1,094)
	(4,046)				
Net Interest Income		475	334	334	140
	823				
Fee based Income		779	547	309	42
	1,115				
Other (including dividend) income		6	25	38	150
	111				
Net Income		1,260	906	681	332
	2,049				
Employee Expenses		(608)	(522)	(244)	(158)
	(695)				
Operating Expenses		(90)	(112)	(63)	122
	(484)				
Operating profits		562	272	375	296
	870				
Provisions		(6)	(103)	(264)	(228)
	(126)				
APBT		557	169	111	68
	744				
Net Profit on Sale of Securities & Assets		81	36	27	37
	252				
PBT		637	205	138	105
	996				
Tax		(168)	(82)	(37)	(7)
	(293)				
PAT		470	123	100	98
	704				
Dividend		(291)	(63)	(0)	(0)
	(505)				
Accretion to Reserves		178	60	100	98
	199				
<b>SUMMARY ASSETS</b>					
Housing Loans		43,300	38,132	24,181	24,830
	67,592				
Investments		372	172	321	208
	11,384				
Cash & Bank Balances		227	333	3,958	287
	2,750				
Owned Fixed Assets		8	15	44	59
	5				
Deferred Tax Assets		153	215	287	164
	282				
Other Assets		2,123	2,014	2,226	1,921
	3,461				
Total Assets		46,182	40,880	31,016	27,470
	85,473				
<b>SUMMARY LIABILITIES</b>					

Equity Share Capital	2,988	2,988	1,550	1,550
Reserves	904	705	356	245
Net Worth	8,892	3,693	3,514	1,795
Rupee Borrowings	65,387	37,191	34,208	26,385
Sub Debt	4,199	1,199	1,199	299
Foreign Exchange Borrowings	-	-	-	-
Fixed Deposits	2,533	2,476	508	524
Deferred Tax Liability	-	-	-	-
Current Liabilities	4,462	1,624	1,450	1,901
Total Liabilities	85,473	46,182	40,880	31,016

PROFIT & LOSS ACCOUNT (% of Operating Income)	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
Net Interest Income	40%	38%	37%	49%	42%
Fee Based Income	54%	62%	60%	45%	13%
Other (including dividend) income	5%	0%	3%	6%	45%
Net Income	100%	100%	100%	100%	100%
Employee Expenses	-14%	-48%	-58%	-36%	-48%
Operating Expenses	-24%	-7%	-12%	-9%	37%
Operating Profits	42%	45%	30%	55%	89%
Provisions	-6%	0%	-11%	-39%	-69%
APBT	36%	44%	19%	16%	20%
Net Profit on Sale of Securities & Assets	12%	6%	4%	4%	11%
PBT	49%	51%	23%	20%	32%
Tax	-14%	-13%	-9%	-5%	-2%
PAT	34%	37%	14%	15%	30%
Dividend	-35%	-23%	-7%	0%	0%
Accretion to Reserves	10%	14%	7%	15%	30%
<b>SUMMARY ASSETS</b>					
Housing Loans	79%	94%	93%	78%	90%
Investments	13%	1%	0%	1%	1%
Cash & Bank Balances	3%	0%	1%	13%	1%
Owned Fixed Assets	0%	0%	0%	0%	0%
Deferred Tax Assets	0%	0%	1%	1%	1%
Other Assets	4%	5%	5%	7%	7%
Total Assets	100%	100%	100%	100%	100%
<b>SUMMARY LIABILITIES</b>					
Equity Share Capital	9%	6%	7%	5%	6%
Reserves	1%	2%	1%	1%	1%
Net worth	10%	8%	9%	6%	7%
Rupee Borrowings	77%	81%	84%	85%	76%
Sub Debt	5%	3%	3%	1%	7%
Foreign Exchange Borrowings	0%	0%	0%	0%	0%
Fixed Deposits	3%	5%	1%	2%	6%
Deferred Tax Liability	0%	0%	0%	0%	0%
Current Liabilities	5%	4%	4%	6%	5%
Total Liabilities	100%	100%	100%	100%	100%

## Growth Rates

	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
<b>SUMMARY PROFIT &amp; LOSS ACCOUNT</b>					
Interest Income on Housing Loans	48%	54%	17%	63%	-23%
Other Interest Income	36%	-95%	359%	143%	8%
Total Interest Income	48%	42%	25%	64%	-23%
Interest Expense	49%	42%	30%	55%	-25%
Net Interest Income	45%	42%	0%	138%	8%
Fee Based Income	65%	43%	77%	645%	-18%
Other (including dividend) Income	1627%	-78%	-34%	-74%	-35%
Net Income	64%	39%	33%	105%	-35%
Employee Expenses	37%	16%	114%	54%	2668%
Operating Expenses	194%	-19%	78%	-152%	-432%
Operating Profits	51%	107%	-27%	27%	-37%
Provisions	130%	-95%	-61%	16%	253%
APBT	43%	229%	53%	63%	-83%
Net Profit on Sale of Securities & Assets	17%	122%	36%	-29%	3751%
PBT	36%	210%	49%	31%	-74%
Tax	31%	103%	120%	446%	-94%
PAT	37%	282%	23%	2%	-66%
Dividend	26%	363%	164193%	-15%	-100%
Accretion to Reserves	76%	197%	-40%	2%	74%
<b>SUMMARY ASSETS</b>					
Housing Loans	34%	14%	58%	-3%	121%
Investments	215%	116%	-46%	54%	102%
Cash & Bank Balances	8%	-32%	-92%	1279%	-60%
Owned Fixed Assets	-13%	-47%	-66%	-25%	-20%
Deferred Tax Assets	21%	-29%	-25%	74%	95%
Other Assets	21%	5%	-10%	16%	52%
Total Assets	43%	13%	32%	13%	104%
<b>SUMMARY LIABILITIES</b>					
Equity Share Capital	0%	0%	93%	0%	0%
Reserves	11%	34%	48%	45%	79%
Networth	1%	5%	84%	6%	6%
Rupee Borrowings	56%	9%	30%	26%	181%
Sub Debt	91%	0%	301%	-83%	-7%
Foreign Exchange Borrowings					
Fixed Deposits	18%	387%	-3%	-66%	-3%
Deferred Tax Liability					
Current Liabilities	-4%	12%	-24%	33%	72%
Total Liabilities	43%	13%	32%	13%	104%



## Key Financial Ratios

	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
<b>OPERATING RATIOS</b>					
Yield on Average <sup>1</sup> Housing Loans	8.72%	8.76%	7.43%	8.07%	6.74%
Yield on Average Earning assets	7.75%	8.67%	7.53%	7.53%	6.60%
Cost of Average Interest Bearing Funds <sup>2</sup>	7.16%	8.08%	6.95%	6.57%	6.21%
Gross Interest Spread <sup>3</sup>	0.59%	0.59%	0.59%	0.96%	0.39%
<b>PROFITABILITY RATIOS</b>					
Interest Income / Avg. Total Assets	7.40%	8.22%	7.03%	6.92%	6.03%
Interest Expense / Avg. Total Assets	6.15%	7.13%	6.10%	5.78%	5.34%
Net Interest Margin/Avg. Tot Assets <sup>4</sup>	1.25%	1.09%	0.93%	1.14%	0.69%
Fee & Other income/Avg. Tot Assets	1.86%	1.80%	1.59%	1.19%	0.93%
Fee & Other Income/Operating income	60%	62%	63%	51%	58%
Operating Expenses/Avg. Total Assets	1.79%	1.60%	1.76%	1.05%	0.18%
Operating Profit / Avg. Total Assets	1.32%	1.29%	0.76%	1.28%	1.44%
Provisions / Avg. Total Assets	-0.19%	-0.01%	-0.29%	-0.90%	-1.11%
Profit Before Tax / Average Total Assets	1.51%	1.46%	0.57%	0.47%	0.51%
Net Profit on Sale of Securities & Assets /PBT	25%	13%	18%	19%	35%
Tax / Profit before Tax	29%	26%	40%	27%	7%
Profit after Tax / Average Total Assets	1.07%	1.08%	0.34%	0.34%	0.48%
Dividend / Profit after Tax	-72%	-62%	-51%	-0%	-0%
Profit after Tax / Net worth	7.92%	12.72%	3.50%	5.25%	5.49%
Accretion to Reserves/ Avg. Total Assets	0.30%	0.41%	0.17%	0.34%	0.48%
<b>EFFICIENCY RATIOS</b>					
Fee & Other income / Operating Expenses	-253%	-870%	-511%	-553%	157%
Operating Cost to Operating Income Ratio	58%	55%	70%	45%	11%
Employee Expenses / Operating Expenses	59%	87%	82%	79%	438%
<b>CAPITALISATION RATIOS</b>					
Net Worth/ Total Assets	0.10	0.08	0.09	0.06	0.07
Total Debt / Net worth	8.11	11.07	10.22	14.27	13.51
Regulatory Capital Adequacy Ratio	17.58%	13.29%	15.23%	14.74%	16.87%
Regulatory Tier I capital	11.62%	9.69%	10.94%	12.74%	12.23%

<sup>1</sup> Average is computed on year-end basis

<sup>2</sup> Interest Bearing Funds = Deposits + Borrowings including Subordinated bonds + Accrued interest

<sup>3</sup> Gross Interest Spread = Yield on average earning assets – cost of average interest bearing funds

<sup>4</sup> Net Interest Margin = Net Interest Income/Average Total Assets



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Mr. Prashant Kumar Jain  
CFO & Treasurer  
**ICICI Home Finance Company Ltd.**  
ICICI Bank Towers  
Bandra Kurla Complex  
Mumbai - 400 051

April 1, 2008

**Confidential**

Dear Sir,

**Credit Rating of Senior Bond issue for enhanced limit  
of Rs.5000 crore**

Please refer to your letter requesting for rating of your proposed Senior bond issue for an enhanced limit of Rs.5000 crore (enhanced from Rs.1000 crs).

2. Our Rating Committee has assigned a 'CARE AAA (so)' [Triple A Structured Obligation] rating to the proposed Senior Bonds issue of ICICI Home Finance Company Ltd. (IHFC) for an aggregate amount of Rs.5000 crores with maturity between 1-12 years. The rating factors in credit enhancement in the form of a letter of comfort to be issued by ICICI Bank to the investors of IHFC. The format of the letter of comfort is enclosed in **Annexure I** to this letter
3. Instruments with this rating are considered to be of the best credit quality, offering highest safety of timely servicing of debt obligations. Such instruments carry minimal credit risk. Our rating symbols for various ratings for long term instruments and explanatory notes thereon are given in **Annexure II**.
4. Please ensure that it is made clear in all documents, advertisements, publicity materials etc., where any reference to the rating is given, by reproducing the following definition for the rating, in full :  

"Instruments carrying this rating are considered to be of the best quality, offering highest safety for timely servicing of debt obligations. This rating is based on the credit enhancement by ICICI Bank in the form letter of comfort."
5. Please send us a written confirmation regarding your acceptance of the rating assigned and use thereof, as early as possible, but in any case within two weeks from the date of this letter. Please note that, unless accepted, the above rating should not be used for any purpose whatsoever. In case, there is any change in the size or terms of the proposed issue, please get the rating revalidated.
6. Kindly arrange to provide us the subscription details of the bond issue and forward to us a copy of the documents pertaining to the bond issue, including the offer document.
7. Please arrange to get the rating revalidated, in case the proposed issue is not made within six months from the date of this letter.


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8. CARE reserves the right to suspend/withdraw/revise the rating assigned on the basis of new information or in the event of failure on the part of the company to furnish such information, material and clarifications as may be required by CARE. CARE shall also be entitled to publicize/disseminate/such suspension/withdrawal/revision in the assigned rating in any manner considered appropriate by it, without reference to you.
9. CARE ratings are not recommendations to buy, sell, or hold any security.
10. If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



**[Mahesh Prabhu]**  
Sr. Manager



**[Rajesh Mokashi]**  
Executive Director

Encl: as above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations 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 issuers of securities rated by CARE have paid a credit rating fee, based on the amount and type of securities issued.

<b>ICICI Home Finance Company Ltd.</b>	
<b>Senior Bonds</b>	<b>CARE AAA (so)</b>

CARE has assigned 'CARE AAA (so)' [Triple A Structured Obligation] rating to the Senior bonds programme of ICICI Home Finance Company Ltd. (IHFC) for an enhanced limit of Rs.5000 crs (enhanced from Rs.1000 crs). Instruments with this rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal credit risk.

The rating factors in IHFC's strong parentage, ICICI Bank's commitment towards supporting IHFC (as reflected in the letter of comfort), inter alia to retain majority control of IHFC and the strategic importance of the housing finance business in ICICI Bank's broader business plans. IHFC's ability to maintain asset quality especially in the light of its plans to increase exposure to the construction loans/loans against property segment and its ability to maintain profitability in the intensely competitive mortgage finance industry are the key rating sensitivities.

#### **Proposed Letter of Comfort from ICICI Bank**

The letter of comfort to be issued by ICICI Bank in favour of investor states the following:

1. IHFC is a subsidiary of ICICI Bank and will remain a subsidiary during the tenure of the bond programme.
2. ICICI Bank shall endeavour to ensure IHFC honours its obligations towards the repayment of the bond programme.

The long and medium term debt programs of ICICI Bank are rated 'AAA' by CARE.

#### **Background**

- ICICI Home Finance Company Ltd (IHFC), incorporated on May 28, 1999, is a 100% subsidiary of ICICI Bank Ltd (IBL).
- In recent years IHFC has been sourcing and servicing the home loans of its parent bank. A part of the housing loan portfolio of IBL is subsequently purchased by IHFC. IHFC gets a proportionate amount of its administrative expenses reimbursed from

IBL, plus servicing fees, in proportion of the value of loans serviced by it. IHFC also provides certain fee based services such as property brokerage services through its Property Services Division.

- IHFC operates from around 184 branches in the country and continues to successfully leverage on ICICI group's relationships.

#### **Recent Developments**

- As per the new business profile envisaged by IHFC, the company re-commenced lending on its own books since December 2007. Traditional housing loans and Loan against property are expected to constitute around 80 % of IHFC's portfolio over the next two years with construction loans accounting for the balance. It would also undertake portfolio buyouts from IBL on a larger scale compared to recent years. However, eventually, as its own loan origination increases it is expected to reduce the proportion of portfolio buyouts. The relatively small ticket size of mortgages and loans against property will ensure that concentration risks are kept minimal.
- IHFC also revamped its organizational set-up, with Mr. Sunil Rohokale taking over as the new MD&CEO. Mr. Rohokale was previously serving in the capacity of General Manager in charge of the Mortgage Finance activity in ICICI Bank. The retail credit appraisal set-up of IHFC has also been strengthened through transfer of people and processes from parent. **In order to fund the proposed business expansion plans of IHFC, IBL has already infused equity to the tune of Rs.500 cr in December 2007.**

#### **Asset Profile**

- Housing loans constituted around 97% of the total assets of IHFC as on March 31, 2007. During FY07 IHFC purchased housing loan portfolio aggregating to Rs.1317 cr (FY06: Rs.3771.1 cr) from ICICI Bank (IBL). Housing Loans of Rs.4329 cr (gross) as on March 31, 2007 comprise of residential mortgages aggregating to around Rs.3746 cr and non housing loans of around Rs.583 cr. The non housing loans comprise (around 34%) of Loans against commercial property.
- During FY07 total disbursements stood at Rs.5.3 cr [FY06: Rs.9.1 cr]. Most of the loans disbursed by IHFC have been in the nature of top-up loans.

- Standard Assets continued to constitute more than 99% of the Advances portfolio. Gross and Net NPA Ratio as on March 31, 2007 were stable at 0.36% (as a % of total Advances) (March 31, 2006: 0.34%) and 0.19% (March 31, 2006: 0.16%) respectively.

#### **Liabilities Profile**

- IHFC's main funding sources are borrowings from banks (75.6%); public deposits form a very small part of funding profile. The proportion of loans from IBL accounted for around 2.7% of Total Liabilities as on March 31, 2007.
- During FY07 IHFC raised Rs.1300 cr through additional bank borrowings and Rs.475 cr through Commercial paper. The weighted average cost of funds raised in FY07 was around 8.53%.

#### **Liquidity and Interest Rate Risk**

- IHFC faces adverse mismatch in the short and medium term time buckets. The mismatch is mainly due to the short term nature of borrowings as against inflows through loan assets of long term nature. IHFC generally raises funds having 3-4 years maturity profile as against the housing loans having a maturity span of more than 10 years. However, support from its parent has helped IHFC in managing its ALM profile in the past. **In October 2007, IBL infused around Rs.100 cr as Subordinated debt followed by Equity infusion of Rs.500 cr in December 2007.**

#### **Financial Performance**

- Interest income increased by 41.7% to Rs.357.74 cr for FY07 from Rs.252.64 cr for FY06 on account of purchase of housing loan portfolio amounting to Rs.3771.1 cr and Rs.1317 cr from IBL in FY06 and FY07 respectively. Fee income rose from Rs.54.67 cr for FY06 to Rs.77.92 cr for FY07, a 42.5% y-o-y growth. The Property Services Division contributed to 19% of the total fee income in FY07. Processing fee for servicing of housing loans accounts for the balance fee income. Driven by the growth in both Interest income as well as fee based income, Total Income (excluding non operating income) rose by Rs.126.86 cr, a 41% [FY06: 31.02%] YoY growth.



- Improved earnings profile coupled with better efficiencies of scale and lower provisioning contributed to almost four fold increase in Net Profit. ROTA improved substantially from 0.35% for FY06 to 1.09% for FY07 on the back of higher profits.
- Interest Spread declined by 47 bps in FY07 inspite of improved yields on Housing loans due to higher cost of borrowing in FY07. However, spreads are likely to improve with re-commencement of lending on its own books.
- Interest coverage has improved in FY07 to 1.18 times as compared to 1.08 times during FY06 due to higher profit cover. Debt Equity ratio increased from 10.89 times as on March 31, 2006 to 11.55 times as on March 31, 2007.
- Capital Adequacy as on March 31, 2007 stood at 13.29%, comfortably above the statutory minimum

#### **Update on financials for the nine months ended December 2007**

- For the nine-months ended December 31, 2007, IHFC reported net profit of Rs.51.23 cr on a total income of Rs.417.81 cr. The asset base of IHFC stood at Rs.5945.1 cr as on December 31, 2007 as against Rs.4595.5 cr as on March 31, 2007. Asset quality of IHFC continued to be good with Net NPA ratio at 0.33% as on December 31, 2007. Capital Adequacy stood improved at around 23.26% as on December 31, 2007 on the back of capital infusion by ICICI Bank.
- Disbursements (excluding portfolio buy-out) in December 2007-February 2008 period stood at around Rs.2021 crs, with Loan against property and Housing loans together accounting for 86% of the disbursements.

**Financial Analysis**

			Rs. Cr.
<b>For the Year ended / As on March 31,</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Interest income	202.45	252.64	357.74
Other Income	2.73	2.03	0.54
Fee Income	30.92	54.67	77.92
<b>Total Income</b>	<b>236.10</b>	<b>309.34</b>	<b>436.20</b>
Interest Paid	169.06	219.20	310.18
Net Interest Income	33.38	33.43	47.55
Administrative Expenses (Net of recovery)	28.94	61.49	69.51
Provision	26.42	10.32	0.56
<b>PAT</b>	<b>10.01</b>	<b>12.29</b>	<b>46.97</b>
<b>Housing Loans</b>	<b>2406.73</b>	<b>3806.35</b>	<b>4322.52</b>
<b>Tangible Networth</b>	<b>161.94</b>	<b>329.93</b>	<b>353.94</b>
<b>Key Ratios (%)</b>			
Int on HL/TL	8.29	8.13	8.80
Interest/Borrowed Funds	6.57	6.95	8.08
Interest Spread	1.72	1.19	0.72
Net Interest Margin	1.16	0.94	1.10
Operating Exp/ Avg. Capital Employed	1.06	1.81	1.66
PAT Margin	4.24	3.98	10.77
ROCE	6.55	6.95	8.75
ROTA	0.35	0.35	1.09
Interest Coverage (times)	1.06	1.08	1.18
Debt/ Equity ratio (times)	16.80	10.89	11.55
Reported Capital Adequacy Ratio	14.47	15.23	13.29

**IDBI Trusteeship Services Ltd.**



Regd. Office :  
Asan Building, Ground Floor,  
17, R. Karamji Marg, Ballard Estate,  
Mumbai - 400 001

No. 1042/ITSL/OPR/2008/CL - 28

June 13, 2008

ICICI Home Finance Limited  
ICICI Bank Towers,  
Bandra Kurla Complex,  
Mumbai 400 051,  
India.

Dear Sir,

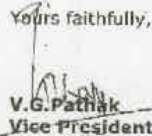
**Appointment of Bond Trustee for Private Placement of Redeemable Senior Bonds for the amount aggregating upto Rs.1175 Crores**

This is with reference to the discussion we had regarding appointment of IDBI Trusteeship Services Ltd. (ITSL) as Bond Trustees for the Company's proposed private Placement of Redeemable Senior Bonds in the nature of Debentures aggregating upto Rs.1,175 Crores, filed under scheduled - 1 of SEBI guidelines dated June 06, 2008. In this connection, we advise that we are agreeable to act as Trustees for the said issue.

The Bank shall enter into Bond Trustee Agreement for the said bond issue.

We are agreeable for inclusion of our name as trustees in the offer document/listing application/any other document to be filed with the Stock Exchange(s).

Yours faithfully,

  
**V.G. Pathak**  
Vice President