

March 01, 2024

BSE Limited

Corporate Relationship Department
25th Floor, Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001.

BSE Scrip Code: 524000

National Stock Exchange of India Limited

The Listing Department,
Exchange Plaza,
Bandra- Kurla Complex, Bandra (East),
Mumbai - 400 051.

NSE Symbol: POONAWALLA

Dear Sir / Madam,

Subject: Intimation of withdrawal of Brickwork Ratings at the Company's request

We would like to inform you that at the Company's request, Brickwork Ratings India Pvt Ltd ("Brickwork Ratings") had withdrawn its rating assigned to the Perpetual Debt Instrument of the Company on March 01, 2024. The Perpetual Debt Instrument has been rated by other Credit Rating Agencies. A copy of the rating rationale received from Brickwork Ratings is enclosed.

This is for your information and records.

Thanking you,
Yours faithfully,
For **Poonawalla Fincorp Limited**

Shabnum Zaman
Company Secretary
ACS: 13918

Encl.: As above

RATING RATIONALE

1 Mar 2024

Poonawalla Fincorp Limited

Brickwork Ratings reaffirms the ratings for the Non-Convertible Debentures aggregating 221.49 Crs, withdraws the rating on the NCDs of Rs. 14 Crs and withdraws the rating on the Innovative Perpetual Debt Instruments (IPDI) of Rs. 25 Crs and reaffirms and withdraws the rating on Innovative Perpetual Debt Instruments of Rs. 21.6 Crs of Poonawalla Fincorp Limited.

Particulars:

Facility/ Instrument (1)	Amount Rs Crs		Tenure	Rating	
	Previous	Present		Previous	Present
				(4 Aug 2023)	
Secured NCD Outstanding	89.89	89.89	Long Term	BWR AA+/Stable	BWR AA+/Stable (Reaffirmation)
Subordinated NCD Outstanding	124.00	110.00*		BWR AA+/Stable	BWR AA+/Stable (Reaffirmation)
Innovative Perpetual Debt Instrument (IPDI) Outstanding	46.60	21.60#		BWR AA/Stable	BWR AA/Stable (Reaffirmation and withdrawal)
Total	260.49	221.49	Rupees Two Hundred Twenty One Crore and Forty Nine Lakhs Only		

#Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

(1) Details of NCD and IPDI is provided in Annexure-II

*Rating of Rs. 14 Crs of NCD withdrawn on redemption.

#Rating of 21.60 crore reaffirmed and withdrawn at the request of the Company

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) reaffirms 'BWR AA+' /Stable ratings for the NCD issues of Rs. 221.49 Crs and reaffirms and withdraws BWR AA Stable of IPDI of Rs. 21.6 Crs of Poonawalla Fincorp Limited (PFL or the Company), as tabulated above. BWR also withdrew the rating of the NCD issues aggregating Rs.14 Crs and IPDI issue of Rs.25 Crs on full redemption. Confirmation for redemption has been obtained from Debenture Trustee as well as the Company and the withdrawal is as per BWR's policy for withdrawal of ratings.

The rating reaffirmation factors in the enhanced digitalization process that is ongoing in the Company, the NPA levels being in control and expected to continue to be in control, the strong management and the Poonawalla brand. It is also expected that the group support will continue to be there for PFL. The ratings are, however, constrained by the moderate scale of assets under management and the limited seasoning of the loan portfolio.



The stable outlook indicates sustainability of performance in the near future with the constant support from the management.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The company had raised multiple issues at different times but under similar terms from 2013 onwards. The basic details of the issues are in the Annexure II.

KEY RATING DRIVERS

- **Credit Strengths-:**

Strong sponsor profile and experienced management team: Post acquisition of a majority stake in Magma Fincorp Limited, Mr. Adar Poonawala was appointed as the Chairman and Non-Executive Director of the Board and the Company is backed by an experienced and professional management team. The board comprises experienced professionals having vast experience in the financial services sector. PFL will continue to derive benefits from the said experienced and professional management team. The senior management team is led by Mr. Abhay Bhutada, Managing Director, PFL, who has over 15 years of diversified experience in the commercial and retail lending domain. He was the Founder, Chairman and Managing Director of TAB Capital Ltd. After creating a digital lending venture of his own and running it successfully for 3years, he was instrumental in setting up the lending business for Poonawalla Group in the form of Poonawalla Finance Pvt Ltd (PFPL) in the capacity of MD & CEO. After building a successful digital lending business for 2years in PFPL; the group acquired Magma Fincorp Ltd (now PFL) in May 2021. Mr. Bhutada led a complete revamp of business strategy at PFL. He has focused on implementing a technology led, digital lending at PFL resulting in a ramp up in PFL's business over the last 2.5 years. PFL will continue to derive benefits from the said experienced and professional management team. BWR expects continued support from Cyrus Poonawalla group.

Better resource profile with comfortable gearing: The Company has a healthy resource profile with total borrowings of Rs. 12,472 Crs as on Dec 31, 2023. Poonawalla Fincorp Ltd has a well-diversified funding profile spread across various banks, financial institutions and capital market participants.

The average cost of borrowing for the Company was 7.99% in Q3FY24 and the gearing of the company improved to 1.54 (times) as of Dec 31, 2023 as against 1.73 (times) as of Mar 31, 2023. Of the total asset book, about 33% is eligible to be qualified for PSL and hence the company expected to keep the cost of borrowing under control.

Comfortable capitalisation: The net worth of the Company increased from Rs. 5715 Crs as on Mar 31, 2022 to Rs.6425 Crs as of Mar 31, 2023 and further to Rs 8075 Crs as on Dec 31, 2023, considering the accrual of profits as well as stake sale through divestment of the housing finance subsidiary. The company completed the sale of its housing finance subsidiary – Poonawalla Housing Finance Ltd. on July 26, 2023, for the consideration of Rs. 3583.6Cr. The profit gained from sale of housing finance subsidiary amounted to Rs. 2713.65 crore. CRAR was comfortable at 38.2% as of Dec 31, 2023.



Improved earnings:

The NIM of the Company was at 10.69% for FY23 (FY22: 9.75%) and has further improved to 11.02% as on Dec 31, 2023. Profits have increased to Rs. 585 Crs for FY23 against Rs. 293 Crs for FY22. PAT for 9MFY24 was Rs. 1724.26 crore (including exceptional item - gain on divestment in Poonawalla Housing Finance Ltd of Rs. 1221.1 crore)

Improving Asset Quality: The Gross NPA (GS3) ratio of the Company improved 1.33% as of Dec 31, 2023 from 1.44% as of Mar 31, 2023 and 3.29% as of Mar 31, 2022. Net NPA improved to 0.70% as of Dec 31, 2023 from 0.78% as of Mar 31, 2023 and 1.30% as of Mar 31, 2022. The NPAs are majorly related to the legacy book. The company expects to maintain the asset quality in a similar range. Maintaining collection efficiency at healthy levels with reduction in credit costs from incremental slippages shall be monitorable.

- **Credit Risks:-**

Moderate Assets under Management: PFL has a relatively modest size of the AUM (Assets Under Management) of Rs. 21,946 crore which increased from Rs. 16,143 as on Mar 31, 2023, and Rs 11,765 Cr as on Mar 31, 2022. The AUM of the Company has shown a consistent growing trend since FY21, and the management expects the AUM to scale up at the compounded annual growth rate of 35 to 40%. Scaling up of the AUM while maintaining the asset quality and a healthy resource profile shall remain credit monitorable.

Lack of seasoning of focussed Products: PFL focuses on consumers and MSMEs with diversified product suite and Pan-India retail franchise having granular portfolio. PFL has continued to focus on pre-owned cars affordable LAP from the previous setup and has added new products such as digital personal loans, digital loans to professionals, digital business loans, machinery loans, medical equipment loans and digital SME LAP. In the pre-owned car segment, the attention has shifted from commercial pre-owned cars to personal cars. Further, the management also decided to discontinue some of Magma Fincorp Limited (MFL) products like commercial vehicle loans, construction equipment, tractor loans and new car loans. The discontinued portfolio is expected to run down in the near term. The company is also focusing on digitization and use of analytics for process efficiency, risk monitoring and generating cross-selling opportunities.

As per the new business strategy, the company plans to achieve strong growth by focusing on products consisting of a mix of secured (pre-owned car loans and loan against property) and unsecured products (personal loans, business loans, loans to professionals and consumer loans). The total disbursements have gathered momentum and disbursements during 9MFY24 stood at Rs. 23,601 crore as against total disbursements of Rs. 15,751 crore in FY23. However with increased disbursements in relatively new product segments, seasoning of this portfolio remains a key monitorable for PFL.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has evaluated the standalone credit risk profile of PFL. BWR has applied its rating methodology as detailed in the rating criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to maintain the asset quality and keep the gearing levels under control while pursuing portfolio growth will be the key rating sensitivities.

Positive factors –

- Substantial growth in AUM to over Rs. 40,000 Crs
- GNPA less than 1% on a sustained basis.
- Gearing continuing to be less than 2 times even with increasing AUM

Negative -

- Reduction in stake by the Promoter Group to below 50%
- GNPA over 2.5% on a sustained basis
- Overall gearing over 3 times on a sustained basis

LIQUIDITY POSITION: STRONG

Liquidity - Strong:

As on Dec 31, 2023, the company had total liquidity of Rs. 2,973 Crs in the form of cash and cash equivalents and undrawn bank lines. The company has external debt repayments of ~Rs 2,300 Crs (including interest) from Jan 2024 to Mar 2024. The ALM (asset liability maturity) profile of the company remained strong with positive cumulative gaps across all the buckets. The LCR was 127% for the quarter ended Dec. 31, 2023.

About the Company

The company commenced its operations in 1989 and was renamed to Magma Fincorp Limited in 2008 and Poonawalla Fincorp Limited (PFL) in 2021 post the acquisition by Rising Sun Holdings Private Limited (an entity owned and controlled by Mr. Adar Poonawalla of the Cyrus Poonawalla Group). As of Dec 31, 2023, the promoter group held 62.07% stake in the Company.

PFL has a diversified product offering in consumer and MSME finance including pre-owned car, digital consumer finance, auto lease, digital personal loans, digital loans to professionals, digital business loans, loan against property, supply chain finance, digital consumption loans, machinery and medical equipment loans. PFL has nationwide presence with presence in a total of 19 states through its 103 branches as of Dec 31, 2023.

KEY FINANCIAL INDICATORS [Standalone]

Particulars	Units	FY 22	FY23	9MFY24
		(Audited)	(Audited)	(Unaudited)
Net worth	Rs. Crs	5715	6425	8075
PAT	Rs. Crs	293	585	1724*
AUM	Rs. Crs	11765	16143	21946
CRAR	%	49.06	38.91	38.21
Gross Stage 3	%	3.29	1.44	1.33
Gearing	Times	1.18	1.73	1.54

*Post exceptional item

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY -
NIL**

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal &
suspended]**

Sr. No.	Facility / Instrument	Type	Current Rating		2023	2022	2021	
			Amt (Rs. Cr)	Rating	Rating	15-Nov-22	15-Nov-21	29-Apr-21
1	Secured Non-Convertible Debentures	Long Term	89.89	BWR AA+/Stable	BWR AA+/Stable	BWR AA+/Stable	BWR AA+/Stable	BWR AA-/Credit Watch with Developing Implications
2	Subordinated Non-Convertible Debentures		110	BWR AA+/Stable	BWR AA+/Stable	BWR AA+/Stable	BWR AA+/Stable	BWR AA-/Credit Watch with Developing Implications
3	Innovative Perpetual Debt Instruments		21.6	BWR AA/Stable	BWR AA/Stable	BWR AA/Stable	BWR AA/Stable	BWR A+/Credit Watch with Developing Implications
	Secured Non-Convertible Debentures		-	Withdrawn	Withdrawn	BWR AA+/Stable	BWR AA+/Stable	BWR AA-/Credit Watch with Developing Implications
	Subordinated Non-Convertible Debentures		-	Withdrawn	Withdrawn	BWR AA+/Stable	BWR AA+/Stable	BWR AA-/Credit Watch with Developing Implications
	Innovative Perpetual Debt Instruments		-	Withdrawn	Withdrawn	BWR AA/Stable	BWR AA/Stable	BWR A+/Credit Watch with Developing Implications
	Total		221.49	Rupees Two Hundred and Twenty One Crore and Forty Nine Lakhs Only				

COMPLEXITY LEVELS OF THE INSTRUMENTS -

NCD: Simple

Subordinated debt: Complex;

IPDI: Highly complex

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Banks and Financial Institutions](#)

[Capital Instruments Issued by Banks & Financial Institutions](#)

[Approach to Financial Ratios](#)

[Rating Withdrawal Policy](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	
Kunjan Shah Senior Rating Analyst kunjandevang.s@brickworkratings.com	Vidya Shankar Principal Director - Ratings vidyashankar@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

Poonawalla Fincorp Limited

ANNEXURE I

Bank Loan facilities - NIL

ANNEXURE II

INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS

Details of Secured NCDs – Public Issue

Instrument	Issue Date	Amount (Rs in Cr)	Coupon Rate (%)	Maturity Date	ISIN Particulars
Secured NCDs	6-May-19	6.17	10.04%	6-May-24	INE511C07672
	6-May-19	77.82	10.50%	6-May-24	INE511C07680
	6-May-19	1.19	0.00%	6-May-24	INE511C07698
	6-May-19	2.67	10.27%	6-May-29	INE511C07706
	6-May-19	2.03	10.75%	6-May-29	INE511C07714
Total		89.89			

Details of Outstanding Subordinated NCDs

Instrument	Issue Date	Amount (Rs in Crs)	Coupon %	Maturity Date	ISIN No
Subordinated NCD	26 Sep 2013	14.00*	10.90%	26 Sept 2023	INE511C08886
	07 Dec 2016	35.00	10.40%	7 Dec 2026	INE511C08985
	06 Jan 2017	15.00	10.40%	6 Jan 2027	INE511C08AD3
	24 Jan 2017	25.00	10.40%	24 Jan 2027	INE511C08AE1
	03 Mar 2017	15.00	10.25%	3 Mar 2027	INE511C08AG6
	18 May 2017	10.00	10.10%	18 May 2027	INE511C08AI2
	07 Mar 2018	5.00	10.20%	6 June 2025	INE511C08AK8
	28 Mar 2018	5.00	10.00%	28 Mar 2028	INE511C08AL6
Total		124.00*			

*NCD of Rs. 14 Crs redeemed & rating withdrawn. Present o/s & rated: Rs. 110 Crs

Details of Perpetual NCDs*

Instrument	Date of Issue	Amount (Rs Cr)	Maturity Date	ISIN
Perpetual Debt	26-Sep-13	25.0	-	INE511C08894
	14-Jun-16	3.0	-	INE511C08944
	5-Jul-16	1.7	-	INE511C08951
	1-Aug-16	10.0	-	INE511C08969
	9-Sep-16	3.0	-	INE511C08977
	3-Feb-17	1.9	-	INE511C08AF8
	7-Mar-17	1.0	-	INE511C08AH4
	4-Aug-17	1.0	-	INE511C08AJ0
Total		46.6		

Note: All the ratings of perpetual debt withdrawn: Rs. 25 Crs on redemption and Rs. 21.6 Crs at the request of the company and in compliance with the BWR Withdrawal Policy.

ANNEXURE III

List of entities consolidated - Not Applicable



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER : Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect,



incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.