

Poonawalla Fincorp's rating upgraded to CRISIL AAA

Pune, April 25, 2023: CRISIL Ratings Ltd (CRISIL) has upgraded the rating for long-term debt instruments and bank facilities of Poonawalla Fincorp Limited (PFL) to **"CRISIL AAA (triple A)/ Stable"**.

The rating action is driven by the increased strategic importance of PFL to Cyrus Poonawalla Group, whose flagship company is Serum Institute of India Private Limited (SIIPL; rated CRISIL AAA/Stable/CRISIL A1+). This is in line with the group's focus on domestic consumption as a key theme in their growth philosophy. Post the divestment of Poonawalla Housing Finance Limited (PHFL), PFL will play a key role through which this strategy will be implemented in the areas of interest of the group i.e., consumer and MSME (micro, small and medium enterprises) financing through tech driven lending.

Commenting on the upgrade, Mr. Abhay Bhutada, Managing Director, said, "The rating upgrade testaments our business model and relentless focus on executing the stated strategy to build a strong foundation for a long-term sustainable leadership position in the industry. The upgrade would help further strengthen our liability franchise, optimize borrowing cost, and accelerate our growth journey."

The rating action also reflects the improvement in the standalone profile of the company marked by steady scale up of the loan book with diversified product offering, healthy capitalization metrics, improving earnings profile and healthy resource profile marked by competitive cost of funds. Post-acquisition of Magma Fincorp Limited (MFL) by the Cyrus Poonawalla Group, the new management of PFL revised its product strategy, targeting good quality, credit-tested, mass-affluent retail consumers, and small businesses in semi-urban/urban locations. Consequently, the company announced its plans to discontinue some of the loan products originated by erstwhile MFL. As on December 31, 2022, the company reported an AUM (assets under management) of Rs 13,929 crore, as against Rs 11,765 crore as on March 31, 2022, and Rs 10,563 crore as on March 31, 2021. Of this, the discontinued portfolio constituted around 8.5% as on December 31, 2022, which is expected to run down in the near term. As per the business update for Q4FY23 given by the company, the AUM has increased further by 16% QoQ and 37% YoY to reach ~Rs 16,120 crore as on March 31, 2023. The total disbursements have gathered momentum in fiscal 2023 towards the new segments and registered a YoY growth of 109% (aggregate ~Rs 15,750 crores for fiscal 2023).

The company has also focused on a direct digital origination strategy which contributed to ~81% of disbursements in Q4FY23 (as compared to ~24% in Q4FY22). The asset quality metrics too remain comfortable, with most of the GNPA stemming from the legacy portfolio. As per Q4FY23 business update, the GNPA and NNPA are expected to improve further to less than 1.55% and 0.85% respectively as on March 31, 2023. However, given the change in the portfolio strategy, the loan book lacks seasoning and ability to scale up portfolio whilst maintaining asset quality metrics will remain a key monitorable.

CRISIL Ratings also notes that the company has improved its resource profile and funding costs as evidenced by borrowings from the market/ banks at competitive interest rates, post-acquisition by the Cyrus Poonawalla Group.

Rating Action

Total Bank Loan Facilities Rated	Rs.2000 Crore
Long Term Rating	CRISIL AAA/Stable (Upgraded from 'CRISIL AA+ / Stable')
Rs.3000 Crore Non Convertible Debentures	CRISIL AAA/Stable (Upgraded from 'CRISIL AA+ / Stable')
Rs.1500 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)

CRISIL Ratings believes that PFL will remain of high strategic importance to Cyrus Poonawalla Group, given the majority shareholding in PFL, through Rising Sun Holdings Private Limited (RSHPL); a special purpose vehicle owned and controlled by Mr. Adar Poonawalla. CRISIL Ratings also notes that there is a strong management oversight for the company to conduct its business, with group having prominence on board and Mr. Adar Poonawalla being the chairman of the board, thereby ensuring active involvement in the group-level strategies. Additionally, the brand

sharing further enhances the expectation of support to the financial services entity if required.

About Poonawalla Fincorp

Poonawalla Fincorp Limited (“the Company”) is a Cyrus Poonawalla group promoted non-deposit taking systemically important non-banking finance company (ND-SI-NBFC), registered with the Reserve Bank of India (RBI). The Company started operations nearly three decades back and is listed on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). Consequent to the capital raise of ₹ 3,456 Crores in May-2021, the Company is now part of the Cyrus Poonawalla Group with majority stake owned by Rising Sun Holdings Private Limited, a company owned and controlled by Mr. Adar Poonawalla.

The Company’s new identity “P” stands for Passion, Principles, Purpose, People and Possibilities. The Company has widespread coverage across 21 states. The Company has standalone AUM of ₹13,929 Crores as on 31st December 2022 and employs around 2,500 people. The Company’s financial services offerings include pre-owned car finance, personal loans, loan to professionals, business loans, loan against property, supply chain finance, medical equipment and consumer loans.

For more information, please log on to: www.poonawallafincorp.com

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