

28 December, 2023

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

Company Code- 10828

Subject: Intimation under Regulation 51 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) w.r.t. (1) Credit Rating and (2) Press Release of the Company.

Dear Sir/Madam,

Pursuant to the provisions of Regulation 51 read with Schedule III of the SEBI Listing Regulations, please note that:

1. CRISIL Ratings Limited (“CRISIL”) has assigned/reaffirmed the credit rating for the facilities/instruments of the Company as per the following details:

Facilities/Instrument	Amount (Rs. Crore)	Rating	Rating Action
Bank Loan Facilities	6500	CRISIL AA-/Stable	Assigned
Non-convertible debentures	1000	CRISIL AA-/Stable	Assigned
Commercial Paper	500	CRISIL A1+	Re-affirmed

The rationale of CRISIL is enclosed and available at the following link: Rating Rationale (www.crisilratings.com)

2. Press Release of the Company titled ‘Grihum Housing Finance Rating reaffirmed at 'CRISIL A1+ ' ; Bank Debt and Non-Convertible Debentures assigned 'CRISIL AA- / Stable' is attached herewith.

This is for your information and records.

Thanking you,

Yours faithfully,
For **Grihum Housing Finance Limited**
(Formerly, Poonawalla Housing Finance Limited)

Vaishnavi Suratwala
Company Secretary
Membership No.: A41827

Enclosed: as above

Grihum Housing Finance Limited

(Formerly, Poonawalla Housing Finance Limited)

CIN: U65922PN2004PLC208751 | ☎ 020-67808091 | ✉ info@grihumhousing.com

Registered Office: 602, 6th Floor, Zero One IT Park, Survey No. 79/1, Ghorpadi, Mundhwa Road, Pune - 411036

Rating Rationale

December 27, 2023 | Mumbai

Grihum Housing Finance Limited

'CRISIL AA-/Stable' assigned to Bank Debt; 'CRISIL AA-/Stable' assigned to Non Convertible Debentures

Rating Action

Total Bank Loan Facilities Rated	Rs.6500 Crore
Long Term Rating	CRISIL AA-/Stable (Assigned)

Rs.1000 Crore Non Convertible Debentures	CRISIL AA-/Stable (Assigned)
Rs.500 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL AA-/Stable**' rating to the long-term bank facilities and non-convertible debentures (NCDs) of Grihum Housing Finance Ltd (Grihum; erstwhile Poonawalla Housing Finance Ltd) and has reaffirmed its 'CRISIL A1+' rating on the commercial paper.

The ratings factor in expectation of support to Grihum, from TPG, both on an ongoing basis and in the event of any exigency. It also factors in Grihum's healthy capitalisation, its fund-raising ability, pan-India presence, and experienced management. These strengths are constrained by the modest scale of operations, although ramped up substantially in the past five fiscals, modest earnings profile having been impacted by elevated operating expenses on the back of segregation of functions and infrastructure from the erstwhile parent entity, and inherent vulnerability of asset quality given the segment of operation and relatively limited seasoning of loan portfolio.

Grihum, on July 26, 2023, announced the consummation of acquisition of 99.02% equity stake in the company by Perseus SG Pte Ltd (Perseus), an entity affiliated to TPG group. TPG is a leading global alternative asset management firm, founded in San Francisco in 1992, with USD 212 billion of assets under management (AUM; post the acquisition of Angelo Gordon) and investments as on September 30, 2023, and operational teams in 12 offices globally. The acquisition of stake in Grihum is invested through TPG Capital Asia, TPG's Asia-focused private equity platform. TPG has multiple investments in the financial services space in India. CRISIL Ratings understands that the senior management team will remain unchanged despite TPG now holding controlling stake of 99.02% in Grihum. Further, TPG will continue to back the existing retail-focused business model of Grihum, given this being TPG's first affordable-housing segment investment in Asia.

Analytical Approach

CRISIL Ratings has evaluated the standalone credit profile of Grihum, whilst factoring in support from the TPG group both on an ongoing basis and in the event of exigency.

Key Rating Drivers & Detailed Description

Strengths:

- **Healthy capitalisation levels with demonstrated ability of timely equity raises:** Supported by periodic equity infusions in the past, Grihum's capitalisation remains healthy as reflected by a networth base and CRISIL Ratings-adjusted gearing⁽¹⁾ of Rs 1,209 crore and 4.5 times, respectively, as on March 31, 2023, as against Rs 497 crore and 7.2 times, respectively, as on March 31, 2021. Furthermore, with the first tranche of equity infusion, amounting to Rs 538 crore (of the total committed Rs 1,000 crore), by TPG into Grihum in August 2023, the capital position of the entity has strengthened further with networth and adjusted gearing of Rs 1,804 crore and 3.6 times, respectively, as on September 30, 2023. Capital adequacy of Grihum stood at 46.35% as on September 30, 2023.

Going forward, with the available equity commitment of Rs 462 crore from the TPG group along with sequential positive internal accruals, capitalisation of Grihum shall remain healthy whilst supporting its growth trajectory.

- **Expectation of support from TPG and synergies within TPG's eco-system:** TPG, via Perseus, acquired 99.02% stake in Grihum, in July 2023. With TPG acquiring majority stake in Grihum, it remains imperative for the private equity giant to continue supporting Grihum in the form of equity as well as debt capital going forward.

The said investment by TPG group, is via TPG Capital Asia VIII fund (a USD 8 billion fund), wherein Grihum commands an exposure share of ~8% (around USD 600 million), factoring in Rs 3,584 crore sale consideration and Rs 1,000 crore

additional equity infusion commitment, thus making investment in Grihum strategically important for TPG. Overall, CRISIL Ratings expects that Grihum will benefit from TPG's global experience and improvement in its processes, while deriving synergies from TPG's ecosystem.

TPG has had a track record of supporting its investee entities in times of capital need and CRISIL Ratings expects continuation of similar unconditional support to Grihum from TPG, along with likely synergies between Grihum and TPG's existing portfolio companies in the form of development of digital infrastructure and process efficiency practices. TPG is a global investment firm with ~ USD 212 billion in AUM as on September 30, 2023. TPG was founded in 1992 by Jim Coulter and David Bonderman, former colleagues at the Bass Family Office. TPG is led by CEO Jon Winkelried, who became sole CEO in 2021 after serving as Co-CEO alongside Jim Coulter since 2015. TPG invests across five multi-product platforms: Capital, growth, impact, real estate, and market solutions TPG Inc. is listed on the NASDAQ stock exchange in the United States of America (NASDAQ: TPG) and regulated by the U.S. Securities and Exchange Commission.

- **Pan-India presence with wide branch network and increasing digital operations:** Grihum is a national scale affordable housing finance company with presence through 195 branches across 19 states/union territories catering to more than 68,000 customers as on September 30, 2023.

Grihum's loan book is also adequately diversified, geographically, with northern region contributing ~37%, east ~5%, south ~23% and west ~35% as on September 30, 2023, and no single state contributing greater than 16% in overall loan book. Over the last one year, Grihum has invested across multiple avenues such as enhancement of its digital infrastructure system, deepening of sourcing channels via connector models and the entity has also invested in capacity building and capability enhancements with the focus on direct origination. Grihum continues to focus on increasing the share of home loans in its loan portfolio and penetration into deeper geographies as a part of its "Go-Direct, Go-HL and Go-Deeper" strategy. With Grihum catering majorly to the self-employed (67% of AUM as of September 2023) and salaried (33%) borrower segment, and 100% of its loan book being retail in nature (i.e., average ticket size per borrower of around Rs 10 lakh), borrower concentration risk stands low, which is further cushioned by majority of the loan portfolio being towards self-occupied residential properties. Grihum has scaled up its lending operations over the past six years, while raising growth capital amid ownership changes.

- **Comfortable resource profile and funding costs:** Grihum has benefited through access to diversified funding mix at lower funding costs post acquisition by the Poonawalla group. Consequently, over the last two fiscals, even after the announcement of divestment of stake sale from Poonawalla Fincorp Ltd (PFL) to TPG, the funding profile has remained comfortable with the entity raising incremental sanctions amounting to Rs 3,100 crore from various banks (including National Housing Bank) in the first half of fiscal 2024, including raising funds amounting to Rs 900 crore through capital market in the form of NCDs from leading mutual funds, at competitive rates.

As on September 30, 2023, loans from public sector banks constituted 39% (53% as on Mar-23), loans from private banks constituted 19% (23% as on Mar-23) and loans from National Housing Bank (NHB) constituted 22% (14% as on Mar-23) of total borrowings of Grihum, followed by 18% (8% as on Mar-23) of NCD/sub-debt and 1% of securitization. Grihum has broad based its funding sources including access to diversified bank funding by introducing more private banks and enhanced PSU relationships, and borrowings from National Housing Bank (NHB) continue to make up a significant chunk, with it constituting 27% of bank borrowings and 22% of the overall borrowings as on September 30, 2023. Going forward, with unavailed sanctions available from NHB, overall cost of borrowings for Grihum is expected to remain range-bound and comfortable.

This has given the company a stable borrowings profile, with better access to funding and lower cost of funds. Post the acquisition by TPG, incremental borrowing costs have also remained comfortable with blended borrowing cost of around 8.1% during the first half of fiscal 2024.

- **Experienced senior management:** The board is supported by a strong senior management with relevant and significant experience in retail financing, having previously worked in reputed banks and NBFCs. The senior management team has operated synergistically over the last few quarters. Grihum has strengthened its leadership across functions by onboarding highly experienced key personnel. These senior management personnel have been in the industry for more than two decades each and have extensive experience in their functional areas. With TPG now becoming the majority shareholder, representatives from TPG have joined Grihum's board, thus deepening domain knowledge and corporate governance practices of Grihum.

Grihum continues to be headed by their MD & CEO, Mr Manish Jaiswal, who has over 30 years of industry experience, with over 4 years being served in erstwhile Magma Housing. Mr Jaiswal has previously worked at some of India's leading foreign and private banks, NBFCs and credit rating agencies. Mr Jaiswal has spearheaded the company for the six years through fiscal 2018 and has been entrusted to lead the company for a fresh term of five years. Grihum had inducted Mr Pankaj Rathi as Chief Financial Officer in July 2021. Over the last two years, Grihum has demonstrated efficient liability management and has reported competitive cost of borrowings.

Further, Grihum has also strengthened its management team and has inducted key personnel with industry experience to take up the positions of Chief Business Officer, Chief Credit Officer, Chief Risk Officer, Chief Information Officer, Integrated Collections Head, Chief Compliance Officer, Head Internal Audit, Head Human Resources and Head Operations and Customer Services.

Weaknesses:

- **Modest earnings profile with elevated operating expenses:** With its earning profile remaining subdued until fiscal 2022, Grihum witnessed improvement in profitability metrics post the onset of fiscal 2023, driven by improvement in credit costs, which improved to 0.6% during fiscal 2023, as against 3.4% for fiscal 2021. Also, the improvement was supported by net interest margins (NIMs) being comfortable at 7.8% for fiscal 2023. Consequently, Grihum registered a return on managed assets (RoMA) of 1.9% during fiscal 2023, as against 1.6% in fiscal 2022 (0.3%: fiscal 2021).

However, while the overall earnings profile improved during fiscal 2023, operating expenses (as a percentage of average managed assets) rose to 4.1% during fiscal 2023 (2.7%: fiscal 2021) on account of branch expansion, ramp up of on-field collections team and expenditure incurred on segregation of IT infrastructure from the erstwhile parent company. Similarly, with incremental investments into enhancement of digital infrastructure and ramp up of physical fleet of collection personnel, Grihum's operating expenses (as a percentage of average managed assets, annualised) elevated further to 4.6% during the six-month period ending September 30, 2023. Consequently, during the first half of fiscal 2024, while credit costs and NIMs for Grihum remained comfortable, the annualised RoMA for the company remained range-bound at 1.5% (annualised) for the period.

Going forward, in the near term, with TPG bringing about multiple enhancements in the operational processes of Grihum across collections, sourcing, income recognition and digital infrastructure, overall earnings is expected to remain range-bound and moderate in the near term. As a result, ability of Grihum to achieve meaningful scale up in operations, whilst ensuring RoMA of more than 2% on a sustained basis remains a key monitorable.

- **Inherent vulnerability in asset quality given the segment of operation and relatively limited seasoning of loan portfolio:** While asset quality metrics remain comfortable with reported gross non-performing assets (GNPAs) of 0.8% as on September 30, 2023, similar to that as on March 31, 2023, due to adoption of stringent technical write-off policy. However, it remains vulnerable to slippages given the segment of operation and the same will remain a key monitorable.

Nevertheless, collection efficiency of Grihum remained comfortable at 96-100% since September 2022 and stood at 98% for September 2023, thus supporting asset quality.

This was a significant improvement over the peak GNPA of 5.4% as of March 2018. The improvement in asset quality is witnessed through the adoption of stringent underwriting parameters and robust monitoring and collection model along with systems and processes in place such as segregated legal, technical and credit underwriting teams. Further, the company maintains average loan-to-value (LTV) at 60-70% for home loan (HL) cases and 50-60% for loan against property (LAP) cases.

In its last five years of operation, AUM of Grihum has posted a 5-year compound annual growth rate (CAGR) of 28% from Rs 1,808 crore as on March 31, 2018, to Rs 6,289 crore as on March 31, 2023, and further to Rs 7,105 crore as on September 30, 2023. As a result, given that an average housing loan carries a tenure of 7-8 years (factoring in prepayments), seasoning impact of the incremental portfolio is yet to be seen.

This book has attained scale only in recent fiscals and hence ability to scale up portfolio whilst maintaining asset quality metrics will remain a key monitorable.

^[1](on-book borrowings + securitization (assignment)/reported networth)

Liquidity: Strong

As on September 30, 2023, the ALM profile of the company remained strong with positive cumulative gaps across all buckets, on the back of large equity base. Furthermore, following its ability to raise incremental funds thereafter, liquidity position of Grihum remained strong as on September 30, 2023, with it having cash and equivalents (including unutilised cash credit/WCDL limits) of ~Rs 1,300 crore, along with undrawn sanctions (including Rs 300 crore from NHB) of around Rs 1,000 crore from private and public sector banks. Against this, debt repayments for the next six months i.e. from October 2023 to March 2024, amounted to Rs 345 crore.

Outlook: Stable

CRISIL Ratings expects Grihum to maintain healthy capitalisation and benefit from support by TPG, and synergies from TPG's ecosystem.

Rating Sensitivity Factors

Upward factors:

- Significant ramp up in scale of operations whilst maintaining asset quality.
- Improvement in earnings profile with return on assets remaining above 2% on a sustained basis.
- Any upward revision in CRISIL Ratings' view on the credit profile of TPG group.

Downward factors:

- Decline in support from TPG group or material change in TPG's shareholding in Grihum, or downward revision in the credit profile of TPG group.
- Any sustained deterioration in asset quality resulting in constrained earnings profile.
- Weakening in capitalisation metrics with gearing greater than 6 times on a sustained basis.

About the Company

In February 2013, erstwhile Magma Fincorp acquired GE Money Housing Finance. Post-acquisition, the company was renamed Magma Housing Finance Ltd. Magma Housing Finance Ltd was rebranded as Poonawalla Housing Finance Ltd, post the acquisition by Rising Sun Holdings Pvt Ltd (via Poonawalla Fincorp Ltd) in February 2021.

Thereafter, in December 2022, Poonawalla Fincorp Ltd announced its decision to sell-off its entire stake in Poonawalla Housing to Perseus SG Pte Ltd (TPG group). The transaction was completed in July 2023, after receiving the requisite approvals from all the necessary regulatory bodies. Post the acquisition of 99.02% stake by TPG in the housing finance entity, the latter was renamed Grihum as a part of rebranding exercise, in November 2023.

Grihum has been able to expand at a 3-year CAGR of 28% to reach an AUM of Rs 7,105 crore as on September 30, 2023. The growth has been accompanied by growing share of affordable home loans in AUM from 35% as on March 31, 2018, to 65% as on March 31, 2023, and further to 68% as on September 30, 2023, on AUM basis. Share of affordable LAP has gradually reduced from 64% as on March 31, 2018, to 35% as on March 31, 2023. Further, the loan book is granular with average ticket size of ~Rs.10 lakh as on September 30, 2023.

Key Financial Indicators (Grihum, Standalone)

Particulars as on, for the period ending	Unit	Sep-23	Mar-23	Mar-22	Mar-21
Total assets	Rs.Cr	7,558	5,971	4,387	3,134
Total income	Rs.Cr	486	716	470	473
Profit after tax	Rs.Cr	57	115	77	11
Gross stage 3	%	0.8	0.8	1.0	1.6
Adjusted gearing%	Times	3.6	4.5	3.7	7.2
Return on total managed assets [#]	%	1.5*	1.9	1.6	0.3

*annualised

#Calculated over total managed assets

%Calculated as (on-book borrowings + securitization (assignment))/reported network

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Proposed long term bank loan facility	NA	NA	NA	6500	NA	CRISIL AA-/Stable
NA	Non-convertible debentures [^]	NA	NA	NA	1000	Simple	CRISIL AA-/Stable
NA	Commercial paper	NA	NA	7-365 days	500	Simple	CRISIL A1+

[^]Yet to be issued

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	6500.0	CRISIL AA-/Stable	15-07-23	Withdrawn	20-12-22	CRISIL AA+/Watch Negative		--		--	--
				08-05-23	CRISIL AA+/Watch Negative	31-01-22	CRISIL AA+/Stable		--		--	
				17-03-23	CRISIL AA+/Watch Negative		--		--		--	
Commercial Paper	ST	500.0	CRISIL A1+	01-08-23	CRISIL A1+	20-12-22	CRISIL A1+/Watch Developing	15-12-21	CRISIL A1+	06-05-20	CRISIL A1+	CRISIL A1+
				15-07-23	CRISIL A1+/Watch Developing	31-01-22	CRISIL A1+	12-02-21	CRISIL A1+		--	
				08-05-23	CRISIL A1+/Watch Developing		--		--		--	
				17-03-23	CRISIL A1+/Watch Developing		--		--		--	
Non Convertible Debentures	LT	1000.0	CRISIL AA-/Stable	15-07-23	Withdrawn	20-12-22	CRISIL AA+/Watch Negative		--		--	--

			--	08-05-23	CRISIL AA+/Watch Negative	31-01-22	CRISIL AA+/Stable		--		--	--
			--	17-03-23	CRISIL AA+/Watch Negative		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	6500	Not Applicable	CRISIL AA-/Stable

Criteria Details

Links to related criteria
Rating Criteria for Finance Companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Criteria for rating short term debt

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Grihum Housing Finance Rating reaffirmed at 'CRISIL A1+ '; Bank Debt and Non Convertible Debentures assigned 'CRISIL AA- / Stable'

Company's healthy capitalisation level, pan-India presence, and access to a diversified funding mix at lower funding costs are the key rating drivers

Pune and Mumbai, India, December 28, 2023: We are delighted to announce that Grihum Housing Finance Limited (formerly Poonawalla Housing Finance Ltd), has garnered notable ratings from CRISIL, India's largest rating agency.

Grihum's short-term debt instruments have been rated 'CRISIL A1+', while its long-term debt instruments received a 'CRISIL AA-/Stable'.

Grihum's robust capitalisation level, fund-raising ability, pan-India presence with 195 branches across 19 states, access to a diversified funding mix at lower funding costs and stable leadership team were some of the key reasons for its solid rating. It also factored in the expectation of support to Grihum, from TPG, a global private equity firm, both on an ongoing basis and in the event of exigency. After the acquisition, TPG has committed Rs 1000 crore of fresh capital to the company. The first tranche of Rs 538 crore was infused into Grihum in August'23. With strong capital buffers, exemplified by a total capital adequacy ratio of 46.35% as of September 30, 2023, the company is well-positioned to sustain its growth trajectory and safeguard against any deterioration in asset quality.

"The latest CRISIL ratings for Grihum establish it as a Company with one of the best credit ratings amongst PE backed Affordable Housing Finance organisations, validating the strength of our robust business model and efficient liability management. Grihum is deeply committed to providing housing finance, particularly to Self Made Individuals (SMIs) in India's semi-urban regions. Over the last six years, we have achieved an impressive 4X growth, an Asset Under Management (AUM) of approximately Rs 7500 crores and a customer base exceeding 75,000. With the ongoing structural economic development and the rurbanization trend in India, we are strategically positioned to turn the aspirations of millions of first-time homebuyers into reality," said Mr. Manish Jaiswal, Managing Director & Chief Executive Officer of Grihum.

The archetypical Grihum customer - a self-made individual (SMI) and micro-entrepreneur in the semi-urban parts of the country – usually seeks a loan of about Rs 10-12 lakhs for building a self-constructed standalone home of 600-800 sq ft area. Grihum is committed to working closely with these SMIs who need handholding and guidance owing to their limited experience and exposure. Hence, it has also moved to a 100 percent direct sourcing model, leading to improved asset quality as compared to assets sourced through DSAs (Direct Selling Agents).

Grihum is highly focussed on becoming future-ready. With an eye on becoming a leading affordable housing fintech, it has initiated a digital transformation and is replacing its generational multi-stack IT infrastructure with an agile, need-based, and flexible Low Code No Code (LCNC) platform with a modular

Grihum Housing Finance Limited

(Formerly, Poonawalla Housing Finance Limited)

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IT stack. This massive tech overhaul will substantially contribute to elevating customer experiences and building scale.

About Grihum Housing Finance Limited

Grihum Housing Finance Limited (formerly Poonawalla Housing Finance Limited) is a national-scale affordable housing finance company with a presence across 19 states and Union Territories and ~195 branches, catering to 75,000+ customers. The Company has an AUM of ₹ ~7,500+ crores with ~74% of its on-book assets as affordable home loans, averaging a ticket size of ₹ 10 lakhs. GRIHUM is engaged in making homeownership a reality for those overlooked by India's mainstream lenders through its brand tagline, **"Apna Ghar. Apni Pehchan"** (My home, My identity)". The Company primarily serves through its model of Go Direct – Go Home Loan – Go Deeper, and strong in-house capabilities.

For more information, please visit www.grihumhousing.com

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