

15 July, 2023

To,  
**BSE Limited**  
Corporate Relationship Department  
25<sup>th</sup> 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 (“Listing Regulations”)**

Dear Sir/ Madam,

Pursuant to the provisions of Regulation 51 read with Schedule III of the Listing Regulations, we, Poonawalla Housing Finance Limited (“**Company**”) wish to inform you that, CRISIL Ratings Limited (“**CRISIL**”) has withdrawn ratings assigned to the Company’s Long-term Borrowings and Non-Convertible Debentures, considering the request of the Company to voluntarily withdraw the same.

The rationale received by the Company from CRISIL is enclosed and available at the following link:  
[Rating Rationale \(crisilratings.com\)](https://www.crisilratings.com)

This is for your information and records.

Thanking you,

Yours Faithfully,  
For **Poonawalla Housing Finance Limited**  
(Formerly, Magma Housing Finance Limited)

**Vaishnavi Suratwala**  
Company Secretary  
Membership No.: A41827

Poonawalla Housing Finance Limited  
(Formerly known as Magma Housing Finance Limited)

**CIN:** U65922PN2004PLC208751

**Registered Office:** 602, 6<sup>th</sup> Floor, Zero One IT Park, Survey No. 79/1, Ghorpadi, Mundhwa Road, Pune - 411036, Maharashtra  
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## Rating Rationale

July 15, 2023 | Mumbai

### Poonawalla Housing Finance Limited

*Commercial Paper continues on 'Watch Developing'; Bank loan rating and Non convertible debentures continues on 'Watch Negative' and Withdrawn*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.1500 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL AA+/Watch Negative (Continues on 'Rating Watch with Negative Implications'; Rating Withdrawn)</b>
<b>Rs.1500 Crore Non Convertible Debentures</b>	<b>CRISIL AA+/Watch Negative (Continues on 'Rating Watch with Negative Implications'; Rating Withdrawn)</b>
<b>Rs.500 Crore Commercial Paper</b>	<b>CRISIL A1+/Watch Developing (Continues on 'Rating Watch with Developing Implications')</b>

*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 **withdrawn** its 'CRISIL AA+' rating on the proposed long-term bank facilities and non-convertible debentures of Poonawalla Housing Finance Limited (PHFL), while keeping the rating under 'Rating Watch with Negative Implications'. The withdrawal has been made at the request of the company and the same is in line with CRISIL Ratings policy on withdrawal of ratings. The company has not raised any non-convertible debentures using CRISIL Ratings. The short-term rating continues to be on '**Rating Watch with Developing Implications**'.

The ratings for PHFL were placed on Rating Watch post the announcement on December 14, 2022, that the board of Poonawalla Fincorp Limited (PFL) had approved the complete stake sale in PHFL to Perseus SG Pte Limited (an entity affiliated with TPG). The transaction will involve a sale of 24,98,21,117 equity shares held by PFL in PHFL. Post the consummation of the transaction TPG will hold 99.02% stake in PHFL. The transaction is still in process and would be consummated post requisite board and other regulatory approvals. The transaction has received approval from the Reserve Bank of India (RBI). Post the transaction, TPG will infuse an additional Rs 1,000 crores as equity in the company to support growth. With this fresh infusion, PHFL's on book gearing is expected to go down to ~1.8x from current level of 3.3x. The ratings shall be removed from watch and a final rating action will be taken once the transaction consummates.

TPG is a leading global alternative asset management firm, founded in San Francisco in 1992, with \$135 billion of assets under management and investment and operational teams in 12 offices globally. The transaction is invested through TPG Capital Asia, the firm's Asia-focused private equity platform, subject to regulatory approvals and satisfaction of other customary conditions. As per the information available in public domain, in India, TPG has multiple investments in financial services space. However, CRISIL Ratings notes that TPG's will hold controlling stake in PHFL. TPG is backing the existing management team led by Mr. Manish Jaiswal, Managing Director and Chief Executive Officer, who has previously worked at some of India's leading foreign and private banks, NBFCs and credit rating agencies.

The current analytical approach for PFL group (which includes PHFL) factors in the expectation of need based timely support to PFL and PHFL from Cyrus Poonawalla Group, whose flagship company is Serum Institute of India Private Limited (SIPL, rated; CRISIL AAA/Stable/CRISIL A1+), given the majority ownership and high strategic importance, the shared brand name and managerial control. Further, CRISIL Ratings consolidates the credit risk profiles of PFL and PHFL (collectively referred to as the Poonawalla Fincorp Group) as they have common directors, governance oversight and were expected to have synergistic operations, and be strategically important to the Group's business growth.

However, once the transaction is completed, the analytical approach would not factor in the expectation of support from Cyrus Poonawalla Group for PHFL. Post the consummation of the transaction the ratings would reflect CRISIL Ratings assessment of the credit risk profile of PHFL and benefits, if any, emanating from its ownership by TPG. Consequently, the short-term rating remains on 'Rating Watch with Developing Implications'. CRISIL Ratings will track the progress on the transaction and resolve the Rating Watch post the consummation of the transaction. Nevertheless, till the transaction is completed, the existing ratings will continue to centrally factor in the expectation of need-based support to PHFL from the current parent, PFL and Cyrus Poonawalla group.

The current rating of the PHFL continues to factor in the high financial flexibility, post the significant capital infusion by the Cyrus Poonawalla Group into PFL last year resulting in healthy capitalization and low leverage. Of the total equity infusion, PFL had in turn infused Rs 500 crore in the subsidiary PHFL, thereby shoring up its network to Rs 1,209 crores with CRISIL Ratings-adjusted gearing at 4.5 times (on-book borrowings + securitization (assignment)/reported network) as on March 31, 2023. Additionally, the senior management team consisting of seasoned professionals from reputed financial institutions and improved resource profile and funding costs post acquisition by the Cyrus Poonawalla Group are also the key strengths driving the ratings. The ratings continue to draw strength from PHFL's track record of operations, wide branch network and healthy scale up of business with improving share of granular home loans. PHFL has secured, geographically diversified, granular portfolio with more than 50,000 customers having average ticket size of ~10 lakhs. These strengths are partially offset by the currently moderate AUM and scale of operations at present.

### **Analytical Approach**

Till the transaction consummates, CRISIL Ratings will combine the business and financial risk profiles of PFL and PHFL. The ratings would continue to factor in the expectation of need based timely support to PFL and PHFL from Cyrus Poonawalla Group, whose flagship company is Serum Institute of India Private Limited (SIPL, rated; CRISIL AAA/Stable/CRISIL A1+), given the majority ownership, the shared brand name and managerial control.

*Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

### **Key Rating Drivers & Detailed Description**

#### **Strengths:**

#### **Expectation of need based timely financial support from Cyrus Poonawalla Group, whose flagship entity is Serum Institute of India Limited**

Till the transaction is consummated, the ratings continue to reflect the expectation of continued strong support from its majority owner, PFL, which is ultimately held by RSHPL through 62.14 % of ownership as on March 31, 2023. RSHPL, a special purpose vehicle owned and controlled by Mr Adar Poonawalla, is a part of the Cyrus Poonawalla Group, whose flagship company is Serum Institute of India Private Limited. Cyrus Poonawalla Group is also expected to continue to provide support to PHFL till the transaction completes, given the majority ownership through RSHPL and operational control with respect to Group having prominence on the board, with Mr Adar Poonawalla being the chairman of the board, and active involvement of the board in the group level strategies. Additionally, the brand sharing further enhances the expectation of support to the financial services entity if required.

In May 2021, RSHPL had infused an equity of Rs 3206 crore in erstwhile Magma Fincorp Limited. Of the total infusion, PFL in turn infused Rs 500 crore in the subsidiary, i.e. PHFL, thereby shoring up its network to ~Rs 1000 crore. Currently, RSHPL holds 61.49% stake in Poonawalla Fincorp Limited and is classified as the sole promoter of PFL and PFL in turn holds 99.02% stake in PHFL. The transaction also resulted in rebranding of Magma Fincorp and Magma Housing to Poonawalla Fincorp and Poonawalla Housing, respectively. The erstwhile promoters have been re-classified to public category.

The group's flagship company, SIPL is among the largest vaccine manufacturers globally by number of doses produced. Its vaccine portfolio includes vaccines for DTP, MMR, Polio, Hib, r-Hepatitis B, Rabies and Rotavirus. It also manufactures Covishield vaccine against Covid-19 in India. CRISIL Ratings' notes that over the past 4-5 years, SIPL has been funding investments in subsidiaries and other companies of the Poonawalla group. SIPL's investments are well diversified across sectors including financial services, green energy, real estate, aviation, pharmaceutical packaging, etc. In April 2021, Rising Sun Holdings, owned and controlled by Mr Adar Poonawalla, funded the acquisition of erstwhile Magma Fincorp Limited.

#### **High financial flexibility with capital infusion last year; resulting in healthy capitalization and low leverage**

The sizeable equity infusion led to a significant increase in the group's network to Rs 6,843 crore as on March 31, 2023, as against Rs 2,194 crore as on March 31, 2021. Consequently, the adjusted gearing also dropped significantly to 2.5 times as on March 31, 2023, as against 5.5 times as on March 31, 2021. Of the large infusion done in May 2021, PFL had in turn infused Rs 500 crore in PHFL, which resulted in an increase in the network and low CRISIL Ratings-adjusted gearing (on-book borrowings + securitization (assignment)/reported network) of PHFL at Rs 1,209 crore and 4.5 times as on March 31, 2023, as against Rs 497 crore and 7.2 times as on March 31, 2021. Further, equity infusion of Rs 1000 crores post the consummation of the transaction will further add to the capitalisation profile for PHFL.

#### **Pan-India presence with wide branch network and digitising its operations**

PHFL is a national scale affordable housing finance company with presence through 160+ branches across 19 states/Union Territories as on March 31, 2023. PHFL's loan book is diversified geographically with north contributing ~35%, east ~6%,

south ~25% and west ~34% as on March 31, 2023. Over last one year, PHFL has significantly invested on capacity building and capability enhancements with the focus on direct origination, higher share of home loans and penetration into deeper geographies - "Go-Direct, Go-HL and Go-Deeper" strategy.

### **Improved resource profile and funding costs**

With the change in ownership to the Cyrus Poonawalla Group last year, PHFL has benefited through access to diversified funding mix at lower funding costs. Poonawalla Housing Finance Limited has higher reliance on PSU bank loans and off-book funding.

PHFL also broad based its funding sources including access diversified bank funding by introducing private sector banks and more PSUs and enhanced limits from National Housing Bank. PHFL has received large fresh sanctions (from various banks and financial institutions including National Housing Bank) at much lower rates of interest and has replaced the entire re-priceable higher cost of legacy debt. This has given the company stable borrowings profile, with better access to funding and lower cost of funds. The same has been witnessed in consistent decline in average cost of borrowings to 7.3% during fiscal period ending March 31, 2023, as against 9.6% in fiscal 2021.

At the group level, the group has also been able to reprice their existing loans to lower rates thereby improving gross spreads. PFL group has been able to reduce the average cost of borrowing by 264 bps on YoY basis. With the equity infusion, and fresh bank sanctions, the group has a healthy liquidity position.

### **Experienced senior management**

Post the preferential issue last year, the group (PFL + PHFL) is governed by board of directors, with Mr Adar Poonawalla being the chairman of the board. The board is supported by a strong senior management with relevant and significant experience in retail financing, having previously worked at reputed banks and NBFCs. The senior management team has operated synergistically for over the last twelve months. The group 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.

PHFL continues to be headed by their existing 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 last six years since fiscal 2018 and has been entrusted to lead the company for a fresh term of five years from the current financial year. PHFL has inducted Mr. Pankaj Rathi as Chief Financial Officer in July 2021. Over the last two years, PHFL has demonstrated efficient liability management and has reported competitive cost of borrowings.

Further, PHFL has also strengthened its management team and has inducted/ identified key personnel with industry experience to take up the positions of Chief Financial Officer, 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:**

#### **Moderate, albeit improving, asset quality metrics**

Poonawalla Fincorp group reported Gross Stage 3 (GS3) assets of 1.3% as on March 31, 2023, as compared to 2.7% as on March 2022 (3.7% as on March 31, 2021) showing an improving trend. The reduction in GS3, was primarily on account of adopting a more conservative write-off policy, as part of the group's new strategy and partially on account of improvement in the economic activity post the second-wave of the pandemic resulting in consistent improvement in collection efficiency.

At the standalone level, PHFL has reported a substantially lower GS3 assets of 0.8% as on March 31, 2023, as against 1.6% as on March 31, 2021 (0.96% as on March 31, 2022). The collection efficiencies too remained comfortable in the range of 96-100% since June 2021 and stood at 104% for the month of March 2023.

The management had realigned the product mix of the group with greater focus on better quality, credit-tested, mass-affluent customers in urban and semi-urban geographies, along with discontinuation of some products of erstwhile entity. The product strategy was primarily aimed at minimizing the credit costs in future and focusing on products with digital collections. In PHFL, the company offers affordable housing and small ticket loan against property. Ability to scale up portfolio whilst maintaining asset quality metrics will remain a key monitorable.

#### **Modest, albeit improving, earnings profile**

The profitability metrics improved in the fiscal 2023, with PFL reporting a net profit of Rs 685 crore at group level. The profitability was supported by improved NIMs due to reduced cost of borrowings post the recent ownership change and change in the product mix towards consumer and MSME, which carries a higher yield.

The improvement in the earnings profile was also supported by the reducing credit costs, as the group had done aggressive provisioning and write-offs for majority of its legacy book in March 2021, thereby resulting in provision reversals and write-backs in the subsequent years.

At the standalone level, PHFL reported a profit after tax of Rs 115 crore for the twelve-month period ending March 31, 2023, as against a profit after tax of Rs 77 crore as on March 31, 2022 (Rs 11 crore as on March 31, 2021). This resulted in a ROMA (return on managed assets) of 1.9% for fiscal 2023 as against 1.6% for fiscal 2022. Credit costs which were relatively higher at 3.4% for fiscal 2021 have shown an improvement to 0.6% during fiscal 2023.

While earnings profile has improved, the ability to manage credit costs, considering new origination, remains to be seen and will remain a key monitorable.

### **Liquidity: Strong**

As on March 31, 2023, the ALM profile of the Company remained strong with positive cumulative gaps across all the buckets, on the back of large equity base. Furthermore, following its ability to raise incremental funds thereafter, liquidity position of PHFL remained comfortable as on June 30, 2023, with it having cash and cash equivalents (including CC/WCDL limits) of Rs 1,050 crore, along with undrawn term loan sanctions (including Rs 600 crore from National Housing Bank) of around Rs 1,500 crore.

### **Rating Sensitivity factors**

#### **Upward factors:**

- Profitable scaling up of operations as per business plan
- Sustainable improvement in asset quality with GNPA remaining below 2%, while maintaining stability in earnings profile of the company

#### **Downward Factors:**

- Decline in support from Cyrus Poonawalla Group or material change in Cyrus Poonawalla Group's shareholding in PFL or in CRISIL Ratings' view any downward revision in the credit profile of Cyrus Poonawalla Group
- Any sustained deterioration in asset quality and earnings profile of the company
- Significant jump in gearing beyond 6 times on a sustained basis while scaling up the portfolio

### **About the Poonawalla Fincorp group**

Incorporated as Magma Leasing Ltd, the company commenced its operations in 1989. The company was renamed to Magma Fincorp Limited in 2008 and Poonawalla Fincorp Limited in 2021 post the acquisition by Rising Sun Holdings Private Limited (an entity owned and controlled by Mr Adar Poonawalla). The company has a diversified product offerings in consumer and business finance including personal loans, loans to professionals, business loans, SME LAP, pre-owned car loans, etc.

### **About the Poonawalla Housing Finance Limited**

In February 2013, erstwhile Magma Fincorp acquired GE Money Housing Finance. Post-acquisition, the company was renamed Magma Housing Finance Ltd. Magma Housing Finance Limited was rebranded as Poonawalla Housing Finance Limited, post the acquisition by Rising Sun Holdings Private Limited. Poonawalla Housing Finance Limited product offerings include affordable home loans and affordable LAP.

Poonawalla Housing Finance Limited has been able to grow at a 3-year CAGR of 28% to reach at an AUM of Rs 6,289 crore as on March 31, 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. 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.10-11 lacs as on March 31, 2023.

### **Key Financial Indicators (PFL + PHFL Consolidated):**

Particulars as on,	Unit	Mar-23*	Mar-22*	Mar-21*
<b>Total Assets</b>	<b>Rs Cr.</b>	<b>23,221</b>	<b>16,443</b>	<b>13,212</b>
<b>Total income</b>	<b>Rs Cr.</b>	<b>2,724</b>	<b>2,041</b>	<b>2,352</b>
<b>Profit after tax</b>	<b>Rs Cr.</b>	<b>685</b>	<b>375</b>	<b>-559</b>
<b>Gross Stage 3</b>	<b>%</b>	<b>1.3</b>	<b>2.7</b>	<b>3.7</b>
<b>Adjusted Gearing</b>	<b>Times</b>	<b>2.5</b>	<b>1.8</b>	<b>5.5</b>
<b>Return on total managed assets #</b>	<b>%</b>	<b>3.2</b>	<b>2.3</b>	<b>-3.5</b>

\*As per IndAS

# Profit after tax by, total assets + securitisation (Assignment)

### **Key financial indicators (PHFL Standalone):**

Particulars as on,	Unit	Mar-23*	Mar-22*	Mar-21*
<b>Total Assets</b>	<b>Rs Cr.</b>	<b>5,971</b>	<b>4,387</b>	<b>3,134</b>
<b>Total income</b>	<b>Rs Cr.</b>	<b>716</b>	<b>470</b>	<b>473</b>
<b>Profit after tax</b>	<b>Rs Cr.</b>	<b>115</b>	<b>77</b>	<b>11</b>
<b>Gross Stage 3</b>	<b>%</b>	<b>0.8</b>	<b>1.0</b>	<b>1.6</b>
<b>Adjusted Gearing<sup>%</sup></b>	<b>Times</b>	<b>4.5</b>	<b>3.7</b>	<b>7.2</b>

<b>Return on total managed assets #</b>	<b>%</b>	<b>1.9</b>	<b>1.6</b>	<b>0.3</b>
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\*As per IndAS

# Profit after tax by, total assets + securitisation (Assignment)

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

**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](http://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 Level	Rating Assigned with Outlook
NA	Commercial Paper	NA	NA	7-365 days	500	Simple	CRISIL A1+/Watch Developing

**Annexure - Details of Rating Withdrawn**

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Crore)	Complexity Level	Rating Assigned with Outlook
NA	Non-convertible debentures*	NA	NA	NA	1500	Simple	Withdrawn
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	1500	NA	Withdrawn

\*Yet to be issued

**Annexure – List of entities consolidated**

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Poonawalla Fincorp Limited	Full	Parent
Poonawalla Housing Finance Limited	Full	Subsidiary

**Annexure - Rating History for last 3 Years**

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Fund Based Facilities</b>	LT	1500.0	Withdrawn	08-05-23	CRISIL AA+/Watch Negative	20-12-22	CRISIL AA+/Watch Negative		--		--	--
				17-03-23	CRISIL AA+/Watch Negative	31-01-22	CRISIL AA+/Stable		--		--	
<b>Commercial Paper</b>	ST	500.0	CRISIL A1+/Watch Developing	08-05-23	CRISIL A1+/Watch Developing	20-12-22	CRISIL A1+/Watch Developing	15-12-21	CRISIL A1+	06-05-20	CRISIL A1+	CRISIL A1+
				17-03-23	CRISIL A1+/Watch Developing	31-01-22	CRISIL A1+	12-02-21	CRISIL A1+		--	--
<b>Non Convertible Debentures</b>	LT	1500.0	Withdrawn	08-05-23	CRISIL AA+/Watch Negative	20-12-22	CRISIL AA+/Watch Negative		--		--	--
				17-03-23	CRISIL AA+/Watch Negative	31-01-22	CRISIL AA+/Stable		--		--	--

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
<b>Proposed Long Term Bank Loan Facility</b>	<b>1500</b>	<b>Not Applicable</b>	<b>Withdrawn</b>

## Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">Rating Criteria for Finance Companies</a>
<a href="#">CRISILs Criteria for rating short term debt</a>
<a href="#">CRISILs Criteria for Consolidation</a>

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For more information, visit [www.crisilratings.com](http://www.crisilratings.com)

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It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

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