

October 06, 2021

## Poonawalla Fincorp Limited: Rating withdrawn

### Summary of rating action

| Instrument*                      | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action          |
|----------------------------------|-----------------------------------|----------------------------------|------------------------|
| Long-term Fund-based – Term Loan | 1,711.05                          | 1,711.05                         | [ICRA]AA- &; withdrawn |
| <b>Total</b>                     | <b>1,711.05</b>                   | <b>1,711.05</b>                  |                        |

& - On watch with developing implications; \*Instrument details are provided in Annexure-1

### Rationale

ICRA has withdrawn the [ICRA]AA- (rating watch with developing implications) rating outstanding on the long-term fund-based term loans of Poonawalla Fincorp Limited (PFL) at the request of the company and based on the No Objection Certificate received from its bankers. This is in accordance with ICRA's policy on the withdrawal of credit ratings.

ICRA, however, does not have adequate information about business strategy and future plans of PFL to suggest that the credit risk has changed since the time the rating was last reviewed. The key rating drivers, liquidity position, and rating sensitivities have not been captured as the related instrument is being withdrawn. The last detailed rating rationale can be found [here](#).

### Analytical approach

| Analytical Approach             | Comments                                                                                                                                                                                                                    |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicable Rating Methodologies | <a href="#">ICRA's Credit Rating Methodology for Non-Banking Finance Companies</a><br><a href="#">Consolidation</a><br><a href="#">Policy on withdrawal of credit ratings</a>                                               |
| Parent/Group Support            | Not Applicable                                                                                                                                                                                                              |
| Consolidation/Standalone        | Consolidation; for arriving at the rating, ICRA has considered the consolidated view of the credit profiles of PFL and Poonawalla Housing Finance Limited (PHFL) owing to their common management and shared infrastructure |

### About the company

Poonawalla Fincorp Limited (PFL, erstwhile Magma Fincorp Limited) was incorporated in 1988 and is registered with the Reserve Bank of India (RBI) as an asset-financing non-banking financial company (NBFC). Following the acquisition of controlling stake by Adar Poonawalla-led Rising Sun Holdings Private Limited in May 2021, the Company was renamed to Poonawalla Fincorp Limited in July 2021. As on June 30, 2021, Rising Sun Holdings Private Limited held 59.9% stake in PFL. Post the transaction, there has been a change in the management with Mr. Adar Poonawalla appointed as the Chairman along with a revamped senior management team.

PFL, on a consolidated basis had Assets under Management (AUM) of Rs 14,424 crore as on June 30, 2021 which can be broadly divided into mortgage (32%), used cars (15%) and SME (10%) with remaining 44% of the portfolio being in the form of discontinued products (new car, CV, CE, used CV/CE, tractor).

In FY2021, PFL on a consolidated basis, recorded a loss of Rs. 559 crore on asset base of Rs. 13,212 crore compared with a consolidated profit after tax of Rs. Rs. 27 crore on a total consolidated asset base of Rs. 15,240 crore in FY2020. The loss was

primarily on account of management overlay provisions created in light of Covid wave 2 and adoption of a conservative write-off policy resulting in elevated credit cost for Q4FY2021. Post equity infusion of Rs 3,456 crore, net worth of the Company stood at Rs 5,722 crore, as on June 30, 2021.

In Q1FY2022, PFL on consolidated basis reported net profit of Rs. 65 crore. The gross and net stage 3 asset ratio stood at 5.4% and 2.7% respectively as on June 30, 2021, along with a healthy stage 3 provision cover of 51%.

### Key financial indicators (audited; consolidated)

| PFL                              | FY2019 | FY2020 | FY2021 |
|----------------------------------|--------|--------|--------|
| Total income                     | 2,495  | 2558   | 2,352  |
| Profit after tax                 | 304    | 27     | -559   |
| Net worth                        | 2,744  | 2,748  | 2,194  |
| Total assets under management    | 17,028 | 16,134 | 14,225 |
| Total assets                     | 16,789 | 15,240 | 13,212 |
| Return on average assets         | 1.8%   | 0.2%   | -3.9%  |
| Return on average equity         | 12.9%  | 1.0%   | -22.6% |
| % CRAR (standalone)              | 24.9%  | 25.9%  | 20.3%  |
| % Gross stage 3 assets (on-book) | 4.8%   | 6.4%   | 3.7%   |
| % Net stage 3 assets (on-book)   | 3.1%   | 4.2%   | 1.2%   |
| % Net stage 3 assets/ Net worth  | 17.2%  | 21.1%  | 15.5%  |

Source: Company, ICRA Research; All ratios as per ICRA calculations; Amount in Rs. crore

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

|   | Instrument         | Current Rating (FY2022) |              |                                |                               | Chronology of Rating History for the Past 3 Years |                      |                      |                         |                                         |                            |
|---|--------------------|-------------------------|--------------|--------------------------------|-------------------------------|---------------------------------------------------|----------------------|----------------------|-------------------------|-----------------------------------------|----------------------------|
|   |                    | Type                    | Amount Rated | Amount Outstanding (Rs. crore) | Date & Rating in FY2022       | Date & Rating in FY2021                           |                      |                      | Date & Rating in FY2020 |                                         | Date & Rating in FY2019    |
|   |                    |                         | (Rs. crore)  |                                | Oct 6, 2021                   | Feb 17, 2021                                      | Dec 8, 2020          | Apr 13, 2020         | Dec 16, 2019            | Jul 22, 2019, Aug 6, 2019, Oct 24, 2019 | Apr 20, 2018, Jul 25, 2018 |
| 1 | Term Loans (banks) | Long Term               | 1,711.05     | -                              | [ICRA]AA- &; Rating Withdrawn | [ICRA]AA- &                                       | [ICRA]AA- (Negative) | [ICRA]AA- (Negative) | [ICRA]AA- (Negative)    | [ICRA]AA- (Stable)                      | [ICRA]AA- (Stable)         |
| 2 | NCD                | Long Term               | -            | -                              |                               |                                                   |                      | Rating Withdrawn     | [ICRA]AA- (Negative)    | [ICRA]AA- (Stable)                      | [ICRA]AA- (Stable)         |

Source: ICRA Research

## Complexity level of the rated instruments

| Instrument                       | Complexity Indicator |
|----------------------------------|----------------------|
| Long-term Fund Based – Term Loan | Simple               |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [www.icra.in](http://www.icra.in)

#### Annexure-1: Instrument details

| ISIN | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|-----------------|-----------------------------|-------------|---------------|--------------------------|----------------------------|
| NA   | Term Loan       | NA                          | NA          | NA            | 1,711.05                 | [ICRA]AA- &; Withdrawn     |

**Source:** Company; & - On watch with developing implications NA: Not available

#### Annexure-2: List of entities considered for consolidated analysis

| Company Name                       | Ownership | Consolidation Approach |
|------------------------------------|-----------|------------------------|
| Poonawalla Fincorp Limited         | 100.00%   | Full Consolidation     |
| Poonawalla Housing Finance Limited | 100.00%   | Full Consolidation     |

**Note:** ICRA has taken a consolidated view of the parent (PFL) and its subsidiaries and associates while assigning the rating

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### Branches



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