

NOVEMBER 11, 2016

**CARE REAFFIRMS THE RATINGS ASSIGNED TO VARIOUS DEBT INSTRUMENTS OF
ADITYA BIRLA FINANCE LTD.**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Subordinated Debt	550	CARE AA+ [Double A Plus]	Reaffirmed
Non-convertible debenture	50	CARE AA+ [Double A Plus]	Reaffirmed
Total Facilities	600 (Rupees Six Hundred crore only)		

Rating Rationale

The rating factors in the strong parentage and strategic importance of ABFL for the Aditya Birla group, regular capital infusions leading to comfortable capital adequacy, diversified portfolio mix, comfortable profitability, stable asset quality and good risk management systems. Liquidity profile is supported by the ability to raise funds by virtue of being part of the Aditya Birla group. The rating is constrained by ABFL's limited track record in new business segments with low seasoning of the portfolio and customers' concentration risk. Parentage of Aditya Birla group, asset quality, profitability and capital adequacy are the key rating sensitivities.

Background

Aditya Birla Finance Ltd. (ABFL) was incorporated in 1991 and is registered with RBI as systemically important non deposit taking NBFC. Aditya Birla Financial Services Limited (ABFSL) is the immediate parent of ABFL while Aditya Birla Nuvo Limited (ABNL) is the ultimate parent of ABFL. ABFSL is the holding company of group's financial services businesses such as life insurance, asset management, loans and advances, private equity, broking, housing finance company, wealth management and distribution, online money management and general insurance advisory services.

Going forward, ABNL will be merged with Grasim Industries Limited. The merger will be followed by the de-merger of ABFSL via its listing on stock exchanges. Subsequently, Grasim Industries Limited will own ~57.20% of ABFSL, ~16.60% will be with its promoters and the rest ~26.20% would be with public. ABFSL will continue to remain immediate parent of ABFL. ABFL operates under four principal business segments viz. Capital Market Group (CMG), Corporate Finance Group (CFG), Project Finance and Mortgage. The products offered by ABFL within these segments are promoter and broker funding, loan against shares to HNIs (CMG), term loans (CFG & project finance), supply chain finance (CFG), working capital demand loan (CFG) and loan against property, lease rental discounting and construction finance (Mortgage). ABFL also invests in non-convertible debentures of corporates which form part of the portfolio as credit substitutes. The loan portfolio (including credit substitutes) stood at Rs.26,267 crore as on June 30, 2016. Mr. Rakesh Singh is the CEO of the company who is assisted by business heads for various segments.

During FY16, the company reported a PAT of Rs.409 crore (FY15: Rs.271 crore) on a total income of Rs.2,487 crore (FY14: Rs.1,780 crore). As on March 31, 2016, on a 150+dpd, Gross and Net NPA ratio stood at 0.63% (FY15 on 180+ dpd: 0.90%) and 0.22% (FY15 on 180+ dpd: 0.32%), respectively. During Q1FY17, ABFL earned a PAT of Rs.128 crore (Q1FY16: Rs.94

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

crore) on a total income of Rs.785 crore (Q1FY16: Rs.557 crore). Asset quality is stable with Gross NPA and Net NPA (based on 120+dpd) at 0.69% and 0.29%, respectively at the end of June 2016. As on June 30, 2016, total CAR and Tier I CAR stood at 16.31% and 13.82%, respectively.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691