SEPTEMBER 27, 2016

CARE ASSIGNS 'CARE AA' RATING TO THE PROPOSED NCD ISSUE OF PIRAMAL FINANCE PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Proposed Non-Convertible Debenture issue	250	**CARE AA (Double A)**	**Assigned**
Total Facilities	**250 (Rupees Two Hundred Fifty crore only)**		

Rating Rationale

The rating derives strength from strong and resourceful promoter group and the parent - Piramal Enterprises Limited (PEL)*, shared brand name, complete integration of the lending business, common treasury with PEL, experienced management team and comfortable capitalization levels. The rating also takes into consideration likely increase in balance sheet size of PFPL on account of transfer of large part of loan book and borrowings from PEL as well as equity infusion by PEL. The rating draws comfort from the resultant improvement in networth, profitability and asset quality parameters of PFPL and the fact that going forward PFPL would be key entity driving the lending business for Piramal Group. The rating also factors in high exposure to real estate sector, low seasoning of the loan book and client concentration in the current and post asset transfer (from PEL) loan portfolio. Continued parentage, asset quality, client and sector concentration, liquidity and profitability are the key rating sensitivities.

Key Developments

The management plans to transfer minimum loan portfolio of Rs.9,900 crore from PEL to PFPL and also plans to transfer part of borrowings of around Rs. 8000- Rs.8200 crore from PEL to PFPL. Also, PEL would be infusing equity of around Rs.1750 crore in PFFL.

Background

PFPL is a fully owned subsidiary of Piramal Enterprise Limited that is a part of the Ajay Piramal group of companies. The group is a diversified Indian business house with interests in healthcare, glass manufacturing and financial services. The company was incorporated on February, 1973. It was earlier known as Glass Engineers Private Limited. PFPL was established in 2011 as a non-deposit taking NBFC. The company lends mainly to real estate and education sector. As on June 30, 2016, the company reported total assets of around Rs.848 crore.

The company reported PAT of Rs.37 crore in FY16 as against PAT of Rs.55 crore in FY15. During Q1FY17, the company reported PAT of Rs.4.17 crore on total income of Rs.33.87 crore. As on June 30, 2016, the company reported GNPA and NNPA ratio at 8.34% and 6.67%, respectively. However at consolidated levels, company's asset quality stands comfortable with GNPA and NNPA ratio at 0.60% and 0.47%, respectively as on June 30, 2016. As on June 30, 2016, the company had total tangible networth of Rs.609 crore with borrowings of Rs.217 crore. Consequently, company's gearing stood at 0.36x

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* *Please refer to our website www.careratings.com for detailed rationale of Piramal Enterprises Limited (PEL)*

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

and capital adequacy ratio stood comfortable at 55.49% with Tier I CAR at 54.30%. However, with the transfer of portfolio from parent, the said parameters would undergo a significant change, as PFPL would see increased balance sheet size.

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

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