Piramal Finance Limited

February 15, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Subordinated Debt issue	1000	**CARE AA; Stable (Double A; Outlook: Stable)**	**Assigned**
Non-Convertible Debenture issue	250	**CARE AA; Stable (Double A; Outlook: Stable)**	**Reaffirmed**
Total Facilities	1250 (Rupees One Thousand Two Hundred And Fifty crore only)		

Details of instruments/facilities in Annexure-1

Detailed 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 and experienced management team and adequate capitalization levels. The rating also takes into consideration increase in balance sheet size of Piramal Finance Limited (PFL) 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 PFL and the fact that going forward PFL would be key the entity driving the lending business for Piramal Group. The rating also factors in high exposure to the real estate sector, low seasoning of the loan book and client concentration in the loan portfolio. Continuing parent support, asset quality, client and sector concentration, liquidity and profitability are the key rating sensitivities.

Detailed description of the key rating drivers

Piramal Finance Ltd. (PFL) is a fully owned subsidiary of Piramal Enterprise Limited (PEL) that is a part of the Ajay Piramal group of companies. PEL has successful track record of around more than two decades in the healthcare business. Over the past few years the group has built its financial services business also with consolidated lending portfolio of Rs.19,170 crore as on September 30, 2016. However, PEL's lending portfolio is largely unseasoned with very high growth over the last few years.

The company's board is headed by Mr. Ajay Piramal. He is the chairman of entire business conglomerate i.e. Piramal Group and Shriram Group. The company's board and management are supported by various other qualified professionals heading various verticals with adequate and relevant experience in their respective fields. PFL is expected to benefit from group synergies in the form of shared brand name, capital, managerial and operational support from the parent.

There has been significant rise in income profile and balance sheet size of PFL on account of transfer of large part of loan book and borrowings from PEL as well as equity infusion by PEL during Q2FY17. During Q2FY17, PFL received capital infusion of around Rs.2,400 crore from PEL. As on September 30, 2016, PFL's lending portfolio stood at Rs.13,780 crore with real estate accounting for about ~80% of the portfolio. Under the real estate segment, the company is engaged in developer financing at various stages of construction and has recently entered into Lease Rental Discounting business. The company's focus has been on residential projects in construction finance with operations in cities of Mumbai, Bangalore, Chennai, Delhi-NCR, Pune and has recently entered Ahmedabad and Hyderabad. The company faces client concentration risk in the portfolio due to bulky nature of wholesale lending business. . In the non-real estate book (20% of the portfolio), the company invests across sectors (including infrastructure, cement, services and entertainment).

PFL reported adequate capitalization of 17.38% with Tier I CAR at 15.93% as on September 30, 2016. Good resource raising ability and access to diverse base of funding sources of the Piramal group provides comfort to company's liquidity profile. During FY16, PEL on a consolidated basis posted a total income of Rs.6976 crore (FY15: Rs.5508 crore) with a PAT of Rs.950 crore (FY15: Rs.2850 crore). Further during H1FY17, PEL posted a total income of Rs.2009 crore and earned a

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

PAT of Rs.306 crore on a consolidated basis. PFL reported PAT of Rs.37 crore in FY16 as against PAT of Rs.55 crore in FY15. The company has policy of providing 2% on standard assets. As a result, the company's provisioning cost for H1FY17 stood at Rs.270 crore on account of one time provisioning of 2% on newly transferred portfolio which resulted into loss of Rs.136 crore for H1FY17. PFL's gross & net NPA ratios improved to 0.30 & 0.24%, respectively post portfolio transfer with NNPA to networth ratio of 1.14% as on September 30, 2016. On a consolidated basis, GNPA ratio stood at 0.4% as on September 30, 2016 on a consolidated portfolio of Rs.19,170 crore.

Analytical approach: Consolidated

Applicable Criteria:
Criteria on assigning Outlook to Credit Ratings
CARE Policy on Default Recognition
Rating Methodology: Factoring Linkages in Ratings
CARE's criteria for Non-Banking Financial Companies
Financial ratios - Financial Sector

About Piramal Enterprise Ltd. (PEL)
PEL is part of the Ajay Piramal group of companies with presence in Healthcare, Financial Services and Information Management sectors across 100 countries and manufacturing bases in India, USA, UK, Scotland and Canada. The Group is a diversified Indian business house with interests in healthcare, glass manufacturing and financial services.

About Piramal Finance Ltd. (PFL)
PFL is wholly owned subsidiary of PEL. The company was incorporated on February, 1973. It was earlier known as Glass Engineers Private Limited. PFL was established in 2011 as a non-deposit taking NBFC. The company lends mainly to the real estate and education sector.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact:
Name: Anuj Jain
Tel: 022-67543451
Mobile: + 91-9892209428
Email: anuj.jain@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.
In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures (Proposed)	-	-	-	250.00	CARE AA; Stable
Bonds-Tier II Bonds (Proposed)	-	-	-	1000.00	CARE AA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Debentures-Non Convertible Debentures	LT	250.00	CARE AA; Stable	1)CARE AA (27-Sep-16)	-	-	-
2.	Bonds-Tier II Bonds	LT	500.00	CARE AA; Stable	-	-	-	-
3.	Bonds-Tier II Bonds	LT	500.00	CARE AA; Stable	-	-	-	-

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691