SHRIRAM City
MONEY WHEN YOU NEED IT MOST

Ref: D: STEC

April 26, 2018

The Secretary,
BSE Ltd
P J Towers,
Dalal St,
Mumbai 400 001

The Manager
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra- Kurla Complex Bandra (E)
Mumbai 400 051

Sir,

Ref: Scrip Code: BSE – 532498 and NSE - SHRIRAMCIT

Please find attached the presentation on financial results made by the Company to analysts / institutional investors. This is an intimation under Regulation 30 read with Schedule III (Part A) (15) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015.

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,

For Shriram City Union Finance Limited,

26/4/2018

C R Dash
Company Secretary

Encl: a/a.

Investor Presentation

4QFY18

Agenda

Performance Highlights

Company Overview

Key Highlights

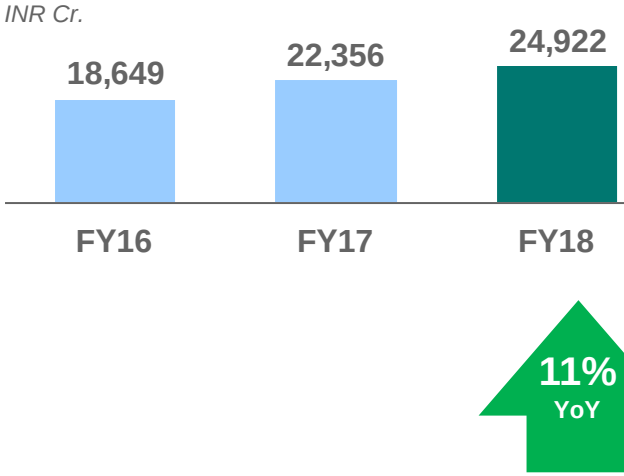
Financials

Appendix

Key Financial Metrics: FY18

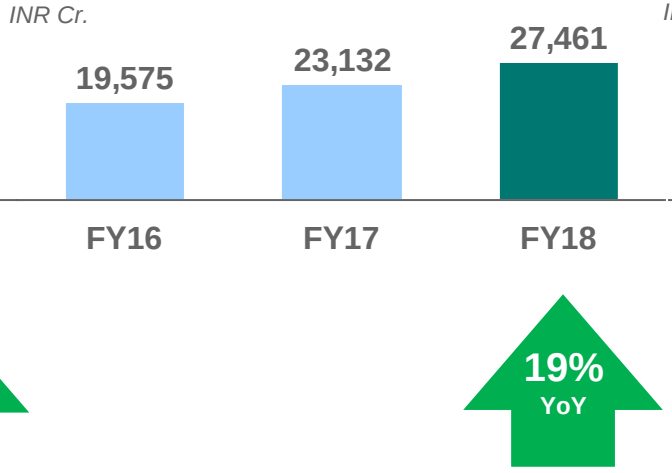
Disbursements[1]

INR Cr.



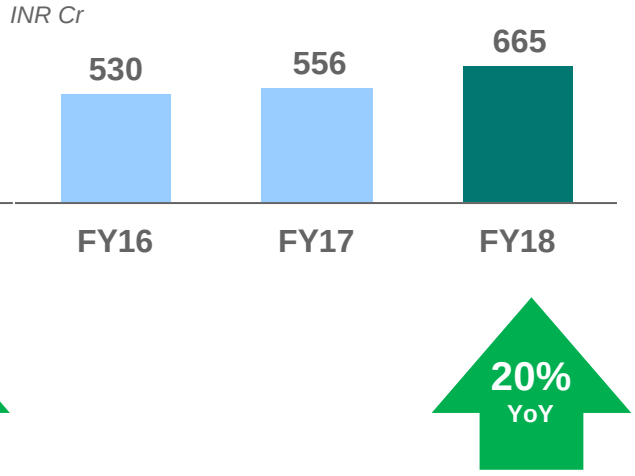
AUM[1]

INR Cr.



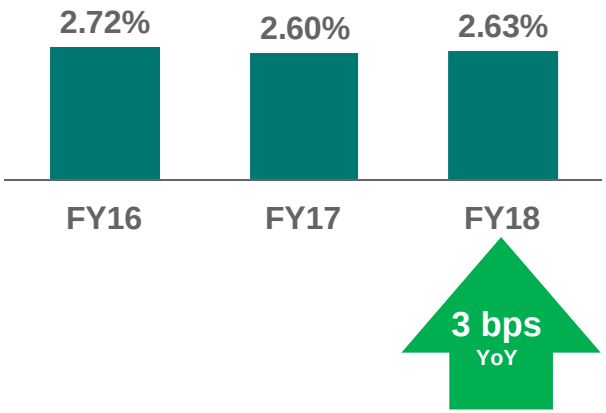
PAT

INR Cr



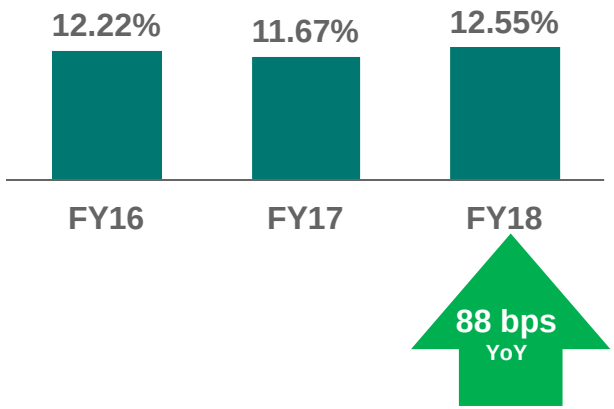
RoA

% of Average Total assets



RoE

% of Average Total assets



(1) Disbursement growth ex-gold was 11% YoY; AUM growth ex-gold was 18% YoY

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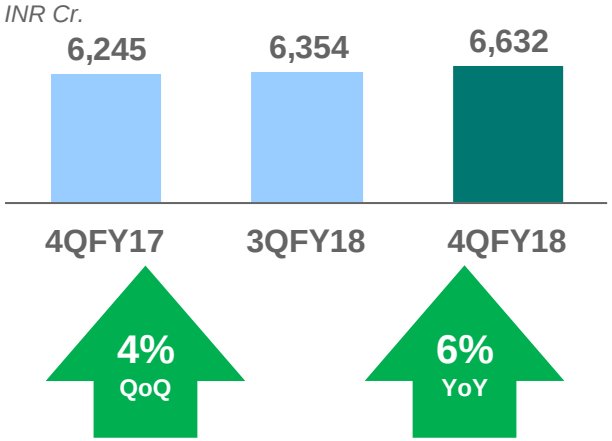
Key Financial Metrics: 4QFY18

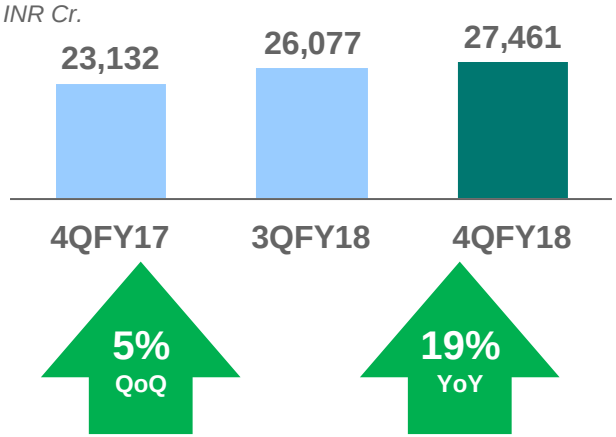
Disbursements[1]

INR Cr.



AUM[1]

INR Cr.



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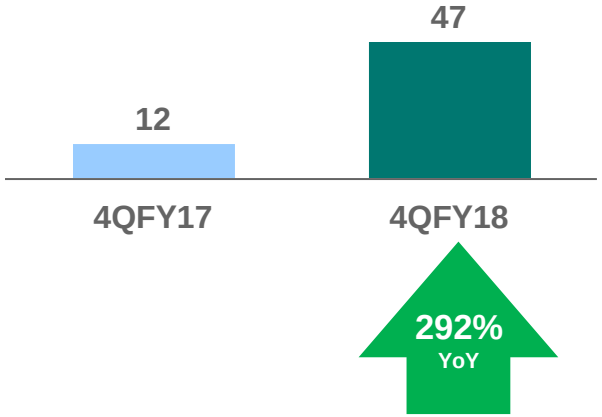
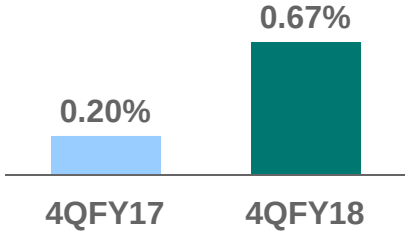
INR Cr



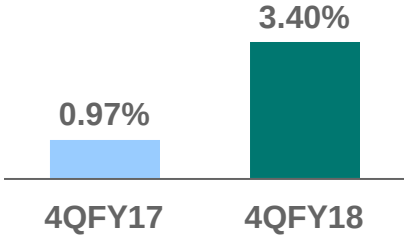
RoA

% of Average AUM – annualized basis



RoE

% of Average AUM – annualized basis



(1) Disbursement growth ex-gold was 12% QoQ and 28% YoY; AUM growth ex-gold was 6% QoQ and 18% YoY
(2) RoA and RoE were impacted in Q417 and Q418 due to NPA transitioning as per RBI norms

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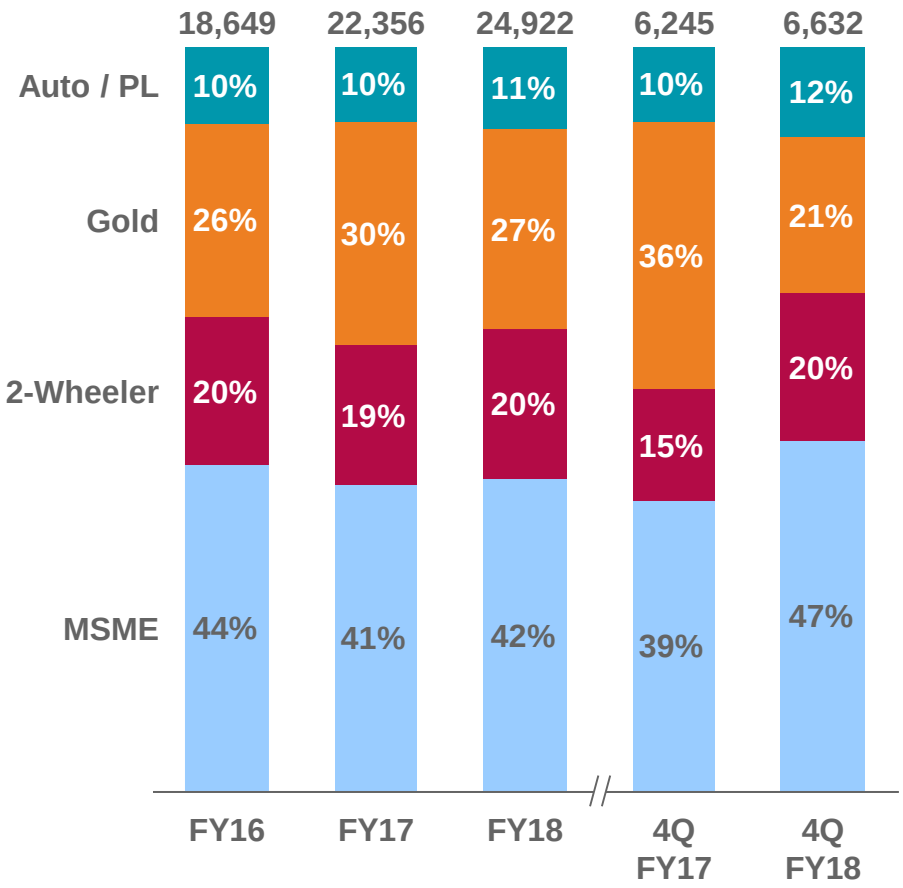
Product-wise Performance

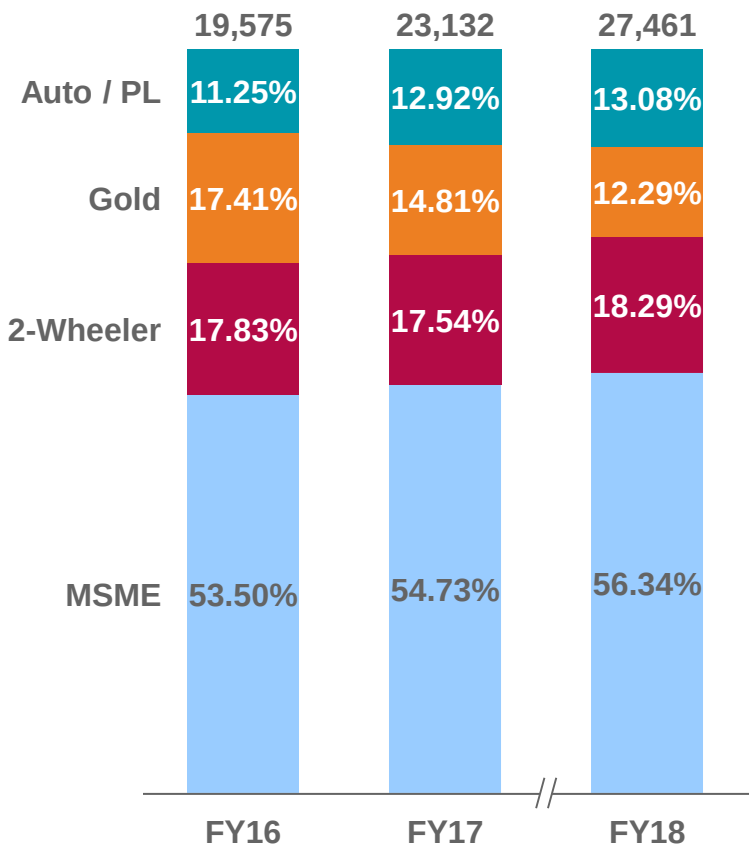
Disbursement by Product

INR Cr.



AUM by Product

INR Cr.



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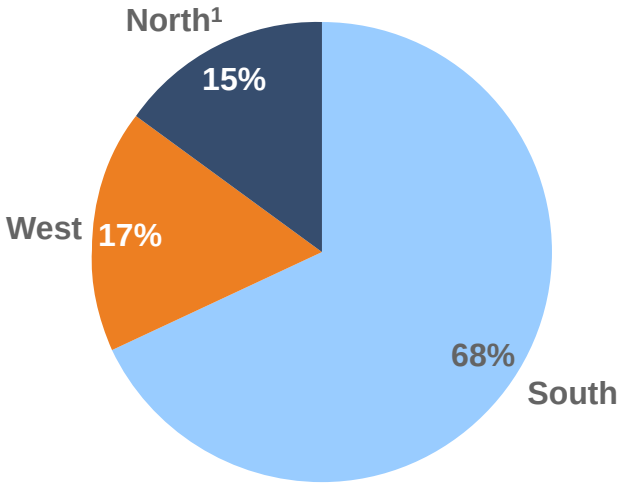
Geographic Breakup of Business

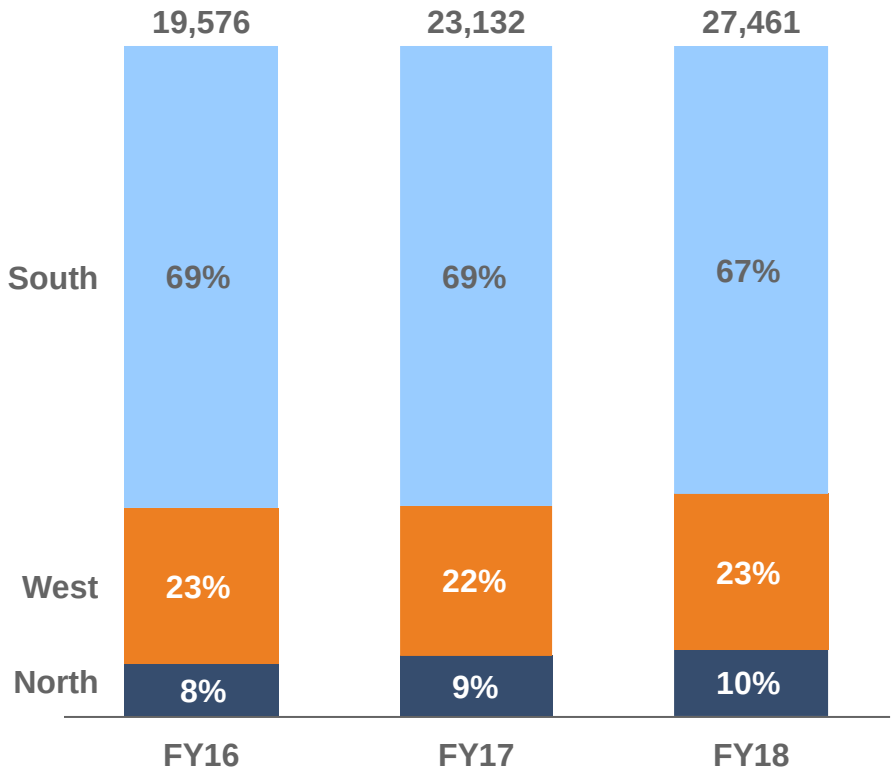
Branch Network by Geography

969 branches as of 31-Mar-2018



AUM by Geography

AUM in INR Cr.



(1) East region has 22 branches, which are combined with North region

Agenda

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Shriram City Union Finance ('SCUF') Overview

- 32 years in existence
- Primarily caters to un-banked and under-banked customers
- Leading small enterprise finance company in India in the small loan segment
- Leading two-wheeler lender in India
- Active customer base of 3.9m; Strong base of 28.7k employees
- Strong presence in the rural and semi-urban markets

56.34 % of AUM

MSME Financing

- Loans to micro, small and medium enterprise businesses

18.29 % of AUM

Two-Wheeler Financing

- Strong pan-India presence in two-wheeler financing

12.29 % of AUM

Gold Loans

- Gold loans to individuals who do not have access to formal credit

7.79% of AUM

Personal Loans

- Personal loans to salaried and self employed individuals

5.29% of AUM

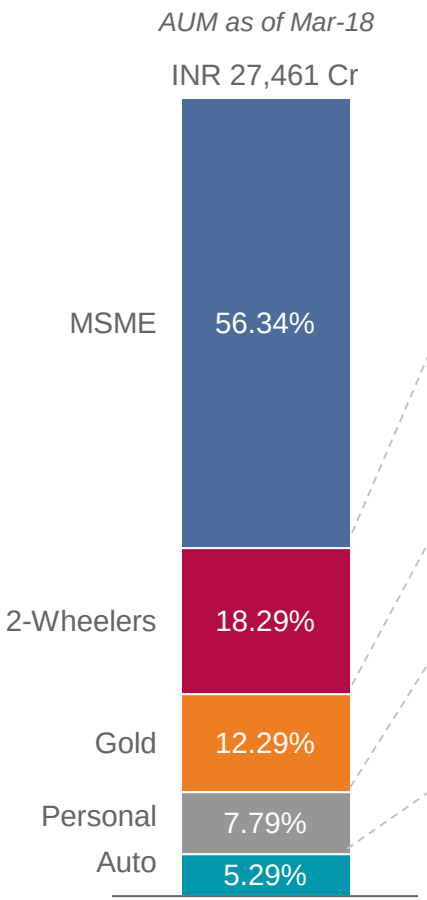
Auto Loans

- Loans for entry level new and used cars

Presence across attractive retail lending segments

SCUF: Focus on under-served customer segments within large end-markets

Product Portfolio (AUM breakup)



	Launch Year	Avg. Ticket	Tenor Band	Indicative Yield Band	LTV	Description
MSME	2006	~INR 10L	36-60 months	14-22%	Cash flow based	• Loans to under-banked / un-banked micro & small enterprises • 80% of the loans are collateralized
2-Wheelers	2002	~INR 43k	24-30 months	21-24%	75%	• Market leader with ~23% market share; financed 11.63 lakh vehicles in FY18 • Primarily caters to self-employed customers in rural and semi-urban markets
Gold	2007	~INR 40k	~4 months	14-18%	75%	• Largely focused on lending to individual customers • Presence only in 5 states
Personal	2002	~INR 75k	18-36 months	22-28%	Cash flow based	• Cross-sell primarily to existing tenured customers with a strong track record of repayments
Auto	2006	~INR 150k	24-48 months	18-24%	60-80%	• Funding for entry level new cars, and used cars for self-employed customers

Niche, granular and diversified product portfolio focused on harder to access customers

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Business Strategy – Cash Flow Based Lending

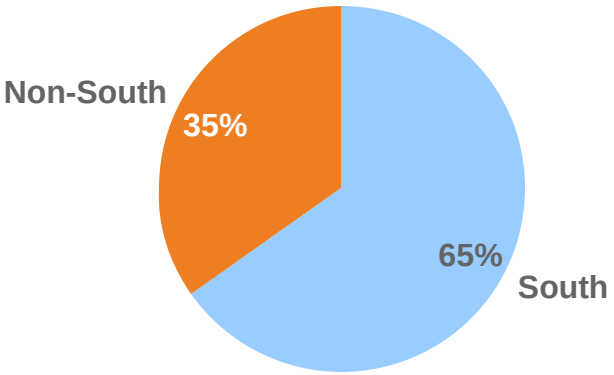
56.34% of AUM

MSME Finance

- Cash flow based lending model
- Relationship and contact-led, community-driven approach enable us to profitably serve customers in rural and semi-urban India
- Empowered branches with tailored credit appraisal techniques
  - Locally drawn field force with personal knowledge of the market
  - In-house teams for pre-lending field investigations and appraisals
- Long runway for growth:
  - Geographical expansion
  - Deeper penetration in existing markets
  - Increasing customer lifecycle

MSME AUM Split by Geography

As of Mar-18



7.79% of AUM

Personal Loans

- Primarily to existing customers with track record of timely repayments
- Cross-sell product that provides operating leverage to the business and enables us to service the customer better
- Significant runway for growth through continued improvement in cross-sell penetration

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Business Strategy – Asset Financing

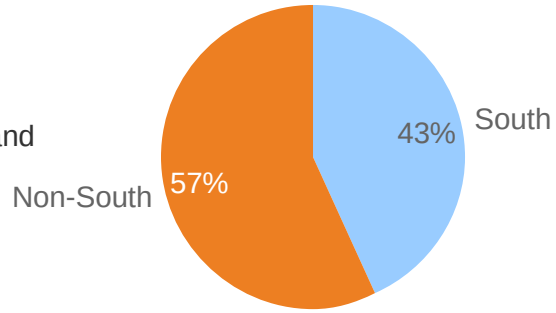
18.29% of AUM

2-W Financing

- Caters largely to self-employed customers in rural and semi-urban markets
- Lead financier in the 2-W market; Focus on:
  - Historically under-served markets,
  - Quick turnaround times,
  - Excellent relationships with dealers and OEMs, and
  - Feet-on-street model
  - Growth headroom from geographical expansion and improvement in financing penetration

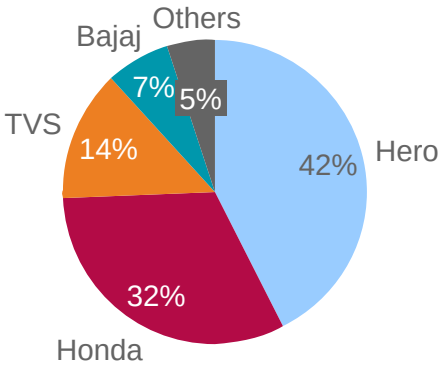
2-W AUM Split by Geography

As of Mar-18



2-W OEM Exposure[1]

FY18



12.29% of AUM

Loans against Gold

- Loans primarily to individual customers
- Business conducted out of existing branches – provides operating leverage and mitigates risk

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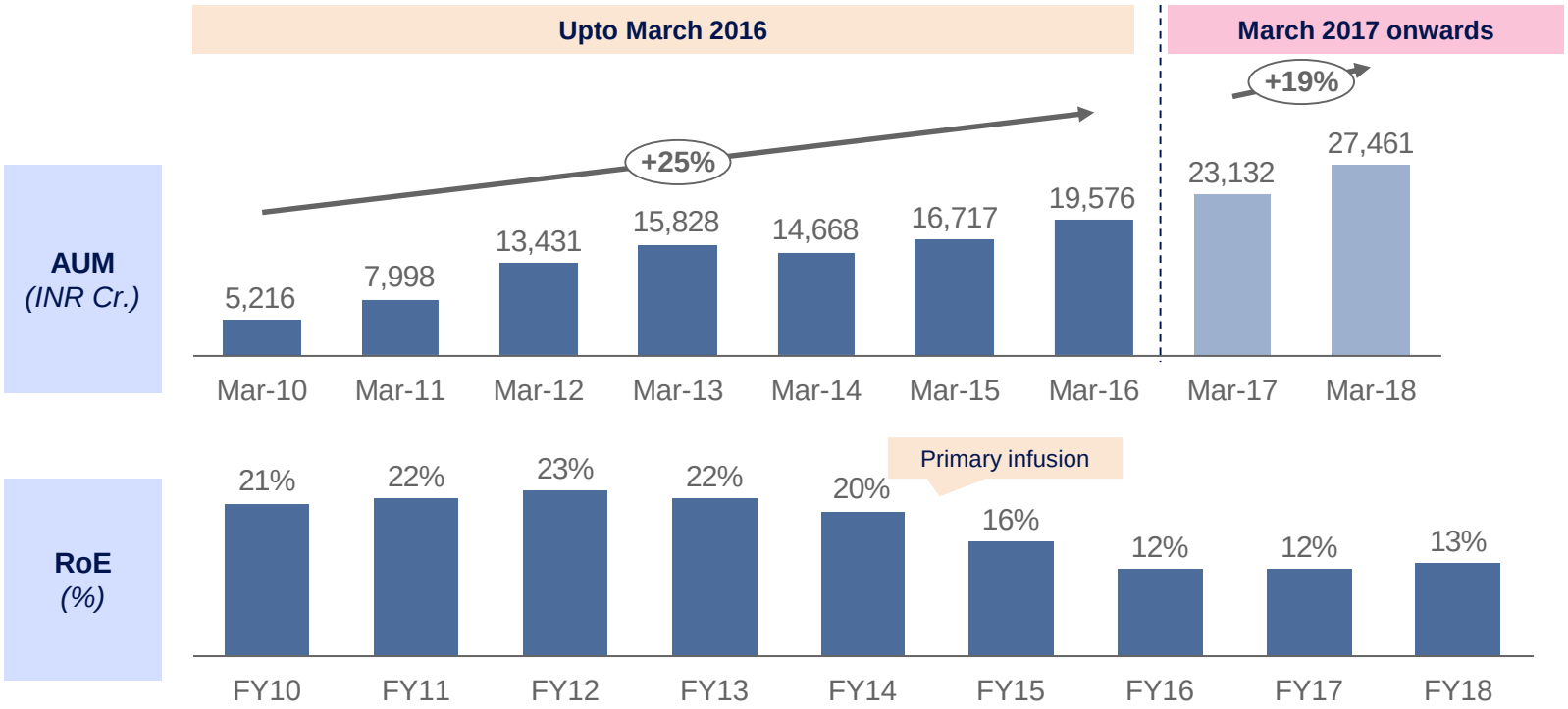
Successfully navigated multiple disruptions over recent times; well-positioned for growth going forward



Multiple disruptions: (i) change in NPA-recognition norms, (ii) de-monetization and (iii) GST implementation

- Conservative provision buffer during transition period
- Impact of demonetization and GST transition have largely played out

Outlook

Continue to grow AUM at 18-20%

Achieve steady-state RoE of 18-20%

Transition to 90 DPD to be completed in Q4FY18

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Outlook

- ✓ **Grow loan book at 18-20% CAGR**
  - Consolidate leadership positions in MSME Finance and 2-W Finance
  - Leverage existing branch network to offer all products
  - Continue to promote cross-sell of products to our customer base
  - Adequately capitalized for continued growth in the medium term

- ✓ **Revert to our historical RoE range of 18-20%**
  - Digital enablement of entire business to drive growth and operational efficiencies
  - Normalization of credit costs following disruption and accounting effects over FY16-18

Agenda

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Key Highlights

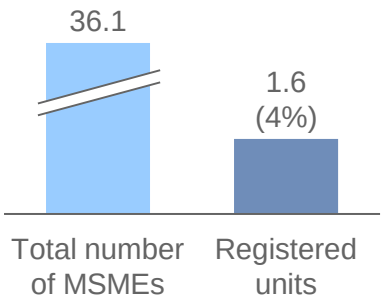
1. Addressing large, under-served markets
2. Differentiated product offerings with high entry barriers
3. Focus on credit quality and collections
4. Digitally-enabled & well-positioned to exploit multiple growth opportunities
5. Adequately leveraged for growth
6. Strong financial metrics

1. Addressing large, under-served markets

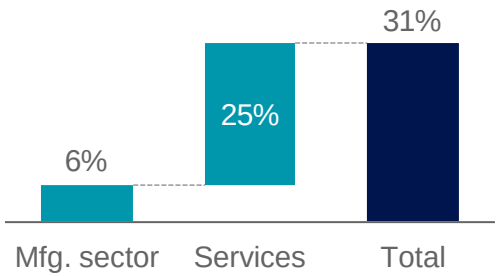
MSME Finance

India MSME sector is large …

MSME # of units

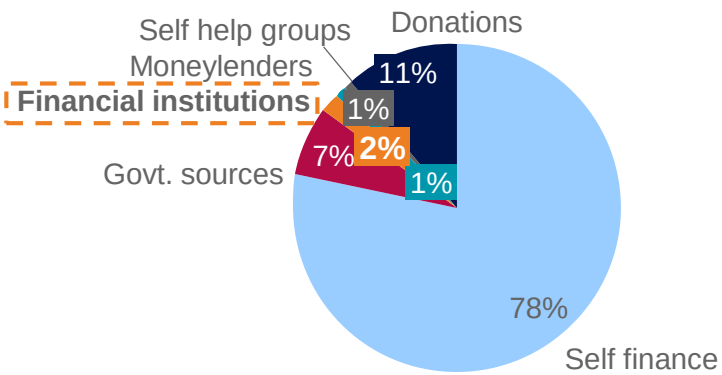


MSME % contribution to India GDP



~90% of MSMEs are micro SMEs[1]

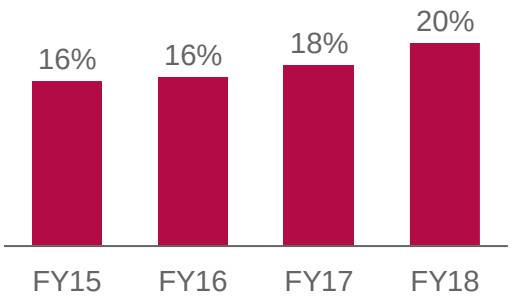
… but has poor access to formal credit



2-W Finance

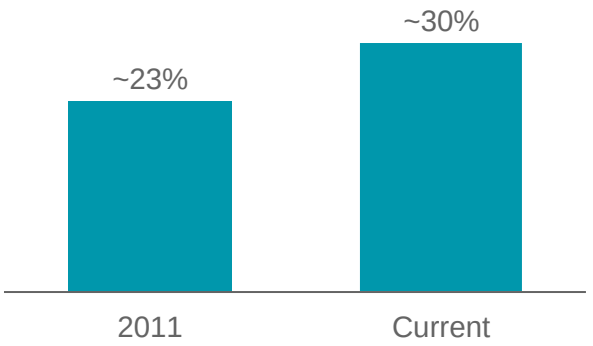
Indian 2-W market is large and growing fast

million units shipped



Financing penetration has increased over last few years

Organised financing penetration for 2-wheelers



Source: MSME Annual Report 2016-17, SIAM, Broker Research
(1) Based on Udyog Aadhaar Memorandum (UAM) filings

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Leading lender to MSMEs: Focus on under-served segments

MSME 56.34 % AUM

Focus on Under-served MSME

- ✓ Local, trained field force with extensive market knowledge
- ✓ Empowered branches
- ✓ Significant growth runway by leveraging existing network

Key Customers

- ✓ **Traders - Wholesale/ Retail**
- ✓ **Service providers**
- ✓ **Small-scale manufacturers**

Salient Product Features

- ✓ **Cash flow based lending**
- ✓ **Small ticket size**
- ✓ **Speedy disbursement**
- ✓ **Flexible offerings**

Segment Performance Overview

		FY18	FY17	FY16
Disbursals	***INR Cr.***	**10,346**	**9,132**	**8,170**
YoY growth	*%*	*13%*	*12%*	*32%*
Loan AUM	***INR Cr.***	**15,472**	**12,659**	**10,473**
YoY growth	*%*	*22%*	*21%*	*18%*
GNPA	***% AUM***	**9.68% (90DPD)**	**7.12% (120DPD)**	**5.40% (150DPD)**

Leading player in 2-Wheeler Financing: Focus on under-served segments

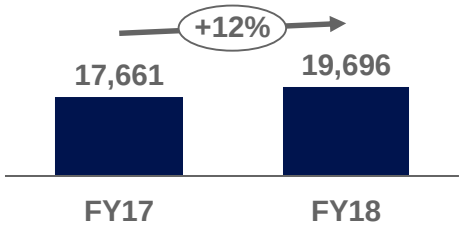
2-Wheeler: 18.29% AUM

Dominance in 2-Wheeler Financing is driven by…

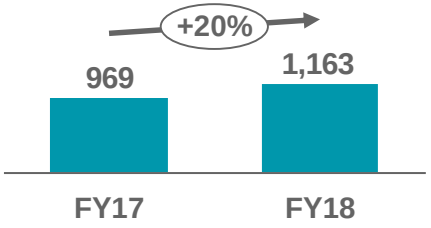
- ✓ Caters largely to self-employed customers in rural / semi-urban markets
- ✓ Dominant on-ground presence
- ✓ Growth headroom with geographical expansion and continued improvement in financing penetration

We have gained market share over last 1 year

Total Market Sales Volumes ('000s)



# of 2W financed by SCUF ('000s)



Segment Performance Overview

		FY18	FY17	FY16
Disbursal	***INR Cr.***	**5,059**	**4,143**	**3,718**
YoY growth	*%*	*22%*	*11%*	*11%*
Loan AUM	***INR Cr.***	**5,022**	**4,058**	**3,491**
YoY growth	*%*	*24%*	*16%*	*16%*
GNPA	***% AUM***	**10.03% (90DPD)**	**7.37% (120DPD)**	**5.05% (150DPD)**

Gold Loans

Gold: 12.29% AUM

Gold Loan Book Overview

- ✓ Focus primarily on individual customers
- ✓ Business carried out from existing branches and provides operating leverage
- ✓ Present only in 5 states

Growth in gold loans is dependent on extant market conditions & price

Segment Performance Overview

		FY18	FY17	FY16
Disbursal	***INR Cr.***	**6,722**	**6,641**	**4,892**
YoY growth	*%*	*1%*	*36%*	*-22%*
Loan AUM	***INR Cr.***	**3,374**	**3,427**	**3,408**
YoY growth	*%*	*-2%*	*1%*	*16%*
GNPA	***% AUM***	**2.55% (90DPD)**	**2.68% (120DPD)**	**3.82% (150DPD)**

Well-developed processes with strong credit and collections culture

Sourcing by employee
- *Capture customer information in sourcing app*

→

De-duping
- *Internal (based on past data)*
- *External (credit bureau)*

→

Field Investigation
- *Conducted by in-house team*

↓

Pre-Approval Document Collection

←

Branch Manager Visit
- *Personal discussion with customer*
- *Cash-flow & qualitative credit assessment*
- *Legal approval*
- *External valuation*

↓

Formal Sanction

→

Final document collection

→

Disbursement
- *100% digital and banking*[1]

↓

Collection
- *Via MCM app*

←

Termination of contract on receipt of full dues

Strong Credit Appraisal Processes

- ✓ Quick credit approvals with centralized broad policy formulation and decentralized decision making authority
- ✓ Uniform cash-flow based lending
- ✓ Proprietary integrated ERP linking business from origination point to the final settlement

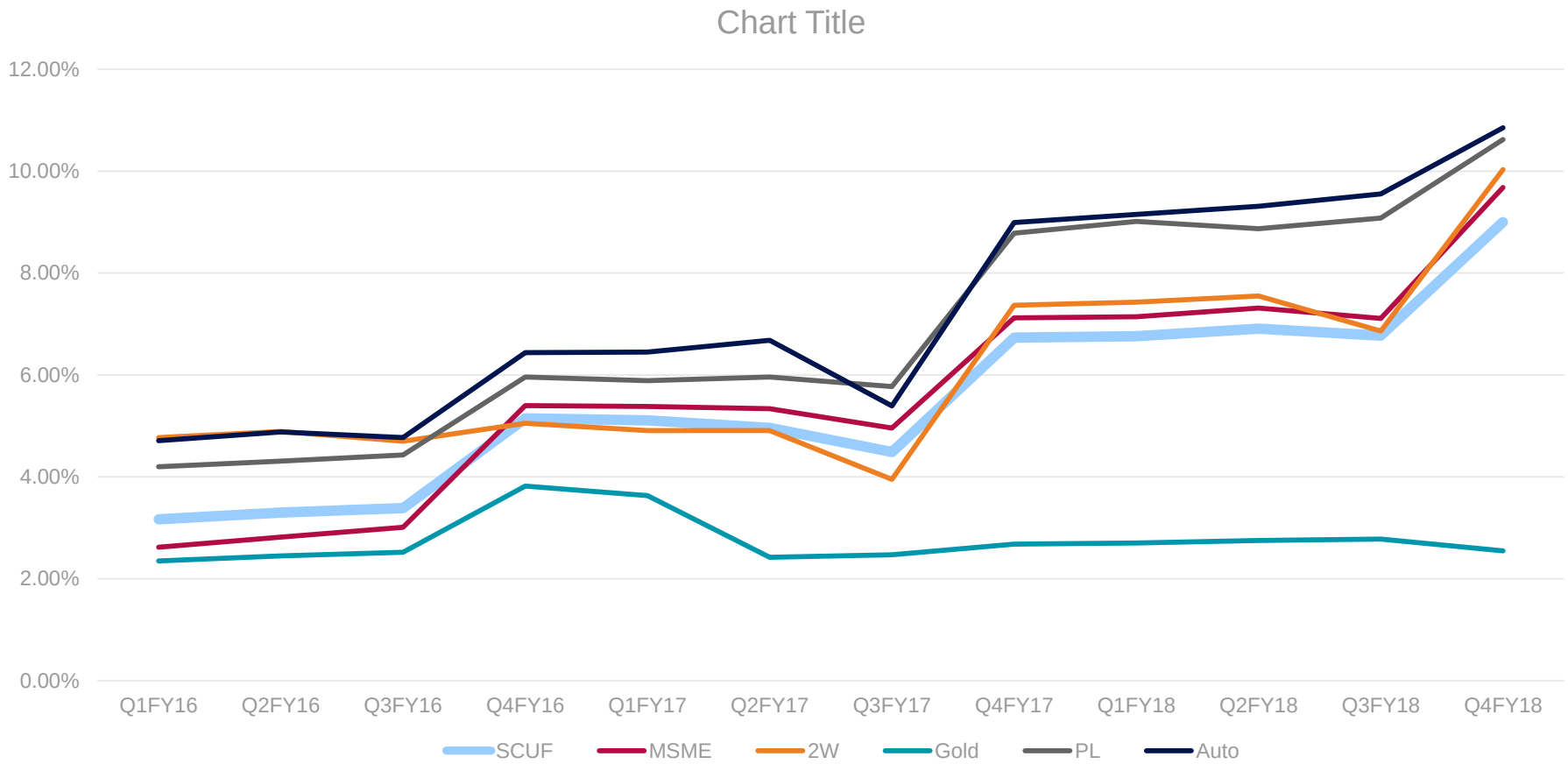
Empowered in-house field force

- ✓ In-house team for origination, field-investigation/ credit evaluation and collection
- ✓ Localized field force with domain and personal knowledge of customers
- ✓ Incentives linked to quality and volume; deeply ingrained culture of collections

(1) All disbursals except low-ticket gold loans are non-cash

Credit Quality Trends

GNPAs



GNPAs- Mar 18	SCUF	MSME	2W	Gold	PL	Auto
	9.00%	9.68%	10.03%	2.55%	10.62%	10.85%

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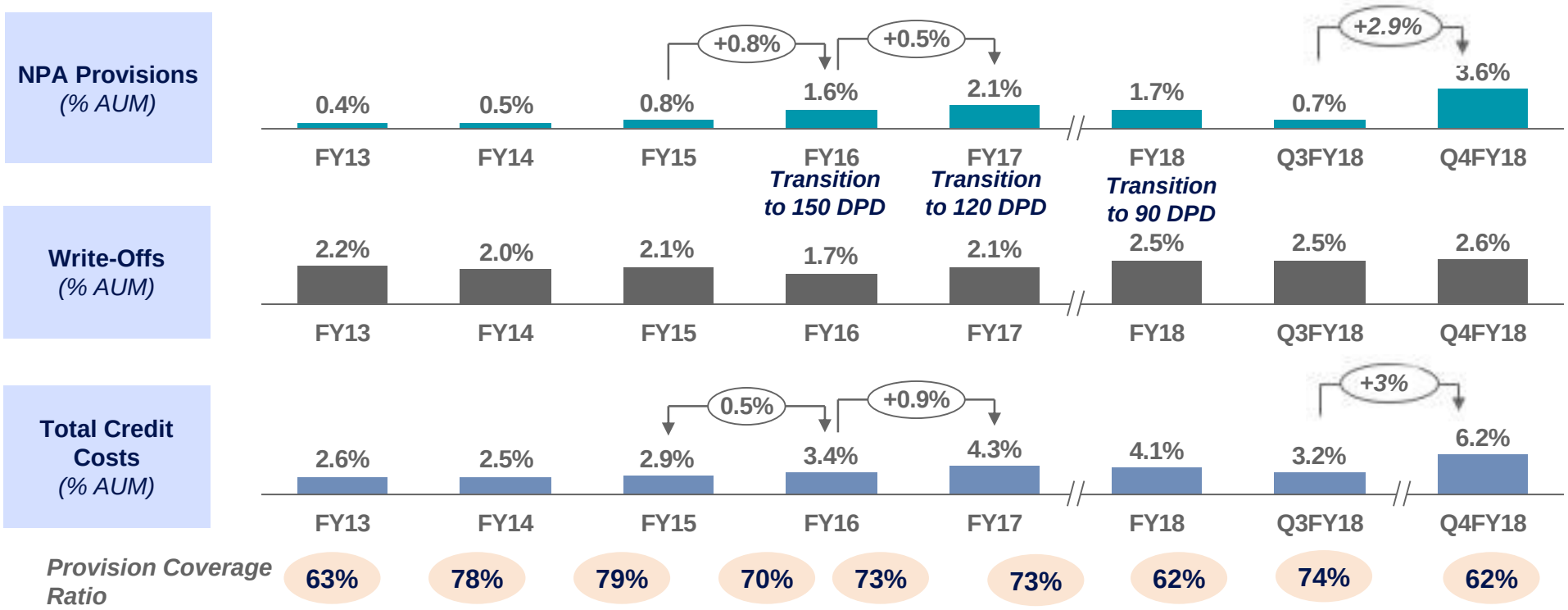
Conservative provisioning standards and policy

Q4FY18

Gross NPA	**INR Cr**	**2,464 Cr**
Minimum provisions required per RBI norms	INR Cr	888 Cr
% of Gross NPA		*36%*
Provisions carried on the balance sheet	INR Cr	1,526 Cr
% of Gross NPA		*62%*
Provisions in excess of RBI requirements	**INR Cr**	**638 Cr**

- ***We follow a conservative provisioning policy***
- ***As of Q4FY18, we carried INR 638 Cr excess provisions vs. RBI norms***

Increase in credit cost as a result of enhanced provisioning



- ***Conservative provisioning during transition period to account for potential slippages from de-monetization and GST implementation***
- ***Ultimate credit loss experience continues to be in-line with historical levels of ~2.75-3%***

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Technology initiatives focused on customer service, efficiency and cross-sell

Core Business Solutions Platform

- ✓ Web-enabled core business solutions, ensures 24x7 operations
  - Tightly integrated with maker-checker concept
  - Features include lead generation, receipting, follow-ups and approvals
- ✓ Mobile applications to service customers at their doorstep
- ✓ Extensive MIS on proprietary software platform for decision making
- ✓ Tablet technology deployed since FY15 to drive process efficiencies

Leveraging Technology to improve Business Outcomes

Increasing cross-sell

~20% of incremental disbursals in 2-W loans, personal loans and auto loans are to existing customers

Cash-less disbursals

100% digital and banking disbursals(1)

(1) Disbursals excluding low-ticket gold loans

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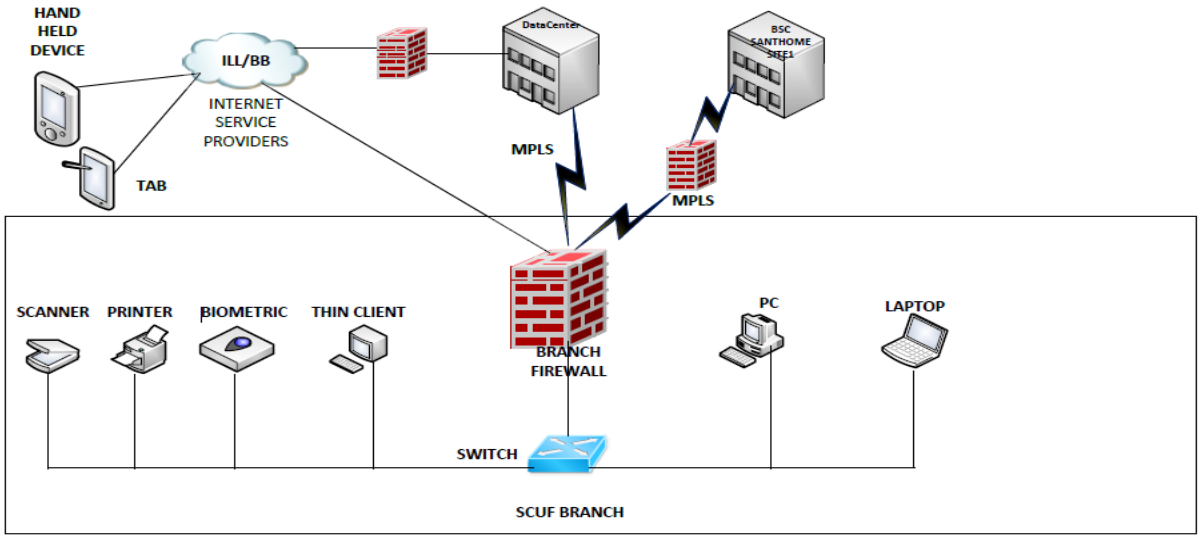
Digitally-enabled processes helping drive growth and operating efficiencies

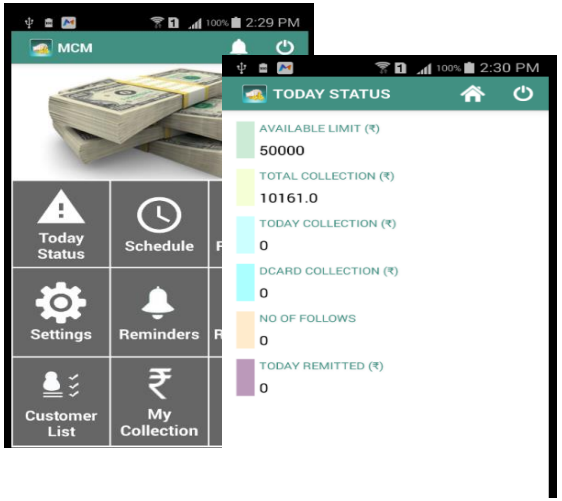
Branch Infra Setup

- ✓ All branches computerized with 2-4 computers in each branch
- ✓ Centralized data storage

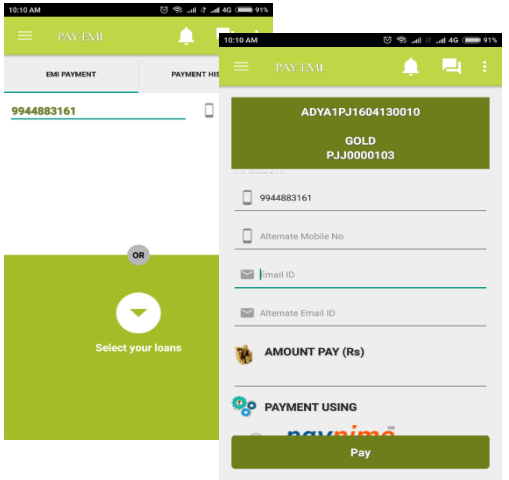


App-based collections

- ✓ Collections managed via MCM App
- ✓ App available to both employees as well as customers
- ✓ All customer receipts issued digitally



App interface for employees



App interface for customers

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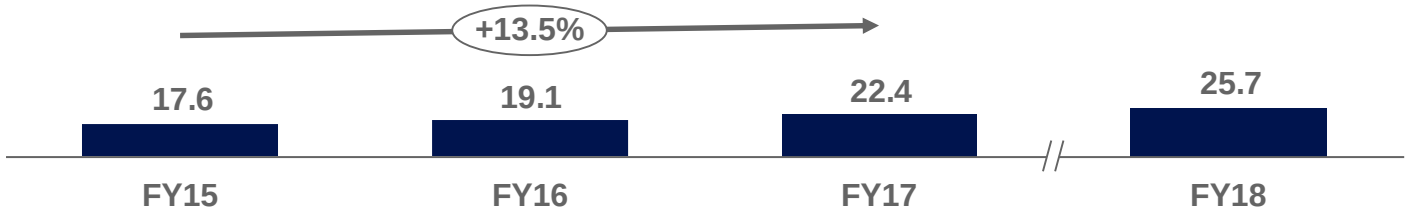
Scalable cost base and operating leverage opportunity

Improving throughput due to technological initiatives

Disbursals per branch (INR Cr./ branch)

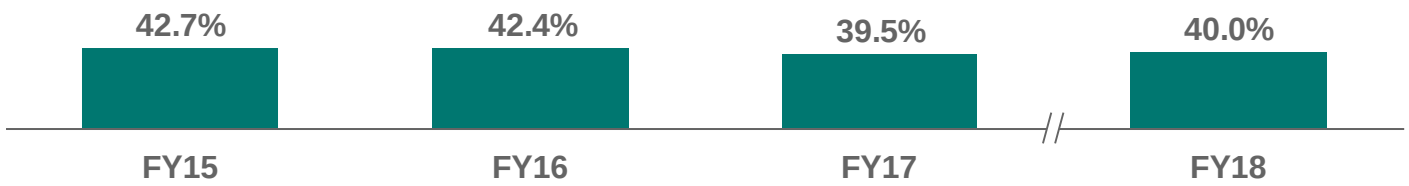


	FY15	FY16	FY17	FY18
# of branches	980	976	998	969

Cost base has stabilized

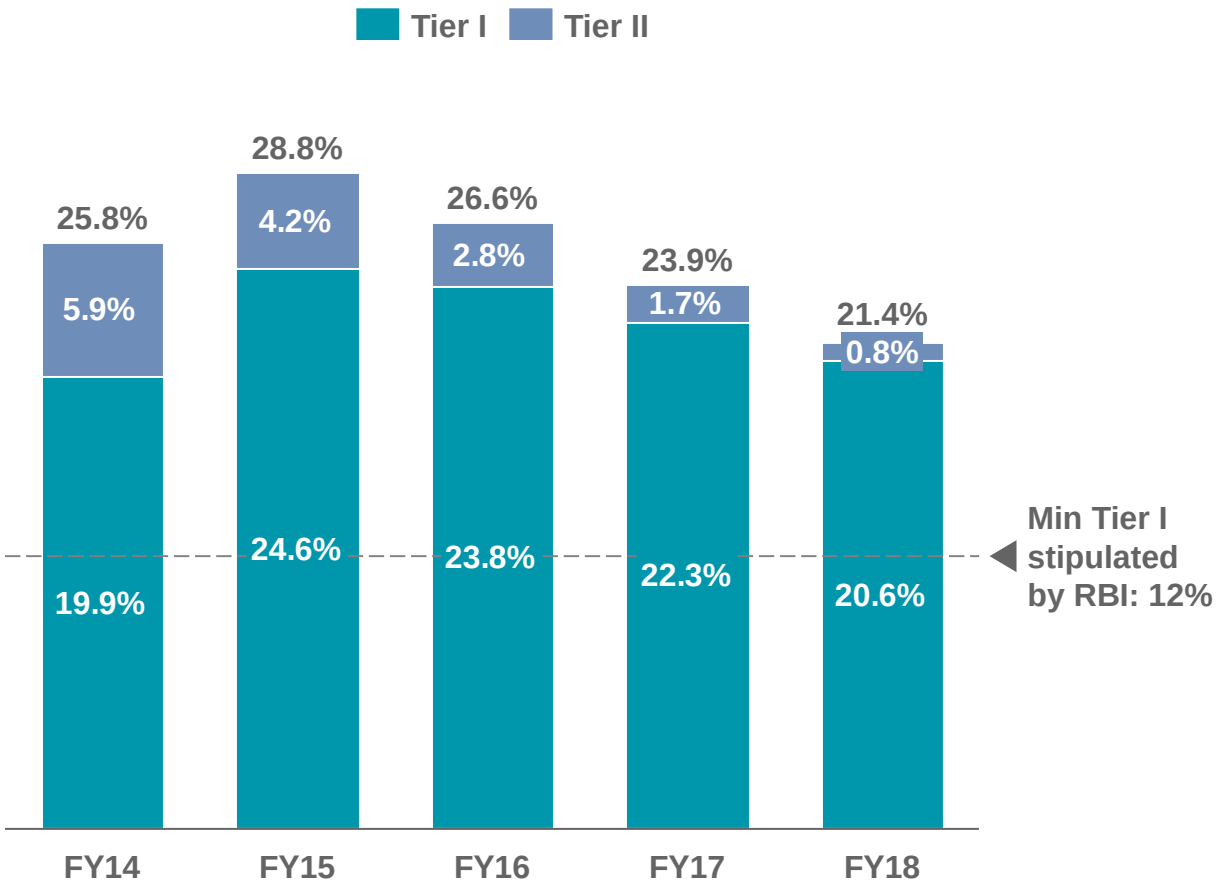
Opex: AUM Ratio

Cost: Income Ratio



Healthy Capital Adequacy

Capital Adequacy Ratio (CAR)

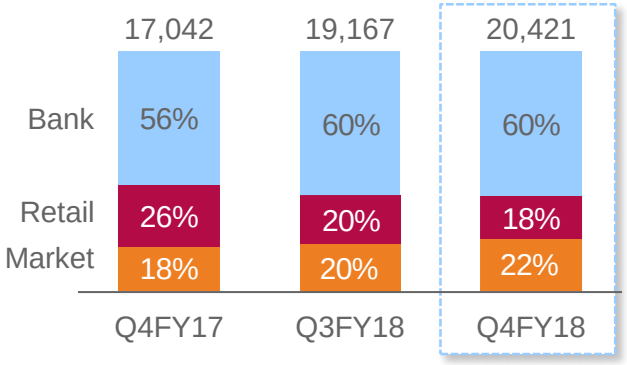


Adequately capitalized to continue to grow at a strong pace

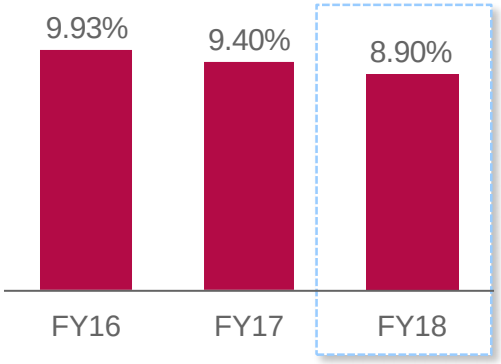
Diversified Borrowing Profile

Funding Mix and Cost Analysis – consistently improving cost of funds

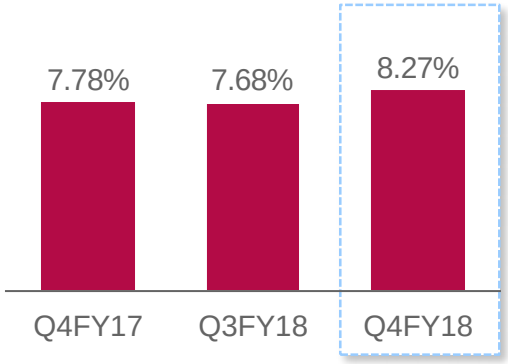
Split of Borrowing (INR Cr.)



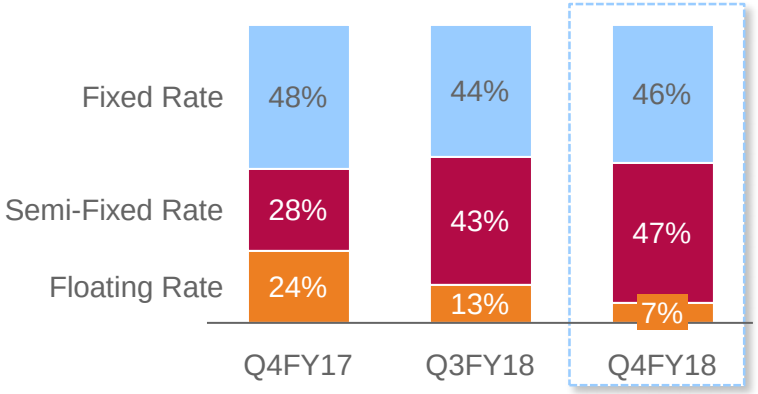
Average Cost of Borrowing



Marginal Cost of Borrowing[1]



Interest Rate Mix of Borrowings



Credit Ratings

	CARE	India Ratings	ICRA	CRISIL
Long Term (Secured)	AA+	AA	AA	AA-
Short Term	A1+	A1+	A1+	A1+

(1) Marginal cost of funds represents cost of fresh mobilisation during the quarter.

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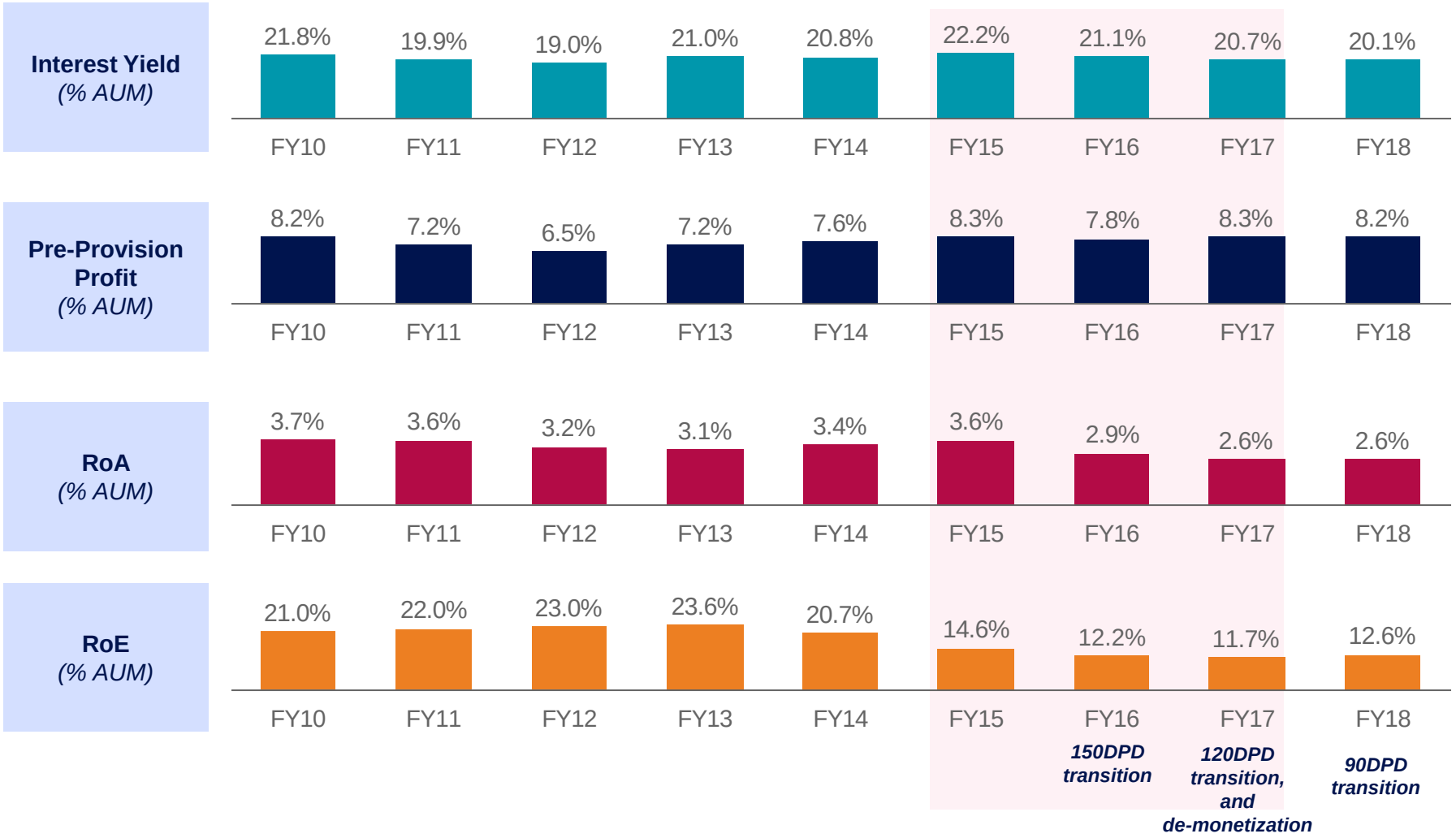
Business yields and core profits have been stable over the last cycle



Strong and stable core profitability in the business; NPA transition over last 3 years impacted reported RoE

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Establishing presence in Affordable Housing through subsidiary Shriram Housing

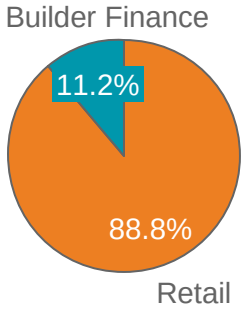
Housing: 6.1% of Consol AUM

- ✓ Registered as non-deposit accepting HFC with the National Housing Bank
- ✓ Predominantly catering to self-employed borrowers/ informal salaried customers in Tier-II / Tier-III towns
- ✓ Focus on lower-income segment; average retail ticket size of under INR 10 lakhs
- ✓ Operates out of 83 branches and 34 sales offices across 17 states in India with 1098 employees
- ✓ Rated 'AA+' by Care Ratings and 'Ind AA' by India Ratings

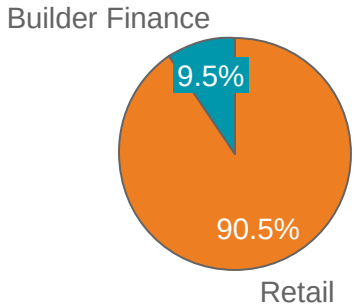
Growing presence in retail housing segment

Loan AUM Split

As of FY17



As of FY18



Segment Performance Overview

		4Q FY18	3Q FY18	FY16	FY17	FY18
Disbursal	***INR Cr.***	**336**	**165**	**792**	**964**	**759**
YoY growth	*%*	*163%*	*(10)%*	*58%*	*22%*	*(21)%*
Loan AUM	***INR Cr.***	**1,785**	**1,604**	**1,275**	**1,775**	**1,785**
YoY growth	*%*	*1%*	*(12)%*	*73%*	*39%*	*1%*
Yield	***% AUM***	**16%**	**15.5%**	**16.6%**	**18.1%**	**16%**
Cost: Income	*%*	56.9%	73.2%	52.0%	55.8%	61.0%
Credit Costs	*% AUM*	0.2%	0.3%	1.1%	1.7%	1.0%
GNPA (90DPD)	***% AUM***	**5.0%**	**5.8%**	**2.8%**	**2.6%**	**5.0%**
NNPA	*% AUM*	3.7%	4.3%	2.0%	1.8%	3.7%
RoA	***% AUM***	**2.6%**	**1.1%**	**2.7%**	**1.8%**	**1.5%**
RoE	***%***	**11.2%**	**4.5%**	**7.7%**	**7.2%**	**6.7%**
Capital Adequacy	*%*	32.5%	35.9%	42.9%	30.0%	32.5%
Networth	*INR Cr.*	439	432	389	417	439

Note: Quarterly ratios computed on an annualized basis

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Key Highlights

Financials

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Financial Highlights

INR Cr.	FY15	FY16	FY17	FY18
Operating Income	3,482	3,835	4,431	5,083
Finance Charges	1,343	1,391	1,534	1,668
Net Income Margin	**2,139**	**2,444**	**2,897**	**3,416**
Other Income	49	21	3	18
Total Income	**2,188**	**2,465**	**2,900**	**3,434**
Operating Expenses	894	1,042	1,137	1,362
Credit Costs	454	616	911	1,054
Profit Before Tax	**841**	**807**	**852**	**1,018**
Taxes	283	277	296	353
Profit After Tax	**558**	**530**	**556**	**665**
AUM	**16,717**	**19,577**	**23,132**	**27,461**
Shareholders' Funds	**4,101**	**4,512**	**5,028**	**5,566**
Total Borrowings	**12,408**	**14,408**	**17,042**	**20,421**

Business Performance Metrics

	Units	FY15	FY16	FY17	FY18
Key Ratios					
Yield on Assets	% AUM	22.2%	21.1%	20.7%	20.1%
Cost of Funds	%	11.4%	10.5%	9.8%	8.9%
Net Spread	%	10.8%	10.6%	10.9%	11.2%
NIM	% AUM	13.6%	13.4%	13.5%	13.5%
Cost: Income	%	40.8%	42.3%	39.2%	39.9%
Opex: AUM	% AUM	5.7%	5.7%	5.3%	5.4%
PPOP	% AUM	8.3%	7.8%	8.2%	8.2%
Credit costs	% AUM	2.9%	3.3%	4.1%	4.2%
Profitability Ratios					
ROA	% AUM	3.6%	2.9%	2.6%	2.6%
ROE	%	14.3%	12.2%	12.2%	12.6%
Asset Quality Ratios					
Gross NPA	%	3.1%	5.2%	6.7%	9.0%
Net NPA	%	0.7%	1.6%	1.8%	3.4%
Provision coverage ratio	%	79%	70%	73%	62%
Leverage Ratio					
Tier-1 Ratio	%	24.6%	23.8%	22.8%	20.6%
Total CAR	%	28.8%	26.6%	23.9%	21.4%
Operating Ratios					
# of employees	#	25,085	25,472	26,783	28,665
AUM / employee	INR Lakhs	66.6	76.9	86.4	95.8
# of branches	#	980	976	998	969
Disbursals / branch	INR Cr.	17.6	19.1	22.4	25.7

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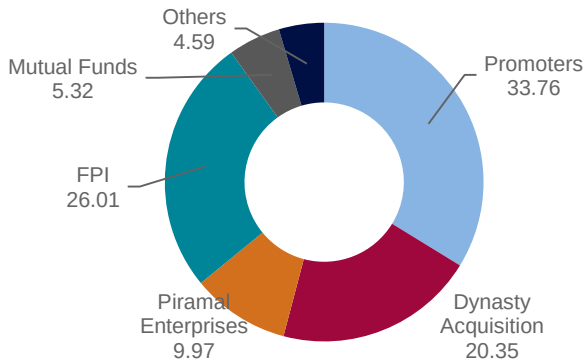
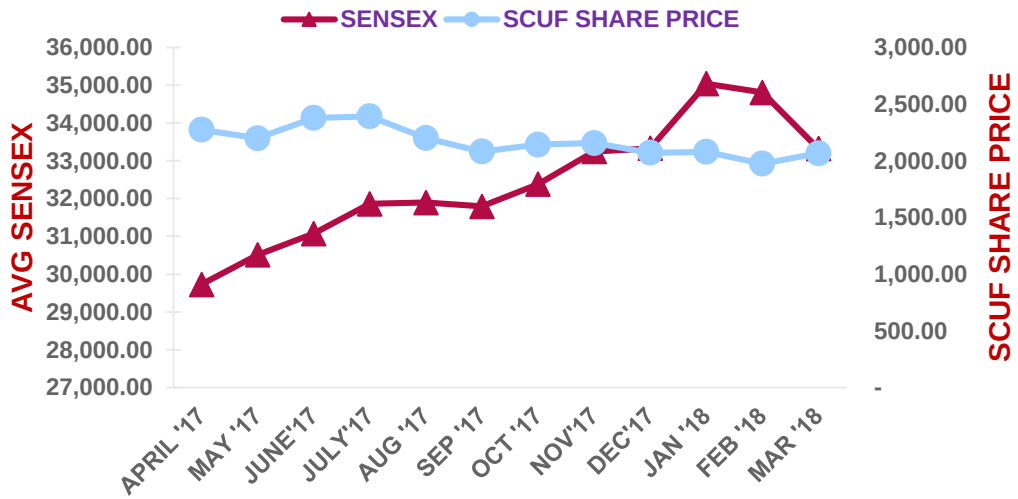
Corporate Overview

Shareholding Pattern as of 31-Mar-18



Share Price Performance



Investor Ratios	FY14	FY15	FY16	FY17	FY18
Earnings Per Share (INR)[1]	89.8	85.8	83.7	87.7	100.8
Book Value per Share (INR)[1]	506.0	639.7	705.1	786.7	843.8
Market Price per Share (INR)	1,101	1,967	1,500	2,306	2,193
Price to Earnings (P/E) Ratio	12.3x	22.9x	17.9x	26.3x	21.8x
Price to Book Value (P/BV)	2.2x	3.1x	2.1x	2.9x	2.6x

Note: Market price and market cap based on share price as of end of respective period

1. EPS and BVPS based on consolidated financials

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