Ref: STEC NSE/BSE 447/2021 December 30, 2021

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: ISIN – INE722A01011**
**Scrip Code: BSE – 532498 and NSE - SHRIRAMCIT**

This is to inform you that ICRA Limited has placed the Company's rating on non-convertible debentures and Market Linked Debentures (MLD) on Watch with Positive implications. The instrument-wise rating actions are given below

| Sl. No. | Instrument | Previous Rated Amount (₹ in crores) | Current Rated Amount (₹ in crores) | Rating Action |
|---|---|---|---|---|
| 1. | Non-convertible Debenture Programme (NCD) | 525 | 525 | [ICRA]AA %; Rating placed on watch with positive implications |
| 2. | Fixed Deposit Programme | 7500 | 7500 | MAA+ (Stable); outstanding |
| 3. | Commercial Paper | 3000 | 3000 | [ICRA]A1+; outstanding |
| 4. | Market Linked Debentures (MLD) | 200 | 200 | PP-MLD[ICRA]AA%; Rating placed on watch with positive implications |

The rationale by ICRA Limited dated December 21, 2021 is enclosed.

This is an intimation under Regulation 30 read with Schedule III (Part A) (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 as amended from time to time.

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

Thanking you,
Yours faithfully,

For Shriram City Union Finance Limited

CHITTA RANJAN DASH

Digitally signed by CHITTA RANJAN DASH
DN: c=IN, o=Personal, pseudonym=253e758819540ed6096770 36030e35c529e49b1591ac1efb56a0d4aa 0fa45e9, postalCode=600059, st=TAMIL NADU, serialNumber=bba80f72467cc10e019f7ab 1abd4b8bf3ae10e30333e89c7c430fa8dca 68393b, cn=CHITTA RANJAN DASH
Date: 2021.12.30 12:08:27 +05'30'

Company Secretary

December 21, 2021

# Shriram City Union Finance Limited: Update on entity

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Non-convertible Debenture Programme (NCD) | 525.00 | 525.00 | [ICRA]AA%; Rating placed on watch with positive implications |
| Fixed Deposit Programme | 7,500.00 | 7,500.00 | MAA+ (Stable); outstanding |
| Commercial Paper | 3,000.00 | 3,000.00 | [ICRA]A1+; outstanding |
| Market Linked Debentures (MLD) | 200.00 | 200.00 | PP-MLD[ICRA]AA%; Rating placed on watch with positive implications |
| **Total** | **11,225.00** | **11,225.00** | |

**Instrument details are provided in Annexure-1*

## Rationale

Shriram City Union Finance Limited (SCUF), Shriram Transport Finance Limited {STFC; rated MAA+ (Stable)} and their promoter entity, Shriram Capital Limited (SCL)[1], announced that their boards of directors, at their respective board meetings held on December 13, 2021, approved the merger of SCL and SCUF with STFC subject to the receipt of requisite statutory and regulatory approvals. The resultant merged entity would be named Shriram Finance Limited (SFL). Shriram Housing Finance Limited, in which SCUF holds 85.02%, shall become a subsidiary of SFL, post the merger. The transaction would be entirely through a stock swap arrangement[2]. Following the completion of the merger, the shareholding of the promoter group in the amalgamated entity is expected to be 20.11%.

ICRA has taken note of the strategic rationale of the merger, wherein it would help the Group bring together all its lending products – commercial vehicles, two-wheeler loans, gold loans, personal loans, auto loans and small enterprise finance – under a single roof. The Group envisages synergies related to customer acquisition cost/cross-sell opportunities, employee productivity/better operating efficiency on account of back office operations, liabilities strategy, etc. ICRA notes that the merger is expected to be completed over the next 12 months.

ICRA notes that the above-mentioned event would uplift SCUF's risk profile as it is proposed to be merged with STFC and would be a part of the resultant merged entity. ICRA has, therefore, placed SCUF's NCD and MLD ratings under watch with positive implications. The resolution of the rating watch would depend on the successful completion of the merger.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, and rating sensitivities: Click here

*[1] Post amalgamation with Shrilekha Business Consultancy Private Limited and demerger of all other businesses of the Group, namely life insurance, general insurance and all non-lending and non-insurance activities*

*[2] The proposed transaction is entirely non-cash and is based on a share swap arrangement, wherein pursuant to the merger, STFC will issue 1.55 shares for 1 share of SCUF and 0.09783305 share for 1 share of SCL*

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable Rating Methodologies** | ICRA's Credit Rating Methodology for Non-Banking Finance Companies |
| **Parent/Group Support** | Not Applicable |
| **Consolidation/Standalone** | The ratings are based on the consolidated financial statements of SCUF and its subsidiary, Shriram Housing Finance Limited |

## About the company

SCUF is a deposit-accepting non-banking financial company (NBFC) that commenced operations in 1986. It was largely focussed on vehicle finance till 2002 after which it gradually shifted its focus to other retail financing segments. SCUF currently provides small enterprise finance (48% of the standalone portfolio as of September 2021), two-wheeler loans (26%; including pre-owned 4%), gold loans (14%), personal loans (9%), auto loans (2%) and loan against property (LAP; 1%). As of September 2021, the company had a total network of 971 branches in 24 states and Union Territories across India. Its loan portfolio is largely concentrated in the southern states, which accounted for about 58% of its portfolio as of September 2021.

Shriram Capital Limited holds a 33.9% stake (as of September 2021) in SCUF, followed by Dynasty Acquisition Limited at 20.3%, and Piramal Enterprises Limited at 10.0%. Mutual funds and foreign institutional investors hold 32.6% and the rest is held by retail investors and others.

In FY2021, the company achieved a consolidated net profit of Rs. 1,078 crore on a managed asset base of around Rs. 38,474 crore compared to a consolidated net profit of Rs. 1,033 crore on a managed asset base of around Rs. 34,035 crore in FY2020.

### Key financial indicators (audited) – Consolidated

| | FY2019 | FY2020 | FY2021 |
|---|---|---|---|
| Total income (Rs. crore) | 5,968 | 6,014 | 5,983 |
| Profit after tax (Rs. crore) | 1,006 | 1,033 | 1,078 |
| Net worth (Rs. crore)[3] | 6,584 | 7,424 | 8,388 |
| Loan book (Rs. crore) | 31,430 | 31,390 | 33,500 |
| Total managed assets (Rs. crore) | 32,020 | 34,035 | 38,474 |
| Return on managed assets (%) | 3.3% | 3.1% | 3.0% |
| Return on net worth (%) | 16.3% | 14.8% | 13.6% |
| Managed gearing (times) | 3.8 | 3.5 | 3.5 |
| Gross stage 3 (%)^ | 8.9% | 7.9% | 6.4% |
| Net stage 3 (%)^ | 5.0% | 4.2% | 3.1% |
| Solvency (Net stage 3/Net worth) ^ | 22.7% | 16.2% | 10.8% |
| CRAR (%)^ | 23.1% | 27.7% | 28.6% |

***Source:*** *Company, ICRA Research; All ratios as per ICRA calculations; ^Details for SCUF (standalone)*

[3] *Excluding minority interest*

## 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 (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating | | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | Dec 21, 2021 | Jul 14, 2021 Jun 16, 2021 | Nov 26, 2020/ Dec 16, 2020/ Feb 03, 2021/ Feb 16, 2021 | Aug 30, 2019 | Jul 05, 2018 |
| 1 | Commercial Paper | Short Term | 3,000.0 | 3,000.0 | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ | [ICRA]A1+ |
| 2 | Non-convertible Debenture Programme | Long Term | 525.0 | 525.0 | [ICRA]AA% | [ICRA]AA (Stable) | [ICRA]AA (Stable) | [ICRA]AA (Stable) | [ICRA]AA (Stable) |
| 3 | Fixed Deposit Programme | Medium Term | 7,500.0 | 7,500.0 | MAA+ (Stable) | MAA+ (Stable) | MAA+ (Stable) | MAA+ (Stable) | MAA+ (Stable) |
| 4 | Market Linked Debentures | Long Term | 200.0 | 200.0 | PP-MLD [ICRA]AA% | PP-MLD [ICRA]AA (Stable) | PP-MLD [ICRA]AA (Stable) | - | - |

*% Rating placed on watch with positive implications*

## Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---|---|
| Commercial Paper | Very Simple |
| NCD | Very Simple |
| Fixed Deposits | Simple |
| Market Linked Debentures | Moderately Complex |

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.ins

## Annexure-1: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| Unallocated | Commercial Paper | - | - | 7-365 days | 3,000.00 | [ICRA]A1+ |
| Unallocated | NCD# | - | - | - | 110.00 | [ICRA]AA% |
| INE722A07AW2 | NCD | Jul 23, 2021 | 8.25% | Jul 23, 2024 | 50.00 | [ICRA]AA% |
| INE722A07AX0 | NCD | Jul 23, 2021 | 8.75% | Jul 23, 2031 | 100.00 | [ICRA]AA% |
| INE722A07AV4 | NCD | Jun 23, 2021 | 9.00% | Jun 23, 2031 | 100.00 | [ICRA]AA% |
| INE722A07AQ4 | NCD | Feb 22, 2021 | 9.50% | Feb 21, 2031 | 75.00 | [ICRA]AA% |
| INE722A07AP6 | NCD | Feb 22, 2021 | 9.25% | Feb 22, 2030 | 50.00 | [ICRA]AA% |
| INE772A07AN1 | NCD | Feb 08, 2021 | 9.25% | Feb 08, 2030 | 10.00 | [ICRA]AA% |
| INE772A07AO9 | NCD | Feb 08, 2021 | 9.50% | Feb 07, 2031 | 30.00 | [ICRA]AA% |
| NA | Fixed Deposit | - | - | - | 7,500.00 | MAA+ (Stable) |
| INE722A07AL5 | MLD | Dec 18, 2020 | - | Aug 18, 2022 | 118.00 | PP-MLD[ICRA]AA% |
| INE722A07AL5 | MLD | Dec 28, 2020 | - | Aug 18, 2022 | 35.00 | PP-MLD[ICRA]AA% |
| INE722A07AL5 | MLD | Jan 18, 2021 | - | Aug 18, 2022 | 47.00 | PP-MLD[ICRA]AA% |

***Source:*** *Company; #Yet to be placed, % Rating placed on watch with positive implications*

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

| Company Name | SCUF Ownership | Consolidation Approach |
|---|---|---|
| Shriram Housing Finance Limited | 77.25%* | Full Consolidation |

**As of March 31, 2021*

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info@icraindia.com

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

## ICRA Limited

### Registered Office

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### Branches




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