

May 22, 2024

Shriram Finance Limited: Update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fixed deposit programme	-	-	[ICRA]AA+ (Stable); outstanding
Non-convertible debenture programme	1,025.0	1,025.0	[ICRA]AA+ (Stable); outstanding
Total	1,025.0	1,025.0	

*Instrument details are provided in Annexure I

Rationale

On May 13, 2024, Shriram Finance Limited (SFL) announced that the company and Valiant Mauritius Partners FDI Limited (Valiant) have, by way of a share purchase agreement, agreed to sell and transfer all the equity shares in Shriram Housing Finance Limited (SHFL) to Mango Crest Investment Ltd (an affiliate of Warburg Pincus), subject to the receipt of applicable approvals. The proposed transaction is valued at Rs. 4,630 crore for SHFL's equity and convertible instruments. The transaction is subject to regulatory approvals. SFL has a controlling stake (83.8% as on March 31, 2024) in SHFL while private equity, Valiant, holds 14.8%. Pursuant to the transaction, SHFL will cease to operate as a subsidiary of SFL.

ICRA does not expect the transaction to have a material impact on SFL's credit profile, given SHFL's relatively limited contribution in terms of SFL's scale and earnings (6% of the overall assets under management as on March 31, 2024 and 3% of the overall profit after tax in FY2024). However, ICRA notes that SFL will receive a consideration of Rs. 3,909 crore under this transaction, which will further bolster its capitalisation profile and support its growth plans.

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](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

About the company

Shriram Finance Limited [SFL; erstwhile Shriram Transport Finance Company Limited (STFC)], incorporated in 1979, is a part of the Shriram Group of companies and an upper layer non-banking financial company (NBFC). Based on the National Company Law Tribunal (NCLT) order dated November 14, 2022, the operations of Shriram City Union Finance Limited (SCUF) and Shriram Capital Limited were merged with STFC, which was rechristened Shriram Finance Limited on November 30, 2022.

SFL enjoys a leadership position in preowned commercial vehicle finance and has a pan-India presence with 3,700+ branches and other offices. As of March 31, 2024, its assets under management (consolidated) stood at Rs. 2.39 lakh crore comprising commercial vehicle finance (45%), passenger vehicle finance (18%), small and medium-sized enterprise (SME) lending (11%),

construction equipment and farm equipment finance (9%), housing loans (6%; through its subsidiary – Shriram Housing Finance Limited), two-wheeler loans (5%), personal loans (4%), and gold loans (3%).

Key financial indicators

Shriram Finance Limited (consolidated)	FY2022	FY2023	FY2024*
Total income	19,274	30,508	36,413
PAT	2,721	6,011	7,391
Return on managed assets	1.9%	2.8%	3.0%
Managed gearing (times)	4.5	4.0	4.2
Gross stage 3 assets	7.1%	6.0%	5.2%
CRAR	23.0%	22.6%	20.3%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Limited review

With the scheme of arrangement and amalgamation of STFC, SCUF and Shriram Capital Limited becoming effective, figures for the year ended March 31, 2023 are not comparable with the figures for the year ended March 31, 2022

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years						
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023			Date & Rating in FY2022	
				May 22, 2024	Jan 11, 2024	Jan 12, 2023	Sep 30, 2022	Jun 17, 2022	Dec 21, 2021	Jun 22, 2021
1 Fixed deposit programme	Long term	-	-	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	MAA+ (Stable)	MAA+ (Stable)
2 NCD programme	Long term	525.0	415.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-	-	-
3 NCD programme	Long term	500.0	0.0	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-	-

Source: ICRA Research

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fixed deposit programme	Very Simple
NCD programme	Simple

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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate / Yield	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fixed deposit programme	NA	NA	NA	NA	[ICRA]AA+ (Stable)
INE722A07AW2*	NCD programme	Jul 23, 2021	8.25%	Jul 23, 2024	50.0	[ICRA]AA+ (Stable)
INE722A07AX0*	NCD programme	Jul 23, 2021	8.75%	Jul 23, 2031	100.0	[ICRA]AA+ (Stable)
INE722A07AV4*	NCD programme	Jun 23, 2021	9.00%	Jun 23, 2031	100.0	[ICRA]AA+ (Stable)
INE722A07AQ4*	NCD programme	Feb 22, 2021	9.50%	Feb 21, 2031	75.0	[ICRA]AA+ (Stable)
INE722A07AP6*	NCD programme	Feb 22, 2021	9.25%	Feb 22, 2030	50.0	[ICRA]AA+ (Stable)
INE772A07AN1*	NCD programme	Feb 08, 2021	9.25%	Feb 08, 2030	10.0	[ICRA]AA+ (Stable)
INE772A07AO9*	NCD programme	Feb 08, 2021	9.50%	Feb 07, 2031	30.0	[ICRA]AA+ (Stable)
NA	NCD programme (yet to be placed)	-	-	-	610.0	[ICRA]AA+ (Stable)

Source: Company; *ISIN transferred from SCUF; NCD – Non-convertible debentures; NA – Not applicable

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership (Mar 31, 2024)	Consolidation Approach
Shriram Finance Limited	100.00% (rated entity)	Full Consolidation
Shriram Housing Finance Limited	83.78%	Full Consolidation
Shriram Automall Limited	44.56%	Equity Method

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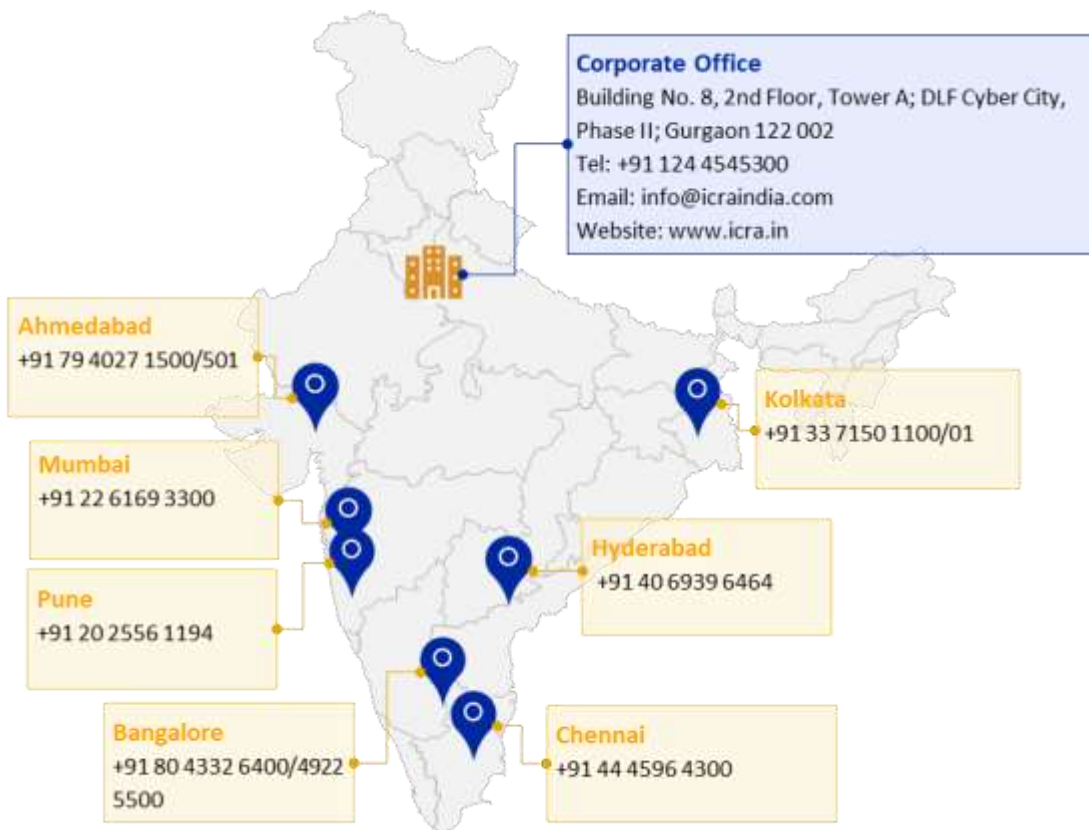
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