

January 12, 2023

Shriram City Union Finance Limited: Ratings withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-convertible Debenture Programme (NCD)	525.00	0.00	[ICRA]AA+(Stable); upgraded from [ICRA]AA rating watch with positive implications; rating watch removed and withdrawn
Fixed Deposit Programme	7,500.00	0.00	[ICRA]AA+(Stable); upgraded from [ICRA]AA rating watch with positive implications; rating watch removed and withdrawn
Commercial Paper	3,000.00	0.00	[ICRA]A1+; reaffirmed and withdrawn
Market Linked Debentures (MLD)	200.00	0.00	PP-MLD[ICRA]AA+(Stable); upgraded from PP-MLD[ICRA]AA rating watch with positive implications; rating watch removed and withdrawn
Total	11,225.00	0.00	

*Instrument details are provided in Annexure-1

Rationale

On November 15, 2022, Shriram City Union Finance Limited (SCUF) announced the completion of its merger with Shriram Transport Finance Company Limited (STFC) and their promoter entity – Shriram Capital Limited (SCL)¹. ICRA takes note of the improved risk profile of the resultant merged entity, i.e., SCL {rated [ICRA]AA+(Stable)}, to which the debt instruments of SCUF have been transferred following the merger. Therefore, in accordance with the policy on withdrawal of credit ratings, ICRA has removed the long-term ratings of SCUF from Watch with Positive Implications and upgraded to [ICRA]AA+ (Stable), reaffirmed the short term rating at [ICRA]A1+, and has simultaneously withdrawn all the ratings outstanding as the company has ceased to exist as a separate legal entity.

The Key Rating Drivers, Liquidity Position and Rating Sensitivities have not been captured as the rated instruments are being withdrawn. The previous detailed rating rationale is available at the following link: [Click Here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	ICRA's Credit Rating Methodology for Non-Banking Finance Companies Policy on withdrawal of credit ratings
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

¹ Post amalgamation with Shrelekha 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

About the company

Prior to its merger with SCL, SCUF was a deposit accepting 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.

In FY2022, the company had achieved a consolidated net profit of Rs. 1,165 crore on a managed asset base of around Rs. 45,420 crore compared to a net profit of Rs. 1,078 crore on a managed asset base of around Rs. 38,474 crore in FY2021.

Key financial indicators (audited) – Consolidated

	FY2020	FY2021	FY2022
Total income (Rs. crore)	6,091	6,057	6,895
Profit after tax (Rs. crore)	1,033	1,078	1,165
Net worth (Rs. crore) ²	7,424	8,388	9,278
Loan book (Rs. crore)	31,390	33,500	38,541
Total managed assets (Rs. crore)	34,035	38,474	45,420
Return on managed assets (%)	3.1%	3.0%	2.8%
Return on net worth (%)	14.8%	13.6%	13.2%
Managed gearing (times)	3.5	3.5	3.8
Gross stage 3 (%) [^]	7.9%	6.4%	6.3%
Net stage 3 (%) [^]	4.2%	3.1%	3.3%
Solvency (Net stage 3/Net worth) [^]	16.2%	10.8%	11.8%
CRAR (%) [^]	27.7%	28.6%	26.8%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; [^]Details for SCUF (standalone)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2023)		Chronology of Rating History for the Past 3 Years					
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2023		Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
				Jan-12-2023	Jun-21-2022	Dec-21-2021	Jul-14-2021 Jun-16-2021	Nov-26-2020/ Dec-16-2020/ Feb 03-2021/ Feb-16-2021	Aug-30-2019
1	Commercial Paper	Short Term	3,000.00	0.00	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Non-convertible Debenture Programme	Long Term	525.00	415.00	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA%	[ICRA]AA%	[ICRA]AA (Stable)	[ICRA]AA (Stable)
3	Fixed Deposit Programme	Long Term	7,500.00	7,500.00	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA%	MAA+ (Stable)	MAA+ (Stable)	MAA+ (Stable)

² Excluding minority interest

4	Market Linked Debentures	Long Term	200.00	0.00	PP-MLD [ICRA]AA+ (Stable); withdrawn	PP-MLD [ICRA]AA%	PP-MLD [ICRA]AA%	PP-MLD [ICRA]AA (Stable)	PP-MLD [ICRA]AA (Stable)	-
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% - Rating 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: [Click Here](#)

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+; withdrawn
Unallocated	NCD#	-	-	-	110.00	[ICRA]AA+(Stable); withdrawn
INE722A07AW2	NCD	Jul 23, 2021	8.25%	Jul 23, 2024	50.00	[ICRA]AA+(Stable); withdrawn
INE722A07AX0	NCD	Jul 23, 2021	8.75%	Jul 23, 2031	100.00	[ICRA]AA+(Stable); withdrawn
INE722A07AV4	NCD	Jun 23, 2021	9.00%	Jun 23, 2031	100.00	[ICRA]AA+(Stable); withdrawn
INE722A07AQ4	NCD	Feb 22, 2021	9.50%	Feb 21, 2031	75.00	[ICRA]AA+(Stable); withdrawn
INE722A07AP6	NCD	Feb 22, 2021	9.25%	Feb 22, 2030	50.00	[ICRA]AA+(Stable); withdrawn
INE772A07AN1	NCD	Feb 08, 2021	9.25%	Feb 08, 2030	10.00	[ICRA]AA+(Stable); withdrawn
INE772A07AO9	NCD	Feb 08, 2021	9.50%	Feb 07, 2031	30.00	[ICRA]AA+(Stable); withdrawn
NA	Fixed Deposit	-	-	-	7,500.00	[ICRA]AA+(Stable); withdrawn
INE722A07AL5	MLD	Dec 18, 2020	NA*	Aug 18, 2022	118.00	PP-MLD[ICRA]AA+(Stable); withdrawn
INE722A07AL5	MLD	Dec 28, 2020	NA*	Aug 18, 2022	35.00	PP-MLD[ICRA]AA+(Stable); withdrawn
INE722A07AL5	MLD	Jan 18, 2021	NA*	Aug 18, 2022	47.00	PP-MLD[ICRA]AA+(Stable); withdrawn

Source: Company; #Yet to be placed, *Not Available

Annexure-2: List of entities considered for consolidated analysis

Company Name	SCUF Ownership	Consolidation Approach
Shriram Housing Finance Limited	85.02%	Full Consolidation

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