SHRIRAM HOUSING FINANCE

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December 22, 2022

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalai Street, Fort,
Mumbai 400 001

Dear Sir/ Ma'am,

Sub.: Disclosure under Regulation 51 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 in respect of Credit Rating- Revision of Credit Rating

Pursuant to Regulation 51 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Part B of Schedule III we hereby inform that CARE Ratings Limited ("CARE") has revised its rating and outlook on the debt instruments and bank facilities of Shriram Housing Finance Limited ("SHFL") to `**CARE AA+'** (Stable Outlook) from 'CARE AA (CWP)' as follows:

Facilities/Instrument	**Amount (INR in crore)**	**Revised Rating**	**Rating Action**
Long Term bank facilities	2,000	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Subordinated Debt (Proposed)	50	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Non-Convertible Debentures (NCDs)	455	CARE AA+; Stable (Double A Plus; Outlook: Stable	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Commercial papers	100	CARE A1+ (A One Plus)	Reaffirmed

Revision in rating of SHFL factors in the change in the parentage of SHFL with Shriram Finance Limited (SFL; rated 'CARE AA+; Stable/ CARE A1+') holding 85.02% stake in SHFL post completion of the

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Composite Scheme of Arrangement and Amalgamation (Scheme) involving various Shriram group entities.

As a part of this process, Shriram Capital Limited (after de-merger of a few undertakings from the said Shriram Capital Limited) and Shriram City Union Finance Ltd (SCUF) were amalgamated with erstwhile STFCL. Subsequently, the name of STFCL was changed to SFL.

The ratings continue to factor in the strong parentage of SFL, the strong business synergies with the Shriram group, the common brand image and access to the branch network of the Shriram group. By virtue of the strong parentage, SHFL also stands to benefit from the established track record of the group in lending to the self-employed segment in Tier-II and smaller towns, which is the customer profile for SHFL as well. The ratings take note of the comfortable capital adequacy levels along with demonstrated funding support from the parent and the improved asset quality parameters.

We request you to kindly take the same on record.

Yours Faithfully,
For **Shriram Housing Finance Limited**

PUJA KIRIT SHAH

Digitally signed by PUJA KIRIT SHAH
Date: 2022.12.22 12:09:40 +05'30'

Puja Shah
Company Secretary and Compliance Officer

Encl.: As Above.

Shriram Housing Finance Limited

December 21,2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,000.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Total bank facilities	**2,000.00 (₹ Two thousand crore only)**		
Subordinated debt (Proposed)	50.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Non-convertible debentures - I	40.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Non-convertible debentures – V	10.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Non-convertible debentures - VI	30.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Non-convertible debentures – VII	25.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Non-convertible debentures - VIII	200.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
Non-convertible debentures	100.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Assigned
Total long-term instruments	**455.00 (₹ Four hundred fifty-five crore only)**		
Commercial paper	100.00	CARE A1+ (A One Plus)	Reaffirmed
Total short-term instruments	**100.00**		

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,000.00	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Revised from CARE AA (Double A) and removed from Credit watch with Positive Implications; Stable outlook assigned
	(₹ One hundred crore only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The revision in the ratings assigned to the bank facilities and various debt instruments of Shriram Housing Finance Limited (SHFL) factors in the change in the parentage of SHFL with Shriram Finance Limited (SFL; rated 'CARE AA+; Stable/ CARE A1+') holding 85.02% stake in SHFL post completion of the Composite Scheme of Arrangement and Amalgamation (Scheme) involving various Shriram group entities. As a part of this process, Shriram Capital Limited (after de-merger of a few undertakings from the said Shriram Capital Limited) and Shriram City Union Finance Ltd (SCUF) were amalgamated with erstwhile STFCL. Subsequently, the name of STFCL was changed to SFL.

The ratings continue to factor in the strong parentage of SFL, the strong business synergies with the Shriram group, the common brand image and access to the branch network of the Shriram group. By virtue of the strong parentage, SHFL also stands to benefit from the established track record of the group in lending to the self-employed segment in Tier-II and smaller towns, which is the customer profile for SHFL as well.

The ratings take note of the comfortable capital adequacy levels along with demonstrated funding support from the parent and the improved asset quality parameters. CARE Rating expects the funding support from the parent to continue going forward also.

The ratings continue to be constrained by the limited track record in the housing finance business, the moderate seasoning of portfolio, the geographical concentration of the portfolio albeit improved, and the moderate profitability.

Rating sensitivities

Positive factors – Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Improvement in the credit risk profile of the parent.

Negative factors – Factors that could, individually or collectively, lead to negative rating action/downgrade:

- Weakening in the credit risk profile of the parent.
- Any dilution in expectation of support from the parent.
- Significant deterioration in the asset quality and profitability levels.
- Significant deterioration in the capitalisation and liquidity profile.

Detailed description of the key rating drivers

Key rating strengths

Strong parentage and benefits derived from being part of the Shriram group: SHFL is promoted by Shriram group, SFL holds around 85.02% stake in the company as on November 30, 2022. The Shriram group has demonstrated its support by extending managerial, operational, and financial support to the company. Subramanian Jambunathan, the Managing Director and CEO of SHFL, who has experience of more than two decades in the lending business, is from the Shriram group. The company shares a common brand image and a shared logo with SFL and also has access to its branch network and customer base. SHFL receives managerial and operational support in terms of the usage of the branch network of the Shriram group. SHFL receives financial assistance in the form of capital, and apart from this, SHFL also has sanctioned credit limits from SFL provided as bridge finance to SHFL in times of need, which has not been utilised for more than three years.

Comfortable capitalisation: The tangible net worth (TNW) of the company stood at ₹1,153 crore as on March 31, 2022, as against ₹569 crore as on March 31, 2021. The current capital levels of SHFL are adequate with the capital adequacy ratio (CAR) at 30.90% as on March 31, 2022 (PY: 23.03%). The Shriram group has demonstrated capital-raising ability from various institutional investors in the past. During FY22, SCUF infused ₹500 crore in SHFL. The net worth of the company as on September 30, 2022, stood at around ₹1,220 crore and the total capital adequacy ratio (CAR) stood at 27.30% as on September 30, 2022. The overall gearing of the company stood at 3.39x as on March 31, 2022, as against 5.61x as on March 31, 2021. As on September

30, 2022, the gearing stood at 4.08x. The gearing is expected to remain within 5x on a sustained basis. Further capital infusion is expected to strengthen the capital structure to enable growth over the medium term.

Significant growth in the assets under management in FY22: SHFL witnessed assets under management (AUM) growth of 37% (PY: 71%) from ₹3,878 crore as on March 31, 2021, to ₹5,297 crore as on March 31, 2022. The total disbursements stood at ₹2,739 crore in FY22 as against ₹2,195 crore in FY21. The AUM in the HL segment as on March 31, 2022, stood at ₹3,783 crore, increased by 35% from ₹2,793 crore as on March 31, 2021. The proportion of the housing and non-housing portfolio was at 71% and 29%, respectively, as on March 31, 2022, and March 31, 2021. The AUM stood at ₹6,488 crore as on September 30, 2022.

Improvement in asset quality in FY22: The company's asset quality improved, with gross non-performing assets (GNPA) and net non-performing assets (NNPA) of 1.72% and 1.32%, respectively (after considering the impact of new IRAC norms), as on March 31, 2022, as against 1.87% and 1.46%, respectively, as on March 31, 2021. As on September 30, 2022, the GNPA and NNPA stood at 1.52% and 1.15% (after considering the impact of new IRAC norms), respectively. The 30+ DPD and 60+ DPD as a percentage of the AUM improved from 4.87% and 3.15%, respectively, as on March 31, 2021, to 2.94% and 1.45% as on March 31, 2022.
The company has a restructured book of ₹140 crore as on September 30, 2022, of ₹130 crore remaining as standard restructured. The gross stressed assets (GNPA + standard restructured + ECLGS outstanding) stood at 3.98% as a percentage of the gross advances as on September 30, 2022.

Key rating weaknesses
Moderate profitability indicators: The net interest margin (NIM) witnessed improvement from 3.65% in FY21 to 4.06% in FY22 with an improvement in the capital structure during FY22. The opex/average assets decreased from 3.43% in FY21 to 3.28% in FY22. With an improvement in credit costs from 0.64% in FY21 to 0.24% in FY22, the return on total assets (ROTA) stood at 1.79% in FY22 as against 1.98% in FY21. During FY22, the income from the gain on sale of financial assets (DA income) stood at ₹55 crore as against ₹74 crore in FY21.

Limited track record and geographical concentration, albeit improved: SHFL commenced lending operations in December 2011. However, lending under the newly revamped model began only post-January 2019. This book has a relatively limited track record and seasoning of the loan portfolio. The loan tenure ranges from 12 years to 16 years. The company is yet to witness one complete cycle of the loan provided to the customers. SHFL is primarily lending towards the housing finance needs of self-employed customers who are not serviced by the banking sector. About 79% (PY:74%) of the overall loan portfolio is financed to the self-employed segment as on March 31, 2022. Although SHFL's branch network is spread across 15 states with 112 branches as on September 30, 2022, the business is concentrated towards the southern and western regions. The top three states amount to 54% of the total loan portfolio as on September 30, 2022. During FY19, the company restructured its operations and business strategies to better leverage the Shriram group's branch network and customer base. The company is currently focussing on lending to borrowers with relatively better credit profiles and credit histories.

Moderately diversified resource profile: SHFL has a moderately diversified resource profile. Funding from the banks continues to remain high at 68% as on September 30, 2022 (71% as on March 31, 2022). The non-convertible debentures (NCDs) stood at 16% (13% as on March 31, 2022) of the borrowings, NHB refinance stood at 12% (14% as on March 31, 2022) of the borrowings, and securitisation stood at 4% (2% as on March 31, 2022) as on September 30, 2022

Liquidity: Adequate

The liquidity profile of SHFL remained adequate, with no negative cumulative mismatches in any of the time buckets for up to one year. Given the cash balances, liquid investments, and monthly prepayments on the loan portfolio, SHFL is expected to manage its liquidity. SHFL also has an available credit limit of ₹300 crore from its parent, SFL, which can be used as as bridge finance by SHFL in times of need. However, the same has not been utilized for over 3 years. As on September 30, 2022, SHFL had cash, bank balance and liquid investments amounting to ₹302 crore, along with Government Securities of ₹93 crore. Additionally, the company has unutilized CC lines of ₹111 crore and undrawn sanctions of ₹620 crore.

Analytical approach

Standalone, along with factoring in the strong linkages with the parent, SFL. In addition to funding support, SFL and SHFL share a common brand name and SHFL has access to the branch network and customer base of SFL.

Applicable criteria

Criteria on assigning Outlook and Credit watch to Credit Ratings
Policy on Default Recognition
Financial Ratios-Financial Sector
Rating Methodology - Housing Finance Companies (HFCs)
Notching by Factoring Linkages in Ratings
Short Term Instruments

About the company

SHFL is registered as a non-deposit -taking-housing finance company (HFC) with the National Housing Bank (NHB). The company received its Certificate of Registration in August 2011 and commenced its operations in December 2011. SHFL, a part of the Shriram group, is a subsidiary of SFL (rated CARE AA+; Stable/ CARE A1+), which holds 85.02% of the shareholding. The balance 14.98% is held by Valiant Mauritius Partners FDI Ltd (VMPL) as on November 30,2022. The company shares a common brand image and shared logo with SFL and has access to its branch network and customer base.

SHFL essentially caters to the housing finance needs of the self-employed, belonging to the middle-income group, primarily from Tier-II and Tier-III cities. The company also offers builder loans only for the construction of residential properties. The non-housing loans mainly comprise loan-against-property (LAP). Housing and non-housing loans constituted 70% and 30%, respectively, of the total portfolio outstanding as on September 30, 2022. The average tenure of the housing loan is 12 years to 16 years and the average ticket size is about ₹16-18 lakh.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	September 30, 2022 (UA)
Total income	422	549	351
PAT	62	80	64
Interest coverage (times)	1.40	1.39	1.51
Total assets	3,825	5,164	6,314
Net NPA (%)	1.47	1.32	1.15
ROTA (%)	1.98	1.79	2.24

A: Audited.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Please refer Annexure-3

Complexity level of the various instruments rated for this company: Please refer Annexure-4

Bank lender details for this company: Please refer Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial paper-Commercial paper (Standalone)	INE432R14170	Sept 28, 2022	6.70%	Mar 29, 2023	10.00	CARE A1+
Commercial paper-Commercial paper (Standalone)	Proposed	-	-	07 days to 1 year	90.00	CARE A1+

Debentures-Non-convertible debentures-III	INE432R07083	-	-	-	-	Withdrawn
Debentures-Non-convertible debentures-I	INE432R07018	Oct 10, 2014	10.30%	Oct 10, 2024	40.00	CARE AA+; Stable
Debentures-Non-convertible debentures-V & VI	INE432R07117	Apr 29, 2016	9.00%	Apr 29, 2023	25.00	CARE AA+; Stable
Debentures-Non-convertible debentures-VI	INE432R07125	May 02, 2016	9.00%	May 02, 2023	15.00	CARE AA+; Stable
Debentures-Non-convertible debentures-VII	INE432R08032	May 09, 2019	10.60%	May 09, 2023	25.00	CARE AA+; Stable
Debentures-Non-convertible debentures-VIII	INE432R07224	June 5, 2020	8.55%	June 5, 2023	40.00	CARE AA+; Stable
Debentures-Non-convertible debentures -VIII	INE432R07315	Aug 10, 2022	8.00%	Aug 09, 2026	58.00	CARE AA+; Stable
Debentures-Non-convertible debentures -VIII	INE432R08040	Sep 30, 2022	8.60%	Sep 30, 2037	35.00	CARE AA+; Stable
Debentures-Non-convertible debentures-VIII	Proposed	-	-	-	67.00	CARE AA+; Stable
Debentures-Non-convertible debentures-	Proposed	-	-	-	100.00	CARE AA+; Stable
Debt-Subordinate debt	Proposed	-	-	-	50.00	CARE AA+; Stable
Fund-based-Long term	-	-	-	August, 2027	2000.00	CARE AA+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Debentures-Non convertible debentures	LT	40.00	CARE AA+; Stable	1)CARE AA (CW with Positive Implications) (24-Nov-22)	1)CARE AA (CW with Positive Implications) (17-Dec-21) 2)CARE AA; Stable (21-Oct-21)	1)CARE AA; Stable (22-Oct-20) 2)CARE AA+; Negative (06-May-20)	1)CARE AA+; Stable (05-Sep-19)
2	Debentures-Non convertible debentures	LT	-	-	-	-	1)Withdrawn (07-Apr-20)	1)CARE AA+; Stable (05-Sep-19)

3	Commercial paper-Commercial paper (Standalone)	ST	100.00	CARE A1+	1)CARE A1+ (24-Nov-22)	1)CARE A1+ (17-Dec-21) 2)CARE A1+ (21-Oct-21)	1)CARE A1+ (22-Oct-20) 2)CARE A1+ (06-May-20) 3)CARE A1+ (07-Apr-20)	1)CARE A1+ (05-Sep-19)
4	Debentures-Non convertible debentures	LT	-	-	1)Withdrawn (24-Nov-22)	1)CARE AA (CW with Positive Implications) (17-Dec-21) 2)CARE AA; Stable (21-Oct-21)	1)CARE AA; Stable (22-Oct-20) 2)CARE AA+; Negative (06-May-20) 3)CARE AA+; Stable (07-Apr-20)	1)CARE AA+; Stable (05-Sep-19)
5	Debentures-Non convertible debentures	LT	-	-	-	-	-	1)Withdrawn (05-Sep-19)
6	Debentures-Non convertible debentures	LT	10.00	CARE AA+; Stable	1)CARE AA (CW with Positive Implications) (24-Nov-22)	1)CARE AA (CW with Positive Implications) (17-Dec-21) 2)CARE AA; Stable (21-Oct-21)	1)CARE AA; Stable (22-Oct-20) 2)CARE AA+; Negative (06-May-20)	1)CARE AA+; Stable (05-Sep-19)
7	Debentures-Non convertible debentures	LT	30.00	CARE AA+; Stable	1)CARE AA (CW with Positive Implications) (24-Nov-22)	1)CARE AA (CW with Positive Implications) (17-Dec-21) 2)CARE AA; Stable (21-Oct-21)	1)CARE AA; Stable (22-Oct-20) 2)CARE AA+; Negative (06-May-20)	1)CARE AA+; Stable (05-Sep-19)
8	Debentures-Non convertible debentures	LT	25.00	CARE AA+; Stable	1)CARE AA (CW with Positive Implications) (24-Nov-22)	1)CARE AA (CW with Positive Implications) (17-Dec-21) 2)CARE AA; Stable (21-Oct-21)	1)CARE AA; Stable (22-Oct-20) 2)CARE AA+; Negative (06-May-20) 3)CARE AA+; Stable (07-Apr-20)	1)CARE AA+; Stable (05-Sep-19)
9	Fund-based-Long Term	LT	2000.00	CARE AA+; Stable	1)CARE AA (CW with Positive Implications) (24-Nov-22)	1)CARE AA (CW with Positive Implications) (17-Dec-21) 2)CARE AA; Stable (21-Oct-21)	1)CARE AA; Stable (22-Oct-20) 2)CARE AA+; Negative (06-May-20) 3)CARE AA+; Stable	1)CARE AA+; Stable (05-Sep-19)

							(07-Apr-20)	
10	Fund-based-Short Term	ST	-	-	-	-	1)Withdrawn (22-Oct-20) 2)CARE A1+ (06-May-20) 3)CARE A1+ (07-Apr-20)	1)CARE A1+ (05-Sep-19)
11	Debt-Subordinate Debt	LT	50.00	CARE AA+; Stable	1)CARE AA (CW with Positive Implications) (24-Nov-22)	1)CARE AA (CW with Positive Implications) (17-Dec-21) 2)CARE AA; Stable (21-Oct-21)	1)CARE AA; Stable (22-Oct-20) 2)CARE AA+; Negative (06-May-20) 3)CARE AA+; Stable (07-Apr-20)	1)CARE AA+; Stable (05-Sep-19)
12	Debentures-Non convertible debentures	LT	200.00	CARE AA+; Stable	1)CARE AA (CW with Positive Implications) (24-Nov-22)	1)CARE AA (CW with Positive Implications) (17-Dec-21) 2)CARE AA; Stable (21-Oct-21)	1)CARE AA; Stable (22-Oct-20) 2)CARE AA+; Negative (06-May-20) 3)CARE AA+; Stable (07-Apr-20)	1)CARE AA+; Stable (05-Sep-19) 2)CARE AA+; Stable (16-Aug-19)
13	Debentures-Non convertible debentures	LT	100.00	CARE AA+; Stable	-	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
Bank facility	Net NPA<3.00%
	Minimum capital adequacy of 15%

Annexure-4: Complexity level of the various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1.	Commercial paper-Commercial paper (Standalone)	Simple
2.	Debentures-Non-convertible debentures	Simple
3.	Debt-Subordinate debt	Simple
4.	Fund-based-Long term	Simple

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure-5: Bank lender details for this company

To view the lender-wise details of the bank facilities, please click here.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in