SHRIRAM City
MONEY WHEN YOU NEED IT MOST

FOR ENTERPRISING INDIA

ANNUAL REPORT
2015- 16

01

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10-YEAR CAGR

32.09% ASSETS UNDER MANAGEMENT (AUM)

32.54% PROFIT AFTER TAX

34.12% TOTAL INCOME

22.10% EARNINGS PER SHARE

FORWARD-LOOKING STATEMENTS

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

India's stellar economic performance in a slow growth world is now well recognised

But what very few people know is that this performance to a very large extent is fuelled by the often uncelebrated and unacknowledged small businesses. The micro small and medium enterprises generate large-scale employment and contribute significantly to the manufacturing output, exports and GDP.Yet, they often do not get any support from the highly restrictive and formalised channels of finance.

At Shriram City Union Finance (Shriram City), we are proud to partner the growth of small businesses with a dynamic vision and a credible track record of two to three years.

FY 2015-16 saw us taking multiple initiatives to serve the underserved entrepreneurship.

We strengthened our customer-centricity and tailored products to the real and relevant needs of our target segments.

We reinforced our internal governance framework to enhance process efficiency and minimise the risk profile.

We adopted technologies that are contemporary and attuned to the needs of a dynamic business scenario.

We sharpened the capabilities of our teams to make them more productive and prepared for the future.

We also conducted various need-based programmes for the community.

We believe our niche focus on the small enterprises finance space will act as a force multiplier of value creation in an expanding economy.

At Shriram City, we are growing and providing the critical growth capital for an enterprising India.

Enabling enterprises

At Shriram City Union Finance (Shriram City), our journey commenced three decades ago as a part of the distinguished Chennai based Shriram Group. Over the years, we have emerged as India's premier financial services company, specialising in retail finance. As a deposit accepting non-banking financial company (NBFC), our aim is to serve enterprising Indians with a credible track record of providing growth capital small businesses.

GROUP STRENGTH

Shriram Group is one of the largest financial conglomerates having significant presence in small enterprises financing, commercial vehicle financing business, retail finance, life and general insurance, stock broking, chit funds and distribution of financial products, such as life and general insurance products and units of mutual funds. Besides, the Group is also present in businesses such as property development, engineering projects and information technology. Shriram Capital Limited (SCL) is the holding company for the Financial Services and Insurance entities of the Shriram Group, created with the primary objective of optimising the synergies across the Group's entities.

OUR VISION

Serving the underserved. Creating value at the bottom of the pyramid.

OUR MISSION

Striving to serve the largest number of common people through quality non-banking financial services.

OUR VALUES

- Being Trustworthy: Ensuring that the Shriram City brand continues to be among the most trusted in India.
- Being Responsive: Disseminating affordably priced financial services to customers and locations most in need of them, in a timely manner.
- Being Creative: Customising product offerings and solutions to meet customers' requirements.
- Building Relationships: Fostering long-term relationships with customers and the community at large.
- Encouraging Entrepreneurship: Supporting the efforts of small business owners to prosper and to think big.

EQUITY SHARE INFORMATION

Share Price (March 31, 2016):
₹1,502.25 per share at NSE and
₹1,500.15 per share at BSE
BSE Ltd. 532498

National Stock Exchange (NSE):
SHRIRAMCIT

Dividend:
Includes interim dividend of ₹5 per share paid and proposed final dividend of ₹10 per share (face value of ₹10 each)

Promoters Holding:
33.78% as on March 31, 2016

₹20,854.42 Crores
Balance sheet size as on March 31, 2016

₹19,575.82 Crores
AUM as on March 31, 2016

23.36%
Tier - I Capital adequacy ratio in 2015-16

₹9,903.91 Crores
Market capitalisation as on March 31, 2016

10.32%
Average cost of borrowings in 2015-16

₹19,023.57 Crores
Loan book as on March 31, 2016

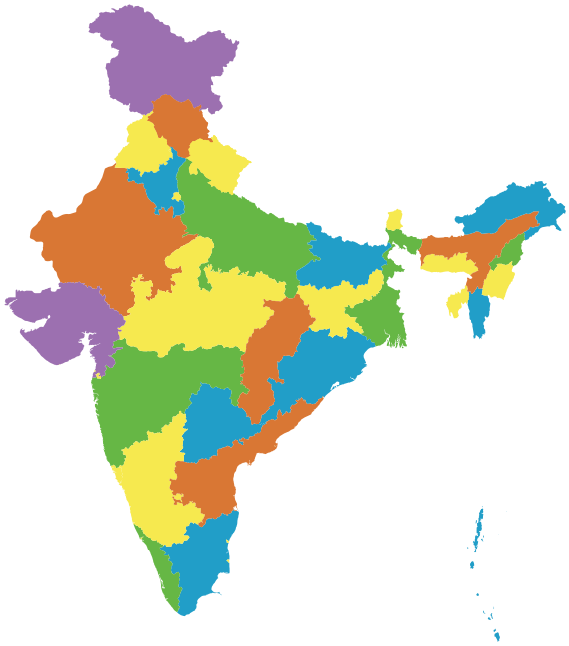
35.72 Lacs
Customer base

26.14%
Capital adequacy ratio in 2015-16

₹18,648.54 Crores
Disbursements in 2015-16

WIDE BASKET OF OFFERINGS

PAN-INDIA REACH



CREDIT RATING

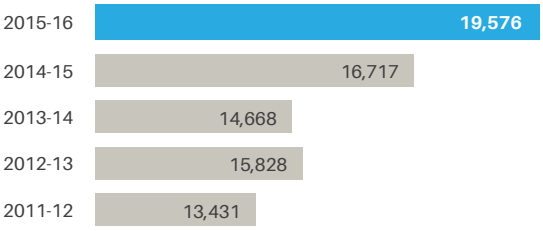
Rating Instrument		Long – Term	Short - Term	Bank Loan Ratings	Subordinate Debt	Fixed Deposit
Rating Agency	**Year ending March 31**					
INDIA RATINGS	2016	IND AA'/ Stable	'IND A1+	IND AA'	---	'IND tAA'
CARE	2016	CARE AA+	CARE A1+	---	CARE AA+	CARE AA+
ICRA	2016	ICRA AA /Stable	ICRA A1+	---	---	MAA+/Stable
CRISIL	2016	CRISIL AA-/Stable	CRISIL A1+	---	CRISIL AA-/Stable	FAA/Stable

Key performance indicators

Standalone

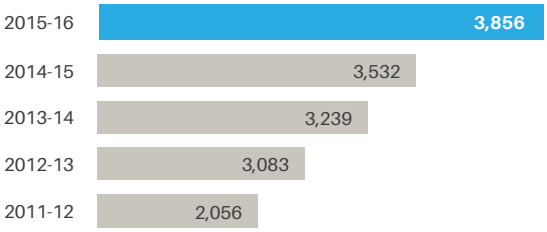
AUM

₹ In Crores



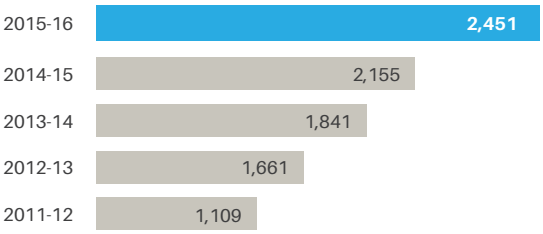
TOTAL INCOME

₹ In Crores



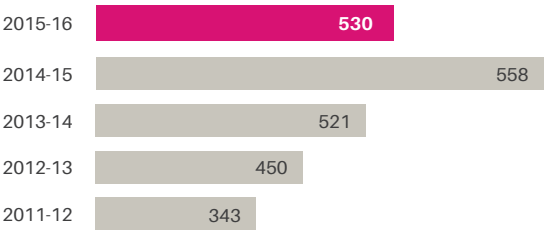
NET INTEREST INCOME

₹ In Crores



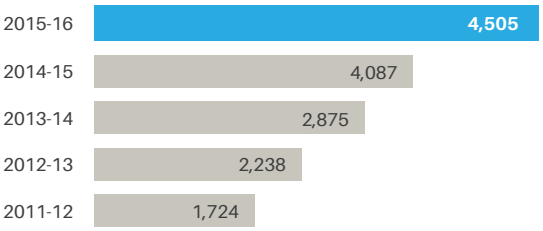
PROFIT AFTER TAX

₹ In Crores



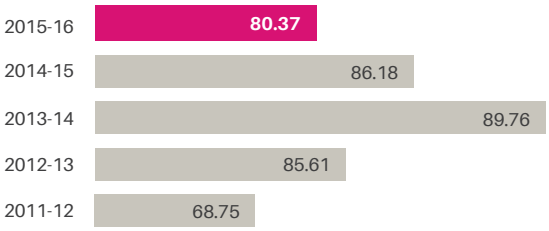
NET WORTH

₹ In Crores



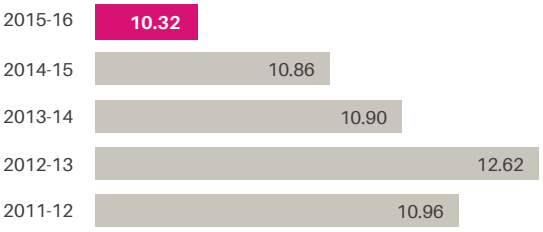
EARNINGS PER SHARE

₹



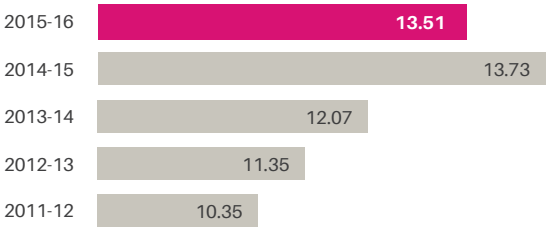
AVERAGE BORROWING COST

%



NET INTEREST MARGIN

%



KEY RATIOS

	2011-12	2012-13	2013-14	2014-15	2015-16
Debt Equity Ratio	5.58	5.69	4.19	3.03	3.20
Return on Average Total Assets (%)	3.12	3.12	3.20	3.24	2.72
Capital Adequacy Ratio (CAR) (%)	17.40	18.61	25.77	28.84	26.14
Tier-I Capital Adequacy Ratio (%)	13.76	14.58	19.87	24.64	23.36
Return on Average Networth (%)	23.33	22.69	20.38	16.03	12.33

Value creation is a rewarding journey

1986	Shriram City Incorporated
2002	Begins small ticket retail financing foray
2003	Listed on the Bombay Stock Exchange
2005	Listed on the National Stock Exchange; expands loan products and geographies
2006	Launches Small Enterprise Finance. 1st Preferential Allotment to Private Equity Investors at the rate of ₹160/- per share
2007	Introduces Loan against Gold
2008	2nd Preferential Allotment to Private Equity Investors @ ₹400/- per share
2010	Net Worth reaches ₹1,000 Crores; launches Housing Finance subsidiary
2011	Completes 25 years in business; launches a maiden debt public issue. Shriram Housing Finance Ltd. attracts Private Equity Investment
2012	Successfully launches follow-on debt public issue. Shriram Housing commences lending operations. Shriram City is rated India's largest Small Enterprise Finance Company in the Small Loans segment by Frost and Sullivan
2013	Social Audit Report generated and released by the then Hon'ble Finance Minister of India. Report shows how the community of Shriram City's customers have benefited by the Company's manner of doing business
2015	CFO of the Company wins the 'Best Performing CFO in the NBFC Sector' award from the TV Channel CNBC TV18
2016	Shriram City becomes the largest financier of two wheelers in the country, based on volume

Enhancing capabilities

...to serve the underserved

GROUP STRENGTH
We are a part of the four decade old Shriram Group. The Group is a prominent enterprise in the financial services space in India. We leverage the ecosystem of the Group to strengthen our brand and customer base.

RICH INSIGHT
We have emerged as one of the leading players in the small enterprise loan segments, with a low level of competition. We analyse individual customer aspirations vis-à-vis their capabilities, rather than using a common matrix across clientele. Our appraisal is based on considering various parameters such as income level of the customer, repayment capacity, product segment, borrowing amount, location of the customer and geographic presence of the business, among others.

CONSISTENT GROWTH
Our Asset Under Management (AUM) is growing at 32% CAGR for the last 10 years, driven by our focus to cater to the under banked, semi-urban customers. We help them meet their diverse credit needs, based on their income groups and consumption patterns.

NICHE SPACE
Over 80% of our branch network is in the underpenetrated segment across semi-urban India with a huge growth potential.

STRONG CREDIT APPRAISAL
We have developed a local field force for strong customer engagements across the areas of our presence. Moreover, our deal originators are also responsible for ensuring portfolio quality. Our dedicated in-house teams for pre-lending field investigation and post lending appraisals ensure low delinquencies.

FUND SOURCES
We have maintained an optimum liability mix by diversifying our funding sources. We have a strong relationship with 40+ banks across nationalised banks, private Indian banks and foreign banks.

HUMAN RESOURCES
Our 25,472 member professional pool possesses rich industry experience, supported by a customer first mindset and strong ethical business practices.

EXPERIENCED MANAGEMENT
Our governance structure is driven by a highly focussed management team, guided by a distinguished Board profile.

93%
Of our customers were able to scale up their businesses with our loans

79%
Increased their assets and reduced their liabilities

80%
Received better social recognition

89%
Improved their lifestyles

87%
Felt more secure about the future

23%
Repeat business from existing customers

Note: *Findings of a Social Audit conducted on the operations of Shriram City by the UK-based Social Audit Network in 2012.*

Managing Director's message

DURUVASAN RAMACHANDRA

DEAR SHAREHOLDERS,

Micro, small and medium enterprises contribute significantly to India's inclusive socio-economic progress. The growth potential of this segment is immense, considering the size of the country; and its large proportion of young aspiring entrepreneurs. However, the absence of organised financiers with strong domain knowledge and restrictive standardised credit policy of banks (with overemphasis on statutory certified information) is hindering the growth of the MSME finance space.

Providing the growth capital to this segment is therefore an attractive opportunity for us at Shriram City Union Finance (Shriram City). We have the domain knowledge and our lending model is based on our long-standing relationships with customers. We are largely inspired by a sense of community; and we are committed to handhold small entrepreneurs, who have a proven track record of performance. Our business is also aligned to the Government's 'Make in India' initiative, which aims to encourage more entrepreneurs to compete across India's vast markets as well as the global level.

At Shriram City, we are tapping into the vast potential of the small enterprises finance space; providing growth capital to entrepreneurs, who find it difficult to deal with unscrupulous money lenders on the one hand; and highly organised banks on the other. We are leveraging our existing customer base, as well as those of the Shriram Group as a whole.

Encouraging Performance

FY 2015-16 was another successful year at Shriram City. Niche focus on the small enterprises finance space and considerable presence in the two wheeler segment have stood us in good stead.

Our Assets Under Management (AUM) grew by 17% from ₹16,717 Crores in 2014-15 to ₹19,576 Crores in 2015-16, on account of proactive marketing initiatives and customer connect programmes. Our total income grew by 10% from ₹3,482 Crores in 2014-15 to ₹3,835 Crores in 2015-16.

Our profit before tax declined marginally by 4% from ₹841 crore in 2014-15 to ₹807 Crores in 2015-16. At the same time, our net profit decreased by 5% from ₹558 Crores in 2014-15 to ₹530 Crores in 2015-16.

Migrating to the RBI's more stringent non-performing asset (NPA) recognition norms has impacted our profitability. We had to make an additional provision (inclusive of income de-recognition) of ₹177 Crores in 2015-16, following the regulator's directive to shift from a 180 day to a 150 day norm for NPA recognition. The RBI in 2014 tightened the NPA recognition norms for NBFCs' to bring them on par with banks. We followed a 180 day norm (loans, where borrowers