

Resilience and Stability

Shriram City Union Finance Limited | Annual Report 2018-19

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Investor information

● Market Capitalisation	₹ 12,210 crores as at March 31, 2019
● CIN	L65191TN1986PLC012840
● BSE Code	532498
● NSE Symbol	SHRIRAMCIT
● Bloomberg Code	SCUF:IN
● Dividend Declared	₹ 6 per share (Interim)
● AGM Date	July 29, 2019
● AGM Venue	Narada Gana Sabha (Mini Hall), No. 314 , T. T K. Road, Alwarpet, Chennai - 600 018

Please find our online version at
<https://www.shriramcity.in/index.aspx>

Or simply scan to download:



Disclaimer

This document contains statements about expected future events and financials of Shriram City Union Finance Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis of this Annual Report.

KPIs for 2018-19

20.22%
Yield

Our definition of resilience is quite simple: "It is the capacity of an organisation to survive, adapt and flourish in the face of turbulent change and uncertainty."

The year 2018-19 saw Shriram City Union Finance Limited ('SCUF' or 'the Company') staying resilient amidst the turbulent environment in the NBFC space. Over the years, the Company has dynamically reinvented its business model and adopted proactive strategies. The result was eventually visible in the way the Company remained stable and embraced the challenges without much hassles.

In a broader sense, our unrelenting customer focus in serving the unserved sections of the society, combined with our internal capabilities of ensuring the right asset mix, positive liquidity, identifying the right business segments and technological leverage led to a stable growth during the year.

We continued to embrace new opportunities to learn, grow and deliver – and continue to drive value for our stakeholders.

7.3%

**Growth in AUMs
(Asset Under
Management)**

12.1%

**Growth in Total
Operating Income**

8.8%

**Growth in Net
Interest Income**

39.7%

**Growth in Profit
Before Tax**

13.29%

**Net Interest
Margin**

8.06%

**Pre Provision
Profits**

2.68%

Net NPA

23.12%

**Capital Adequacy
Ratio**



Vision

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



Mission

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



About Us

Shriram City Union Finance is a part of the Shriram Group, India's premier financial services chain. It is one of the leading and most preferred Non-Banking Financial Company (NBFC), serving the financing needs of the growing population residing in rural and semi-urban areas of India.

SCUF is primarily engaged in providing range of retail financing which includes Micro Small and Medium Enterprise (MSME) loans, two-wheeler loans, gold loans and personal loans, among others. Our long-standing experience and expertise allow us to understand the financing needs of our customers. Our strong distribution strength further helps us in reaching into the deeper pockets of the nation.

₹ 24,071 crores

Total loan disbursed

969

Branches

38 lacs

Active customer base

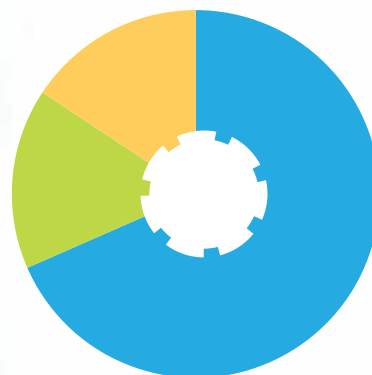
27,267

No. of employees as on
March 31, 2019

What made us resilient and stable?

- Market leadership in the under-served retail segment
- Strong parentage and established track record
- Strong business model with diversification-led growth
- Healthy capitalisation and balance sheet with sufficient liquidity
- Robust technology
- Team

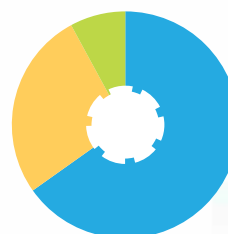
Geographic break up of: Branch Network



- South: **68.42%**, Branch count: **663**
- West: **15.89%**, Branch count: **154**
- North: **15.69%**, Branch count: **152**

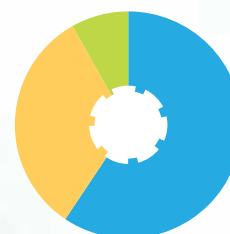
Geographic break up of AUM (%)

Total AUM
March 2018



- South: **65.17%**
- West: **26.91%**
- North: **7.92%**

Total AUM
March 2019



- South: **59.37%**
- West: **32.46%**
- North: **8.17%**

Credit ratings

LONG-TERM

AA+



AA



AA



AA



(upgraded from
AA- in July 2018)

SHORT-TERM

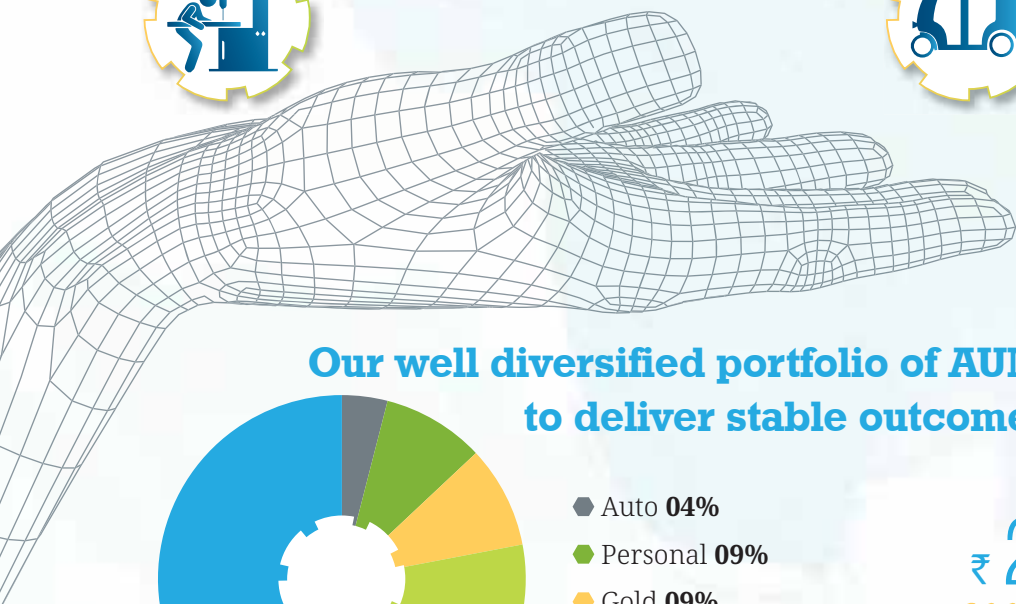
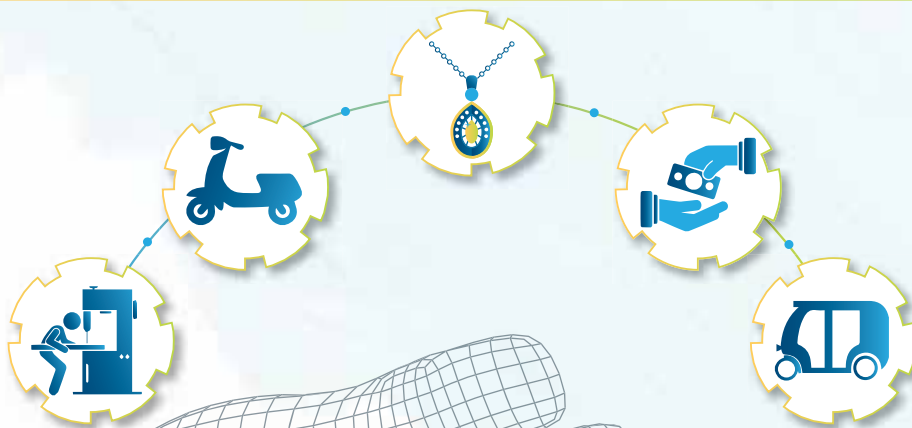
A1+



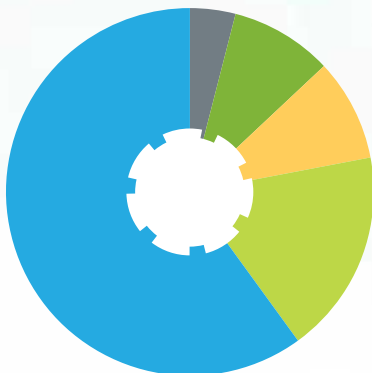
A1+



Driving resilience and stability through a well-diversified product offerings and asset quality



**Our well diversified portfolio of AUMs has led us
to deliver stable outcomes.**



- Auto 04%
- Personal 09%
- Gold 09%
- Two-wheelers 18%
- MSME 60%

₹ 29,582 crores
AUMs in 2018-19

MSME Financing

The Company dominates the MSME financing segment in India.

Strategies adopted:

- Established relations and contacts with the local community for deeper understanding on the customer requirement in the rural and semi-urban areas
- Developed a tailor-made credit appraisal model with decentralised branch model, wherein local field force is appointed for pre-lending investigation and appraisals
- Follows a cash flowbased lending model rather than collateral-based one
- Established strong presence in Andhra Pradesh, Telangana, Tamil Nadu and Maharashtra - economically advanced states with uniqueness of language, acting as a barrier to competition in large scale

Two-Wheeler Loans

The Company is a market leader in this segment with 20% market share.

Strategies adopted:

- Ensures faster turnaround time with the help of technology along with feet-on-street strategy
- Emphasises on non-salaried class with operations in rural and semi-urban areas
- Builds long lasting relationships with dealers and OEMs – despite being the lowest in dealer payouts
- Established market leadership in South with penetration into newer geographies across West, North and Central India

Loan Against Gold

The Company provides gold loans to individuals who do not have access to formal loan.

Strategies adopted:

- Product offered as an add on product through existing branches for a better operating leverage
- Robust risk monitoring systems through systematised controls and technology
- Efficient collection mechanism
- Flexibility offering based on the movement of gold prices led by usage of existing infrastructure & systematised controls

Personal Loans

The Company offers personal loans to salaried and self-employed individuals.

Strategies adopted:

- Provides loans to the existing customers of the company with good credit score and default-free track record of payments
- Implements cross-selling model for better operating leverage and higher conversions

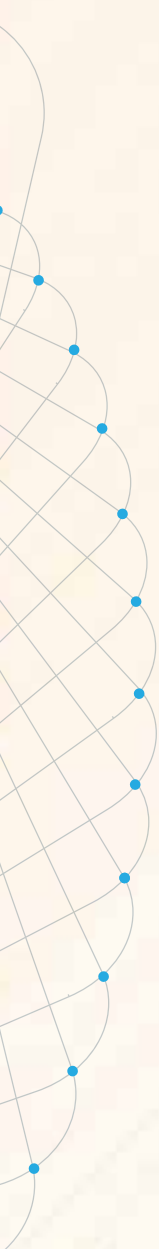
Auto Loans

The Company offers loans for new and used cars.

Strategies adopted:

- Finances purchase of new and pre-owned passenger and commercial vehicles
- Covers both, three-wheeler as well as four-wheeler automobile segments





Driving resilience and stability with robust business model and asset mix

Post demonetisation, several NBFCs primarily relied on short-term borrowing to gain market shares amid easy access to money. As a result, between FY14-1HFY19, the share of commercial paper (short-term notes) in overall resources increased from 7% to 16% for NBFCs and 4% to 13% for HFCs. This helped in at least 40-50 bps cost saving, which in turn, helped (at the RoA level) generate 20-25 bps of additional profitability.

In the aftermath of the recent crisis, there has been an enhanced focus on the Asset Liability Management to reduce the risk of loss from not meeting debt obligations. The companies with a robust business model, with larger exposure to the retail segment ensured strong liquidity, strong governance and sound risk management standards. They were well-positioned to take advantage of the opportunity.

At SCUF, we are a niche player in the retail NBFC space, with a focus on 2Ws and MSME lending. Our business model offers high growth potential with strong profitability. With the liquidity crisis looming in the second half of the financial year, the cost of borrowing remained elevated. However, there was a muted impact on us as we always had a strong emphasis on the retail financing. Our retail asset quality remained healthy, as demand at the ground level was strong.

