



A.K. Stockmart Pvt. Ltd.



Public Issue of Secured Redeemable
Non-Convertible Debentures
Of
SHRIRAM CITY UNION FINANCE LIMITED
(Tranche 2 Issue)
August 21, 2019 – September 19, 2019





SHRIRAM CITY UNION FINANCE LIMITED

INVESTMENT RATIONALE

- **PUBLIC ISSUE** by SHRIRAM CITY UNION FINANCE LIMITED ("COMPANY" or THE "ISSUER") of SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES of FACE VALUE of Rs. 1,000 each ("NCDs") for an amount of Rs. 100 Crores ("BASE ISSUE SIZE") with an option to retain oversubscription up to Rs. 900 Crores aggregating up to 10 million NCDs amounting to Rs. 1,000 Crores ("TRANCHE 2 ISSUE LIMIT") (THE "TRANCHE 2 ISSUE") which is within the shelf limit of Rs. 3,000 Crores ("SHELF LIMIT").
- The issue offers yields ranging from 9.54% to 9.86% depending up on the Category of Investor and the option applied for.
- Credit Rating of "CARE AA+ Stable" for an amount of up to Rs. 3,000 Crore, by CARE Ratings Ltd. and "CRISIL AA (Stable)" for an amount of up to Rs. 3,000 Crore, by CRISIL.
- The NCDs offered through the Tranche 2 Prospectus are proposed to be listed on the BSE. The Company has obtained 'in-principle' approval for the Issue from BSE vide its letter dated February 28, 2019.

COMPANY PROFILE

- Shriram City Union Finance Limited (SCUF) is part of the Shriram group of companies (the "**Shriram Group**"), a prominent financial services conglomerate in India.
- SCUF is a deposit-taking NBFC with multiple product offerings, including small enterprise/ MSME financing, loans against gold, financing for two-wheelers, auto loans, personal loans, and housing finance loans.
- SCUF specialises in small enterprise finance, which accounted for 57.72 % and 52.87% of its AUM as on March 31, 2019 and March 31, 2018, respectively, as per the Reformatted Consolidated Financial Information under Ind AS.
- A significant portion of its AUM also comprises of two-wheeler finance, with such segment accounting for 15.29% and 17.19% of the AUM as on March 31, 2019 and March 31, 2018, respectively, as per the Reformatted Consolidated Financial Information under Ind AS.
- Having commenced operations in 1986, SCUF has established a pan-India presence, through 1,036 branches as of June 30, 2019 and remains committed to serving unbanked and underserved sections of its customer-base. Its network of business outlets is fully inter-connected and each business outlet is connected to its head office through a proprietary enterprise resource planning ("ERP") platform.
- SCUF's total revenue increased to Rs. 6,069.86 crores for Fiscal 2019 from Rs. 5,438.97 crores for Fiscal 2018, at a CAGR of 11.60%, as per the Reformatted Consolidated Financial Information under Ind AS. SCUF's net profit after tax increased to Rs. 1,005.53 crores for Fiscal 2019 from Rs. 749.30 crores for Fiscal 2018, at a CAGR of 34.20, as per the Reformatted Consolidated Financial Information under Ind AS.
- In the three-month period ended June 30, 2019, the Company's revenue and profit after tax amounted to Rs 1,494.35 crores and Rs 253.17 crores, respectively, on a standalone basis, and Rs 1,572.88 crores and Rs 260.04 crores, respectively, on a consolidated basis, as per the Limited Review Financial Information for the three-month period ended June 30, 2019.

Source: Shelf Prospectus dated March 27, 2019 and Tranche 2 Prospectus dated August 16, 2019

Disclaimer: Invest only after referring to the Shelf Prospectus and the Tranche 2 Prospectus

STRENGTHS

- ***Significant position in the high-growth small enterprise finance segment***

SCUF specializes in the small enterprise financing. The small enterprise segment also accounted for 57.72%, and 52.87% of its AUM as on March 31, 2019 and March 31, 2018 respectively, as per the Reformatted Consolidated Financial Information under Ind AS. With its significant presence in the small enterprise finance segment, the Company believes that it is ideally positioned to take advantage of the expected growth in this segment. The small enterprise finance segment has significant room for growth in the Indian marketplace. Within the MSME segment, LAPs, non-LAP secured loans and unsecured MSME loans are expected to grow at CAGRs of 13-15%, 14-16% and ~23%, respectively, during Fiscals 2018 to 2020. (Source: CRISIL Report)

- ***Established brand name and association with the Shriram Group***

SCUF is a part of the Shriram Group, which is a prominent Indian financial services conglomerate. The Shriram Group delivers a broad range of financial services, including commercial vehicle financing, consumer finance, life and general insurance and real estate in India. SCUF believes that its relationship with the Shriram Group provides brand recall and it will continue to derive significant marketing and operational benefits. Its association with the Shriram Group and the strength of the "Shriram" brand allows it to attract new clients, enabling it to expand within its target market in existing and new geographies with minimal marketing spend. The Company also believes that the goodwill associated with the Shriram brand allows it to access funding at a relatively competitive cost. In addition, certain of its business outlets are also located on premises leased or sub-leased from its promoter, Shriram Capital, or on a premise sharing basis with other companies in the Shriram Group.

- ***Diversified portfolio of products***

SCUF has successfully diversified its product portfolio, consisting of loans to the small enterprise finance segment, two-wheeler loans, loans against gold, auto loans, personal loans and housing finance loans. As of March 31, 2019 and 2018, approximately 57.72% and 52.87% respectively of its AUM comprised loans to small enterprises, 15.29% and 17.19 % respectively of its AUM comprised two-wheeler loans, 8.82% and 11.52% respectively of its AUM comprised loans against gold, 8.33% and 7.35% of its AUM comprised personal loans, 3.84% and 4.99% respectively of its AUM comprised auto loans, 6.01% and 6.08% of its AUM comprised housing finance loans, respectively, as per the Reformatted Consolidated Financial Information under Ind AS.

- ***'Hub-and-spoke' business model with efficient credit policies and procedures resulting in high asset quality***

SCUF operates a 'hub-and spoke' business model, where responsibilities from loan origination to loan recovery are vested in each of its business outlets under the general supervision and control of its head office in Chennai. It focuses on closely monitoring its assets and borrowers through its executives at each business outlet. It follows well-defined credit policies, including limits on customer exposure and the nature of security provided to augment the asset quality of its loans. As of March 31, 2019, its Gross NPA and Net NPA were 8.91% and 5.02%, respectively on a standalone basis, as per the Reformatted Standalone Financial Information under Ind AS. The Company's ECL amounted to 6.66% and 6.50% respectively as on March 31, 2019 & March 31, 2018 on a standalone basis, per the Reformatted Standalone Financial Information under Ind AS.

- ***Advanced processes and technology systems***

SCUF has licensed the SVS UNO system, a comprehensive, integrated business solution from Shriram Value Services Limited, to address the strategic and day to day challenges faced by the Company. Each of its business outlets is connected with its servers in its head office in Chennai through its proprietary ERP platform. The Company believes that its advanced technology systems enable it to respond to market opportunities and challenges swiftly, improve the quality of service to its customers, and improve its risk management capabilities.

- ***Experienced senior management team***

SCUF has an experienced management team, which is supported by a capable and motivated pool of employees. Its Board consists of ten Directors having extensive experience in the financial services and related sectors. In order to maintain its strong credit appraisal and risk management systems, and to enforce its credit policies, the Company employs a number of senior managers who have extensive experience in the Indian banking and financial services sector providing loans to retail customers.

Source: Shelf Prospectus dated March 27, 2019 and Tranche 2 Prospectus dated August 16, 2019

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ISSUE STRUCTURE

Issuer	Shriram City Union Finance Limited
Type of instrument/Security Name	Secured, redeemable, non-convertible debentures of face value of Rs. 1,000 each
Seniority	Senior
Mode of issue	Public issue
Listing	The NCDs shall be listed on the BSE within 6 Working Days from the Tranche 2 Issue Closing Date.
Rating of the instrument	'CARE AA+ Stable' (Double A Plus; Outlook: Stable) by CARE and 'CRISIL AA/Stable' (pronounced as CRISIL double A rating with Stable outlook) by CRISIL. Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.
Base Issue size	Rs. 100 crore
Option to retain oversubscription	Rs. 900 crore
Default interest rate	The Company shall pay interest in connection with any delay in allotment, listing, dematerialized credit, execution of Debenture Trust Deed, payment of interest, redemption of principal amount beyond the time limits prescribed under applicable statutory and/or regulatory requirements, at such rates as stipulated/ prescribed under applicable laws
Day count basis	Actual/ Actual
Issue Price (in Rs.)	Rs.1,000 per NCD
Call/Put Option	NA
Face Value (in Rs.)	Rs.1,000 per NCD
Minimum application size and in multiples of debt securities thereafter	Rs.10,000 (10 NCDs) and in multiple of Rs.1,000 (1 NCD) thereafter
Tranche 2 Issue Opening Date	August 21, 2019
Tranche 2 Issue Closing Date	September 19, 2019
Pay-in Date	Application Date. The entire Application Amount is payable on Application
Deemed date of Allotment	The date on which the Banking and Securities Management Committee approves the Allotment of the NCDs for the Tranche 2 Issue, or such other date as may be determined by the Banking and Securities Management Committee and notified to the Stock Exchanges. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment. All benefits relating to the NCDs including interest on NCDs (as specified in the Tranche 2 Prospectus) shall be available to the Debenture holders from the Deemed Date of Allotment
Issuance mode of the instrument	Dematerialised form only.
Trading	In dematerialised form only
Record Date	The date for payment of interest in connection with the NCDs or repayment of principal in connection therewith which shall be 15 days prior to the date of payment of interest, and/or the date of redemption under the Tranche 2 Prospectus. In case the Record Date falls on a day of holiday for Depositories, the immediate subsequent trading day or a date notified by The Company to the Stock Exchange, will be deemed as the Record Date.
Security	The principal amount of the NCDs to be issued in terms of the Tranche 2 Prospectus together with all interest due on the NCDs by way of a first and exclusive charge on specified future receivables of The Company in favor of the Debenture Trustee and first and exclusive charge on identified immovable property of The Company, as decided mutually by The Company and the Debenture Trustee. The Company will create appropriate security in favor of the Debenture Trustee for the NCD holders on the assets adequate to ensure 100% asset cover for the NCDs and the interest due thereon pursuant to the Issue.
Security cover	At least 100% of the outstanding NCDs and the interest thereon at any point of time.

* In terms of Regulation 4(2)(d) of the SEBI Debt Regulations, the Company will undertake the public issue of the NCDs in dematerialised form.

**The Tranche 2 Issue shall remain open for subscription on Working Days from 10:00 a.m. to 5:00 p.m., during the period indicated in the Tranche 2 Prospectus, except that the Tranche 2 Issue may close on such earlier date or extended date as may be decided by the Board. In the event of such an early closure of or extension of the Tranche 2 Issue, the company shall ensure that notice of such early closure or extension is given to the prospective investors through an advertisement in a national daily newspaper with wide circulation on or before such earlier date or initial date of closure. Applications Forms for the Tranche 2 Issue will be accepted only from 10:00 a.m. till 5:00 p.m. or such extended time as may be permitted by BSE, on Working Days during the Tranche 2 Issue Period. On the Tranche 2 Issue Closing Date, Application Forms will be accepted only between 10:00 a.m. to 3:00 p.m. and uploaded until 5:00 p.m. or such extended time as may be permitted by BSE.

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THE SPECIFIC TERMS OF EACH OPTION OF NCDs

Particulars	Series							
	I	II	III*	IV	V	VI	VII	VIII
Frequency of Interest Payment	Annual	Cumulative	Annual	Monthly	Cumulative	Annual	Monthly	Cumulative
Minimum Application	Rs.10,000 (10 NCDs) across all series collectively.							
Face Value/ Issue Price of NCDs	Rs.1,000 per NCD							
In multiples of thereafter	Rs.1,000 (1 NCDS) across all series							
Tenor	24 months	24 months	36 months	36 months	36 months	60 months	60 months	60 months
Coupon (% per annum)	9.55	NA	9.70	9.30	NA	9.85	9.45	NA
Effective Yield (% per annum)	9.54	9.55	9.69	9.70	9.70	9.84	9.86	9.85
Mode of Interest Payment	Through various modes available.							
Amount on Maturity (Rs.)	1,000.00	1,200.45	1,000.00	1,000.00	1,320.50	1,000.00	1,000.00	1,600.40
Put and Call Options	NA							
Nature of indebtedness	Secured							

With respect to series where interest is to be paid on an annual basis, relevant interest will be paid on each anniversary of the Deemed Date of Allotment on the face value of the NCDs. The last interest payment under annual series will be made at the time of redemption of the NCDs.

Subject to applicable tax deducted at source, if any

Please refer to Annexure C for details pertaining to the cash flows of the Company in accordance with the SEBI circular bearing number CIR/IMD/DF/18/2013 dated October 29, 2013 and CIR/IMD/DF-1/122/2016 dated November 11, 2016.

* The Company would allot the Series III NCDs, as specified in the Tranche 2 Prospectus to all valid Applications, wherein the Applicants have not indicated their choice of the relevant Series of NCDs.

ALLOCATION RATIO

Institutional Portion	Non-Institutional Portion	High Net Worth Individual Investors Portion	Retail Individual Investors Portion
10%	10%	40%	40%

Source: Shelf Prospectus dated March 27, 2019 and Tranche 2 Prospectus dated August 16, 2019

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INVESTOR CATEGORIES AND ALLOTMENT

Institutional Investors	Non Institutional Investors	High Net-worth Individuals	Retail Individual Investors
<ul style="list-style-type: none"> • Public financial institutions, scheduled commercial banks, co-operative banks and Indian multilateral and bilateral development financial institutions which are authorised to invest in the NCDs; • Provident funds and pension funds with a minimum corpus of Rs.250 million, superannuation funds and gratuity funds, which are authorized to invest in the NCDs; • Alternative Investment Funds, subject to investment conditions applicable to them under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012; • Resident Venture Capital Funds registered with SEBI; • Insurance Companies registered with IRDAI; • State industrial development corporations; • Insurance funds set up and managed by the army, navy, or air force of the Union of India; • Insurance funds set up and managed by the Department of Posts, the Union of India; • Systemically Important Non-Banking Financial Company registered with the RBI; • National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; • Mutual Funds registered with SEBI. 	<ul style="list-style-type: none"> • Companies within the meaning of section 2(20) of the Companies Act, 2013; • Statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs; • Co-operative banks and regional rural banks; • Trusts including public/private charitable/religious trusts which are authorised to invest in the NCDs; • Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; • Partnership firms in the name of the partners; • Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); • Association of Persons; • Any other incorporated and/ or unincorporated body of persons. 	<ul style="list-style-type: none"> • Resident Indian individuals and Hindu Undivided Families applying through the Karta, for NCDs aggregating up to a value of more than Rs 1,000,000 across all series of NCDs in the Tranche 2 Issue. 	<ul style="list-style-type: none"> • Resident Indian individuals and Hindu Undivided Families applying through the Karta, for NCDs for an amount aggregating up to and including Rs 1,000,000 across all series of NCDs in the Tranche 2 Issue.

APPLICATIONS CANNOT BE MADE BY

The following categories of persons, and entities, shall not be eligible to participate in the Issue and any Applications from such persons and entities are liable to be rejected:

- Minors without a guardian name* (A guardian may apply on behalf of a minor. However, the name of the guardian will also need to be mentioned on the Application Form);
- Foreign nationals;
- Persons resident outside India;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Non Resident Indians;
- Qualified Foreign Investors;
- Overseas Corporate Bodies**;
- Foreign Venture Capital Funds; and
- Persons ineligible to contract under applicable statutory/regulatory requirements.

*Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872

The Registrar to the Issue shall verify the above on the basis of the records provided by the Depositories based on the DP ID and Client ID provided by the Applicants in the Application Form and uploaded onto the electronic system of the Stock Exchange by the Designated Intermediaries.

**The concept of Overseas Corporate Bodies (meaning any company, partnership firm, society and other corporate body or overseas trust irrevocably owned/held directly or indirectly to the extent of at least 60% by NRIs), which was in existence until 2003, was withdrawn by the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003. Accordingly, OCBs are not permitted to invest in the Issue.

Source: Shelf Prospectus dated March 27, 2019 and Tranche 2 Prospectus dated August 16, 2019

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Key Operational and Financial Parameters on a standalone basis:

Particulars	Fiscal 2019	Fiscal 2018
	(Ind AS)	(Ind AS)
Paid up equity share capital	65.99	65.97
Net worth	6312.61	5,475.94
Total Debt	22,573.70	21,401.08
Debt Securities – Secured	3,686.90	2,301.02
Borrowings (Other than Debt securities) – Secured	13,234.61	12,471.87
Borrowings (Other than Debt securities) – Unsecured	1,876.10	2,378.91
Deposits – Unsecured	3,119.41	3,073.65
Subordinated Liabilities – Unsecured	653.71	1,175.62
Derivative financial instruments	2.97	0.00
Other Financial Liabilities	354.59	259.09
Net Fixed Assets	79.24	75.78
Cash and cash equivalents	982.29	334.26
Investments	866.23	735.52
Bank balance other than above	301.90	200.65
Other Financial Assets	34.42	18.84
Assets Under Management	26,989.11	25,787.30
Off Balance Sheet Assets	740.03	2.93
Interest Income	5,676.92	5,084.04
Interest Expense	1,979.91	1,664.13
Provisioning & Write-offs	647.38	629.67
Profit after tax (PAT)	988.88	710.94
Stage 3 Assets	2,576.69	2,593.85
Stage 3 Provisions	1,926.49	1,791.81
Gross NPA (%)	8.91%	9.41%
Net NPA (%)	5.02%	4.97%
ECL (%)	6.66%	6.50%
Tier I Capital Adequacy Ratio (%)	22.75%	20.58%
Tier II Capital Adequacy Ratio (%)	0.37%	0.79%

(Rs. Crore)

Particulars	Fiscal 2017
	(IGAAP)
Paid up equity share capital	65.94
Net worth	5,028.41
Total Debt (of which)	
- Non-Current Maturities of Long-Term Borrowing	9,814.26
- Short Term Borrowing	3,813.02
-Current Maturities of Long-Term Borrowing	3,414.70
Net Fixed Assets	78.16
Non-Current Assets (Net of Fixed Assets)	10,532.35
Cash and Cash Equivalents	637.13
Current Investments	229.16
Current Assets (Net of Cash and Bank Balances & Current Investments)	13,059.66
Current Liabilities (Net of Short-Term Borrowings & Current Maturities of Long-Term Borrowing)	956.69
Assets under Management	22,846.92
Off Balance Sheet Assets	285.07
Interest Income	4,379.59
Interest Expense	1,511.00
Provisioning & Write-offs	910.53
Profit after tax (PAT)	556.06
Gross NPA (%)	6.73%
Net NPA (%)	1.89%
Tier I Capital Adequacy Ratio (%)	22.22%
Tier II Capital Adequacy Ratio (%)	1.66%

Total Debt Equity Ratio of the Company on standalone basis:

Prior to the Issue (as on June 30, 2019)	3.38
Post-Issue	3.74

Source: Shelf Prospectus dated March 27, 2019 and Tranche 2 Prospectus dated August 16, 2019**Disclaimer: Invest only after referring to the Shelf Prospectus and the Tranche 2 Prospectus**

DISCLAIMER:**‘The investors shall invest only on the basis of information contained in the final prospectus’**

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