Warburg acquires Shriram Housing Fin for ₹4,630 cr

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housing, rating agency Icra Ltd said in a report in April.

Icra, in the same report, said the housing finance sector may need ₹1-1.1 trillion of additional funding (over the refinancing of existing maturing debt) in FY25 for this envisaged growth.

"Warburg Pincus remains excited about the affordable housing finance segment in India," said Narendra Ostawal, head of India private equity, Warburg Pincus, in a statement announcing the deal.

Shriram Group, however, has kept Shriram Housing Finance out of its new growth plans.

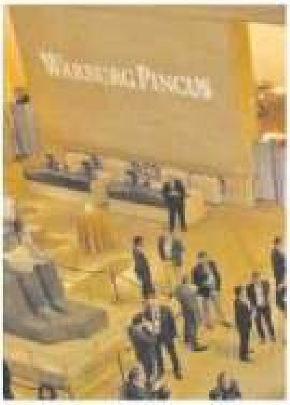
With assets worth more than ₹10,000 crore, Shriram Housing is a mid-sized entity that primarily lends in the affordable housing space. It competes with the likes of Bajaj Housing Finance Ltd, Indiabulls Housing Finance Ltd, LIC Housing Finance Ltd, Piramal Capital and Housing Finance Ltd, and PNB Housing Finance Ltd.

Despite the rising demand for affordable housing, however, the housing finance sector has been somewhat consolidating recently mainly on the grounds of stringent regulatory requirements.

The Reserve Bank of India has been nudging housing finance firms to get listed and meet stricter liquidity rules, akin to those for banks. The regulator also recently mentioned that India's credit outstanding to the housing sector had increased by about ₹10 trillion over the previous two fiscal years, rising to a record ₹27.23 trillion in March this year.

While on one hand, Blackstone-backed Aadhar Housing Finance is preparing a ₹3,000-crore IPO, on the other, to comply with RBI's rules, Piramal Enterprises Ltd on 9 May decided to merge with its unlisted subsidiary, Piramal Capital and Housing Finance Ltd.

In 2021, RBI directed all upper-layer non-banking financial companies to get listed on the stock markets within three years of classification. The following year, RBI issued a list of shadow banks, including the likes of Tata Sons, LIC Housing Finance, and Shriram Finance.



The deal, which is expected to be completed by 7 February, 2025. WARBURG PINCUS LLC/LINKEDIN

"We believe that this transaction is in the best interest of SHFL shareholders towards greater value generation and comes at an opportune time for us as well," said Y.S. Chakravarti, managing director and CEO, Shriram Finance.

Shriram Finance said JM Financial, Barclays, and Avendus acted as financial advisors to all the sellers of Shriram Housing's stake, while Cyril Amarchand Mangaldas advised Warburg Pincus on the transaction.

Shriram group will use the proceeds from the sale to expand its new businesses in the financial services space

Before finalizing its deal with Warburg Pincus, Shriram Finance, as the promoter of Shriram Housing Finance, had been holding discussions for over five months with several potential suitors, including Bain Capital.

According to two people familiar with the details of the final deal, the Shriram group will use the proceeds from the sale to expand its new businesses in the financial services space and strengthen its balance sheet.

"Shriram Finance Ltd will continue to focus on growth led by the short to medium-tenor consumer finance business while Shriram Housing Finance will now chart out its differentiated path," said Chakravarti.