Warburg bags Shriram Hsg

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BIG BUY

- Deal valued at ₹4630cr
- Shriram Finance to sell 85% stake
- PE firm to sell 15%
- Shriram Housing focus on affordable homes

Mumbai: Shriram Finance Ltd (SFL) is selling its housing finance arm — Shriram Housing Finance Ltd (SHFL) — to Warburg Pincus in a ₹4,630-crore deal.

SFL holds close to 85 per cent of the housing finance company with the rest by private equity firm Valiant Partners (Valiant), which will fully divest its equity stake to Warburg Pincus.

Warburg Pincus will acquire the stake through its affiliate Mango Crest Investment Ltd from the sellers.

In a regulatory filing after-market hours, SFL said it will receive a ``minimum consideration" of ₹3,909 crore along with certain additional amounts based on the occurrence of identified events.

It added that the proposed transaction is valued at Rs 4,630 crore for equity and convertible instruments of SHFL. The transaction is subject to regulatory approvals.

SHFL, which is present in the affordable housing segment, posted a turnover of ₹1,430 crore in the year ended March 31, 2023.

The non-banking finance company added that after the transaction, SHFL will operate as a standalone entity, continuing to enhance value to its stakeholders as it preserves its heritage and mission to provide housing finance solutions to the under-served population of the country.

The existing management team of SHFL led by Ravi Subramanian, managing director and chief executive officer, will continue to lead the business.

"Over the years, SHFL has built a differentiated business and a strong brand, providing accessible and innovative financial solutions to meet diverse customer needs across the Indian housing finance landscape," Umesh Revankar, executive vice-chairman, Shriram Finance Ltd, said.

"The company has been reporting industry-leading CAGR while building superior asset quality," Revankar said.

"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. Shriram Finance Limited 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," Y.S. Chakravarti, Shriram Finance MD & CEO said.

Ahead of the announcement, shares of SFL ended at Rs 2,300.90 on the BSE, marking a loss of 1.91 per cent over its last close.

SFL was reportedly in talks with Bain Capital for the sale of the affordable housing finance unit.