Shriram Fin to sell home loan arm to Warburg Pincus for ₹4,630 cr

BIG DEAL. PE's affiliate, Mango Crest Investment, to buy out Valiant Partners, too

HOMING IN.

- The existing management team of SHFL led by Ravi Subramanian, MD & CEO, will continue to lead the business
- Shriram Finance holds a controlling stake in SHFL with private equity firm Valiant Partners L.P. (Valiant), Mauritius, holding the rest
- SHFL has 155 branches, an AUM of ₹13,762 cr, a net worth of ₹1,924 cr and revenues of ₹1,430 cr, as of March 31, 2024

Ravi Subramanian, MD & CEO, SHFL

Our Bureau
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New York-based private equity firm Warburg Pincus will acquire Shriram Housing Finance Limited (SHFL) in a deal valued at ₹4,630 crore in equity and convertible instruments.

Warburg Pincus will acquire the stake through its affiliate Mango Crest Investment Ltd. At present, Shriram Finance Ltd holds a controlling stake in SHFL with private equity firm Valiant Partners L.P. (Valiant), Mauritius, holding the rest.

As a part of this transaction, Valiant and Shriram Finance will completely divest their stakes to Warburg Pincus. The existing management team of SHFL, led by Ravi Subramanian, Managing Director and Chief Executive Officer, will continue to lead the business.

PAN-INDIA PRESENCE

The company has a pan-India presence with 155 branches, an AUM of ₹13,762 crore, net worth of ₹1,924 crore and revenues of ₹1,430 crore, as of March 31, 2024.

Umesh Revankar, Executive Vice-Chairman, Shriram Finance, said, "We believe that at this cusp of growth, Shriram Housing Finance is set to unlock greater value as it empowers under-served millions to own homes. This transaction aims to maximise value creation for both SFL and SHFL, as both companies independently fulfil their respective long-term vision."

Shriram Finance will continue its business in commercial vehicle and two-wheeler loans, as also MSME financing. YS Chakravarti, MD & CEO, Shriram Finance, said: "Shriram Finance 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."

HOME FINANCE UPBEAT

The move comes at a time when the affordable housing finance segment is poised for significant growth. Housing finance companies' AUM is seen growing 12-14 per cent in FY24 and FY25 led by continued growth momentum in housing loans coupled with an expected revival in developer loans, according to CareEdge Ratings.

However, regulatory changes, tighter liquidity, continuation of elevated interest rates, delayed resolutions/recoveries in wholesale loans and competition from banks may pose downside risks.

Ravi Subramanian said, "The affordable housing finance segment is poised for significant growth. Our focus on innovative customer-centric solutions, product diversification, and superior customer experience remains steadfast, supported by cutting-edge technology and analytics."

Warburg Pincus has been investing into India over the last 25 years. Narendra Ostawal, Head of India Private Equity, Warburg Pincus, said, "Warburg Pincus has a history of partnering with exceptional teams, particularly within financial services and we are excited to support Ravi and the management team as the company advances into its next phase of growth."

India's housing finance space has seen some restructuring over the last six months. While Blackstone-backed Aadhar Housing Finance recently raised ₹3,000 crore through an initial public offering, Piramal Enterprises has decided to merge with its unlisted subsidiary, Piramal Capital and Housing Finance Ltd.