



SUNDARAM FINANCE
Enduring values. New age thinking.

Fin:1594:18-19
2nd January 2019

The Manager
Listing Compliance Department
National Stock Exchange of India Ltd
Exchange Plaza, Bandra Kurla Complex
Bandra East, Mumbai 400 051

Dear Sir,

Sub: Withdrawal of rating assigned by India Ratings

Pursuant to our request, India Ratings have withdrawn the rating (Ind AA+/Stable Outlook) assigned to our subordinated debentures (Lower Tier II bonds) of Rs.67 Cr. This is in line with the SEBI circular no. SEBI/ HO/ MIRSD/ DOP2 / CIR/P/2018/ 95 dated June 06, 2018. The press release for withdrawal of rating is enclosed.

In lieu of the above, we have obtained rating from CRISIL Limited (Crisil AAA/Stable Outlook) and the rating letter is also enclosed.

Thanking you

Yours truly
For Sundaram Finance Limited

Authorised Signatory

Sundaram Finance Limited

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India Ratings Affirms and Withdraws Sundaram Finance's Ratings

02

JAN 2019

By [Pankaj Naik](#)

India Ratings and Research (Ind-Ra) has affirmed and withdrawn Sundaram Finance Limited's (SFL) Long-Term Issuer Rating of 'IND AA+' and Short-Term Issuer Rating of 'IND A1+'. The Outlook was Stable. The instrument-wise rating action is as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating	Rating Action
Lower Tier II Bonds*	-	-	-	INR1,500	WD	Withdrawn

*Details in Annexure

Affirmed at 'IND AA+' / Stable before being withdrawn

Ind-Ra has withdrawn the rating on the Lower Tier II bonds based upon SFL's request and in conformity with the regulations. In accordance with the regulations, Ind-Ra had rated the Lower Tier II bonds continuously for more than five years, which is more than 50% of the bond tenure of 10 years. Also, the bonds have been rated by two other rating agencies.

KEY RATING DRIVERS

Tight Control over Delinquencies across Cycles: SFL's tight control over asset quality is reflected in its consistently lower delinquencies than its peers' over multiple cycles (gross non-performing asset in 2QFY19: 1.79%, FY18: 1.29%; FY17: 1.54%; credit costs: 0.32%; 0.27%, 0.28%). The company has a long track record of operations (incorporated in 1954), and hence a vast experience in vehicle financing space. It operates in the low risk segment and benefits from its strong market knowledge and customer loyalty. SFL has calibrated its growth strategy in line with its market conditions and not hesitated to curtail lending in times of heightened stress. Its operating profit buffers (pre-provision operating profit to credit costs) have been among the best in the non-banking finance companies (NBFCs) space, and provide adequate cover to absorb any unforeseen spike in the credit costs.

Comfortable Liquidity and Diversified through Wholesale Funding: SFL's funding is primarily wholesale, though it has a strong access to funding from investors, including a large set of banks, mutual funds, insurance companies and corporates. The company's funding is capital market heavy (around 55% of total funding at end-September 2018) in relation to banks' (13%). It also has public deposits (11% of total borrowings) with a roll over rate of over 80% and raises funds by way of securitisation (21%). Commercial paper (CP) borrowings accounted for around 16% of the total funding (including CP carved-out of bank limits) at end-September 2018. The asset-liability profile for September 2018 is well matched, and SFL had unutilised bank lines of around INR25 billion.

Moderate Capitalisation: SFL's Tier I capital adequacy ratio moderated to 11.44% at 2QFYE19 (FY18: 12.18%, FY17: 14.34%) due to a healthy growth of 19.4% yoy in the assets under management to INR272 billion as of September 2018 (FY18: up 19.3% yoy). The company expects to maintain Tier I capital adequacy ratio at 150bp-200bp above the regulatory requirement.

Rising Funding Cost Can Impact Margins: As the company has a better-than-average risk customer profile, it faces direct competition from banks and some of the stronger NBFCs for a part of its customer base, which impacts its yields. Further, the rise in interest rates could also put some pressure on the margins, given limited room to raise lending rates owing to the stiff competition offered by banks. However, SFL has been able to exercise good control on the operating and credit costs, which has supported its profitability.

Larger Concentration in Southern States; Moderate Market Franchise: SFL has traditionally maintained a larger focus on southern states, which account for about three-fifths of its loan portfolio. Its presence in the northern and eastern parts of the country is somewhat modest. Further, its calibrated loan growth strategy, while helping it in building a stellar asset quality track record, makes it lag behind in terms of market presence and size of loan portfolio. Additionally, the product portfolio and its customer segments have stronger competitive intensity than some of its peers. SFL, as a group, has tried to diversify its product segment with asset management and housing finance business, which as of now are small in size.

COMPANY PROFILE

SFL is an asset finance company, incorporated in 1954 and registered as a deposit-taking NBFC with the Reserve Bank of India. The company has a network of 644 branches across India and had INR272 billion of assets under management at 1HFYE19. While primarily into vehicle finance, SFL has business interests spanning across home finance, asset management and insurance.

FINANCIAL SUMMARY

Particulars	FY18	FY17
Total tangible assets (INR million)	232,922	190,121
Total tangible equity (INR million)	39,708	37,456
Net income (INR million)	5,329	4,953
Return on average assets (%)	2.52	2.73
Tier I capital (%)	12.18	14.34
Source: SFL		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	29 March 2018	30 December 2016	5 June 2015
Issuer rating	Long-term/short-term	-	WD	IND AA+/Stable/IND A1+	IND AA+/Stable/IND A1+	IND AA+/Stable/IND A1+
Lower Tier II Bonds	Long-term	INR1,500	WD	IND AA+/Stable	IND AA+/Stable	IND AA+/Stable

ANNEXURE

Instrument Type	ISIN	Date of Issue	Coupon (%)	Date Of Maturity	Rated Limits (Outstanding on 30 November 2018 in million)	Rating
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Lower Tier II Bonds	INE660A08BG3	7 May 2010	9.85	7 May 2020	INR670	WD
		Raised under the rated limit but redeemed			INR450	
		Unutilised limit			INR380	
		Total			INR1,500	

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

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Applicable Criteria

[Financial Institutions Rating Criteria](#)
[Non-Bank Finance Companies Criteria](#)

Analyst Names

Primary Analyst

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CONFIDENTIAL

SUNDFIN/212704/TIIB/122120182
December 21, 2018

Mr. M Ramaswamy
Chief Financial Officer
Sundaram Finance Limited
21, Patullos Road
Chennai - 600002
Tel:44 28558170

Dear Mr. M Ramaswamy,

Re: CRISIL Rating on the Rs.67 Crore Tier-II Bonds of Sundaram Finance Limited

All ratings assigned by CRISIL are kept under continuous surveillance and review.

Please find in the table below the rating outstanding for your company.

S.No.	Instrument	Rated Amount (Rs. in Crore)	Rating Outstanding
1	Tier II Bond	67	CRISIL AAA/Stable

In the event of your company not making the issue within a period of 180 days from the above date, or in the event of any change in the size or structure of your proposed issue, a fresh letter of revalidation from CRISIL will be necessary.

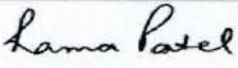
As per our Rating Agreement, CRISIL would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. CRISIL reserves the right to withdraw or revise the ratings assigned to the captioned instrument at any time, on the basis of new information, or unavailability of information or other circumstances, which CRISIL believes, may have an impact on the rating.

As per the latest SEBI circular (reference number: CIR/IMD/DF/17/2013; dated October 22, 2013) on centralized database for corporate bonds/debentures, you are required to provide international securities identification number (ISIN; along with the reference number and the date of the rating letter) of all bond/debenture issuances made against this rating letter to us. The circular also requires you to share this information with us within 2 days after the allotment of the ISIN. We request you to mail us all the necessary and relevant information at debtissue@crisil.com. This will enable CRISIL to verify and confirm to the depositories, including NSDL and CDSL, the ISIN details of debt rated by us, as required by SEBI. Feel free to contact us for any clarifications you may have at debtissue@crisil.com

Should you require any clarifications, please feel free to get in touch with us.

With warm regards,

Yours sincerely,


Rama Patel
Director - CRISIL Ratings


Nivedita Shibu
Associate Director - CRISIL Ratings



A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy, sell, or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. All CRISIL ratings are under surveillance. Ratings are revised as and when circumstances so warrant. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of this product. CRISIL Ratings rating criteria are available without charge to the public on the CRISIL web site, www.crisil.com. For the latest rating information on any instrument of any company rated by CRISIL, please contact Customer Service Helpdesk at 1800-267-1301.

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