

March 25, 2026

Sundaram Home Finance Limited: Ratings reaffirmed; rating withdrawn for matured NCDs

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/Short-term bank facilities	6,009.16	6,009.16	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed
Non-convertible debentures	7,073.60	7,073.60	[ICRA]AAA (Stable); reaffirmed
	655.00	0.00	[ICRA]AAA (Stable); reaffirmed and withdrawn
Subordinated debt	755.00	755.00	[ICRA]AAA (Stable); reaffirmed
Fixed deposits	-	-	[ICRA]AAA (Stable); reaffirmed
Commercial paper	1,500.00	1,500.00	[ICRA]A1+; reaffirmed
Total	15,992.76	15,337.76	

*Instrument details are provided in Annexure I

Rationale

To arrive at the ratings, ICRA has taken a consolidated view of the Sundaram Finance Limited (SFL) Group (SFL Group/the Group). Sundaram Home Finance Limited (SHFL) provides portfolio diversification to the SFL Group, with SFL's standalone operations being predominantly focussed on vehicle financing. SHFL benefits significantly from business-level synergies, financial interlinkages and the management overlap with the Group.

The ratings consider the Group's demonstrated track record of steady and profitable growth across business cycles, its experienced senior management team and established franchise. The ratings factor in the Group's comfortable funding and strong liquidity profile, backed by its ability to raise funds from diverse sources at competitive rates. The ratings also take into consideration the Group's comfortable capitalisation profile, with SFL and SHFL having a Tier I capital of 16.8% and 17.5%, respectively, as of December 2025.

At the consolidated level, the Group has a presence in the vehicle and mortgage (housing and non-housing) financing segments and offers various other financial services, including insurance and asset management. Its consolidated loan assets under management (AUM) stood at Rs. 76,957 crore as of December 2025, with vehicle finance (including construction equipment), mortgage finance and others accounting for 65%, 25% and 10%, respectively. The Group's growth has been driven by its focus on maintaining good asset quality while generating stable business returns.

The Group's gross stage 3 (GS3) stood at 1.8% as of December 2025 (1.6% in December 2024) compared with 1.3% as of March 2025 (1.2% as of March 2024). Provisions/AUM increased marginally to 1.2% as of December 2025 from 1.1% as of March 2025.

The Stable outlook reflects the diverse business segments of the Group with stable profitability and comfortable capitalisation, which should support growth, going forward.

ICRA has also withdrawn the long-term rating on the Rs. 655.00-crore non-convertible debentures (NCDs) in accordance with its policy on the withdrawal of credit ratings as the instruments have matured and have been fully repaid.

Key rating drivers and their description

Credit strengths

Established track record in lending and financial services businesses; presence in diverse segments – The SFL Group provides a wide range of financial services, including vehicle finance, housing finance, asset management and insurance among others. The Group, with its operational history of almost seven decades, has a demonstrated track record across business cycles without a significant deterioration in its overall risk profile, supported by its good understanding of the target segments and experienced management team. It has established relationships with its customers [a sizeable share of the commercial vehicle (CV) borrowers comprises repeat customers], which, along with the conservative underwriting norms and robust collection and recovery mechanism, have supported its business risk profile over the past six decades. The consolidated AUM of the lending businesses stood at Rs. 76,957 crore as of December 2025, up by 16.1% year-on-year (YoY). The Group envisages to grow its loan portfolio by around 15% annually over the medium term.

SFL's portfolio stood at Rs. 58,236 crore and the mix broadly remained range-bound over the past three years with CVs accounting for 43.7% of the AUM as of December 2025, followed by cars (25.0%), construction equipment (10.6%), tractors (7.0%) and commercial lending & others (13.7%). The share of used assets in the AUM increased to 18.0% as of December 2025.

SHFL, SFL's wholly-owned subsidiary, provides housing finance. It reported an AUM of Rs. 19,230 crore as of December 2025, up 17.8% YoY vis-à-vis the compound annual growth rate (CAGR) of 23% during FY2023-FY2025. Housing loans (HLs) and non-HLs contributed ~56% and ~44%, respectively, to the AUM as of December 2025. Sundaram Asset Management Company Limited {SAMCL; rated [ICRA]AA (Stable)} reported an AUM of Rs. 86,195 crore as of December 2025 vis-à-vis Rs. 71,826 crore as of March 2025.

In the lending business (SFL & SHFL), the Group is expected to focus on the existing target segments for near-to-medium-term growth.

Adequate profitability indicators – The SFL Group's net profitability has remained range-bound with profit after tax (PAT)¹/average managed assets (AMA) of 2.3% in 9M FY2026 vis-à-vis 2.3-2.5% during FY2023-FY2025. The net interest margin was 4.4% in 9M FY2026 compared to 4.3-4.5% during FY2023-FY2025, while credit costs stood at 0.6% in 9M FY2026 compared to 0.3-0.4% during FY2023-FY2025. The Group's profitability is expected to remain stable in the near term.

On a standalone basis, SHFL reported a net profitability of 1.5% in 9M FY2026 and FY2025 vis-à-vis 1.8%-1.9% during FY2023-FY2024 due to higher operating expenses as it invested in expanding lower-ticket mortgage loans.

Comfortable capitalisation profile – SFL's consolidated managed gearing stood at 4.7 times as of December 2025 and 4.8 times as of March 2025 (4.8 times as of March 2024). Its capitalisation profile remains comfortable with the Tier I at 16.8% as of December 2025. SHFL's Tier I capital declined to 17.5% as of December 2025 from 18.3% as of March 2025. Its managed gearing has also been increasing steadily (7.7 times as of December 2025 vis-à-vis 5.5 times as of March 2023) due to the healthy AUM growth witnessed during FY2024-FY2025. ICRA notes that SHFL may require capital infusions over the near-to-medium term, given the rise in the leverage levels and the expected expansion in its AUM. At the Group level, the capital structure would remain comfortable with sufficient internal accruals for meeting the medium-term growth expectations.

Comfortable asset quality – SFL has a track record of keeping its asset quality under control across business cycles. The Group's GS3 was adversely impacted by the Covid-19 pandemic, but it improved steadily since Q2 FY2022 to 1.3% as of March 2025 from 2.4% as of March 2022 and the peak of 5.0% as of June 2021. As of December 2025, it stood at 1.8% (1.6% in December 2024). Provisions/AUM consequently increased marginally to 1.2% as of December 2025 from 1.1% as of March 2025. The Group's current provision coverage is adequate, with some cushion for incremental slippages.

¹ Before adjustment of non-controlling interest in associates and joint ventures

On a standalone basis, SHFL's GS3 was 1.4% as of December 2025 vis-à-vis 1.0% as of March 2025 (1.2% as of March 2024). The increase in Q3 FY2026 was on account of the alignment of the due date of monthly instalments with NACH submission dates vis-à-vis the previous practice of starting the collection process before the due date. The overall provision cover stood at 1.2% of the portfolio as of December 2025. Also, SHFL's outstanding restructured book moderated to 1.1% of the AUM as of December 2025 from 1.5% as of March 2025 (2.4% as of March 2024).

Credit challenges

Competitive business environment; regionally concentrated portfolio – The SFL Group has a concentrated portfolio with the southern region accounting for ~51% (excluding commercial lending and others) as of December 2025. SFL and SHFL face competition from banks and other non-banking financial companies (NBFCs) in their key target asset segments, namely CV, passenger vehicle (PV) and HL, which could lead to pressure on margins. While the Group's earnings profile has remained range-bound in the past, its ability to sustain the profitability indicators in a competitive business environment and keep the asset quality under control would be critical from a rating perspective.

Environmental and social risks

Given the service-oriented business of the SFL Group, its direct exposure to environmental risks/material physical climate risks is not significant. While lending institutions can be exposed to environmental risks indirectly through their portfolio of assets, such risks are mitigated by the SFL Group's diversified portfolio of products. Nevertheless, there is increasing interest from policymakers towards identifying the exposure of financing companies to carbon emissions through their financing activities. This process is, however, in an early stage and ICRA expects any adverse implications to manifest only over a longer time horizon, giving financing companies adequate time to adapt and minimise the credit implications.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and invite regulatory censure. The Group has not faced such lapses over the years, which highlights its sensitivity to such risks. Also, the disclosures made by the Group outline the key policies, processes, and investments made by it to mitigate the occurrence of such instances. ICRA also notes that customer preferences are increasingly shifting towards digital modes, providing the opportunity to reduce operating costs. In this regard, the SFL Group is enhancing its digitisation-backed processes and is making investments to improve its digital interface with its customers. Moreover, while the Group contributes towards promoting financial inclusion by lending to underserved segments, its lending practices remain prudent as reflected by the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Strong

On a consolidated basis (SFL and SHFL combined), cash and liquid investments stood at Rs. 2,956 crore with undrawn bank lines of Rs. 4,400 crore as of January 2026 against debt repayment obligations of Rs. 7,994 crore (including Rs. 774 crore of securitisation payments) during February-April 2026. ICRA draws comfort from the diverse funding profile of the lending business, including NCDs and subordinated debt (36% of borrowings as of December 2025), bank loans (33%), fixed deposits (13%), commercial paper (CP; 7%), portfolio sell-down (9%) and National Housing Bank (NHB; 2%).

While a sustained improvement in collections remains monitorable, access to funds from diverse sources and the ability to secure funding at competitive rates provide good financial flexibility to the SFL Group.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The ratings could be adversely impacted by a deterioration in the Group’s asset quality or profitability, with a rise in the GS3 beyond 3.5% or a decline in PAT/AMA to less than 1.7% on a sustained basis. Significant weakening in SFL’s Tier I capital adequacy ratio below 12%, on a consistent basis, could also exert pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA’s Credit Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Ratings
Parent/Group support	NA
Consolidation/Standalone	The ratings are based on SFL’s consolidated financial statements

About the company

Incorporated in 1999, Sundaram Home Finance Limited (SHFL) is a medium-sized housing finance company. It primarily provides housing loans and loan against property (LAP). SHFL is a wholly-owned subsidiary of Sundaram Finance Limited (SFL). As an operational strategy, SHFL is focussed largely on the five southern states where SFL has a strong retail customer base. As of December 2025, SHFL had 181 branches.

SHFL reported a net profit of Rs. 245 crore on a managed asset base of Rs. 18,286 crore in FY2025 against Rs. 236 crore and Rs. 14,642 crore, respectively, in FY2024. It reported a net profit of Rs. 212 crore in 9M FY2026 on a managed asset base of Rs. 20,349 crore as of December 2025.

Sundaram Finance Limited

SFL is the flagship company of the TSF Group. It is one of the large NBFCs in the country with AUM of Rs. 58,236 crore as of December 2025. Its primary focus is on the financing of CVs and cars. SFL has invested in various entities to provide a gamut of financial services like housing finance (SHFL), insurance (Royal Sundaram) and mutual funds (SAMCL).

SFL reported a standalone net profit of Rs. 1,543 crore in FY2025 on a managed asset base of Rs. 59,752 crore compared with Rs. 1,454 crore and Rs. 51,443 crore, respectively, in FY2024. It reported a net profit of Rs. 1,226 crore in 9M FY2026 on a managed asset base of Rs. 67,288 crore.

Key financial indicators (Ind-AS)

SFL – Consolidated	FY2024	FY2025	9M FY2026
Total income	7,286	8,563	7,284
PAT	1,422	1,813	1,425
Total managed assets	65,589	77,878	87,276
Return on managed assets	2.3%	2.5%	2.3%
Managed/Adjusted/Reported gearing (times)	4.8	4.8	4.7
Gross stage 3 [^]	1.2%	1.3%	1.8%

Source: Company, ICRA Research; [^]Combined gross stage 3 of SFL and SHFL; Amount in Rs. crore

SHFL – Standalone	FY2024	FY2025	9M FY2026
Total income[#]	1,398	1,587	1,380
Profit after tax	236	245	212
Total managed assets	14,642	18,286	20,349
Return on managed assets	1.8%	1.5%	1.5%
Managed gearing* (times)	6.5	7.5	7.7
Gross stage 3	1.2%	1.0%	1.4%
CRAR	20.3%	18.7%	18.0%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Managed gearing = (On-book borrowings + Off-book)/Net worth
[#]Excluding recovery of bad debts

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2026)		Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Mar-25-2026	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	1,500.00	[ICRA]A1+	Sep-18-2024	[ICRA]A1+	Jun-30-2023	[ICRA]A1+	Jun-21-2022	[ICRA]A1+
				Mar-26-2025	[ICRA]A1+	Dec-15-2023	[ICRA]A1+	Nov-15-2022	[ICRA]A1+
Subordinated debt	Long term	755.00	[ICRA]AAA (Stable)	Sep-18-2024	[ICRA]AAA (Stable)	Jun-30-2023	[ICRA]AAA (Stable)	Jun-21-2022	[ICRA]AAA (Stable)
				Mar-26-2025	[ICRA]AAA (Stable)	Dec-15-2023	[ICRA]AAA (Stable)	Nov-15-2022	[ICRA]AAA (Stable)
Fixed deposit	Long term	-	[ICRA]AAA (Stable)	Sep-18-2024	[ICRA]AAA (Stable)	Jun-30-2023	[ICRA]AAA (Stable)	Jun-21-2022	[ICRA]AAA (Stable)
				Mar-26-2025	[ICRA]AAA (Stable)	Dec-15-2023	[ICRA]AAA (Stable)	Nov-15-2022	[ICRA]AAA (Stable)
Non-convertible debentures	Long term	7,073.60	[ICRA]AAA (Stable)	Sep-18-2024	[ICRA]AAA (Stable)	Jun-30-2023	[ICRA]AAA (Stable)	Jun-21-2022	[ICRA]AAA (Stable)
				Mar-26-2025	[ICRA]AAA (Stable)	Dec-15-2023	[ICRA]AAA (Stable)	Nov-15-2022	[ICRA]AAA (Stable)
Long-term/Short-term bank facilities	Long term/Short term	6,009.16	[ICRA]AAA (Stable)/[ICRA]A1+	Sep-18-2024	[ICRA]AAA (Stable)/[ICRA]A1+	Jun-30-2023	[ICRA]AAA (Stable)	Jun-21-2022	[ICRA]AAA (Stable)
				Mar-26-2025	[ICRA]AAA (Stable)/[ICRA]A1+	Dec-15-2023	[ICRA]AAA (Stable)/[ICRA]A1+	Nov-15-2022	[ICRA]AAA (Stable)

Complexity level of the rated instrument

Instrument	Complexity indicator
Non-convertible debenture	Simple
Long-term/Short-term bank facilities	Simple
Subordinated debt	Simple
Fixed deposits	Simple
Commercial paper	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE667F07IG4	NCD	Oct-31-2022	8.18%	Oct-27-2027	175.00	[ICRA]AAA (Stable)
INE667F07II0	NCD	Dec-08-2022	8.08%	Dec-08-2027	200.00	[ICRA]AAA (Stable)
INE667F07IK6	NCD	Mar-20-2023	8.31%	Mar-20-2026	150.00	[ICRA]AAA (Stable)
INE667F07IO8	NCD	Oct-27-2023	7.99%	Oct-27-2026	300.00	[ICRA]AAA (Stable)
INE667F07IR1	NCD	Mar-28-2024	7.95%	Mar-28-2034	500.00	[ICRA]AAA (Stable)
INE667F07IS9	NCD	Jun-12-2024	8.05%	Jun-12-2029	200.00	[ICRA]AAA (Stable)
INE667F07IT7	NCD	Aug-05-2024	7.98%	Sep-04-2026	300.00	[ICRA]AAA (Stable)
INE667F07IU5	NCD	Aug-28-2024	7.9123%	Nov-27-2026	245.00	[ICRA]AAA (Stable)
INE667F07IV3	NCD	Sep-26-2024	7.90%	Sep-24-2027	350.00	[ICRA]AAA (Stable)
INE667F07IW1	NCD	Oct-10-2024	7.65%	Oct-29-2029	300.00	[ICRA]AAA (Stable)
INE667F07IX9	NCD	Nov-21-2024	7.70%	Dec-21-2029	500.00	[ICRA]AAA (Stable)
INE667F07IY7	NCD	Dec-12-2024	7.78%	Feb-02-2028	200.00	[ICRA]AAA (Stable)
INE667F07IZ4	NCD	Mar-28-2025	7.70%	Mar-26-2027	150.00	[ICRA]AAA (Stable)
INE667F07JA5	NCD	Apr-24-2025	7.27%	May-24-2027	150.00	[ICRA]AAA (Stable)
INE667F07JB3	NCD	May-16-2025	7.15%	May-16-2028	200.00	[ICRA]AAA (Stable)
INE667F07JC1	NCD	May-27-2025	7.15%	May-27-2030	250.00	[ICRA]AAA (Stable)
INE667F07JD9	NCD	Jun-25-2025	7.17%	Jun-25-2030	100.00	[ICRA]AAA (Stable)
INE667F07JE7	NCD	Aug-01-2025	7.12%	Aug-01-2030	400.00	[ICRA]AAA (Stable)
INE667F07JF4	NCD	Nov-21-2025	6.98%	Nov-21-2028	200.00	[ICRA]AAA (Stable)
Unallocated	NCD	-	-	-	2,203.60	[ICRA]AAA (Stable)
INE667F07IF6	NCD	Sep-02-2022	7.55%	Sep-02-2025	250.00	[ICRA]AAA (Stable); withdrawn
INE667F07IP5	NCD	Dec-20-2023	8.15%	Dec-19-2025	230.00	[ICRA]AAA (Stable); withdrawn
INE667F07IJ8	NCD	Feb-03-2023	7.97%	Feb-03-2026	175.00	[ICRA]AAA (Stable); withdrawn
INE667F08202	Sub-debt	Mar-06-2026	7.70%	Mar-06-2036	100.00	[ICRA]AAA (Stable)
Unallocated	Sub-debt	-	-	-	655.00	[ICRA]AAA (Stable)
INE667F14GR1	Commercial paper	Dec-05-2025	6.36%	Jun-03-2026	200.00	[ICRA]A1+
INE667F14GS9	Commercial paper	Dec-18-2025	6.17%	Mar-18-2026	150.00	[ICRA]A1+
INE667F14GT7	Commercial paper	Dec-23-2025	6.65%	Jun-15-2026	200.00	[ICRA]A1+
Yet to be placed	Commercial paper	-	-	-	950.00	[ICRA]A1+
NA	Fixed deposits	-	-	-	-	[ICRA]AAA (Stable)
NA	Long-term/Short-term bank facilities	Nov-18-2016 To Feb-25-2026	-	Jun-30-2027 To Oct-01-2034	6,009.16	[ICRA]AAA (Stable)/[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis as on December 31, 2025

Company name	Ownership	Consolidation approach
SHFL	100.0%	Full consolidation
SAMCL	100.0%	Full consolidation
Sundaram Alternate Assets Limited[®]	100.0%	Full consolidation
Sundaram Asset Management Singapore Pte Limited[®]	100.0%	Full consolidation
Sundaram Trustee Company Limited	100.0%	Full consolidation
LGF Services Limited	100.0%	Full consolidation
Sundaram Fund Services Limited (SFSL)	100.0%	Full consolidation
Sundaram Finance Employee Welfare Trust	100.0%	Full consolidation
Royal Sundaram General Insurance Company Limited	50.0%	Equity method

[®] SFL has ownership in these entities through SAMCL

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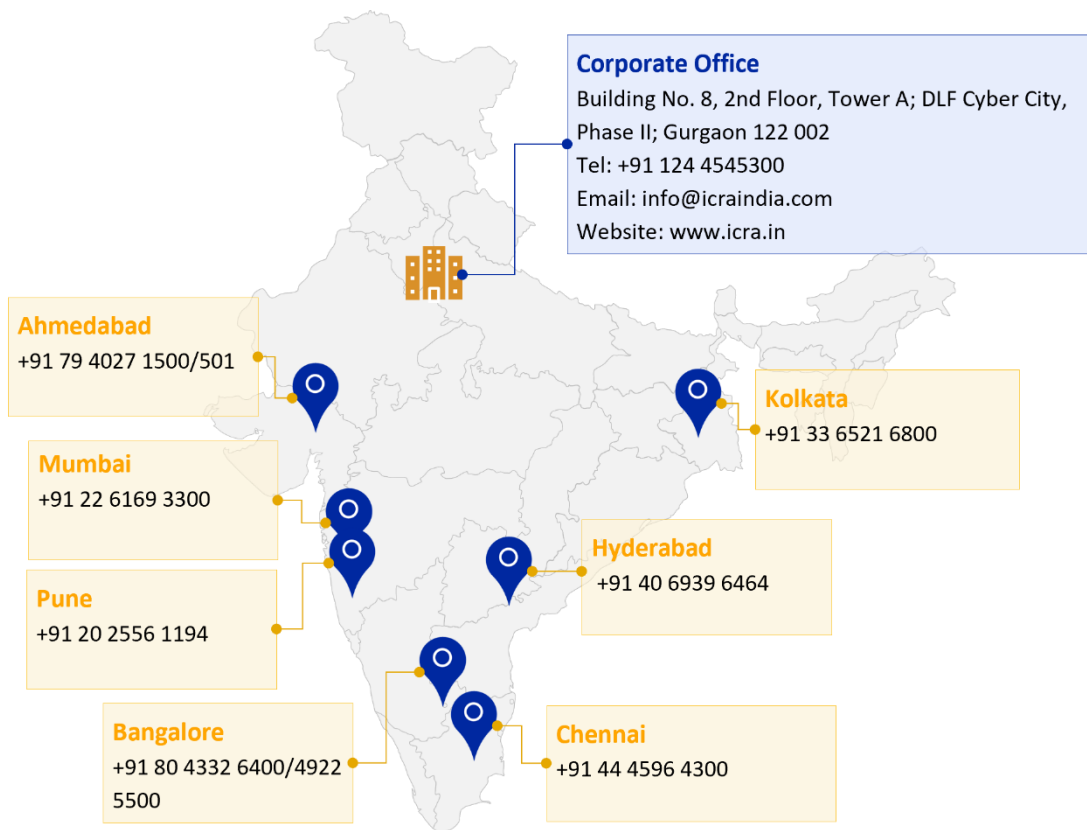
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