

April 09, 2026

Shriram Finance Limited: Rating upgraded, removed from Watch with Positive Implications and Stable outlook assigned

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fixed deposit programme	-	-	[ICRA]AAA (Stable); Rating upgraded from [ICRA]AA+, removed from Watch with Positive Implications and Stable outlook assigned
Non-convertible debenture programme	975.0	975.0	[ICRA]AAA (Stable); Rating upgraded from [ICRA]AA+, removed from Watch with Positive Implications and Stable outlook assigned
Non-convertible debenture programme	-	2,000.0	[ICRA]AAA (Stable); assigned
Total	975.0	2,975.0	

*Instrument details are provided in Annexure I

Rationale

On April 08, 2026, Shriram Finance Limited's (SFL) board of directors approved the allotment of 47,11,21,055 fully paid-up equity shares through a preferential issue on a private placement basis from MUFG Bank Ltd¹ (MUFG) for a consideration of ~Rs. 39,618 crore of primary equity capital, resulting in MUFG holding a 20% stake in the company. National Stock Exchange of India Limited and BSE Limited have granted in-principle approval for the same. Pursuant to the transaction, MUFG is eligible to appoint two non-executive nominee directors to SFL's board of directors while management control remains with Shriram Group.

This transaction has significantly bolstered SFL's capitalisation profile, providing sizeable buffer for growth and for managing volatility in its asset quality, given the target asset class/borrower profile. Further, the company's financial flexibility and earnings performance are expected to improve pursuant to the transaction and equity infusion. The investment from MUFG is also expected to improve SFL's cost of funding, which has remained higher than peers, while further enhancing its liabilities franchise. ICRA notes that the company intends to utilise the expected equity infusion towards scaling up its existing businesses and focus segments.

The rating continues to factor in the company's leadership position in the preowned commercial vehicle (CV) financing segment with an established track record, brand, strong customer reach and granular retail loan book. SFL is India's second largest non-banking financial company (NBFC) by assets under management (AUM) as of December 2025 with 74% of its AUM focussed on vehicle financing. The rating also considers the company's track record of maintaining healthy profitability across cycles. The rating factors in SFL's moderate, albeit improving, asset quality, given the modest borrower profile. The company's gross stage 3 assets declined, partly on account of technical write-offs, to 4.5% as of December 2025 (4.6% as of September 2025; 4.6% as of March 2025) from 5.4% as of December 2024. ICRA takes note that the credit costs remained under control at 1.4% of AMA in 9M FY2026 (1.7% in FY2024 and Fy2025). While ICRA takes comfort from SFL's track record of managing credit costs through business cycles, the asset quality remains monitorable.

The Stable outlook on the rating reflects ICRA's expectation of SFL maintaining strong capitalisation and a healthy earnings profile while continuing to scale up its operations.

¹ Rated A1/Stable by Moody's Investors Service

Key rating drivers and their description

Credit strengths

Strengthened capitalisation profile – The equity infusion of Rs. 39,618 crore by MUFG has strengthened SFL’s capitalisation profile with sufficient headroom for growth over the medium term while providing a cushion against volatility in the asset quality, given the target asset class/borrower profile. Pursuant to the equity raise, the company’s managed gearing is expected to decline to ~2.5 times (pro forma; December 2025). On a consolidated basis, the net worth exceeded Rs. 60,000 crore while the managed gearing was ~4.2 times as on December 31, 2025 prior to the equity infusion. The company had last raised capital in FY2022 through the issuance of equity shares via a qualified institutional placement and a preferential issuance of shares to the promoters, aggregating Rs. 2,479 crore (net of issue expenses). Given the expected growth trajectory, the recent equity infusion and healthy internal capital generation, the capitalisation position shall remain comfortable with a healthy cushion in relation to the underlying risks in the target segments.

Diversified product offerings with leadership position in preowned vehicle financing segment – SFL is one of the largest retail NBFCs with AUM of about Rs. 2,91,709 crore as on December 31, 2025. It is the largest player in the preowned CV financing segment in the country with a dominant market position. The company’s proven track record, along with its well-established franchise (3,763 branches and rural centres as on December 31, 2025), results in strong customer reach and a granular retail loan book. Moreover, SFL’s product offering remains diversified; it includes CV financing (46%), passenger vehicle finance (22%), loans to micro, small and medium enterprises (14%), two-wheeler (2W) finance (6%), construction equipment (5%), personal loans (4%), farm equipment (2%) and gold loans on a standalone basis. While the share of other products in the AUM will increase over the medium term, SFL is expected to maintain its competitive position in the CV segment.

Healthy profitability – SFL has reported healthy yields and lending spreads, commensurate with the underlying credit risk of its target borrower segment. Its net interest margin (NIM) remained healthy at 7.4%² of average managed assets (AMA) in 9M FY2026 (7.6% in FY2025) at the standalone level while its operating efficiency continues to improve gradually. Further, with the improvement in the asset quality, SFL’s credit cost declined to 1.4% of AMA in 9M FY2026 on a standalone basis from 1.7% in FY2025 as well as FY2024. At the standalone level, the company reported a return on average managed assets (RoMA) of 2.9% in 9M FY2026 compared to 3.5% in FY2025. On a consolidated basis, RoMA was estimated at 2.9% in 9M FY2026 (3.3% in FY2025). With the planned equity infusion, SFL’s credit profile shall strengthen, leading to an improvement in its borrowing costs and earnings performance. However, keeping credit costs under control shall remain key.

Diversified funding mix; cost of funding expected to improve, going forward – As on December 31, 2025, SFL’s standalone on-balance sheet borrowings exceeded Rs. 2,51,000 crore and are fairly diversified, primarily comprising public deposits (27%), term loans (20%), external commercial borrowings (ECBs; 19%), non-convertible debentures (NCDs; 17%), and securitisation (17%). ICRA takes cognisance of SFL’s track record of raising retail borrowings, besides tapping funds from a diverse set of investors, which has supported its large-scale operations and borrowing programme. Further, it has very limited reliance on short-term sources of funding such as commercial paper, which augurs well from a liquidity perspective. In ICRA’s opinion, the recent investment from MUFG is expected to improve the company’s cost of funding, which has remained higher than peers, while further enhancing its liabilities franchise.

Credit challenges

Moderate borrower profile and asset quality – SFL’s target borrowers primarily comprise high-yielding segments with modest credit profiles. These borrowers generally have a limited credit history and restricted buffer to absorb income shocks. Hence, the inherent credit risk in the portfolio is high. The same has been reflected in the moderate asset quality over the years. However, the standalone asset quality indicators have been improving with gross and net stage 3 assets of 4.5% and 2.4%, respectively, as on December 31, 2025, compared to 4.6% and 2.6%, respectively, as on March 31, 2025 (5.5% and 2.7%,

² 8.30% and 8.55% in 9M FY2026 and FY2025, respectively, as reported by the company in its quarterly investor presentation

respectively, as on March 31, 2024). The company has a track record of managing credit costs through business cycles, which provides comfort.

Environmental and social risks

Given the service-oriented business of SFL, its direct exposure to environmental risks as well as those emanating from regulations or policy changes is not material. However, the residual value of the security could reduce in case of policy changes, such as incremental rulings on the reduction in the operating life of CVs, thereby impacting the profitability. Further, there is increasing interest from policymakers towards identifying the exposure of financing companies to carbon emissions through their financing activities. However, this process is 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.

Exposure to social risks is low for a financial institution like SFL. The company serves the financing needs of a relatively underserved borrower category, which supports social inclusion and economic development. ICRA notes that a large portion of SFL's portfolio qualifies for priority sector lending, which augurs well for its ability to do securitisation transactions. Moreover, the company has demonstrated its ability to tap resources from overseas markets/impact investors through social bond issuances.

Liquidity position: Strong

The company had lien-free on-balance sheet liquidity of Rs. 16,128 crore, as on December 31, 2025, and its liquidity profile is further supported by the availability of unutilised funding lines of Rs. 8,067 crore. SFL has consistently maintained a high liquidity coverage ratio (335% for the quarter ended December 31, 2025; 287% for the quarter ended March 31, 2025; 265% for the quarter ended December 31, 2024), well above the regulatory requirement. As on December 31, 2025, its asset-liability maturity (ALM) profile was characterised by positive cumulative mismatches across buckets. The company's diversified funding mix, with an established track record of raising funds from various sources, also supports its liquidity profile.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the rating could arise if there is a significant deterioration in the asset quality and profitability (RoMA below 2%) on a sustained basis. Considerable weakening in the capitalisation profile with the managed gearing remaining above 6 times consistently could also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

About the company

Shriram Finance Limited [SFL; erstwhile Shriram Transport Finance Company Limited (STFC)], incorporated in 1979, is a part of the Shriram Group of companies and an upper layer non-banking financial company (NBFC). Based on the National Company Law Tribunal (NCLT) order dated November 14, 2022, the operations of Shriram City Union Finance Limited (SCUF) and Shriram Capital Limited were merged with STFC, which was rechristened Shriram Finance Limited on November 30, 2022.

SFL enjoys a leadership position in preowned commercial vehicle finance and has a pan-India presence with more than 3,700 branches and other offices. As on December 31, 2025, SFL had a standalone AUM of Rs. 2.92 lakh crore comprising commercial vehicle finance (46%), passenger vehicle finance (22%), loans to micro, small and medium-sized enterprises (MSMEs; 14%), construction equipment and farm equipment finance (7%), two-wheeler loans (6%), personal loans (4%) and gold loans.

Key financial indicators

Shriram Finance Limited (consolidated)	FY2024	FY2025	9M FY2026*
Total income	34,998	41,859	35,660
Profit after tax	7,399	9,576	7,003
Total managed assets	2,66,453	3,10,330	NA
Return on managed assets	3.0%	3.3%	~2.9%
Managed gearing (times)	4.2	4.3	~4.2
Gross stage 3 assets	5.2%	4.6%	4.5%
Capital-to-risk weighted assets ratio [#]	20.3%	20.7%	20.3%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Limited review; [#]Standalone basis

Total managed assets = Total assets + Impairment allowance + Direct assignment – Goodwill; Managed gearing includes direct assignment as debt and net worth is adjusted for goodwill

Shriram Finance Limited (standalone)	FY2024	FY2025	9M FY2026*
Total income	34,998	41,859	35,650
Profit after tax	7,190	9,761	6,985
Total managed assets	2,52,802	3,10,141	3,36,377
Return on managed assets	3.1%	3.5%	2.9%
Managed gearing (times)	4.0	4.3	4.2
Gross stage 3 assets	5.5%	4.6%	4.5%
Capital-to-risk weighted assets ratio	20.3%	20.7%	20.3%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Limited review

Total managed assets = Total assets + Impairment allowance + Direct assignment – Goodwill; Managed gearing includes direct assignment as debt and net worth is adjusted for goodwill

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years				
	Type	Amount rated (Rs. crore)	Date & rating in FY2027	Date & rating in FY2026	Date & rating in FY2025			Date & rating in FY2024
			Apr 09, 2026	Dec 31, 2025	Jan 10, 2025	Dec 20, 2024	May 22, 2024	Jan 11, 2024
Fixed deposit programme	Long term	-	[ICRA]AAA (Stable)	[ICRA]AA+; Rating Watch with Positive Implications	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
NCD programme	Long term	525.0	[ICRA]AAA (Stable)	[ICRA]AA+; Rating Watch with Positive Implications	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
NCD programme	Long term	450.0	[ICRA]AAA (Stable)	[ICRA]AA+; Rating Watch with Positive Implications	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
NCD programme	Long term	2,000.0	[ICRA]AAA (Stable)	-	-	-	-	-
NCD programme	Long term	-	-	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)

Source: ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
Fixed deposit programme	Simple
NCD programme	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/ Yield	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Fixed deposit programme	NA	NA	NA	NA	[ICRA]AAA (Stable)
INE722A07AX0*	NCD programme	Jul 23, 2021	8.75%	Jul 23, 2031	100.0	[ICRA]AAA (Stable)
INE722A07AV4*	NCD programme	Jun 23, 2021	9.00%	Jun 23, 2031	100.0	[ICRA]AAA (Stable)
INE722A07AQ4*	NCD programme	Feb 22, 2021	9.50%	Feb 21, 2031	75.0	[ICRA]AAA (Stable)
INE722A07AP6*	NCD programme	Feb 22, 2021	9.25%	Feb 22, 2030	50.0	[ICRA]AAA (Stable)
INE772A07AN1*	NCD programme	Feb 08, 2021	9.25%	Feb 08, 2030	10.0	[ICRA]AAA (Stable)
INE772A07AO9*	NCD programme	Feb 08, 2021	9.50%	Feb 07, 2031	30.0	[ICRA]AAA (Stable)
NA	NCD programme (yet to be placed)	-	-	-	610.0	[ICRA]AAA (Stable)
NA	NCD programme (yet to be placed)	-	-	-	2,000.0	[ICRA]AAA (Stable)

Source: Company; *ISIN transferred from SCUF; NCD – Non-convertible debentures; NA – Not applicable

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership (Dec 31, 2025)	Consolidation approach
Shriram Finance Limited	100.00% (rated entity)	Full consolidation
Shriram Overseas Investment Limited	100.00%	Full consolidation
Bharath Investment Pte. Limited	81.63%*	Full consolidation
Armour Insurance Services WLL	40.00%**	Equity method
Shriram Automall India Limited	44.56%	Equity method

*Held by Shriram Overseas Investment Limited; SFL has divested its entire stake in Q4 FY2026 in the company

** Held by Bharath Investment Pte. Limited; SFL has divested its entire stake in Q4 FY2026 in the company

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