

July 21, 2026

TVS Credit Services Limited: Ratings reaffirmed; rating assigned for subordinated debt

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator [#]
Long-term/Short-term bank facilities	11,146.00	11,146.00	[ICRA]AA+ (Stable)/[ICRA]A1+; reaffirmed	RBI
Commercial paper	3,300.00	3,300.00	[ICRA]A1+; reaffirmed	RBI
Perpetual debt	100.00	100.00	[ICRA]AA (Stable); reaffirmed	MCA
Subordinated debt	500.00	500.00	[ICRA]AA+ (Stable); reaffirmed	SEBI
	-	500.00	[ICRA]AA+ (Stable); assigned	
Total	15,046.00	15,546.00		

*Instrument details are provided in Annexure I

[#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The ratings factor in the operational, managerial and financial support received by TVS Credit Services Limited (TVSCSL) from its promoter – TVS Motor Company Limited (TVSM), which holds an 81.2% stake (including via its subsidiary) on a fully diluted basis as of March 2026. As the key financing entity in the TVSM Group, the company is strategically important for TVSM's operations. Regular equity infusions in the past, including from TVSM Group, have helped steadily strengthen TVSCSL's capital profile (Tier I capital of 16.5% as of March 2026 vis-à-vis 12.8% as of March 2024). The company's managed gearing improved to 4.6 times as of March 2026 from 5.0 times in March 2025 (5.9 times in March 2024). Its net profitability (profit after tax/average managed assets; PAT/AMA) continued to improve and stood at 2.7% in FY2026 vis-à-vis 2.5% in FY2025 (2.2% in FY2024).

Going forward, ICRA expects the company to sustain its earnings performance, supported by a gradual improvement in its operating efficiency, while credit costs are projected to remain range-bound. Improved internal generation would also support its near-to-medium-term growth plans as TVSCSL envisages to grow its assets under management (AUM) at a relatively moderate pace (15-20% per annum) vis-à-vis past trends. This shall keep its leverage under control over the near-to-medium term.

The ratings also consider the company's exposure to borrowers with a modest credit profile. The asset quality performance witnessed improvement in the current fiscal, especially in the tractor segment, though the used commercial vehicle (CV) segment continued to face pressure. Further, the consumer durables (CD) and cross-sell personal loan segments face sustained elevated write-offs. ICRA has taken note of the expected consolidation of Home Credit India Finance Private Limited (Home Credit), following the condition¹ of regulatory approval for the acquisition of Home Credit by TVS Holdings Limited²; the same is not likely to adversely impact TVSCSL's risk profile. Home Credit is focussed on consumer finance, with a loan book of Rs. 6,483 crore as of March 2026.

¹ Consolidation of the non-banking financial companies (NBFCs) in the Group within 30 months from the date of approval (November 2024)

² TVS Holdings is the ultimate holding company of TVSCSL

The one notch lower rating assigned to the company's perpetual debt programme compared to the [ICRA]AA+ rating for the other long-term debt programmes reflects the specific features of these instruments, wherein debt servicing is additionally linked to meeting the regulatory norms on capitalisation and reported profitability. The regulatory norms for these instruments include regulatory approvals from the Reserve Bank of India (RBI) for interest servicing if the company reports a loss or if it proposes to exercise the call option for redeeming the instrument and may defer interest payments if it breaches the minimum regulatory capitalisation norms.

The Stable outlook factors in TVSCSL's strategic importance to TVSM and the expectation that it will keep its leverage under control and sustain its earnings performance.

Key rating drivers and their description

Credit strengths

Strategic importance to TVSM – TVSCSL is strategically important to TVSM, given its status as a captive financing arm of the promoter's two-wheelers (2Ws). TVSM is the third-largest 2W manufacturer, with a domestic market share of 18.3% in Q4 FY2026 (18.4% in Q4 FY2025), and the second-largest exporter of motorcycles. With 21-22% of TVSCSL's disbursements towards the 2W segment, the company financed about 18% of TVSM's 2W sales, by volume, in recent years. It is also the key financier of TVSM's 2Ws in a few rural locations, which are a vital market for the promoter. The company operates through TVSM's dealership network and benefits from shared branch resources as well as considerable management support. Its board comprises eight directors, of which four are directors at TVSM as well, including TVSM's Chairman & Managing Director – Mr. Sudarshan Venu.

Given its strategic importance to TVSM, the company has received regular and timely equity support from the promoter in the past. ICRA expects the same to continue, going forward. ICRA also notes that TVSCSL, on a consolidated basis, contributed ~24% and ~27% to TVSM's profit³ in FY2026 and FY2025, respectively, up from 12% in FY2022.

Diversified geographical presence and exposure to retail asset segments – TVSCSL commenced operations as a captive financier of 2Ws in FY2011 and gradually expanded into other asset classes, viz. used cars, new/used tractors, CDs, used CVs, business loans (BLs), cross-sell personal loans, three-wheeler loans and gold loans. During FY2022-FY2024, its AUM expanded significantly at a compound annual growth rate (CAGR) of 33%. The company slowed down its pace of growth over the last two years, (3% in FY2025 and 15% in FY2026) to reach an AUM of Rs. 31,216 crore as of March 2026. The share of the 2W segment has declined steadily over the years (28% as of March 2026 from 46% as of March 2019) as TVSCSL expanded its presence to financing tractors (14% as of March 2026), used CVs (11%), CDs (19%) and cross-sell personal loan (15%). ICRA notes that the share of CD and cross-sell personal loans has increased steadily in recent years and stood at 35% as of March 2026. Cross-sell personal loan exposures are restricted to borrowers from the existing customer base with an already established credit track record with the company. TVSCSL is targeting a CAGR of 15-20% for its portfolio over the medium term with plans to diversify into newer asset segments while continuing to scale up further in the existing segments.

TVSCSL has a diversified geographical presence with its portfolio spread across 29 states and Union Territories (UTs), with more than 190 offices, 5,000 brokers/channel partners and 60,500 distribution network/touch points. The state with the largest AUM share is Tamil Nadu, which contributed ~14% to the AUM as of March 2026. The company benefits from TVSM's vast dealership network (around 1,200 dealers and more than 3,100 sub-dealers) and the top 5 states constituted ~55% of the AUM as of March 2026 (59% as of March 2024).

Adequate capitalisation profile with moderation in gearing levels – TVSCSL's capital profile witnessed further improvement in FY2026, supported by the equity infusion of about Rs. 200 crore from the existing shareholders (Rs. 330 crore in FY2025) and higher earnings. The total capital (capital-to-risk weighted assets ratio; CRAR) stood at 19.4% as of March 2026 vis-à-vis

³ Profit before interest and taxes

20.3% as of March 2025. The Tier I capital increased to 16.5% as of March 2026 from 15.8% as of March 2025 (12.8% as of March 2024). Its managed gearing also improved to 4.6 times as of March 2026 from 5.0 times as of March 2025 (5.9 times as of March 2024). TVSCSL has received a total equity infusion of ~Rs. 1,947 crore from the TVSM Group during FY2011-FY2026. Going forward as well, ICRA expects that the TVSM Group would continue to provide capital support to the company if required.

ICRA notes that TVSCSL's Tier I capital was impacted by the regulatory changes on risk weights for consumer credit exposures. However, the moderate AUM growth expectation over the medium term vis-à-vis the past trend, along with the improving profitability, shall support the capital profile, keeping the leverage controlled and range-bound over the near-to-medium term. ICRA anticipates that TVSCSL's managed gearing will remain below 6.5 times on a steady-state basis, which provides comfort. Timely equity capital from TVSM, as and when needed, shall ensure the maintenance of adequate capital buffers.

Improved earnings profile – TVSCSL's profitability has continued to witness a steady improvement over the past few years. Its net profitability expanded to 2.7% in FY2026 from 2.4% in FY2025 (2.2% in FY2024), largely following the improvement enhancement in the cost of funds and lower credit costs. Operating costs rose to 8.4% (as a percentage of average total managed assets) in FY2026 from 8.0% in FY2025 (8.6% in FY2024), with the company increasing its focus on collections in the CD segment with additional manpower and other software upgradations. TVSCSL had expanded its employee base and other operating infrastructure significantly to support its growth, which had resulted in the elevated level of operating expenses. Notwithstanding the improvement in recent years, ICRA notes that operating costs remain high with further scope for growth in efficiency over the near-to-medium term.

TVSCSL's credit costs dipped to 3.4% in FY2026 from 4.2% in FY2025, respectively, on account of the stability witnessed in the asset quality of the tractor segment and improvement across other segments. However, the net interest margin slightly declined to 12.6% in FY2026 from 12.9% in FY2025 (13.2% in FY2024) on account of some reduction in yields. Going forward, while the company is expected to continue improving its operating efficiency, keeping its credit costs under control would be critical for sustaining the enhancement of its earnings profile as envisaged over the medium term.

Credit challenges

Exposure to borrowers with modest credit profiles – TVSCSL has exposure to borrowers with modest credit profiles as a large proportion of its disbursements is to borrowers in semi-urban and rural areas with limited credit track records. The company predominantly targets the self-employed segment, which is prone to income shocks. The asset quality performance of the used CV, CD and cross-sell personal loan segments was under pressure in the current fiscal. However, TVSCSL's gross stage 3 (GS3) enhanced to 2.4% as of March 2026 from 2.9% as of March 2025 (2.8% as of March 2024), supported by some stability in the tractor segment. The 30+ days past due (dpd) in the tractor segment improved to 11.7% as of March 2026 from 13.8% as of March 2025, while it increased to 11.8% as of March 2026 from 10.1% as of March 2025 (5.7% as of March 2024) for the used CV segment. Write-offs and repossession losses declined to 3.6% (percentage of gross advances as of March 2026) in FY2026 from 5.0% (percentage of gross advances as of March 2025) in FY2025 (3.4% in FY2024), with write-offs in the tractor segment reducing while the 2W, CDs and cross-sell personal loan segments accounted for the majority. TVSCSL's overall credit provisions decreased to 3.0% of the AUM as of March 2026 from 3.2% as of March 2025 (3.5% as of March 2024), as the asset quality improved in FY2026.

ICRA takes note of TVSCSL's unsecured/consumer credit exposures (CD and cross-sell personal loan), which stood at ~35% of the loan book as of March 2026 (31% in March 2025). Going forward, the company's ability to keep incremental slippages and credit costs under control, considering the target segment, would be critical from an asset quality perspective.

Liquidity position: Strong

TVSCSL had a cash balance and liquid investments of Rs. 2,683 crore and sanctioned and undrawn bank lines of Rs. 2,600 crore as of June 2026 vis-à-vis debt payment obligations of Rs. 9,035 crore (Rs. 3,796 crore excluding working capital demand lines

which are typically renewed) in Q2 FY2027. Its collection from advances further comforts the liquidity position. The company reported liquidity coverage ratio (LCR) of 252% for Q4 FY2026.

The company funds its portfolio mainly through banks and has tie-ups with more than 30 banks and financial institutions. As of March 2026, term loans accounted for 60% of the borrowings, followed by working capital demand lines (17%), subordinated debt and perpetual debt (8%), non-convertible debentures (NCDs; 10%), ECBs (3%) and commercial paper (1%). Access to funds from banks/financial institutions and the ability to secure funding at competitive rates provide good financial flexibility to TVSCSL at present. However, further diversification of its lender base shall be key as it scales up over the medium term.

Rating sensitivities

Positive factors – The ratings could be positively impacted in case of an improvement in TVSM’s credit risk profile. A substantial increase in TVSCSL’s scale of operations from the current level and a sustained improvement in its asset quality performance shall also positively impact the long-term ratings.

Negative factors – Deterioration in TVSM’s credit risk profile or lower-than-expected support from the promoter would have a negative impact. Sizeable weakening in TVSCSL’s asset quality or earnings or a significant increase in its gearing levels shall also negatively impact the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA’s Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	TVS Motor Company Limited (parent)
Consolidation/Standalone	While arriving at the ratings, ICRA has considered the standalone financials of TVSCSL. TVSCSL has three subsidiaries, which were yet to commence operations as of March 2026.

About the company

TVSCSL, a Chennai-based, non-deposit taking non-banking financial company (NBFC) incorporated in November 2008, is a part of the TVSM Group of companies. It is a subsidiary of TVS Motor Company Limited (TVSM), which held a stake (on a diluted basis) of 81.2% (including via its subsidiary TVS Motor Services Limited) as of March 2026. Other minority shareholders include PI Opportunities Fund-I Scheme II, Lucas TVS Limited, HDFC Bank and PHI Research Private Limited. The company’s operations are spread across 29 states and UTs in India. Its loan portfolio stood at Rs. 31,216 crore as of March 2026.

TVS Motor Company Limited

TVS Motor Company Limited, the flagship entity of the Chennai-based TVSM Group, manufactures 2Ws and three-wheelers (3Ws). It sold 58.9 lakh 2Ws and 3Ws in FY2026 vis-à-vis 47.4 lakh in FY2025 (41.9 lakh in FY2024). TVSM reported a consolidated net profit of Rs. 3,186 crore in FY2026 on a total income of Rs. 56,092 crore vis-à-vis Rs. 2,380 crore and Rs. 44,159 crore, respectively, in FY2025.

Key financial indicators (audited)

TVSCSL (standalone)	FY2025	FY2026
Total income	6,630	7,196
Profit after tax	767	913
Total managed assets	31,933	35,999
Return on managed assets	2.5%	2.7%
Managed gearing (times)	5.0	4.6
Gross stage 3	2.9%	2.4%
CRAR	20.3%	19.4%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	Jul-21-2026	Date	Rating	Date	Rating	Date	Rating
Long term/Short term – Bank facilities	Long term/Short term	11,146.00	[ICRA]AA+ (Stable)/[ICRA]A1+	Feb-26-2026	[ICRA]AA+ (Stable)/[ICRA]A1+	Jun-26-2024	[ICRA]AA (Positive)/[ICRA]A1+	May-18-2023	[ICRA]AA (Stable)/[ICRA]A1+
						Mar-04-2025	[ICRA]AA+ (Stable)/[ICRA]A1+	Jul-21-2023	[ICRA]AA (Stable)/[ICRA]A1+
								Dec-06-2023	[ICRA]AA (Stable)/[ICRA]A1+
								Dec-13-2023	[ICRA]AA (Stable)/[ICRA]A1+
								Feb-20-2024	[ICRA]AA (Stable)/[ICRA]A1+
Commercial paper	Short term	3,300.00	[ICRA]A1+	Feb-26-2026	[ICRA]A1+	Jun-26-2024	[ICRA]A1+	May-18-2023	[ICRA]A1+
						Mar-04-2025	[ICRA]A1+	Jul-21-2023	[ICRA]A1+
			-	-	-	-	-	Dec-06-2023	[ICRA]A1+
			-	-	-	-	-	Dec-13-2023	[ICRA]A1+
			-	-	-	-	-	Feb-20-2024	[ICRA]A1+
Perpetual debt	Long term	100.00	[ICRA]AA (Stable)	Feb-26-2026	[ICRA]AA (Stable)	Jun-26-2024	[ICRA]AA- (Positive)	May-18-2023	[ICRA]AA- (Stable)
						Mar-04-2025	[ICRA]AA (Stable)	Jul-21-2023	[ICRA]AA- (Stable)
			-	-	-	-	-	Dec-06-2023	[ICRA]AA- (Stable)
			-	-	-	-	-	Dec-13-2023	[ICRA]AA- (Stable)
			-	-	-	-	-	Feb-20-2024	[ICRA]AA- (Stable)
Subordinated debt	Long term	1,000.00	[ICRA]AA+ (Stable)	Feb-26-2026	[ICRA]AA+ (Stable)	Jun-26-2024	[ICRA]AA (Positive)	Dec-13-2023	[ICRA]AA (Stable)
						Mar-04-2025	[ICRA]AA+ (Stable)	Feb-20-2024	[ICRA]AA (Stable)

Complexity level of the rated instrument

Instrument	Complexity indicator
Commercial paper	Simple
Long-term/Short-term bank facilities	Simple
Perpetual debt	Highly Complex
Subordinated debt	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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook	Financial Sector Regulator [#]
INE729N14IP3	Commercial paper	Apr-28-2026	6.55%	Jul-27-2026	300.00	[ICRA]A1+	RBI
INE729N14IQ1	Commercial paper	May-13-2026	6.55%	Aug-11-2026	200.00	[ICRA]A1+	RBI
INE729N14IR9	Commercial paper	Jun-19-2026	7.15%	Sep-18-2026	500.00	[ICRA]A1+	RBI
Unallocated	Commercial paper	NA	NA	NA	2,300.00	[ICRA]A1+	RBI
NA	Long-term/Short-term bank facilities	Jun-27-2023 to Jun-30-2026	NA	Jun-27-2026 to Jul-01-2029	11,146.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	RBI
INE729N08105	Subordinated debt	Dec-27-2023	9.30%	Jun-27-2029	500.00	[ICRA]AA+ (Stable)	SEBI
Proposed	Subordinated debt	NA	NA	NA	500.00	[ICRA]AA+ (Stable)	SEBI
INE729N08014	Perpetual debt	Nov-24-2017	11.50 %	NA (call option – 10 years from the date of issuance)	100.00	[ICRA]AA (Stable)	MCA

Source: Company

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

Annexure II: List of entities considered for consolidated analysis: Not applicable

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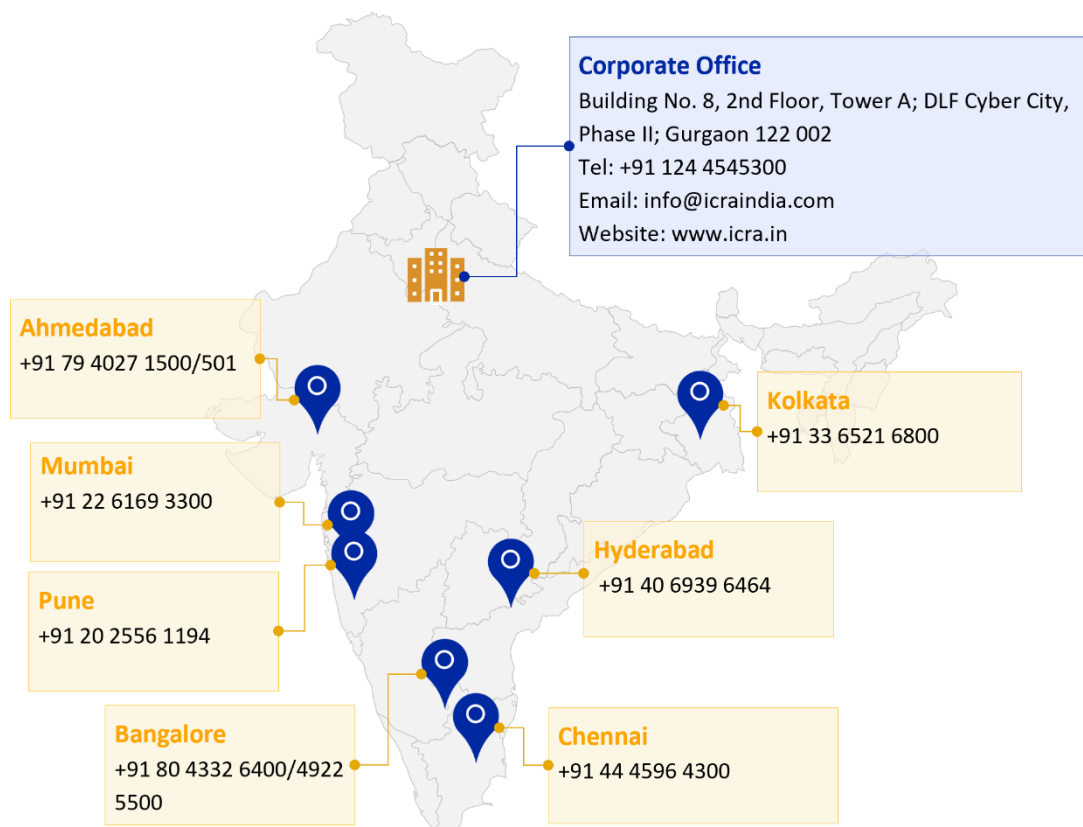


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