September 07, 2026

# Shriram Asset Reconstruction Private Limited: [ICRA]AA- (Stable) assigned to bank lines

## Summary of rating action

| Instrument* | Current rated amount (Rs. crore) | Rating action | Financial sector regulator (FSR)# |
|---|---|---|---|
| Bank lines long term fund based – Others | 50.0 | [ICRA]AA- (Stable); assigned | RBI |
| Total | 50.0 | | |

**Instrument details are provided in Annexure I*

*# The Securities and Exchange Board of India's (SEBI) grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and Online Dispute Resolution (ODR) shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators (FSRs) other than SEBI*

## Rationale

The assigned rating draws strength from Shriram Asset Reconstruction Private Limited's (SAR) strong parentage, as it is a part of Shriram Group (the Group), besides its adequate capitalisation and liquidity. SAR is a wholly-owned subsidiary of Shriram Capital Private Limited (SCPL), the holding company of the Group with a direct/indirect stake across the Group's key entities. The Group has a proven track record of building businesses at scale in the financial services sector with a presence in retail lending, insurance and capital market-related businesses. SAR marks the Group's expansion into the retail asset reconstruction segment. Its strategic importance to the Group reflects in its shared brand name[1] and board representation. Accordingly, ICRA expects operational, management and financial support to be forthcoming.

While assigning the rating, ICRA has taken note of the company's limited operating track record and modest scale of operations. SAR commenced operations in September 2025 and reported assets under management (AUM) of Rs. 688 crore as on March 31, 2026 against the issuance of total security receipts (SRs) of Rs. 782 crore in FY2026. Of this, on-book investment in SRs stood at Rs. 151 crore compared with total own SR investments of Rs. 177 crore. The management aims to scale up the AUM to ~Rs. 3,000 crore by March 2029, primarily through co-investment arrangements with third-party investors and/or selling lenders. While the incremental on-book SR investments will be largely debt funded, timely capital infusions from the parent are expected as and when required. Further, the company plans to largely pursue the co-investment model, wherein its share in the issued SRs can be low. Thus, while the gearing will increase with the scale-up in operations, the capitalisation profile is expected to remain adequate with a gearing of less than 1 times over the medium term. As on March 31, 2026, SAR's net worth stood at Rs. 327 crore.  Given the retail-focussed nature of its business, ICRA expects the company to maintain a healthy cumulative recovery to cumulative acquisition ratio as the churn in retail asset class is relatively faster. However, its ability to maintain the pace of resolutions and recoveries will remain a key driver of its cash flow and debt servicing ability.

The rating also factors in the volatile nature of the cash flows in the asset reconstruction industry. Further, the valuation of an asset reconstruction company's (ARC) assets and its management fee are linked to the recovery ratings of the SRs, which can result in volatile profitability. Thus, any adverse movement in the recovery rating profile of the portfolio can have a bearing on the company's financial profile. Also, the asset reconstruction industry's prospects continue to be susceptible to regulatory changes. In this backdrop, SAR's ability to judiciously acquire new assets while maintaining a comfortable leverage will remain imperative for its credit profile.

The Stable outlook reflects ICRA's expectation that SAR will continue to benefit from the strong parentage with timely operational, managerial and financial support from SCPL. The retail-focussed nature of the business, wherein the churn is

*[1] Profit-based annual royalty is paid by SAR to SCPL for using the Shriram brand name*

faster, is expected to support the company's cash flow and financial profile. The outlook also reflects ICRA's expectation that SAR will maintain a prudent capitalisation profile in the medium term.

## Key rating drivers and their description

### Credit strengths

**Strong parentage** – SAR is a wholly-owned subsidiary of SCPL, an unregistered core investment company (CIC) that serves as the holding entity for Shriram Group's key entities. The Group has an established position and proven track record in the financial services sector across retail credit, life and general insurance, and capital market services (asset and wealth management), besides healthcare solutions. It has demonstrated its ability to successfully establish and scale financial services businesses, particularly in the retail segment. SAR marks the Group's expansion in the retail asset reconstruction segment. Its strategic importance to the Group reflects in the shared brand name and the representation on the board. Thus, SAR is expected to benefit from timely operational, management and financial support from the Group. The company will complement the Group in broadening its product suite in the retail financial services space. Further, it pays annual profit-based royalty to the Group for using the Shriram brand.

SAR commenced operations in September 2025 and is a retail-focussed ARC. Within the retail space, the company remains sector agnostic. Given its nascent stage of operations, the scale remains modest. In FY2026, the company issued SRs, aggregating Rs. 782 crore, at an average haircut of 61%. The AUM, as on March 31, 2026, was Rs. 688 crore and SAR's own share in the outstanding AUM was Rs. 151 crore[2]. Given the retail nature of the underlying assets, wherein the churn is faster, SAR's SRs are rated in the RR1 category, while some were yet to be rated as of March 2026. The management intends to scale up the AUM to ~Rs. 3,000 crore by March 2029. The rapid growth witnessed in the retail lending segment over the last few years, followed by the challenging operating environment in certain pockets of the unsecured lending segment, and the resultant increase in stress levels have expanded the pool of available acquisition opportunities.

**Adequate capitalisation** – SAR maintains an adequate capitalisation profile characterised by a net worth of Rs. 327 crore as on March 31, 2026, comfortably above the regulatory requirement of Rs. 300 crore. The company is yet to tap borrowings, with its net worth fully funding its on-book investment in SRs of Rs. 151 crore. The management intends to increase the AUM to ~Rs. 3,000 crore by FY2029. While the incremental on-book SR investments will be largely debt funded, ICRA expects timely capital support from the parent if required. Further, the company plans to largely pursue the co-investment model, wherein its share in issued SRs can be low. Thus, while the gearing will increase with the scale-up in operations, the capitalisation profile is expected to remain adequate with a gearing of less than 1 times over the medium term.

### Credit challenges

**Volatile cash flows and earnings due to inherent nature of the business** – Given the inherent nature of the asset reconstruction business, the cash flows and profitability of the entities operating in this segment remain volatile. Further, the valuation of an ARC's assets and its management fee are linked to the recovery ratings of the SRs. Thus, any adverse movement in the recovery rating profile of the portfolio can have a bearing on the company's financial profile. It is to be noted that the recovery proceeds are first used for the payment of management fees and other expenses and dues, while the balance is used for the redemption of the SRs. Thus, the SR redemption ratio trails behind the recovery ratio. Given the retail-focussed nature of its business, ICRA expects SAR to maintain a healthy cumulative recovery to cumulative acquisition ratio as the recovery churn in the retail segment is relatively faster. However, its ability to maintain the pace of resolutions and recoveries will remain a key driver of its profitability, cash flow and debt servicing ability. Going forward, SAR's ability to achieve timely resolutions and healthy recoveries from its assets will remain important from a credit perspective.

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[2] *SAR has created an ad hoc provision of Rs. 8 crore on own SRs*

**Evolving nature of the industry with challenges in acquiring assets at reasonable prices** – The asset reconstruction industry's prospects remain susceptible to regulatory changes. In this regard, while the amended regulatory framework[3] augurs well for established ARCs, SAR's ability to judiciously acquire new assets while maintaining a comfortable capital structure and a competitive borrowing cost will remain imperative. Moreover, the developments related to the securitisation of stressed assets and the role of National Asset Reconstruction Company Limited and their impact on the private players in the industry remain monitorable.

## Liquidity position: Adequate

SAR's liquidity profile is currently supported by the sizeable on-balance sheet cash & equivalents of Rs. 190 crore (as on July 31, 2026) against nil debt obligations. While the on-balance sheet liquidity may be optimised as the operations scale up, the company is expected to maintain prudent backup liquidity in the form of cash & equivalents and undrawn bank lines. Moreover, ICRA takes cognisance of the financial flexibility arising from the company's parentage.

## Rating sensitivities

**Positive factors** – A significant increase in the scale of operations with a healthy track record of recoveries while maintaining prudent capitalisation and delivering healthy profitability will be credit positive.

**Negative factors** – A deterioration in the credit profile of SCPL, any weakening in the linkages between SAR and SCPL or a decline in SAR's strategic importance to the Group would be a credit negative. The rating could also face pressure in the event of weak financial performance on a sustained basis.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Rating Methodology – Non-banking Finance Companies (NBFCs) |
| **Parent/Group support** | Shriram Capital Private Limited (SCPL)<br>The rating factors in the high likelihood of financial support from Shriram Capital, driven by reputational risk as well as its importance to SCPL. |
| **Consolidation/Standalone** | Standalone |

## About the company

Shriram Asset Reconstruction Private Limited (SAR), promoted by Shriram Capital Private Limited, marks the Shriram Group's foray into the asset reconstruction industry. The company commenced operations in September 2025, focussing on the acquisition and resolution of retail non-performing assets (NPAs). Given the recent commencement of operations, the scale remains modest, with AUM of Rs. 688 crore as on March 31, 2026, including the company's own share of Rs. 151 crore (21% of AUM). SAR reported a profit after tax (PAT) of Rs. 17 crore in FY2026, while total assets aggregated Rs. 341 crore as on March 31, 2026.

### Key financial indicators (audited)

| SAR – Standalone | FY2026 |
|---|---|
| **Reported total income** | 42.7 |
| **Total income (including unreleased fair value losses, fees and write-off of SRs)** | 42.7 |
| **Profit after tax** | 16.6 |
| **Assets under management** | 687.6 |
| **Reported total assets** | 340.7 |
| **Return on average gross assets** | 5.0% |
| **Gross gearing (times)** | 0.0 |
| **CRAR** | 207.3% |

[3] *Higher capitalisation level needed for undertaking ARC operations and lower investment requirement for acquisitions and the option to participate as a resolution applicant under the Insolvency and Bankruptcy Code (IBC)*

*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 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Type | Amount rated (Rs. crore) | | FY2026 | | FY2025 | | FY2024 | |
| | | | Sep 07, 2026 | Date | Rating | Date | Rating | Date | Rating |
| **Bank lines fund based – Others** | Long term | 50.0 | [ICRA]AA- (Stable) | - | - | - | - | - | - |

## Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|---|
| **Bank lines long term fund based – Others** | 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 (FSR)# |
|---|---|---|---|---|---|---|---|
| **NA** | **Bank lines long term fund based – Others** | - | - | - | 50.0 | [ICRA]AA- (Stable) | RBI |

*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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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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