September 11, 2026

TVS Credit Services Limited: [ICRA]AA+ (Stable) assigned to subordinated debt; ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulators #
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	1,000.00	1,000.00	[ICRA]AA+ (Stable); reaffirmed	SEBI
	-	500.00	[ICRA]AA+ (Stable); assigned	
Total	**15,546.00**	**16,046.00**		

**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 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 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 held 81.2% (including via its subsidiary) on a fully-diluted basis as of June 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 the TVSM Group, have helped steadily strengthen TVSCSL's capital profile {Tier I capital of 16.2% as of June 2026 (16.5% as of March 2026) vis-à-vis 15.8% as of March 2025}. The company's managed gearing improved to 4.5 times as of June 2026 (4.6 times as of March 2026) from 5.0 times in March 2025. Its net profitability (profit after tax/average managed assets; PAT/AMA) continued to increase and stood at 2.7% in FY2026 (2.3% in Q1 FY2027) vis-à-vis 2.5% in FY2025.

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 expand 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 has improved so far in the current fiscal, especially in the tractor segment, though the used commercial vehicle (CV) segment continues 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 proposed composite scheme of amalgamation among STPL Trading and Services Private Limited (STPL), Home Credit India Finance Private Limited (HCIF), TVS Housing Finance Private Limited (TVS HF) and TVSCSL. The scheme aims to consolidate the non-banking financial companies (NBFCs) within the Group, in line with the Reserve Bank of India's (RBI) directions, and simplify the Group corporate structure. It remains subject to the receipt of statutory, regulatory and customary approvals, including approvals from the respective shareholders and creditors of the parties.

The amalgamation of HCIF with TVSCSL is not likely to have an adverse impact on the combined risk profile of the entity, while the other two entities (i.e., STPL and TVS HF) do not have any significant standalone operations and are not material to the operations of the final consolidated entity. ICRA will monitor the progress of the scheme of amalgamation and expects the same to be concluded before May 2027.

HCIF is focussed on consumer finance, with a loan book of Rs. 6,483 crore as of March 2026. The amalgamation would increase TVSCSL's scale of operations and capital base while the addition of HCIF's portfolio would augment its presence in the CD and personal loan segments, supporting product diversification. ICRA also takes note of the proposed acquisition of Varthana Finance Private Limited (Varthana) by HCIF, which is subject to the receipt of regulatory and customary approvals. Given Varthana's modest size, it will not have a material impact on the final consolidated entity.

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 approval 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 maintain 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 profit[1] 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 (3W) 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), with the AUM standing at Rs. 31,216 crore as of March 2026 (Rs. 32,518 crore as of June 2026). The share of the 2W segment has declined steadily over the years (28% as of June 2026 as well as March 2026 vis-à-vis 46% as of March 2019) as TVSCSL expanded its presence to financing tractors (12% as of June 2026), used CVs (10%), CDs (22%) and cross-sell personal loans (15%). ICRA notes that the share of CDs and cross-sell personal loans has increased steadily in recent years and stood at 37% as of June 2026 (35% as of March 2026). Cross-sell personal loans are restricted to borrowers from the existing customer base with an already established credit track record with the company.

[1] *Profit before interest and taxes*

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 June 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 ~54% of the AUM as of June 2026 (~55% of the AUM as of March 2026; 59% as of March 2024).

Adequate capitalisation profile with moderation in gearing levels – TVSCSL's capitalisation profile improved further 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 18.5% as of June 2026 (19.4% as of March 2026) vis-à-vis 20.3% as of March 2025. The Tier I capital increased to 16.5% as of March 2026 (16.2% as of June 2026) from 15.8% as of March 2025 (12.8% as of March 2024). Its managed gearing also improved to 4.5 times as of June 2026 (4.6 times as of March 2026) from 5.0 times as of March 2025 (5.9 times as of March 2024). TVSCSL 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.

Improving earnings profile – TVSCSL's profitability has continued to increase steadily over the past few years. Its net profitability expanded to 2.7% in FY2026 (2.3% in Q1 FY2027) from 2.5% in FY2025, largely due to the improvement in the cost of funds and lower credit costs. However, operating costs rose to 9.3% (as a percentage of average total managed assets) in Q1 FY2027 (8.4% in FY2026) from 8.0% in FY2025 as the company increased its focus on collections in the CD segment and invested in additional manpower and other software upgradations. TVSCSL had expanded its employee base and other operating infrastructure significantly to support growth, which led to the elevated level of operating expenses. 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 (3.2% in Q1 FY2027) from 4.2% in FY2025 on account of the stability witnessed in the asset quality of the tractor segment and improvement across other segments. 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 previous fiscal. However, TVSCSL's gross stage 3 (GS3) improved to 2.2% as of June 2026 (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 11.0% as of June 2026 (11.7% as of March 2026) from 13.8% as of March 2025, while it increased to 12.5% as of June 2026 (11.8% as of March 2026) from 10.1% as of March 2025 for the used CV segment. Write-offs and repossession losses declined to 3.0% (percentage of gross advances as of June 2026; annualised) in Q1 FY2027 (3.6% in FY2026) from 5.0% in FY2025, 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, as on-balance sheet (on-b/s) delinquencies improved in FY2026.

ICRA takes note of TVSCSL's unsecured/consumer credit exposures (CDs and cross-sell personal loans), which stood at ~37% of the loan book as of June 2026 (35% as of March 2026 and 31% as of 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. Collections from advances provide further comfort. The company reported a liquidity coverage ratio (LCR) of 234% for Q1 FY2027.

TVSCSL funds its portfolio mainly through banks and has tie-ups with more than 30 banks and financial institutions. As of June 2026, term loans accounted for 58% of the borrowings, followed by working capital demand lines (19%), subordinated debt and perpetual debt (7%), non-convertible debentures (NCDs; 9%), external commercial borrowings (ECBs; 3%) and commercial paper (4%). Access to funds from banks/financial institutions and the ability to secure funds 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 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.

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 June 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. 32,518 crore as of June 2026.

TVS Motor Company Limited

TVS Motor Company Limited, the flagship entity of the Chennai-based TVSM Group, manufactures 2Ws and 3Ws. It sold 58.9 lakh 2Ws and 3Ws in FY2026 (16.3 lakh in Q1 FY2027) 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 total income of Rs. 56,092 crore (Rs. 1,058 crore in Q1 FY2027 on total income of Rs. 16,454 crore) vis-à-vis Rs. 2,380 crore and Rs. 44,159 crore, respectively, in FY2025.

Key financial indicators (audited)

TVSCSL (standalone)	FY2025	FY2026	Q1 FY2027
Total income	6,630	7,196	1,918
Profit after tax	767	913	208
Total managed assets	31,933	35,999	36,658.3
Return on managed assets	2.5%	2.7%	2.3%
Managed gearing (times)	5.0	4.6	4.5
Gross stage 3	2.9%	2.4%	2.2%
CRAR	20.3%	19.4%	18.5%

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)	Sep-11-2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term/Short term – Bank facilities	Long term/Short term	11,146.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	Aug-14-2026	[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+
				Jul-21-2026	[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+	Aug-14-2026	[ICRA]A1+	Feb-26-2026	[ICRA]A1+	Jun-26-2024	[ICRA]A1+	May-18-2023	[ICRA]A1+
				Jul-21-2026	[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)	Aug-14-2026	[ICRA]AA (Stable)	Feb-26-2026	[ICRA]AA (Stable)	Jun-26-2024	[ICRA]AA- (Positive)	May-18-2023	[ICRA]AA- (Stable)
				Jul-21-2026	[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)	Aug-14-2026	[ICRA]AA+ (Stable)	Feb-26-2026	[ICRA]AA+ (Stable)	Jun-26-2024	[ICRA]AA (Positive)	Dec-13-2023	[ICRA]AA (Stable)

Instrument	Current (FY2027)					Chronology of rating history for the past 3 years					
	FY2027					FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	Sep-11-2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
				Jul-21-2026	[ICRA]AA+ (Stable)			Mar-04-2025	[ICRA]AA+ (Stable)	Feb-20-2024	[ICRA]AA (Stable)
Subordinated debt	Long term	500.00	[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#
INE729N14IR9	**Commercial paper**	Jun-19-2026	7.15%	Sep-18-2026	500.00	[ICRA]A1+	RBI
INE729N14IS7	**Commercial paper**	Jul-29-2026	6.65%	Oct-27-2026	200.00	[ICRA]A1+	RBI
INE729N14IT5	**Commercial paper**	Aug-13-2026	7.00%	Nov-12-2026	300.00	[ICRA]A1+	RBI
Unallocated	**Commercial paper**	NA	NA	7-365 days	2,300.00	[ICRA]A1+	RBI
NA	**Long-term/Short-term bank facilities**	NA	NA	NA	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	1,000.00	[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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