

SEC/FILING/BSE-NSE/24-25/68A-B

March 6, 2025

BSE Limited
P. J. Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 511218

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, 5th Floor,
Plot no. C/1, G- Block,
Bandra-Kurla Complex,
Mumbai – 400 051
NSE Symbol: SHRIRAMFIN

Dear Sir/Madam,

Sub.: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') – International Credit Rating by Moody's Investors Service, Singapore

Pursuant to Regulation 30(6) read with Schedule III of the Listing Regulations, this is to inform you that the Moody's Investors Service, Singapore ("Moody's"), a Credit Rating Agency vide its press release dated March 6, 2025 has assigned first-time "Ba1 long-term corporate family rating (CFR)" to the Company with "stable" outlook. The press release dated March 6, 2025 issued by Moody's is enclosed.

The above information will also be available on the website of the Company at www.shriramfinance.in

This is in compliance with Regulation 30 of the Listing Regulations and other applicable provisions of Listing Regulations, if any.

We request you to take the same on record.

Thanking you,
Yours faithfully,
For Shriram Finance Limited



U Balasundararao
Company Secretary & Compliance Officer
Encl.a/a

Shriram Finance Limited

(Formerly known as Shriram Transport Finance Company Limited)

Corporate Office : Wockhardt Towers, Level - III, West Wing, C-2, G-Block, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051, Maharashtra. Ph: +91 22 4095 9595

Registered Office: Sri Towers, Plot No.14A, South Phase, Industrial Estate, Guindy, Chennai - 600 032. Tamil Nadu, India. Ph: +91 44 4852 4666

Website : www.shriramfinance.in | Corporate Identity Number (CIN) - L65191TN1979PLC007874

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns first-time Ba1 long-term corporate family rating to Shriram Finance Limited; outlook stable

06 Mar 2025

Singapore, March 06, 2025 -- Moody's Ratings (Moody's) has assigned a first-time Ba1 long-term corporate family rating (CFR) to Shriram Finance Limited (Shriram). The outlook is stable.

RATINGS RATIONALE

Shriram's Ba1 CFR reflects the company's highly profitable franchise, strong capital position and long track record, which offset risks associated with its largely sub-prime customers. Shriram's diversified funding, including sticky retail deposits, well-established relationships with many Indian and international lenders, strong presence in the domestic and international bonds and securitization markets provide funding stability.

Shriram is India's second-largest retail-focused non-bank financial institution (NBFI) by assets under management, demonstrating a robust and defensible position in used vehicle financing. The company's strong franchise is evidenced by its extensive collection infrastructure and physical presence across all states in India, providing it with a significant competitive advantage. In 2022, Shriram (formerly known as Shriram Transport Finance Company Limited) merged with its sister company, Shriram City Union Finance Limited (SCUF). SCUF specialized in providing high-yield loans for micro, small, and medium enterprises (MSME), two-wheeler loans, loans against gold jewelry, and personal loans.

Shriram's asset quality has improved in the past few years. The problem loans ratio declined to 5.4% as of December 2024 from 8.5% as of March 2019 (fiscal 2019). Shriram's robust lending and loan collection processes, alongside India's favorable macro-economic conditions, the country's well-established credit bureaus, and increasing penetration of digital payments, have helped improve its asset quality. Despite these improvements, the company remains exposed to cyclical asset quality risks because of the inherent volatility in financing subprime segments and their

linkages to economic conditions. We expect asset quality to be stable over the next 12-18 months.

Shriram's profitability has also improved. Net income to average managed assets increased to 3.2% in fiscal 2024 from 2.0% in fiscal 2022, driven by lower credit costs because of improving asset quality and stronger net interest margins following the merger with SCUF. In the nine months ended December 2024, return on assets (excluding one-off gain on sale of Shriram Housing Finance Limited (SHFL)) was 3.0% as compared to 3.1% in the same period of the previous year. Growth in higher-yield segments, alongside merger synergies will support profitability, although we expect credit costs to increase moderately given stronger growth in riskier MSME loans in recent years. Shriram's tangible common equity to tangible managed assets ratio (TCE/TMA) increased to 19.7% as of December 2024, compared to 18.9% at the end of fiscal year 2024. The reinvestment of gains from the sale of Shriram's 83.8% stake in SHFL contributed to the improvement in the capital ratio. We expect that internal capital generation will support a stable level of capital over the next 12-18 months.

Like its global peers, the company relies primarily on wholesale sources for funding, making its credit profile vulnerable to market fluctuations. That said, Shriram's diversified funding and ability to raise retail deposits help mitigate some of this risk, with deposits accounting for around 24% of total funding as of December 2024. On the other hand, Shriram has modest liquidity, with its on-balance-sheet liquid assets around 7.3% of its total assets as of fiscal year end 2024. Management maintains liquidity coverage of about 3 months of debt repayments, offers limited support in stressed conditions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

The rating incorporates the following ESG considerations, as per Moody's General Principles for Assessing Environmental, Social and Governance Risks methodology. The company faces low environment risk, moderate social risk and low governance risks.

We have assigned Shriram an overall Credit Impact Score (CIS) of CIS-2, indicating that ESG considerations have no material impact on the current ratings. Shriram's social Issuer Profile Score (IPS) of S-3 considers its exposure to risks related to customer relationships, tightening regulatory and compliance standards and the company's need to store significant amount of personal data and confidential information, which subjects it to cybersecurity and customer privacy risks. The company's governance IPS score of G-2 reflects its risk management framework commensurate with its risk appetite and long track record, balanced by its relatively fast growth, risky target customers, inherent risks related to the cyclical nature of the vehicle lending sector and modest on-balance-sheet liquidity.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE

RATING

An upgrade of Shriram's Ba1 rating would require a substantial improvement in its standalone credit profile and the operating environment, such that its financial metrics align with those of global investment-grade peers. Specifically, a significant improvement in on-balance sheet liquidity on a consistent basis, combined with stability in asset quality, capital, and profitability could lead to an upgrade of its rating.

We could downgrade the rating if Shriram's asset quality significantly deteriorates amid a worsening operating environment, resulting in lower profitability and capitalization. Specifically, a sustained increase in its net charge-offs to above 2.5% of its average gross loans, or an increase in problem loans to gross loans above 7%, combined with weakening in the access to funding or lower liquidity, will result in a rating downgrade. Additionally, a reduction in its TCE/TMA ratio below 17% will lead to a downgrade. A downgrade is also likely if there is a significant regulatory change that impacts the company's franchise strength.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Finance Companies published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425167>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

COMPANY PROFILE

Shriram Finance Limited is headquartered in Mumbai and reported consolidated assets of INR 2.54 trillion (\$29.2 billion) as of 31 December 2024.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

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Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moodys.com/rmc-documents/435880>.

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