

May 13, 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, Bandra (East),
Mumbai – 400 051.
NSE Symbol: SHRIRAMFIN

Dear Sirs,

Sub.: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') – Upgrade in Company's Long-Term Credit Rating by Fitch Ratings

This is to inform about upgrade in the Company's Long-Term Foreign and Local Currency Issuer Default Ratings by Fitch Ratings vide its publication dated May 13, 2025.

The Fitch Ratings actions are as follows:

Particulars	Prior Rating	Upgraded Rating
Long-Term Foreign and Local Currency Issuer Default Ratings	BB/Stable/B	BB+/Stable/B

Published Rating dated May 13, 2025 is enclosed.

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

This event/information occurred on May 13, 2025 at 02.09 p.m.

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

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Registered Office: Sri Towers, Plot No.14A, South Phase, Industrial Estate, Guindy, Chennai – 600 032, Tamil Nadu, India. Tel: +91 44 2499 0356

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

RATING ACTION COMMENTARY

Fitch Upgrades Shriram Finance's Long-Term Rating to 'BB+'; Outlook Stable

Tue 13 May, 2025 - 4:32 AM ET

Fitch Ratings - Singapore/Mumbai - 13 May 2025: Fitch Ratings has upgraded India-based Shriram Finance Limited's (SFL) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) to 'BB+', from 'BB'. The Outlook is Stable.

KEY RATING DRIVERS

Improved Credit Profile: The upgrade reflects sustained improvement in SFL's standalone profile in recent years, particularly in funding diversity, risk management, portfolio quality and profitability. SFL has demonstrated steady performance since merging with its sister company, Shriram City Union Finance Limited (SCUF), in 2022. The ratings also reflect SFL's time-tested and established franchise in used commercial-vehicle financing, seasoned management team, established risk controls and adequate balance-sheet buffers.

Supportive Operating Environment: India's robust medium-term growth potential and large, diversified economy should continue to support non-bank financial institutions' (NBFIs) business prospects and profitability in the medium term. More accommodative monetary policy should help to buffer the economy against rising global trade uncertainty. Moreover, India's NBFIs are mostly domestically focused.

Diversifying Lending Franchise: Vehicle lending is likely to remain the majority of SFL's loan portfolio (74% at end-FY25) in the medium term. Even so, additional loan products, such as small business, two-wheeler, personal and gold loans, introduced through the merger with SCUF, add diversity to SFL's portfolio. We expect revenue and profit opportunities to expand gradually through cross-selling, while underwriting standards remain generally consistent as these products continue to be rolled out across SFL's branches nationwide.

Strengthened Risk Profile: Fitch believes that SFL's loan management practices and risk controls have tightened in recent years, improving the company's ability to maintain asset quality and navigate macroeconomic shocks. Enhanced risk management and recovery practices have resulted in reduced delinquency rates and are likely to continue containing credit losses. Management's diversified funding strategy also mitigates liquidity risks.

Sustained Asset Quality: We expect asset quality to remain broadly steady in the medium term, supported by a generally resilient economy. SFL's non-performing loan (NPL) ratio has declined steadily, reaching 4.6% by FYE25 (FYE24: 5.2%; FYE18-FYE22 average: 8.1%). SFL has a higher-risk, non-prime borrower profile, but its risk practices, based on close borrower contact and careful vehicle collateral valuation, have helped contain credit losses to an average of 2.4% over FY22-FY25. Increased provision coverage of 123% of NPLs at FYE25 (FYE21: 95%) provides an added cushion against higher impairments.

Improved Margin Profile: SFL's net interest margin (NIM) improved to 8.5% over FY25 (FY22: 6.9%), reflecting the addition of SCUF's higher-yielding product mix and the group's rural and semi-urban customer base. We expect sustained credit demand and careful funding, operating and credit cost control to support earnings in the medium term. Normalised pretax profit/average assets of 4.2%-4.9% over FY23-FY25 (excluding the FY25 gain on sale of the housing finance subsidiary) exceeds the FY18-FY20 average of 3.8%.

Steady Leverage: SFL's debt/tangible equity ratio was broadly stable at 4.6x at FYE25 (FYE24: 4.5x), and we expect leverage to remain generally steady in the near term. This is based on loan growth targets of around 15% that we expect to be supported largely by internal capital generation. Moreover, we believe SFL's improved risk profile, portfolio quality and capital generation support its ability to tolerate slightly higher leverage.

Improved Funding and Liquidity: SFL has diversified its funding channels over the past few years, with an expanded share of deposit funding (FYE25: 24%; FYE21: 15%) and generally consistent access to domestic and offshore bonds and loans. The funding profile is among the most diversified and balanced, by instrument type, across large Fitch-monitored Indian NBFIs, reducing SFL's reliance on domestic wholesale funding and improving its flexibility to source steadier and lower-cost funds. Meanwhile, SFL's improved access to longer-tenor funding in recent quarters indicates strengthening lender confidence in the company.

The liquidity buffer - liquid assets/total assets - is moderate (FYE25: 10.9%; FYE24: 7.3%), but a well-matched asset-liability maturity profile underpins adequate liquidity inflows to meet short-term obligations. We also regard SFL as better placed to weather liquidity shocks than many local peers due to its established and diversified funding relationships.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Ratings may be downgraded in the event of a significant deterioration in the operating environment or if there is a notable decline in asset quality and profitability, reduced or more concentrated funding access, or a deterioration in the liquidity profile. In addition, leverage persistently exceeding 5x, or a substantial rise in risk appetite characterised by aggressive growth in riskier segments relative to peers, could also exert downward pressure on the rating.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Positive action will be contingent on a significantly improved operating environment along with a material improvement in the business and risk profile, such that the impaired loan ratio and credit costs are significantly lower while maintaining adequate profitability, stable capitalisation and a well-balanced funding and liquidity profile.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

The ratings on SFL's US dollar medium-term note (MTN) programme and foreign-currency senior secured debt are at the same level as its Long-Term Foreign-Currency IDR, in line with Fitch's rating criteria.

Indian NBFI borrowings are typically secured, and Fitch believes that non-payment of their senior secured debt would best reflect an uncured failure of the entity. NBFIs can issue unsecured debt in overseas markets, but such debt is likely to constitute a small portion of their funding and thus cannot be viewed as their primary financial obligation.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

The ratings on SFL's US dollar MTN programme and foreign-currency senior secured debt are sensitive to its Long-Term Foreign-Currency IDR. Any action on the Long-Term Foreign-Currency IDR will drive similar action on the MTN programme and foreign-currency senior secured debt ratings.

ADJUSTMENTS

The sector risk operating environment score has been assigned above the implied score for the following adjustment reasons: size and structure of economy (positive) and economic performance (positive).

The asset quality score has been assigned above the implied score for the following adjustment reasons: loan charge-offs, depreciation or impairment policy (positive).

The funding, liquidity and coverage score has been assigned above the implied score for the following adjustment reasons: funding flexibility (positive) and cash flow-generative business model (positive).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

SFL has an ESG Relevance Score of '3' for Customer Welfare, compared with the standard score of '2' for the finance and leasing sector. This reflects its retail-focused operations, which exposes it to risks around fair-lending, pricing-transparency and repossession, foreclosure and collection practices. Aggressive practices in these areas may subject the company to legal, regulatory and reputational risk that may negatively affect its credit profile. The relevance score of '3' for this factor reflects Fitch's view that these risks are adequately managed and have a low impact on SFL's credit profile at present.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕			PRIOR ↕
Shriram Finance Limited	LT IDR	BB+	Upgrade	BB

	ST IDR	B	Affirmed	B
	LC LT IDR	BB+	Upgrade	BB
senior secured	LT	BB+	Upgrade	BB

PREVIOUS

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer’s available public disclosure.

APPLICABLE CRITERIA

- Country-Specific Treatment of Recovery Ratings Criteria (pub. 04 Mar 2023)
- Non-Bank Financial Institutions Rating Criteria (pub. 01 Feb 2025) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

- Dodd-Frank Rating Information Disclosure Form
- Solicitation Status
- Endorsement Policy

ENDORSEMENT STATUS

Shriram Finance Limited

EU Endorsed, UK Endorsed

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The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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