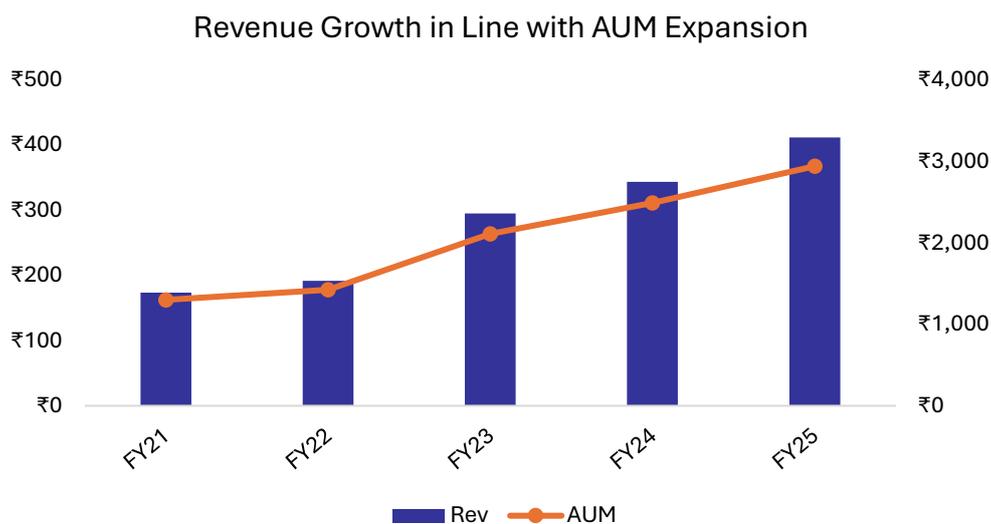


## Shriram Finance: Powering India’s Retail Credit Expansion

Shriram Finance Limited (Shriram) is one of India’s largest Non-Banking Financial Companies (NBFCs), specialising in retail and small business lending across India. They primarily provide financing for commercial vehicles, used vehicles, small enterprises and underserved borrowers, helping customers who often have limited access to traditional bank credit. With a nationwide branch network across India and a long track record in asset-backed lending, Shriram generates earnings through interest income while playing a key role in India’s financial inclusion and economic growth story.

- Shriram is a market leader in commercial vehicles (CV) and used vehicle financing.
- The company has a diversified loan portfolio spanning commercial vehicles, passenger vehicles, MSME (Micro, Small, and Medium Enterprises) loans, construction equipment, two wheelers and gold loans.
- Shriram operates an extensive branch network of 3,220 branches serving c.9.5 million customers, enabling rural and semi-urban penetration.
- The firm’s reported Asset Under Management (AUM) of c.2.63 trillion Rupees in FY25, positioning Shriram among India’s largest retail NBFCs.
- It’s Interest income-driven retail lending models generate stable spreads and consistent profitability through disciplined underwriting.



*Figure 1: Source: FactSet–Shriram Finance, Figures in ₹ billions*

## Differentiators & Strategic Strengths

Shriram is supported by structural competitive advantages that underpin its leadership within India’s asset finance and MSME lending segments:

- Shriram’s most dominant segment is the vehicle franchise, with commercial and passenger vehicles representing 66% of AUM, giving the company direct exposure to India’s transport and infrastructure growth.
- Secured lending model, with most loans collateralised by vehicles or equipment, supporting lower loss severity compared to unsecured consumer credit
- Shriram has a growing digital and analytics capabilities, including AI-driven credit scoring and faster loan processing, improving turnaround times, operating efficiently, and customer retention

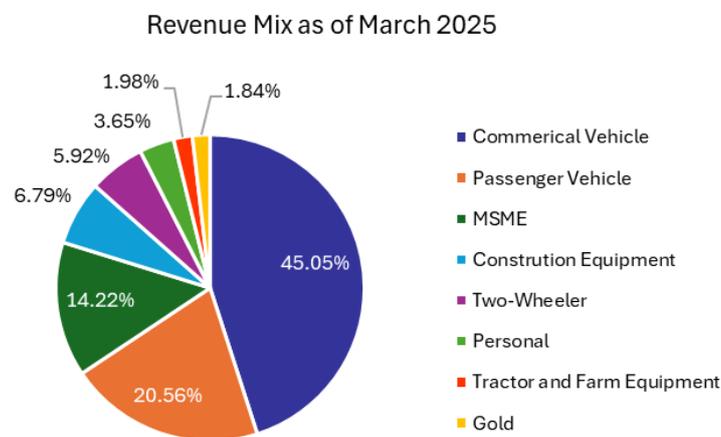


Figure 2: Source: Shriram Finance – Annual Report, FY24-FY25

## Industry Landscape & Structural Trends

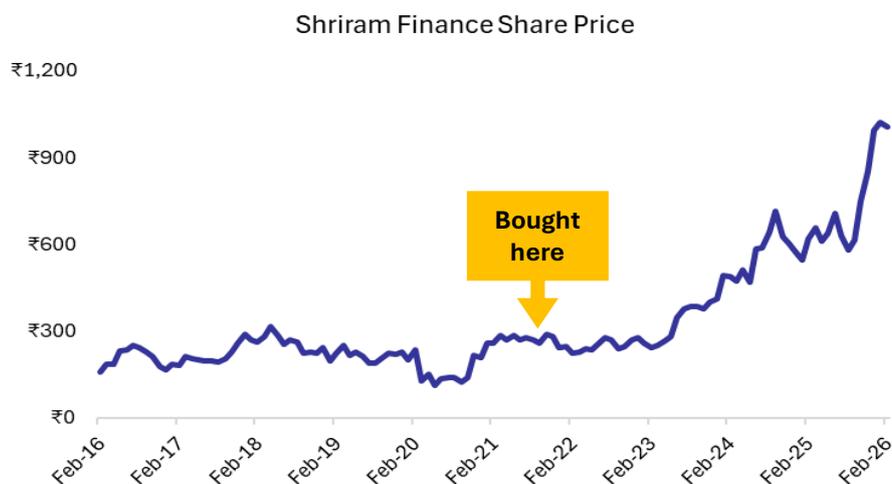
India’s NBFC and retail credit market is undergoing a multi-year structural expansion, creating a favourable backdrop for specialised lenders. This is largely supported by rising credit demand, regulatory strengthening and evolving funding dynamics.

- NBFC credit growth is robust at 20% annually, outpacing banks at 12%, reflecting stronger demand across retail, vehicle and MSME lending segments<sup>1</sup>.
- Rising infrastructure investment and freight activity are supporting higher commercial vehicle demand, benefiting transport-focused financiers.

<sup>1</sup> Boston Consulting Group: India NBFC Sector Roundup – FY25

- Improving asset quality and disciplined underwriting have stabilised credit costs, supporting more resilient returns through economic cycles.
- Tighter RBI regulation and higher funding requirements are accelerating industry consolidation, favouring well-capitalised, scaled lenders over smaller competitors.
- NBFC funding models are increasingly diversifying towards bonds, securitisation and deposits, reducing reliance on bank borrowings and improving balance sheet resilience.

## Investment Rationale



The India Avenue Equity Fund initiated a position in Shriram Finance in XX, noting the company’s ongoing revenue growth, improving asset quality and leveraged exposure to India’s structural retail and MSME credit expansion. Shriram has been identified as:

- A market leader in retail asset-backed lending, with AUM of 2.63 trillion rupees, positioning the company among India’s largest NBFCs with meaningful operating leverage and franchise strength.
- It has strong and consistent earnings growth, with net profit rising to 9m761 crore in FY25, up from 7,190 crore in the previous year, reflecting improving profitability and disciplined execution.
- Shriram has diversified earnings across multiple secured segments with exposure beyond vehicles into MSME, construction equipment, two wheelers and gold loans, reducing cyclical risk compared to single segment lenders.
- It has a technology-enabled operating leverage, with digital onboarding, AI-led underwriting and the ‘Shriram One’ app improving processing speed, cross-selling and cost efficiency.

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