TVS Motor Company Limited

TVS Motor Company Limited (TVS Motor, rated CARE AAA; Stable / CARE A1+), through its stock exchange announcement dated October 28, 2026, approved a Composite Scheme of Arrangement for the demerger of its consumer finance and related business undertaking [i.e. TVS Credit Services Limited, (TVS Credit, rated CARE AA+; Stable)] into a separate company. Under the proposed scheme, shareholders of TVS Motor will receive an equivalent number of shares in the resulting company, thereby enabling participation in the future growth of both the automotive and financial services businesses.

The recently announced demerger follows earlier announced Composite Scheme of Amalgamation involving Home Credit India Finance Private Limited (HCIF, rated CARE AA; Stable), STPL Trading and Services Private Limited (STPL), and TVS Housing Finance Private Limited (TVS HF) with TVS Credit as the surviving entity. The amalgamation is aimed at consolidating the group's consumer finance operations under a single platform, improving operational efficiencies, enhancing capital allocation, and aligning the group structure with the Reserve Bank of India's regulatory requirements for NBFC groups. The proposed demerger represents the next phase of this strategic restructuring and is intended to house the consolidated consumer finance business under a dedicated holding platform.

In connection with the proposed demerger, TVS Motor has acquired 100% stake in Harita ARC, a non-operating entity, from TVS Credit Services. Harita ARC is proposed to be the resulting company under the demerger scheme. Upon completion of the amalgamation and demerger, the group's NBFC interests, including TVS Credit, HCIF and Varthana Finance Private Limited (subject to relevant regulatory approvals for acquisition of Varthana Finance by HCIF), are expected to be housed under Harita ARC, with TVS Holdings Limited (TVS Holdings, rated CARE AA+; Stable) ultimately holding a majority stake of over 50% directly or indirectly. The group plans to list Harita ARC and undertake a rebranding exercise incorporating the 'TVS' brand name. The proposed demerger is expected to become effective from July 2027, subject to receipt of requisite statutory, regulatory and shareholder approvals.

Prior to the demerger, the group intends to complete the merger of TVS Credit, HCIF and Varthana Finance into TVS Credit within the RBI-stipulated timeline of May 2027. Following the proposed restructuring, TVS Holdings is expected to emerge as the ultimate parent of the merged TVS Credit entity apart from being the parent of TVS Motor.

Analytical View

CARE Ratings Limited (CareEdge Ratings) understands that the proposed demerger will reorganise the ownership structure, with TVS Motor's consumer-finance and related undertaking being transferred to Harita ARC Limited, which will become a separately listed entity, subject to receipt of requisite approvals. Upon implementation, Harita ARC's shareholding will mirror that of TVS Motor, with TVS Holdings Limited becoming the ultimate parent of the separated consumer-finance platform. Consequently, TVS Motor will cease to be the parent of the consumer-finance business and will operate as a focused automobile and mobility company.

CARE Ratings Limited (CareEdge Ratings) analytical approach considers TVS Motor's consolidated financials after excluding its NBFC subsidiary, TVS Credit Services Limited, and the latter's three subsidiaries, namely TVS Housing Finance Private Limited, Harita Two-Wheeler Mall Private Limited and Harita ARC Limited. However, the analysis factors in ongoing and future need-based funding support likely to be extended by TVS Motor to TVS Credit. Following the proposed demerger, the analytical approach will be reassessed based on the final group structure and the extent of any continuing financial, operational or management linkages between TVS Motor and the separated consumer-finance platform. Given the strategic importance of consumer finance within the TVS group and the demonstrated track record of shareholder support, CARE Ratings Limited (CareEdge Ratings) expects need-based support to the financial-services platform to be extended by TVS Holdings, instead of TVS Motor, in a timely manner. TVS Holdings is expected to continue deriving financial flexibility from the significant market value of its shareholding in TVS Motor, while TVS Motor's credit profile is expected to remain strong following the demerger of the consumer-finance business. Accordingly, the transaction is not expected to materially impact TVS Motor's leverage, liquidity or overall credit profile and may reduce its exposure to the funding requirements of the financial-services business.

CARE Ratings Limited (CareEdge Ratings) will continue to monitor the progress of the proposed amalgamation and demerger, including receipt of requisite approvals, implementation of the revised group structure, transfer of the consumer-finance undertaking and any consequent changes in TVS Motor's support obligations and consolidated financial profile.

Please refer to the following link for CareEdge Ratings' previous press release on TVS Motor, which captures, among other things, rationale and key rating drivers with their detailed description, rating sensitivities, liquidity position, and brief financial indicators.

Click here.

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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