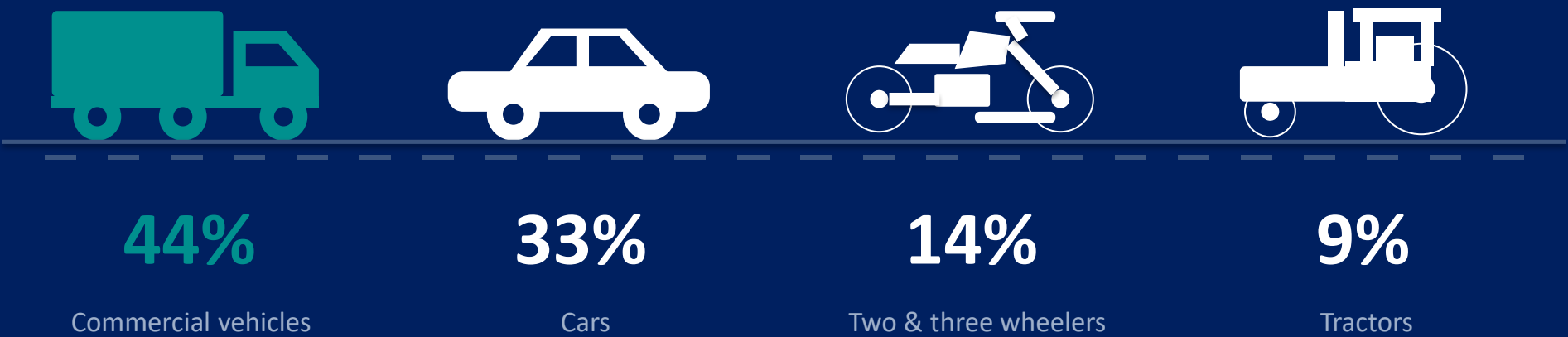


Indian vehicle finance

A INR 20 lakh crore (USD 210bn) financing pool, deep-dives into the top non-bank lenders.

WHAT THE NON-BANK BOOK IS MADE OF

Share of non-bank vehicle credit outstanding



INR 8 lk cr

USD 84bn
non-bank share
of the pool

~16%

median AUM growth,
top 11 players

2.8x

listed sector
price to book

Five conclusions from the study

1 The pool is growing; the growth has moved

Vehicle finance is a INR 20 lakh crore (USD 210bn) book compounding at 12%. Banks hold 60% of it and are growing at ~10%. The top non-bank players are growing at ~15%, and the used-vehicle segment within NBFCs is growing faster still.

2 Scale is not the principal source of advantage

The spread between the lowest and highest cost of funds across the top 11 players is ~300 basis points. That differential accounts for more of the variation in returns than balance sheet size does.

3 Reported and operating returns are materially different measures

Adjusting FY26 for non-recurring items moves return on equity by as much as ~570 basis points at individual lenders.

4 Asset quality is assessable beyond the reported ratio

Nine lenders, forty securitisation trusts, eight quarters of observations. In five of the nine, the pool evidence and the reported ratio do not straightforwardly agree.

5 Private capital has selectively paid a premium

Sixteen private rounds average 3.2x book pre-money against a listed comparable at 2.8x. On a post-money basis the private average is 2.4x, which is below the listed market.

All analysis is prepared from publicly available information: company filings and investor disclosures, rating agency rationales, VAHAN and FADA registration data, and securitisation trust performance reports.

A INR 20 lakh crore pool, split sixty-forty

Composition of financed vehicle credit in India, FY26



INR 20 lk cr

USD 210bn

Financed vehicle credit outstanding, FY26

INR 8 lk cr

USD 84bn

Held by non-bank lenders — the contestable pool

~12%

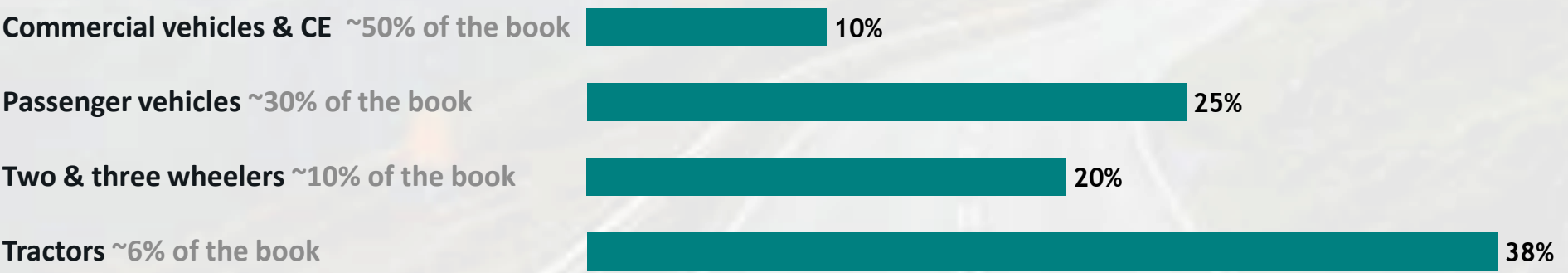
Growth in the overall financing pool

~16%

Growth across the top 11 non-bank players

And inside the non-bank vehicle book

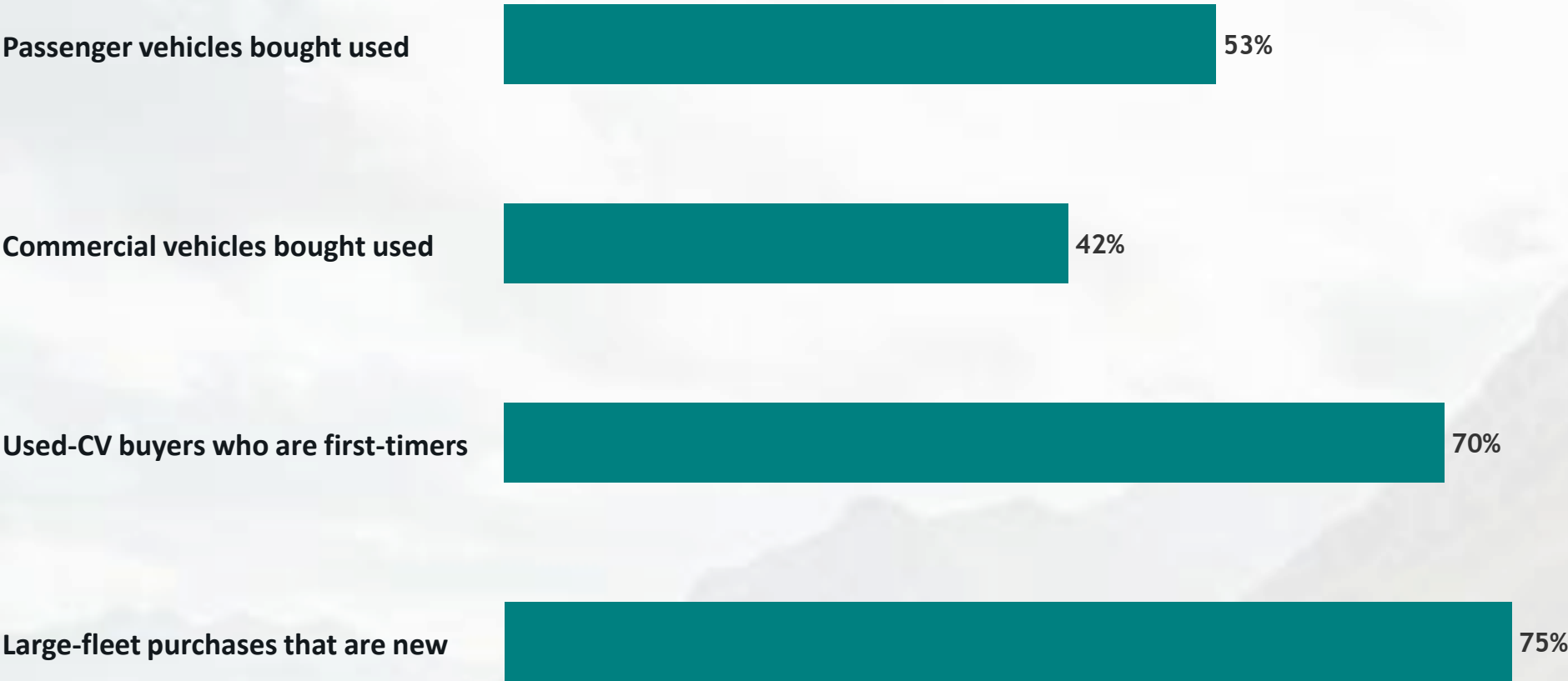
Growth by segment over the last eighteen to twenty-one months, top 11 players



The non-bank pool is forecast to compound at **16-17%**, against 10% for the bank-held 60%. Banks are not so much ceding share as declining to compete for the borrower profile that non-bank lenders underwrite.

Source: Company reports, rating agency estimates, o3 analysis

Used assets are the underwriting business



36%

of the non-bank vehicle pool is used-asset

INR 2.9 lk cr

USD 31bn

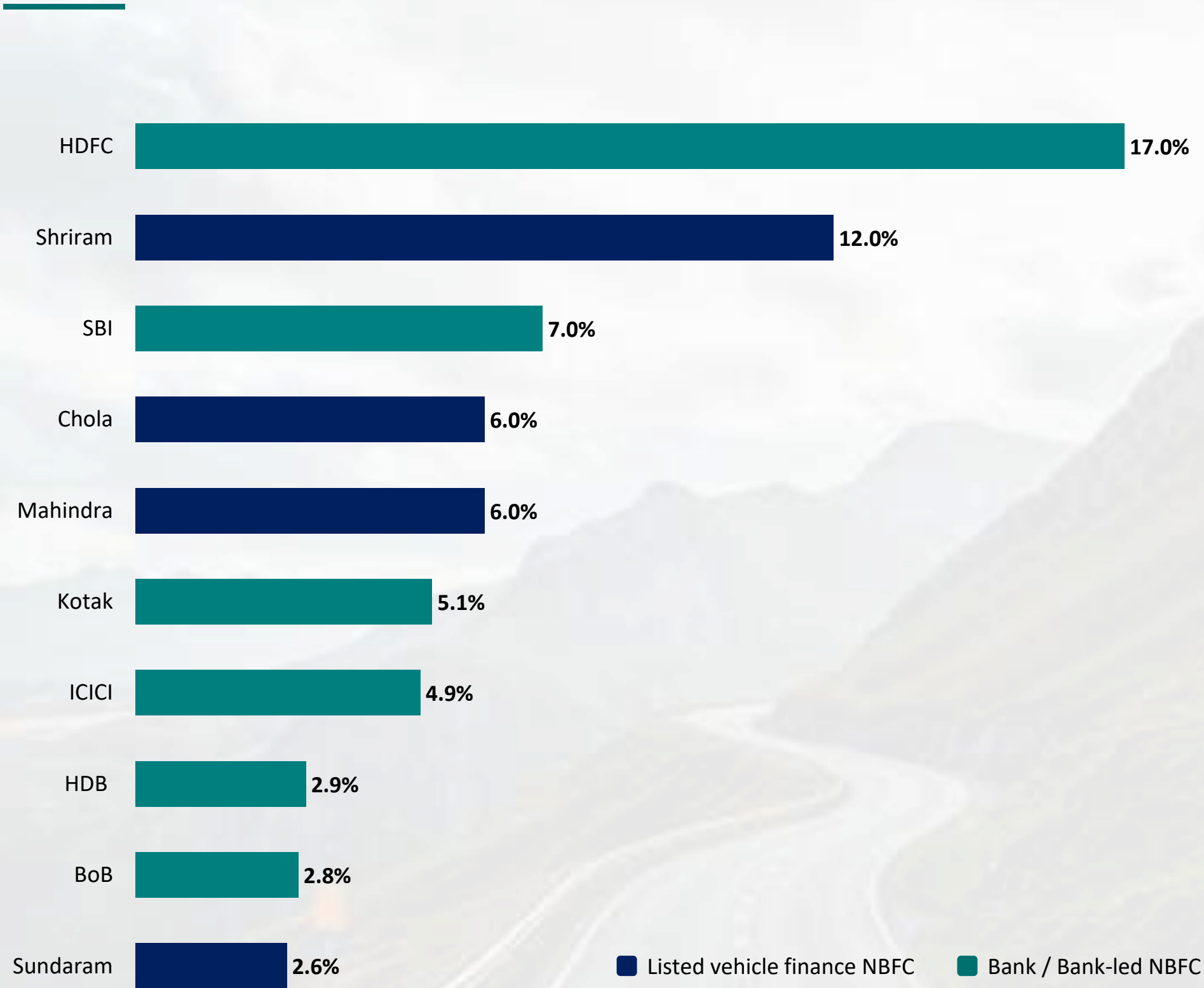
used-vehicle credit already on non-bank books

A used vehicle carries no manufacturer support, no dealer subvention and no standard price. The collateral has a contested value and the borrower typically sits outside a bank’s scoring model. The binding constraint is underwriting capability rather than balance sheet capacity, which is why the segment has remained with non-bank lenders across three rate cycles.

Source: SIAM, FADA, company disclosures

Ten lenders hold two-thirds of the pool

Indicative share of total financed vehicle credit, Mar-26



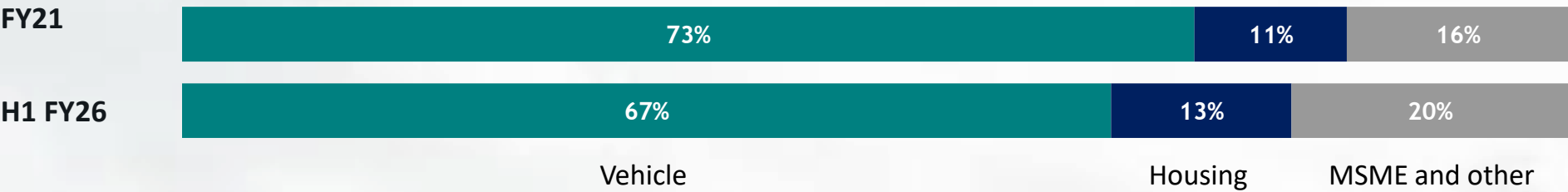
The ten largest lenders hold ~66% of the pool, of which only four are non-bank players. Below this tier the remainder is distributed across a long tail, and it is in that tail that substantially all of the sector’s consolidation and private capital activity has taken place.

Source: o3 Capital estimates against an assumed INR 20 lakh crore sector pool; not company-disclosed shares

The book is diversifying at very different speeds

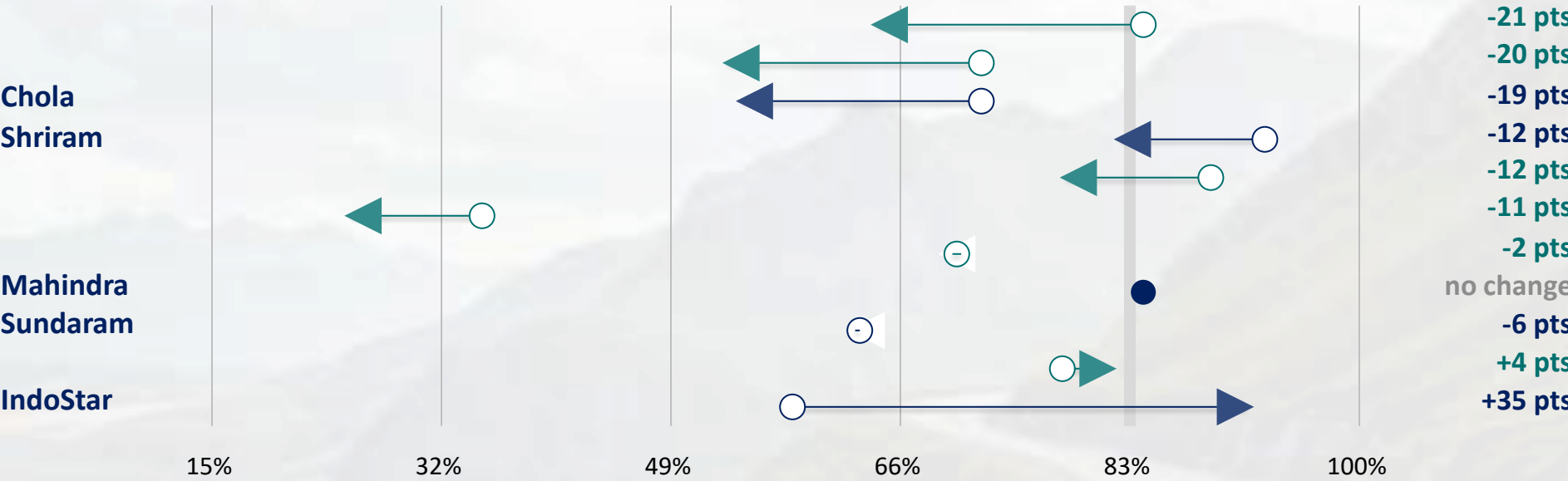
Away from vehicles, in aggregate

AUM mix of the top 11 players. The non-vehicle book compounded at 21–22% against 14–15% for the vehicle book



But at very different speeds

Vehicle share of each lender’s AUM, FY21 to the latest reported period



And into different things

Categories in which the top 11 have non-vehicle exposure

- Secured MSME and SME lending
- Housing finance
- Loans against property
- Personal loans and consumer durables
- Corporate and commercial lending
- Gold loans

Six percentage points of aggregate mix shift hides a 56-point spread at the company level. Three lenders have taken more than nineteen points out of their vehicle share since FY21; one has moved thirty-five points the other way. **A peer average reveals nothing about any individual book.**

The one increase in vehicle share reflects a housing-business divestment in July 2025, not organic concentration. Basis and qualifications for each named company are on page 22.

Source: Company filings, credit ratings, brokerage reports; FY21 to Q4 FY26 for the listed five and to H1 FY26 or FY26 elsewhere

Four vehicle segments, four different Indias

Which state matters depends entirely on which vehicle is being financed

Small commercial vehicles

Pickups, LCVs, three-wheel cargo



Goods moving to people

Ports, industrial estates and consumption density. In Delhi, Haryana, Karnataka and Telangana, roughly 70% of new commercial vehicle registrations are light.

Heavy vehicles and tippers

Medium and heavy commercial vehicles



Materials moving out

Coal, ore and cement belts. In Chhattisgarh and Jharkhand only 42% of new commercial vehicle units are light — the mirror image of Delhi.

Construction equipment

Excavators, backhoes, cranes



A government capex line

The one segment whose demand is set by state and central infrastructure spending rather than by household or freight income.

Passenger vehicles

Cars and utility vehicles



Household income and tier-2 towns

Population and income centres. Maharashtra, Uttar Pradesh, Gujarat, Karnataka and Tamil Nadu are the five largest markets.

Lower concentration Higher

There is a fifth system. Tractors and two- and three-wheelers follow the monsoon rather than any of the four maps above: Uttar Pradesh, Rajasthan and Madhya Pradesh rank one to three. A lender's product mix therefore decides its geography, not the other way round.

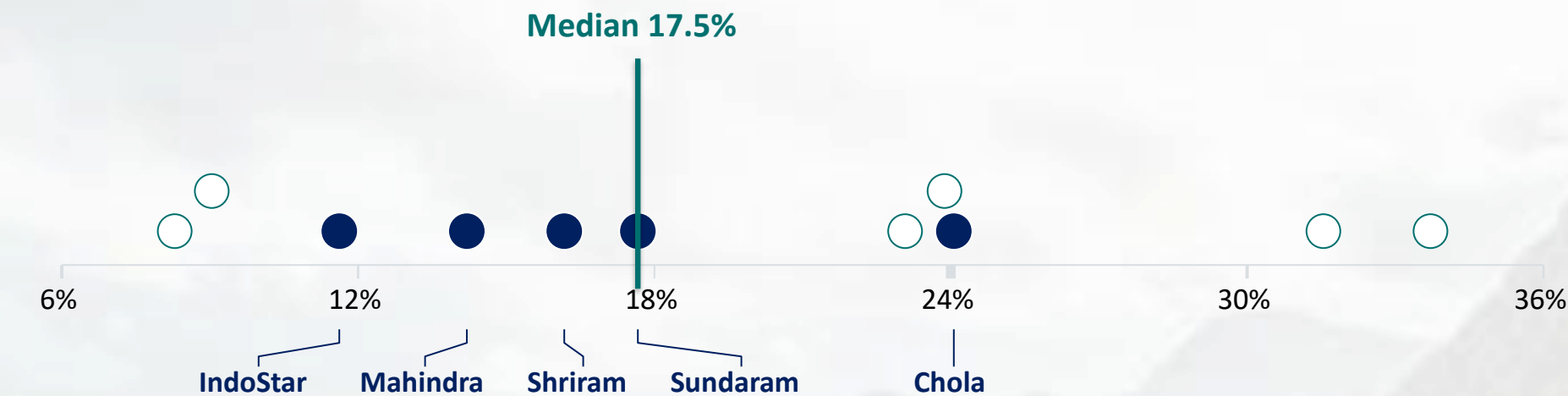
Source: VAHAN and SIAM FY26 state-wise registrations, FADA retail data, o3 analysis

Growth is dispersed, not uniform

AUM growth across the top 11 players

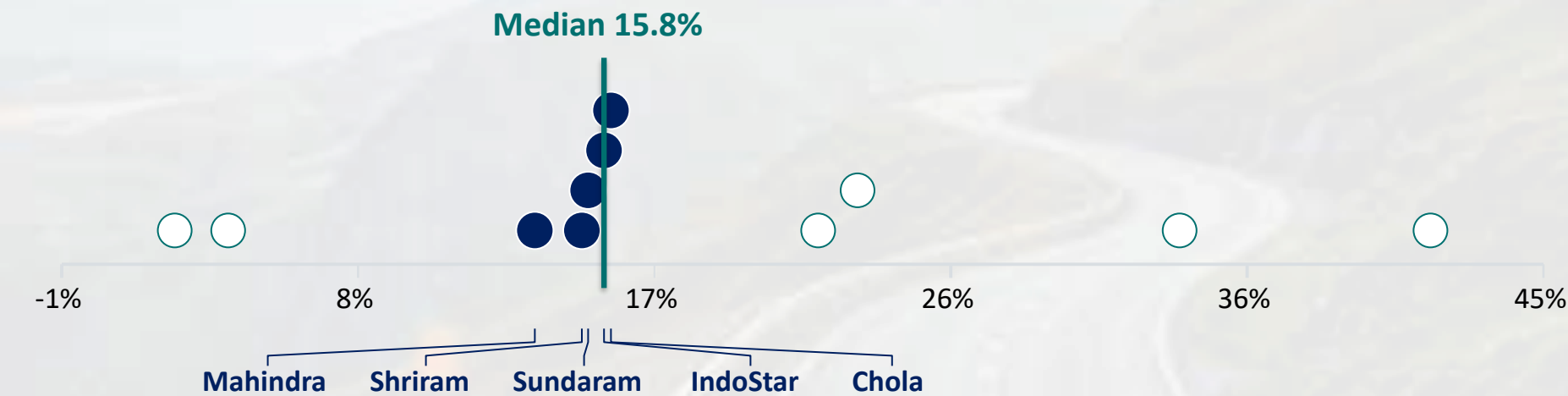
Consolidated AUM

Compound annual growth, FY24 to FY26



Vehicle AUM only

Same basis, excluding non-vehicle books



■ Listed — named ○ Private — name withheld

Growth in this sector is not a single rate. The interquartile range spans ~13% to ~24%, and the full distribution runs from 8.0% to 33.8%. The vehicle-only series is the more comparable measure: several of the larger balance sheets have been diversifying away from vehicles, which flatters the consolidated figure.

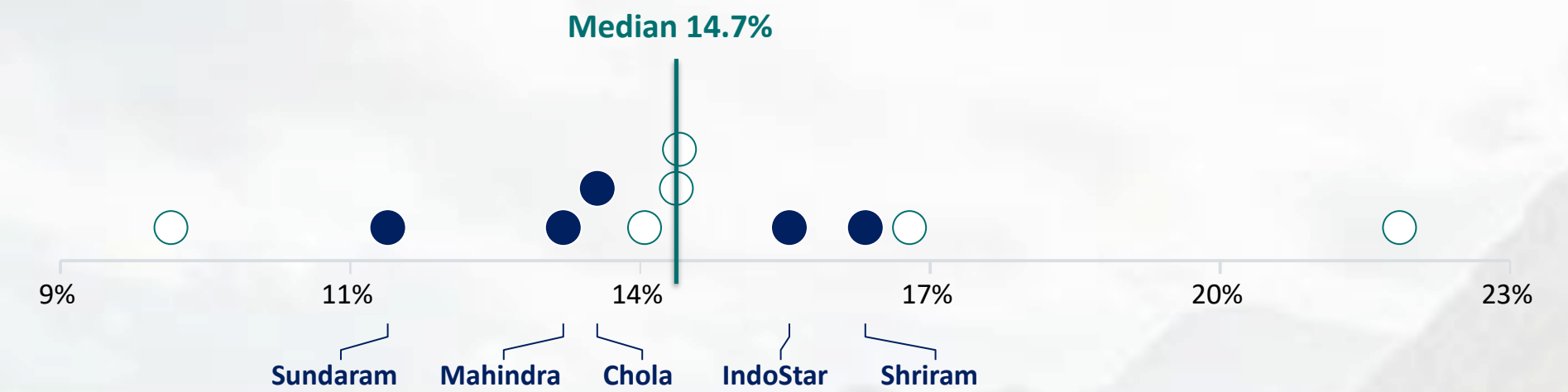
Source: Company filings; FY24 to FY26, or to September 2025 for the two players whose latest reported period is the half year

A margin range of 3.5% to 14.9%

Net interest margin and portfolio yield across the top 11 players

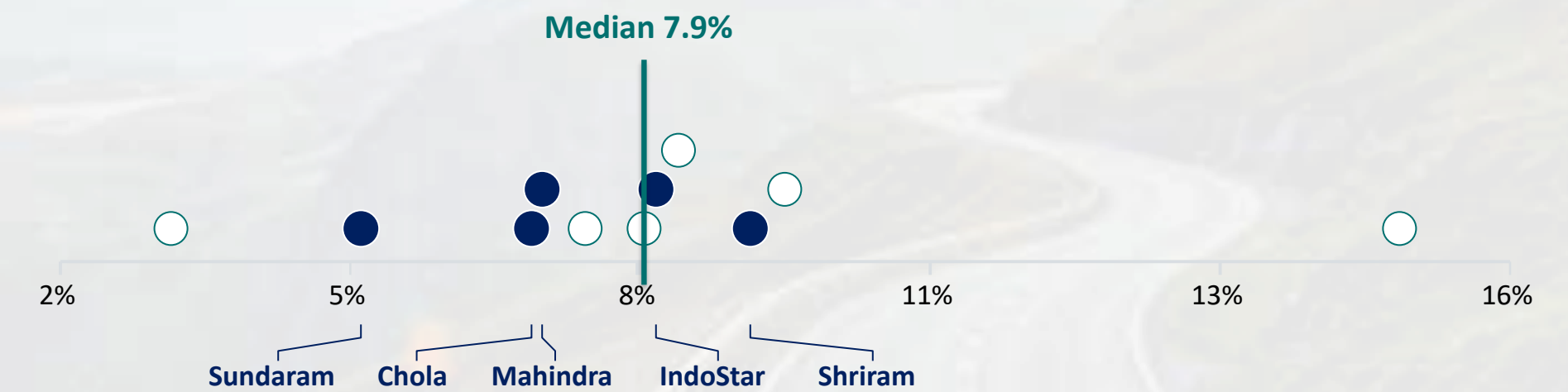
Interest Income

FY26 interest income on average AUM



Net interest margin

FY26, on average AUM



■ Listed — named ○ Private — name withheld

Margin is a direct read on strategy. A **3.5%** margin and a **14.9%** margin sit within the same peer set because one balance sheet funds large fleet operators against new assets and another finances two-wheelers for first-time borrowers. Neither figure carries meaning in isolation; each must be assessed against the credit cost required to sustain it.

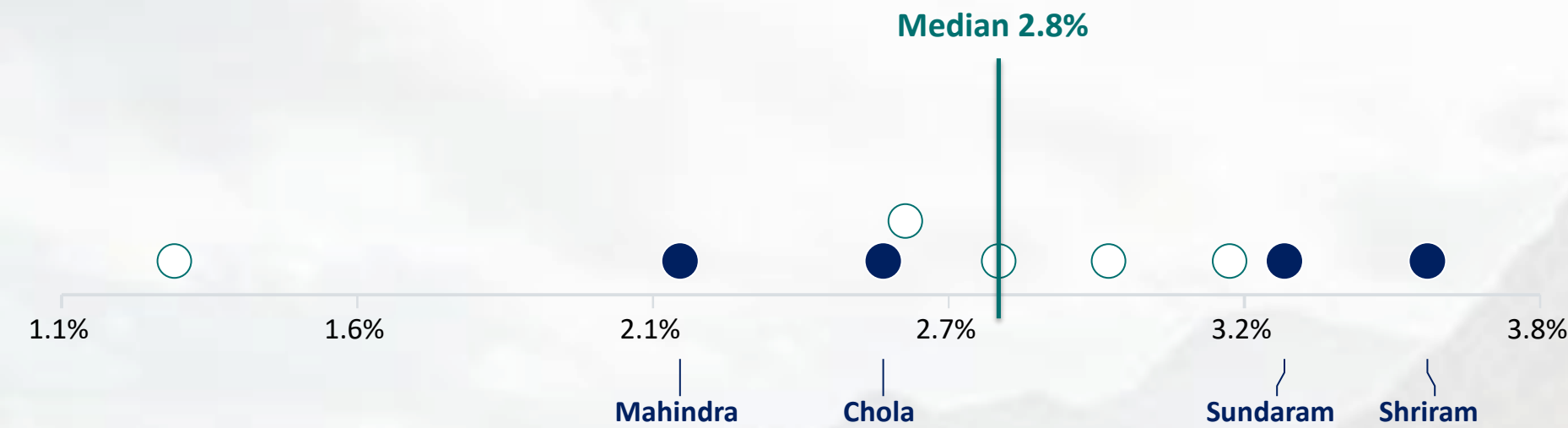
Source: Company filings, o3 analysis; top 11 players

The median lender earns 2.8% on assets

FY26 reported profitability

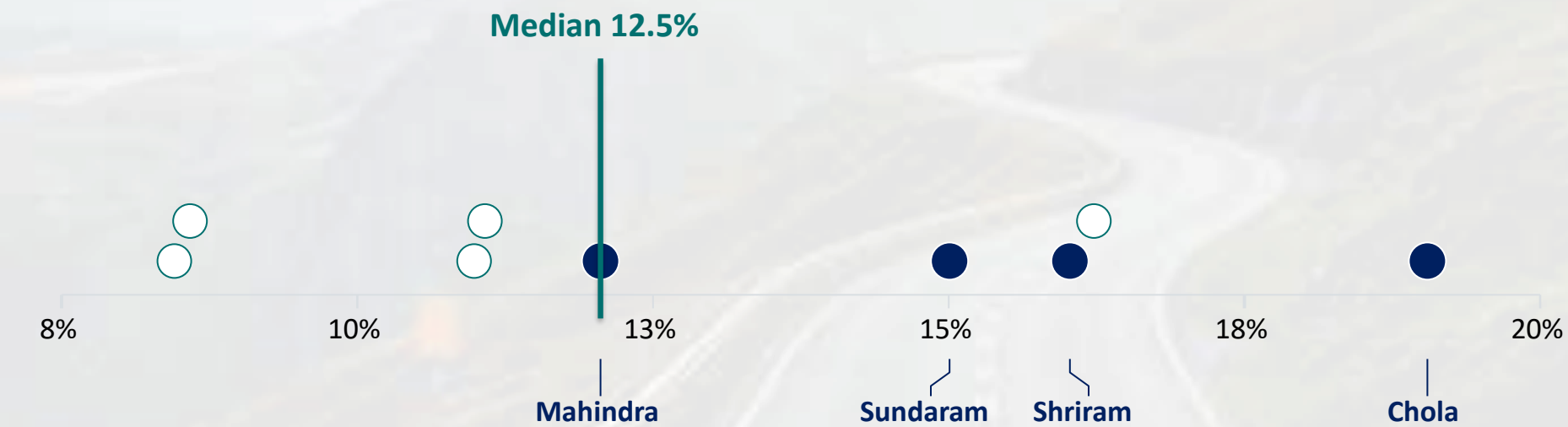
Return on average AUM

FY26 reported, nine of the top 11 players



Return on average equity

FY26 reported, same basis



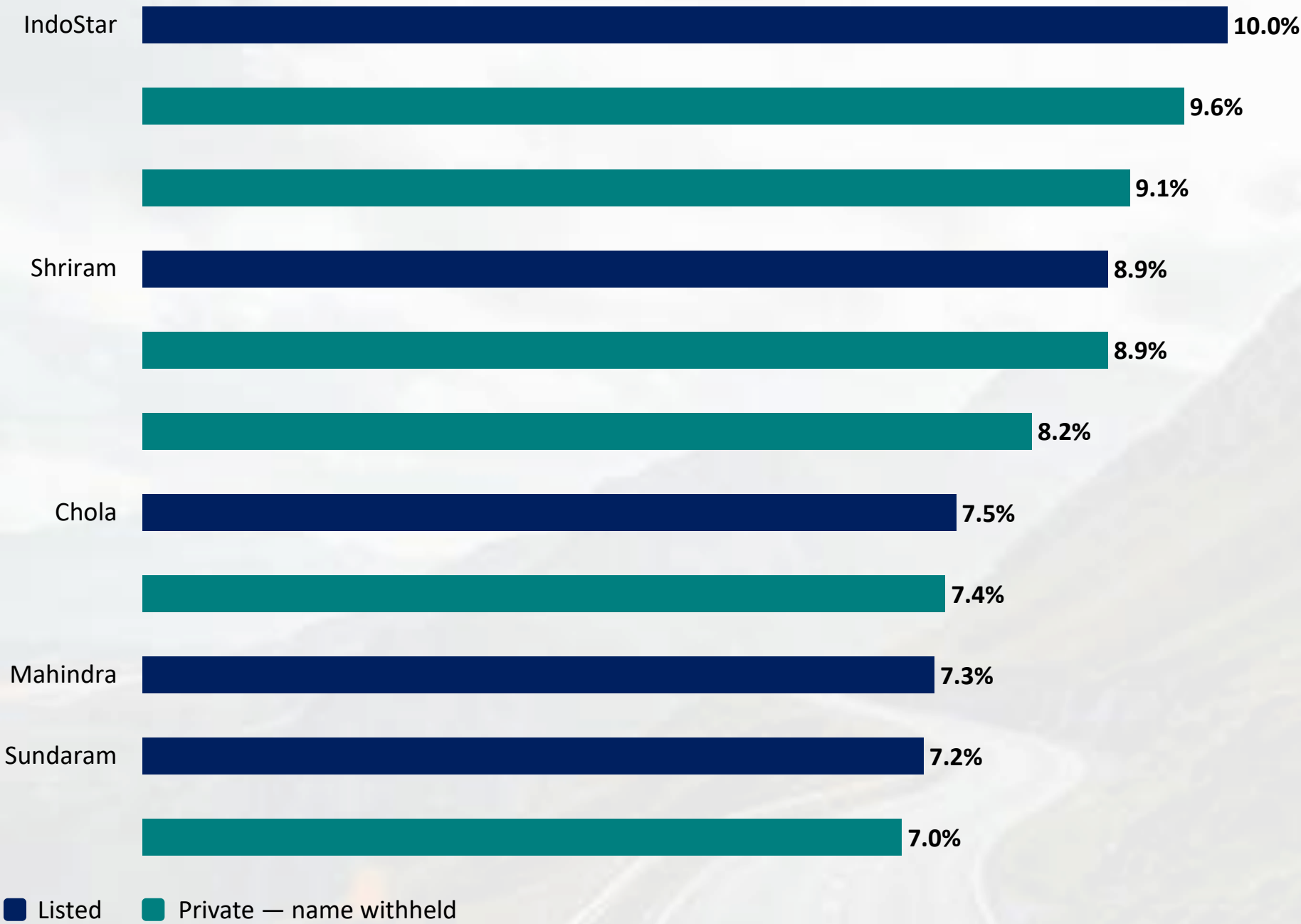
■ Listed — named ○ Private — name withheld

The median lender earns **2.8% on assets** and **12.5% on equity**. The strongest book in the set earns close to three times what the weakest earns on the same asset class. Two participants are excluded as not meaningful: one reported a loss, the other a materially one-off-distorted result.

Source: Company filings; two participants excluded as not meaningful

A 300 basis point funding spread

FY26 cost of funds, top 11 players



300 bps

between the lowest and highest cost of funds

8.2%

median cost of funds, FY26

On a balance sheet levered approximately five times, a 300 basis point funding differential equates to around fifteen percentage points of pre-tax return on equity before any other factor is considered. It is the largest single structural advantage available in the sector, and it derives principally from credit rating and franchise vintage rather than from operating capability.

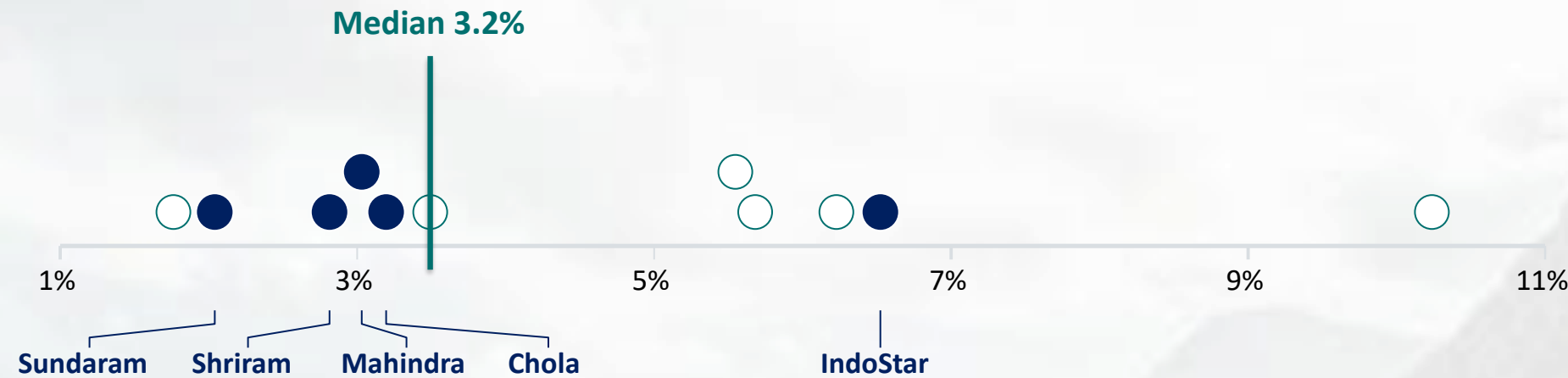
Source: Company filings, rating rationales

Cost ratios largely restate ticket size

FY26 operating cost, measured two ways

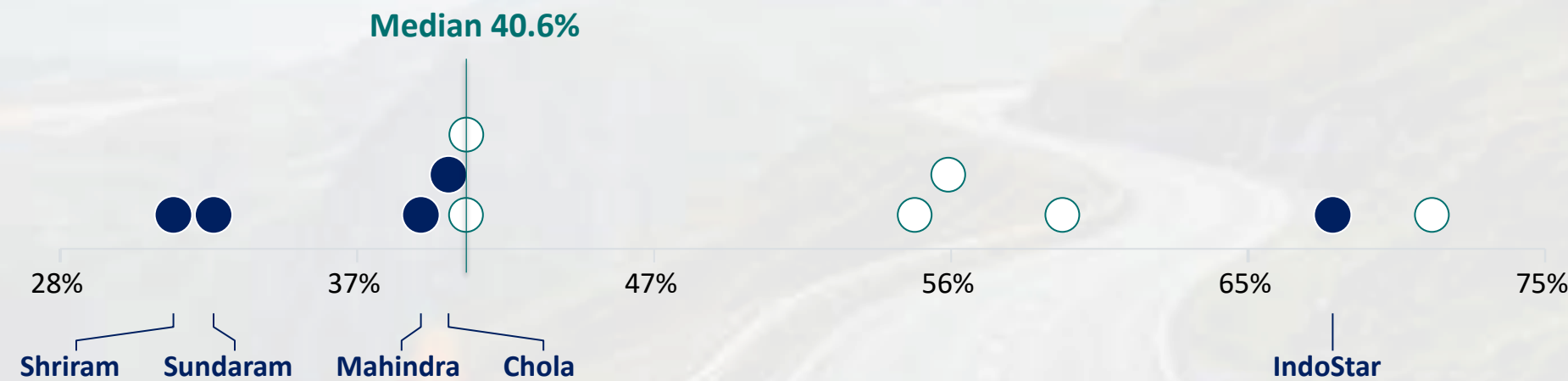
Operating cost to AUM

FY26 employee and other operating expense



Cost to income

FY26 operating expense over net operating income



■ Listed — named ○ Private — name withheld

INR 58.7 cr

USD 6.2m

mean AUM per branch

INR 3.4 cr

USD 0.36m

mean AUM per employee

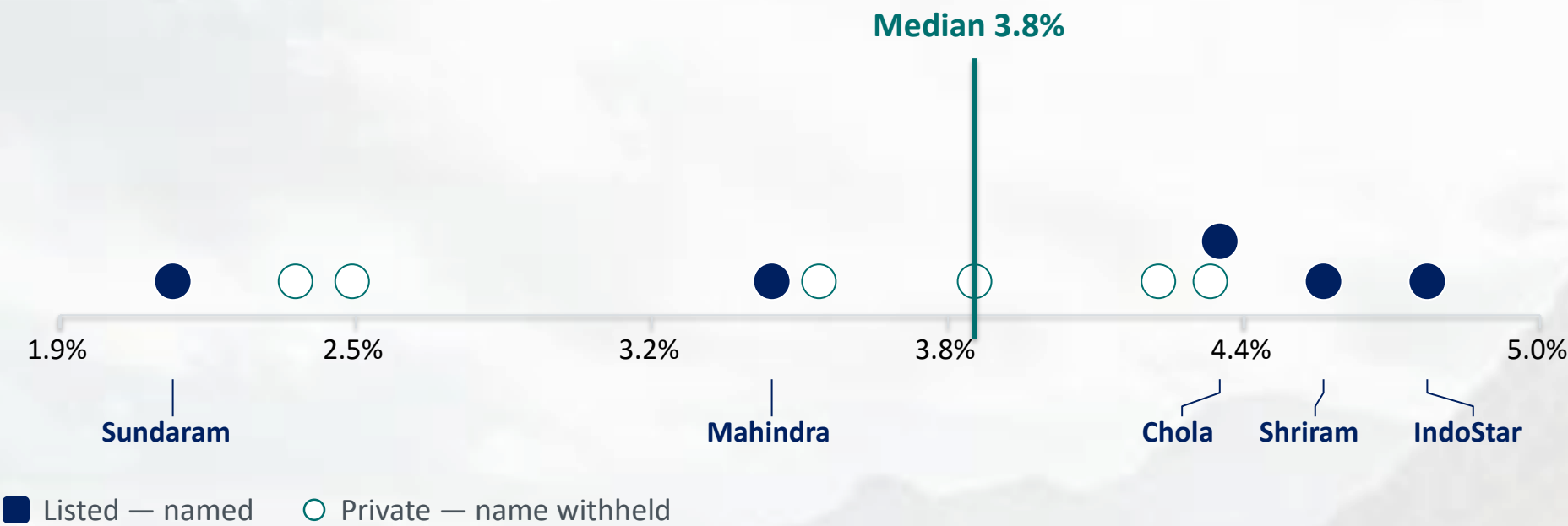
The lowest operating ratios in the set do not identify the most efficient operators. They identify the lenders writing larger tickets to fewer borrowers. Cost ratios in vehicle finance are substantially a restatement of average ticket size rather than a measure of operating discipline.

Source: Company filings; FY26, or FY25 for three players; per-branch metrics exclude two non-comparable branch models

Delinquency is largely a mix outcome

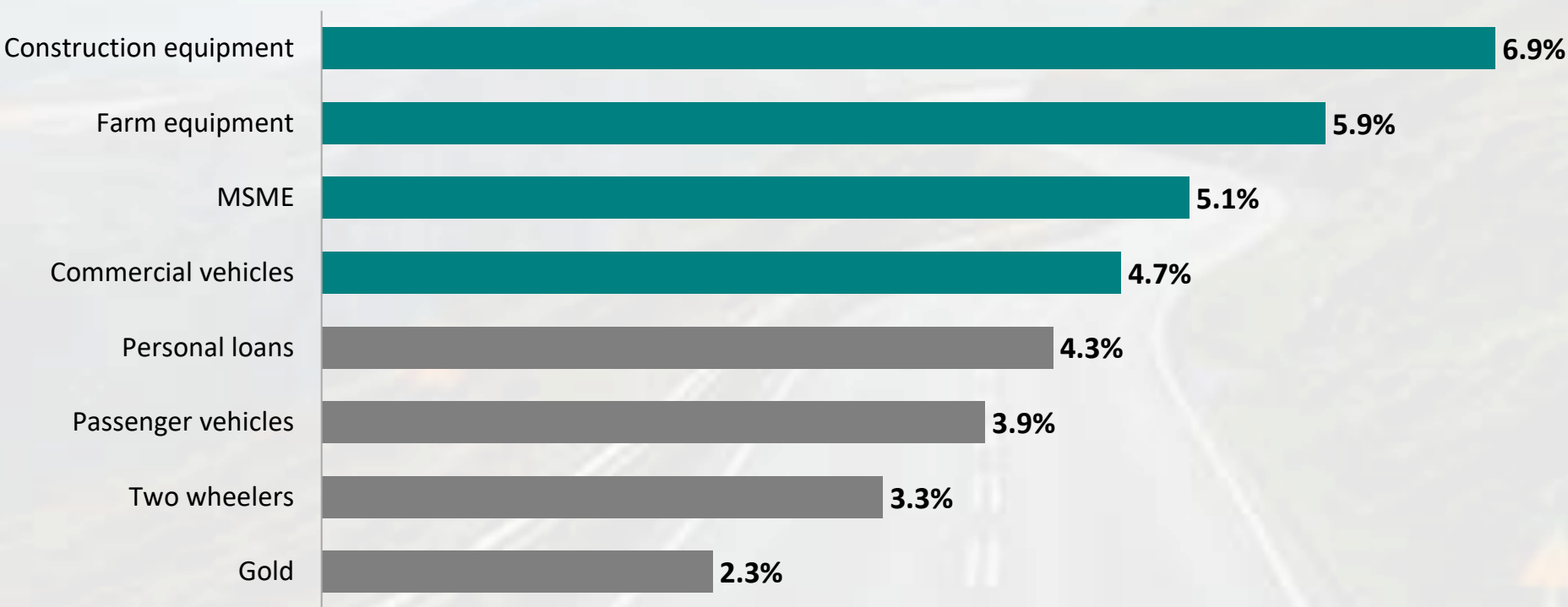
Gross stage 3

FY26, as reported, across the top 11 players



The same question by asset class

Shriram Finance — gross stage 3 by segment, Mar-26. Overall 4.6%



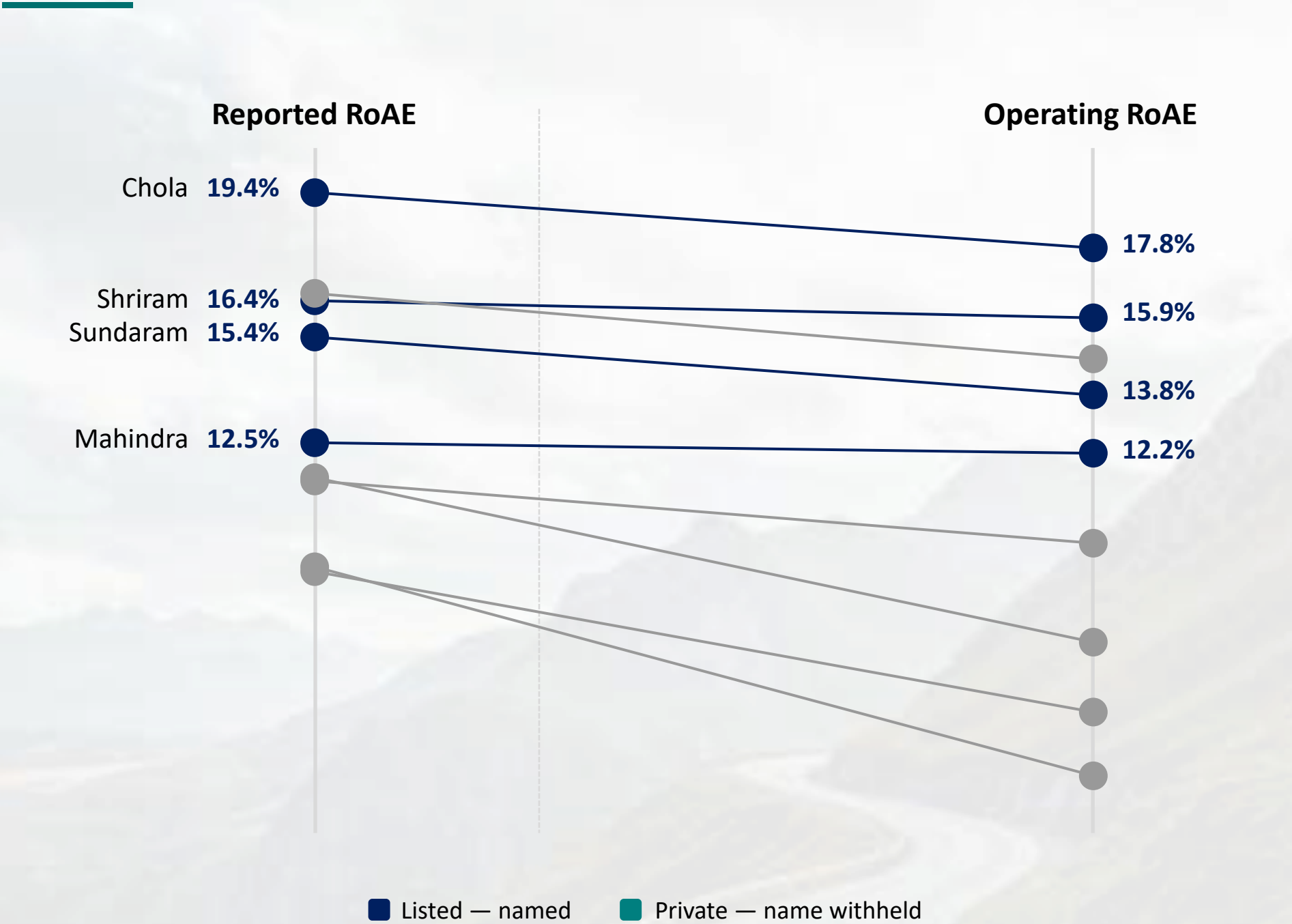
Reported gross stage 3 spans **2.1% to 4.8%**, with a median of 3.8% and a net stage 3 median of 2.0%. Decomposing the largest book in the set shows why: construction and farm equipment carry roughly twice the delinquency of two-wheelers, so a headline ratio is in large part a statement about portfolio composition rather than about underwriting.

Gross and net stage 3 are stated on RBI norms so the set is measured consistently. Two of the listed names also publish a lower figure on their own policy basis; both are set out on page 22.

Source: Company filings; segment decomposition is Shriram Finance, the largest book in the set

Returns adjusted for non-recurring items

FY26 return on equity, reported against operating basis



29 bps

smallest adjustment in the set

171 bps

median adjustment

574 bps

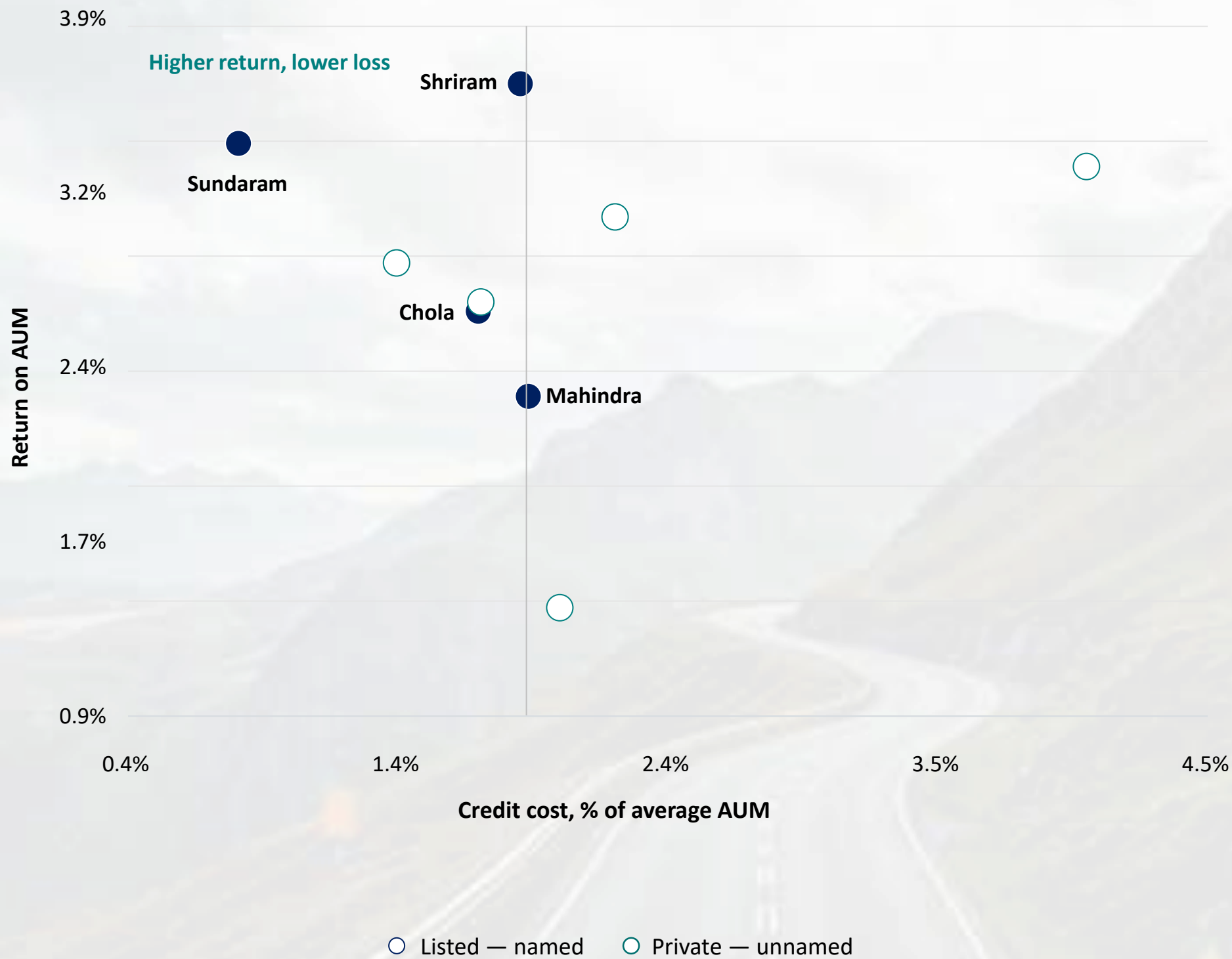
largest adjustment

Operating return excludes assignment gains, one-time recoveries, ARC sale effects and other non-recurring items reported in FY26. The four listed names give up between 2% and 11% of their reported return on equity. **Three of the five private books give up more than a third** of their reported returns, when adjusted for the above.

Source: Company filings, o3 analysis; two names excluded as not meaningful

Return assessed against the credit cost incurred

FY26, nine of the top 11 players



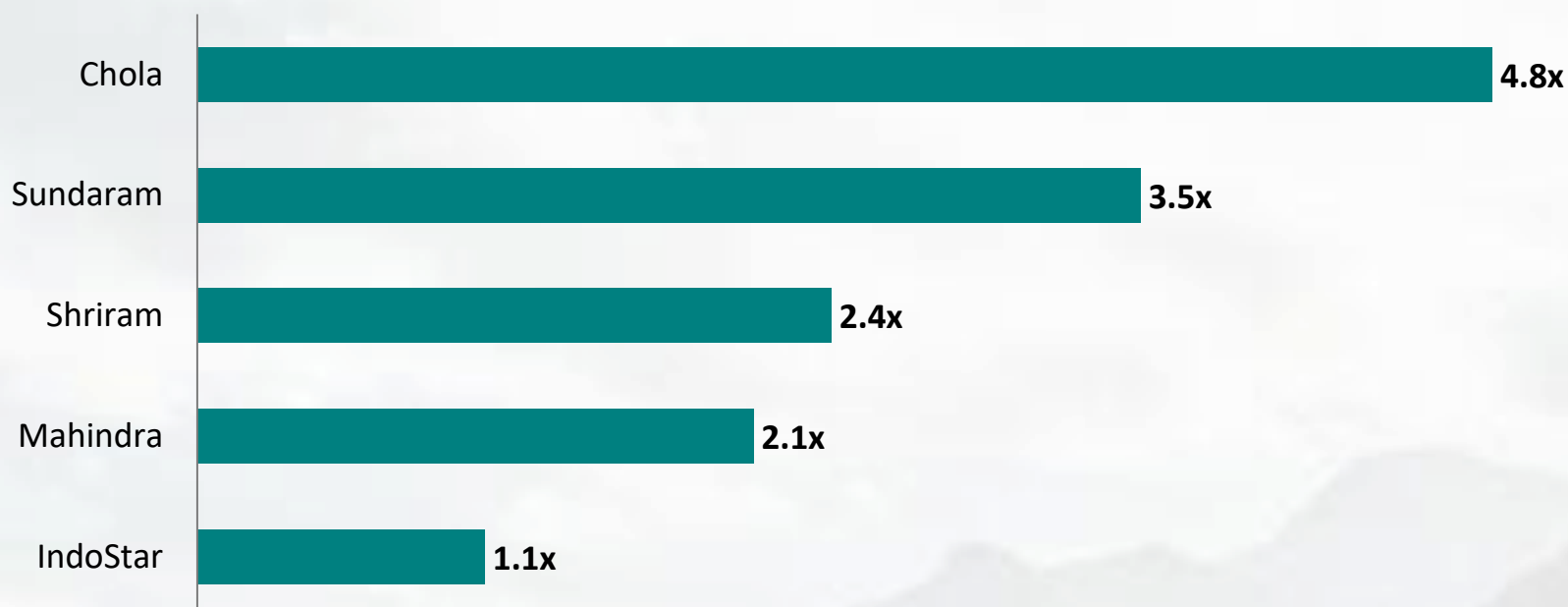
Dividing the set at its own medians identifies one quadrant of interest: return on assets at or above the median, earned at a credit cost at or below it. **Three of the nine** satisfy both conditions. In the remaining cases incremental return is accompanied by incremental credit loss, which is a spread outcome rather than a franchise one.

Source: Company filings, o3 analysis

The listed sector trades at 1-year average of 2.8x book

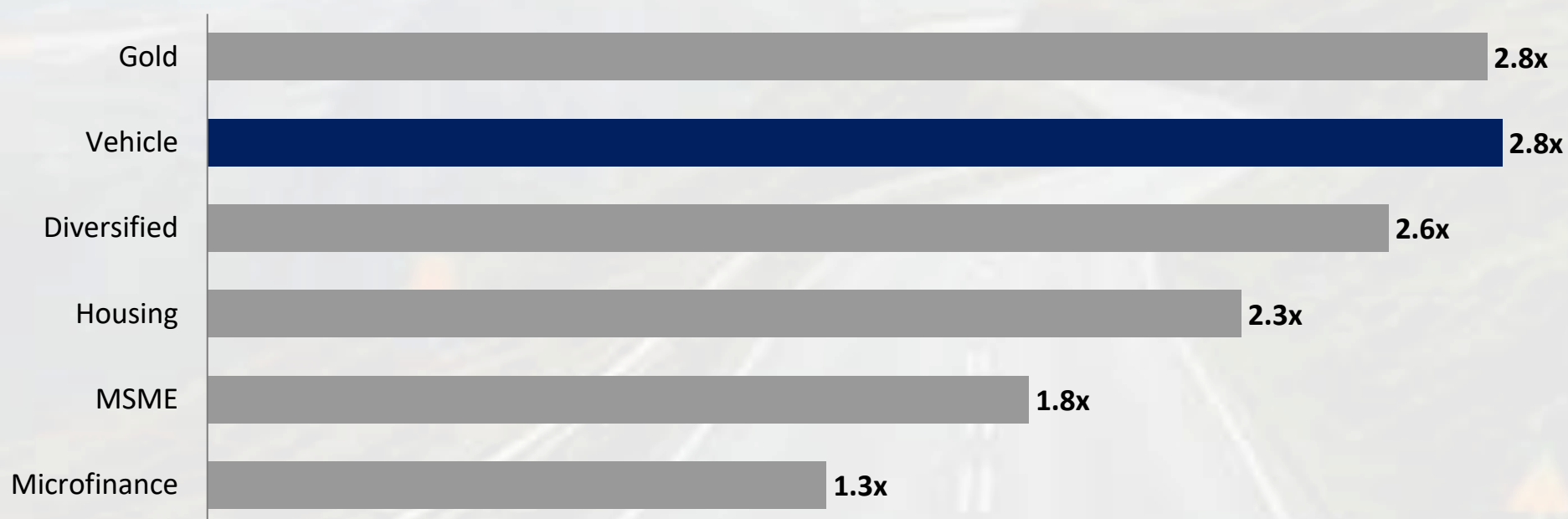
Listed vehicle financiers

Price to book, LTM



Compared with other NBFC verticals

Listed price to book by sub-sector, one-year average



Vehicle finance trades at **2.8x**, level, ahead of diversified lenders and gold. Excluding IndoStar the listed average is 3.3x. Dispersion within the vehicle vertical still exceeds the spread across verticals: 4.8x and 1.1x, against broadly the same underlying assets.

Source: FactSet; LTM and one-year averages as at 19 August 2026

Private rounds average 3.3x book pre-money

Fifteen private transactions in Indian vehicle and adjacent NBFC lending, priced on pre-money book value. Counterparty names withheld.



3.3x average, pre-money	3.7x median, pre-money	2.4x average, post-money
---	--	--

The pre-money average sits **half a turn above** the listed sector. Post-money after the new capital lands in book value the same rounds average **2.4x**, below the listed market.

Private capital is therefore not paying a structural premium for the asset class; it is paying for the specific franchise, and only where the operating return supports it.

Source: Announced transactions, press reports, o3 analysis; n = 15

What a premium book valuation requires

Underwriting a private vehicle finance book at three times equity requires five conditions to hold simultaneously.

20%+

Growth

AUM compounding above the sector median for four to five years, through at least one rate cycle and one asset-quality episode.

15%+

Operating return

Return on equity sustained after adjustment for non-recurring items, on the operating basis set out earlier in this note.

Below 2%

Credit cost

Loss rates remaining in the lower half of the peer set as the book doubles. Portfolio seasoning is the principal risk here.

Improving

Cost of funding

Cost of funds converging toward the 7.2% end of the range as the credit rating improves. Each 100 basis points is approximately five percentage points of pre-tax return on equity.

3.0x

Exit

A listed market still paying the current 2.8x 1-year sector average at the point of exit, with capacity to absorb a further vehicle financier.

Most of the sector satisfies two or three of these conditions. Those satisfying four or five are the lenders for which the precedent multiples were paid.

Assessing asset quality beyond the ratio

Reported non-performing assets are a ratio measured against a rapidly growing denominator. To interpret it, the on-book trend is assessed against three independent sources: securitisation pool loss curves, early-bucket delinquency, and provision coverage rebuilt or released. Nine lenders, forty trusts and eight quarters of observations resolve into four assessments.

Corroborated 2 of 9

Reported outcome supported by pool and cohort evidence

Flattered 2 of 9

Reported ratio assisted by a disposal, write-off or reset

Divergent 3 of 9

Reported and observed indicators point differently; seasoning unresolved

Insufficient 2 of 9

Public evidence too limited to reach a view either way

Individual assessments are not published here. The purpose of setting out the framework is to demonstrate that the question is **answerable from publicly available sources**, and that in five of the nine cases the reported ratio and the observed evidence do not straightforwardly agree.

Source: Rating agency trust rationales, company filings, investor updates

Basis, periods and definitions

BASIS OF PREPARATION

This note is an abridged summary of the o3 Capital vehicle finance sector study deck. It is prepared solely from publicly available information and contains no confidential or client information. No company has been given the note in advance, and none has reviewed, verified or approved it. Financial data is for FY26, the year ended 31 March 2026, unless otherwise stated. Amounts are in Indian rupees; “cr” denotes crore and “lk cr” lakh crore. US dollar equivalents convert at **INR95 / USD**.

THE PEER SET

References to the **top 11 players** mean the eleven largest non-bank vehicle finance companies in India by vehicle assets under management — five listed and six privately held. Where a metric is not meaningful for a participant, for example where the entity reported a loss or a materially one-off-distorted result, that participant is excluded and the reduced sample is stated on the page.

NAMING AND AGGREGATION POLICY

Company-level figures are attributed only to listed entities, whose results are already in the public domain, and to banks, whose shares are stated as indicative estimates. All privately held participants appear in aggregate as unnamed observations within a distribution, or as medians, quartiles and ranges. Individual asset-quality assessments are not attributed. Precedent transaction multiples are shown without counterparty names.

ROUNDING AND CENTRAL TENDENCY

This note reports **medians** unless a figure is described as an average. The underlying study reports averages, so a median quoted here will differ from the average quoted there for the same data, for example, a 17.5% median AUM growth against an approximately 19% average. Percentages are rounded for display; ranking and spread calculations use unrounded values.

REFERENCE PERIODS

Mar-24 to Sep-25 · Market size, split and growth
FY24 to FY26 · Company AUM growth, consolidated and vehicle
FY24 to Sep-25 · two players reporting to the half year
FY21 to Q4 FY26 · Vehicle share of AUM, listed five
FY21 to H1 FY26 / FY26 · other participants
FY21 to H1 FY26 · Aggregate AUM mix of the top 11
FY25 · Product composition of the non-bank pool
last 18-21 months · Segment share and growth, top 11 players
Sep-25 · Used-asset share of AUM
Mar-26 · Market share ladder
FY26 · Yield, margin, funding cost, operating cost
Mar-26 · Asset quality and credit cost
FY26 · Returns, reported and operating
FY26 · Productivity — three players report to FY25
LTM to 20 Jul 2026 · Listed multiples
Date of announcement · Precedent multiples

DEFINITIONS

AUM assets under management, consolidated unless stated as vehicle-only or standalone.
Gross / net stage 3 as reported under Ind AS. Where a company also publishes a figure on its own policy basis, both are given on the facing page.
Credit cost impairment on financial instruments as a percentage of average AUM.
NIM interest income less interest expense as a percentage of average AUM.
Cost of funds interest expense as a percentage of average borrowings.
Operating cost to AUM employee and other operating expense over average AUM.
Cost to income operating expense as a percentage of net operating income.
RoAAUM / RoAE profit after tax over average AUM and average net worth respectively, each averaged over the opening and closing balance of the period.
Operating return an o3 Capital adjustment, not a company-reported measure. Reported return excluding assignment gains, dividend income, exceptional items and other non-recurring income disclosed in FY26, taxed at the reported effective rate.
P/BV, P/E market capitalisation to reported net worth and to profit after tax, on a 15-day moving average, LTM to 20 July 2026.
n.m. not meaningful: the entity reported a loss or a materially distorted result.

Company-level disclosures and limitations

NAMED COMPANIES — BASIS AND QUALIFICATIONS

The five listed entities are the only companies named against a figure in this note. Where a company also publishes a measure on a different basis, both are given.

Shriram Finance

Basis. Consolidated, as it has no material subsidiary in FY26.

Note. The segment decomposition of gross stage 3 on page 13 is this company’s own segment disclosure. Its overall gross stage 3 is 4.6%. Fee and commission expense is booked explicitly.

Cholamandalam

Basis. Consolidated. Business AUM basis. Fee and commission income is netted against interest income, so the adjusted income profile is the comparable one.

Note. Gross stage 3 of **4.4% is measured on RBI norms**. On the company’s own policy basis it reports **3.4%**. Both are correct; this note uses the RBI-norms figure so the peer set is measured consistently.

Mahindra Finance

Basis. Standalone, excluding the rural housing and insurance broking businesses. Consolidated AUM is used for the market share ladder and standalone for the productivity exhibit.

Note. Asset quality is reported on a standalone basis. Rural housing gross stage 3 improved to 2.4% following an ARC transaction, from 9.0% in FY24.

Sundaram Finance

Basis. Standalone throughout, including the borrowings mix and the productivity exhibit. The consolidated entity includes non-lending subsidiaries. Fee and commission income is netted against interest income.

Note. Gross and net stage 3 of **2.1% and 1.3% are on RBI norms**. On the company’s own policy basis it reports **1.4% and 0.7%**. This note uses the RBI-norms figures for consistency across the peer set.

IndoStar Capital

Basis. Standalone, excluding the housing finance business sold to EQT in July 2025.

Note. The rise in vehicle share from 58% to 93% on page 6 reflects that divestment, not organic concentration. Excluded from the return exhibits as not meaningful, and price to earnings also noted on page 17 after excluding Indostar, because its reported gains arise from exceptional items.

LIMITATIONS OF THE ANALYSIS

- 1 Reporting bases are not uniform:** Some participants report consolidated and others standalone; the facing column states which for each named company. Fee and commission income is not reported consistently across the set.
- 2 Several figures are derived, not disclosed:** Where a company does not publish a ratio it is computed from disclosed components; each derivation is in the backup workbook.
- 3 Market shares are indicative estimates:** The shares on page 5 are o3 Capital estimates against an assumed INR 20 lakh crore sector pool. They are not company-disclosed figures and other published estimates differ.
- 4 Operating return is our adjustment:** It is not a company-reported measure and no company has endorsed it. The method is defined on the previous page and the components are in the workbook.
- 5 Securitisation evidence is uneven:** The number of rated trusts varies materially by originator. Where the public trail is too limited to support a view, that is recorded as such.
- 6 The geographic assessment is judgmental:** The segment demand maps are o3 Capital assessments built from registration data. The construction-equipment map is indicative and not drawn from a registration series.
- 7 Transaction multiples reflect announced terms:** Structure, ratchets and secondary components are not always disclosed and may affect comparability between rounds.

SOURCES

Company annual reports, quarterly results and investor presentations. Rating rationales and surveillance reports of CARE, CRISIL, ICRA and India Ratings, including securitisation trust reports. VAHAN and FADA registration data. SIAM production and sales data. S&P Capital IQ and FactSet for market data as at 19 August 2026. Announced transaction disclosures for private rounds.

RIGHT OF REPLY

Every company-level figure in this note is traceable to a public filing, a rating agency report or a market data terminal, and the backup workbook records the source and derivation for each. If any company or reader considers that a figure is wrong, or that the basis on which it is presented misrepresents them, please contact o3 Capital. We will review it against the source and, where a correction is warranted, correct and reissue the note.

IMPORTANT NOTICE

This note is issued for information only. It does not constitute an offer, a solicitation, a recommendation or investment advice, and does not take account of the objectives or circumstances of any recipient. No representation or warranty, express or implied, is given as to the accuracy or completeness of the information, which is drawn from third-party public sources and has not been independently verified. Statements about individual companies derive from those public sources and are not assertions of fact about the conduct of any company or its management. Views are those of o3 Capital at the date of publication and are subject to change. o3 Capital and its affiliates may act for, or hold interests in, companies referred to here. Recipients should take their own professional advice.

Disclaimer & Contact Details

Disclaimer

The information contained in this Document is selective and is subject to updates, expansions, revisions and amendments. It does not purport to contain all the information that the recipients may require. o3 Capital Global Advisory Private Limited (“o3 Capital”) does not accept any obligation to provide recipients with access to any additional information or to correct any inaccuracies, which may become apparent. Neither o3 Capital, nor any affiliated bodies corporate, Directors, shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information contained in the Document.

All such parties and entities expressly disclaim any and all liability whether arising out of any information contained in, or errors in or omissions from, this Document or the recipients’ use of this Document. Accordingly, recipients are advised to independently conduct their own evaluation and analysis of the information contained in the document and should also seek their own professional advice. Neither o3 Capital nor its Directors, employees, agents or representatives shall be liable for any damages whatsoever, whether direct or indirect, incidental, special or consequential, including lost revenue or lost profits that may arise from or in connection with the use of the information.

This Document is confidential and is meant for the use of only the persons to whom it is issued. This Document, or any part of it, may not be copied or distributed by the recipient to third parties (other than in confidence to the recipients’ professional advisors). Recipients of this document shall not be deemed to be clients of o3 Capital and accordingly, o3 Capital shall not be liable to provide such recipients with the protection afforded to its own clients or any advice in relation to any transaction or arrangement referred to herein.



Contact Us

 @o3capital  o3capital

 www.o3capital.com

Shashank Pandey

✉ shashank.pandey@o3capital.com

Drishti Dedhia

✉ drishti.dedhia@o3capital.com

Mokshit Bhayani

✉ mokshit.bhayani@o3capital.com