

SBFC Finance Limited

May 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,700.00	CARE AA-; Stable	Reaffirmed
Non-convertible debentures	400.00	CARE AA-; Stable	Reaffirmed
Commercial paper	200.00	CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Ltd. has reaffirmed the long-term rating of 'CARE AA-; Stable' for SBFC Finance Limited's bank facilities and non-convertible debentures and has assigned a rating of 'CARE A1+' to the company's commercial paper program. Rating takes into consideration the increasing scale of operation and improving profitability profile. The company also has a healthy capitalisation profile which was supported by the healthy internal accruals, increasing the tangible net worth (TNW) to ₹2,930 crore as on March 31, 2025, which is sufficient to support the company's medium-term growth plans. Ratings continue to factor in the experienced management team with retail lending experience alongside strong representation of Clermont group on the board.

These rating strengths are partially offset by the modest credit profile of the borrower segment making it susceptible to asset quality issues and concentration of the loan portfolio in the micro enterprises (ME) segment. However, secured and granular nature of the loan book and lower loan-to-value (LTV) in the retail segment provides comfort.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sizable growth in scale of operations while maintaining profitability and asset quality parameters at comfortable levels.

Negative factors

- Moderation in capitalisation with leverage beyond 4x.
- Deterioration in profitability on sustained basis with return on total assets (ROTA) below 2.5%.
- Weakening of asset quality parameters with gross non-performing assets (GNPA) of above 3% on a sustained basis.

Analytical approach: Standalone

CARE Ratings Limited (CARE Ratings) has considered the standalone profile of SBFC.

Outlook: Stable

The Stable outlook reflects expectation of continued operational and financial position and comfortable capitalisation levels.

Detailed description of key rating drivers:

Key strengths

Experienced management team, with retail lending experience

SBFC has an experienced management team with rich experience in the finance industry. The company is headed by Aseem Dhru, Managing Director (MD) & Chief Executive Officer (CEO), having 28 years of experience in the financial services industry. Prior to joining the company, he was associated with HDFC bank for 20 years and served as Group head- Business banking and agriculture finance before his current stint in SBFC. He also served as Ex MD & CEO of HDFC Securities Ltd and Nominee Director in HDB Finance Ltd. SBFC has appointed seasoned professionals from the banking and non-banking financial company (NBFC) sectors

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

having rich retail experience across all major functions and product segments. The Clermont group (with shareholding of 53.33% as on March 31, 2025) has strong representation on the board.

Focus on secured book with adequate seasoning and lower LTV in retail segment

SBFC strategy revolves around better quality customers with over 87% customers having CIBIL Score 700+ and secured loans, which forms 99.5% of the asset under management (AUM). The company has an average LTV of 42.6% for ME loans and majority (93% of AUM) of the collateral for Secured MSME loans consists of self-occupied residential and commercial properties. As on March 31, 2025, the AUM of SBFC, comprises owned book of 86%, while the remaining is the off book. As on March 31, 2025, the share of less than ₹25 lakh ticket size is 93.86% of the portfolio. In last two years, the company started disbursing ME loans having ATS in the range of ₹9-10 lakh. Loan against gold segment has an average ticket size of ₹0.94 lakh and average tenor of 12 months. The portfolio of the company is geographically diversified across 16 states and two union territories with 205 branches. Both the sourcing and collection functions are in-house and driven by branches, which helps the company in sourcing better quality customers and keeping the healthy collection efficiencies. CARE Ratings expects the company to maintain similar customer profile and underwriting policies going forward.

Improving scale of operations and earnings profile

SBFC's loan book increased by 27.88% to ₹7,563 crore from ₹5,914 crore in FY24 considering higher disbursement for FY25, which stood at ₹4,435 crore compared to ₹4,353 crore on FY24. The increase in yield in gold loan segment has helped in improving spread and net interest margin (NIM) of the company. AUM growth and the increase in yield led to increase in the interest income on loan book of the company by 30%. This has also helped in improving its profitability, the company reported profit after tax (PAT) of ₹345 crore in FY25 against the PAT of ₹237 crore reported in FY24. ROTA of the company has improved to 4.56² in FY25 from 3.86² in FY24. CARE Ratings expects SBFC's profitability to remain at comfortable levels, going forward.

Strong capitalisation and comfortable gearing levels

As on March 31, 2025, the CRAR of SBFC stood at 36.1%, well above the regulatory requirement of 15%. The company was listed on BSE and NSE as on August 16, 2023, and it raised equity of ₹750 crore through IPO and pre-IPO funding rounds, increasing the overall TNW of the company to ₹2,518 crore on March 31, 2024, which further increased to ₹2,930 crore as on March 31, 2025. The gearing increased to 1.79x as on March 31, 2025, from 1.59x as on March 31, 2024, however, remained comfortable. The capitalisation profile of the company is expected to remain strong with the leverage not expected to exceed 4.0x over the medium term.

Key weaknesses

Moderate asset quality, despite improvement

Historically, asset quality of SBFC was impacted due to legacy book acquired from Karvy and unsecured segment. As on March 31, 2025, the GNPA of the company stood at 2.74% and NNPA stood at 1.51% against the GNPA of 2.43% in FY24 (2.57% in FY23) and NNPA of 1.36% in FY24 (1.58% in FY23).

The provision coverage ratio (PCR) of the company has been increasing with the book size and as on March 31, 2023, the total PCR stood at 39%, which went to 45% as on March 31, 2024, and is now at 46% as on March 31, 2025. The collection efficiency in Secured MSME segment was 97% as on March 31, 2025. As the company provides business loans to micro enterprises, with growing scale, asset quality remains a key monitorable.

Concentration of loan portfolio in the Secured MSME segment

As of FY25, the company's AUM is concentrated towards Secured MSME loans (83% of total AUM), which is characterised by the marginal credit profile of the borrowers. To mitigate the same, the company restricts the LTV, and as on March 31, 2025, 46% of the outstanding loan portfolio had an LTV of below 40%. The company mitigates the risk by giving relatively lower ticket size loans and valuation of collateral security (self-occupied properties) (~85%) and higher credit score (+700) of the customer.

Liquidity: Adequate

As on March 2025, SBFC had total liquidity of ₹587 crore by way of cash and bank balance and liquid investments against debt obligation of ₹623 crore for the next three months. Per the structural liquidity statement as on March 31, 2025, there are no

² Ratios as per CARE calculations

mismatches in any of time bucket up to one year providing additional comfort. The company has successfully raised funds from numerous lenders, including public sector undertaking (PSU)/ private banks/ NBFCs.

Environment, social, and governance (ESG) risks

SBFC maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures regarding its grievance redressal, related party transactions, fair practice code, whistle blower policy and prevention of sexual harassment policy. The Company's Corporate Governance philosophy is to ensure fairness, transparency and integrity of the management, to protect the interests of all its stakeholders. They strive to balance profitability with principles, adhering to stringent governance, compliance, and risk management measures while proactively working towards empowering the underbanked and underserved sectors of the society. The company focuses on supporting environmentally friendly businesses.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

SBFC is registered with the Reserve Bank of India (RBI) as a systematically important non-deposit taking NBFC (NBFC-ND-SI). The company commenced its operations in September 2017 after acquiring the secured retail portfolio from Karvy Financial Service Ltd and its branch infrastructure and staff. The company is into the lending business and offers products, such as secured MSME loans and loan against gold (LAG) with majority customers being low- and middle-income small business customers, salaried or working-class individuals and self-employed customers in urban and semi-urban areas in India, comprising Tier-2 and Tier-3 cities. Unsecured loans such as personal loans and business/professional loans have been discontinued from September 2022. As on March 31, 2025, the company's operations are spread across 16 states and two union territories with total 205 branches in 164 cities. The company is backed by the promoters, SBFC Holdings Pte Ltd and Clermont Financial Pte Ltd.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (A)
Total income	740	1,020	1,306
PAT	150	237	345
Overall gearing (times)	2.55	1.59	1.79
Total assets (Net of intangible and deferred tax assets)	5,486	6,800	8,331
Net NPA (%) (IndAS)	1.58	1.36	1.51
ROTA (%)	3.07	3.78	4.56
RONW (%)	12.00	11.91	12.68

A: Audited; UA: Unaudited; Note: these are latest available financial results.

All ratios are per CARE Ratings' calculation.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures	INE423Y07120	04-Feb-25	Repo Rate Linked	04-Feb-30	400.00	CARE AA-; Stable
Fund-based-Long Term	-	-	-	-	1700.00	CARE AA-; Stable
Commercial Paper-Proposed	-	-	-	-	200.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based-Long Term	LT	1700.00	CARE AA-; Stable	-	1)CARE AA-; Stable (25-Jul-24)	1)CARE A+; Positive (19-Mar-24) 2)CARE A+; Stable (05-Apr-23)	-
2	Debentures-Non-convertible debentures	LT	400.00	CARE AA-; Stable	-	1)CARE AA-; Stable (25-Jul-24)	-	-
3	Commercial Paper	ST	200.00	CARE A1+	-	-	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Fund-based-Long Term	Simple
3	Commercial Paper	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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