

SBFC Finance Limited

January 23, 2026

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|----------------------------|--------------------------------------|---------------------|---------------|
| Long-term bank facilities | 2,500.00 (Enhanced from 1,700.00) | CARE AA-; Stable | Reaffirmed |
| Non-convertible debentures | 400.00 | CARE AA-; Stable | Reaffirmed |
| Commercial paper | 200.00 | CARE A1+ | Reaffirmed |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to bank facilities, nonconvertible debentures and commercial paper program of SBFC Finance Limited (SBFC) takes into consideration its increasing scale of operations and healthy profitability profile. The company also has a comfortable capitalisation supported by healthy internal accruals, with a healthy tangible net worth (TNW)² of ₹3,165 crore as on September 30, 2025, which is adequate to support the company's medium-term growth plans. Ratings continue to factor in the experienced management team with retail lending experience and strong representation of the Clermont group on the Board.

These rating strengths are partially offset by modest credit profile of the borrower segment, which is more susceptible to asset quality issues and concentration of the loan portfolio in the micro, small and medium enterprises (MSME) segment. However, secured and granular nature of the loan book and lower loan-to-value (LTV) in the retail segment provides comfort. Following a rise in softer bucket delinquencies in H1 FY26, CARE Ratings Limited (CareEdge Ratings) expects some inching up of credit costs in FY26. However, measures taken to reduce operating costs are likely to partially counterbalance rise in credit costs.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

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

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

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

Analytical approach: Standalone

CareEdge Ratings has considered the standalone profile of SBFC.

Outlook: Stable

The Stable outlook reflects CareEdge Ratings' expectation that SBFC will report a healthy earnings growth, while maintaining comfortable capitalisation and keeping asset quality under control.

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) and 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, working capital and retail agri business before his current stint in SBFC. He also served as Ex-MD and CEO of HDFC Securities Limited and Nominee Director in HDB Finance Limited. SBFC has appointed seasoned professionals from banking and non-banking financial

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

² Tangible net worth (TNW) as per CareEdge Ratings' calculation.

company (NBFC) sectors having rich retail experience across all major functions and product segments. The Clermont group (with shareholding of 52.98% as on September 30, 2025) has strong representation on the Board.

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

SBFC's strategy revolves around better quality customers with over 88.1% customers having CIBIL Score 700+ and lending against secured loans, which forms 82.48% of the asset under management (AUM). The company has an average LTV of 42.4% for micro, small, and medium enterprises (MSME) loans and majority (94% of AUM) of the collateral for secured MSME loans consists of self-occupied residential/ commercial properties. As on September 30, 2025, the AUM of SBFC comprised on-book against off book share of 87:13 and ~94% of its secured MSME on-book loan portfolio comprised loans with average ticket size (ATS) of less than ₹25 lakh. The company provides secured MSME loans having ATS in the range of ₹9-10 lakh. Loan against gold segment has an ATS of ₹1.15 lakh. The company's portfolio is geographically diversified across 16 states and two union territories with 220 branches. Sourcing and collection functions are in-house and driven by branches, which helps the company in sourcing better quality customers and keeping collection efficiencies healthy. CareEdge 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 in FY25 from ₹5,914 crore in FY24. This further increased to ₹8,664 crore in H1FY26. Increase in yield in gold loan segment has helped the company improve spread and net interest margin (NIM). AUM growth and increase in yield led to increase in the company's interest income on loan book. This also helped in improving its profitability, where it reported profit after tax (PAT) of ₹345 crore in FY25 against the PAT of ₹237 crore reported in FY24. The company's ROTA improved to 4.56³% in FY25 from 3.86²% in FY24. PAT for H1FY26 stood at ₹210 crore compared to ₹163 crore in H1FY25. CareEdge Ratings expects SBFC's profitability to remain at comfortable levels, going forward.

Strong capitalisation and comfortable gearing levels

As on September 30, 2025, SBFC's capital to risk weighted assets ratio (CRAR) stood at 34.05%, well-above 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 ₹2,516 crore on March 31, 2024, which further increased to ₹2,926 crore as on March 31, 2025, and stood at ₹3,165 crore as on September 2025. While gearing increased to 1.8x as on September 30, 2025, and 1.80x as on March 31, 2025, from 1.59x as on March 31, 2024, it remained comfortable in absolute terms. The company's capitalisation profile is expected to remain strong with the overall gearing not expected to exceed 4.0x in the medium term.

Key weaknesses

Moderate asset quality

As on March 31, 2025, the company's GNPA stood at 2.74% and net NPA (NNPA) stood at 1.51% against the GNPA of 2.43% in FY24 and NNPA of 1.36% in FY24. GNPA and NNPA as on September 30, 2025, stood at 2.77% and 1.51% respectively.

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.

Following a rise in softer bucket delinquencies in H1FY26, CareEdge Ratings expects some inching up of credit costs in FY26. However, measures taken to reduce operating costs are likely to partially counterbalance the rise in credit costs.

Concentration of loan portfolio in the secured MSME segment

In H1FY26, the company's AUM remained concentrated towards secured MSME loans (83% of total AUM), which is characterised by marginal credit profile of borrowers. To mitigate this, the company restricts LTV, and as on September 30, 2025, 46% of outstanding loan portfolio had an LTV of below 40%. The company mitigates the risk by extending relatively lower ticket size loans and valuation of collateral security (self-occupied properties with a ~94% share) and higher credit score (+700) of the customer.

³ Ratios as per CareEdge Ratings calculations

Liquidity: Adequate

As on September 30, 2025, SBFC had total liquidity of ₹648 crore through cash and bank balance and liquid investments and unutilised bank lines of ₹89 crore, which with expected collections of ₹1,054 crore for the next three months remain adequate against debt obligation of ₹619 crore for the same period. Per the structural liquidity statement as on September 30, 2025, there were no negative cumulative mismatches in time bucket up to one year. The company's demonstrated ability to raise funds from numerous lenders, including public sector undertaking (PSU)/ private banks/ NBFCs, provides additional comfort.

Environment, social, and governance (ESG) risks

Although SBFC's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of any asset class of the portfolio are adversely impacted by environmental factors. SBFC continues to promote digital lending and paperless operations, reducing its environmental footprint and operational dependency on physical infrastructure.

Social risks in the form of cybersecurity threats, customer data breaches, or mis-selling practices can affect SBFC's regulatory compliance and reputation, and hence, remain a key monitorable. In FY25, SBFC reported zero instances of data breaches or regulatory penalties.

As on 30th September 2025, SBFC's Board comprises 10 Directors, including five Independent Director, of which there is one female Director. Disclosures in the annual report and business responsibility and sustainability reporting (BRSR) are detailed and transparent, with policies on whistleblower protection, privacy, and sustainability publicly available.

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 Limited 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 September 30, 2025, the company's operations are spread across 16 states and two union territories with total 220 branches in 174 cities. The company is backed by the promoters, SBFC Holdings Pte Limited and Clermont Financial Pte Limited.

| Brief Financials (₹ crore) | March 31, 2024 (A) | March 31, 2025 (A) | H1FY26 (UA) |
|--|--------------------|--------------------|-------------|
| Total income | 1,020 | 1,306 | 800 |
| Profit after tax (PAT) | 237 | 345 | 210 |
| Assets under management (AUM) | 6,822 | 8,747 | 9,938 |
| On-book gearing (x) | 1.59 | 1.80 | 1.95 |
| AUM/ tangible net-worth (TNW) (x) | 2.71 | 2.99 | 3.14 |
| Gross non-performing assets (NPA)/ gross stage 3 (%) | 2.43% | 2.74% | 2.77% |
| Return on managed assets (ROMA) (%) | 3.37% | 3.98% | 4.61% |
| Capital adequacy ratio (CAR) (%) | 40.52% | 36.10% | 34.05% |

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

All ratios are per CareEdge 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 | INE423 Y07120 | 04-Feb-25 | Repo Rate Linked | 04-Feb-30 | 400 | CARE AA-; Stable |
| Fund-based-Long Term | - | - | - | - | 2500 | CARE AA-; Stable |
| Commercial Paper-Proposed | - | - | - | - | 200 | 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 | 2500.00 | CARE AA-; Stable | 1)CARE AA-; Stable (09-Oct-25) 2)CARE AA-; Stable (27-May-25) | 1)CARE AA-; Stable (25-Jul-24) 2)CARE A+; Stable (05-Apr-23) | 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 (09-Oct-25) 2)CARE AA-; Stable (27-May-25) | 1)CARE AA-; Stable (25-Jul-24) | - | - |
| 3 | Commercial Paper-Commercial Paper (Standalone) | ST | 200.00 | CARE A1+ | 1)CARE A1+ (09-Oct-25) 2)CARE A1+ (27-May-25) | - | - | - |

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: CareEdge 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.

Contact us

| Media Contact | Analytical Contacts |
|--|---|
| Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in | Analytical Contacts Sanjay Agarwal Senior Director CARE Ratings Limited Phone: 022- 6754 3500 E-mail: sanjay.agarwal@careedge.in |
| Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saiyat.roy@careedge.in | Priyesh Ruparelia Director CARE Ratings Limited Phone: 022-67543593 E-mail: Priyesh.ruparelia@careedge.in Sudam Shrikrushna Shingade Associate Director CARE Ratings Limited Phone: +91-22-6754-3453 E-mail: sudam.shingade@careedge.in |

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