

SK Finance Limited

January 08, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	5,980.09	CARE AA-; Stable	Reaffirmed
Market linked debentures	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to long-term bank facilities of SK Finance Limited (SKFL) factors in SKFL's healthy capital structure and continued growth momentum in the scale of operations supported by strong resources raising ability. The rating also considers long-standing track record of operations in the vehicle finance industry and established franchise in the Rajasthan region.

However, these rating strengths are partially offset by vulnerable asset quality with exposure to weak borrower profile and high geographical concentration of the portfolio. Given the healthy business growth, significant portion of the company's portfolio, particularly micro, small and medium enterprise (MSME), has moderate seasoning. SKFL's asset quality will continue to remain a key monitorable.

CARE Ratings Limited (CareEdge Ratings) has withdrawn the rating of market-linked debentures (MLDs), considering full redemption of facilities.

Rating sensitivities: Factors likely to lead to rating actions

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

- Significant scaling up of operations and improving geographic diversification on a sustained basis.
- Stable asset quality metrics with net non-performing assets (NNPA) of less than 2.5% on a sustained basis.
- Improving financial performance with return on managed assets (ROMA) of 3.5% and above on a sustained basis.
- Ability to consistently attract capital at competitive rates.

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

- Significant dilution in the promoter shareholding.
- Deteriorating asset quality with Gross Stage 3 (GS3) assets exceeding 5% of loan book on a sustained basis.
- Overall managed gearing (assets under management [AUM]/net worth) remaining above 4.5x on a sustained basis.

Analytical approach:

Standalone

Outlook: Stable

The outlook is 'Stable' considering CareEdge Ratings' expectation of the company's ability to demonstrate consistent business growth complemented by both healthy resources raising ability and internal accruals while keeping asset quality under control.

Detailed description of key rating drivers:

Key strengths

Long track record of operations with experienced management and established franchise

SKFL has an established presence in the vehicle financing sector with a track record spanning ~30 years. Its promoter and Managing Director, Rajendra Setia, brings over two decades of industry experience and has played a pivotal role in expanding the company's operations. The company is supported by a strong roster of institutional investors, including TPG Growth, Baring Private

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

Equity India AIF, Norwest Venture Partners, Evolvence Group, Karma Holdings Mauritius Limited, the Massachusetts Institute of Technology, Axis Asset Management Company, and Ananta Capital.

Rajendra Setia currently holds a 32.08% stake in the company, while the remaining ownership is distributed among private equity funds and employees. SKFL also benefits from a seasoned and independent Board with extensive experience in the financial sector, complemented by Nominee Directors representing its private equity investors.

Continued business momentum

In recent years, the company has steadily expanded its footprint across both existing and new geographies. As on September 30, 2025, it operates 679 branches across 13 states. This expansion has supported a rise in disbursements from ₹7,236 crore in FY24 to ₹8,396 crore in FY25, with an additional ₹4,370 crore disbursed in H1FY26.

To diversify its lending portfolio, the company has been increasing the share of MSME loans within total disbursements, resulting in MSME disbursements of ₹826 crore in H1FY26, compared to ₹1,838 crore in FY25 and ₹1,467 crore in FY24. Strong disbursement momentum has driven AUM growth from ₹10,476 crore as on March 31, 2024, to ₹13,261 crore as on March 31, 2025, further rising to ₹14,362 crore by September 30, 2025, up from ₹11,850 crore a year earlier—a robust annual growth rate of ~27%. Within the overall AUM, the company has increased the share of MSME loans to 25% as of March 31, 2025, from 9% as of March 31, 2020. CareEdge Ratings notes that while vehicle financing will remain a major component of the portfolio, the MSME segment is expected to account for approximately 30% over the medium-to-long term.

Healthy capitalisation

SKFL maintains a comfortable capital position, supported by a tangible net worth (TNW) of ₹3,670 crore as on September 30, 2025, compared to ₹3,479 crore as on March 31, 2025, and ₹3,075 crore as on March 31, 2024. This steady improvement is driven by periodic equity infusions and healthy internal accruals, reflected in a five-year average return on net worth (RONW) of 11.87%. The company's capital adequacy remains strong, with both overall and Tier-I capital adequacy ratios at 29.51% as on March 31, 2025 (33.86% as on March 31, 2024), and an overall capital adequacy ratio (CAR) of 27.32% as on September 30, 2025.

The company's funding profile is also well-diversified. As on September 30, 2025, borrowings comprised non-convertible debentures (NCDs) – 17% [March 2025: 15%] of borrowings, term loans and working capital lines from banks and financial institution – 46% [March 2024: 49%] of borrowings, Securitisation liability – 30% [March 2025: 31%] of borrowings, and others – 7% [March 2024: 5%] (including external commercial borrowing [ECB]). SKFL has expanded its lender base to 63 institutions (including non-banking financial companies [NBFCs]), enabling access to competitively priced funding. The overall cost of borrowing in H1FY26 was ~8.93% as against 9.18% during FY25, including securitisation, while incremental borrowing costs stood at ~8.75% in H1FY26 as against 9.24% during FY25.

Gearing levels remained within manageable thresholds at 3.31x as on March 31, 2025, rising slightly to 3.35x as on September 30, 2025, compared to 2.91x a year earlier. CareEdge Ratings expects the company to maintain gearing (Debt/Tangible Networkth) below 4x going forward.

Moderate but consistent record of profitability

Supported by strong disbursement growth and a rising share of the relatively longer-tenure MSME portfolio, SKFL's AUM expanded from ₹10,476 crore as on March 31, 2024, to ₹13,261 crore as on March 31, 2025, and increased further to ₹14,362 crore by September 30, 2025. Although borrowing costs remained largely stable, the company's net interest margin (NIM) saw a marginal decline from 8.32% in FY24 to 8.30% in FY25, attributed to its calibrated shift toward better-profile customers and heightened competitive pressures.

With sustained disbursement momentum and improving economies of scale, operating expenses remained stable in FY25. However, higher credit costs associated with the expanding loan book led to a slight moderation in profitability metrics. Return on total assets (ROTA), including the managed book, decreased to 2.52% as on March 31, 2025, compared to 2.75% a year earlier. Excluding the managed book, ROTA stood at 2.75% in FY25, supported by total income of ₹2,387 crore and a PAT of ₹380 crore. By September 30, 2025, ROTA further moderated to 2.06% (including the managed book) due to elevated provisioning requirements, while ROTA excluding the managed book stood at 2.26%.

CareEdge Ratings expects that, with the company's continued focus on growth, operating expenses are likely to moderate gradually over the medium term.

Key weaknesses

Moderate asset quality and portfolio seasoning

The company's asset quality remains moderate and continues to be vulnerable due to its exposure to borrower segments with weaker credit profiles and inherently seasonal cash-flow patterns. SKFL's focus on the used-vehicle financing segment exposes it to higher slippage risk, particularly in periods of economic stress. Reflecting the characteristics of this segment, the company typically experiences a slippage ratio of 4%–5%, with on-time portfolio levels in the range of 84%–88%. In line with the broader sectoral moderation seen among vehicle financiers, SKFL's asset quality metrics have also softened. As of September 30, 2025, gross NPA (GNPA) and net NPA (NNPA) increased to 4.77% and 3.27%, respectively, driven in part by stress in the commercial vehicle (CV) portfolio [March 31, 2025: GNPA 4.75%, NNPA 3.42%].

The company's rapid growth, combined with the increasing share of MSME loans, has resulted in relatively limited seasoning of the overall portfolio. SKFL recorded disbursements of ₹8,396 crore in FY25, up from ₹7,236 crore in FY24. Despite operating in a vulnerable asset class, the company has demonstrated a consistent ability to manage asset quality, supported by strong geographic understanding and improved collection and risk-management practices, including heightened focus on early-stage delinquencies.

However, asset quality will remain a key monitorable, given the company's aggressive growth strategy, expansion into newer geographies, and reliance on borrower segments with seasonal income patterns.

High, despite reducing, geographical concentration of operations

Despite the company's long track record and healthy business growth reported over the last few quarters, its scale of operation remains moderate in relation to larger vehicle financing peers with AUM of ₹14,362 crore as on September 30, 2025. SKFL's portfolio is dominated by its commercial vehicles (CV) business which comprised 38% of the AUM [March 2025: 39%], followed by MSME loans – 25% [March 2025: 24%], cars – 23% [March 2025: 21%], tractors – 12% [March 2025: 12%], and two-wheelers – 4% [March 2025: 3%] as on September 30, 2025. While CareEdge Ratings takes cognisance of SKFL's gradual diversification where the company scaled up its presence in 13 states presently against six states as on March 31, 2020, Rajasthan continues to account for a significant portion with ~46% of entire business and top three states contribute ~69% [Rajasthan – 46%, Gujarat – 9% and Madhya Pradesh – 14%] to the AUM as on September 30, 2025.

Liquidity: Adequate

As on September 30, 2025, the liquidity position of SKFL was comfortable with positive cumulative mismatches in time buckets. For the next one year, the company has debt obligations including interest repayment of ₹6,205 crore, against inflows of ₹6,365 crore and liquidity of ₹1,984 crore in the form of unencumbered cash and bank balance and liquid investments as on September 30, 2025. SKFL's undrawn sanctioned lines stood at ₹1,204 crore, which provide additional comfort.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Policy on Default Recognition](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial Ratios - Financial Sector](#)

[Withdrawal Policy](#)

[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)

Incorporated in 1994, SKFL is a non-deposit taking NBFC operating out of Rajasthan. The company is promoted by Rajendra Setia and his family. SKFL has expanded its network from 13 states and the number of branches increased from 423 as on March 31, 2022, to 679 as on September 30, 2025. The company has major presence in Rajasthan, Gujarat, and Madhya Pradesh, both accounting for ~69% of the total business as of September 2025.

SKFL is primarily engaged in the used vehicle financing, including CVs, multi-utility vehicle, car, tractors, and MSME loans. Total AUM stood at ₹13,261 crore as on March 31, 2025 (PY: ₹10,476 crore), which has further increased to ₹14,362.09 crore as on September 30, 2025.

Brief Financials (₹ crore)	31-03-2024	31-03-2025	H1FY25 (UA)
	A	A	UA
Total income	1,797.93	2,386.67	1,351.53
Profit after tax (PAT)	311.92	379.66	179.18
Assets under management (AUM)	10,476.09	13,261.00	14,362.09
On-book gearing (x)	2.91	3.31	3.35
AUM / tangible net worth (TNW) (x)	3.41	3.79	3.91
Gross non-performing assets (GNPA) (%)	3.50	4.75	4.77
Return on managed assets (ROMA) (%)	2.75	2.52	2.06*
Capital adequacy ratio (CAR) (%)	33.86	29.51	27.32

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

*Annualised

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-Market Linked Debentures	INE124N07630	01-May-2023	11	05-Apr-2025	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	-	88.90	CARE AA-; Stable
Fund-based - LT-Term Loan	-	-	-	29-Mar-2030	5891.19	CARE AA-; Stable

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 - LT-Cash Credit	LT	88.90	CARE AA-; Stable	-	1)CARE AA-; Stable (09-Jan-25) 2)CARE AA-; Stable (13-Jun-24)	1)CARE AA-; Stable (01-Mar-24) 2)CARE AA-; Stable (05-Jan-24) 3)CARE AA-; Stable (06-Oct-23) 4)CARE A+; Positive (02-Jun-23) 5)CARE A+; Positive (07-Apr-23)	1)CARE A+; Positive (03-Feb-23)
2	Fund-based - LT-Term Loan	LT	5891.19	CARE AA-; Stable	-	1)CARE AA-; Stable (09-Jan-25) 2)CARE AA-; Stable (13-Jun-24)	1)CARE AA-; Stable (01-Mar-24) 2)CARE AA-; Stable (05-Jan-24) 3)CARE AA-; Stable (06-Oct-23) 4)CARE A+; Positive (02-Jun-23) 5)CARE A+; Positive (07-Apr-23)	1)CARE A+; Positive (03-Feb-23)
3	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (03-Feb-23)
4	Debt-Non-convertible Debenture/Subordinate Debt	LT	-	-	-	-	1)Withdrawn (02-Jun-23)	1)CARE A+; Positive (03-Feb-23)
5	Debentures-Market Linked Debentures	LT	-	-	-	-	-	1)Withdrawn (03-Feb-23)
6	Debentures-Non-convertible debentures	LT	-	-	-	-	1)Withdrawn (05-Jan-24)	1)CARE A+; Positive

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
							2)CARE AA-; Stable (06-Oct-23) 3)CARE A+; Positive (02-Jun-23)	(03-Feb-23)
7	Debentures-Non-convertible debentures	LT	-	-	-	1)Withdrawn (13-Jun-24)	1)CARE AA-; Stable (01-Mar-24) 2)CARE AA-; Stable (05-Jan-24) 3)CARE AA-; Stable (06-Oct-23) 4)CARE A+; Positive (02-Jun-23)	1)CARE A+; Positive (03-Feb-23)
8	Debentures-Non-convertible debentures	LT	-	-	-	-	-	1)Withdrawn (03-Feb-23)
9	Debentures-Market Linked Debentures	LT	-	-	-	1)CARE PP-MLD AA-; Stable (09-Jan-25) 2)CARE PP-MLD AA-; Stable (13-Jun-24)	1)CARE PP-MLD AA-; Stable (01-Mar-24) 2)CARE PP-MLD AA-; Stable (05-Jan-24) 3)CARE PP-MLD AA-; Stable (06-Oct-23) 4)CARE PP-MLD A+; Positive (02-Jun-23)	1)CARE PP-MLD A+; Positive (03-Feb-23) 2)CARE PP-MLD A+; Stable (02-Jan-23)

LT: Long 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-Market Linked Debentures	Highly Complex
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	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.

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