

May 22, 2024

SBI Global Factors Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Subordinated debt programme	200	200	[ICRA]AAA (Stable); reaffirmed
Long-term/Short-term fund-based/Non-fund based bank lines^	2,452	2,452	[ICRA]AAA (Stable)/[ICRA]A1+ reaffirmed
Commercial paper programme	300	750	[ICRA]A1+; reaffirmed/assigned
Total	2,952	3,402	

*Instrument details are provided in Annexure I

Rationale

The ratings factor in SBI Global Factors Limited's (SBIGF) strong parentage with the company being a wholly-owned subsidiary of State Bank of India (SBI; rated [ICRA]AAA (Stable) for Basel III Tier II bonds). The ratings take into account the management support from SBI and the shared brand name, which strengthens ICRA's expectation that SBIGF is likely to receive timely and adequate financial support from the bank. Further, as it is a subsidiary of SBI, the company enjoys strong financial flexibility with access to diverse sources of funds at competitive rates. The ratings also consider SBIGF's comfortable capitalisation with a net worth of Rs. 452 crore and a gearing of 3.0 times as on March 31, 2024. While the gearing is likely to rise with the increase in the scale of operations, ICRA expects the capitalisation to remain comfortable in the medium term.

ICRA, however, takes note of SBIGF's modest scale of operations with funds in use (FIU) of Rs. 1,837 crore as on March 31, 2024, given the high competition in the factoring business. The gross stage 3 stood at 2.4% as on March 31, 2024. The company's profitability has been supported by the recoveries from written-off accounts. SBIGF's ability to grow while maintaining the asset quality will be the key driver of its profitability.

The Stable outlook reflects ICRA's expectation of continued benefit from the company's parentage, including capital support if required, financial flexibility as it is a subsidiary of SBI and operational synergies with the parent.

Key rating drivers and their description

Credit strengths

Strong parentage – SBIGF is a wholly-owned subsidiary of SBI. It receives considerable management support from the bank. SBIGF's Managing Director (MD) and Chief Executive Officer (CEO) was also a part of the SBI Group earlier. Further, the company's Chairman is the MD - Corporate Banking & Subsidiaries of SBI. Additionally, some of the heads of SBIGF's branches are appointed through deputation from SBI. As it is a subsidiary of SBI, the company enjoys financial flexibility with access to diverse sources of funds at competitive rates. SBIGF also has access to sizeable unutilised bank lines from its parent to meet any liquidity requirements. Given the shared brand name, ICRA expects the company to receive capital/liquidity support from the parent, if required.

Comfortable capitalisation – The company's capitalisation remained comfortable with a capital-to-risk weighted assets ratio (CRAR) of 28.5% (Tier I – 22.9%) as on March 31, 2024. SBIGF's gearing was comfortable at 3.0 times as on March 31, 2024. Given the strong growth plans, ICRA expects the gearing to increase in the medium term, though it is likely to remain comfortable. Further, capital support from the parent is expected to be forthcoming if required.

The company reported a return on managed assets (RoMA) and return on equity (RoE) of 2.8% and 10.3%, respectively, in FY2024 (2.4% and 8.0%, respectively, in FY2023). Given the limited scale of operations, the operating expenses remain elevated. Profitability, is however, supported by the reversal in credit costs with the recoveries from the written-off accounts. Given the expectation of limited incremental recoveries from the written-off pool, the profitability will be driven by SBIGF's ability to increase its scale of operations while maintaining the asset quality.

Credit challenges

Moderate scale of operations; exposure to unsecured loans – The company's scale of operations remains moderate with FIU of Rs. 1,837 crore as on March 31, 2024 (Rs. 1,278 crore as on March 31, 2023). SBIGF's growth has been limited, given the competition in the factoring industry from banks. The core factoring business, which includes domestic factoring, export factoring and TReDS, accounted for 68.7% of the FIU as on March 31, 2024. Letter of credit discounting, reverse factoring and investment in gold loan pools accounted for 7.9%, 2.6% and 20.9%, respectively, of the FIU as on March 31, 2024.

The company's asset quality had been impacted by the legacy accounts, which were sanctioned by Global Trade Finance (GTF) before SBIGF came into existence. Following the merger of GTF and SBI Factors in FY2011, the credit policy and client selection process were revamped. As a result, fresh slippages from the newer originations have been limited. Supported by write-offs and recoveries over the years, the company's gross stage 3 declined to 2.4% as on March 31, 2024 from 12.4% as on March 31, 2021. Further, the stage 3 assets are adequately provided for with the net stage 3 at 0.01% of total assets as on March 31, 2024. Going forward, losses upon default can be high as the exposures taken by the company are typically unsecured. Hence, its ability to maintain strong asset quality on a consistent basis is key for profitability.

Liquidity position: Adequate

As on March 31, 2024, SBIGF held ~Rs. 4 crore of cash and liquid investments along with Rs. 730 crore of unutilised bank lines against total debt repayment of Rs. 1,230 crore until September 30, 2024. The liquidity is further supported by the high churn in the loan portfolio. The company had no cumulative mismatches up to three years as per the Statement of Structural Liquidity (SLS) as of March 31, 2024.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The ratings could be revised if there is a deterioration in the credit risk profile of the parent or a significant change in the shareholding or linkages with the parent. A material deterioration in the asset quality, affecting the company's capitalisation, could also lead to a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies
Parent/Group support	ICRA expects SBI to provide financial, managerial and operational support, when required, given the parentage and shared brand name.
Consolidation/Standalone	The ratings are based on the company's standalone financial statements.

About the company

SBIGF was incorporated in 2010 following the merger of SBI Factors & Commercial Services Pvt. Ltd. with Global Trade Finance Ltd. Prior to September 5, 2022, SBI held an 86.18% stake in SBIGF while the balance was held by Small Industries Development Bank of India (SIDBI), Bank of Maharashtra (BoM) and Union Bank of India (UBI). On September 5, 2022, SBI acquired the entire stake from the other shareholders via a share purchase agreement.

Headquartered in Mumbai with 10 branches across India, SBIGF provides export and domestic factoring services with a focus on small and medium-sized enterprises (SMEs). The company is licensed by the Reserve Bank of India to undertake export (with and without recourse) and import factoring. SBIGF is a member of Factors Chain International (FCI), an umbrella organisation for global factoring companies.

Key financial indicators (audited)

SBI Global Factors Limited	FY2023	FY2024
Total income	113	142
PAT	31	44
Total managed assets	1,318	1,885
Return on managed assets	2.4%	2.8%
Managed gearing (times)	2.1	3.0
Gross stage 3	2.7%	2.4%
CRAR	34.4%	28.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2025)		Chronology of Rating History for the Past 3 Years				
		Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2024 (Rs. crore)	Date & Rating in FY2025	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022
				May 22, 2024	Mar 22, 2024	Mar 29, 2023	Jun 27, 2022	Jun 30, 2021
1 Subordinated debt programme	Long term	200	100	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
2 Long-term/Short-term fund-based/Non-fund based bank lines – Others	Long term/Short term	2,452	1,123	[ICRA]AAA (Stable)/[ICRA]A1+	[ICRA]AAA (Stable)/[ICRA]A1+	-	-	-
3 Long-term fund-based bank lines	Long term	0	0	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
4 Long-term non-fund based bank lines	Long term	0	0	-	-	[ICRA]AAA (Stable)		
5 Short-term fund-based bank lines	Short term	0	0	-	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6 Short-term non-fund based bank lines	Short term	0	0	-	-	[ICRA]A1+		
7 Commercial paper programme	Short term	750	100	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Subordinated debt programme	Very Simple
Commercial paper programme	Very Simple
Long-term/Short-term fund-based/Non-fund based bank lines	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details as on March 31, 2024

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE912E08AE7	Subordinated debt programme	Jul 28, 2021	7.28%	Jul 28, 2031	100.0	[ICRA]AAA (Stable)
Not yet placed	Subordinated debt programme	-	-	-	100.0	[ICRA]AAA (Stable)
Not applicable	Long-term/Short-term fund-based/Non-fund based bank lines – Others	-	-	-	2,452.0	[ICRA]AAA (Stable)/[ICRA]A1+
INE912E14MC4	Commercial paper programme	Feb 28, 2024	NA	May 28, 2024	50.0	[ICRA]A1+
INE912E14MB6	Commercial paper programme	Feb 29, 2024	NA	May 29, 2024	50.0	[ICRA]A1+
Not yet placed	Commercial paper programme	-	-	7-365 days	650.0	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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About ICRA Limited:

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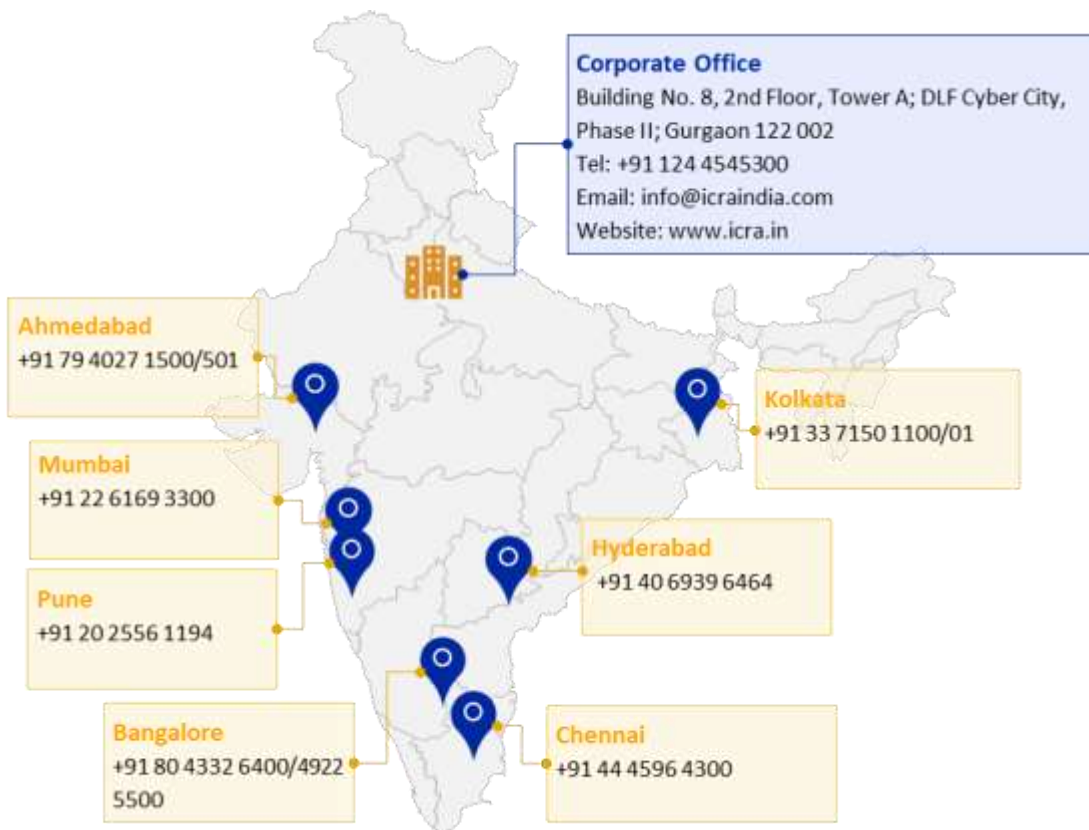
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