

April 08, 2025

## SG Finserve Limited: Provisional rating finalised

### Summary of rating action

| Instrument*   | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action                                       |
|---|--------------------------------------|-------------------------------------|---|
| Long term – Fund-based/Non-fund based bank facilities | 100.00                               | 100.00                              | [ICRA]AA(CE) (Stable); provisional rating finalised |
| Long term – Fund-based/Non-fund based bank facilities | 150.00                               | 150.00                              | [ICRA]AA(CE) (Stable); outstanding                  |
| Long term – Fund-based/Non-fund based bank facilities | 250.00                               | 250.00                              | Provisional [ICRA]AA(CE) (Stable); outstanding      |
| Non-convertible debentures                            | 50.00                                | 50.00                               | [ICRA]AA(CE) (Stable); outstanding                  |
| Commercial paper                                      | 200.00                               | 200.00                              | [ICRA]A1+; outstanding                              |
| <b>Total</b>  | <b>750.00</b>                        | <b>750.00</b>                       |   |

\*Instrument details are provided in Annexure I

|  |          |
|--|----------|
| Rating in the absence of pending steps/documentation for provisional ratings | [ICRA]A+ |
| Rating without explicit credit enhancement                                   | [ICRA]A+ |

Note: The CE suffix mentioned alongside the (provisional) rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The above table also captures ICRA's opinion on (a) the rating if the pending actions/documents are not completed, and (b) the rating without factoring in the proposed explicit credit enhancement

The rating is provisional as of now (as denoted by the prefix, Provisional, before the rating symbol) and is subject to the fulfilment and review of all pending actions/documentation pertaining to the instrument rated by ICRA. The final rating may differ from the provisional rating in case the completed actions/documentation are not in line with ICRA's expectations

### Rationale

#### For the [ICRA]AA(CE) (Stable) rating

ICRA has finalised the provisional rating assigned to SG Finserve Limited's (SGFL) Rs. 100-crore bank line programme. This, along with the outstanding rating for the Rs. 50-crore non-convertible debentures (NCDs) and Rs. 150-crore bank line programme, is based on the strength of the unconditional and irrevocable corporate guarantee provided by S Gupta Holding Private Limited (SGHPL, holding company of APL Apollo Tubes Limited (AATL) rated [ICRA]AA+ (Stable)/A1+} for the captioned facilities. The finalisation of the rating follows the fulfilment of all the conditions under the structure as mentioned to ICRA, including the execution of the guarantee, and the executed documentation being in line with the required terms of the structure.

The Stable outlook reflects ICRA's expectation that SGFL would be able to grow profitably while maintaining the asset quality at prudent levels.

#### For the Provisional [ICRA]AA(CE) (Stable) rating

The outstanding rating of the Rs. 250 crore bank line programme is based on the strength of the unconditional and irrevocable corporate guarantee to be provided by SGHPL.

### Adequacy of credit enhancement

The rating is based on the credit substitution approach, whereby the rating of the guarantor has been translated to the rating of the said instrument. The guarantee is legally enforceable, irrevocable, unconditional, and covers the entire amount and tenure of the rated instrument. The guarantee includes a payment mechanism for the invocation of the guarantee. Taking cognisance of these factors, the guarantee provided by SGHPL is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]AA(CE) against the rating of [ICRA]A+ without explicit credit enhancement. Any change in the guarantor's rating in future would reflect in the rating of the aforesaid instrument as well.

### Salient covenants of the rated facility:

- Minimum security cover of 1.25x by the way of hypothecation over receivables
- Gearing should remain less than or equal to 3x
- CRAR should remain greater than or equal to 30%

### For the [ICRA]A1+ rating

The rating considers SGFL's adequate capitalisation profile with a net worth of Rs. 994 crore and a gearing of 0.6x as on December 31, 2024 (Rs. 806 crore and 1.2x, respectively, as on March 31, 2024), supported by regular capital infusions by the promoters and the visibility on future capital infusions through warrant conversions. The rating also factors in the adequate profitability indicators, which are supported by low credit costs and high margins, though the ability to sustain the same through cycles is yet to be established. The return on average managed assets and return on average net worth stood at 4.5% and 8.5%, respectively, in 9M FY2025 (5.5% and 11.4%, respectively, in FY2024). The rating also takes into account the good financial flexibility enjoyed by the company as it is a part of the APL Apollo Group, which supports its liquidity profile. ICRA expects that SGFL would remain strategically important to the Group as it provides loans to AATL's dealers. Thus, support would be forthcoming as and when required.

The rating also factors in the inherent concentration risk associated with the loan portfolio, given the wholesale nature of the loans. Nevertheless, the asset quality indicators have remained good so far with nil non-performing advances (NPAs) till December 31, 2024, albeit on limited seasoning. The rating considers the early stage of operations with the company commencing lending operations in August 2022. As for borrowings, SGFL would need to expand its borrowing relationships in line with its business growth and is expected to benefit from the Group's financial flexibility. Overall, the company's ability to scale up the business profitably while maintaining prudent capitalisation and controlling the asset quality would be a key monitorable.

### Key rating drivers and their description

#### Credit strengths

**Corporate guarantee from SGHPL** – SGFL's borrowings in the form of bank facilities and NCDs are backed by a corporate guarantee from SGHPL. The guarantee is legally enforceable, irrevocable, unconditional, and covers the entire amount and tenor of the rated instrument, and has the other relevant attributes specified in ICRA's methodology for considering a credit enhancement.

**Adequate capitalisation levels** – SGFL's capitalisation profile is adequate for the current scale of operations with a net worth of Rs. 994 crore as on December 31, 2024 (Rs. 806 crore as on March 31, 2024). Since inception, the promoters have infused Rs. 822.5 crore equity (including Rs. 112.5 crore in October 2024). Further, there is visibility on subsequent capital support from the promoters in the near to medium term through warrant conversion. SGFL's gearing stood at 0.6x as on December 31, 2024 as compared with 1.2x as on March 31, 2024. ICRA expects the leverage to remain below 3x on a steady-state basis.

**Good financial flexibility by virtue of being a part of APL Apollo Group** – SGFL enjoys good financial flexibility as it is a part of the APL Apollo Group. It has demonstrated some ability to raise funds at competitive rates of interest from a diverse set of lenders despite its nascent stage of operations. ICRA expects that the company would be able to leverage the relationships again and raise funds to grow as per its business plans.

**Adequate profitability, though sustenance of same yet to be tested** – SGFL's profitability is supported by low credit costs and high margins, though it has a limited performance history. The company reported good net interest margins (NIMs) of 8.1% in 9M FY2025, albeit with some moderation compared with 8.8% FY2024 on account of base effect. It has controlled its operating expenses and credit costs, leading to a return on average managed assets and a return on average net worth of 4.5% and 8.5%, respectively, in 9M FY2025 (5.5% and 11.4%, respectively, in FY2024). Going forward, ICRA expects the return on assets (RoA) to decline with the increase in leverage, though it should remain healthy if slippages are controlled.

### Credit challenges

**Concentration risk due to wholesale nature of loans** – SGFL provides channel financing to the dealers of AATL and other large corporates. This is a short-term, high-churn loan book and the company has been able to control fresh slippages in this segment due to its linkages with the anchors. However, given the wholesale nature of the loans, it remains exposed to concentration risk. SGFL has a stop supply arrangement with the anchors of the dealers to whom it extends credit, partially mitigating the credit risk. Over the long term, the ability to grow the portfolio while maintaining control over credit underwriting and achieving profitability would remain a key rating monitorable.

**Limited track record of operations** – ICRA takes note of the early stage of operations as the company commenced lending operations in August 2022. Following the requirement in the change in the non-banking financial company (NBFC) classification, SGFL had pruned down its scale of operations and restarted the business in August 2024. However, the business picked up subsequently with AUM of Rs. 1,568 crore as on December 31, 2024 and high growth is expected by the end of FY2025. While the track record is limited, the fact that the company made cumulative disbursements of Rs. 12,647 crore in 9M FY2025, while maintaining asset quality so far, provides visibility on its ability to scale up the operations, going forward.

### Environmental and social risks

Given the service-oriented nature of its business, SGFL does not face material physical climate risks. It is exposed to environmental risks indirectly through its portfolio of assets. If the entities or businesses, to which SGFL has an exposure, face business disruption because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, the same could translate into credit risks for SGFL. With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and invite regulatory censure.

### Liquidity position

**For the [ICRA]AA(CE) (Stable) and Provisional [ICRA]AA(CE) (Stable) rating: Strong**

SGHPL has healthy financial flexibility due to its stake in AATL (market value of investment was ~Rs. 10,718 crore as on March 06, 2025). The company had debt of Rs. 799 crore (on-balance sheet and off-balance sheet) as on March 31, 2024. Further, it had cash and cash equivalents of Rs. 1.3 crore as on March 31, 2024.

**For the [ICRA]A1+ rating: Strong**

SGFL's liquidity position is strong with positive cumulative mismatches in the buckets up to 1 year, as per the asset-liability maturity (ALM) profile as on September 30, 2024. For the 12-month period ending September 30, 2025, the company has total outflows of Rs. 17 crore against total expected inflows of Rs. 803 crore. Further, the liquidity is supported by cash and cash equivalents and investment in fixed deposits of about Rs. 30 crore as on September 30, 2024.

## Rating sensitivities

### For the [ICRA]AA(CE) (Stable) and Provisional [ICRA]AA(CE) (Stable) rating

**Positive factors** – The rating may be upgraded if there is an improvement in the credit profile of AATL or SGHPL.

**Negative factors** – The rating may be downgraded if there is a deterioration in the credit profile of AATL or SGHPL. Additionally, a significant deterioration in the company's asset quality indicators and liquidity profile would be a credit negative.

### For the [ICRA]A1+ rating

**Positive factors** – Not applicable

**Negative factors** – A major change in the shareholding pattern or in the expectation of support from the Group or a deterioration in the credit profile of AATL or SGHPL could warrant a rating downgrade. Additionally, a significant deterioration in the company's asset quality indicators and liquidity profile would be a credit negative.

## Analytical approach

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">ICRA's Credit Rating Methodology for Non-banking Finance Companies</a><br><a href="#">ICRA's Policy on Provisional Ratings</a> |
| Parent/Group support            | Not Applicable   |
| Consolidation/Standalone        | Standalone   |

## Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Deed of Guarantee
2. Facility Agreement
3. Any other documents executed for the transaction

## Validity of the provisional rating

In case the borrowing facility for which a provisional rating has been assigned is subsequently issued, the provisional rating would have to be converted into a final rating within 90 days (validity period) from the date of availing the borrowing facilities. If considered appropriate, the validity period may be extended by a further 90 days for converting the provisional rating into final, in circumstances where the rated entity expressly indicates its intention to complete the pending actions/documents over the near term. Under no circumstances shall the validity period be extended beyond 180 days from the date of issuance. For further details, refer to ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

If neither the pending actions/documents nor the issuance is completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed by the entity within 90 days (validity period) from the date of issuance, the provisional rating will be converted into final upon a review of the required actions/documents to the extent these are completed by the end of the validity period. This implies that the provisional rating may even be revised at the end of the validity period, while being converted into final, to a level commensurate with the rating in the absence of the pending actions/documents (as disclosed earlier in the rationale). ICRA may consider extending the validity period in accordance with its Policy on Provisional Ratings available at [www.icra.in](http://www.icra.in).

## About the company

SG Finserve Limited (SGFL), formerly known as Moongipa Securities Limited, is a non-banking financial company (NBFC) established in 1994. It became a part of the APL Apollo Group when its promoters, Mr. Rahul Gupta and Mr. Rohan Gupta, acquired a 56.25% stake on August 20, 2021. Following this, an open offer was conducted, which concluded on July 22, 2022. Initially holding a Type I NBFC licence, SGFL transitioned to a Type II NBFC licence on October 3, 2024.

SGFL is a fully digital platform, specialising in supply chain financing for small and medium-sized enterprises (SMEs) and micro, small and medium enterprises (MSMEs) by partnering with large corporates known as anchors. It offers channel financing to the dealers of APL Apollo Tubes Limited (AATL) and other large corporates. SGFL's assets under management (AUM) stood at Rs. 1,568 crore as on December 31, 2024 and Rs. 1,673 crore as on March 31, 2024.

The company reported a profit after tax (PAT) of Rs. 57 crore in 9M FY2025 on a total managed asset base of Rs. 1,647 crore as on December 31, 2024 compared with a PAT of Rs. 79 crore in FY2024 on a total managed asset base of Rs. 1,779 crore as on March 31, 2024. The net worth stood at Rs. 994 crore with a gearing of 0.6x as on December 31, 2024 compared to net worth of Rs. 806 crore and gearing of 1.2x as on March 31, 2024. The gross NPA and net NPA for the company stood at 0.00% and 0.00%, respectively, as on December 31, 2024 and March 31, 2024.

## Key financial indicators

| SGFL                     | FY2023 | FY2024 | 9M FY2025 |
|--------------------------|--------|--------|-----------|
| Total income             | 41.6   | 189.7  | 116.9     |
| PAT                      | 18.4   | 78.6   | 57.2      |
| Total managed assets     | 1,079  | 1,779  | 1,647     |
| Return on managed assets | 3.4%   | 5.5%   | 4.5%      |
| Reported gearing (times) | 0.9    | 1.2    | 0.6       |
| Gross stage 3            | 0.0%   | 0.0%   | 0.0%      |
| CRAR                     | 54.0%  | 47.8%  | 63.0%     |

Source: Company, ICRA Research; Amount in Rs. crore

## SGHPL

Established in 2006, S Gupta Holding Private Limited (SGHPL; formerly known as APL Infrastructure Private Limited) is the holding company of APL Apollo Tubes Limited (AATL). It enjoys healthy financial flexibility due to its stake in AATL (market value of investment was ~Rs. 10,718 crore as on March 06, 2025). The company derives the majority of its income from dividend from subsidiaries and rental income.

SGHPL reported a PAT of Rs. 45 crore in FY2024 on a total asset base of Rs. 12,604 crore as on March 31, 2024 compared with a PAT of Rs. 24 crore in FY2023 on a total asset base of Rs. 10,121 crore as on March 31, 2023. Its net worth stood at Rs. 10,885 crore with a gearing of 0.03x as on March 31, 2024 compared to Rs. 8,853 crore and 0.02x, respectively, as on March 31, 2023.

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

|   | Current (FY2026) |                          |                                   |      |        | Chronology of rating history for the past 3 years |                                   |        |        |        |        |
|---|------------------|--------------------------|-----------------------------------|------|--------|---|-----------------------------------|--------|--------|--------|--------|
|   | FY2026           |                          |                                   |      |        | FY2025  |                                   | FY2024 |        | FY2023 |        |
| Instrument  | Type             | Amount rated (Rs. crore) | April 08, 2025                    | Date | Rating | Date  | Rating                            | Date   | Rating | Date   | Rating |
| <b>Long-term others – Fund-based/Non-fund based bank facilities</b> | Long term        | 250                      | Provisional [ICRA]AA(CE) (Stable) | -    | -      | 27-Nov-24   | -                                 | -      | -      | -      | -      |
|   |                  |                          |                                   |      |        | 29-Nov-24   | Provisional [ICRA]AA(CE) (Stable) |        |        |        |        |
|   |                  |                          |                                   | -    | -      | 30-Dec-24   | Provisional [ICRA]AA(CE) (Stable) | -      | -      | -      | -      |
|   |                  |                          |                                   | -    | -      | 13-Mar-25   | Provisional [ICRA]AA(CE) (Stable) | -      | -      | -      | -      |
| <b>Long-term others – Fund-based/Non-fund based bank facilities</b> | Long term        | 100                      | [ICRA]AA(CE) (Stable)             | -    | -      | 27-Nov-24   | -                                 | -      | -      | -      | -      |
|   |                  |                          |                                   |      |        | 29-Nov-24   | Provisional [ICRA]AA(CE) (Stable) |        |        |        |        |
|   |                  |                          |                                   | -    | -      | 30-Dec-24   | Provisional [ICRA]AA(CE) (Stable) | -      | -      | -      | -      |
|   |                  |                          |                                   | -    | -      | 13-Mar-25   | Provisional [ICRA]AA(CE) (Stable) | -      | -      | -      | -      |
| <b>Non-convertible debentures</b>                                   | Long term        | 50                       | [ICRA]AA(CE) (Stable)             | -    | -      | 27-Nov-24   | -                                 | -      | -      | -      | -      |
|   |                  |                          |                                   |      |        | 29-Nov-24   | -                                 |        |        |        |        |
|   |                  |                          |                                   |      |        | 30-Dec-24   | Provisional [ICRA]AA(CE) (Stable) |        |        |        |        |
|   |                  |                          |                                   | -    | -      | 13-Mar-25   | [ICRA]AA(CE) (Stable)             | -      | -      | -      | -      |
| <b>Commercial paper</b>   | Short term       | 200                      | [ICRA]A1+                         | -    | -      | 27-Nov-24   | -                                 | -      | -      | -      | -      |
|   |                  |                          |                                   |      |        | 29-Nov-24   | [ICRA]A1+                         |        |        |        |        |
|   |                  |                          |                                   | -    | -      | 30-Dec-24   | [ICRA]A1+                         | -      | -      | -      | -      |
|   |                  |                          |                                   | -    | -      | 13-Mar-25   | [ICRA]A1+                         | -      | -      | -      | -      |

|  | Current (FY2026) |                             |                          |      |        | Chronology of rating history for the past 3 years |                                      |        |        |        |        |
|--|------------------|-----------------------------|--------------------------|------|--------|---|--------------------------------------|--------|--------|--------|--------|
|  | FY2026           |                             |                          |      |        | FY2025  |                                      | FY2024 |        | FY2023 |        |
| Instrument   | Type             | Amount rated<br>(Rs. crore) | April 08, 2025           | Date | Rating | Date  | Rating                               | Date   | Rating | Date   | Rating |
| Long-term others –<br>Fund-based/Non-fund<br>based bank facilities | Long term        | 150                         | [ICRA]AA(CE)<br>(Stable) | -    | -      | 27-Nov-24   | -                                    | -      | -      | -      | -      |
|  |                  |                             |                          |      |        | 29-Nov-24   | Provisional [ICRA]AA(CE)<br>(Stable) |        |        |        |        |
|  |                  |                             |                          | -    | -      | 30-Dec-24   | Provisional [ICRA]AA(CE)<br>(Stable) | -      | -      | -      | -      |
|  |                  |                             |                          | -    | -      | 13-Mar-25   | [ICRA]AA(CE) (Stable)                | -      | -      | -      | -      |

### Complexity level of the rated instruments

| Instrument                            | Complexity Indicator |
|---------------------------------------|----------------------|
| Non-convertible debentures            | Very Simple          |
| Long term – Fund based/Non-fund based | Simple               |
| Commercial paper                      | Very 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

| ISIN         | Instrument Name                    | Date of Issuance | Coupon Rate | Maturity     | Amount Rated (Rs. crore) | Current Rating and Outlook        |
|--------------|------------------------------------|------------------|-------------|--------------|--------------------------|-----------------------------------|
| INE618R07012 | Non-convertible debentures         | Feb 10, 2025     | 9.85%       | Feb 10, 2028 | 50.00                    | [ICRA]AA(CE) (Stable)             |
| NA           | Fund based/Non-fund based          | NA               | NA          | NA           | 250.00                   | [ICRA]AA(CE) (Stable)             |
| NA           | Proposed fund based/Non-fund based | NA               | NA          | NA           | 250.00                   | Provisional [ICRA]AA(CE) (Stable) |
| NA           | Commercial paper*                  | NA               | NA          | NA           | 200.00                   | [ICRA]A1+                         |

Source: Company; \*Yet to be placed

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

#### Annexure II: List of entities considered for consolidated analysis

Not applicable



## ANALYST CONTACTS

**Karthik Srinivasan**

+91 22 6114 3444

[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**Manushree Saggur**

+91 124 4545316

[manushrees@icraindia.com](mailto:manushrees@icraindia.com)

**Rajat Kher**

+91 124 4545833

[rajat.kher@icraindia.com](mailto:rajat.kher@icraindia.com)

**A M Karthik**

+91 44 45964308

[a.karthik@icraindia.com](mailto:a.karthik@icraindia.com)

**Mishi Yadav**

+91 124 4545320

[mishi.yadav@icraindia.com](mailto:mishi.yadav@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

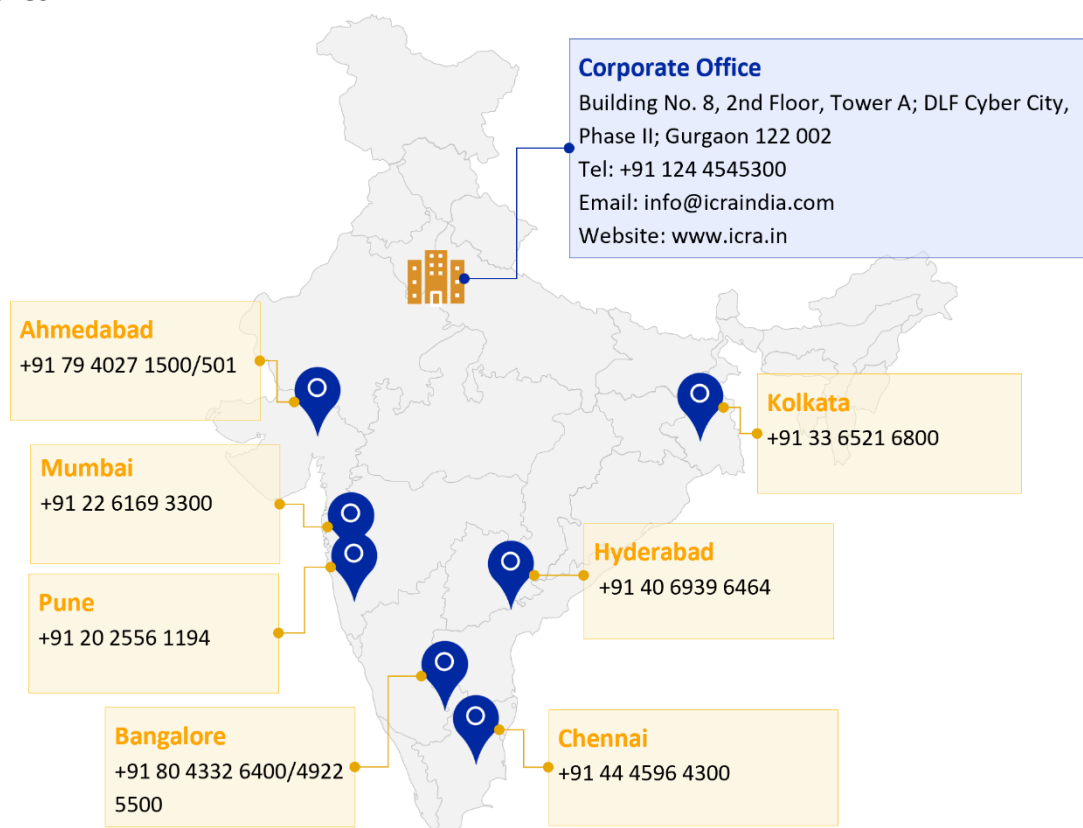


### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.