April 23, 2025

SBI Factors Limited: Ratings reaffirmed

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	5,050	5,050	[ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed
Commercial paper programme	750	750	[ICRA]A1+; reaffirmed
Total	**6,000**	**6,000**	

**Instrument details are provided in Annexure I*

Rationale

The ratings consider SBI Factors Limited's (SBI Factors) strong parentage as it is a wholly-owned subsidiary of State Bank of India[1] (SBI). The ratings take into account the management support from SBI and the shared brand name, which strengthens ICRA's expectation that SBI Factors 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 factor in SBI Factors' adequate capitalisation with a net worth of Rs. 493 crore and a gearing of 4.1 times as on December 31, 2024. While the gearing is likely to rise with the increase in the scale of operations, ICRA expects capital support from the parent to support the growth plans.

SBI Factors' scale of operations has been on an increasing trend with funds in use (FIU) of Rs. 2,514 crore as on December 31, 2024 (Rs. 1,837 crore as on March 31, 2024, and Rs. 1,278 crore as on March 31, 2023). The gross stage 3 stood at 1.4% as on December 31, 2024. The company's profitability has been supported by recoveries from written-off accounts with an annualised return on assets of 2.4% in 9M FY2025 (2.8% in FY2024). Given the intense competition from larger banks, SBI Factors' ability to maintain its funding costs will be a key driver of its ability to grow its FIU, while its ability to maintain the asset quality will be the main factor for a sustained improvement in 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 – SBI Factors is a wholly-owned subsidiary of SBI. It receives considerable management support from the bank. The company's Managing Director and Chief Executive Officer (MD & CEO) was at SBI earlier. Further, its Chairman is the MD – Corporate Banking & Subsidiaries of SBI. Additionally, some of the heads of SBI Factors' 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. It 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.

[1] *Rated [ICRA]AAA (Stable) for its Basel III Tier II bonds*

Adequate capitalisation – The company's capitalisation remained adequate with a capital-to-risk weighted assets ratio (CRAR) of 22.2% (Tier I – 18.4%) and a gearing of 4.1 times as on December 31, 2024. Given the strong growth plans, SBI Factors is likely to require capital in the medium term. ICRA expects capital support from the parent to be forthcoming.

The company reported a return on managed assets (RoMA) and a return on equity (RoE) of 2.4% and 11.4%, respectively, in 9M FY2025 (2.8% and 10.3%, respectively, in FY2024 and 2.5% and 8.0%, respectively, in FY2023). Given the limited scale of operations, operating expenses remain elevated, albeit improving. Profitability is also 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 and intense competition from larger banks, SBI Factors' ability to maintain its funding costs will be a key driver of its ability to grow its FIU while its ability to maintain the asset quality will be the main factor for a sustained improvement in its profitability.

Credit challenges

Exposure to unsecured loans exposes the company to asset quality risks – The company's asset quality had been impacted by the legacy accounts, which were sanctioned by Global Trade Finance (GTF) before SBI Factors 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 1.4% on December 31, 2024 from 12.4% as on March 31, 2021. Further, the stage 3 assets are adequately provided for with net stage 3 of 0.2% of total assets as on December 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.

SBI Factors' scale of operations has been increasing with FIU of Rs. 2,514 crore as on December 31, 2024 (Rs. 1,837 crore as on March 31, 2024 and Rs. 1,278 crore as on March 31, 2023). The core factoring business, which includes domestic factoring, export factoring and the Trade Receivables Electronic Discounting System (TReDS), accounted for 69.1% of the FIU as on December 31, 2024. The gold loan pool, letter of credit discounting and reverse factoring accounted for 24.8%, 3.4% and 2.6%, respectively, of the FIU as on December 31, 2024.

Liquidity position: Adequate

As on February 28, 2025, SBI Factors held Rs. 39.4 crore of cash and liquid investments along with Rs. 1,319 crore of unutilised bank lines against total debt repayment of Rs. 1,951 crore scheduled to mature until August 31, 2025. The liquidity is supported by the monthly repayments from the loan portfolio. The company had no cumulative mismatches up to three years as per the Statement of Structural Liquidity (SLS) as on February 28, 2025.

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	Non-banking Finance Companies (NBFCs)
Parent/Group support	The ratings factor in the high likelihood of financial support from SBI to SBI Factors, driven by reputational and strategic considerations.

Consolidation/Standalone	The ratings are based on the company's standalone financial statements.

About the company

SBI Factors (previously known as SBI Global Factors Limited) 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 the company 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 and SBI Factors is now a wholly-owned subsidiary of SBI.

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

Key financial indicators (audited)

SBI Factors Limited	FY2023	FY2024	9M FY2025
Total income	113	142	162
PAT	31	44	40
Total managed assets	1,329	1,875	2,576
Return on managed assets (annualised)	2.5%	2.8%	2.4%
Managed gearing (times)	2.1	3.0	4.1
Gross stage 3	2.7%	2.4%	1.4%
CRAR	34.4%	26.7%	22.2%

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	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Apr 23, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Subordinated debt programme	Long term	200.00	[ICRA]AAA (Stable)	May 22, 2024	[ICRA]AAA (Stable)	Mar 22, 2024	[ICRA]AAA (Stable)	Jun 27, 2022	[ICRA]AAA (Stable)
				Nov 27, 2024	[ICRA]AAA (Stable)			Mar 29, 2023	[ICRA]AAA (Stable)
Long-term/Short-term fund-based/Non-fund based bank lines	Long term/Short term	5,050.00	[ICRA]AAA (Stable)/ [ICRA]A1+	May 22, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Mar 22, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+	Jun 27, 2022	[ICRA]AAA (Stable)/ [ICRA]A1+
				Nov 27, 2024	[ICRA]AAA (Stable)/ [ICRA]A1+			Mar 29, 2023	[ICRA]AAA (Stable)/ [ICRA]A1+
Commercial paper programme	Short term	750.00	[ICRA]A1+	May 22, 2024	[ICRA]A1+	Mar 22, 2024	[ICRA]A1+	Jun 27, 2022	[ICRA]A1+
				Nov 27, 2024	[ICRA]A1+			Mar 29, 2023	[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 December 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**	-	-	-	5,050.0	[ICRA]AAA (Stable)/[ICRA]A1+
Not yet placed	**Commercial paper programme**	-	-	7-365 days	750.0	[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

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.

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