

September 22, 2025

SBFC Finance Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based term loan	2,100.00	2,100.00	[ICRA]AA- (Stable); reaffirmed
Total	2,100.00	2,100.00	

*Instrument details are provided in Annexure I

Rationale

The rating factors in SBFC Finance Limited's (SBFC) adequate capitalisation profile, which is expected to support the envisaged near-to-medium-term growth). The rating takes into account the comfortable profitability metrics, aided by healthy margins, which are supported by the high business yields and lower leverage. The rating also factors in the company's adequate liquidity and diversified borrowing profile, which is sufficient for the current scale of operations.

The rating, however, considers the relatively lower seasoning of the loan book since a large part of the current book was originated in the past few years (3-year CAGR of ~40% during FY2022-FY2025) compared with the asset tenure of up to 15 years. This exposes the company to volatility in asset quality indicators as the portfolio seasons. Further, portfolio vulnerability is augmented given the target borrower segment, which is more susceptible to economic shocks due to lower income buffers. In this regard, the secured and granular nature of the loans provides some comfort. SBFC's asset quality remained comfortable with a gross stage 3 (GS3) of 2.8% as on June 30, 2025 vis-à-vis 2.7% as on March 31, 2025 (2.6% as on June 30, 2024). While the early delinquencies could continue to be volatile for the company, the ultimate loss given default is expected to remain limited, given the secured nature of the micro, small and medium enterprise (MSME) loans (largely backed by self-occupied residential property, comprising ~83% of its overall AUM) and the gold loans (17%).

The Stable outlook factors in ICRA's expectation that SBFC will continue to scale up profitably while keeping its leverage and asset quality under control.

Key rating drivers and their description

Credit strengths

Healthy capitalisation profile – SBFC's capitalisation profile is characterised by a healthy capital adequacy ratio of 34.3% as on June 30, 2025 and a managed gearing of 2.1 times. The company completed its initial public offering (IPO) in August 2023, including a primary issuance of ~Rs. 750 crore, which strengthened its capitalisation profile. The net worth stood at Rs. 3,299 crore (tangible net worth of Rs. 3,039 crore) as on June 30, 2025. Given the business growth plans, the gearing is expected to increase from the current levels, though the managed gearing is expected to remain under 4 times.

Comfortable profitability metrics¹ – The average yields on SBFC's portfolio improved over the last two financial years following the shift towards the relatively higher-yielding small and medium-sized enterprise (SME) and gold loan segments. Consequently, the net interest margin (NIM) improved to 8.8% of average managed assets (AMA) in FY2025 from 8.1% in FY2024 (7.1% in FY2023). This was despite the increase in credit costs to 0.8% in FY2025 (0.7% in FY2024) due to portfolio seasoning and stress in the small business and enterprise cash flows. The above, along with the decline in operating expenses/AMA to 3.9% in FY2025 (4.3% in FY2024) due to scale-related operating efficiency, resulted in an improvement in the return on managed assets (RoMA) to 3.8% in FY2025 from 3.3% in FY2024. Further, the company reported a net profit of Rs. 101 crore in Q1 FY2026 compared to Rs.79 crore in Q1 FY2025. Going forward, while the margins are expected to decline

¹ Ratios as per ICRA's calculations

gradually from the current levels, this is expected to be partially offset by enhanced operating efficiency. ICRA expects SBFC to continue reporting comfortable profitability indicators over the medium term, provided it is able to maintain control on fresh slippages.

Secured and retail nature of exposure – As on June 30, 2025, almost 100% of the portfolio consisted of the secured loan book, including MSME-loan against property (LAP) of ~83% and loan against gold jewellery (LAG; ~17%). While ~87% of the overall AUM was in the form of the on-book portfolio, the off-book portfolio originating from the co-origination partnership with ICICI Bank accounted for the balance (~13%). The average ticket size is fairly low at Rs. 9.4 lakh for the LAP segment and Rs. 1.1 lakh for the LAG segment, reflecting a granular retail loan book. The portfolio is diversified across 16 states and 2 Union Territories with 215 branches, with in-housing sourcing and collection. Going forward, the mix of LAP and LAG in the overall AUM is expected to remain at similar levels on a steady-state basis and the unsecured loan book would be completely run down in due course.

Credit challenges

Modest credit profile of target customer segment – SBFC mainly provides small-to-medium-sized ticket loans to self-employed borrowers. Considering the borrowers' business and income profiles, their credit profiles are expected to be modest and vulnerable to economic shocks due to their lower income buffers. Reflecting this moderate credit profile, the softer bucket delinquencies, i.e. 1+ days past due (dpd), stood at 7.9% (on-book) as on June 30, 2025. While the early delinquencies could remain volatile for the company, the ultimate loss given default is expected to stay limited due to the secured and granular nature of the loans and the in-house collection team for managing recoveries.

Low portfolio seasoning – SBFC's asset quality remained comfortable with a GS3 of 2.8% as on June 30, 2025 vis-à-vis 2.7% as on March 31, 2025 (2.6% as on June 30, 2024). Nonetheless, SBFC's consolidated portfolio expanded at a CAGR of ~40% during FY2022-FY2025, increasing further by 28% (annualised) in Q1 FY2026 to Rs. 9,351 crore as on June 30, 2025 (Rs. 8,747 crore as on March 31, 2025). It is expected to rise at a CAGR of 25-30% during FY2026-FY2028. The relatively lower seasoning of the loan book, since a large part of the current book was originated in the past few years compared with the asset tenure of up to 15 years, exposes the company to volatility in asset quality indicators as the portfolio seasons. In this regard, the secured and granular nature of the loans provides some comfort.

Environmental and social risks

While non-banking financial companies (NBFCs) like SBFC do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which SBFC has an exposure, face business disruptions because of physical climate adversities or they face climate transition risks because of technological, regulatory or customer behaviour changes, the same could translate into credit risks for the company.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for financial institutions as material lapses could be detrimental to their reputation and invite regulatory censure. As the majority of SBFC's services are digitally driven with high utilisation of information technology, it faces the risk of data breaches, cyberattacks and other operational risks that could affect customer data, trading, broking, etc. However, the company had no such instances in the past, which indicates that its risk management and processes are adequate.

Liquidity position: Adequate

The company's liquidity profile is adequate with positive cumulative mismatches in the up to 5-year buckets. As on June 30, 2025, it had ~Rs. 645 crore of unencumbered cash and liquid investments. Further, SBFC had undrawn bank lines of Rs. 260 crore as on June 30, 2025. The company has expected inflows from advances of ~Rs. 2,709 crore against debt obligations of Rs. 2,114 crore over the next one year. Additionally, it has a diversified resource profile with the majority of the funding from banks and financial institutions (~88% as on June 30, 2025) through a mix of instruments (term loans, non-convertible debentures, foreign currency loans) while mutual funds account for the balance (12%; through non-convertible debentures).

Rating sensitivities

Positive factors – The company's rating could be positively impacted if it is able to scale up its loan portfolio significantly while maintaining good asset quality and a strong earnings profile on a sustained basis.

Negative factors – Pressure on rating could arise if there is an increase in managed gearing beyond 4.0 times or a deterioration in asset quality indicators resulting in gross stage 3 of more than 4% on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

SBFC Finance Limited (SBFC) is a non-banking financial company, which provides loan against property (LAP), and loan against gold. Backed by the Clermont Group, it commenced operations in September 2017 after acquiring the secured retail loan portfolio from Karvy Financial Services Limited (KFSL). Following this, SBFC focussed on building adequate systems and processes and on the onboarding of experienced professionals in the management team before rebooting the lending business. It leverages technology and analytics to provide customers with easy access to credit and to assess their credit behaviour through their digital footprint.

SBFC reported a profit after tax (PAT) of Rs. 101 crore on total income of Rs. 389 crore in Q1 FY2026 compared with Rs. 79 crore and Rs. 298 crore, respectively, in Q1 FY2025. As on June 30, 2025, the total AUM stood at Rs. 9,351 crore, comprising LAP (~83%) and loan against gold (LAG; ~17%).

It reported a PAT of Rs. 345 crore in FY2025 on total income of Rs. 1,306 crore compared to Rs. 237 crore and Rs. 1,020 crore, respectively, in FY2024.

Key financial indicators

SBFC Finance Limited	FY2024	FY2025	Q1 FY2026
	Audited	Audited	Unaudited
Total income	1,020	1,306	389
Profit after tax	237	345	101
Total managed assets	8,081	9,917	10,515
Return on managed assets	3.3%	3.8%	4.0%
Gross gearing (managed; times)	1.8	2.0	2.1
Gross stage 3	2.4%	2.7%	2.8%
CRAR	40.5%	36.1%	34.3%

Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations; Managed gearing = (Borrowings + Off-balance sheet advances)/Net worth; Total managed assets = Total assets + Impairment loss allowance on gross loans + Off-balance sheet advances

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 22, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long-term fund-based term loan Non-convertible debenture	Long term	2,100.00	[ICRA] AA- (Stable)	Sep 24, 2024	[ICRA]AA- (Stable)	Sep 29, 2023	[ICRA]A+ (Stable)	Oct 03, 2022	[ICRA]A+ (Stable)
	Long term			Sep 24, 2024	[ICRA]AA- (Stable); withdrawn	Sep 29, 2023	[ICRA]A+ (Stable)	Oct 03, 2022	[ICRA]A+ (Stable)
				-	-	-	-	Oct 03, 2022	[ICRA]A+ (Stable)*; withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based term loan	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 September 15, 2025

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Term Loan	NA	NA	FY2032	1,679.37	[ICRA]AA- (Stable)
NA	Unallocated term loan	NA	NA	NA	420.63	[ICRA]AA- (Stable)

Source: Company data

[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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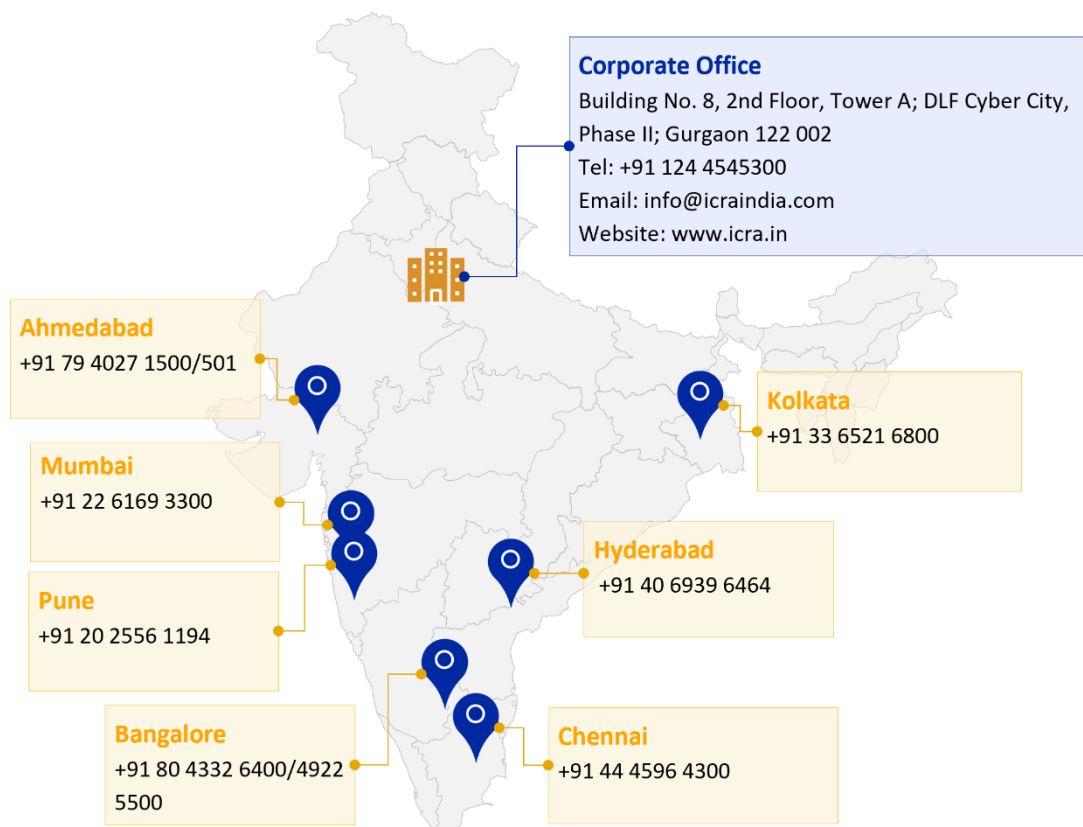


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