

May 05, 2026

SBFC Finance Limited: [ICRA]AA- (Stable)/[ICRA]A1+ assigned; earlier ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based bank facilities	2,100.00	2,100.00	[ICRA]AA- (Stable); reaffirmed
Non-Convertible Debentures	0.00	400.00	[ICRA]AA- (Stable); assigned
Commercial Paper	0.00	200.00	[ICRA]A1+; assigned
Total	2,100.00	2,700.00	

*Instrument details are provided in Annexure II

Rationale

The ratings factor in SBFC Finance Limited's (SBFC) adequate capitalisation profile, which is expected to support the envisaged near-to-medium-term growth and track record of maintaining comfortable profitability profile over the years, aided by healthy margins, which are supported by the high business yields and lower leverage. The ratings also factor in the company's adequate liquidity and diversified borrowing profile, which is sufficient for its current scale of operations.

The rating, however, considers the relatively lower seasoning of the loan book, as a significant portion of the portfolio has been originated in the past few years (3-year CAGR of ~31% during FY2023-FY2026), compared with the asset tenure of up to 15 years. This exposes the company to volatility in asset quality indicators as the portfolio seasons. Portfolio vulnerability is further accentuated by the target borrower segment comprising of small business owners and self-employed individuals, which is more susceptible to economic shocks due to lower income buffers. In this regard, the risk is partly mitigated by the secured and granular nature of the loan book. SBFC's asset quality remained comfortable with a gross stage 3 (GS3) of 2.6% as on March 31, 2026 vis-à-vis 2.7% as on March 31, 2025, partly supported by sale to ARCs (Net book value of loans transferred worth Rs. 139 crore since Q2FY2025). While early delinquencies could remain 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 ~79% of its overall AUM) and loans against gold (~21%).

ICRA also notes the elevated attrition at the senior management level across some key roles; however, the company executed replacements in a timely manner through a combination of external hires and internal promotions. Mr. Aseem Dhru (erstwhile chief executive officer) was re-designated as executive vice chairman for five years and continues to play an active operational role, supporting continuity and governance. Mr. Mahesh Dayani (previously the chief business officer) was designated as the chief executive officer. Chief risk officer and chief credit officer were filled through external recruitment, while head of operations was appointed through internal promotion.

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 32.8% as on March 31, 2026 and a managed gearing of 2.3 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. 3,725 crore (tangible net worth of Rs. 3,465 crore) as on March 31, 2026. ICRA expects

SBFC's portfolio to grow at a CAGR of 25-30% over the next 3 years, hence, the gearing is expected to increase from the current levels, though the managed gearing is expected to remain below 4 times during this period.

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 micro, small and medium-sized enterprise (MSME) and gold loan segments. Consequently, the net interest margin (NIM) improved to 9.1% of average managed assets (AMA) in FY2026 from 8.8% in FY2025 (8.1% in FY2024). This was despite the increase in credit costs to 1.1% in FY2026 (0.8% in FY2025) 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 3.7% in FY2026 (3.9% in FY2025) due to scale-related operating efficiency, resulted in an improvement in the return on managed assets (RoMA) to 4.0% in FY2026 from 3.8% in FY2025. Going forward, while the margins are expected to decline 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 (RoMA between 3.8%-4.2%) over the medium term.

Secured and retail nature of exposure – As on March 31, 2026, almost 100% of the portfolio consisted of the secured loan book, including MSME-loan against property (LAP) of ~79% and loan against gold jewellery (LAG; ~21%). While ~88% 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 (~12%). The average ticket size is fairly low at Rs. 9.93 lakh for the LAP segment and Rs. 1.23 lakh for the LAG segment, reflecting a granular retail loan book. The portfolio is diversified across 18 states and 2 Union Territories with 251 branches, with in-housing sourcing and collection.

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 6.8% (on-book) as on March 31, 2026. 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. ICRA expects credit costs as a share of average managed assets to be in the range of 1.0-1.2% over the next 2-3 years.

Low portfolio seasoning – SBFC's asset quality remained comfortable with a GS3 of 2.6% as on March 31, 2026 vis-à-vis 2.7% as on March 31, 2025. Nonetheless, SBFC's consolidated portfolio expanded at a CAGR of ~31% during FY2023-FY2026 to Rs. 11,270 crore as on March 31, 2026. 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 risk is partly mitigated by the secured and granular nature of the loan book.

Environment 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

¹ Ratios as per ICRA's calculations

The company's liquidity profile is adequate with positive cumulative mismatches in the up to 5-year buckets. As on March 31, 2026, it had ~Rs. 619 crore of unencumbered cash and liquid investments. Further, SBFC had undrawn bank lines of Rs. 304 crore as on March 31, 2026. The company has expected inflows from advances of ~Rs. 3,670 crore against debt obligations (including interest) of Rs. 2,480 crore over the next one year. Additionally, it has a diversified resource profile with the majority of the funding from banks and financial institutions through a mix of instruments (term loans, non-convertible debentures, foreign currency loans, securitisation).

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. 451 crore on total income of Rs. 1,680 crore in FY2026 compared with Rs. 345 crore and Rs. 1,306 crore, respectively, in FY2025. As on March 31, 2026, the total AUM stood at Rs. 11,270 crore, comprising LAP (~79%) and loan against gold (LAG; ~21%).

Key financial indicators (audited)

SBFC Finance Limited	FY2024	FY2025	FY2026
	Audited	Audited	Audited
Total income	1,020	1,306	1,680
Profit after tax	237	345	451
Total managed assets	8,081	9,918	12,636
Return on managed assets	3.3%	3.8%	4.0%
Gross gearing (managed; times)	1.8	2.0	2.3
Gross stage 3	2.4%	2.7%	2.6%
CRAR	40.5%	36.1%	32.8%

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: Not applicable

Rating history for past three years

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	May 05, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund-based-Others	Long Term	2,100.00	[ICRA]AA- (Stable)	Sep 22, 2025	[ICRA]AA- (Stable)	Sep 24, 2024	[ICRA]AA- (Stable)	Sep 29, 2023	[ICRA]A+ (Stable)
Commercial Paper	Short Term	200.00	[ICRA]A1+	-	-	-	-	-	-
Non- Convertible Debentures	Long Term	400.00	[ICRA]AA- (Stable)	-	-	Sep 24, 2024	[ICRA]AA- (Stable); withdrawn	Sep 29, 2023	[ICRA]A+ (Stable)

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial Paper	Simple
Long-term Fund-based Bank Facilities	Simple
Non-Convertible Debentures	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and
NA	Bank Facilities	NA	NA	FY2032	1,587.14	[ICRA]AA-(Stable)
NA	Unallocated Bank Facilities	NA	NA	NA	512.86	[ICRA]AA-(Stable)
Yet to be placed	NCD	NA	NA	NA	400.00	[ICRA]AA-(Stable)
Yet to be placed	Commercial Paper	NA	NA	NA	200.00	[ICRA]A1+

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

Annexure III: List of entities considered for consolidated analysis

Not applicable

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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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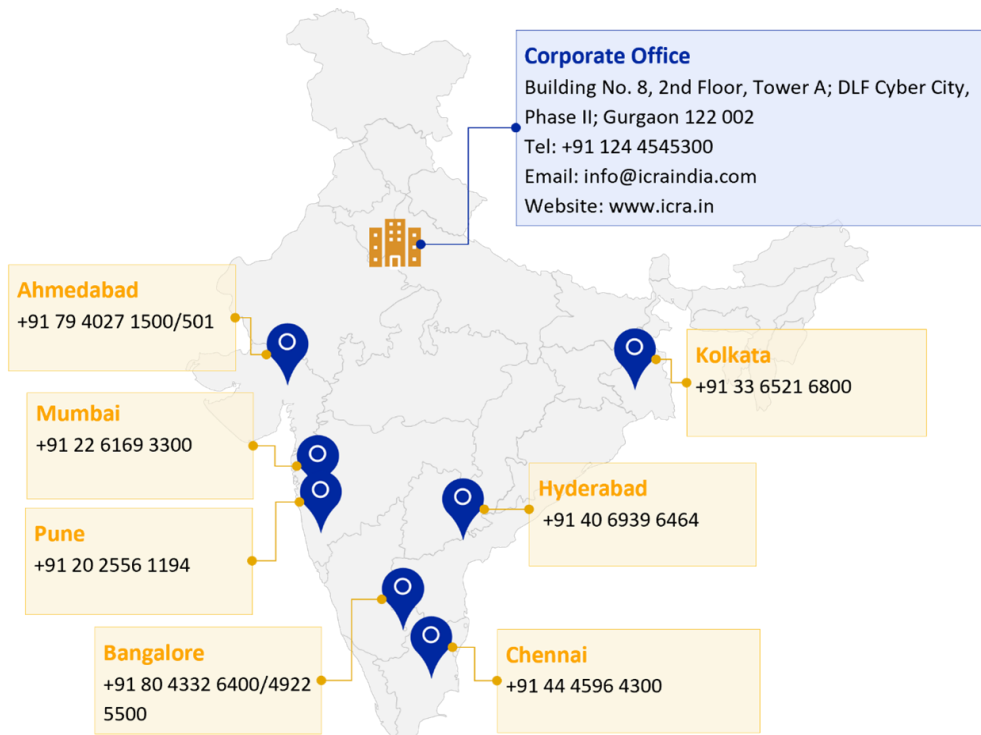


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