

September 18, 2026

SK Finance Limited: Rating reaffirmed; rating withdrawn for matured instruments

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator [#]
Non-convertible debentures	1,450.00	1,450.00	[ICRA]AA- (Stable); reaffirmed	SEBI
Non-convertible debentures	550.00	0.00	[ICRA]AA- (Stable); reaffirmed and withdrawn	SEBI
Total	2,000.00	1,450.00		

*Instrument details are provided in Annexure I

[#] The Securities and Exchange Board of India's (SEBI) grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SEBI Complaint Redress System (SCORES) and Online Dispute Resolution (ODR) shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators other than SEBI

Rationale

The rating continues to factor in SK Finance Limited's (SKFL) established franchise and track record of operations in Rajasthan with a good knowledge of the local market. Further, the rating draws comfort from the company's adequate near-term capitalisation profile and track record of good profitability despite the recent moderation. ICRA notes that the company has seen good profitability over the years and believes the recent moderation in its return on managed assets (RoMA) to 2.3% in FY2026 (2.1% in Q1 FY2027) from 2.5% in FY2025 (2.0% in Q1 FY2026), because of higher credit costs and lower net interest margins (NIMs), is transitory in nature. While the company has seen a gradual reduction in its operating cost ratio, its ability to control credit costs would be critical to support its profitability, going forward. The capital position seems adequate for the current scale, though SKFL would need to raise equity for medium-term growth while maintaining a prudent capitalisation profile.

The rating is constrained by SKFL's high, albeit improving, geographical concentration. While the company has, over the years, expanded its reach to 13 states/Union Territories (UTs) as on June 30, 2026, the home state of Rajasthan still accounted for 44% of the portfolio¹ as on June 30, 2026 (though lower than 56% as on March 31, 2023). Further, the target borrower profile largely consists of first-time borrowers and single vehicle and small business owners, who are susceptible to economic shocks due to limited income buffers.

ICRA also notes that the reported gross non-performing advances (GNPAs) declined to 4.4% as on March 31, 2026 from 4.8% as on March 31, 2025, supported by the sale of NPAs to asset reconstruction companies (ARCs) during the year. However, the 90+ days past due (dpd) for the overall assets under management (AUM) rose to 3.2% as on March 31, 2026 from 2.1% as on March 31, 2025. This was due to roll-forwards into harder buckets and the base effect on account of the decline in AUM growth. The GNPAs and 90+ dpd weakened to 5.0% and 3.7%, respectively, as on June 30, 2026 because of seasonality and the impact of the West Asia conflict and macroeconomic factors. Going forward, SKFL's ability to control fresh slippages and secure recoveries from the overdue book will remain a key monitorable, especially given its calibrated growth plans.

ICRA has reaffirmed and withdrawn the rating assigned to the Rs. 550.0-crore non-convertible debentures as no amount is outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings.

The Stable outlook reflects ICRA's expectation that the company would continue to scale up profitably while maintaining a prudent capitalisation profile and range-bound asset quality.

¹ Including off-book portion of co-lending book; the ratios/shares of various metrics in relation to the AUM/portfolio exclude the off-book portion of the co-lending book till March 31, 2026

Key rating drivers and their description

Credit strengths

Established franchise and track record of operations – SKFL, under the leadership of Mr. Rajendra Setia, has a long track record of around three decades in the vehicle financing market, whereby it has established a retail franchise in Rajasthan and gained good understanding of the local market. Its AUM stood at Rs. 16,227 crore as on June 30, 2026 (Rs. 15,980 crore as on March 31, 2026) with vehicle loans accounting for 78% as on June 30, 2026 (77% as on March 31, 2026), though it was lower than 84% as on March 31, 2023 as the company is reducing the concentration of this segment. Within the vehicle loans segment, the share of used vehicle loans stood at 74% as on June 30, 2026 (74% as on March 31, 2026). ICRA notes that SKFL has gradually diversified its product mix with the share of micro, small and medium enterprise (MSME) financing, primarily catering to a similar category of low and middle-income group borrowers, in the AUM increasing to 22% as on June 30, 2026 (23% as on March 31, 2026) from 16% as on March 31, 2023. ICRA notes that SKFL plans to add new secured products to its portfolio and gradually increase their share over the medium term.

The company's board of directors comprises a non-executive chairman, two promoter directors, three independent directors and one investor nominee director. Mr. Setia, along with his family members, held an equity stake of 31.1% in the company (fully-diluted basis) as on June 30, 2026. SKFL is also backed by established equity investors, such as Norwest Venture Partners X – Mauritius (Norwest), TPG Capital, India Business Excellence Fund IV, Evolve, IIFL Special Opportunities Fund and others, which had a total equity stake of 60.4% (fully-diluted basis) as on June 30, 2026.

Adequate near-term capital profile; need to secure equity to maintain buffers for medium-term growth – SKFL is adequately capitalised at present with a net worth of Rs. 4,078 crore and a managed gearing of 3.7x as on June 30, 2026 (Rs. 3,982 crore and 3.8x, respectively, as on March 31, 2026). The reported capital adequacy stood at 26.0% as on June 30, 2026 (25.4% as on March 31, 2026). ICRA notes that the leverage is likely to increase from the current level, given the growth plans. In this regard, the company would need to raise equity, which would be key for maintaining buffers for medium-term growth.

Good profitability, notwithstanding recent moderation – SKFL has a track record of good profitability despite the recent moderation. Notwithstanding the gradual decline in the operating cost ratio² and higher non-interest income, the RoMA weakened to 2.3% in FY2026 from 2.5% in FY2025 because of the compression in NIMs (due to the softening of yields and negative carry on the investments) and rise in credit costs (owing to increased losses on assets). It weakened further to 2.1% in Q1 FY2027 because of higher credit costs (owing to rise in incremental provisions) despite stable NIMs and non-interest income and range-bound operating expenses. Nonetheless, the RoMA remained stable in Q1 FY2027 on a year-on-year (YoY) basis compared to 2.0% in Q1 FY2026. In view of the asset quality-related pressure, it would be critical to keep credit costs under control, going forward, even as the pressure on yields is expected to persist.

Credit challenges

Exposure to relatively modest borrower profiles – As SKFL primarily operates in the used vehicle financing segment, its customers are mostly first-time borrowers and single vehicle and small business owners, who are susceptible to economic shocks and have limited income buffers. Thus, the delinquencies in the softer buckets have historically remained volatile for the company. The uptick in delinquencies in FY2026 (30+ dpd of 7.4% as on March 31, 2026 compared to 7.0% as on March 31, 2025) was largely due to the challenges in the operating environment, including adverse weather patterns in key geographies and the base effect of the decline in AUM growth. The 30+ dpd weakened further to 9.2% as on June 30, 2026 and remains high. The reported GNPA declined to 4.4% as on March 31, 2026 from 4.8% as on March 31, 2025, supported by the sale of NPAs to ARCs during the year. However, the 90+ dpd rose to 3.2% as on March 31, 2026 from 2.1% as on March 31, 2025 due to roll-forwards into harder buckets and the base effect of the decline in AUM growth. On a lagged basis (one year), the 90+ dpd remained higher at 3.7% as on March 31, 2026. The GNPA and 90+ dpd weakened to 5.0% and 3.7%, respectively, as on June 30, 2026 because of seasonality and the impact of the West Asia conflict and macroeconomic factors. Going forward,

² All figures and ratios are as per ICRA's nomenclature/definitions/calculations

SKFL's ability to control fresh slippages and secure recoveries from the overdue book will remain a key monitorable, especially given its calibrated growth plans.

High, albeit improving, geographical concentration – SKFL has expanded its scale of operations in the last few years with its AUM rising at a 4-year compound annual growth rate (CAGR) of 36% to Rs. 15,980 crore as on March 31, 2026 from Rs. 4,714 crore as on March 31, 2022. It, however, grew at a lower rate of 17% YoY to Rs. 16,227 crore as on June 30, 2026 because of the company's cautious approach. As on June 30, 2026, SKFL had a network of 704 branches across 13 states/UTs, namely Rajasthan, Madhya Pradesh, Gujarat, Haryana, Punjab, Maharashtra, Uttar Pradesh, Delhi, Uttarakhand, Himachal Pradesh, Chhattisgarh, Karnataka and Telangana. However, the exposure to a single state remains relatively high for the current scale of operations with Rajasthan accounting for 44% of the portfolio as on June 30, 2026, though this has moderated from 56% as on March 31, 2023. The balance is primarily in Madhya Pradesh (14%), Punjab & Haryana (14%), Gujarat (8%), and Maharashtra (6%).

Liquidity position: Adequate

The tenure of the loans extended by SKFL (average tenure of 3.5-4 years) matches well with the weighted average tenure of the term facilities availed by it and reflects positively in the asset-liability maturity (ALM) profile. Thus, the ALM profile, in the normal course of business, is characterised by positive cumulative mismatches across all buckets up to one year. As per the ALM profile as on June 30, 2026, SKFL had scheduled principal debt repayments of Rs. 5,573 crore for the 12-month period ending June 30, 2027 against scheduled inflows from performing advances of Rs. 4,714 crore. The unencumbered on-balance sheet liquidity (cash and liquid investments) of Rs. 750 crore (6% of on-balance sheet borrowings), coupled with undrawn working capital lines of Rs. 65 crore as on June 30, 2026, further support the liquidity profile.

SKFL's borrowing profile is adequately diversified for the current scale of operations, with sources including term loans and working capital lines from banks (44% of the total borrowings, including off-book portfolio, as on June 30, 2026), securitisation/direct assignment (27%), debentures (20%), external commercial borrowings (ECBs; 6%), term loans from financial institutions (FIs; 2%) and others (1%). As on June 30, 2026, the company had borrowing relationships with over 60 FIs.

Rating sensitivities

Positive factors – The rating could be upgraded on a sustained improvement in the profitability (RoMA of more than 3.0%) and competitive position through a healthy growth in the scale, while maintaining comfortable asset quality and capitalisation.

Negative factors – Pressure on the rating could emerge on a significant deterioration in the asset quality and/or the capitalisation profile (managed gearing increasing beyond 4x on a sustained basis) or weakening in the liquidity and earnings profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA's Credit Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 1994, Jaipur-based SKFL is a non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI). The company is backed by Mr. Rajendra Setia and his family members (promoter group), holding a 31.1% stake (fully-diluted basis) as on June 30, 2026, and is also supported by multiple private equity investors (60.4% stake). It primarily finances used light commercial vehicles, multi-utility vehicles, cars, tractors and two-wheelers. It also provides small and medium enterprise (SME) loans. As on June 30, 2026, its AUM stood at Rs. 16,227 crore¹ with commercial vehicles forming the largest share at 36.9%, followed by cars (25.4%), MSME loans (22.1%), tractors (12.2%) and two-wheelers (3.4%).

The company reported a profit after tax (PAT) of Rs. 431 crore in FY2026 on total managed assets of Rs. 19,551 crore as on March 31, 2026 compared to PAT of Rs. 380 crore in FY2025 on total managed assets of Rs. 17,185 crore as on March 31, 2025. Its net worth stood at Rs. 3,982 crore with a managed gearing of 3.8x as on March 31, 2026 compared to Rs. 3,502 crore and 3.8x, respectively, as on March 31, 2025. The gross and net NPAs stood at 4.4% and 2.8%, respectively, as on March 31, 2026 compared to 4.8% and 3.4%, respectively, as on March 31, 2025.

In Q1 FY2027, SKFL reported PAT of Rs. 104 crore on total managed assets of Rs. 19,885 crore as on June 30, 2026. Its net worth stood at Rs. 4,078 crore with a managed gearing of 3.7x as on June 30, 2026. The gross and net NPAs stood at 5.0% and 3.2%, respectively, as on June 30, 2026.

Key financial indicators

SKFL	FY2025	FY2026	Q1 FY2027
	Audited	Audited	Provisional
Total income	2,384	2,828	735
Profit after tax	380	431	104
Total managed assets	17,185	19,551	19,885
Return on average managed assets	2.5%	2.3%	2.1%
Managed gearing (times)	3.8	3.8	3.7
Gross stage 3	2.6%	3.7%	4.3%
Gross NPA (as per new IRAC norms)	4.8%	4.4%	5.0%
CRAR	29.5%	25.4%	26.0%

Source: SKFL, ICRA Research; Amount in Rs. crore; All figures and ratios as per ICRA's nomenclature/definitions/calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2027)				Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Sep 18, 2026	Date	Rating	Date	Rating	Date	Rating
Non-convertible debenture	Long term	1,450.00	[ICRA]AA- (Stable)	Apr 08, 2025	[ICRA]AA- (Stable)	Apr 12, 2024	[ICRA]AA- (Stable)	Sep 21, 2023	[ICRA]AA- (Stable)
				Apr 08, 2025	[ICRA]AA- (Stable)	Apr 12, 2024	[ICRA]AA- (Stable)	Sep 21, 2023	PP-MLD[ICRA]AA- (Stable)
				Sep 18, 2025	[ICRA]AA- (Stable)	Aug 08, 2024	[ICRA]AA- (Stable)	Mar 18, 2024	[ICRA]AA- (Stable)
				Sep 18, 2025	[ICRA]AA- (Stable)	Aug 08, 2024	[ICRA]AA- (Stable)	Mar 18, 2024	[ICRA]AA- (Stable)
				-	-	Dec 23, 2024	[ICRA]AA- (Stable)	Mar 18, 2024	PP-MLD[ICRA]AA- (Stable); withdrawn
				-	-	Dec 23, 2024	[ICRA]AA- (Stable)	-	-
				-	-	Jan 08, 2025	[ICRA]AA- (Stable)	-	-
				-	-	Jan 08, 2025	[ICRA]AA- (Stable)	-	-
Non-convertible debenture	Long term	550.00	[ICRA]AA- (Stable); withdrawn	Apr 08, 2025	[ICRA]AA- (Stable)	Apr 12, 2024	[ICRA]AA- (Stable)	Sep 21, 2023	[ICRA]AA- (Stable)
				Apr 08, 2025	[ICRA]AA- (Stable)	Apr 12, 2024	[ICRA]AA- (Stable)	Sep 21, 2023	PP-MLD[ICRA]AA- (Stable)
				Sep 18, 2025	[ICRA]AA- (Stable)	Aug 08, 2024	[ICRA]AA- (Stable)	Mar 18, 2024	[ICRA]AA- (Stable)
				Sep 18, 2025	[ICRA]AA- (Stable)	Aug 08, 2024	[ICRA]AA- (Stable)	Mar 18, 2024	[ICRA]AA- (Stable)
				-	-	Dec 23, 2024	[ICRA]AA- (Stable)	Mar 18, 2024	PP-MLD[ICRA]AA- (Stable); withdrawn
				-	-	Dec 23, 2024	[ICRA]AA- (Stable)	-	-
				-	-	Jan 08, 2025	[ICRA]AA- (Stable)	-	-
				-	-	Jan 08, 2025	[ICRA]AA- (Stable)	-	-

Source: ICRA Research

Complexity level of the rated instruments

Instrument	Complexity indicator
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 I: Instrument details[^]

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator [#]
INE124N07697	NCD	May-09-2024	9.25%	May-09-2027	350.0	[ICRA]AA- (Stable)	SEBI
INE124N07697 (reissue)	NCD	Aug-23-2024	9.25%	May-09-2027	25.0	[ICRA]AA- (Stable)	SEBI
INE124N07713	NCD	Jun-19-2024	9.25%	Sep-19-2027	100.0	[ICRA]AA- (Stable)	SEBI
INE124N07747	NCD	Jan-02-2025	9.25%	Jan-02-2028	125.0	[ICRA]AA- (Stable)	SEBI
INE124N07754	NCD	Jan-15-2025	9.25%	Jul-15-2027	200.0	[ICRA]AA- (Stable)	SEBI
INE124N07754 (reissue)	NCD	Apr-17-2025	9.25%	Jul-15-2027	100.0	[ICRA]AA- (Stable)	SEBI
INE124N07762	NCD	Apr-24-2025	9.25%	Oct-24-2027	300.0	[ICRA]AA- (Stable)	SEBI
INE124N07770	NCD	Oct-09-2025	9.10%	Oct-09-2028	250.0	[ICRA]AA- (Stable)	SEBI
INE124N07689	NCD	Apr-02-2024	9.25%	Apr-02-2026	280.0	[ICRA]AA- (Stable); withdrawn	SEBI
INE124N07705	NCD	Jun-03-2024	9.25%	Jun-03-2026	50.0	[ICRA]AA- (Stable); withdrawn	SEBI
INE124N07721	NCD	Aug-14-2024	9.25%	Aug-14-2026	220.0	[ICRA]AA- (Stable); withdrawn	SEBI

Source: SKFL, ICRA Research; [^] As on September 15, 2026; [#]SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators other than SEBI

Annexure II: List of entities considered for consolidated analysis

Not applicable

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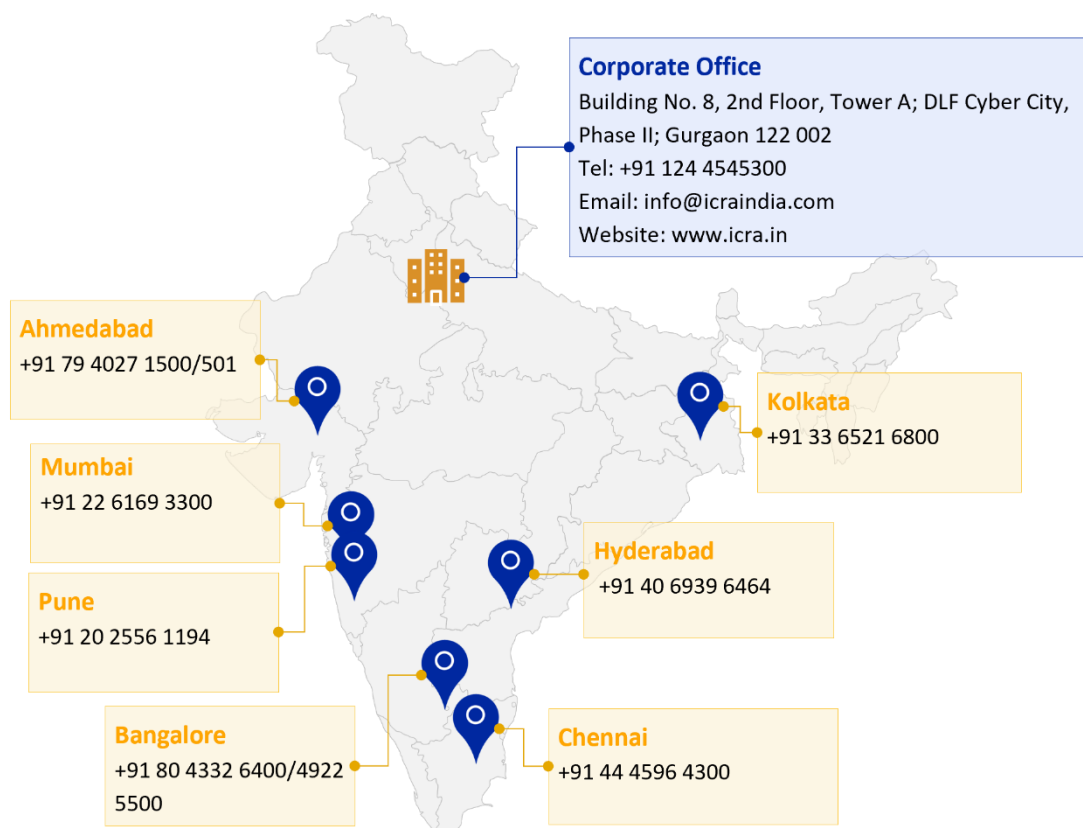


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