

October 06, 2026

SBFC Finance Limited: Ratings reaffirmed; rated amount enhanced for bank facilities

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator [#]
Long-term fund-based bank facilities	2,100.00	3,000.00	[ICRA]AA- (Stable); reaffirmed/assigned for enhanced amount	RBI
Non-convertible debentures	400.00	400.00	[ICRA]AA- (Stable); reaffirmed	SEBI
Commercial paper	200.00	200.00	[ICRA]A1+; reaffirmed	RBI
Total	2,700.00	3,600.00		

*Instrument details are provided in Annexure I

[#] 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

Rationale

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

The ratings, however, factor in the relatively lower seasoning of the loan book, as a significant portion was originated in the past few years (3-year compound annual growth rate (CAGR) of ~32% during FY2024-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 modest credit profile of the target borrower segment, comprising small business owners and self-employed individuals, which is more susceptible to economic shocks due to lower income buffers. Nevertheless, the risk is partly mitigated by the secured and granular nature of the loan book.

SBFC's asset quality remained comfortable with gross stage 3 (GS3) of 2.7% as on June 30, 2026 (2.6% as on March 31, 2026). 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 78% of the overall assets under management (AUM), and loans against gold (LAG; 22%).

ICRA also notes that SBFC has witnessed high attrition across some key roles in its senior management team over the past two years. However, it appointed replacements in a timely manner through a combination of external hires and internal promotions. In July 2026, it witnessed a change in the senior management team with Mr. Sanket Agrawal (erstwhile Chief Strategy Officer, Analytics & Investor Relations) being appointed as the Chief Financial Officer.

The Stable outlook factors in ICRA's expectation that SBFC will continue to scale up profitably while maintaining a prudent capitalisation profile and keeping the asset quality under control.

Key rating drivers and their description

Credit strengths

Healthy capitalisation profile – SBFC's capitalisation profile remains healthy, characterised by a capital adequacy ratio of 32.0% and managed gearing of 2.6 times as on June 30, 2026. The company completed its initial public offering (IPO) in August 2023, including a primary issuance of ~Rs. 750 crore, which strengthened its capitalisation profile. Its net worth stood at Rs. 3,873 crore (tangible net worth of Rs. 3,613 crore) as on June 30, 2026. ICRA expects SBFC's portfolio to increase at a CAGR of 25-30% over the near-to-medium term. As a result, the managed gearing is expected to rise from the current level, though it is projected to remain below 4 times during this period.

Comfortable profitability metrics – The average yields¹ 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 9.0% of average managed assets (AMA) in FY2026 from 8.6% in FY2025 (7.9% in FY2024). At the same time, operating expenses/AMA declined to 3.7% in FY2026 from 3.9% in FY2025 due to higher operating efficiency. Notwithstanding the rise in credit costs to 1.1% from 0.8% during this period due to higher incremental provisioning as well as increased write-offs, the return on managed assets (RoMA) improved to 4.0% in FY2026 from 3.8% in FY2025.

In Q1 FY2027, the profitability remained comfortable and RoMA stood at 3.8%, supported by healthy NIMs and a range-bound operating cost ratio despite the marginal rise in credit costs. Going forward, ICRA expects the margins to decline gradually from the current level, which is expected to be partially offset by enhanced operating efficiency. ICRA expects SBFC to continue reporting comfortable profitability indicators (RoMA of 3.8-4.0%) over the medium term.

Secured and retail nature of exposures – As on June 30, 2026, almost 100% of the portfolio consisted of the secured loan book, including MSME/loan against property (LAP; 78%) and LAG (22%). While 88% of the overall AUM was in the form of the on-book portfolio, the off-book portfolio under the co-origination partnership with ICICI Bank accounted for the remaining 12% as on June 30, 2026. The average ticket size is relatively low at Rs. 10.51 lakh for the LAP segment and Rs. 1.34 lakh for the LAG segment, reflecting a granular retail loan book. The portfolio is diversified across 18 states and 2 Union Territories with 256 branches, as on June 30, 2026, with 100% in-house sourcing and collections.

Credit challenges

Modest credit profile of target customer segment – SBFC mainly provides small-to-medium-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, the softer bucket delinquencies, i.e., 1+ days past due (dpd), stood at 7.2% (on-book basis) as on June 30, 2026 (6.8% as on March 31, 2026) and remained lower on a year-on-year (YoY) basis compared to 7.7% as on June 30, 2025. While delinquencies in the softer bucket 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 collections team for managing recoveries. ICRA expects credit costs in the range of 1.0-1.2% of AMA over the medium term.

Low portfolio seasoning – SBFC's asset quality remained comfortable with a GS3 of 2.7% as on June 30, 2026 (2.6% as on March 31, 2026) compared to 2.8% as on June 30, 2025. Nonetheless, SBFC's overall portfolio remains relatively less seasoned as it expanded at a CAGR of ~32% during FY2024-FY2026 to Rs. 11,270 crore as on March 31, 2026 from Rs. 4,943 crore as on March 31, 2023, and further by ~23% (annualised; 27% YoY) in Q1 FY2027 to Rs. 11,922 crore as on June 30, 2026. The relatively lower seasoning of the loan book, since a majority 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. Going forward, SBFC's ability to expand its portfolio while keeping the asset quality under control shall remain monitorable.

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

¹ Ratios as per ICRA's calculations

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 buckets up to one year. As per the asset-liability maturity (ALM) profile as on June 30, 2026, it has debt obligations (including interest) of Rs. 3,036 crore over the next one year against scheduled inflows from performing advances (including interest) of Rs. 4,036 crore during the same period. SBFC's liquidity position is further supported by unencumbered cash and liquid investments of Rs. 1,864 crore (21% of its on-balance sheet borrowings) and undrawn bank lines of Rs. 370 crore as on June 30, 2026.

SBFC has a diversified resource profile for the current scale of operations with the majority of the funding including term loans from banks (56.6%), followed by external commercial borrowings (ECBs) & foreign currency non-resident (FCNR) deposits (13.5%), co-origination (13.5%), non-convertible debentures (NCDs; 7.8%), development finance institutions (DFIs) & financial institutions (FIs; 5.2%) and securitisation (3.4%).

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 the ratings could arise if there is an increase in the managed gearing beyond 4.0 times or a deterioration in the 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 loans for MSME/LAP and LAG. 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 systems and processes and augmenting its 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. As on June 30, 2026, its AUM stood at Rs. 11,922 crore, comprising LAP (78%) and LAG (22%).

SBFC reported a profit after tax (PAT) of Rs. 451 crore in FY2026 on total managed assets of Rs. 12,636 crore as on March 31, 2026 compared to PAT of Rs. 345 crore in FY2025 on total managed assets of Rs. 9,918 crore as on March 31, 2025. It had a net worth of Rs. 3,725 crore with a managed gearing of 2.3 times as on March 31, 2026 compared to Rs. 3,190 crore and 2.0 times, respectively, as on March 31, 2025.

SBFC reported PAT of Rs. 130 crore in Q1 FY2027 on total managed assets of Rs. 14,590 crore as on June 30, 2026. It had a net worth of Rs. 3,873 crore with a managed gearing of 2.6 times as on June 30, 2026.

Key financial indicators

SBFC	FY2025	FY2026	Q1 FY2027
	Audited	Audited	Unaudited
Total income	1,306	1,680	492
Profit after tax	345	451	130
Total managed assets	9,918	12,636	14,590
Return on managed assets	3.8%	4.0%	3.8%
Managed gearing (times)	2.0	2.3	2.6
Gross stage 3	2.7%	2.6%	2.7%
CRAR	36.1%	32.8%	32.0%

Source: Company, ICRA Research; Amount in Rs. crore; All ratios as per ICRA's calculations/nomenclature/definition; 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 (FY2027)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 06, 2026	FY2027		FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term fund-based bank facilities	Long term	3,000.00	[ICRA]AA- (Stable)	May 05, 2026	[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+	May 05, 2026	[ICRA]A1+	-	-	-	-	-	-
Non-convertible debenture	Long term	400.00	[ICRA]AA- (Stable)	May 05, 2026	[ICRA]AA- (Stable)	-	-	Sep 24, 2024	[ICRA]AA- (Stable); withdrawn	Sep 29, 2023	[ICRA]A+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based bank facilities	Simple
Non-convertible debentures	Simple
Commercial paper	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 date	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator [#]
NA	Bank facilities	NA	NA	FY2032	2,225.40	[ICRA]AA- (Stable)	RBI
NA	Unallocated bank facilities	NA	NA	NA	774.60	[ICRA]AA- (Stable)	RBI
INE423Y07146	Non-convertible debentures	Sep 18, 2026	8.00%	Jun 18, 2030	100.00	[ICRA]AA- (Stable)	SEBI
Yet to be placed	Non-convertible debentures	NA	NA	NA	300.00	[ICRA]AA- (Stable)	SEBI
Yet to be placed	Commercial paper	NA	NA	7-365 days	200.00	[ICRA]A1+	RBI

Source: Company data; [^] Bank facilities as on Aug 31, 2026 and non-convertible debentures as on Sep 21, 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 which fall under the regulatory purview of Financial Sector Regulators other than SEBI

[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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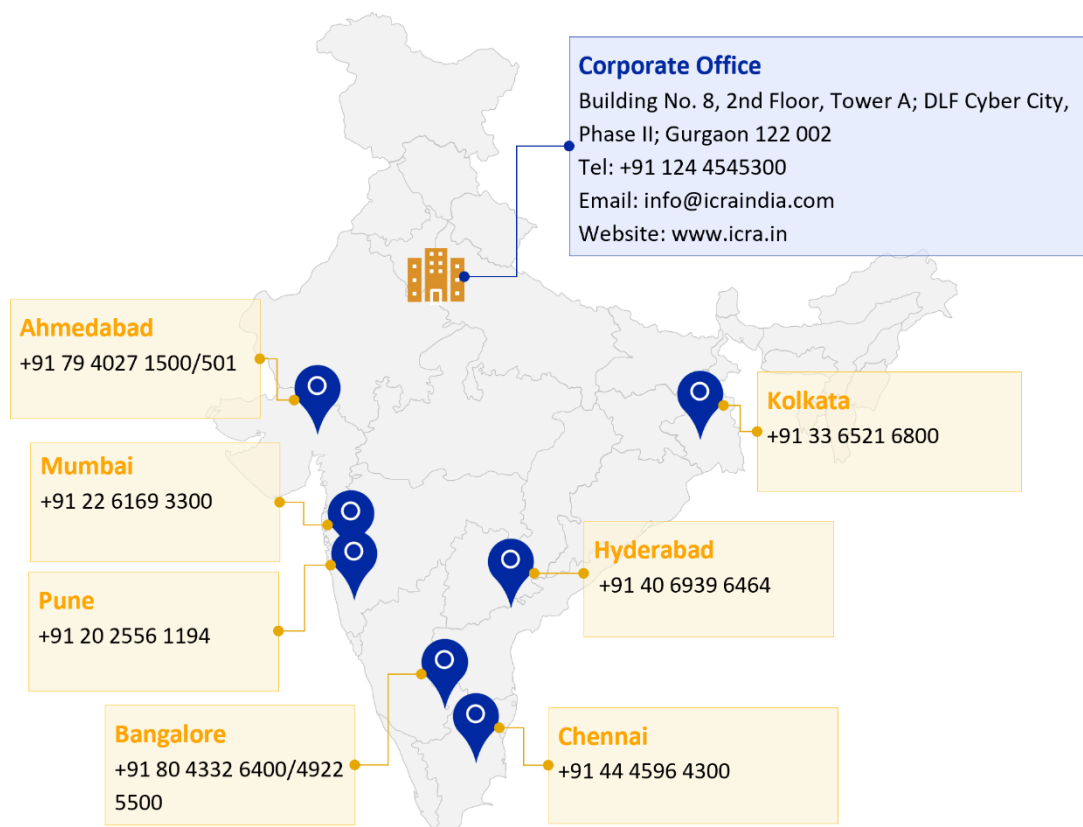


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