

SBFC Finance Limited (Revised)

October 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,700.00	CARE AA-; Stable	Reaffirmed
Non-convertible debentures	400.00	CARE AA-; Stable	Reaffirmed
Commercial paper	200.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to bank facilities, nonconvertible debentures and commercial paper program of SBFC Finance Limited (SBFC) takes into consideration its increasing scale of operations and healthy profitability profile. The company also has a comfortable capitalisation supported by healthy internal accruals, with a healthy tangible net worth (TNW) of ₹2,930 crore as on March 31, 2025, which is adequate to support the company's medium-term growth plans. Ratings continue to factor in the experienced management team with retail lending experience and strong representation of the Clermont group on the Board.

These rating strengths are partially offset by modest credit profile of the borrower segment, which is more susceptible to asset quality issues and concentration of the loan portfolio in the micro enterprises (ME) segment. However, secured and granular nature of the loan book and lower loan-to-value (LTV) in the retail segment provides comfort. Following a rise in softer bucket delinquencies in Q1 FY26, CARE Ratings Limited (CareEdge Rating) expects some inching up of credit costs in FY26. However, measures taken to reduce operating costs are likely to partially counterbalance rise in credit costs.

Rating sensitivities: Factors likely to lead to rating actions
Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Sizeable growth in scale of operations while maintaining profitability and asset quality parameters at comfortable levels.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Moderation in capitalisation with gearing remaining above 4x.
- Deterioration in profitability on sustained basis with return on total assets (ROTA) below 2.5%.
- Weakening of asset quality parameters with gross non-performing assets (GNPA) remaining above 3% on a sustained basis.

Analytical approach: Standalone

CareEdge Rating has considered the standalone profile of SBFC.

Outlook: Stable

The Stable outlook reflects CareEdge Ratings' expectation that SBFC will report a healthy earnings growth while maintaining comfortable capitalisation and keeping asset quality under control.

Detailed description of key rating drivers:
Key strengths
Experienced management team, with retail lending experience

SBFC has an experienced management team with rich experience in the finance industry. The company is headed by Aseem Dhru, Managing Director (MD) and Chief Executive Officer (CEO), having 28 years of experience in the financial services industry. Prior to joining the company, he was associated with HDFC bank for 20 years and served as Group head- Business banking and agriculture finance before his current stint in SBFC. He also served as Ex-MD and CEO of HDFC Securities Limited and Nominee Director in HDB Finance Limited. SBFC has appointed seasoned professionals from banking and non-banking financial company

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

(NBFC) sectors having rich retail experience across all major functions and product segments. The Clermont group (with shareholding of 53.19% as on June 30, 2025) has strong representation on the Board.

Focus on secured book with adequate seasoning and lower LTV in retail segment

SBFC's strategy revolves around better quality customers with over 87.4% customers having CIBIL Score 700+ and lending against secured loans, which forms 99.5% of the asset under management (AUM). The company has an average LTV of 42.2% for micro, small, and medium enterprises (MSME) loans and majority (93% of AUM) of the collateral for secured MSME loans consists of self-occupied residential and commercial properties. As on June 30, 2025, the AUM of SBFC comprised on book against off book share of 87:13 and ~94% of its secured MSME loan portfolio comprised loans with average ticket size (ATS) of less than ₹25 lakh. The company provides secured MSME loans having ATS in the range of ₹9-10 lakh. Loan against gold segment has an ATS of ₹0.94 lakh and average tenor of 12 months. The company's portfolio is geographically diversified across 16 states and two union territories with 215 branches. Both sourcing and collection functions are in-house and driven by branches, which helps the company in sourcing better quality customers and keeping the collection efficiencies healthy. CareEdge Rating expects the company to maintain similar customer profile and underwriting policies going forward.

Improving scale of operations and earnings profile

SBFC's loan book increased by 27.88% to ₹7,563 crore in FY25 from ₹5,914 crore in FY24. Increase in yield in gold loan segment has helped the company improve spread and net interest margin (NIM). AUM growth and increase in yield led to increase in the company's interest income on loan book by 30%. This has also helped in improving its profitability, where it reported profit after tax (PAT) of ₹345 crore in FY25 against the PAT of ₹237 crore reported in FY24. The company's ROTA improved to 4.56²% in FY25 from 3.86²% in FY24. PAT for Q1FY26 stood at ₹101 crore compared to ₹79 crore in Q1FY25. CareEdge Rating expects SBFC's profitability to remain at comfortable levels, going forward.

Strong capitalisation and comfortable gearing levels

As on June 30, 2025, SBFC's capital to risk weighted assets ratio (CRAR) stood at 34.3%, well-above regulatory requirement of 15%. The company was listed on BSE and NSE as on August 16, 2023, and it raised equity of ₹750 crore through IPO and pre-IPO funding rounds, increasing the overall TNW of the company to ₹2,518 crore on March 31, 2024, which further increased to ₹2,930 crore as on March 31, 2025. While gearing increased to 1.80x as on March 31, 2025, from 1.59x as on March 31, 2024, it remained comfortable in absolute terms. The company's capitalisation profile is expected to remain strong with the overall gearing not expected to exceed 4.0x in the medium term.

Key weaknesses

Moderate asset quality

Historically, asset quality of SBFC was impacted due to legacy book acquired from Karvy and unsecured segment. As on March 31, 2025, the company's GNPA stood at 2.74% and net NPA (NNPA) stood at 1.51% against the GNPA of 2.43% in FY24 and NNPA of 1.36% in FY24. GNPA and NNPA as on June 30, 2025, stood at 2.78% and 1.57% respectively.

The company's provision coverage ratio (PCR) has been increasing with the book size and as on March 31, 2025, the total PCR stood at 45.7% (44.4% as on June 30, 2025). The collection efficiency in secured MSME segment was 97% as on March 31, 2025. As the company provides business loans to micro enterprises, with growing scale, asset quality remains a key monitorable.

Following a rise in softer bucket delinquencies in Q1 FY26, CareEdge Rating expects some inching up of credit costs in FY26. However, measures taken to reduce operating costs are likely to partially counterbalance the rise in credit costs.

Concentration of loan portfolio in the Secured MSME segment

In Q1FY26, the company's AUM remained concentrated towards secured MSME loans (83% of total AUM), which is characterised by marginal credit profile of borrowers. To mitigate this, the company restricts LTV, and as on June 30, 2025, 47% of outstanding loan portfolio had an LTV of below 40%. The company mitigates the risk by extending relatively lower ticket size loans and valuation of collateral security (self-occupied properties with a ~94% share) and higher credit score (+700) of the customer.

Liquidity: Adequate

² Ratios as per CareEdge Ratings calculations

As on June 30, 2025, SBFC had total liquidity of ₹645 crore through cash and bank balance and liquid investments and unutilised bank lines of ₹260 crore, which with expected collections of ₹981 crore for the next three months remain adequate against debt obligation of ₹732 crore for the same period. Per the structural liquidity statement as on June 30, 2025, there were no negative cumulative mismatches in any of time bucket up to one year. The company's demonstrated ability to raise funds from numerous lenders, including public sector undertaking (PSU)/ private banks/ NBFCs, provides additional comfort.

Environment, social, and governance (ESG) risks

Although SBFC's service-oriented business model limits its direct exposure to environmental risks, credit risk may arise if operations of any asset class of the portfolio are adversely impacted by environmental factors. SBFC continues to promote digital lending and paperless operations, reducing its environmental footprint and operational dependency on physical infrastructure.

Social risks in the form of cybersecurity threats, customer data breaches, or mis-selling practices can affect SBFC's regulatory compliance and reputation, and hence, remain a key monitorable. In FY25, SBFC reported zero instances of data breaches or regulatory penalties.

SBFC's Board comprises ten Directors, including five Independent Director out of which there is one female Director. Disclosures in the annual report and business responsibility and sustainability reporting (BRSR) are detailed and transparent, with policies on whistleblower protection, privacy, and sustainability publicly available.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

SBFC is registered with the Reserve Bank of India (RBI) as a systematically important non-deposit taking NBFC (NBFC-ND-SI). The company commenced its operations in September 2017, after acquiring the secured retail portfolio from Karvy Financial Service Limited and its branch infrastructure and staff. The company is into the lending business and offers products, such as secured MSME loans and loan against gold (LAG) with majority customers being low-and-middle-income small business customers, salaried or working-class individuals and self-employed customers in urban and semi-urban areas in India, comprising Tier-2 and Tier-3 cities. Unsecured loans such as personal loans and business/professional loans have been discontinued from September 2022. As on June 30, 2025, the company's operations are spread across 16 states and two union territories with total 215 branches in 170 cities. The company is backed by the promoters, SBFC Holdings Pte Limited and Clermont Financial Pte Limited.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total income	1,020	1,306	389
PAT	237	345	101
Overall gearing (times)	1.59	1.80	NA
Total assets	6,800	8,331	NA
Net NPA (%) (IndAS)	1.36	1.51	1.57
ROTA (%)	3.86	4.56	NA
RONW (%)	11.91	12.68	NA
Interest coverage (times)	1.90	2.09	2.09

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results.

All ratios are per CareEdge Ratings' calculation.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Non-convertible debentures	INE423Y07120	04-Feb-25	Repo Rate Linked	04-Feb-30	400.00	CARE AA-; Stable
Fund-based-Long Term	-	-	-	-	1700.00	CARE AA-; Stable
Commercial Paper-Proposed	-	-	-	-	200.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based-Long Term	LT	1700.00	CARE AA-; Stable	1)CARE AA-; Stable (27-May-25)	1)CARE AA-; Stable (25-Jul-24)	1)CARE A+; Positive (19-Mar-24) 2)CARE A+; Stable (05-Apr-23)	-
2	Debentures-Non Convertible Debentures	LT	400.00	CARE AA-; Stable	1)CARE AA-; Stable (27-May-25)	1)CARE AA-; Stable (25-Jul-24)	-	-
3	Commercial Paper-Commercial Paper (Standalone)	ST	200.00	CARE A1+	1)CARE A1+	-	-	-

					(27-May-25)			
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LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Complex
2	Fund-based-Long Term	Simple
3	Commercial Paper	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact Us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saiikat.roy@careedge.in	Analytical Contacts Sanjay Agarwal Senior Director CARE Ratings Limited Phone: 022- 6754 3500 E-mail: sanjay.agarwal@careedge.in Priyesh Ruparelia Director CARE Ratings Limited Phone: +91-22-6754 3593 E-mail: Priyesh.ruparelia@careedge.in Sudam Shrikrushna Shingade Associate Director CARE Ratings Limited Phone: +91-22-6754 3453 E-mail: sudam.shingade@careedge.in
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About us:

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