



12th May, 2025

To,
National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051.
NSE Symbol: SBFC

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
Mumbai – 400001.
BSE Equity Scrip Code: 543959

Dear Sir/Madam,

Sub: Disclosure of Credit Rating under Regulations 30 and 55 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Master Circular No. SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/48 dated 21st May, 2024

In reference to the aforesaid regulations and circular(s), please find below the details of the affirmation in credit rating(s) issued by India Ratings and Research Pvt Ltd on 12th May, 2025:

A. Affirmation of the credit rating of Company's bank facilities, the details of the same is mentioned below:

Credit Rating Agency	Instrument	Rated Amount (Rs. in crore)	Credit Rating	Rating Action
India Ratings and Research Pvt Ltd	Bank Loans	5000.00	IND AA-/Stable	Affirmed

B. Affirmation and reduction of limits with respect to the credit rating of Company's non-convertible debentures, the details of the same is mentioned below:

Details of credit rating	
Current rating details	
ISIN	INE423Y07088, INE423Y07096, INE423Y07104, INE423Y07112
Amount (₹ crore)	Rs. 907.00 (Including unutilised Rs. 207 Cr) Previous Rated Amount: Rs. 1000.00
Name of the Credit Rating Agency	India Ratings and Research Pvt Ltd
Credit Rating Assigned	IND AA-; Stable (Double A Minus; Outlook: Stable)
Outlook (Stable/ Positive/ Negative/ No Outlook)	Stable
Rating Action (New/ Upgrade/ Downgrade/ Re-Affirm/ Other)	Affirmed
Specify other rating action	-
Date of Credit rating	12 th May, 2025
Verification status of Credit Rating Agencies	N.A.
Date of verification	N.A.

SBFC Finance Limited

Registered Office: Unit No. 103, 1st Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Village Chakala, Andheri (East) Mumbai - 400 059

T.: +91-22-67875300 • F : +91-22-67875334 • www.SBFC.com • complianceofficer@sbfc.com

CIN No: L67190MH2008PLC178270



The rating letter provided by India Ratings and Research Pvt Ltd is enclosed herewith. This information is also being uploaded on the website of the Company at: <https://www.safc.com/investors>.

You are requested to take the same on record.

Thanking you,

Yours faithfully,
For **SBFC Finance Limited**



Namrata Sajnani
Company Secretary & Chief Compliance Officer

SBFC Finance Limited

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India Ratings Affirms SBFC Finance's Bank Loans and NCDs at 'IND AA-/Stable

May 12, 2025 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on SBFC Finance Limited's (SBFC) debt instruments:

Details of Instruments

Instrument Type	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/ Watch	Rating Action
Non-convertible debentures*	-	-	-	-	INR9.07 (reduced from INR10)	IND AA-/Stable	Affirmed
Bank loans	-	-	-	-	INR50	IND AA-/Stable	Affirmed

* Details in annexure

Analytical Approach

Ind-Ra continues to take a standalone view of SBFC to arrive at the ratings.

Detailed Rationale of the Rating Action

The affirmation reflects Ind-Ra's expectation that SBFC would continue to grow its franchise over the medium term, driving operating leverage benefits, maintaining its focus on its two key secured products and maintaining profitability and capital buffers. The ratings continue to be supported by the company's experienced management profile, demonstrating better governance and institutionalised approach, its pan-India presence, with less concentrated geographical presence, and stable asset quality performance. The company's ability to maintain stable asset quality with seasoning of the portfolio and its ability to diversify funding across various instruments with scaling of the franchise, remain rating monitorables.

List of Key Rating Drivers

Strengths:

- Adequate capitalisation to grow the franchise
- Secured Granular Loan Book; Diversified Geographical Presence
- Experienced management team
- Healthy profitability buffers
- Stable asset quality

Weakness:

- Borrowing skewed towards banks

Detailed Description of Key Rating Drivers

Adequate Capitalisation to Grow the Franchise: SBFC's improved capital buffers post its public listing in August 2023, along with its strong internal accruals, provide adequate impetus for it to scale up a franchise in the secured asset segment. The company's tangible net worth stood at INR29.3 billion at FYE25 (FY24: INR25.2 billion; FY23: INR14.6 billion). The leverage (debt/tangible equity) inched up to 1.79x at FYE25 (FYE24: 1.59x; FYE23: 2.55x; FYE22: 2.87x). The company's loan book grew by 28.6% yoy to INR75.01 billion in FY25 (FY24: INR58.36 billion; FY23: INR44.15 billion). Over the medium term, the company plans to cap its leverage at 4.0x and aims to grow at a CAGR of 20%-25% over FY26-FY28.

Secured Granular Loan Book; Diversified Geographical Presence: SBFC's loan portfolio remains granular in nature, and focuses on two key products i.e., loan against property (LAP) to MSMEs and loans against gold (LAG). At FYE25, SBFC had 205 branches (FY24: 183; FY23: 152) across 16 states and two union territories across India. The share of the top two states in the total LAP loan book stood at 31.2% at 9MFYE25 (FYE24: 34.4%), thereby remaining adequately diversified. The incremental growth in branches would be limited, with the company continuing to focus on improving the assets under management (AUM) per branch. The entity plans to expand its presence in tier-II and tier-III cities within identified geographies, wherein exposure per state, except Karnataka, would be restricted to 20% in the MSME segment.

At end-March 2025, secured MSME loans and LAG ticket size was INR1 million and INR0.09 million, respectively. SBFC continues to focus on traders and retail customer profiles in its MSME segment, with ticket sizes less than INR3 million and loan -to-value of less than 70%. At FYE25, SBFC's AUM stood at INR87.47 billion (FYE24: INR68.22 billion; FYE23: INR49.4 billion; FYE22: INR31.9 billion), comprising a co-origination book of INR14.81 billion and own book of INR72.66 billion. At FYE25, secured MSME or LAP accounted for 83% of the AUM (FYE24: 84%; FYE23: 79%), and LAG constituted 17% (15%, 18%). Around 94% of the secured MSME book is covered with residential properties as collateral. As part of its strategy, the management plans to drive the scaling of secured MSME loans by building presence on a pan-India basis. SBFC's gold loan book is comparable to those of its peers in terms of efficiency, with an AUM of about INR90 million per branch at end-March 2025. The entity plans for LAG to account for 15%-20% of the AUM and aims to achieve growth in this segment by increasing the AUM/branch in the existing LAG branches, instead of adding new branches. The sourcing for SBFC remains completely in-house, thereby driving better retention rates. While there have been recent change in guidelines for gold loans and co-lending, SBFC remains well adapted to new norms and the changes would have minimal impact on its business operations.

Experienced Management Team: SBFC is headed by seasoned professionals who have significant experience in retail lending. The second line of the management remains well established with relevant experience. SBFC is backed by the Clermont Group (53.3% stake at end-March 2025). SBFC's board of directors consists of eight members, comprising five independent directors with varied industry experience, three investor nominee directors and a managing director and chief executive officer. Recently, the entity witnessed the exits of the Chief Risk Officer (CRO) and Chief Operating Officer (COO); as per the management, offers have been rolled out to fill the vacant positions, and the transition would not have any material impact on business operations due to institutionalisation of the sourcing, underwriting and collecting process.

Healthy Profitability Buffers: SBFC's return on average tangible assets (as per Ind-Ra's calculation methodology) stood at 4.6% in FY25 (FY24: 3.9%; FY23: 3.1%) and its return on tangible equity was 12.7% (11.9%; 12.0%). The improvement in the profitability over the last 24 months was driven by a favourable change in the AUM mix in favour of the relatively higher yielding secured MSME and gold loans. The pre-provisioning operating profit to credit cost buffer remained healthy at 7.2x in FY25 (FY24: 7.7x; FY23: 7.0x). The cost-to-income ratio also moderated to 40.0% in FY25 (FY24: 45.8%; FY23: 50.5%); the same is likely to decline further with the scaling up of the franchise. Of the total branch network of 205, 29 branches have vintage lower than 12 months, indicating a potential for improvement in the operating leverage. During FY25, SBFC enhanced its loan origination software and loan management software, and it is likely to witness better productivity. SBFC's profitability matrix also benefits from the fee income generated on the co-origination agreement with a bank and the collection service business, which it extends to other special purpose vehicles.

SBFC carries a goodwill of about INR2.60 billion due to the acquisition of Karvy Financial Services Limited's network in FY18, and the same remains subject to impairment every year. Any adverse outcome in this regard could impact profitability.

Stable Asset Quality: Secured MSME loans continue to be the main focus area for SBFC, and the company has been running down its unsecured loans segment. Moreover, over FY23-FY25, the proportion of customers with CIBIL more than 700 increased to 86.9% from 82.3%, which is likely to augur well in terms of asset quality outcome over the near term. Within the secured MSME segment, SBFC continues to focus on the sub-INR3 million ticket size. SBFC's gross non-performing assets (GNPA) stood at 2.74% at FY25 (FY24: 2.43%; FY23: 2.57%). The delinquency levels are higher in some states; however, SBFC's fairly diversified geographical presence, with the top three states comprising 46% of the LAP loan book, reduces the overall concentration risk. In the gold loan segment, SBFC maintains a check on the loan to value threshold of 85%, including accrued interest to principal, as the point to initiate the auction notice to the borrower. The secured nature of both the products and lower loss given default (LGD) for gold provides comfort on the company's ability to recover its dues; however, a seasoning-led movement in harder bucket remains a monitorable.

SBFC's collection efficiency declined marginally to 97.7% in 4QFY25 (3QFY25: 97.88%; 4QFY25: 98.3%). Its provision coverage ratio improved to 45.7% in FY25 (FY24: 44.7%; FY23: 39.3%). Its credit cost on average advances (as per Ind-Ra's calculation methodology) increased to 1.11% in FY25 (FY24: 0.92%; FY23: 0.87%).

Borrowing Skewed Towards Banks: At end-March 2025, SBFC raised funds from banks through rupee loans (41.1%), ECB & FCNR (14.5%), NCD (10.9%), financial institutions (12.0%), securitisation (3.0%) and co-origination (18.5%). However, the funds raised from capital markets constituted only 17.1% of the total borrowings. The largest lender accounted for 14.6% of the overall funding at end-March 2025, down from 42.45% in FY23. At end-March 2025, the company had diversified its lender base across private and public sector banks to drive further borrowings, and it had relationships with around 32 lenders. In Ind-Ra's opinion, as the company scales its franchise, its ability to diversify through capital market borrowings as well as widen its lender base will be critical.

Liquidity

Adequate: At end-March 2025, SBFC had unencumbered cash and liquid investments of INR5.87 billion along with unutilised bank lines of INR0.35 billion, adequate to meet debt obligations of INR6.2 billion between April-June 2025. As per the contractual asset-liability management statement at end-March 2025, there were no negative cumulative mismatches in the up-to-one-year bucket. Also, as per Ind-Ra's stress test, SBFC's asset-liability statement remained matched in the up-to-one-year buckets. According to the management, the company intends to maintain 6% of its total liabilities as on balance sheet liquidity. Ind-Ra expects SBFC to manage its liquidity prudently with staggered payments to avoid the possibility of bulk repayments.

Rating Sensitivities

Positive: An expansion of the franchise comparable to similar rated peers' along with a continuous demonstration of ability to manage asset quality through the cycle and profitability buffers will be positive for the ratings. Strong access to funding from diversified sources while maintaining superior liquidity, all on a sustained basis, could also lead to a positive rating action.

Negative: Events that could, individually or collectively, lead to a negative rating action are:

- any substantial decline in the operating profit buffers due to a rise in credit cost or competitive pressures on margins,
- a weakened liquidity profile in the form of gaps in the asset-liability maturity profile without sufficient contingent liquidity buffers,
- the leverage exceeding 4.0x on a sustained basis over the medium term, and
- perceptible changes in business owing to managerial instability or deterioration in business environment in a meaningful way.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on SBFC, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

SBFC is a non-deposit taking systemically important non-banking financial company registered with the Reserve Bank of India and is classified under mid-layer. It started operations in September 2017 after purchasing the secured retail portfolio from Karvy Financial Services, along with its branch infrastructure and staff. The company mainly provides secured MSME loans, LAP, and LAG. At end-March 2025, the entity had 205 branches spread across 16 states and two union territories.

Key Financial Indicators

Particulars	FY25	FY24
Tangible assets (INR billion)	83.3	68.0
Tangible Equity (INR billion)	29.3	25.1
Net profit/loss (INR billion)	3.5	2.4
Return on average tangible assets (%)	4.6	3.9
Equity/assets (%)	35.1	37.0
Debt/Tangible Equity	1.8	1.6
GNPA (%)	2.74	2.43
Source: SBFC, Ind-Ra		
Note: As per Ind-Ra's calculation methodology		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (billion)	Rating/Outlook	12 June 2024	15 December 2023	19 April 2023	15 July 2022
Bank loans	Long-term	INR50.0	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable	IND A+/Stable	IND A+/Stable
Non-convertible debentures	Long-term	INR9.07	IND AA-/Stable	IND AA-/Stable	IND AA-/Stable	IND A+/Stable	IND A+/Stable

Bank wise Facilities Details

The details are as reported by the issuer as on (12 May 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	State Bank of India	Term Loan	42.780953	IND AA-/Stable
2	AU Small Finance Bank Limited	Term Loan	33.333181	IND AA-/Stable

3	Indian Bank	Term Loan	221.067852	IND AA-/Stable
4	South Indian Bank	Term Loan	106.728384	IND AA-/Stable
5	Yes Bank Ltd	Term Loan	377.777778	IND AA-/Stable
6	NABKISAN Finance Ltd	Term Loan	83.287247	IND AA-/Stable
7	Indian Bank	Term Loan	276.66166	IND AA-/Stable
8	Mahindra & Mahindra Financial Services Limited	Term Loan	300	IND AA-/Stable
9	Aditya Birla Finance Limited	Term Loan	200.000018	IND AA-/Stable
10	Canara Bank	Term Loan	233.206586	IND AA-/Stable
11	AU Small Finance Bank Limited	Term Loan	174.99961	IND AA-/Stable
12	Bajaj Finance	Term Loan	198.6111	IND AA-/Stable
13	SIDBI	Term Loan	417.2	IND AA-/Stable
14	SIDBI	Term Loan	375	IND AA-/Stable
15	Bajaj Finance	Term Loan	458.333333	IND AA-/Stable
16	SIDBI	Term Loan	1021	IND AA-/Stable
17	Canara Bank	Term Loan	841.84951	IND AA-/Stable
18	Yes Bank Ltd	Term Loan	1133.666666	IND AA-/Stable
19	HDFC Bank Limited	Term Loan	333.333334	IND AA-/Stable
20	Kotak Mahindra Bank	Term Loan	450	IND AA-/Stable

21	Karur Vysya Bank	Term Loan	319.869092	IND AA-/Stable
22	Karur Vysya Bank	Term Loan	319.869092	IND AA-/Stable
23	Ujjivan Small Finance Bank	Term Loan	218.75	IND AA-/Stable
24	Axis Bank Limited	Term Loan	846.415143	IND AA-/Stable
25	IndusInd Bank Limited	Term Loan	539.970802	IND AA-/Stable
26	Bandhan Bank	Term Loan	1750	IND AA-/Stable
27	Karnataka Bank Ltd	Term Loan	833.942714	IND AA-/Stable
28	Kotak Mahindra Bank	Term Loan	875	IND AA-/Stable
29	IDBI Bank	Term Loan	500	IND AA-/Stable
30	IndusInd Bank Limited	Term Loan	1799.994903	IND AA-/Stable
31	IDBI Bank	Term Loan	500	IND AA-/Stable
32	Bajaj Finance	Term Loan	661.11111	IND AA-/Stable
33	Kotak Mahindra Bank	Term Loan	843.75	IND AA-/Stable
34	Dhanlaxmi Bank	Term Loan	500	IND AA-/Stable
35	Yes Bank Ltd	Term Loan	1000	IND AA-/Stable
36	Kotak Mahindra Bank	Term Loan	100	IND AA-/Stable
37	State Bank of India	Term Loan	7625.664549	IND AA-/Stable
38	NA	Term Loan	23487	IND AA-/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low
Bank loans	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity- indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon (%)	Maturity Date	Amount (billion)	Rating/Outlook
Non-convertible debentures	INE423Y07062	6 August 2021	8.57	6 August 2024	INR0.43	WD (paid in full)
Non-convertible debentures	INE423Y07088	27 February 2024	1M T Bill	27 May 2025	INR1.0	IND AA-/Stable
Non-convertible debentures	INE423Y07070	27 February 2024	1M T Bill	19 March 2025	INR0.5	WD (paid in full)
Non-convertible debentures	INE423Y07096	4 March 2024	Variable-Others	4 March 2027	INR2.0	IND AA-/Stable
Non-convertible debentures	INE423Y07104	13 May 2024	Variable-Others	13 May 2027	INR2.0	IND AA-/Stable
Non-convertible debentures	INE423Y07112	18 July 2024	Variable-Others	18 July 2027	INR2.0	IND AA-/Stable
Unutilised					INR2.07	
Total					INR9.07	

Source: Company, NSDL

Contact

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Solicitation Disclosures

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

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