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INITIATING COVERAGE	SBFC IN EQUITY	June 27, 2025

The rising star

Lack of formal documentation and high distribution costs starve micro-enterprises of formal, affordable credit. Still, MSME's ~30% contribution to GDP and increasing land record digitisation drove ~24% CAGR (FY20-25) in secured MSME credit. SBFC's wide presence, function-specific verticals and early tech adoption aided 41% AUM CAGR (FY18-25). Given <₹1mn ticket LAP's low rural penetration, expect 22% industry AUM CAGR (FY25-30E). SBFC's LAP would clock 25% CAGR. Stable spreads (8.1%) given low competition and efficiency improvement would aid 16.2%/17.4% RoE by FY28/30. Prioritising credit over sales, prudent provisioning and higher collections vs peers reflects proactive risk management. Management team led by long-time HDFC Bank veteran. Affordable home loan foray can enhance long-term growth by ~200bps. For higher growth/RoE, micro/small-ticket LAP commands 30-60% premium over affordable HFCs. Risks: Higher competition, staff attrition.

Competitive position: STRONG Changes to this position: NEUTRAL

Poised for market share gains in a high-growth segment

<₹1mn ticket size LAP penetration is ~3% among rural households, indicating high growth prospects for secured MSME credit. We expect 22% industry CAGR in FY25-30. Expect 25% CAGR for SBFC's MSME LAP AUM (FY25-30E) and market share expansion of ~45bps to 4.2% (FY30). Key advantages: geographical diversification, tech integration and credible management team.

Pricing power, efficiency improvement to drive RoE expansion

<₹1mn-ticket LAP has pricing power as operational difficulty restricts competition. SBFC's spreads should be stable at 8.1% (FY25-28). Higher branch staff (21 vs peers' 11-22) vs branch expansion indicates a cost-flexible approach to growth. 13% CAGR in disbursements/branch vs peers' 6-10% should reduce opex by 65bps to 3.9%, leading to core RoE of 16.2% (FY28E) vs 12.7% (FY25).

Asset quality at par with industry peers

Priority for credit quality over sales is indicated by higher rejection rates in FY25. SBFC's stage 3 ECL cover of 2.1x of estimated LGDs vs 0.9-1.8x for peers reflects prudent provisioning. Reducing unsecured exposures ahead of the stress cycle reflects proactive risk management and foresight. Considering conservative underwriting and provisioning, expect credit cost to be stable at 90-100bps.

Superior execution in high-growth industry warrants a premium

For SBFC, we expect 21%/16-17% AUM CAGR/average RoE (FY25-35E) vs 19%/15-16% for affordable HFCs. Existing infra can support affordable home loan foray, potentially adding ~200bps to long-term growth. Prefer micro/small-ticket LAP plays (SBFC/Five-Star) to affordable HFCs due to 400bps/100-200bps higher AUM growth/RoE potential, driving 40-70% premium to AHFCs.

Key Financials

Year to March	FY24	FY25	FY26E	FY27E	FY28E
AUM (₹ bn)	68	87	111	139	171
Calc. NIM (%)	10.5	11.3	11.2	11.0	10.8
EPS (₹)	2.4	3.2	4.0	5.0	6.4
RoE (%) (ex-goodwill)	11.9	12.7	13.7	15.0	16.2
P/E (x)	44.0	33.1	26.7	21.0	16.6
P/B (x)	4.1	3.6	3.2	2.8	2.4

Source: Company, Ambit Capital research

NBFCs

Recommendation

Mcap (bn):	₹118/US$1.4
6M ADV (mn):	₹270/US$3.2
CMP:	₹105
TP (12-month):	₹124
Upside (%):	18

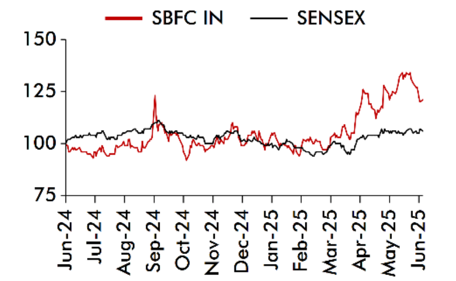
Flags

Accounting:	GREEN
Predictability:	GREEN
Earnings Momentum:	GREEN

Catalysts

- State diversification and 22 new branches to aid ~26% YoY AUM growth in FY26E.
- Pricing power and productivity-led 16bps opex reduction to aid 13.7% RoE in FY26E; +100bps YoY.

Performance



Source: ICE, Ambit Capital Research

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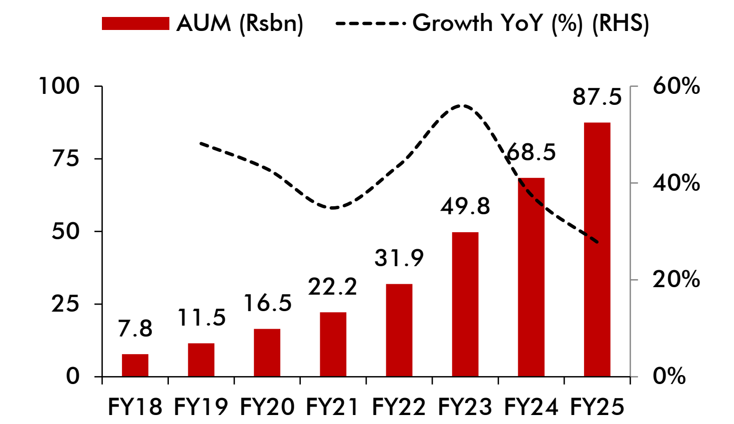
Narrative in charts

Exhibit 1: Micro/small-ticket LAP focus, family office backing

FY	Event
2018	Investment by Clermont and Arpwood group; acquired retail lending business of Karvy Financial Services Ltd.
2019	AUM crossed ₹10bn; launched loan origination system and app-based collections; entered new markets in Assam and West Bengal.
2020	Investment by SBFC Holdings Pte. Ltd; commenced co-origination with ICICI Bank; launched loan management service and on-boarded first institutional customer.
2021	Entered new markets in Bihar; achieved ₹1bn of monthly disbursement.
2022	Credit rating upgraded to A+/Stable.
2023	Investment by Malabar India Fund Limited; incorporated SBFC Home Finance Pvt Ltd.
2024	Successful IPO with listing on stock exchanges; rating upgrade to AA- (stable).
2025	Started paperless gold loan; opened 200th branch.

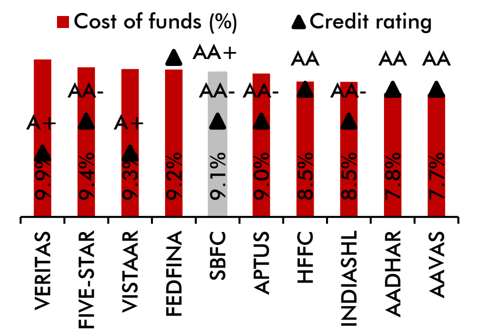
Source: Company, Ambit Capital research

Exhibit 2: Scaling in high-growth small-ticket size LAP



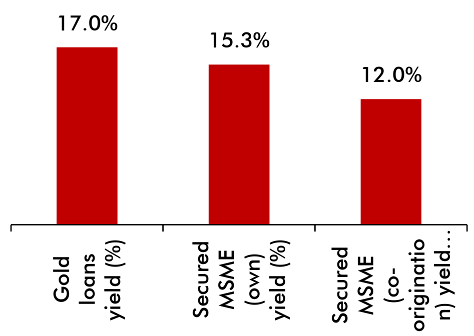
Source: Company, Ambit Capital research

Exhibit 3: Cost of funds at par with peers



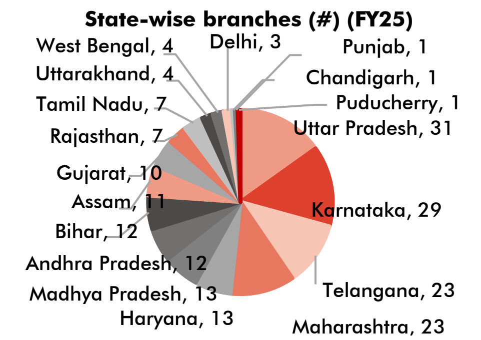
Source: Companies, Ambit Capital research

Exhibit 4: High-yield product focus



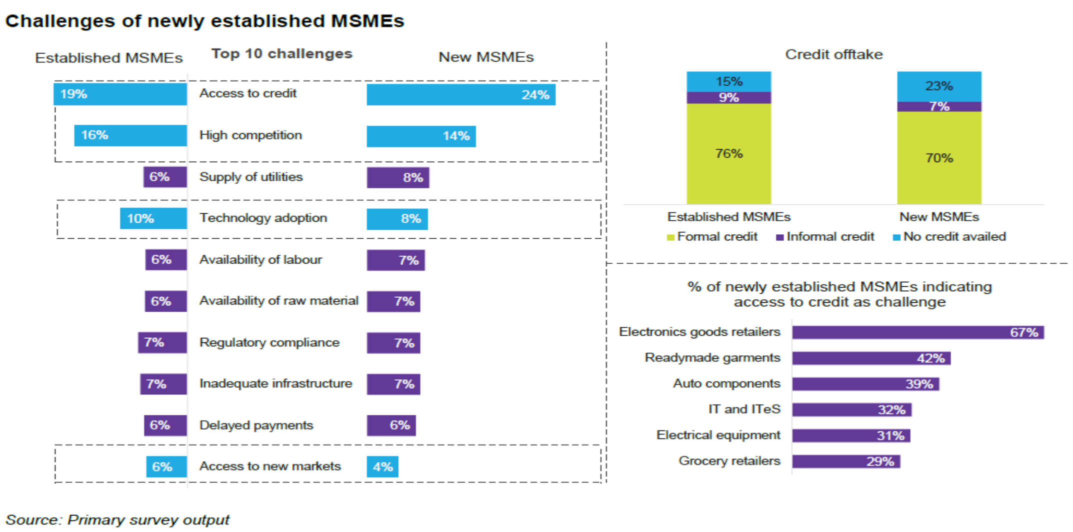
Source: Ambit Capital research, Ambit Capital estimates

Exhibit 5: SBFC has pan-India presence



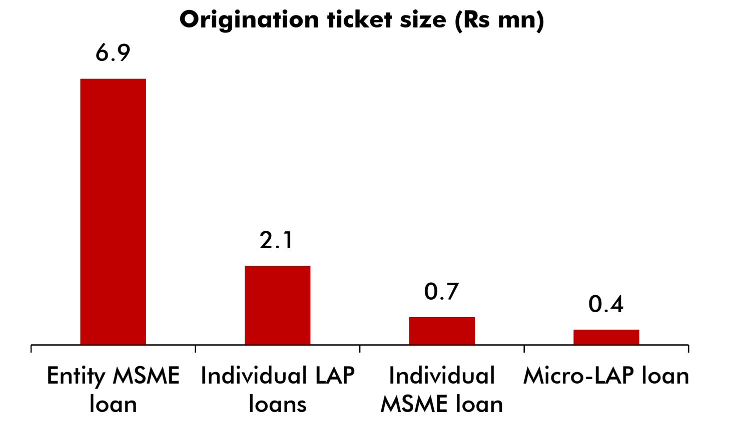
Source: Company, Ambit Capital research

Exhibit 6: Credit accessibility is a big challenge for micro enterprises



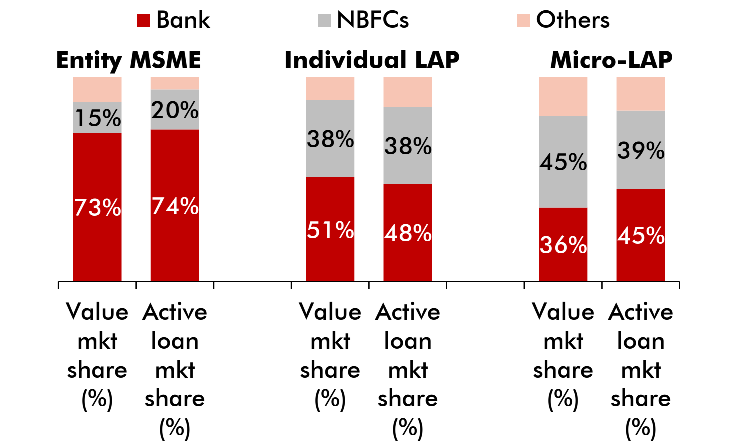
Source: SIDBI, Ambit Capital research

Exhibit 7: NBFCs focus on small-ticket MSME loans, while banks focus on larger ticket size entity MSME loans…



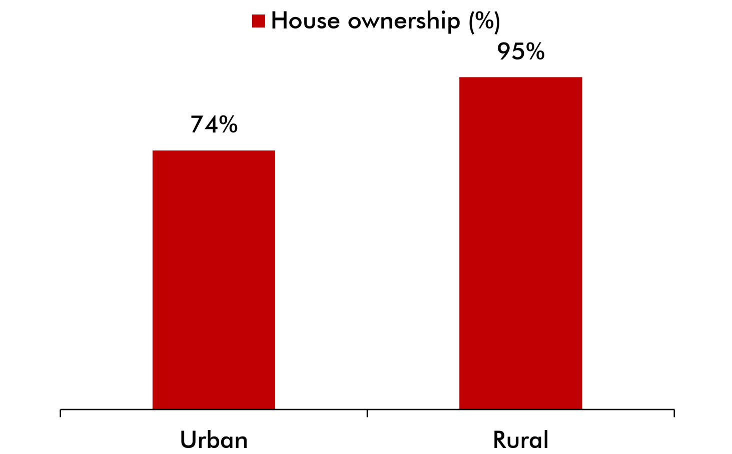
Source: CRIF, Ambit Capital research

Exhibit 8: …hence, NBFCs have a dominant market share in small-ticket individual and micro LAP



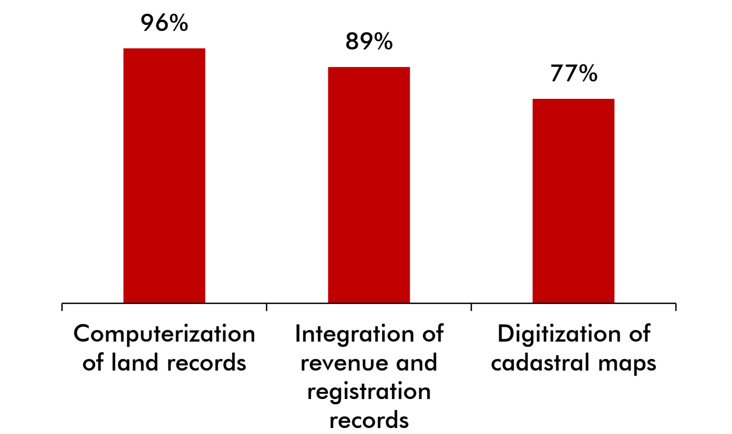
Source: CRIF, Ambit Capital research

Exhibit 9: High house ownership indicates property monetisation potential



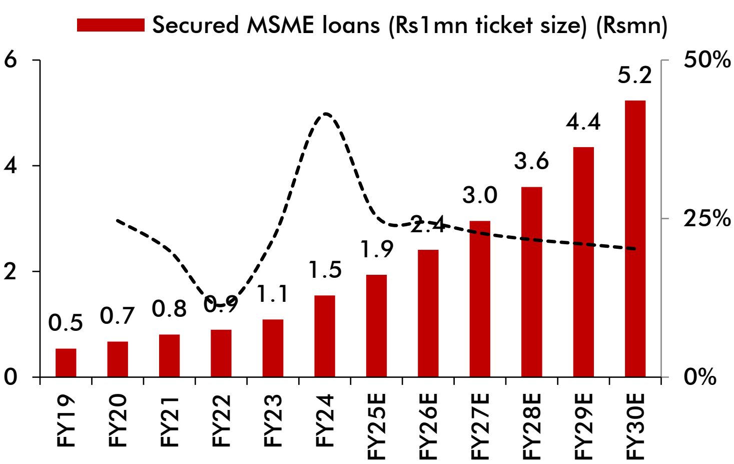
Source: Census 2011, Ambit Capital research

Exhibit 10: Improved land records and documentation to aid better underwriting



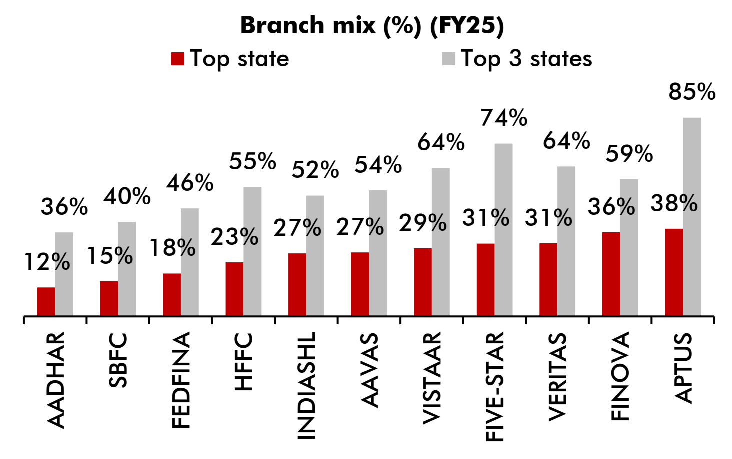
Source: Department of Land Resources, Ambit Capital research

Exhibit 11: Secured MSME loans (<₹1mn ticket size) can grow at 22% CAGR (FY25-30E)



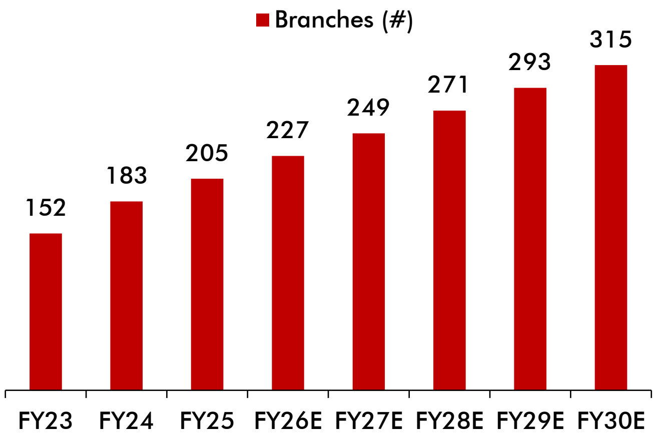
Source: CRISIL, Ambit Capital research. Note: Future growth estimate for the industry is based on expected AUM growth for Five-Star, SBFC and non-home loan portfolios for affordable HFCs.

Exhibit 12: SBFC's geographical diversification to aid scale



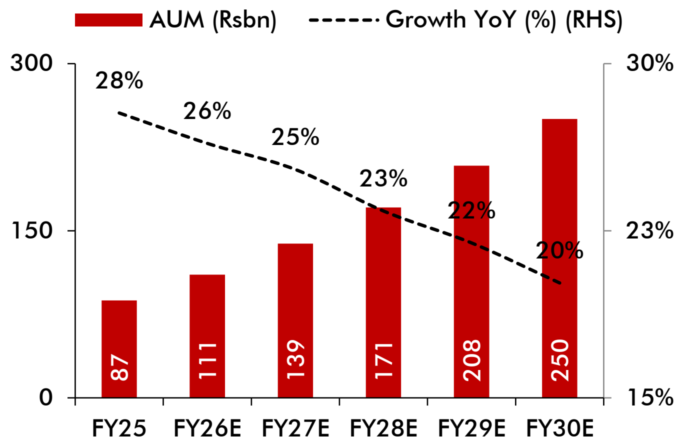
Source: Companies, Ambit Capital research

Exhibit 13: Distribution aided by 22 new branches annually



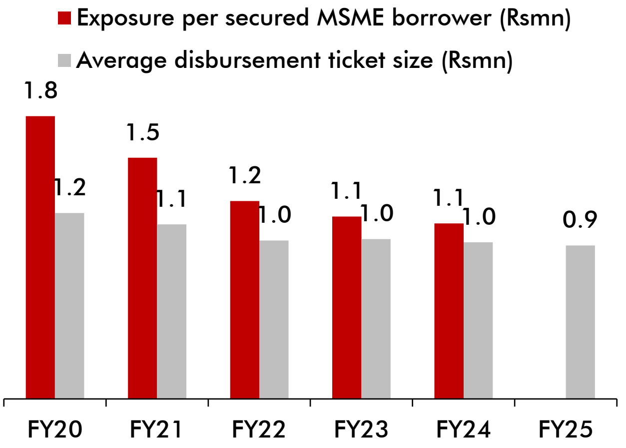
Source: Company, Ambit Capital research

Exhibit 14: Diversified presence, branch expansion and industry growth potential to drive 25% AUM CAGR for SBFC



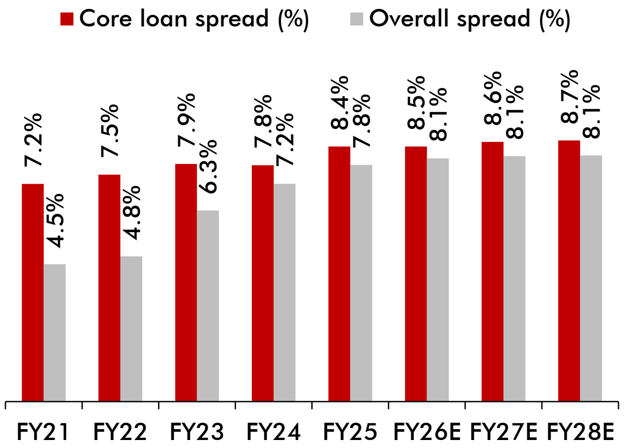
Source: Company, Ambit Capital research

Exhibit 15: Incremental focus on lower ticket sizes where competition is lower…



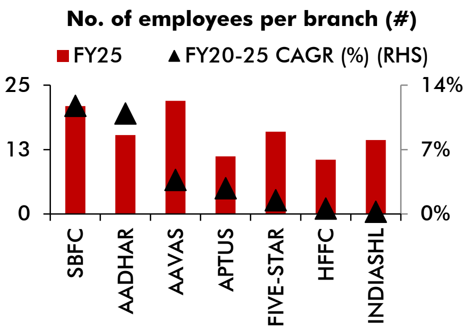
Source: Company, Ambit Capital research

Exhibit 16: …resulting in stable spreads given pricing power and rate change-neutral balance sheet



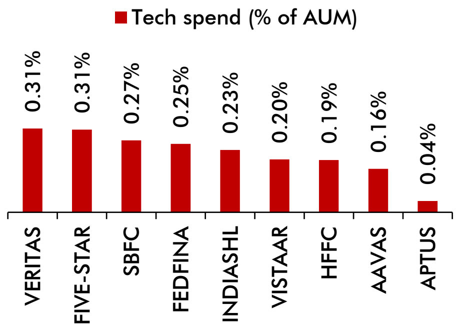
Source: Company, Ambit Capital research

Exhibit 17: Focused on sweating branches…



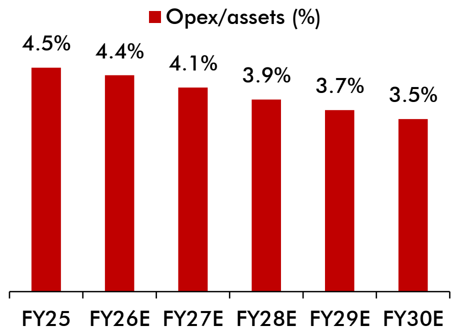
Source: Companies, Ambit Capital research

Exhibit 18: …and leveraging technology for process efficiencies…



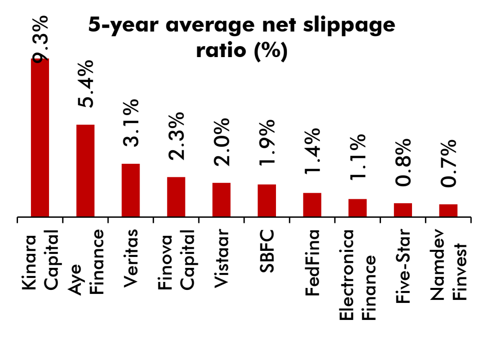
Source: Companies, Ambit Capital research

Exhibit 19: …driving opex reduction



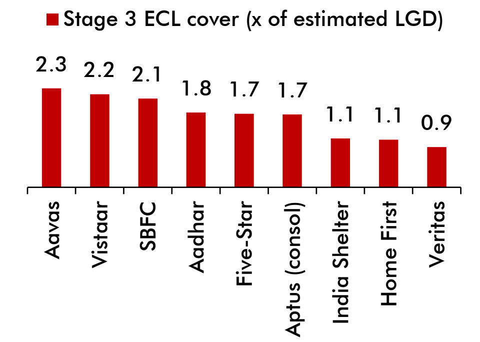
Source: Company, Ambit Capital research

Exhibit 20: Last 5 years' slippages at par with industry average



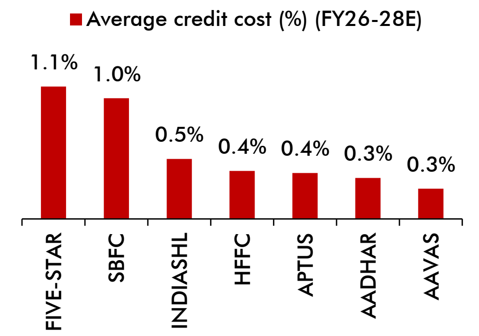
Source: Companies, Ambit Capital research

Exhibit 21: SBFC follows more conservative provisioning vs peers



Source: Companies, Ambit Capital research. Note: Above calculations do not take into account NPA customer settlements which would reflect in write-offs.

Exhibit 22: Steady-state credit cost in line with small-ticket LAP



Source: Companies, Ambit Capital research

Exhibit 23: Upcoming loan maturities offer immense cross-sell opportunity

Cross-sell opportunity size	FY26E	FY27E	FY28E	FY29E	FY30E
Number of loans coming up for maturity (assuming 4-year loan repayment)	13,600	23,007	28,818	28,138	34,361
Cross-sell opportunity captured (%)	50%	50%	50%	50%	50%
Average ticket size (₹ mn) (assumed)	0.5	0.5	0.5	0.5	0.5
Cross-sell opportunity size (₹ mn)	3,400	5,752	7,205	7,035	8,590
% of secured MSME disbursements	10%	14%	14%	12%	12%

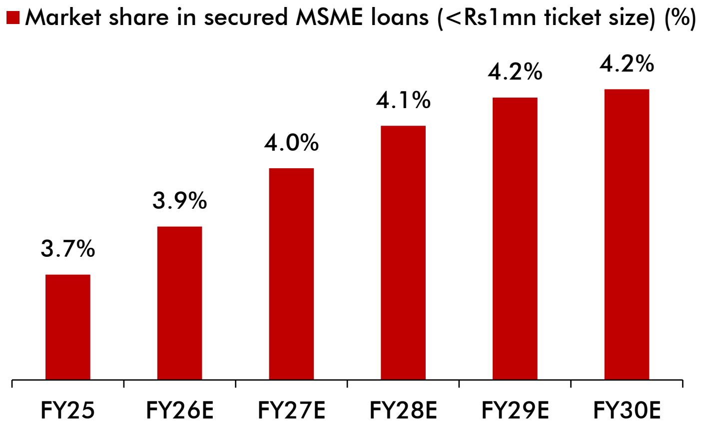
Source: Ambit Capital research, Ambit Capital estimates

Exhibit 24: SBFC's performance so far has been at par with the industry. It has outperformed its peers in terms of geographical diversification, pricing power, and technology integration. Going ahead, we expect cost efficiencies to improve.

Particulars	SBFC	Five-Star	Aavas	Home First	Aptus	India Shelter	Bajaj Finance	Chola	Shriram Finance	Comments
Geographical diversification	●	◑	◑	◕	◔	◑	●	●	◕	SBFC is better diversified vs affordable HFCs given 15% share of branches in top state vs 18-38% for affordable HFCs and other NBFCs.
Product strategy and diversification	◑	◑	◑	◑	◑	◑	●	●	◕	SBFC currently has only two products, similar to affordable HFCs but inferior to large NBFCs, which are way more diversified.
Pricing power	●	●	◕	◕	◕	◕	◕	◕	●	SBFC exhibits pricing power given it caters to the credit-neglected customer segment. Affordable HFCs have been susceptible to price competition.
Technology integration	◕	◕	◑	●	◑	◕	●	●	◕	SBFC boasts higher API integration than some of the affordable HFCs, which has helped in reducing customer turnaround time. Higher technology integration should aid efficiencies in the long term.
Cost efficiency	◑	◑	◑	●	●	◑	●	●	●	
Underwriting quality	◕	◕	●	◕	●	◕	●	◕	◑	SBFC's slippages and credit costs are at par with the industry average for micro/small-ticket LAP loans. Write-offs are lower, indicating better recoveries.
Overall score	◕	◕	◕	◕	◕	◕	●	●	◕	

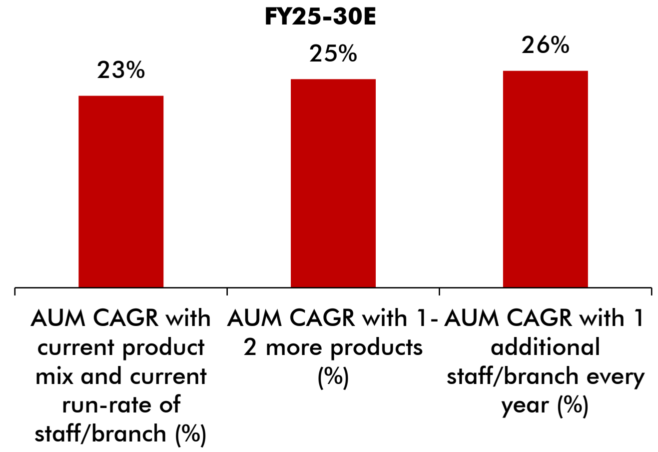
Source: Companies, Ambit Capital research. Note: ● - strong, ◕ - Average, ◑ - Relatively Weak, ◔ - Weak

Exhibit 25: Diversified presence, superior customer TAT and sound underwriting to aid market-share gains



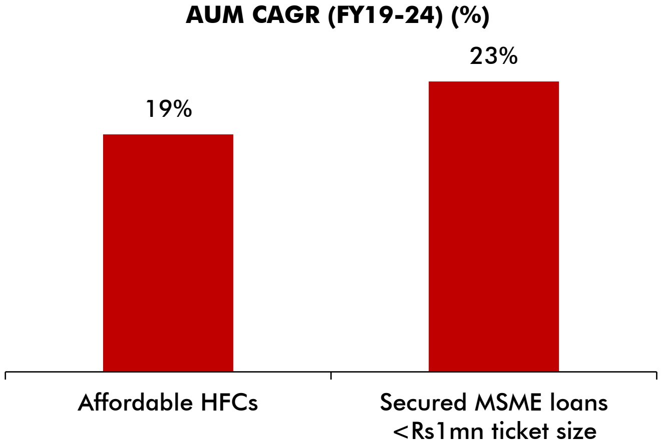
Source: Company, Ambit Capital research, Ambit Capital estimates

Exhibit 26: Adding new products or manpower can enhance long-term growth potential by 200bps



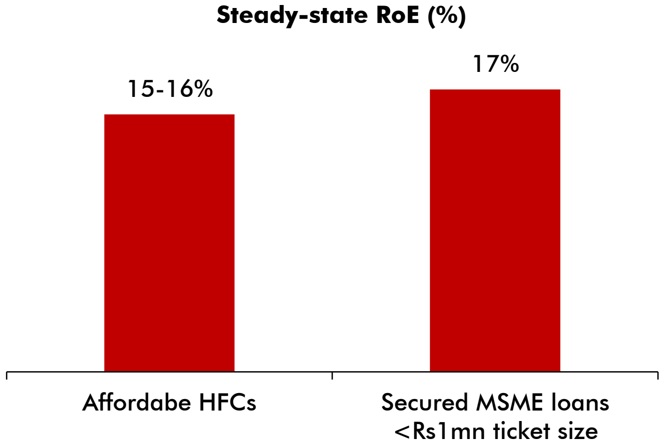
Source: Ambit Capital research, Ambit Capital estimates

Exhibit 27: Despite similarly-sized scale (FY24 AUM: ₹1.4-1.5trn), micro/small-ticket MSME loans have grown higher



Source: CRISIL, Ambit Capital research. Note: For affordable HFCs, we have considered aggregate AUM for 27 NHB-registered affordable HFCs. For secured MSME loans <₹1mn ticket size, we have considered growth projections as per CRISIL.

Exhibit 28: Small-ticket LAP's RoE higher than affordable HFCs due to better pricing power



Source: Ambit Capital research. For affordable HFCs, we have considered Aavas, Home First, India Shelter, Aadhar. For secured MSME loans <₹1mn ticket size, we have considered Five-Star and SBFC.

Exhibit 29: We expect 23% AUM CAGR (FY25-30E), led by high industry growth potential and low competition. Steady-state RoE to expand to 16-17% due to pricing power and improving efficiency.

	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	Comments
Assumptions								
Overall AUM growth YoY (%)	38%	28%	26%	25%	23%	22%	20%	Disbursal volume to be led by branch expansion and improving productivity.
Opex/assets (%)	4.8%	4.5%	4.4%	4.1%	3.9%	3.7%	3.5%	Efficiency to improve led by improved productivity.
Credit cost (%)	0.9%	1.1%	1.0%	1.0%	0.9%	0.9%	0.9%	Credit cost in line with industry peers.
Output								
AUM	68	87	111	139	171	208	250	
NII	6.4	8.5	10.4	12.6	15.3	18.4	21.9	
PAT	2.4	3.5	4.3	5.5	6.9	8.5	10.4	
ROA (%)	3.7%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	
RoE (%) (ex-goodwill)	11.9%	12.7%	13.7%	15.0%	16.2%	17.0%	17.4%	Increasing scale, pricing power and improving efficiency to drive RoE expansion.

Source: Company, Ambit Capital research

Small-ticket LAP specialist

SBFC was founded as MAPE Finserv in 2008. In 2017, the company's name was changed to Small Business Fincredit India, and it also acquired the retail lending business of Karvy Financial Services. SBFC focuses on lending against property collateral to MSME customers located in tier-2/3 cities, which banks usually neglect due to insufficient collateral and income documents. SBFC's initial growth journey was funded by Clermont and Arpwood. As of FY25, SBFC has ₹87bn AUM and 205 branches across 16 states and 2 UTs. Core product is micro/small ticket LAP (average ticket size: ₹0.9-1mn). The company's management team is led by CEO/MD Mr. Aseem Dhru, who has had significant experience in HDFC Bank. Over FY18-25, AUM increased at 41% CAGR while asset quality is in line with peer micro/small ticket LAP players. Overall, management is well-experienced in financial services.

Family office backing

SBFC offers secured MSME loans, gold loans and fee-based loan management services to financial institutions. As of FY25, Clermont Group (Singapore-based) holds 53.33% stake in SBFC. Unlike Five-Star and affordable HFCs, which are substantially owned by PEs, SBFC's largest stakeholder, Clermont Group, is a family office.

Shareholding pattern (%)

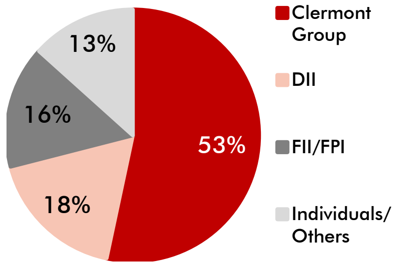


Exhibit 30: Micro/small-ticket LAP focus, family office backing

FY	Event
2018	Investment by Clermont and Arpwood group; acquired retail lending business of Karvy Financial Services Ltd.
2019	AUM crossed ₹10bn; launched loan origination system and app-based collections; entered new markets in Assam and West Bengal.
2020	Investment by SBFC Holdings Pte. Ltd; commenced co-origination with ICICI Bank; launched loan management service and on-boarded first institutional customer.
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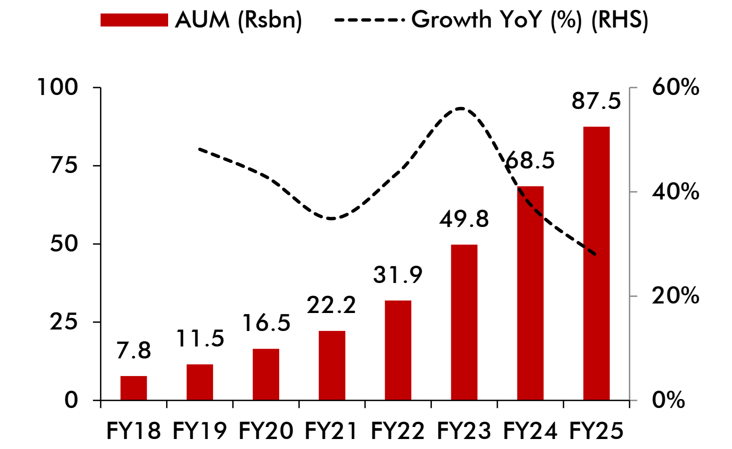
2024	Successful IPO with listing on stock exchanges; rating upgrade to AA- (stable).
2025	Started paperless gold loan; opened 200th branch.

Source: Company, Ambit Capital research

Product focus on small-ticket LAP

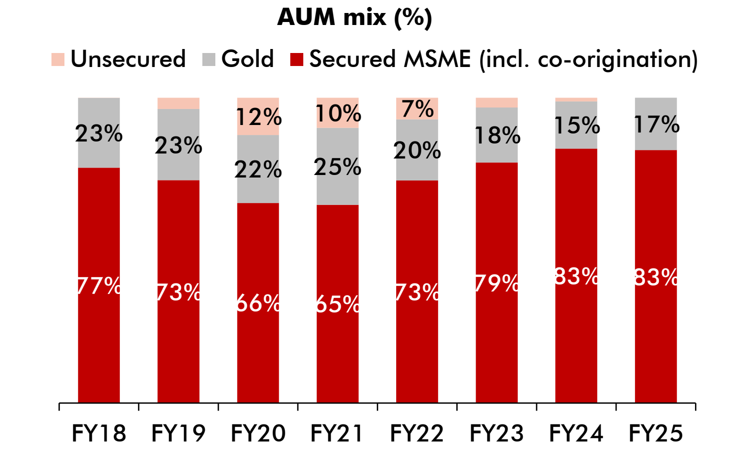
SBFC's primary product is small-ticket LAP (average ticket size: ₹0.9-1mn) given to small enterprise owners. These borrowers are often overlooked by banks and larger NBFCs, as they are typically first-time commercial borrowers who lack proper income and property documentation. Often, such borrowers have limited credit history (gold loan, 2-wheeler loan). As of FY25, SBFC's AUM was ₹87bn, having grown at 41% CAGR (FY18-25). Besides MSME loans, SBFC also offers gold loans. In the last few years, unsecured lending was scaled down. In addition to originating loans on its own balance sheet, SBFC has a co-origination tie-up with ICICI Bank (entered in 2019). Under this arrangement, SBFC and ICICI Bank co-originate secured MSME loans, of which 20% is retained by SBFC on its own balance sheet. The loans sourced under co-origination are entirely serviced by SBFC.

Exhibit 31: Scaling in a high-growth potential industry



Source: Company, Ambit Capital research

Exhibit 32: Product mix tilted towards secured MSME LAP



Source: Company, Ambit Capital research

Exhibit 33: Target customer is neglected by banks due to lack of credit history and proper documentation

SBFC's target customer
Target customer segment resides outside the periphery of the country's top-tier cities and towns.
About 80% of customers are priority sector compliant.
Customers largely operate mom-and-pop stores.
85-90% of customers have not borrowed outside of SBFC.

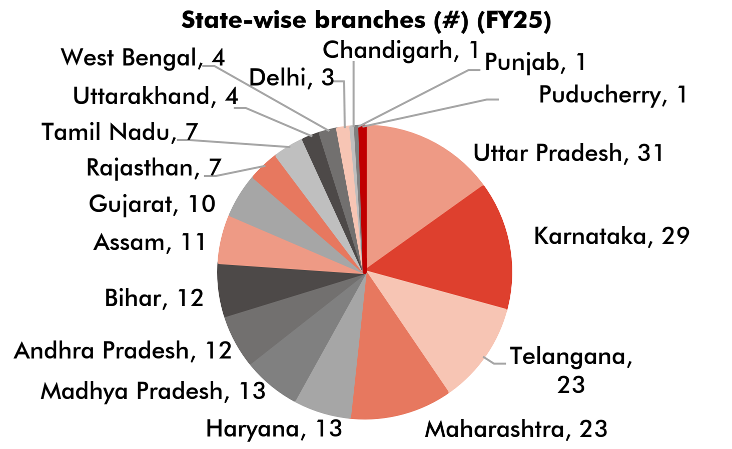
Source: Company, Ambit Capital research

Exhibit 34: Two key products focused entirely on MSME segment

Product specifications	MSME loan	Gold loan
Customer profile	Self-employed/salaried	
Disbursement TAT	7 days	30 mins
ATS	₹0.95mn	₹0.09mn
Tenor	<=15 years	3 months - 3 years
LTV	43%	62%

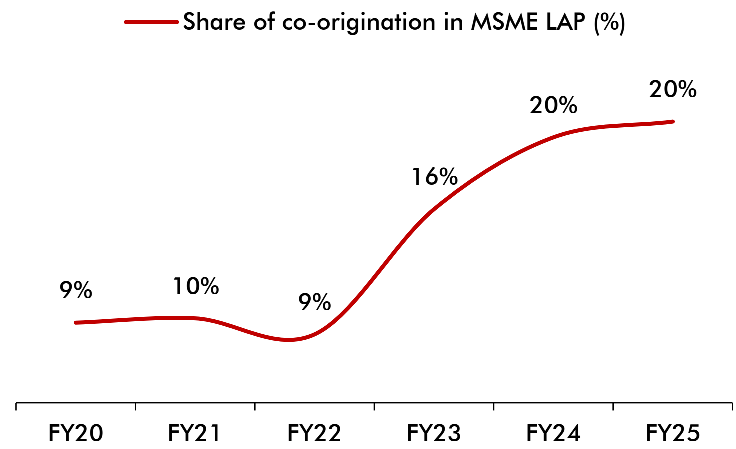
Source: Ambit Capital estimates, Ambit Capital research. Note: ATS = Average ticket size, LTV = Loan-to-value ratio.

Exhibit 35: SBFC has pan-India presence



Source: Company, Ambit Capital research

Exhibit 36: Along with taking on-balance sheet exposures, SBFC also co-originates with ICICI Bank

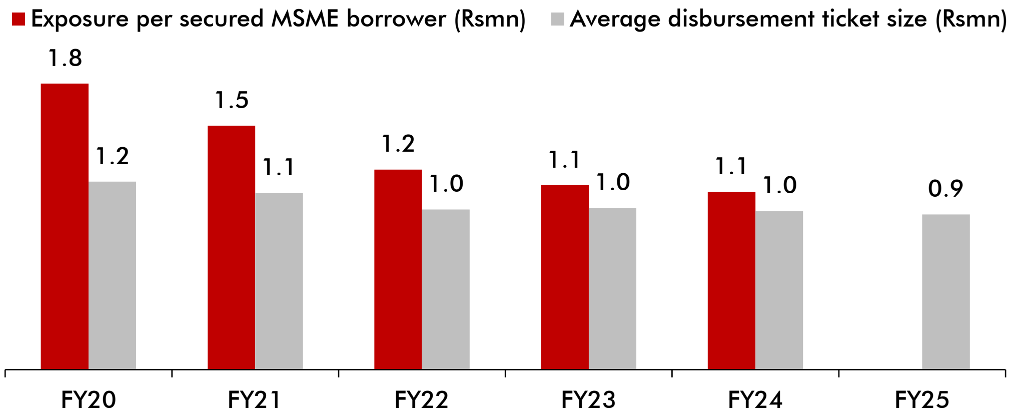


Source: Company, Ambit Capital research

Focus appears to have shifted towards less competitive, low ticket size LAP

Over the last few years, SBFC's focus has shifted toward smaller ticket-size LAP loans. This is indicated by the average ticket size (LAP loans) declining from ₹1.2mn in FY20 to ₹0.9mn in FY25. Within the broader mix, the share of MSME LAP has increased given higher tenor and large ticket size vs gold loans.

Exhibit 37: Declining ticket size indicates higher focus on a less-competitive segment

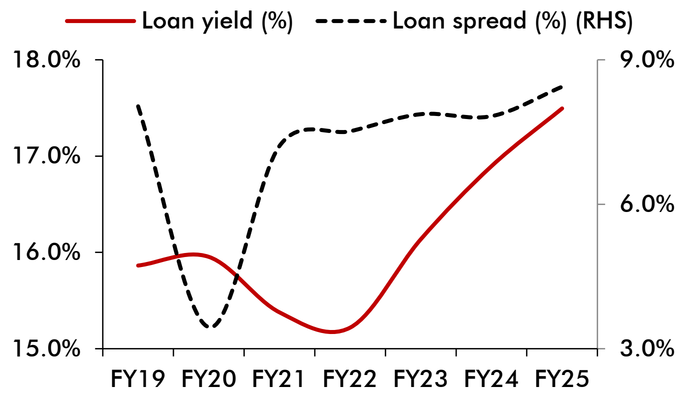


Source: Company, Ambit Capital research

Niche focus aided pricing power and spread expansion

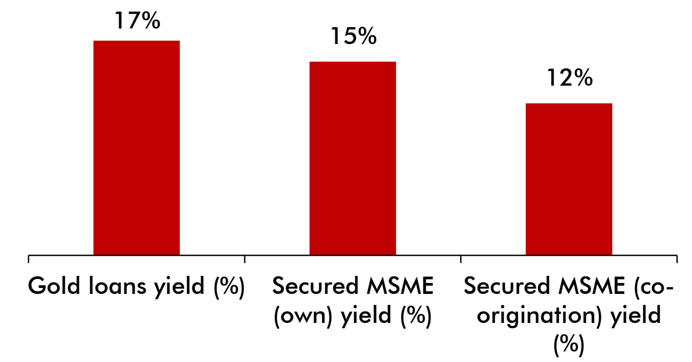
SBFC's loan spread was 8.44% in FY25, improving from 7.21% in FY21, mainly led by SBFC's opportunistic increases in loan rates. This is reflected in the yield expansion of 212bps over FY21-25. The cost of funds is 9.05%, in line with peers. NIMs are 11.3%, lower than 16% for Five-Star, owing to a higher ticket size. 100% of SBFC's asset side is floating rate. On the liabilities side, bank borrowings remain the dominant source of funding. According to management (3QFY25 earnings call), 99% of liabilities are floating-rate, making the overall balance sheet neutral to interest rate changes.

Exhibit 38: Spread expansion led by yield improvement; driven by pricing power in small-ticket LAP



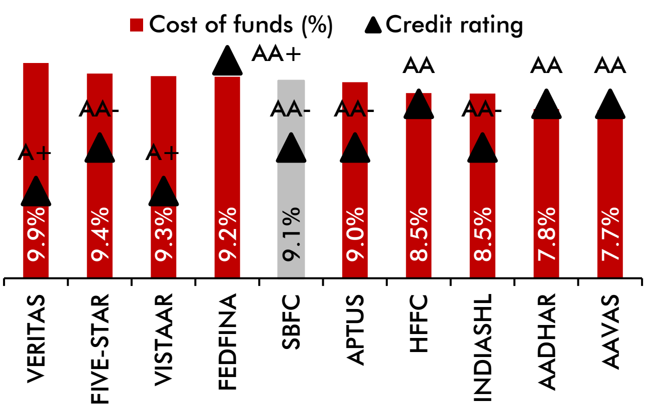
Source: Company, Ambit Capital research

Exhibit 39: Focused on high-yield products



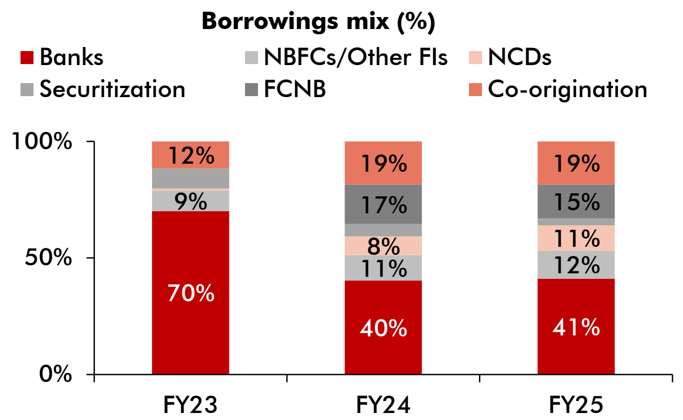
Source: Ambit Capital research, Ambit Capital estimates

Exhibit 40: Cost of funds in line with peer average



Source: Companies, Ambit Capital research

Exhibit 41: Borrowing mix well diversified



Source: Company, Ambit Capital research

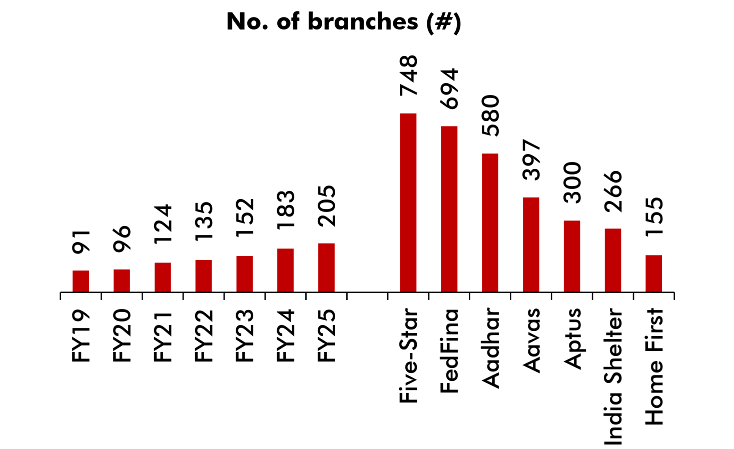
Operations are employee-intensive, supported by tech investments

SBFC has 205 branches, spread across 16 states and two Union Territories. Given that the underlying product segment has a high degree of touch-and-feel and separate verticals for each process, SBFC has deployed 21 employees per branch. This indicates that operations are employee-intensive. SBFC's hiring strategy is similar to that of its peers, wherein it hires people from the local catchment area. Geographically, it follows a contiguous expansion strategy by evaluating geographies adjacent to existing business areas. SBFC has also invested in technology, given that it has 18-20 external API integrations. It currently operates on home-grown LoS named LeviOSa, which optimises business processes and customer services using advanced data analytics.

"…using our in-house Loan Origination System (LOS) app called LeviOSa (meaning light). It is both a mobile and a web application, with strong microservices-based workflow engine and integrated with many interfaces online for faster processing and effective credit decisioning. Our analytical rule engine helps us in faster credit decisioning, resulting in the quicker turnaround time to customers. With our mobile customer application, we are handing the power of self-service to our customers. LeviOSa is integrated at the back end with India Stack, enabling our officers to give instant sanctions. No files, no paperwork."

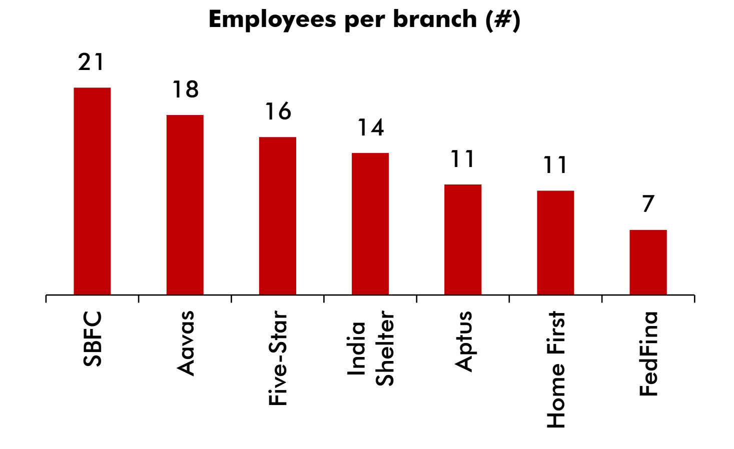
\- Banking Frontiers, June 2021

Exhibit 42: Branch network steadily increasing; still smaller than scaled-up peers



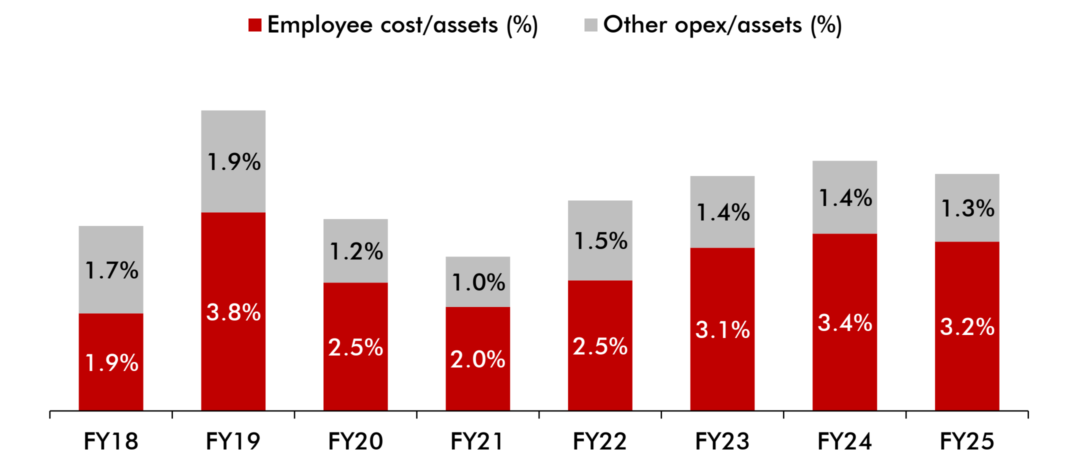
Source: Companies, Ambit Capital research

Exhibit 43: Higher manpower deployment per branch vs more expensive, fixed-cost oriented branch expansion indicates cost-conscious approach to growth



Source: Companies, Ambit Capital research

Exhibit 44: Investments in branch, manpower and technology keeping overall opex elevated



Source: Company, Ambit Capital research

MSME LAP asset quality in line with micro/small ticket LAP players, worse off vs affordable HFCs

As of FY25, SBFC's GNPA stood at 2.7%, in line with peer micro/small-ticket LAP NBFCs but higher than affordable HFCs. GNPA in secured MSME portfolio averaged 2.5% (FY18-25). 1+ DPD at 7.1% (FY25) are reflective of higher risk in the target customer/product segment, in line with industry trends. Credit cost has averaged 1.2% (FY18-25). SBFC has separate verticals for underwriting and collections to ensure dedicated efforts. Collections are further supported by digital applications called Delta and Omega. Our understanding of SBFC's pre-screening, credit underwriting, and collateral evaluation indicates that overall credit processes are in line with industry standards.

Exhibit 45: SBFC's underwriting process is at par with industry standards

Lead generation: 100% in-house loan sourcing via sales team, customer references.

File log-in: Sales team captures details of customer, business, collateral and logs the file in system.

Document Verification: Credit team does KYC verification, analysis of financials/income proof, CIBIL check, bank statement & ITR verification, legal verification and prepares Credit Appraisal Memorandum (CAM).

PD & Income assessment: Credit officer visits customer's residence and place of business to understand the formal and informal income sources of customer and family members, savings capacity and repayment track record with formal and informal borrowings.

Reference check: PD team also conducts reference checks through neighbors, end customers and suppliers.

Technical Valuation: The online valuation assessment is conducted based on the valuation report provided by the external vendor.

Property inspection: Geo-tagged photos are uploaded in the system post physical inspection of the collateral.

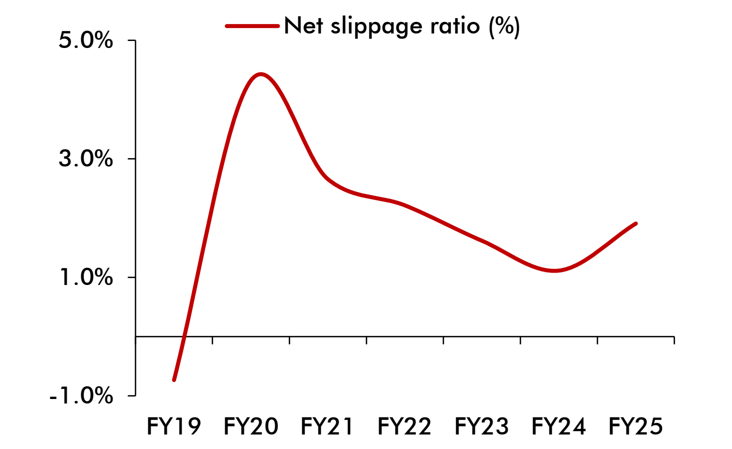
Co-borrower: Loan account includes a spouse or parent as a co-borrower to ensure more prompt repayment.

Charge creation: E-Nach, E-sign, property document filing & charge creation, CERSAI & CIBIL update.

Disbursement: Loan is disbursed digitally.

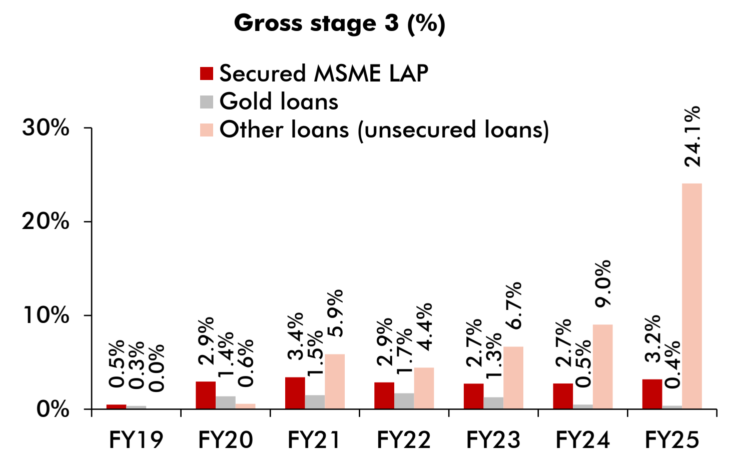
Source: Ambit Capital research, Ambit Capital estimates

Exhibit 46: Slippages declined after spiking during Covid. FY25 slippage rose due to systemic stress in bottom-of-pyramid segment



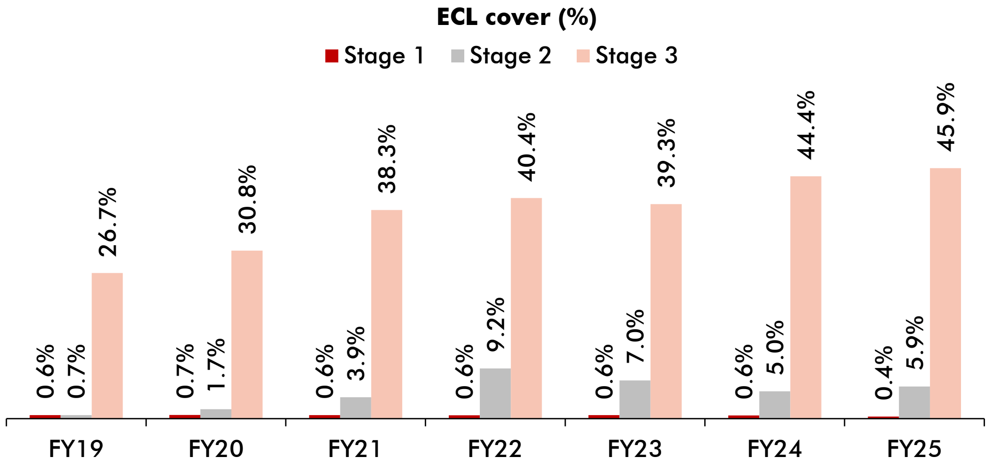
Source: Company, Ambit Capital research

Exhibit 47: Target customer segment is more vulnerable to economic downturns



Source: Company, Ambit Capital research

Exhibit 48: ECL cover indicates prudent provisioning policies



Source: Company, Ambit Capital research

Reported RoE subdued due to goodwill and high opex

In FY25, SBFC reported RoE (on tangible equity) of 12.7%. Over FY20-25, RoE has averaged 10-11%. Over FY21-25, loan spreads expanded 123bps owing to price hikes. But at the same time, SBFC also invested in branch distribution and technology, leading to an increase in opex/assets to 4.5% (FY25) vs 3-3.7% in FY20/21. Equity capital infusion in FY23/24 led to RoE (on tangible equity) staying within a 12-13% range till FY25. SBFC carries goodwill worth ₹2.6bn related to the acquisition of retail lending business from Karvy Financial Services.

Exhibit 49: Despite scaling up, RoE on tangible equity is ~13% due to upfront investment and higher credit costs

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25
AUM (₹ bn)	12	16	22	32	50	68	87
AUM growth YoY (%)	48	43	35	44	56	38	28
RoE tree							
NII (NIM) (%)	6.8	6.1	6.0	6.4	8.2	10.0	10.8
Non-interest income (%)	1.2	0.6	0.5	0.7	0.8	0.5	0.5
Net operating income (%)	8.0	6.7	6.4	7.1	9.0	10.4	11.3
Opex (%)	5.7	3.7	2.9	4.0	4.5	4.8	4.5
Operating profit (%)	2.2	3.0	3.5	3.1	4.6	5.7	6.8
Credit cost (%)	0.0	1.1	0.8	1.1	0.6	0.7	0.9
PBT (%)	2.2	2.0	2.7	2.0	3.9	4.9	5.9
Tax (%)	0.7	0.8	0.7	0.5	1.0	1.2	1.4
PAT (ROA) (%)	1.5	1.2	2.0	1.5	2.9	3.7	4.4
Leverage (x)	1.8	3.2	3.8	3.5	3.4	2.8	2.6
RoE (%)	2.8	3.7	7.7	5.2	9.9	10.5	11.6

Source: Company, Ambit Capital research

Credible management

SBFC's management team is mostly comprised of ex-bankers. Aseem Dhru, CEO, comes with HDFC Bank pedigree. Mahesh Dayani, Executive Director, has worked across top private banks. Sai Prashant Menon, Chief Collections Officers, has extensive experience in collections at consumer-focused NBFCs. Ground checks indicate the second line of management has been recruited through close references, which has helped in alignment of corporate objectives. Public disclosures indicate management is well-incentivised through ESOPs. Recently, SBFC's Chief Risk Officer and Chief Operations Officer stepped down to pursue new professional paths. Mr. Rajiv Thakker was appointed as the new Chief Risk Officer, who has 10 years of work experience in credit and risk at Kotak.

Exhibit 50: Management is well experienced in MSME lending

Name	Designation	Work experience	Total work experience (years)	Experience with SBFC (years)
Aseem Dhru	Managing Director & Chief Executive Officer	HDFC Bank, HDFC Securities, HDB Financial Services	26	7.7
Mahesh Dayani	Executive Director	Kotak Mahindra Bank, HDFC Bank, ICICI Bank	21	7.6
Narayan Barasia	Chief Financial Officer	Greaves Cotton Limited, Godrej Foods Limited, Godrej Sara Lee Limited, Olam Agro India Limited	21	6.6
Sanket Agrawal	Chief Strategy Officer, Analytics & IR	Deloitte Haskins & Sells LLP	11	4.7
Sumeet Ghai	Chief Human Resource Officer	Mahindra Holidays and Resorts India Limited, Taj Group of Hotels	21	3.3
Ganesh Vaidya	Chief Technology Officer	Kotak Mahindra Bank, HDFC Bank	15	7.1
Sai Prashant Menon	Chief Collection Officer	Bajaj Housing Finance Ltd, Citi Financial Consumer Finance Ltd, Royal Bank of Scotland, Fullerton India Credit Company Ltd, Standard Chartered Bank	23	5.0
Namrata Sajnani	Chief Compliance Officer & Company Secretary	Baid Leasing & Finance Co. Ltd.	12	0.8
Rajiv Thakker	Chief Risk Officer	Kotak Mahindra Bank, ING Vysya Bank, Barclays	22	-

Source: Company, Ambit Capital research

SWOT Analysis

Strengths

- **Pan-India presence:** SBFC has a diversified presence across 205 branches in 16 states and 2 UTs. Focus on tier-2/3 cities where distribution costs are higher.
- **Tech investments:** Early tech integration with external APIs gives it sourcing and underwriting edge, resulting in 7 days' turnaround time, at par or better vs peers.
- **Specialised underwriting skills:** SBFC has underwriting skills to serve low-to-middle-income customers with limited formal income proofs.
- **Experienced management:** SBFC has a stable and experienced management team, led by ex-HDFC Bank veteran.

Weaknesses

- **Moderate liability profile:** SBFC's cost of fund is higher than that of large NBFCs/HFCs and banks, which reduces its price-competitiveness.
- **More vulnerable customer segments:** Given the focus on bottom-of-pyramid customers, asset quality is more vulnerable to deterioration.
- **Low portfolio seasoning:** Loan book seasoning is relatively low, which exposes SBFC to volatility in asset quality.
- **Product concentration:** Currently, SBFC is majorly dependent on one product, i.e., LAP. Lack of product diversification can pose scalability challenges.

Opportunities

- **MSME credit gap:** CRISIL MI&A estimates MSME credit gap of ₹32.5trn (FY24), which indicates high growth potential for this segment.
- **Affordable home loan:** Affordable home loan presents diversification opportunity given similar target customer, geography and underwriting skills.
- **Deeper distribution in existing states:** Given smaller market share in existing states, SBFC can increase its branch presence to gain market share.

Threats

- **Competition:** Increasing competition from affordable HFCs and other low-ticket LAP peers can hurt growth and margins.
- **Employee attrition:** Elevated attrition, driven by high competition, can threaten AUM growth and collections.
- **Economic downturn:** Target customers are vulnerable to economic downturn, which may result in higher NPA, denting profitability.

Source: Company, Ambit Capital research

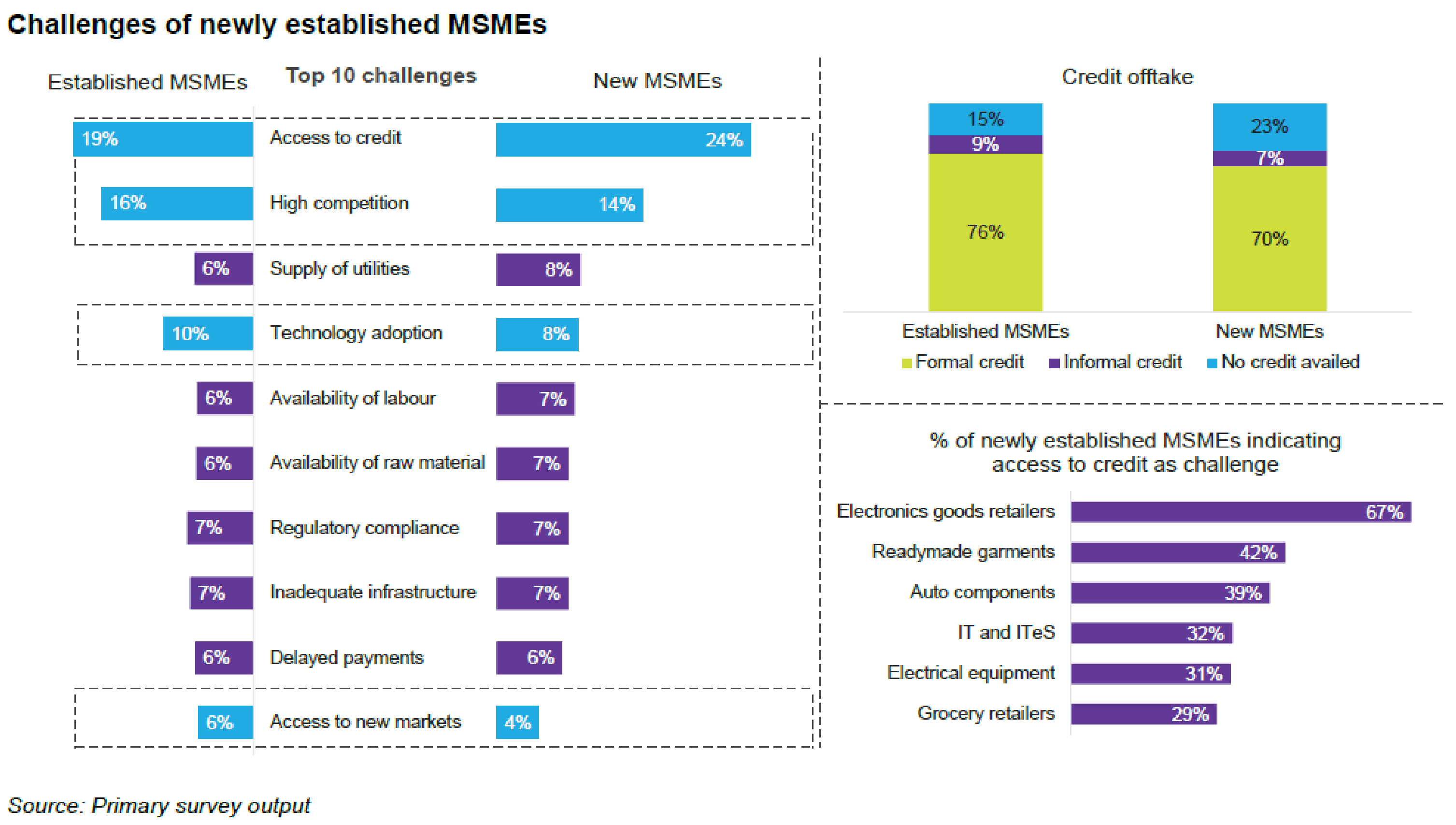
Poised for market share gains in high-growth industry

MSMEs are a critical part of the economy, contributing ~30% to total GDP. But, given the lack of proper income documentation and credible collateral, banks are averse to lending to micro-enterprises. Hence, such borrowers are credit-starved. Recognising the demand/supply mismatch in MSME credit, coupled with improving digitisation of land records, NBFCs are ahead in providing small-ticket LAP loans. As of FY25, NBFCs command 45-50% active loan account market share in individual/micro-LAP segments. We estimate <₹1mn ticket-size secured MSME credit to grow at 22% CAGR (FY25-30E), higher than 18% CAGR (FY25-27E) for overall MSME credit. Active loan count under <₹1mn ticket size LAP is ~3% of rural households with house ownership, which indicates a significant secured MSME credit opportunity. In this backdrop, SBFC's small-ticket LAP focus, diversified presence will aid 25% AUM CAGR (FY25-28E).

Micro enterprises face credit accessibility challenges

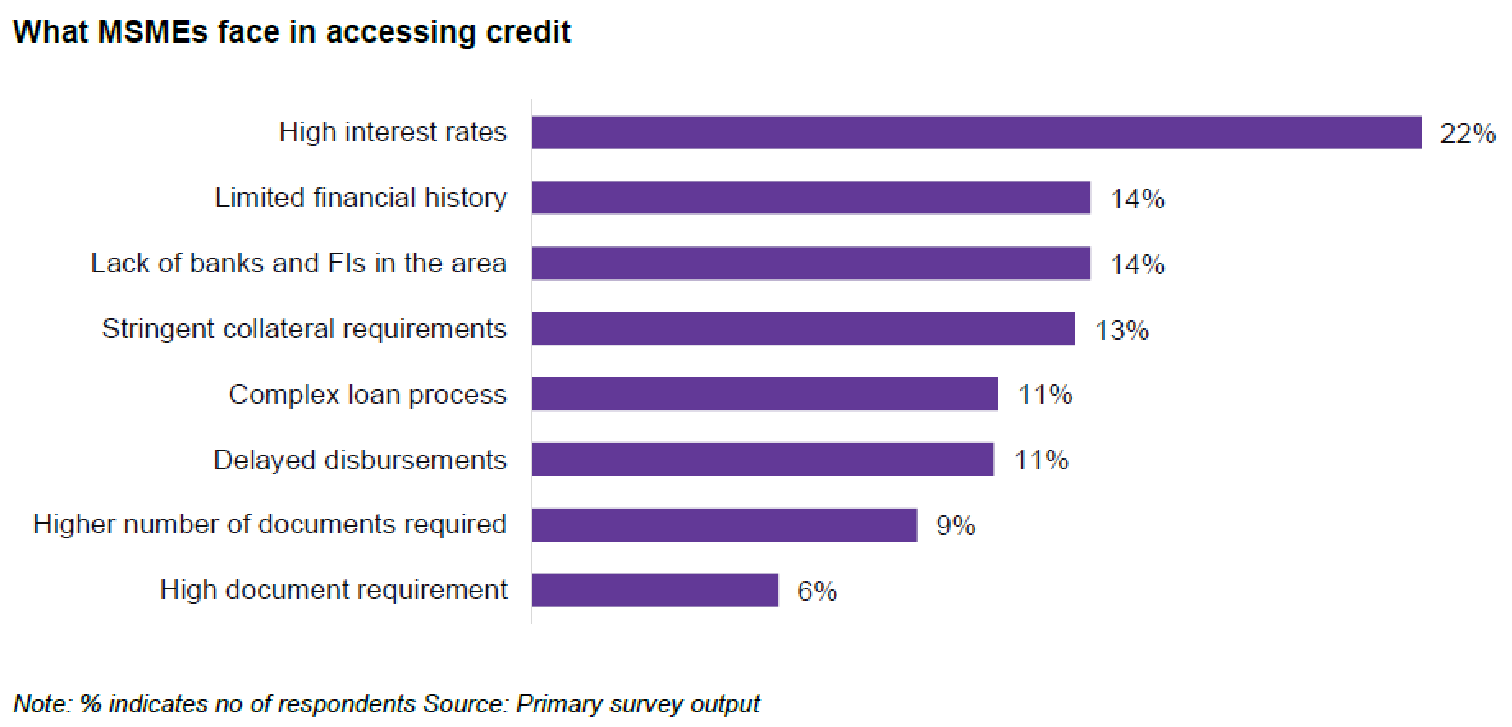
Total MSME loans outstanding are estimated at ₹41.3tn (FY25E). The market for MSME lending is estimated to have grown at 18% CAGR (FY20-25E). Within this, secured MSME loans have grown at 17% CAGR (FY20-25E). As per UDYAM, there are 73.4mn MSME units in India. Of the total MSME population, 99.5% is estimated to be micro enterprises. Though the micro-enterprise population is large, SIDBI's recent report outlines credit accessibility as one of the biggest challenges for the MSME sector. This is due to information asymmetry, limited formalisation, lack of comprehensive financial records and weak credit histories, which make it difficult for MSMEs to prove their creditworthiness. As per May'25 MSME Pulse, 58% MSMEs have ever accessed credit, which presents potential for further credit penetration into the MSME segment. Noting these challenges and general economic growth, CRISIL estimates overall MSME/secured MSME credit to increase at 17-19%/16-18% CAGR (FY24-27E).

Exhibit 51: Credit accessibility is one of the biggest challenges for MSMEs, especially micro enterprises



Source: SIDBI, Ambit Capital research

Exhibit 52: Distribution, lack of documentation and strong collateral are some of the top reasons why MSMEs find access to credit challenging



Source: SIDBI, Ambit Capital research

"Despite the critical role of the MSME sector in the Indian economy, a common grouse that we hear from this segment is that they find it difficult to secure timely and adequate formal credit. This challenge may be on account of factors such as information asymmetry on their financials and business viability, and also on account of limited formalisation even today within the MSME sector. Many MSMEs lack comprehensive financial records or credit scores, and in some cases, they may not have sufficient collateral to support the scale of financing they require. These issues result in a substantial gap between the credit needs of these units and the available supply creating what is known as the credit gap."

- **Swaminathan J, Deputy Governor of the Reserve Bank of India ([Nov'24])**

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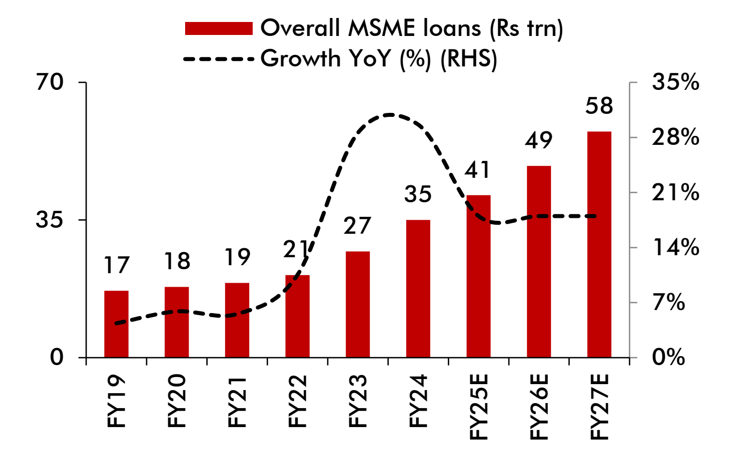
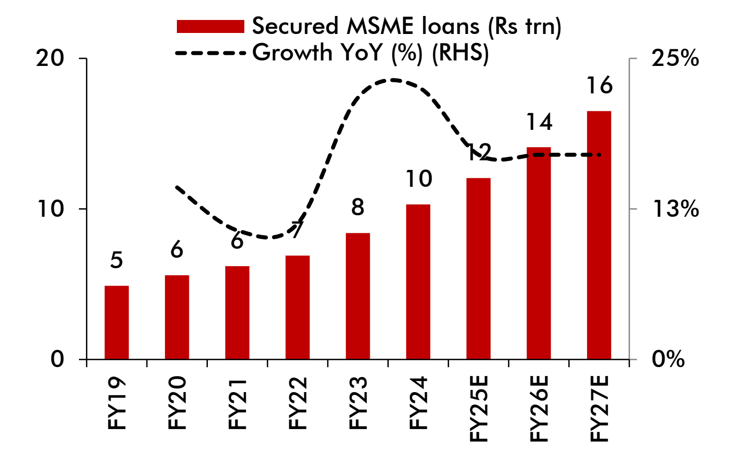
Exhibit 53: CRISIL estimates overall MSME credit to grow at 18% CAGR (FY25-27E)...



Source: CRISIL, Ambit Capital research

Exhibit 54: ...with a similar growth rate in secured MSME credit



Source: CRISIL, Ambit Capital research

Bank aversion to micro enterprises is why NBFCs dominate micro/small LAP

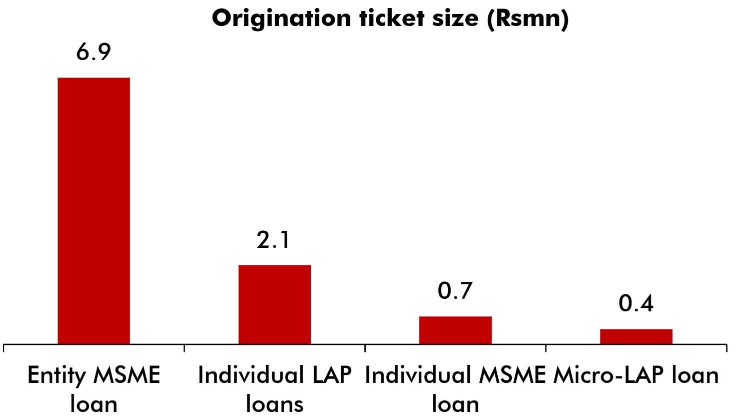
CRIF data suggests that banks are inclined towards funding entity MSME loans, where ticket sizes are ₹6-7mn, 9-10x of individual MSME loans (₹0.7-0.8mn). In entity MSME loans, banks hold 73-74% value/volume market share. However, in LAP loans given to self-employed individuals, NBFCs hold a dominant market share of 38% by value/ volume (Sep '24). Within LAP loans taken by self-employed individuals, micro-LAP (<₹1mn ticket size) accounts for 14%, where NBFCs hold ~45%/~39% value/volume market share. NBFCs' dominance in individual LAP, especially in <₹1mn ticket size (micro-LAP), is driven by banks' aversion to funding micro-enterprises. Typically, micro-enterprises in tier-2/3 towns lack proper and uniform channels for their banking transactions, which makes cashflow/income assessment difficult for banks. Furthermore, properties recognised under the gram panchayat rule are perceived as high risk by banks.

Exhibit 55: Banks'/larger NBFCs' MSME loan terms and conditions are stricter vs NBFCs, indicating their aversion to funding micro-enterprises

MSME loans terms & conditions	Banks (Business/SME/ MSME loan)	Bajaj Finance (Secured business loan)	Chola (SME loans)	Shriram Finance (secured business loan)	Aavas (MSME loan)	Five-Star (Business loan)	SBFC (Secured MSME loan)
Annual income/Turnover (₹ mn)	₹3-4mn (Turnover)	Salary of ₹24k/ month		₹2mn (Turnover)			Salary of ₹20k/month or regular source of income
ITR	1-3 years		2 years		IT Returns and/or Financial Statements of last 3 years and/or Informal Income doc.	Cashflow-based appraisal approach	Income documents, business proof, salary slip
Financials	CA certified financials of 1-2 years		2 years				
GST return			6 months				GST filings not available
Credit score	>725 (ICICI Bank)	>=720					680-700

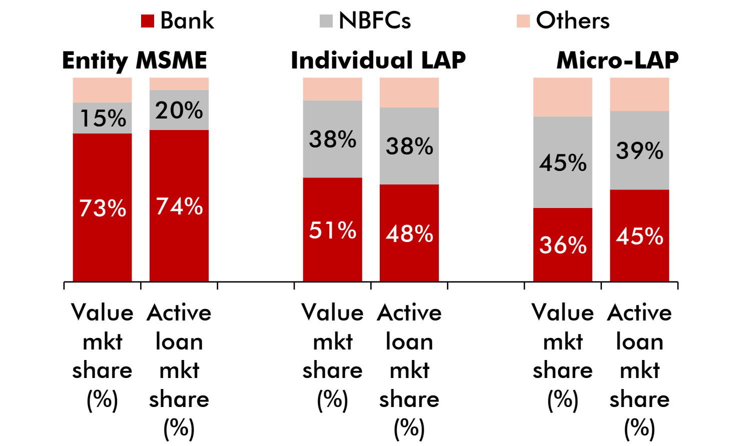
Source: Ambit Capital estimates, Ambit Capital research

Exhibit 56: NBFCs focus on small-ticket MSME loans while banks focus on larger-ticket-size entity MSME loans…



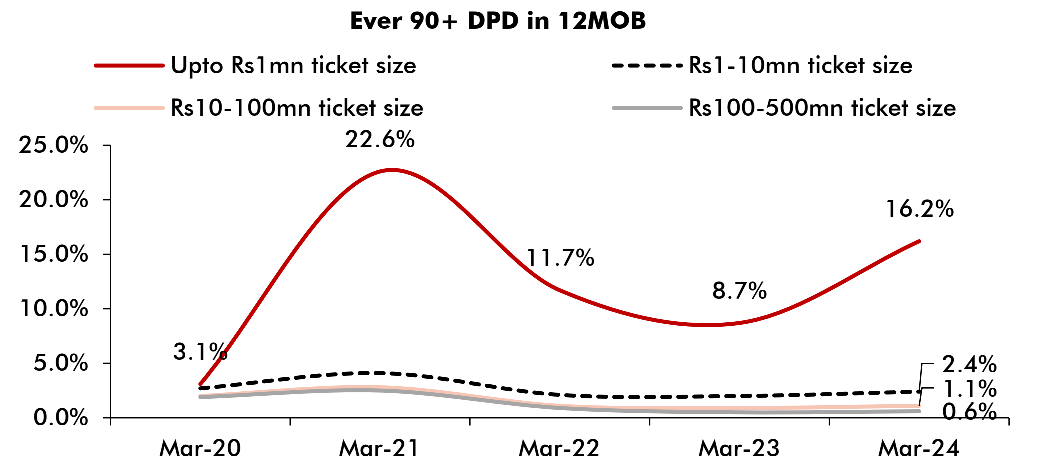
Source: CRIF, Ambit Capital research

Exhibit 57: …hence, NBFCs have dominant market share in small-ticket individual and micro LAP



Source: CRIF, Ambit Capital research

Exhibit 58: High delinquencies in <₹1mn ticket size MSME loans make banks averse to this segment. Instead, they focus on much larger ticket sizes which are low risk.

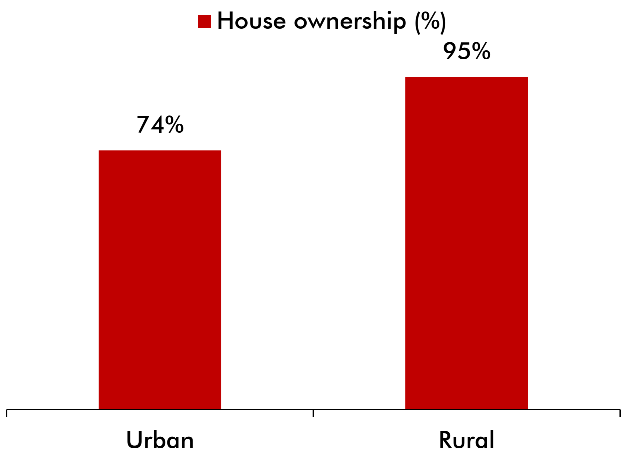


Source: SIDBI MSME Pulse May 2025, Ambit Capital research

Micro/small-ticket LAP holds significant growth potential

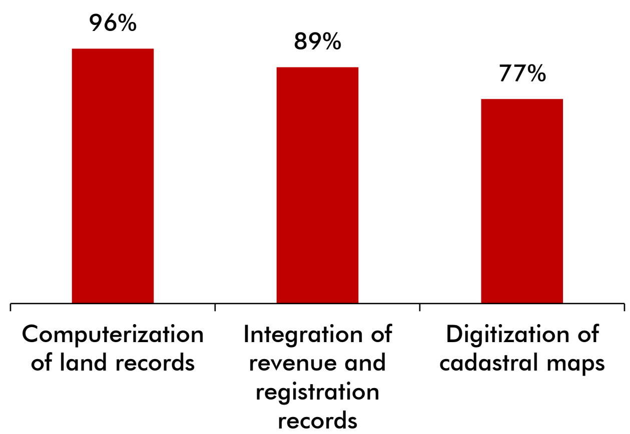
According to census data, house ownership is high in India, at ~95% and 74% in rural and urban areas, respectively. Taking note of the potential monetisation of such a large house ownership base, <₹1mn secured MSME loans (including micro-LAP) have grown at a 23% CAGR (FY19-24) at the industry level. Despite such high growth (2-2.5x of nominal GDP growth), active loans outstanding under micro-LAP (<₹1mn ticket size) represent only ~3% of rural households having house ownership. This indicates significant potential for increasing penetration. One of the key factors driving high growth in micro/small ticket LAPs is the digitisation of land records under the government's Digital India Land Records Modernisation Programme (DILRMP). As per the Oct'24 press release, 95% of land records in rural India have been digitised. Another factor is the evolving tech ecosystem around capturing payment/transactions for evaluating customer cashflows. In this backdrop, we estimate that the micro/small ticket LAP industry can continue to grow at 22% CAGR (FY25-30E).

Exhibit 59: House ownership is high in rural India, which indicates property monetisation potential



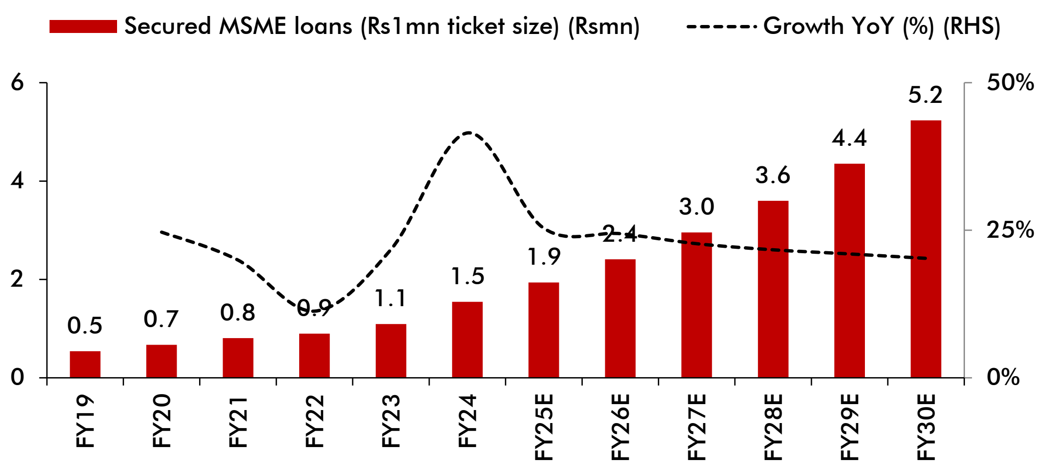
Source: Census 2011, Ambit Capital research

Exhibit 60: Improved land record and documentation keeping to aid better underwriting



Source: Department of Land Resources, Ambit Capital research

Exhibit 61: Secured MSME loans (<₹1mn ticket size) CAGR can be 22% over FY25-30E

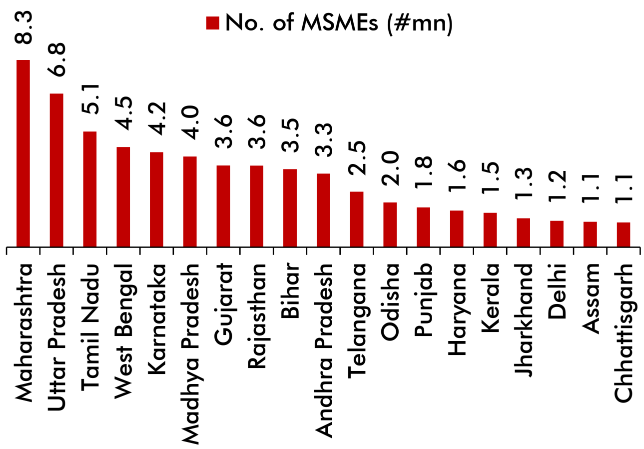


Source: CRISIL, Ambit Capital research. Note: Future growth estimate for the industry is based on expected AUM growth for Five-Star, SBFC and non-home loan portfolios for affordable HFCs.

Which states present high micro/small ticket LAP potential?

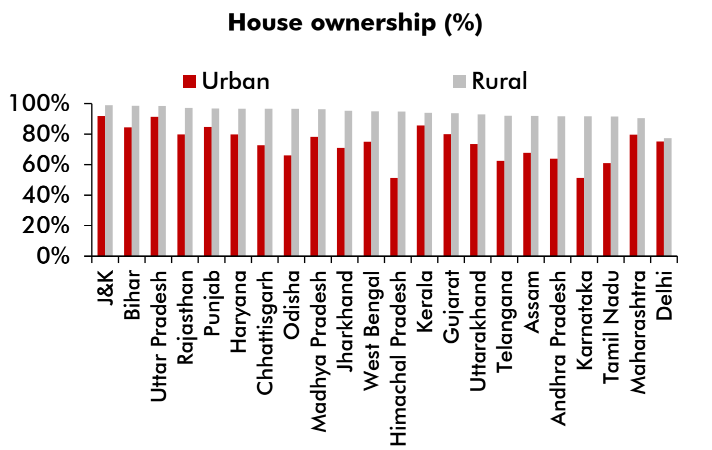
Examining house ownership and MSME population across states, Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka, and Madhya Pradesh have high growth potential for micro/small ticket LAP. Bihar is another high-growth potential market, given 5% share in the all-India MSME population.

Exhibit 62: India's huge MSME potential offers high growth potential for MSME credit...



Source: UDYAM, Ambit Capital research

Exhibit 63: ...supported by leveraging properties



Source: Census 2011, Ambit Capital research

SBFC's small ticket and diversified focus to aid scalability

Focusing on the less competitive small-ticket size segment

SBFC's average ticket size of ₹0.9-1mn is 80% lower than that of banks. This indicates SBFC's focus on a customer segment (micro enterprises) that is typically neglected by banks due to a lack of proper income and property documentation. As highlighted above, we estimate <₹1mn ticket size secured MSME loans to increase at 22% CAGR (FY25-30).

Exhibit 64: Bank MSME customer holds larger value property than NBFC MSME customer and has better credit score, which attracts higher LTV and lower pricing

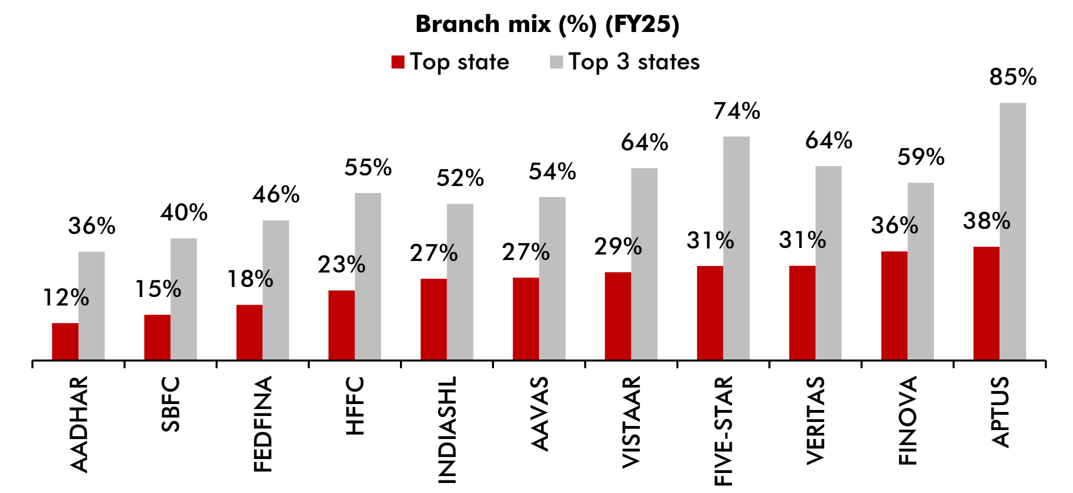
	Disbursement ticket size (₹ mn)	Assumed LTV (%)	Property value (₹ mn)
Banks	6.2	65%	9.5
NBFCs	0.7	49%	1.5-2.0

Source: CRIF, Ambit Capital estimates, Ambit Capital research

Well placed to scale up pan-India; Tamil Nadu, Bihar potential opportunities

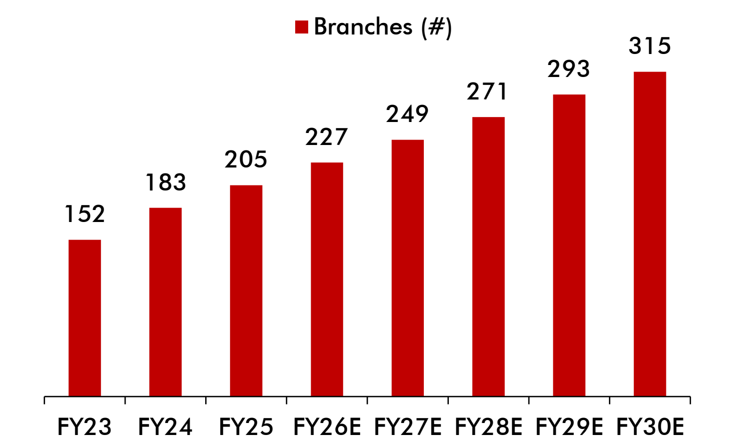
SBFC boasts a pan-India distribution network with 205 branches across 16 states and 2 Union Territories. Branch network concentration in the top 3 states is 40% (FY25), lower than the 46-85% range for peers. This makes SBFC one of the better diversified (state-wise) NBFCs, a critical ingredient for long-term scalability. SBFC's key focus states, namely Karnataka, Uttar Pradesh, Maharashtra, and Telangana, collectively account for 35% of the total MSME population. This places SBFC well to capture the growing MSME credit demand. In addition, expanding distribution in Tamil Nadu and Bihar will also help, as these are high-MSME population states. In Tamil Nadu, SBFC has only seven branches, which is very low considering the state has the 3rd largest MSME population.

Exhibit 65: SBFC's geographical diversification enables it to scale up pan-India



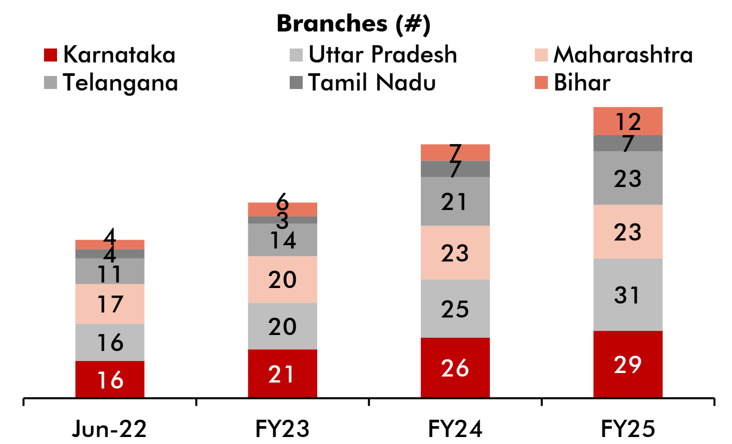
Source: Companies, Ambit Capital research

Exhibit 66: Distribution to be aided by 22 new branches annually



Source: Companies, Ambit Capital research

Exhibit 67: In recent years, branch expansion has focused on states with high MSME population share

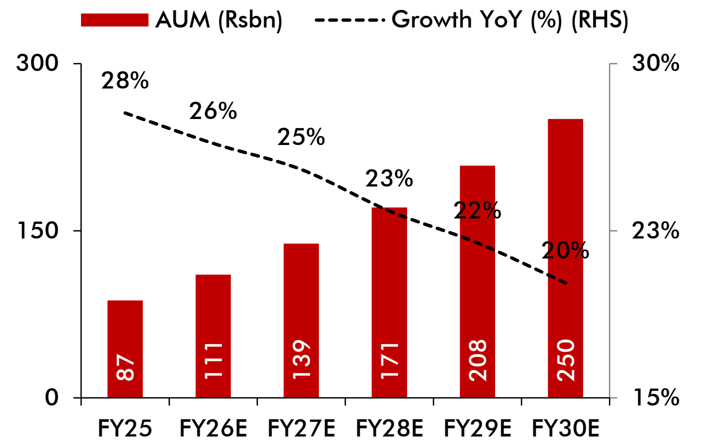


Source: Company, Ambit Capital research

Expect 25% AUM CAGR FY25-28E vs 18-27% for peers

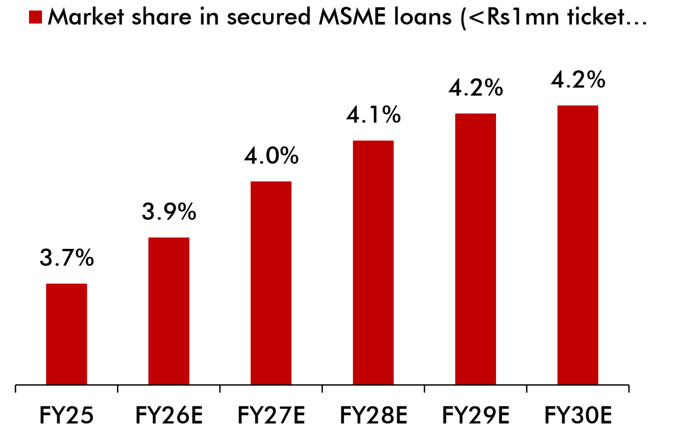
We expect SBFC to deliver a 25% AUM CAGR (FY25-28E), led by its diversified state presence and 22 new branches per annum. Given that active micro-LAP loans account for ~3% of total rural households with home ownership, there is significant room for micro-LAP penetration to increase. Our AUM growth estimate for SBFC is 100-120bps higher than the industry, implying market share gains. In gold loans, we are currently building for 16% AUM CAGR (FY25-28E) vs 14% for the industry.

Exhibit 68: Given SBFC's diversified presence and small-ticket LAP potential, we expect SBFC AUM CAGR of 25%...



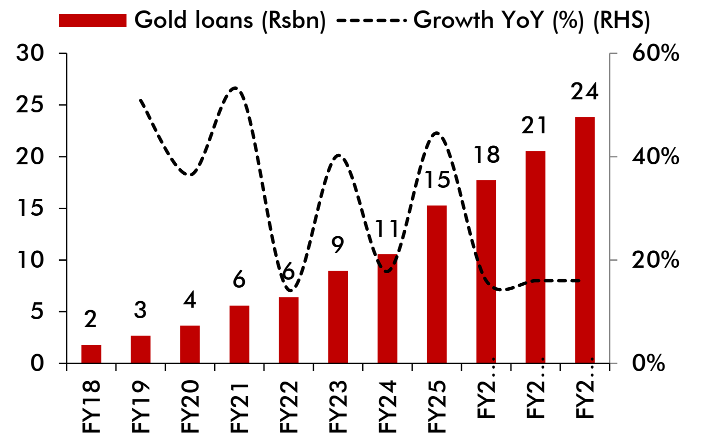
Source: Company, Ambit Capital research

Exhibit 69: ...leading to market-share gains



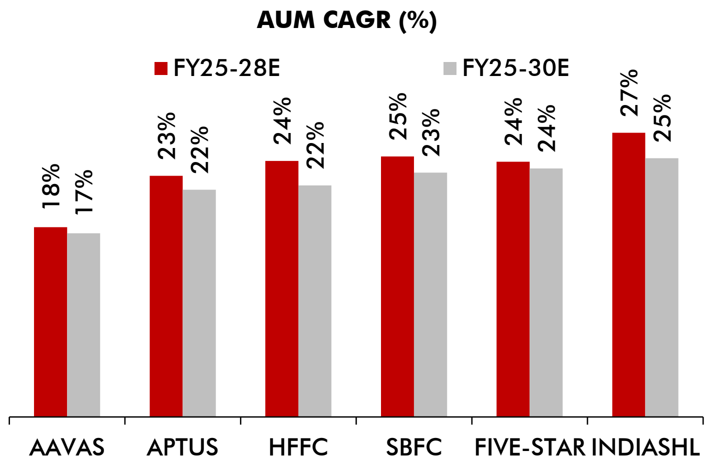
Source: Company, Ambit Capital research

Exhibit 70: Gold loans, a smaller product for SBFC, should grow in line with overall industry



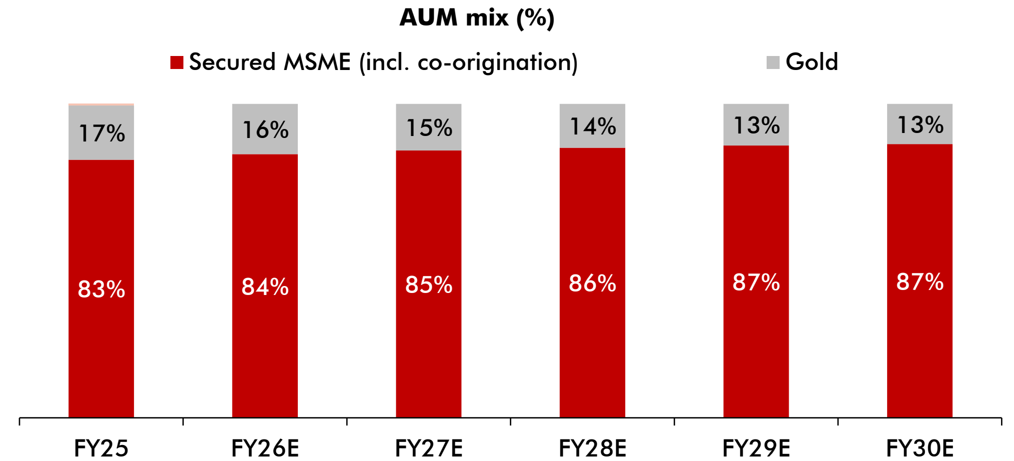
Source: Company, Ambit Capital research

Exhibit 71: SBFC's growth trajectory better than affordable HFCs, in line with Five-Star



Source: Companies, Ambit Capital research

Exhibit 72: Focus on LAP to be higher than gold loans



Source: Company, Ambit Capital research

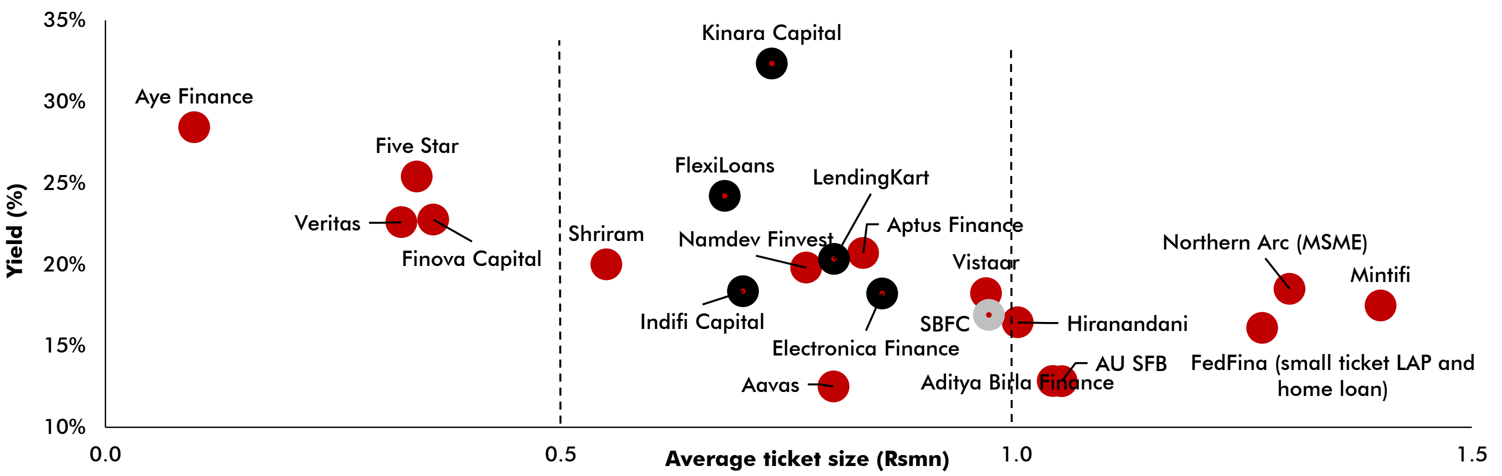
Optimising for superior execution

SBFC's execution has stood out in terms of its product strategy and leveraging tech stack for higher productivity. Given SBFC's focus on low-ticket size LAP, where bank competition is limited, we expect pricing power to be sustained. Further, SBFC's strategy to increase business through higher manpower deployment per branch (21 vs 11-16 for peers) led to higher branch productivity. This is visible in disbursements per branch CAGR (FY20-25) of 23% vs 5-15% for peers. Given SBFC's early tech adoption, comparable or better customer turnaround time and low industry competition, we see scope for further productivity improvement. Overall, we expect spreads to sustain at 8.1% (FY26-28E). We expect opex/assets to decline by 65bps/104bps to 3.9%/3.5% by FY28/30E on back of ~8% CAGR (FY25-28) in productivity vs 2-7% for peers.

Low competition in small ticket LAP to help sustain spreads

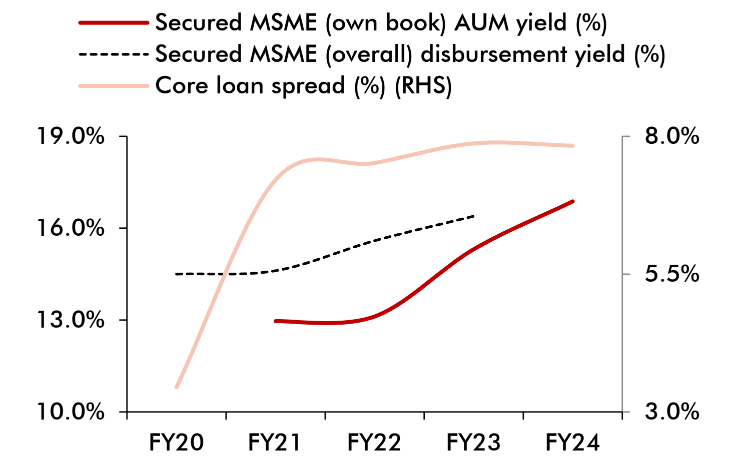
We expect competition to remain limited in small/micro-LAP given the product's operationally intensive nature w.r.t sourcing and underwriting. In fact, multiple players within ₹0.5-1mn ticket size segment are focusing on unsecured MSME loans. Ground checks indicate that despite infrastructure development and digitisation of land records on peripheries of tier-1 towns and in tier-2/3 towns, banks remain averse to funding gram panchayat properties due to less-than-ideal documentation. This also explains SBFC's shift towards lower ticket-size LAP, which resulted in yield expansion. As secured MSME ticket size/average exposure reduced by 30-40% over FY20-24, overall secured MSME yield increased by 390bps. In this backdrop, we expect pricing power/spreads to sustain for micro/small-LAP players like SBFC. SBFC's funding costs is in line with peers like FedFina and Five-Star owing to AA- credit rating. Increasing scale with sound asset quality could aid further reduction in credit risk premium by lenders, thus aiding price competitiveness and spreads. While entry barriers into micro/small-LAP will restrict competition from banks and aid pricing power, NIMs should decline as financial leverage increases.

Exhibit 73: Small-ticket-size LAP has lower competition and thus higher yields. ₹6-7mn LAP command 12% ROI



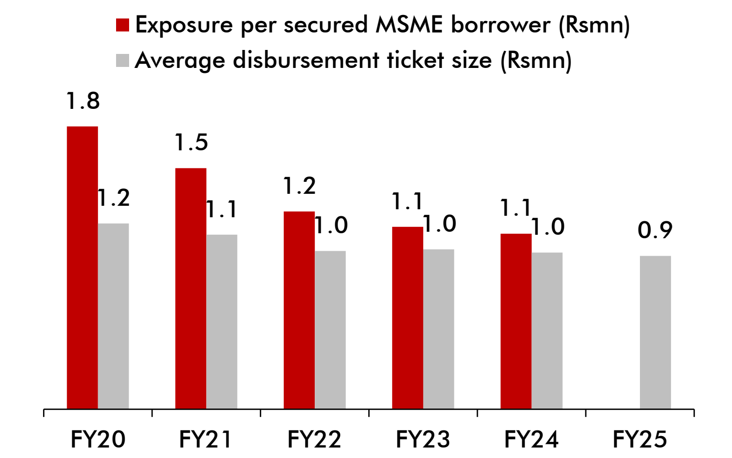
Source: Companies, Ambit Capital research. Note: NBFCs with black dots are mainly focused on unsecured MSME loans. Electronica Finance has 29% of loans backed by property collateral.

Exhibit 74: Secured MSME yield expansion led by increasing exposure towards smaller ticket LAP loans...



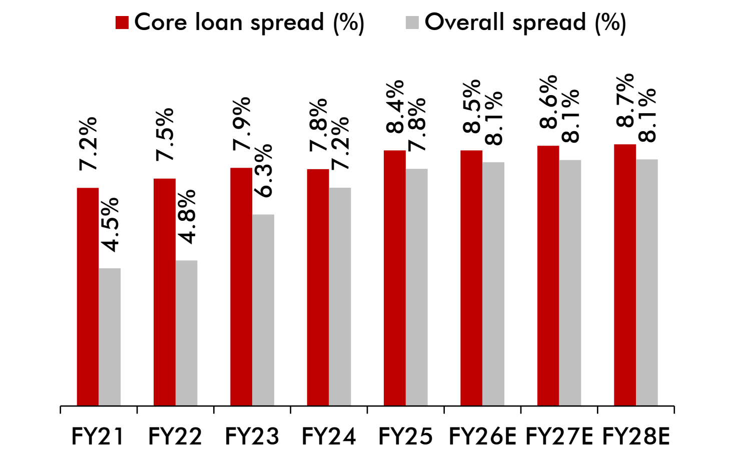
Source: Ambit Capital research, Ambit Capital estimates

Exhibit 75: ...as reflected in secured MSME exposure/ticket size declining



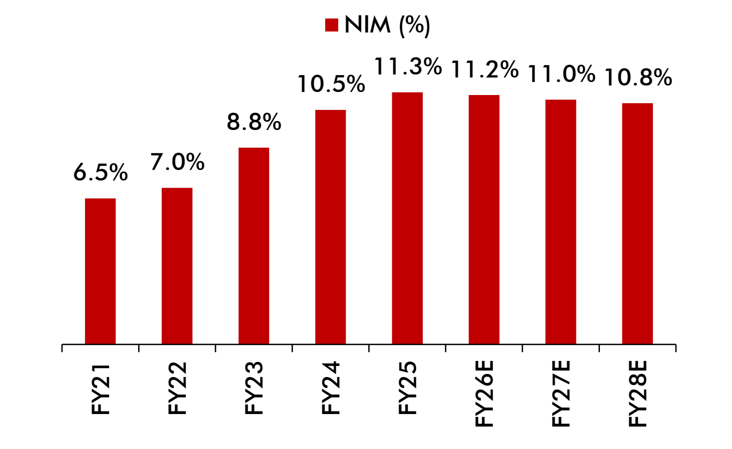
Source: Company, Ambit Capital research

Exhibit 76: Expect spreads to be largely stable given pricing power and rate change-neutral balance sheet



Source: Company, Ambit Capital research

Exhibit 77: NIMs to decline as financial leverage increases

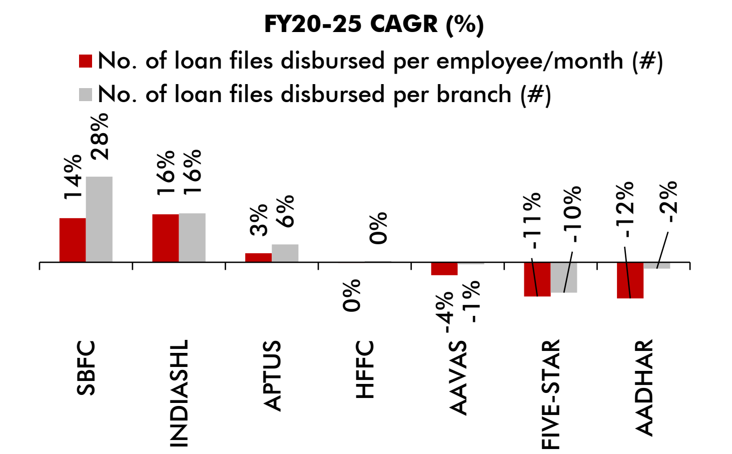


Source: Company, Ambit Capital research

Tech spends, sweating branches leading to superior productivity

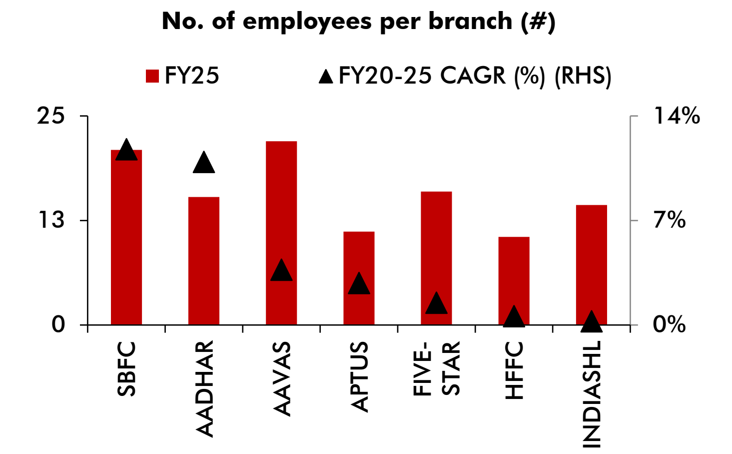
SBFC's execution has been superior to that of most other affordable mortgage financiers. This is indicated by higher file productivity. SBFC's files disbursed per employee per month increased at 14% CAGR (FY20-25) vs (-)11% to (+)16% for peers. SBFC's file disbursed per branch increased at 28% CAGR (FY20-25), higher than peers. Key factors driving this performance include (i) higher manpower allocation to a branch as it matures, which leads to increased resource utilisation, and (ii) technology investments, resulting in improved customer turnaround times. Despite being 19-66% smaller in scale compared to affordable HFCs, SBFC's secured MSME LAP disbursements per branch are either at par or higher. Data also indicate that SBFC has been able to manage costs more effectively than its peers.

Exhibit 78: SBFC's file productivity improvement ahead of peers due to focus on per unit economics



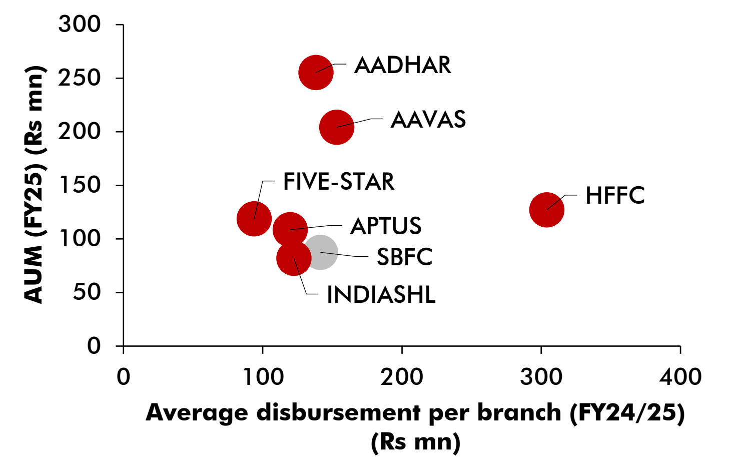
Source: Companies, Ambit Capital research

Exhibit 79: Focused on sweating branch infra to extract efficiencies instead of high-cost branch expansion



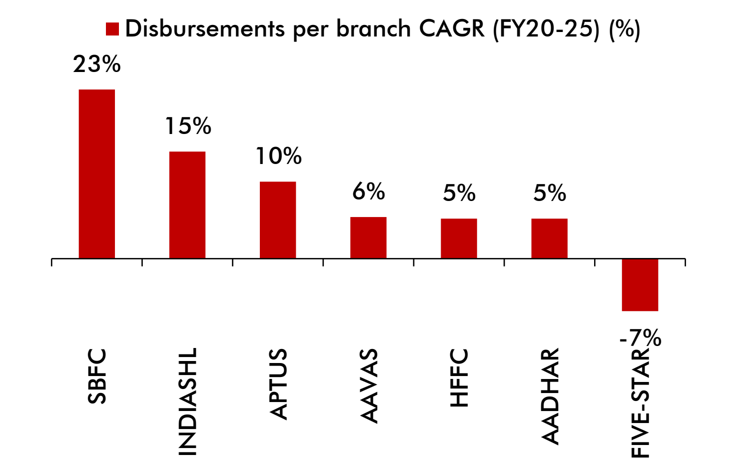
Source: Companies, Ambit Capital research

Exhibit 80: Despite having smaller scale vs peers, SBFC's branch disbursal productivity is higher than most…



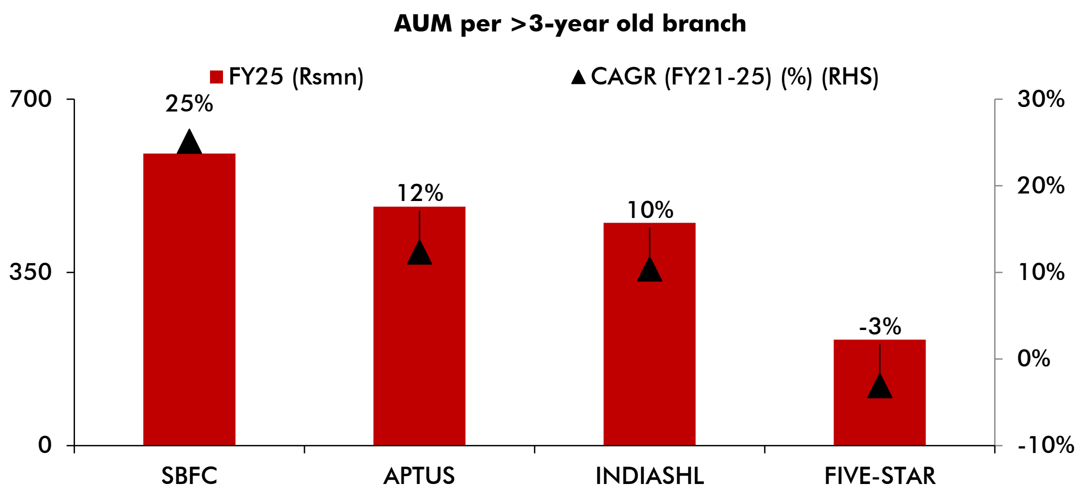
Source: Companies, Ambit Capital research

Exhibit 81: …owing to higher employees per branch and improving file productivity per employee



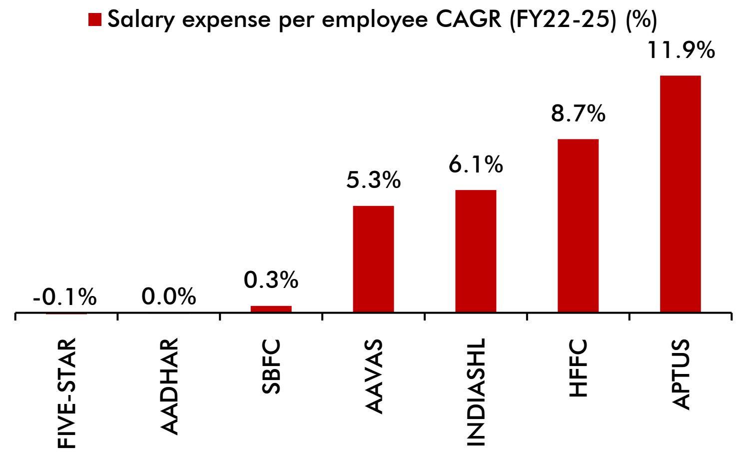
Source: Companies, Ambit Capital research

Exhibit 82: AUM growth in mature branches has been higher than peers



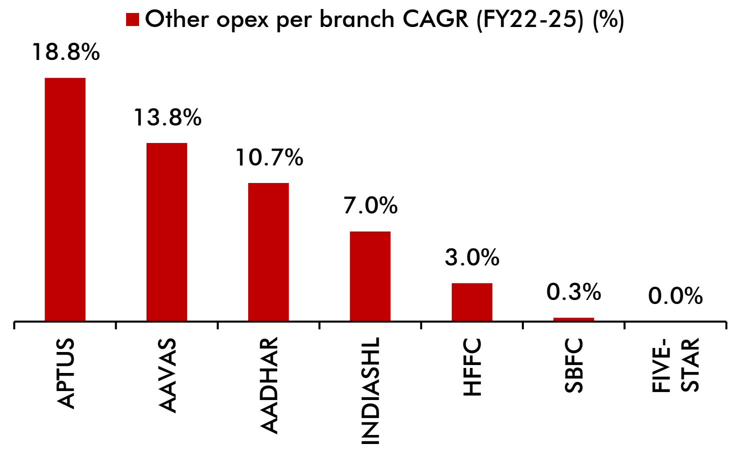
Source: Companies, Ambit Capital research

Exhibit 83: Low increase in salary expenses reflect ability to manage attrition and manpower better



Source: Companies, Ambit Capital research

Exhibit 84: Leveraging technology and business expansion via higher manpower/branch contained branch expenses

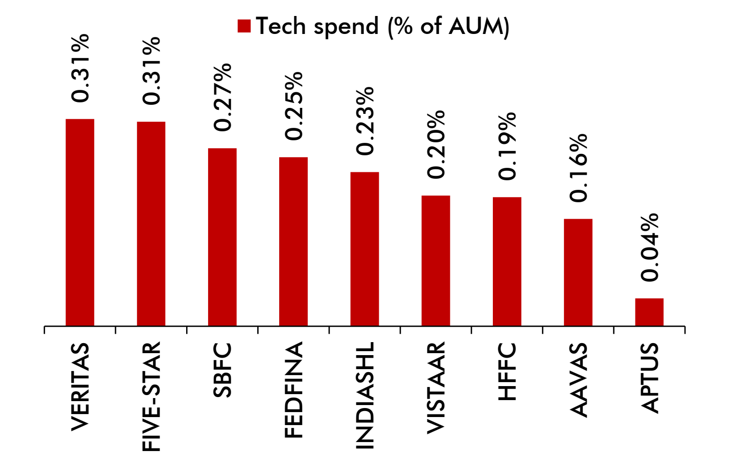


Source: Companies, Ambit Capital research

Ahead of peers on tech integration

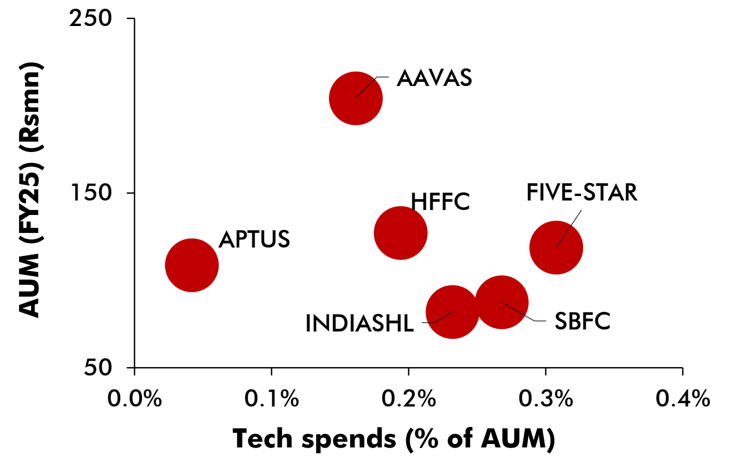
SBFC has been an early adopter of technology integration compared to other affordable mortgage financiers. Despite a smaller scale/AUM, SBFC's tech spends (opex + capex) have been higher. SBFC boasts an in-house loan origination system (LeviOSa), which is capable of real-time integration through open API architecture. This facilitates validation of customer information captured through various sources, including on-ground observations from on-ground teams. This results in quick credit decision-making and thus, lower customer turnaround time (TAT). Between FY21-22, SBFC's customer TAT improved significantly to 7 days, resulting in enhanced sales productivity. From a customer value proposition perspective, faster TAT is important. Annual report disclosures indicate that SBFC has focused on regularly updating its tech stacks.

Exhibit 85: SBFC has focused on leveraging technology to drive efficiencies in various processes



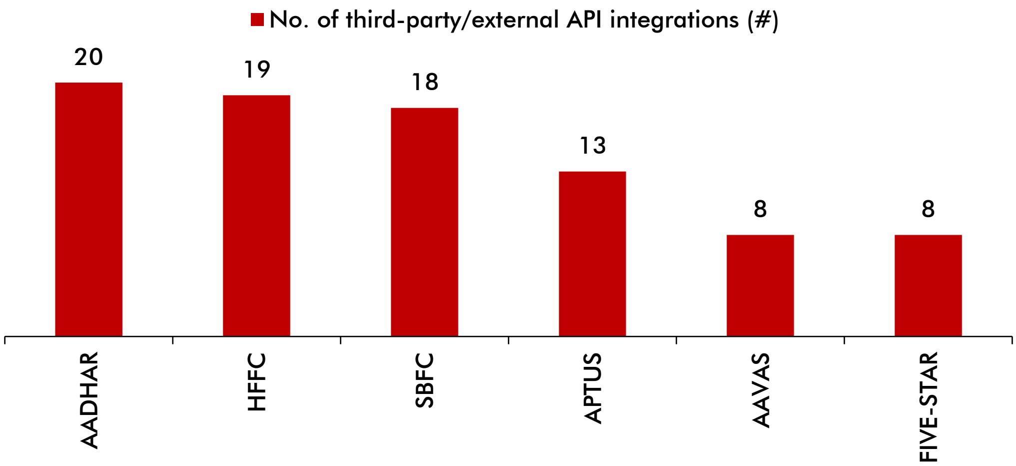
Source: Companies, Ambit Capital research. Note: Tech spends (% of AUM) taken as average of FY21-24. Tech spend = Opex + capex (net change in gross block of intangibles ex-goodwill).

Exhibit 86: Higher tech spends despite smaller base underscores SBFC's early recognition of tech benefits



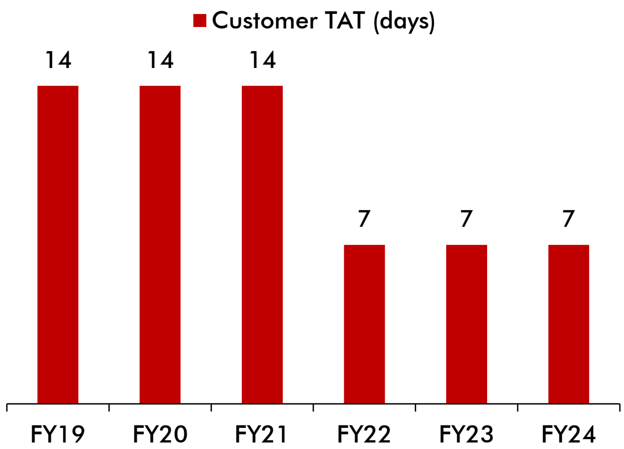
Source: Companies, Ambit Capital research. Note: Tech spends (% of AUM) taken as average of FY21-24. Tech spend = Opex + capex (net change in gross block of intangibles ex-goodwill).

Exhibit 87: Public disclosures indicate higher degree of third-party API integration at SBFC vs some of the larger peers...



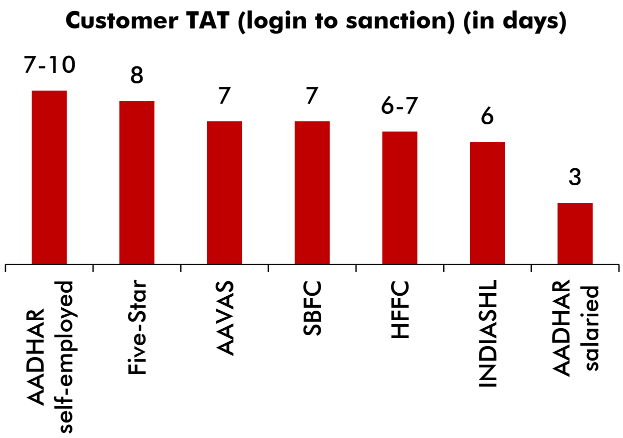
Source: Companies, Ambit Capital research, Ambit Capital estimates. Note: Count of external APIs are estimated based on public disclosures.

Exhibit 88: ...leading to faster customer turnaround time



Source: Company, Ambit Capital research. Note: TAT = turnaround time.

Exhibit 89: SBFC's turnaround time is competitive vs peers

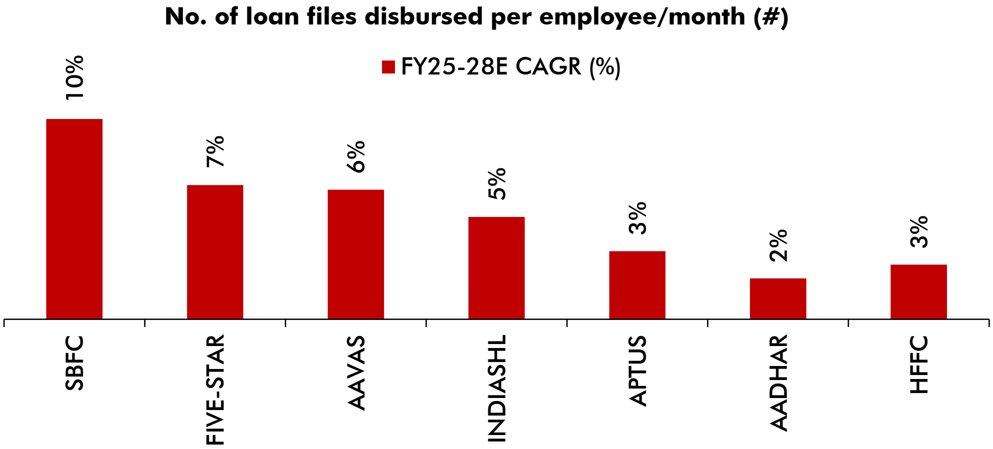


Source: Companies, Ambit Capital research. Note: Login-to-disbursal for SBFC. TAT = turnaround time.

More room for productivity improvement

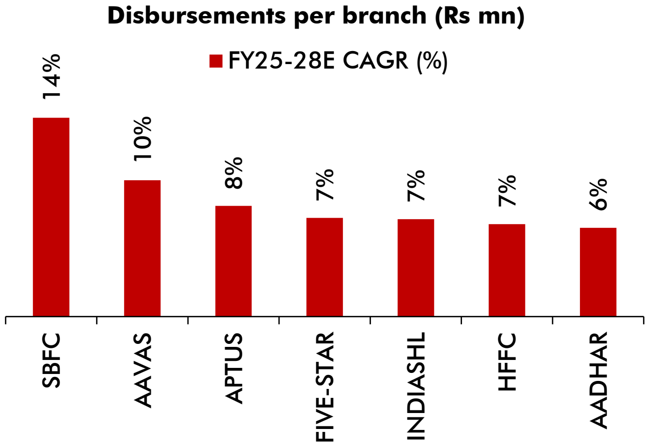
SBFC's FY25 file productivity per employee was lower than most other affordable mortgage financiers. In our view, one of the reasons is the tightening of underwriting norms towards the end of FY24, which led to a 2% YoY decline in files disbursed in FY25. Even if we look at FY24 employee productivity metrics, SBFC was only higher than Aavas, at par with India Shelter, but lower than others. Given higher tech spends, regular employee motivation programs, comparable or better turnaround time and lower competition in micro-LAP, there is scope for productivity improvement. Further, given SBFC's cost-conscious approach, increasing the number of sales staff per branch would also lead to higher branch productivity. Overall, we expect file disbursed per employee per month to increase at 7.6% CAGR (FY25-28) vs 2-6.6% CAGR for peers. As a result, we expect opex/assets to reduce by 65bps/104bps to 3.9%/3.5% by FY28/30E.

Exhibit 90: Given the focus on technology, lower competition in small-ticket LAP, SBFC should see higher productivity gains



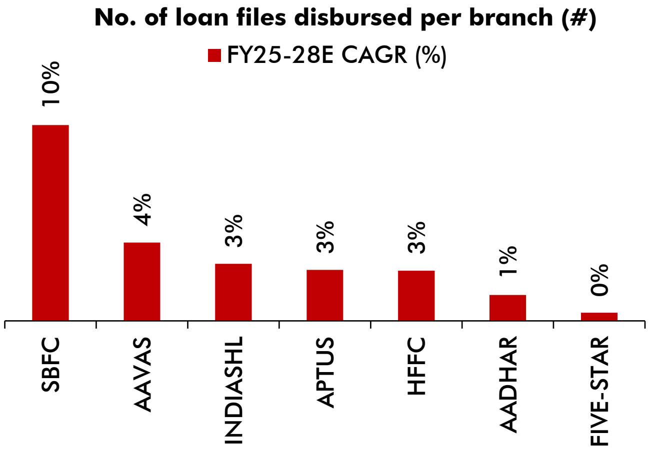
Source: Companies, Ambit Capital research

Exhibit 91: High productivity gains, inflation-linked ticket size increase should lead to more sweating of branches



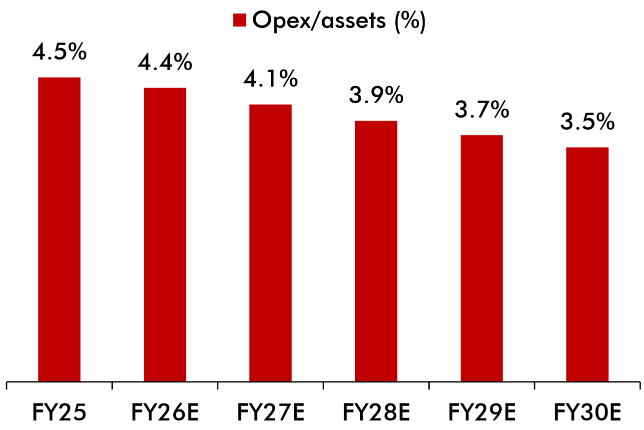
Source: Companies, Ambit Capital research

Exhibit 92: Expect branch productivity to improve



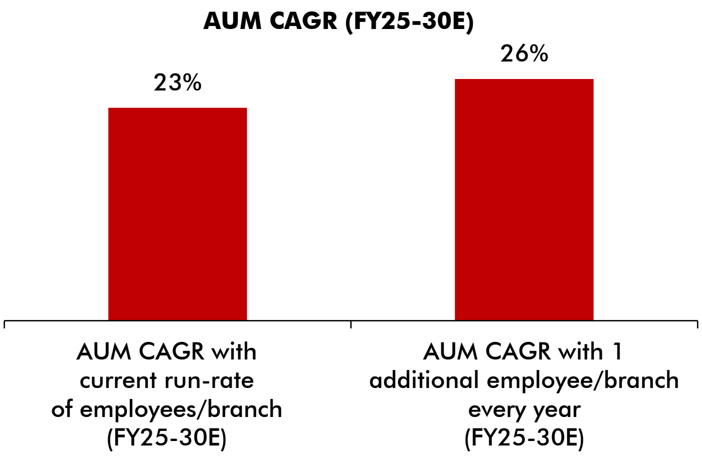
Source: Companies, Ambit Capital research

Exhibit 93: Improving productivity and scale to aid opex reduction



Source: Company, Ambit Capital research

Exhibit 94: Adding a sales person at every branch every year can yield 300bps higher AUM CAGR than current estimates



Source: Company, Ambit Capital research

Sound asset quality

SBFC's priority for credit quality over sales, avoiding high-risk customer profiles, preference for customer cash flows as a determinant of loan eligibility rather than relying on property collateral, reflects a conservative underwriting culture. Over the years, SBFC has taken steps to improve collections efficiency, such as introducing Delta and Omega apps, which have resulted in higher collections vs peers. Our analysis of affordable mortgage financiers' ECL coverage and write-off data indicates that SBFC's provisioning policies are more conservative. Pulling back on unsecured loans ahead of the industry and providing nearly 100% for unsecured NPAs reflect proactive risk management. Overall, considering SBFC's conservative underwriting and provisioning policies, as well as its better recovery rates (lower write-offs compared to peers), we expect credit costs to remain stable at 90-100bps over FY25-28E.

Credit policies reflect priority for credit quality over sales

In small-ticket, bottom-of-the-pyramid lending, risk control and credit policies are critical to maintaining sound asset quality. Considering this, ground checks indicate that between customer cashflow and property collateral, customer cashflow is given higher weightage. The thought process behind this is that ultimate loan servicing will come from the customer's income. We believe this indicates a sound risk culture at the ground level, especially considering that some mortgage financiers tend to take higher comfort in property collateral.

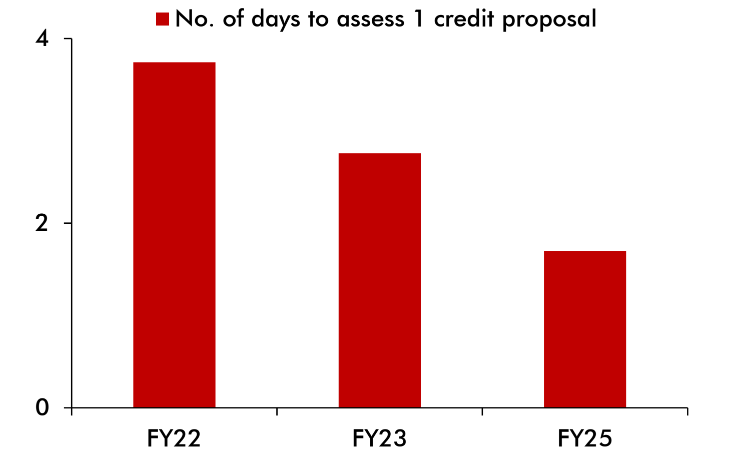
Few examples from the ground, which instil confidence in SBFC's asset quality:

- Avoiding certain risky employment types where collections can be potentially impacted.
- Preference for customer cash flows for determining loan serviceability rather than relying solely on property collateral.
- Mandatory online check for land records in case of small ticket LAP loans (<₹1mn).
- Reference checks, speaking to family members, checking UPI transactions in case of first-time borrowers. Picking up qualitative signals for assessing emotional attachment with property.

Adequate underwriting bandwidth; non-cash collections reduce fraud risk

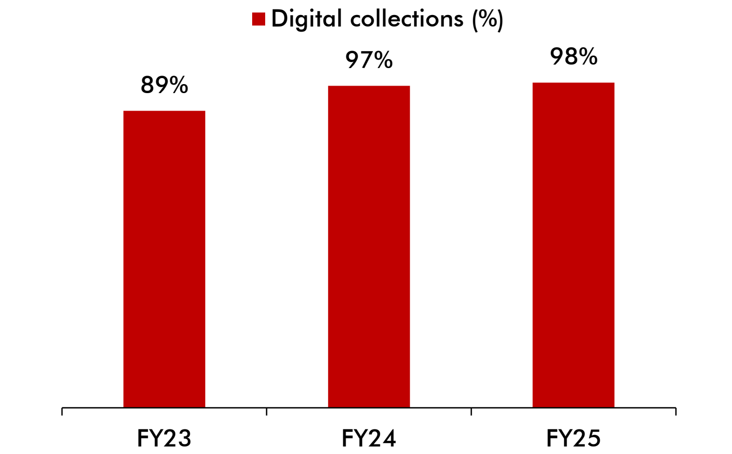
SBFC's credit evaluation appears in-depth, given that a credit officer takes about 1-2 days on average to evaluate one proposal. This indicates that the company has adequate underwriting bandwidth. Further, 98% non-cash collections indicate a lower risk of fraud. Digital collections are aided by Delta (mobile) and Omega (web) applications, which provide officers with a priority list of overdue customers, enabling them to channel their collection efforts more effectively. As per the FY19 annual report, Delta and Omega provide real-time information to the collections team on pending dues while giving customers multiple options to pay bounced EMIs. In addition to the in-house workforce, SBFC's collection efforts are boosted by tie-ups with external agencies.

Exhibit 95: SBFC underwriting efficiency has increased, leading to better customer turnaround time



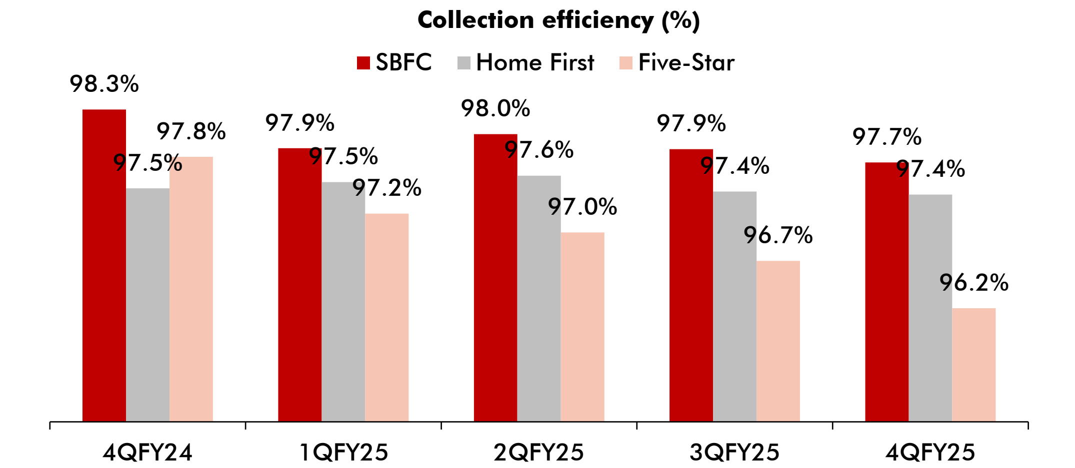
Source: Company, Ambit Capital estimates, Ambit Capital research

Exhibit 96: Higher proportion of digital collection has helped reduce fraud risk associated with cash collections



Source: Company, Ambit Capital research

Exhibit 97: Unique collections trending better than peers

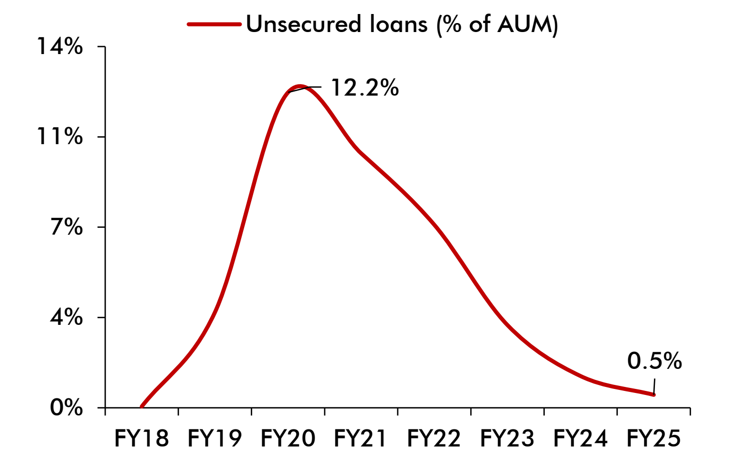


Source: Companies, Ambit Capital research

Scaling back on unsecured ahead of the downcycle

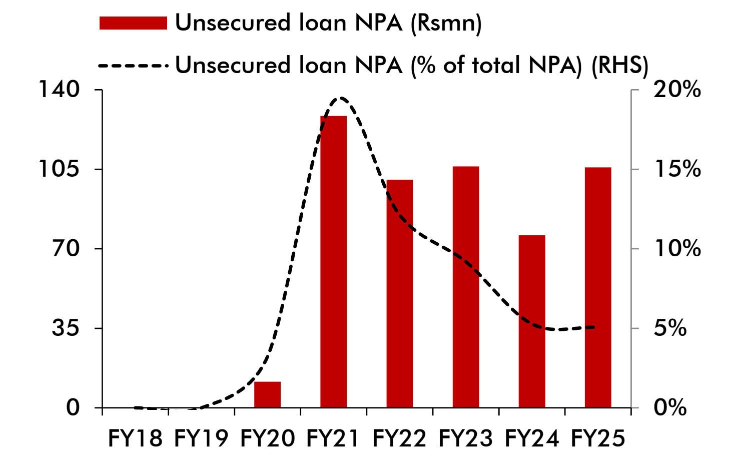
SBFC's unsecured loan portfolio peaked in FY22, after which it dialled back on this product. As of FY25, it has reduced to 0.5% of AUM. With the benefit of hindsight, SBFC's decision to scale down unsecured lending was ahead of other NBFCs, likely driven by early signs of increasing stress. This helped SBFC in containing asset quality impact on overall business as NPAs have been restricted to ~₹1.1bn and 5% of overall company GNPAs.

Exhibit 98: Rapid scale-down of unsecured loans ahead of stress cycle indicates good risk foresight



Source: Company, Ambit Capital research

Exhibit 99: As a result of scaling down unsecured exposure, asset quality pain from this segment has been very limited

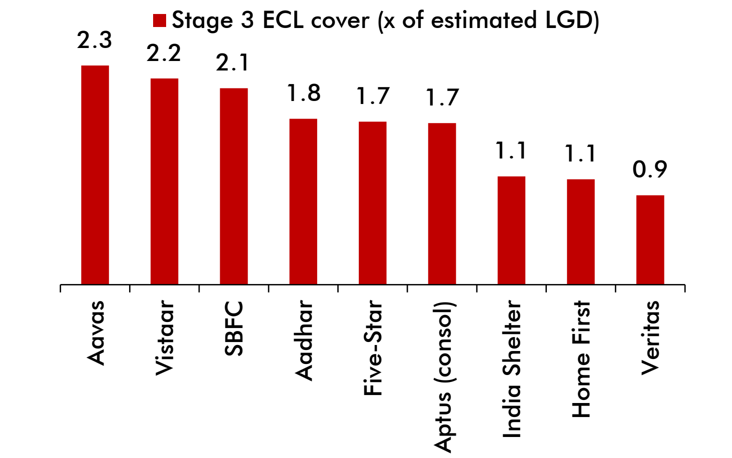


Source: Company, Ambit Capital research

Relatively conservative provisioning policies

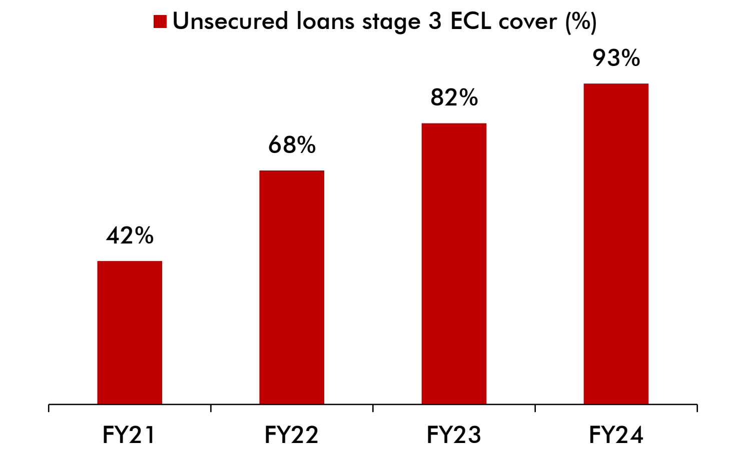
Our calculations indicate that SBFC has a relatively more conservative provisioning policy compared to peer affordable mortgage players. SBFC's stage 3 ECL cover is 2.1x of its estimated LGDs (loss given default) vs 1.1-1.8x for most (lower than 2.3x for Aavas). Our view on SBFC's conservative provisioning is corroborated by its approach to provide nearly 100% for the unsecured exposure. These traits indicate that management is proactive in recognising stress and providing for it adequately. Theoretically, if we were to standardise provisioning policies across players, SBFC's profitability would probably appear better.

Exhibit 100: Our calculations indicate SBFC has a more conservative provisioning policy vs peers



Source: Companies, Ambit Capital research. Note: Above calculations do not take into account NPA customer settlements which would reflect in write-offs.

Exhibit 101: Unsecured NPAs are nearly fully provided for; indicates proactive provisioning policies

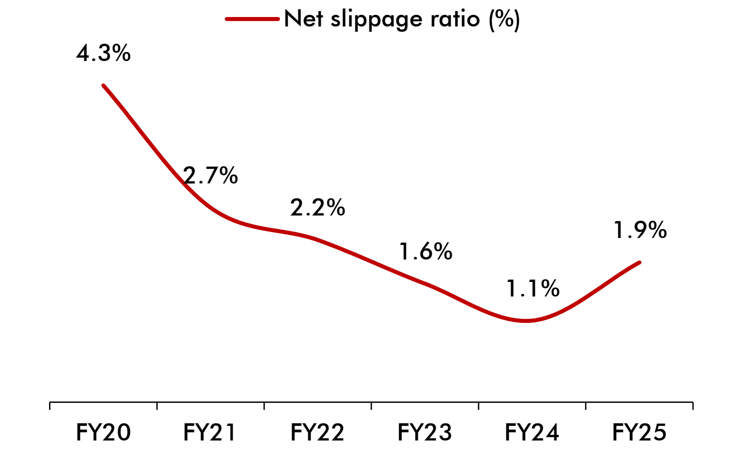


Source: Company, Ambit Capital research

SBFC's slippages are at par with industry average, but recoveries better

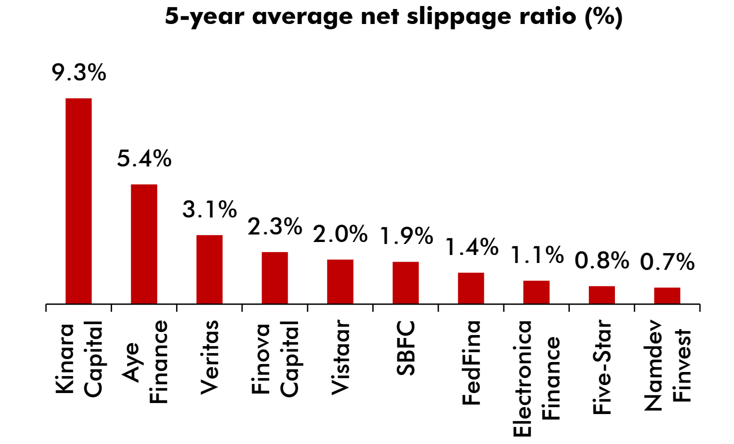
SBFC's slippage trends are in line with the industry average (which is small-ticket business loans) but higher than those of affordable HFCs. This is likely due to home loans generally carrying lower risk and higher repayment priority for customers compared to loans taken for businesses. However, SBFC's write-offs have been lower, suggesting better recovery/collection efforts vs peers. While SBFC caters to the underserved segment, sound underwriting and collections would keep credit costs stable at 90-100bps (FY26-28E).

Exhibit 102: SBFC's slippages have been declining with increasing scale, indicating improving underwriting



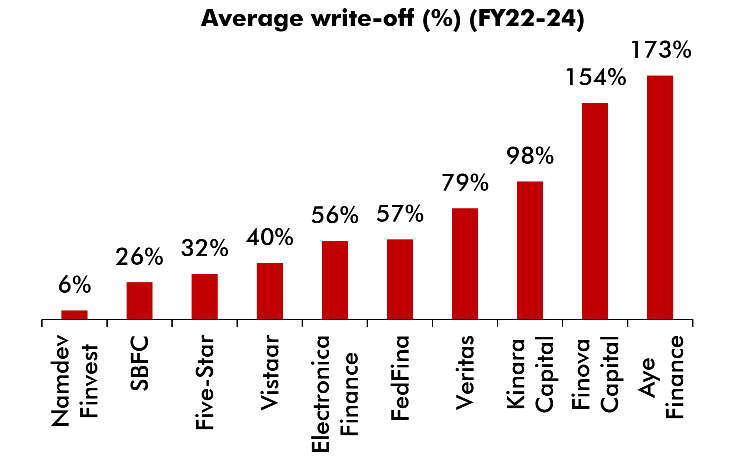
Source: Company, Ambit Capital research

Exhibit 103: Average slippage ratio over the last 5 years indicates better underwriting quality than most small-ticket LAP peers



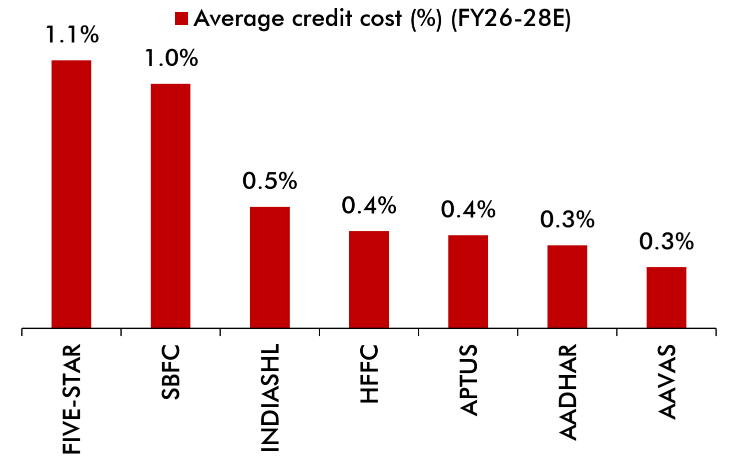
Source: Companies, Ambit Capital research

Exhibit 104: Lower write-offs intensity for SBFC indicates better recovery rates vs peers



Source: Companies, Ambit Capital research

Exhibit 105: SBFC's steady-state credit cost is in line with small-ticket LAP due to higher risk in mortgage-backed business loans vs home loans



Source: Companies, Ambit Capital research

Exhibit 106: Expect medium-term credit cost to trend lower, coming off an elevated base (FY25/26) which saw higher stress

Credit cost assumptions	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross stage 1 (%)	93.9%	93.2%	94.2%	93.9%	94.0%	94.2%
Gross stage 2 (%)	3.6%	4.4%	3.1%	3.2%	3.2%	3.2%
Gross stage 3 (%)	2.6%	2.4%	2.7%	2.9%	2.8%	2.6%
ECL stage 2 (%)	7.0%	5.0%	5.9%	5.9%	5.9%	5.9%
ECL stage 3 (%)	39.3%	44.4%	45.9%	45.0%	45.0%	45.0%
Total ECL (%)	1.9%	1.8%	1.8%	1.8%	1.8%	1.8%
Write-offs (% of op. gross stage 3)	18%	18%	32%	25%	25%	25%
Net slippage (% of op. stage 1/2)	1.6%	1.1%	1.9%	1.5%	1.3%	1.2%
Credit cost (%)	0.9%	0.9%	1.1%	1.0%	1.0%	0.9%

Source: Company, Ambit Capital research

Product additions can aid long-term scale

In the long run, SBFC's scalability will depend on new product additions. Geographical diversification, which provides an edge over peers, is well noted. However, as customer loan maturities arise, we identify cross-sell potential equivalent to 10-12% of our current estimated disbursements. This could enhance long-term (FY25-30E) AUM growth trajectory by ~200bps to 25% CAGR. Given existing investments in mortgage underwriting and collections, an affordable home loan is a product worth exploring. Furthermore, historical examples demonstrate that diversified product portfolios facilitate higher opex absorption. Maintaining sound asset quality while scaling up can help reduce the credit risk premium from lenders, thereby improving funding costs and price competitiveness.

Affordable home loans would be a low-hanging fruit

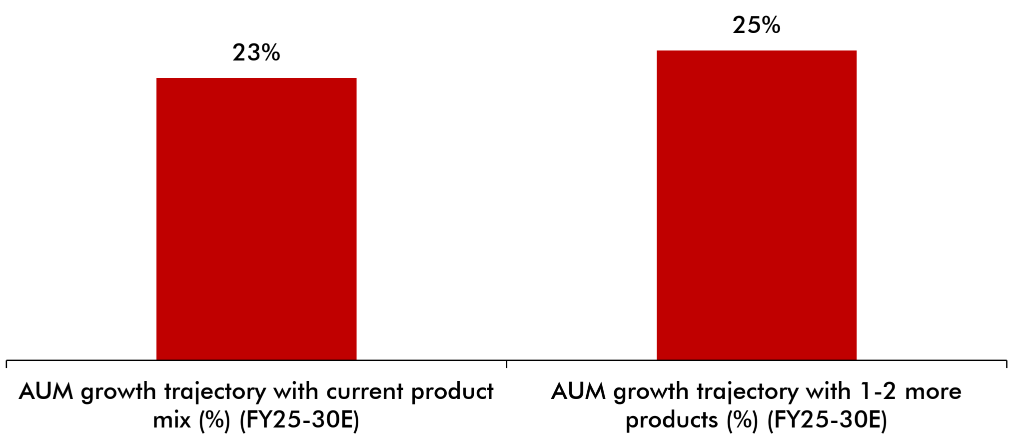
In the long run, exploring product adjacencies, such as home loans, will help build scale. Currently, SBFC mainly offers two products (i) LAP and (ii) gold loans (17% of AUM). We believe introducing more products would enhance scalability prospects. Given that SBFC is already underwriting property loans for business, the process for home loans would not be too different. Hence, foraying into affordable home loans would be a low-hanging fruit. While our view is that competition is increasing in the affordable home loan market, cross-selling can help reduce customer acquisition costs. Furthermore, given SBFC's exposure to the self-employed segment, equipment financing could be another way to diversify its product offerings.

Exhibit 107: Upcoming loan maturities offer immense cross-sell opportunity

Cross-sell opportunity sizing	FY26E	FY27E	FY28E	FY29E	FY30E
Number of loans coming up for maturity (assuming 4-year loan repayment)	13,600	23,007	28,818	28,138	34,361
Cross-sell opportunity captured (%)	50%	50%	50%	50%	50%
Average ticket size (₹ mn) (assumed)	0.5	0.5	0.5	0.5	0.5
Cross-sell opportunity size (₹ mn)	3,400	5,752	7,205	7,035	8,590
% of secured MSME disbursements	10%	14%	14%	12%	12%

Source: Ambit Capital research

Exhibit 108: Expanding product offerings can increase long-term growth trajectory by ~200bps

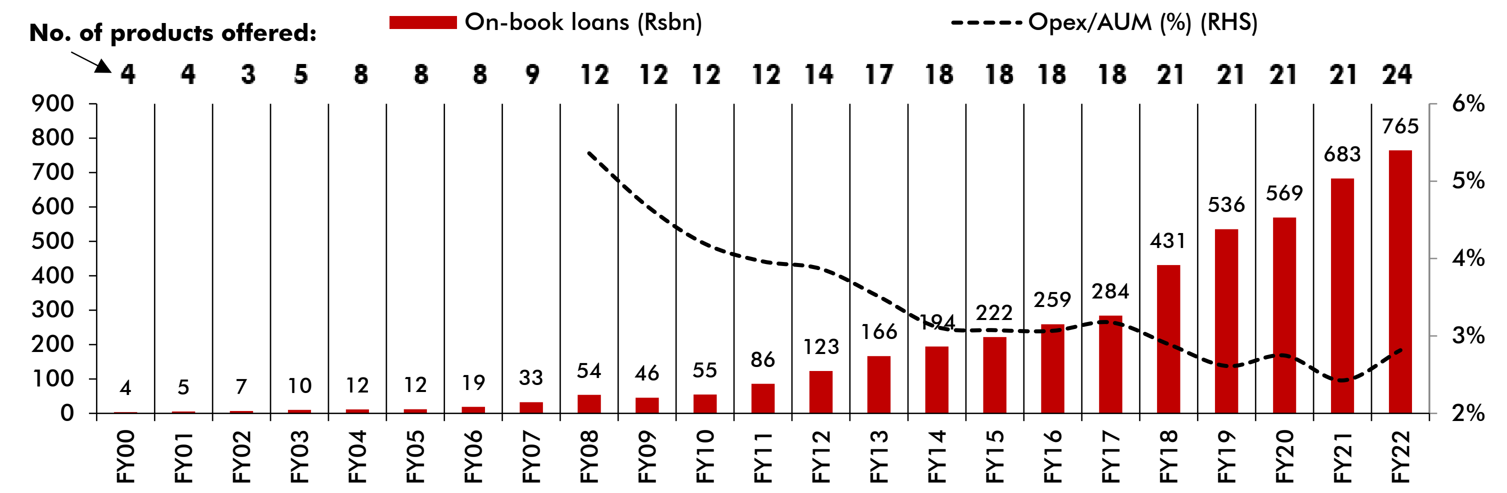


Source: Ambit Capital estimates, Ambit Capital research

Multi-product NBFCs make a strong case for product diversification

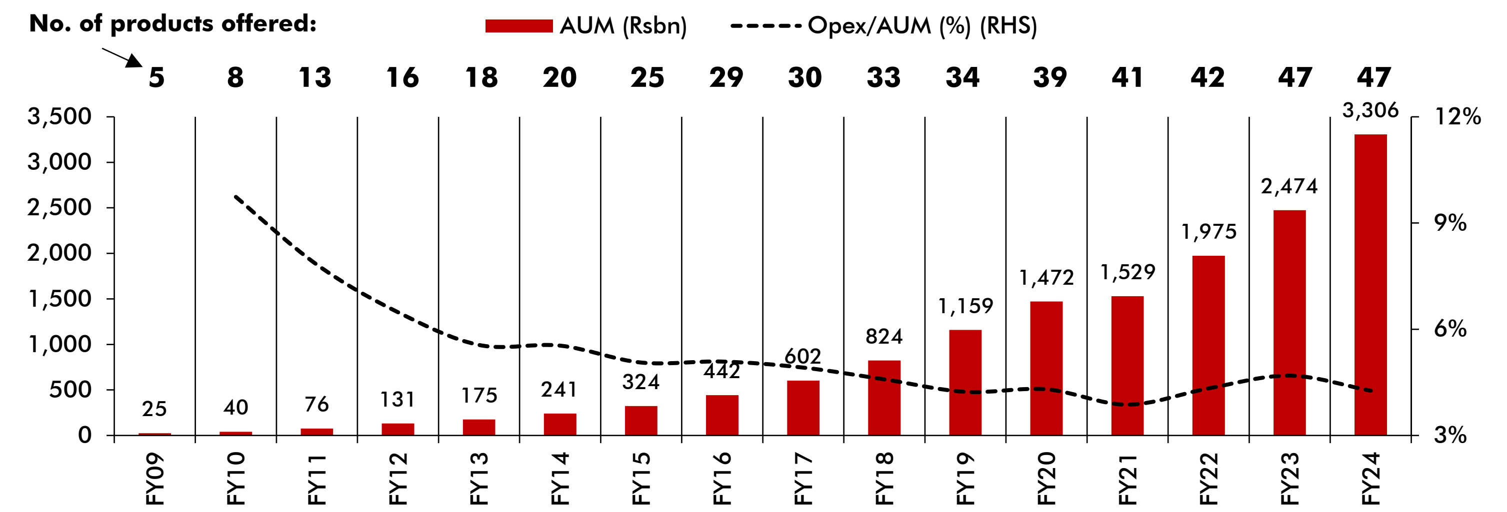
Historical trends on opex absorption/efficiency for large-scale NBFCs make a strong case for diversifying the product mix. Chola/Bajaj Finance, the most diversified NBFCs, introduced 10/30 new products over the last 10 years. As a result, Chola/Bajaj Finance opex/AUM declined from 4%/7.8% in FY11 to 2.4%/3.9% in FY21. On the other hand, less diversified NBFCs such as Shriram Finance (pre-merger) and Muthoot Finance have seen lower or negligible reduction in opex-to-AUM despite attaining large scale in their respective industries. This clearly indicates that at a large scale, multi-product NBFCs have a wider opex absorption net, making them more efficient and price-competitive. In the long term, SBFC's foray into adjacent products, such as affordable home loans would aid better resource utilisation (branches, manpower).

Exhibit 109: As Chola expanded its product portfolio over time, opex absorption improved, improving competitiveness



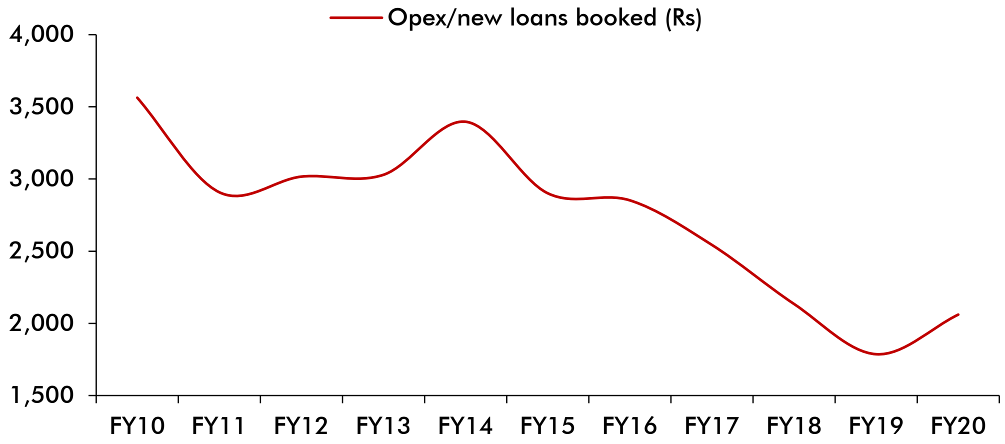
Source: Company, Ambit Capital research

Exhibit 110: Bajaj Finance is far more diversified with an expansive product portfolio



Source: Company, Ambit Capital research

Exhibit 111: With increasing scale, Bajaj Finance has been able to reduce operating expenses per new loan booked

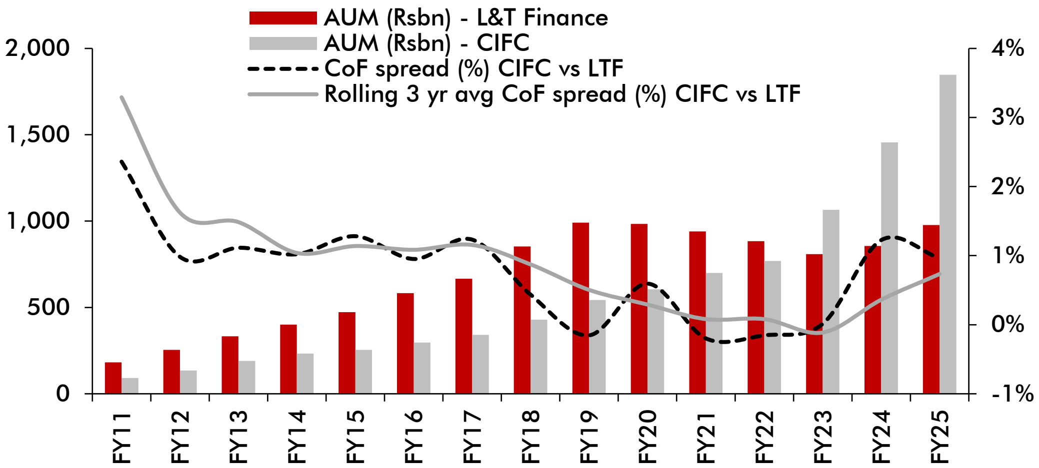


Source: Company, Ambit Capital research

Sound asset quality at a larger scale can yield funding cost benefits

Debt investors and bankers reward NBFCs which can scale up while maintaining their asset quality. This is reflected in the form of declining cost of funds. For instance, CIFC's cost of funds spread over AAA-rated NBFC L&T Finance reduced after FY11 as it scaled up its AUM from ₹91bn (FY11) to ₹1.8tn (FY25) while keeping average credit cost at ~1.2% and RoE at >18%. As long as SBFC can scale up while sustaining sound asset quality and 15-16% RoE, it should be able to attract a lower credit risk premium from lenders.

Exhibit 112: As an NBFC scales up while maintaining asset quality, bankers/debt markets start giving funding cost benefits too



Source: Company, Ambit Capital research

Industry opportunity + execution deserve a premium

SBFC's focus on niche product (<₹1mn LAP) with low competition should aid 25% AUM CAGR, ~35bps market share gain and stable spreads of 8.1% over FY25-28E. Early tech adoption and cost consciousness should aid 65bps opex reduction to 3.9% by FY28E. Conservative underwriting and provisioning policies to keep credit costs stable at 90-100bps, in line with micro/small-ticket LAP peers. Overall, RoE on tangible equity should expand to 16.2% by FY28E, aided by improving efficiencies. Expect 26% EPS CAGR (FY25-28E). Given existing investments in underwriting and collections, levers for scalability through product additions are in place. We prefer micro/small-ticket LAP to affordable HFCs due to 400bps/200bps higher growth/RoE. For SBFC, we are building 21%/16-17% AUM CAGR and average RoE (FY25-35E) vs. 19%/15-16% for affordable HFCs, driving a 30-60% valuation premium.

Poised for market share gain with improving profitability

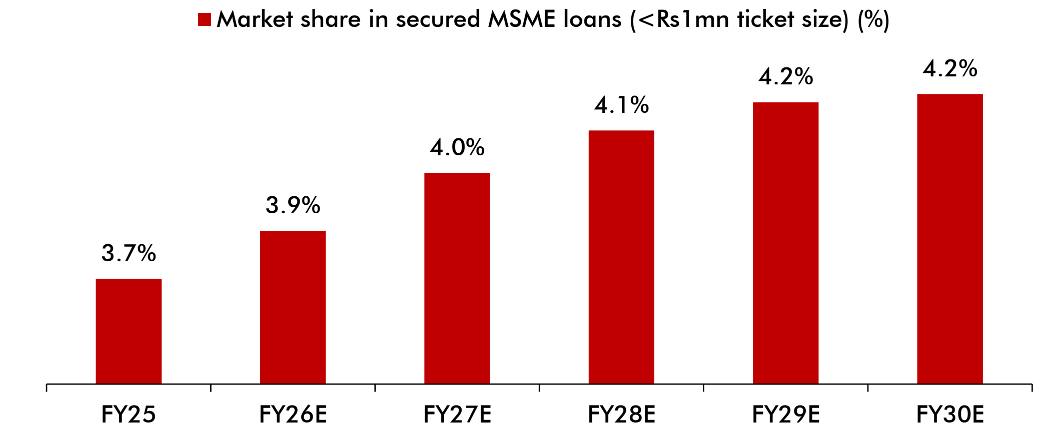
We expect <₹1mn secured MSME industry credit to grow at 22% CAGR (FY25-30E) to ₹5.2tn. Given operational difficulties in assessing income for self-employed customers and property evaluation for gram panchayat properties, NBFCs will continue to maintain an underwriting edge over banks in this segment. In this backdrop, we expect SBFC to expand market share by ~45bps to 4.2% by FY30. Furthermore, SBFC's cost-conscious approach to growth and well-established API integration will yield efficiency improvements. As a result, we expect tangible RoE (ex-goodwill) to expand to 16.2%/17.4% by FY28/30E.

Exhibit 113: We expect 23% AUM CAGR (FY25-30E), led by high industry growth potential and low competition. Steady-state RoE to expand to 16-17% due to pricing power and improving efficiency.

	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	Comments
Assumptions								
No. of secured MSME loans disbursed (#)	28,818	28,138	34,361	40,707	46,518	52,810	58,478	Disbursal volume to be led by branch expansion and improving productivity.
Growth (%)	25%	-2%	22%	18%	14%	14%	11%	
Average disbursement ticket size (₹mn)	1.0	0.9	1.0	1.0	1.1	1.2	1.2	Expect the average ticket size to increase at the rate of inflation.
Growth (%)	-2%	-2%	5%	5%	5%	5%	5%	
Overall AUM growth YoY (%)	38%	28%	26%	25%	23%	22%	20%	
Opex/assets (%)	4.8%	4.5%	4.4%	4.1%	3.9%	3.7%	3.5%	Efficiency to improve led by improved productivity.
Credit cost (%)	0.9%	1.1%	1.0%	1.0%	0.9%	0.9%	0.9%	Credit cost in line with industry peers.
Output								
AUM	68	87	111	139	171	208	250	
NII	6.4	8.5	10.4	12.6	15.3	18.4	21.9	
PAT	2.4	3.5	4.3	5.5	6.9	8.5	10.4	
EPS (₹)	2.4	3.2	4.0	5.0	6.4	7.9	9.6	
BVPS (₹)	25.9	29.4	33.4	38.4	44.7	52.6	62.2	
ROA (%)	3.7%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	
RoE (%) (ex-goodwill)	11.9%	12.7%	13.7%	15.0%	16.2%	17.0%	17.4%	Increasing scale, pricing power and improving efficiency to drive RoE expansion.

Source: Company, Ambit Capital research

Exhibit 114: Diversified presence, superior customer TAT and sound underwriting to aid market-share gains



Source: CRISIL, Company, Ambit Capital research

Exhibit 115: SBFC's performance so far has been at par with the industry. It has fared better than its peers on geographical diversification, pricing power and technology integration. Going ahead, we expect cost efficiencies to improve

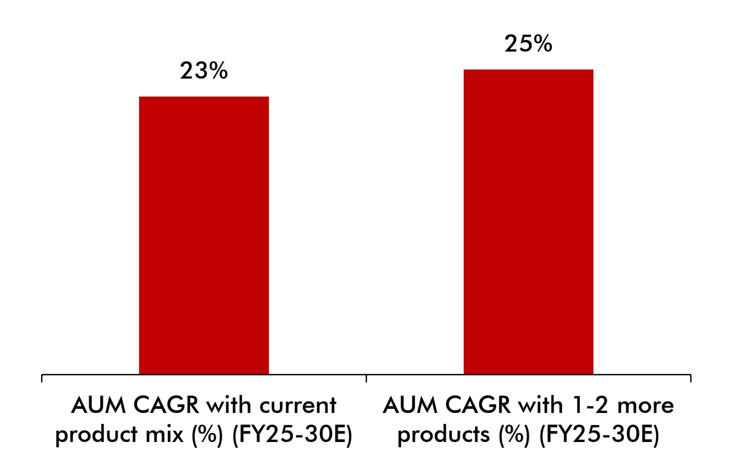
Particulars	SBFC	Five-Star	Aavas	Home First	Aptus	India Shelter	Bajaj Finance	Chola	Shriram Finance	Comments
Geographical diversification	●	◑	◑	◕	◔	◑	●	●	◕	SBFC is better diversified vs affordable HFCs given 15% share of branches in top state vs 18-38% for affordable HFCs and other NBFCs.
Product strategy and diversification	◑	◑	◑	◑	◑	◑	●	●	◕	SBFC currently has only two products, similar to affordable HFCs, but inferior to large NBFCs, which are way more diversified.
Pricing power	●	●	◕	◕	◕	◕	◕	◕	●	SBFC exhibits pricing power given it caters to credit-neglected customer segment. Affordable HFCs have been susceptible to price competition.
Technology integration	◕	◕	◑	●	◑	◕	●	●	◕	SBFC boasts higher API integration than some of the affordable HFCs, which has helped in reducing customer turnaround time. Higher technology integration should aid efficiencies in the long term.
Cost efficiency	◑	◑	◑	●	●	◑	●	●	●	
Underwriting quality	◕	◕	●	◕	●	◕	●	◕	◑	SBFC's slippages and credit costs are at par with the industry average for micro/small-ticket LAP loans. Write-offs are lower, indicating better recoveries.
Overall score	◕	◕	◕	◕	◕	◕	●	●	◕	

Source: Companies, Ambit Capital research. Note: ● - strong, ◕ - Average, ◑ - Relatively Weak, ◔ - Weak

Multiple levers to enhance long-term scalability

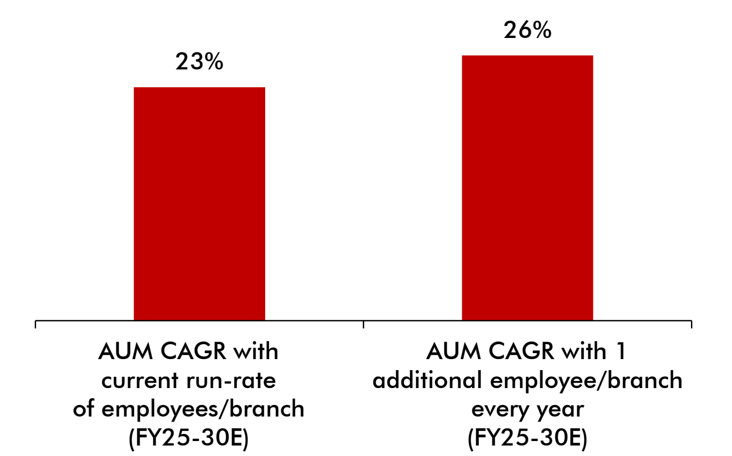
While SBFC increases micro/small-ticket size LAP market share to 4.2% by FY30E, we see room for product diversification. Utilising the current skill set to underwrite home loans is a low-hanging fruit, which could increase long-term growth potential by ~200bps. Further, SBFC comes across as astute in terms of managing cost economics. Considering this, even if SBFC decides to deploy one additional salesperson at every branch every year, it could enhance long-term AUM/EPS growth potential by 200-300bps.

Exhibit 116: Adding new products can enhance long-term growth potential by 200bps



Source: Company, Ambit Capital estimates, Ambit Capital research

Exhibit 117: Deploying extra sales manpower per branch can aid better sweating of branches and aid scalability

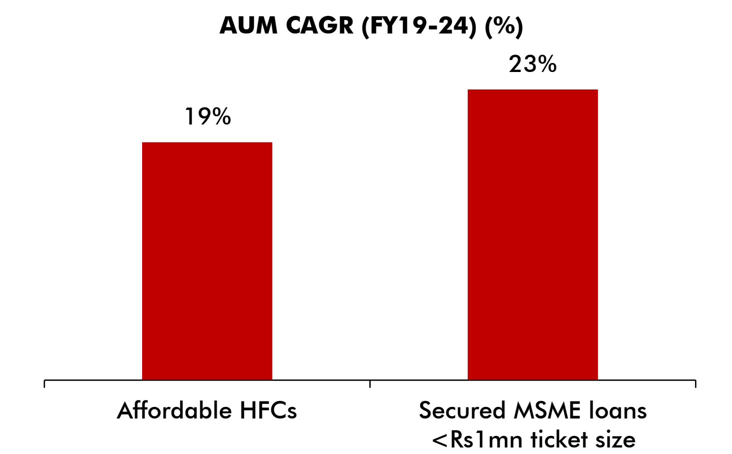


Source: Company, Ambit Capital estimates, Ambit Capital research

Cleaner, higher RoE, competitive edge vs affordable HFCs warrants premium

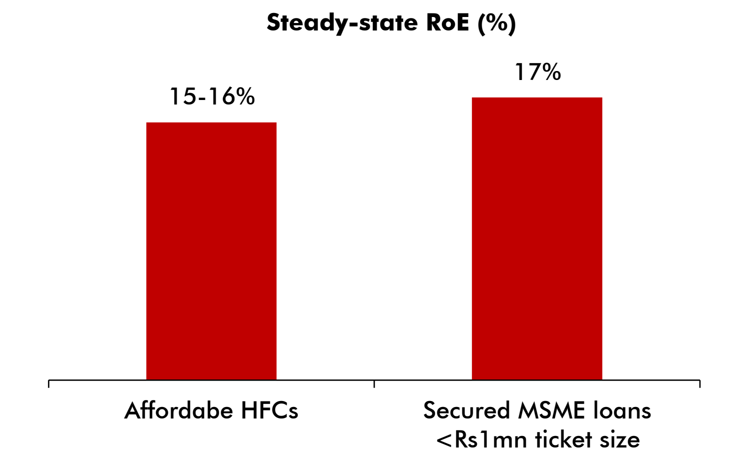
We like the micro/small-LAP space more than affordable housing finance as micro/small-ticket LAP offers higher growth and profitability prospects. Micro/small-ticket LAP players also have cleaner RoE than affordable HFCs. If we remove upfront profit-booking from assignment transactions, affordable HFCs' RoE would be lower despite higher financial leverage. This implies inferior capital efficiency and profitability for affordable HFCs compared to micro/small-ticket LAP.

Exhibit 118: Despite similarly-sized scale (FY24 AUM: ₹1.4-1.5trn), micro/small-ticket MSME loans have grown higher



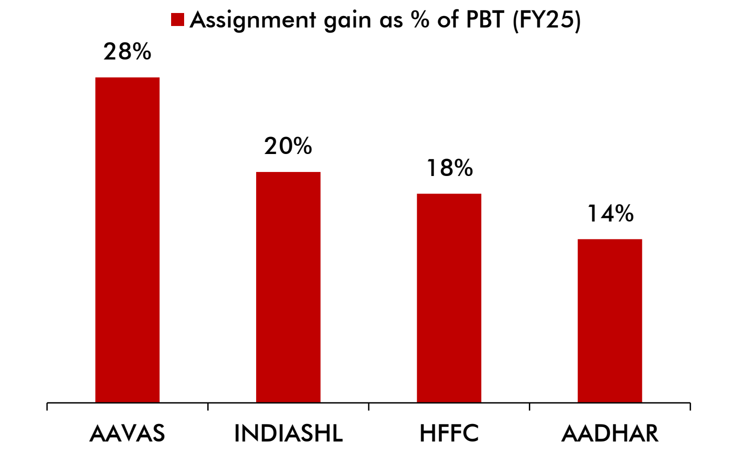
Source: CRISIL, Ambit Capital research. Note: For affordable HFCs, we have considered aggregate AUM for 27 NHB-registered affordable HFCs. For secured MSME loans <₹1mn ticket size, we have considered growth projections as per CRISIL.

Exhibit 119: Small-ticket LAP's RoE higher than affordable HFCs due to better pricing power



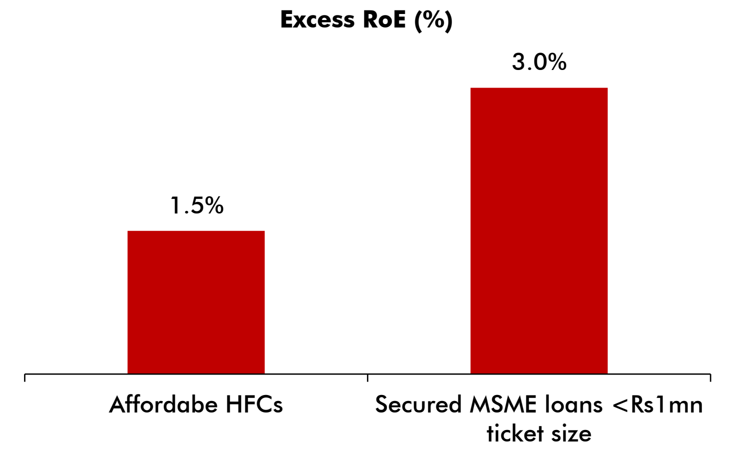
Source: Ambit Capital research. For affordable HFCs, we have considered Aavas, Home First, India Shelter, Aadhar. For secured MSME loans <₹1mn ticket size, we have considered Five-Star and SBFC.

Exhibit 120: 15-30% of AHFCs' profits come from upfront booking of future profits, which inflates RoE



Source: Companies, Ambit Capital research

Exhibit 121: But despite this income upfronting, excess RoE is expected to be lower for AHFCs vs small-ticket LAP

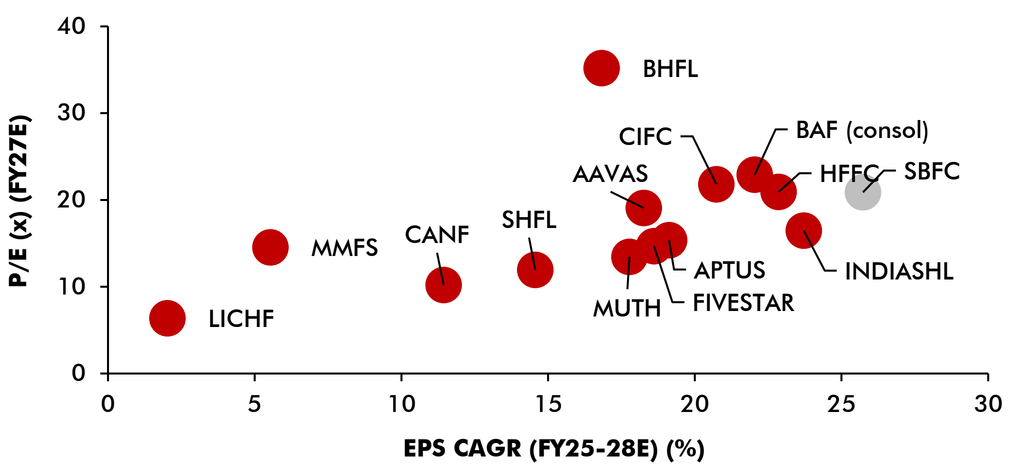


Source: Company, Ambit Capital research. Note: Our cost of equity assumption for affordable HFCs and small-ticket LAP NBFCs is 14%. Excess RoE = RoE – Cost of equity.

Management pedigree, execution, industry potential to drive premium valuations among small/mid NBFCs

SBFC's current valuations build in AUM CAGR/RoE expectations of 20-21%/16% (FY25-35E). SBFC's current valuation multiples are at 4-30% premium to Five-Star and affordable HFCs, implying that investors are already building in superior execution by SBFC. Our fair value for SBFC implies ~25% premium to Five-Star (same as current) for ~700bps higher EPS CAGR (FY25-28E) due to relatively stable credit cost and improving opex. Over FY25-35E, we expect AUM CAGR/average RoE of 21%/16-17% for SBFC. This will be led by distribution expansion in the backdrop of increasing industry penetration in <₹1mn ticket-size LAP, product diversification prospects, efficiency improvement and sound underwriting. Within small and mid-scale NBFCs, micro/small-ticket LAP plays deserve a premium over affordable HFCs for better scalability prospects and higher RoE. Hence, we prefer SBFC/Five-Star to affordable HFCs.

Exhibit 122: Expect premium valuation to sustain for SBFC on superior execution in a high-growth potential industry



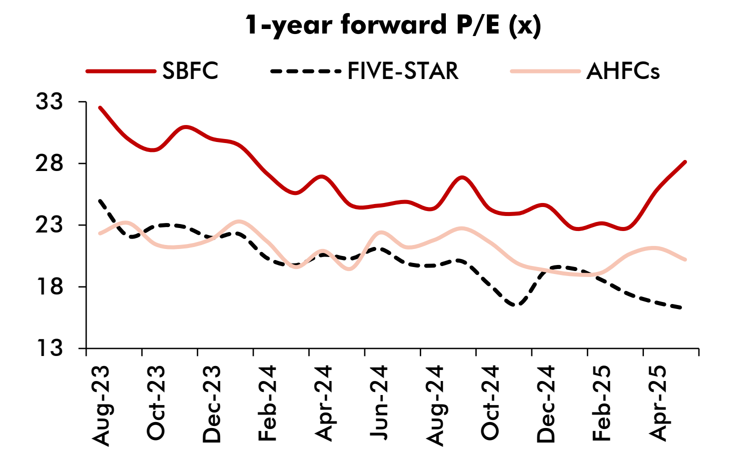
Source: Companies, Ambit Capital research

Exhibit 123: Sensitivity of valuations to long-term growth and RoE assumptions

FY25-35E	Bear case	Base case	Bull case	Comments
Key financial estimates				
AUM CAGR (%)	17.4%	20.6%	22.6%	In the bear case, we expect high competition to weigh on AUM growth. In the bull case, we expect competitive intensity to be low, aiding higher growth.
Average loan spread (%)	7.0%	7.7%	7.3%	In the best case, high competition will drive down spreads. In bull case, pricing power will sustain for longer.
Average opex (%)	4.0%	3.5%	3.7%	In the bear case, lower AUM growth to result in higher opex.
Average credit cost (%)	0.8%	0.8%	0.8%	
Average ROA (%)	4.1%	4.9%	4.4%	
Average RoE (%)	13.7%	16.8%	16.5%	In the bear case, lower AUM growth and spread compression will dent RoE. In the bull case, ability to sustain growth rates and pricing power will aid higher RoE.
PAT CAGR (%)	17.1%	22.9%	23.1%	
Valuation				
TP (₹)	65	124	171	
P/B (FY27E) (x)	1.7	3.2	4.5	
P/E (FY27E) (x)	14.7	24.7	35.7	

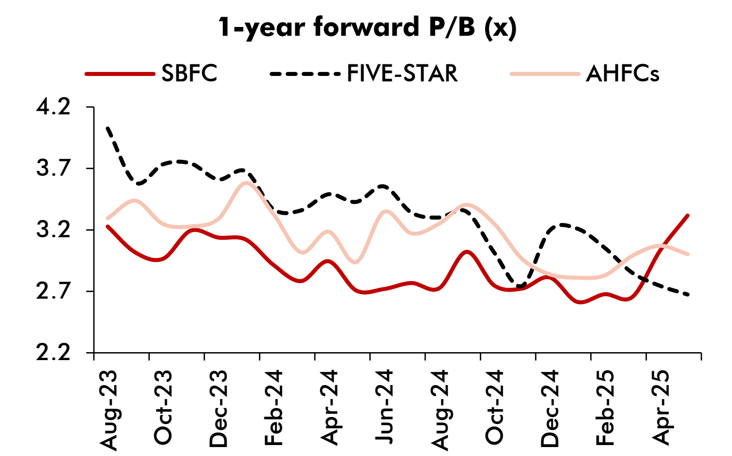
Source: Company, Ambit Capital research

Exhibit 124: SBFC premium on P/E partly driven by lower-than-steady state earnings...



Source: Companies, Ambit Capital research. Note: Affordable HFCs considered are Aavas, Home First, Aptus, India Shelter.

Exhibit 125: ...as well as market-share gain prospects in a high-growth industry



Source: Company, Ambit Capital research. Note: Affordable HFCs considered are Aavas, Home First, Aptus, India Shelter.

Risks and catalysts

Catalysts

Branch expansion, productivity and industry potential to aid AUM growth: We expect SBFC to open 22 new branches in FY26E. This, along with 10% YoY growth in files disbursed per branch, should aid ~26% YoY AUM growth in FY26E. Micro/small-ticket LAP (<₹1mn ticket size) penetration among rural households with house ownership appears low and indicates higher growth potential for the industry.

Expect spreads to sustain: SBFC operates in a product segment with low competitive intensity. Given high risk perception around customer and collateral, SBFC's loan spreads indicate pricing power. We expect current loan spreads to be maintained at 8.45% in FY26E.

Productivity to aid opex reduction: We expect opex-to-assets to reduce by 16bps in FY26E on the back of improving file productivity per employee. Other opex per branch growth would be lower than AUM growth as strategy focuses on low-cost distribution reach expansion.

Risks

Increasing competition can impact pricing power: Micro/small-ticket LAP is an attractive product, given high growth potential and 16-17% RoE. Typically, high-growth/high-RoE products tend to attract competition. Hence, increasing competition can impact AUM growth and spreads. Further, the recent reduction in the qualifying assets criteria to 60% from 75% for MFIs is likely to increase competition in micro/small ticket-LAP.

High employee attrition can hurt productivity: We are currently building for ~8% CAGR (FY25-28E) in the number of files disbursed per employee. However, higher-than-expected competition can lead to higher employee attrition. This would impact productivity and thus opex improvement.

Asset quality is more vulnerable to economic downturns: Target customers belong to the bottom-of-the-pyramid segment, which is more vulnerable to economic downturns given lower incomes and lower financial safety net. Hence, an economic downturn can lead to higher credit costs.

Exhibit 126: Explanation of our flags on the cover page

Segment	Score	Comments
Accounting	**GREEN**	We do not find anything unusual in the company's accounting policies and believe the reported numbers are a true reflection of performance.
Predictability	**GREEN**	In the last 3 years, SBFC delivered consistently, thereby improving margins and RoE.
Earnings momentum	**GREEN**	In the past 1 year, consensus upgraded FY26/27E earnings.

Source: Company, Ambit Capital research

SBFC Finance (SBFC IN, BUY)

Valuation Methodology

We have assumed cost of equity of 14% and terminal growth rate of 5%. Our fair value estimate is based on AUM CAGR and average RoE of 21% and 16% (FY25-35E), respectively.

Risks

Risks to BUY call: (i) Increasing competition can dent pricing power; (ii) High employee attrition can impact productivity and AUM growth; (iii) A sharper-than-expected economic downturn can lead to higher credit costs.

Financials – Standalone

Income statement

Particulars (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
Net interest income	**6,388**	**8,470**	**10,353**	**12,611**	**15,314**
Non-interest Income	304	398	463	586	728
Total Income	**6,692**	**8,869**	**10,815**	**13,197**	**16,042**
Total opex	3,061	3,546	4,201	4,893	5,649
Pre provision profit	**3,631**	**5,322**	**6,615**	**8,304**	**10,393**
Provisions	470	737	881	1,029	1,197
Profit before tax	**3,161**	**4,585**	**5,734**	**7,275**	**9,196**
Tax	790	1,133	1,433	1,819	2,299
PAT	**2,370**	**3,452**	**4,300**	**5,456**	**6,897**

Source: Ambit Capital research, Company

Balance sheet

Particulars (₹ mn)	FY24	FY25	FY26E	FY27E	FY28E
Net worth	27,783	31,901	36,202	41,658	48,555
Borrowings	39,960	52,643	68,278	87,396	109,070
Total liabilities	**70,630**	**85,958**	**106,105**	**131,046**	**159,911**
Loans (on-book)	58,370	75,040	92,336	114,191	139,551
Cash & investments	8,930	7,562	10,242	13,109	16,361
Other assets	3,330	3,356	3,527	3,746	3,999
Total assets	**70,630**	**85,958**	**106,105**	**131,046**	**159,911**
AUM	**68,450**	**87,470**	**110,581**	**138,502**	**170,893**

Source: Ambit Capital research, Company

Key ratios

Particulars	FY24	FY25	FY26E	FY27E	FY28E
AUM growth (%)	37.5	27.8	26.4	25.2	23.4
Disbursements growth (%)	22.7	-4.4	28.2	24.4	20.0
EPS growth (%)	39.0	32.9	23.9	26.9	26.4
Net interest margin (NIM) (%)	10.5	11.3	11.2	11.0	10.8
Cost to income (%)	45.7	40.0	38.8	37.1	35.2
Opex (% of AAUM)	5.2	4.5	4.2	3.9	3.7
Gross NPAs (%)	2.4	2.7	2.9	2.8	2.6
Credit costs (% of AAUM)	0.9	1.1	1.0	1.0	0.9
Provision Coverage (%)	44.4	45.9	45.0	45.0	45.0
Tier-1 (%)	40.5	36.1	33.3	31.2	30.0
Capital adequacy (%)	40.5	36.1	33.3	31.2	30.0
Leverage (x)	2.8	2.6	2.8	3.0	3.2

Source: Ambit Capital research, Company

Valuation

Particulars	FY24	FY25	FY26E	FY27E	FY28E
BVPS (₹)	25.9	29.4	33.4	38.4	44.7
EPS (₹)	2.4	3.2	4.0	5.0	6.4
ROA (%)	3.7	4.4	4.5	4.6	4.7
RoE (%)	10.5	11.6	12.6	14.0	15.3
P/E (x)	43.7	32.8	26.5	20.9	16.5
P/BV (x)	4.1	3.6	3.1	2.7	2.3
DPS (₹)	0.0	0.0	0.0	0.0	0.0

Source: Ambit Capital research, Company

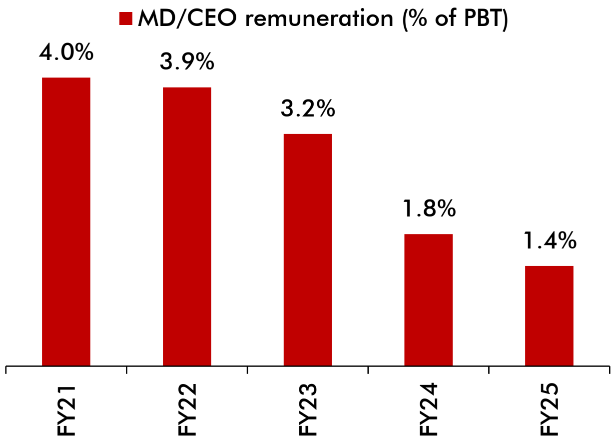
Annexure

Exhibit 127: Board comprises people with relevant industry experience

Name	Designation	Background and work experience	Industry experience	On the board since (years)
Neeraj Swaroop	Chairperson & Independent Director	Holds a bachelor's degree from IIT, Delhi and a post graduate diploma in management from IIM, Ahmedabad; previously associated with Pond's (India) Ltd, Bank of America, HDFC Bank, Standard Chartered Bank and Singapore Exchange Ltd.	Yes	7.5
Rajesh Agrawal	Independent Director	Graduated from the University of Buckingham, UK and post-graduated from Bentley College, USA; currently also associated with Ajanta Pharma Ltd as Joint MD.	Yes	4.6
Surekha Marandi	Independent Director	Graduated from Jadavpur University; previously served at the RBI for >3 decades and was also appointed as an executive director of the RBI; also served on the boards of United Bank of India and Bank of Baroda.	Yes	2.7
Ravi Venkatraman	Independent Director	Qualified CA and CWA; has 40+ years of experience as a senior finance professional in BFSI sector; given the "Best CFO Award" by the Asian Confederation of Businesses; previously associated with M&M Group since 1985; was a member of various committees like FIDC, FICCI, CII, AFPI, etc.	Yes	1.3
Koni Uttam Nayak	Independent Director	Post-graduated from University of Texas; has 27 years of experience in payments industry working to inspire the introduction and growth of the electronic payments industry; previously associated with Visa since 1997 and also worked with the Technology Applications division of the US Department of Energy.	Yes	1.2
John Mescall	Nominee Director	Holds a bachelor's degree in law and accounting from the University of Limerick, Ireland; currently, he is also the MD of Clermont Group; previously worked with Ernst and Young, Ireland.	Yes	6.0
Jonathan Tatur	Nominee Director	Graduated from University of Cambridge and post-graduated from University of Oxford; currently also associated with The Clermont Group as Senior Vice President.	Yes	5.5
Leroy Langeveld	Nominee Director	Holds a bachelor's degree in Law and Management Studies from the University of Waikato; admitted to practice law in New York Bar and High Court of New Zealand; worked with leading law firms and global investment groups; currently also associated with The Clermont Group as Assistant General Counsel.	Yes	0.1
Aseem Dhru	MD & CEO	Member of the ICIA and has been certified by the ICWAI; has 25+ years of experience in the banking industry and has worked with HDFC Bank, HDFC Securities, and HDB FS.	Yes	7.7
Mahesh Dayani	Executive Director	Holds a bachelor's degree in Commerce from the University of Calcutta and a Post Graduate Diploma in Business Administration from ICFAI Business School; he is also an Associate Member of the Indian Institute of Bankers; he has been the CBO of SBFC since 2017; previously worked with Kotak Mahindra Bank, HDFC Bank, and ICICI Bank.	Yes	0.3

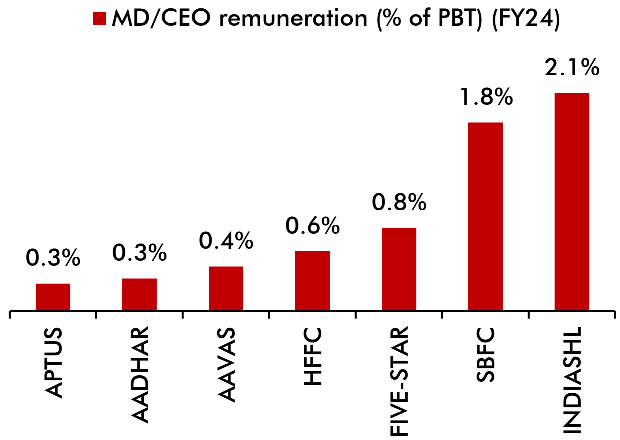
Source: Company, Ambit Capital research

Exhibit 128: Remuneration as % of PBT declining due to growing scale



Source: Company, Ambit Capital research

Exhibit 129: Remuneration higher vs peers due to smaller scale



Source: Company, Ambit Capital research

Exhibit 130: Senior management well incentivised through ESOPs

Name	Designation	Equity ownership (FY24)
Aseem Dhru	Managing Director & Chief Executive Officer	1.8%
Mahesh Dayani	Executive Director	1.4%
Narayan Barasia	Chief Financial Officer	0.7%
Saiprashant Menon	Chief Collection Officer	0.1%
Sanket Agrawal	Chief Strategy Officer, Analytics & IR	0.1%
Sumeet Ghai	Chief Human Resource Officer	0.0%
Viney Vaid	Head - Credit	0.1%
Ganesh Vaidya	Chief Technology Officer	0.0%

Source: Company, Ambit Capital research

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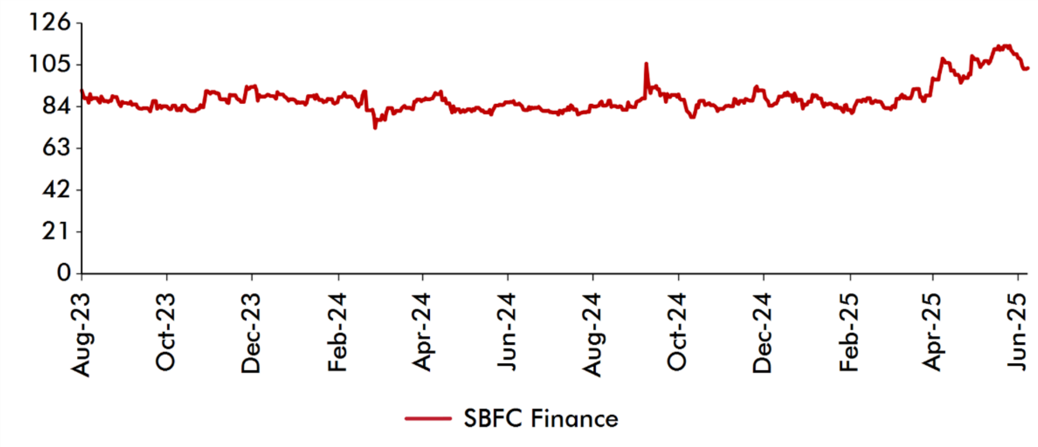

Source: ICE, Ambit Capital research

Explanation of Investment Rating - Our target prices are with a 12-month perspective. Returns stated are our internal benchmark

Investment Rating	Expected return (over 12-month)
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