

Disciplined growth, strong asset quality, and clear visibility on profitable scaling

CMP: INR 376

Rating: BUY

Target: INR 493

Stock Info

BSE	539199
NSE	SGFIN
Sector	NBFC
Face Value (INR)	10
Equity Capital (INR Mn)	558.95
Mkt Cap (INR Mn)	21,109
52w H/L (INR)	505/ 308
Avg Daily Vol (in 000')	13,740

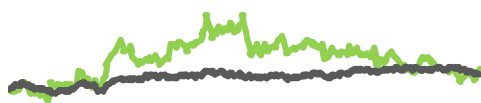
Shareholding Pattern %

(As on Dec, 2025)

Promoters	50.30%
Public & Others	49.70%

Stock Performance (%)	3m	6m	12m
SG Finserve Ltd	-6.87	-8.58	1.08
Nifty 50	-3.86	1.49	9.72

SG Finserve Ltd Vs Nifty 50



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The company reported a net profit of INR 0.32 bn, compared with INR 0.28 bn in Q2FY26 and INR 0.24 bn in Q3FY25, up 37.1% YoY and 14.3% QoQ. NII stood at INR 0.48 bn, up 24.1% YoY and 14.1% QoQ. PPOP came in at INR 0.42 billion vs INR 0.38 bn in Q1FY26 and INR 0.35 bn in Q3FY25, while PBT increased to INR 0.43 bn from INR 0.38 bn in Q2FY26 and INR 0.32 bn in Q3FY25. The loan book grew 12% QoQ to INR 31.1 bn, up 105% YoY.

Steady Earnings Growth with Strong Asset Quality: The company delivered a steady Q3FY26, with PAT rising 15% QoQ to INR 0.32 bn and 9MFY26 PAT up 49% YoY to INR 0.85 bn. Performance was supported by healthy AUM growth of 12% QoQ to INR 32.1 bn and tight cost control, with the cost-to-income ratio remaining below 15%. Asset quality remains strong with NIL GNPA, reflecting disciplined underwriting. With ROA of 4.4% and ROE of 10.5% (annualized), SG FinServ continues to stand out as a profitable, supply-chain-focused NBFC.

Strong Capital Base Enables Profitable Growth: SG FinServ remains well capitalized with ~INR 11.0 bn of equity, leverage below 2.0x, and additional equity expected from warrant conversion, providing adequate growth headroom. Management has guided for ~20% AUM CAGR to INR 75.0 bn by FY30 and ~30% profit CAGR, targeting ~5% ROA and ~15% ROE. Guidance remains conservative as the new management team settles in, while the focus continues to be on scaling the core supply-chain lending franchise with zero NPAs.

Supply Chain Financing Drives Sustainable Growth: Supply Chain Financing remains the key growth driver, contributing ~70% of AUM, supported by anchor-led programs and deeper dealer-distributor penetration. Management reiterated its focus on granular, high-yielding and sticky relationships, rather than pursuing unsecured or retail growth. RBI approval to start the Factoring business strengthens the B2B financing offering, with a cautious rollout to ensure asset quality remains intact.

Valuation and View: The company delivered a strong Q3FY26 performance, supported by healthy loan book growth, stable asset quality with zero NPAs, and disciplined balance sheet management. Management reiterated its long-term strategy of ~20% AUM CAGR to ~INR 750 bn by FY30, while profitability is expected to grow faster at ~30% CAGR, translating into PAT of ~INR 50 bn. Near-term guidance remains conservative to allow the new leadership team to stabilize operations, with continued focus on zero NPAs, prudent leverage, and sustainable ROA of ~5% and ROE of ~15% over the medium term. **We revised our estimates with strong outlook and assigned BUY rating for target price of INR 493 on 1.7x FY28E ABV.**

Exhibit 1: Financial Summary

Y/E Mar (INR Mn)	FY24	FY25	FY26	FY27E	FY28E
NII	1,218	1,391	2,031	3,810	5,322
PAT	786	810	1,247	2,543	3,555
Networth	8,064	10,148	12,978	15,521	19,076
Diluted BVPS (INR)	157.2	154.2	197.2	235.9	289.9
Diluted EPS (INR)	15.3	12.3	18.9	38.7	54.0
P/E (x)	25.7	32.0	20.8	10.2	7.3
P/Adj BV (x)	2.5	2.6	2.0	1.7	1.4

Q2FY26 - Quarterly Performance

(In INR Mn)

Quarterly Result Update (INR Mn)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Interest Income	8,464.7	7,261.8	4,005.4	16.56%	111%
Interest Expended	(3,640.4)	(3,031.9)	(116.7)	100.00%	3019%
Net Interest Income	4,824.3	4,230.0	3,888.7	14.05%	24.06%
Processing Fees & Other Charges	163.1	209.0	243.7	-21.94%	-33.06%
Operating Income	4,987.4	4,438.9	4,132.4	12.36%	20.69%
<u>Operating Expenses</u>	(565.1)	(602.9)	(618.9)	-6.28%	-8.69%
Employee Expenses	(204.7)	(353.6)	(298.7)	-42.11%	-31.47%
Other Operating Expenses	(360.4)	(249.4)	(320.2)	44.53%	12.55%
PPOP	4,422.4	3,836.0	3,513.5	15.28%	25.87%
Provisions	(117.4)	8.1	(298.2)	-1553.47%	-60.62%
PBT	4,304.9	3,844.1	3,215.3	11.99%	33.89%
Tax Expenses	(1,057.7)	(1,004.2)	(846.6)	5.33%	24.93%
Net Profit	3,247.2	2,840.0	2,368.7	14.34%	37.09%

Concall KTAs –

The company reported a strong operational and financial performance in Q3FY26, supported by healthy loan book growth, stable asset quality with zero NPAs, and disciplined balance sheet management. Management reiterated its long-term strategy of ~20% AUM CAGR over the next four years, targeting AUM of ~INR 750 bn by FY30, while profitability is expected to grow faster at ~30% CAGR, translating into PAT of ~INR 50 bn by FY30. Near-term growth guidance has been moderated to allow the new leadership team to stabilize operations post regulatory and management transition, with continued focus on preserving zero NPAs, conservative leverage, and delivering sustainable ROA of ~5% and ROE of ~15% over the medium term.

Business Growth and Loan Book Composition

- The loan book reached an all-time high of INR 321 bn as of December 31, 2025, registering strong QoQ growth of ~12%
- Supply chain financing is the core business which contributed ~70% of AUM revolving around dealer and distributor financing with strong linkage to large, high-quality anchors.
- The remaining ~30% of the book comprises secured business loans and LAP within the same ecosystem which is backed by hard collateral and conservative underwriting.

Financial Performance and Profitability

PAT for Q3FY26 stood at INR 3.2 bn, strong QoQ growth of 15%, while PAT for 9MFY26 reached INR 8.5 bn, up 49% YoY. The company delivered healthy profitability with annualized ROA of 4.4% and ROE of 10.5% for the nine-month period. Cost-to-income ratio remained below 15%, strong operating leverage and disciplined cost control. The average loan book for Q3FY26 stood at ~INR 292.6 bn.

Asset Quality and Risk Management

Asset quality remained clean with zero NPAs across the portfolio, reinforcing the company's conservative credit culture. Management emphasized that preserving zero NPA status takes priority over aggressive growth. The supply-chain financing model benefits from inherent risk mitigation through anchor-led structures, while non-supply-chain loans are fully secured through property or shares.

Capital Position, Leverage and Funding

The balance sheet remains well capitalized, with equity of ~INR 110 bn as of Q3FY26. The company plans an equity infusion of ~INR 38.8 bn through warrant conversion, expected by Q4FY26, which should take total equity to ~INR 145–150 bn at the start of FY27. Leverage remains conservative at ~2.0x, with management indicating an upper comfort level of 2.5–3.0x over time. The company has sanctioned borrowing lines of ~INR 500 bn and currently works with 18 banks and 2 mutual funds, providing ample headroom to support future growth.

Guidance and Growth Visibility

Management explained that the moderation in near-term guidance is a prudent decision, given operational disruptions over the past 6–8 months due to regulatory issues related to RBI licensing and the subsequent management transition. The company plans to close the next fiscal year with an asset base of ~INR 350 bn and aims to add ~INR 450 bn over the following 12 months, implying ~33% incremental growth from the current base. Over the longer term, management reiterated its guidance of ~20% CAGR in the asset base through end-FY30, with potential for upward revision once execution stabilizes and growth momentum normalizes.

Strategic Initiatives

The board has approved an exploratory assessment of select fee-based verticals such as ARC, AIF, insurance broking, and fintech, strictly at an ideation stage. Management clearly stated that there will be no capital allocation, hiring, or execution in these verticals over the next 2–3 years. The current and absolute focus remains on scaling up the core supply-chain finance business. Any future diversification will be considered only if it aligns with the company's conservative risk framework and the objective of maintaining a zero-NPA portfolio.

Other Highlights

Aggregate MOUs signed with anchors currently exceed INR 700 bn, reflecting a strong underlying business pipeline. Management highlighted that MOUs typically take around 12 months to stabilize, with realized volumes being lower than the headline MOU values due to phased onboarding and dealership-level credit sanctions. Despite this normalization, the pipeline remains healthy, supported by deeper engagement with existing anchors and steadily increasing volumes from current relationships.

Liquidity as of the quarter stood at ~INR 3.8 bn, largely maintained in the form of fixed deposits kept as margin balances with banks.

Key Financials

P&L (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Interest income	1,858	1,710	3,863	6,910	9,508
Interest expense	640	320	1,832	3,101	4,186
NII	1,218	1,391	2,031	3,810	5,322
Non-interest income	39	0	36	36	36
Net revenues	1,258	1,391	2,067	3,846	5,358
Operating expenses	148	261	302	336	390
Depreciation	2	5	11	15	20
Provision for ESOP	30	0	25	13	13
Total Opex	179	266	338	363	423
PPOP	1,078	1,125	1,728	3,482	4,936
Provisions	28	23	62	84	185
PBT	1,050	1,102	1,666	3,399	4,750
Tax	265	292	419	855	1,196
PAT	786	810	1,247	2,543	3,555

Balance sheet	FY24	FY25	FY26E	FY27E	FY28E
Share capital	7,256	10,148	11,731	11,731	11,731
Reserves & surplus	807	0	1,247	3,790	7,345
Net worth	8,064	10,148	12,978	15,521	19,076
Borrowings	9,568	13,847	25,700	43,113	63,810
Short term provisions	72	100	167	251	436
Other liability	91	69	98	140	201
Total liabilities	17,794	24,164	38,943	59,025	83,523
Fixed assets	19	22	35	41	49
Advances	16,730	22,460	37,000	57,000	81,000
Investment	55	57	32	32	32
Deferred tax asset	0	803	0	0	0
Cash & bank balance	772	611	1,664	1,740	2,230
Other assets	217	211	211	211	211
Total assets	17,794	24,164	38,943	59,025	83,523

Key Ratios

Ratios	FY24	FY25	FY26E	FY27E	FY28E
Growth (%)					
NII	268.91%	14.14%	46.00%	87.61%	39.71%
PPOP	272.82%	4.31%	53.67%	101.49%	41.74%
PBT	319.83%	4.89%	51.21%	104.02%	39.77%
PAT	326.91%	3.08%	53.89%	104.02%	39.77%
Advances	71.50%	34.25%	64.73%	54.05%	42.11%
Borrowings	94.08%	44.72%	85.60%	67.76%	48.01%
Spread (%)					
Cost of Borrowings	8.8%	8.5%	8.4%	8.3%	8.3%
Yields	14.0%	12.7%	12.6%	13.9%	13.1%
NIM	9.2%	5.2%	6.4%	7.0%	7.3%
Asset quality (%)					
Gross NPAs	0%	0%	0%	0%	0%
Net NPAs	0%	0%	0%	0%	0%
Return ratios (%)					
RoE	11.39%	8.9%	10.8%	17.8%	20.5%
RoA	5.50%	3.9%	4.2%	5.4%	5.2%
Per share (Rs)					
EPS	15.32	12.31	18.94	38.65	54.02
BV	157	154	197	236	290
ABV	157	154	197	236	290
Valuation (x)					
P/E	25.7	32.0	20.8	10.2	7.3
P/BV	2.5	2.6	2.0	1.7	1.4
P/ABV	2.5	2.6	2.0	1.7	1.4

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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