

**From regulatory reset to record scale, zero-NPA track record intact, growth engine back at full throttle.**

**CMP: INR 518**

**Rating: BUY**

**Target: INR 646**

**Stock Info**

BSE	539199
NSE	SGFIN
Sector	NBFC
Face Value (INR)	10
Equity Capital (INR Mn)	653
Mkt Cap (INR Mn)	34,050
52w H/L (INR)	533 / 323
Avg Daily Vol (in 000')	233.04

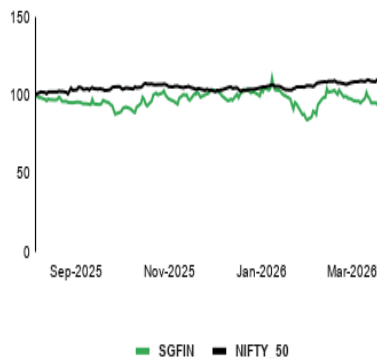
**Shareholding Pattern %**

(As on Dec, 2025)

Promoters	52.90%
Public & Others	47.10%

Stock Performance (%)	1m	6m	12m
SG Finserve Ltd	37.14	38.97	29.25
Nifty 50	2.61	(5.89)	1.45

**SG Finserve Ltd Vs Nifty 50**



**Abhishek Jain**

[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)

022 67114871

**Juhi Manwani**

[Juhi.manwani@arihantcapital.com](mailto:Juhi.manwani@arihantcapital.com)

022 67114870

The company reported a net profit of INR 0.42 bn, compared with INR 0.32 bn in Q3FY26 and INR 0.24 bn in Q4FY25, up 78% YoY and 30% QoQ. NII stood at INR 0.63 bn, up 77% YoY and 27% QoQ. PPOP came in at INR 0.56 bn vs INR 0.44 bn in Q3FY26 and INR 0.28 bn in Q4FY25, while PBT increased to INR 0.56 bn from INR 0.43 bn in Q3FY26 and INR 0.31 bn in Q4FY25. The loan book grew 23% QoQ to INR 39.4 bn, up 75% YoY. Full year FY26 PAT came in at INR 1.28 bn, up 58% YoY, with ROA of 4.8% and ROE of 12%.

**Accelerating Earnings Trajectory with Best Ever Quarterly Performance:** The company delivered an exceptional Q4FY26, with PAT surging 30% QoQ to INR 0.42 bn, taking FY26 PAT to INR 1.28 bn, up 58% YoY. The performance was driven by robust AUM growth of 23% QoQ to an all time high of INR 39.4 bn and a sharp uptick in fee income to INR 0.06 bn vs INR 0.02 bn in Q3FY26. Cost to income ratio remained below 15%, while asset quality stayed pristine with NIL GNPA, underscoring the strength of the supply chain financing model. Average AUM for FY26 doubled YoY to INR 26.4 bn, ruling out any one off impact on closing AUM.

**Strengthened Capital Base Provides Growth Runway:** The company raised INR 3.16 bn of fresh equity through warrant conversion in Q4FY26, with an additional INR 0.21 bn converted in April 2026, taking total equity to INR 14.8 bn. Leverage remains conservative at 1.9x, well below the comfort level of 3.0x over the medium term. Sanctioned bank lines of INR 30 to 35 bn provide ample undrawn headroom. At 3x leverage, the company can scale AUM to INR 100 bn without any fresh equity raise. CRAR stands at a healthy 36.7%, and promoter holding has risen approximately 5% to around 53%.

**Supply Chain Franchise Deepens with Factoring Launch:** Supply chain financing remains the core growth engine, contributing over 75% of AUM, supported by anchor led programs with marquee corporates across steel, auto, construction and IT peripherals. The company has now commercialized bilateral factoring with INR 1.75 bn outstanding as of March 2026 and expects to go live on TreDS platforms (RXIL, M1 Exchange) in Q1FY27. Tier 2 deep dealer financing has been successfully piloted and is expected to be a meaningful growth lever. The entire book remains 100% domestic with a 45 day average churn cycle, ensuring tight control over asset quality.

**Valuation and View:** The company delivered a standout Q4FY26, with PAT up 30% QoQ and 78% YoY, supported by strong AUM growth, improving fee income, zero NPAs and disciplined balance sheet management. FY26 was a transformational year with AUM nearly doubling on an average basis, fresh equity of INR 3.16 bn bolstering the capital base, and the launch of the factoring business. For FY27, AUM growth guidance has been upgraded to 35 to 40%, with medium term guidance of 25 to 30% CAGR. Profitability guidance stands at 4.5 to 5.0% ROA and 14 to 16% ROE, with the company aspiring for 30 to 35% PAT CAGR. The philosophy of under committing and over delivering continues to hold, as evidenced by the significant beat in Q4 vs prior conservative guidance. **We revise our estimates upward and maintain BUY rating with a revised target price of INR 646, based on 1.5x FY29E ABV.**

**Exhibit 1: Financial Summary**

Y/E Mar (INR Mn)	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
NII	1,218	1,380	1,990	2,591	3,352	4,660
PAT	815	810	1,277	1,673	2,120	3,081
Networth	8,064	10,148	14,602	17,949	22,189	28,351
Diluted BVPS (INR)	157.2	154.2	221.9	272.8	337.2	430.9
Diluted EPS (INR)	15.9	12.3	19.4	25.4	32.2	46.8
P/E (x)	32.5	42.0	26.6	20.3	16.0	11.0
P/Adj BV (x)	3.3	3.4	2.3	1.9	1.5	1.2

## Q4FY26 - Quarterly Performance

(In INR Mn)

Quarterly Result Update (INR Mn)	Q4FY26	Q3FY26	Q4FY25	Q-o-Q	Y-o-Y
Interest Income	991.8	846.5	522.2	17.17%	90%
Interest Expended	(429.2)	(364.0)	(185.5)	100.00%	131.35%
<b>Net Interest Income</b>	<b>562.6</b>	<b>482.5</b>	<b>336.7</b>	<b>16.60%</b>	<b>67.08%</b>
Processing Fees & Other Charges	62.3	16.3	18.9	282.68%	229.03%
<b>Operating Income</b>	<b>624.8</b>	<b>498.7</b>	<b>355.6</b>	<b>25.29%</b>	<b>75.70%</b>
<u>Operating Expenses</u>	(62.8)	(56.5)	(99.9)	11.06%	-37.17%
Employee Expenses	(35.5)	(20.5)	(23.0)	73.24%	54.05%
Other Operating Expenses	(27.3)	(36.0)	(76.9)	-24.26%	-64.49%
<b>PPOP</b>	<b>562.1</b>	<b>442.2</b>	<b>255.8</b>	<b>27.10%</b>	<b>119.78%</b>
Provisions	(2.5)	(11.7)	29.6	-78.65%	-108.48%
<b>PBT</b>	<b>559.6</b>	<b>430.5</b>	<b>285.3</b>	<b>29.99%</b>	<b>96.13%</b>
Tax Expenses	(139.4)	(105.8)	(72.8)	31.76%	91.40%
<b>Net Profit</b>	<b>420.2</b>	<b>324.7</b>	<b>212.5</b>	<b>29.41%</b>	<b>97.75%</b>

Concall KTAs :-

### Outlook

*The supply chain financing space continues to offer significant room for growth. Out of the top 500 corporates in India, fewer than 100 are actively participating in supply chain programs. Even among those already active, only 25 to 30% of their sales are covered under organized supply chain financing. This leaves a large untapped opportunity that could sustain growth for the next 10 to 15 years without any saturation risk.*

*The company sees no immediate stress in any of its key sectors despite ongoing global trade uncertainties. The entire loan book is 100% domestic with zero exposure to import or export financing. Internal assessments on indirect impacts from tariff related disruptions have not flagged any material concern so far.*

*FY27 is expected to be stronger than FY26 given the fresh equity raised in Q4 FY26 and the incremental warrant conversions in April. The capital base is now significantly larger, which positions the company to maintain and accelerate its growth momentum from Q1 FY27 onwards.*

### Financial Performance

FY26 operating income came in at INR 3.3 bn, reflecting 96% growth on a YoY basis. PAT for the full year stood at INR 1.28 bn, up 58% YoY. Q4 FY26 alone contributed INR 423 mn in PAT, growing 30% over Q3 FY26 on a sequential basis.

Total revenue from operations for FY26 was INR 3.33 bn versus INR 1.70 bn in FY25, nearly doubling. Interest income for the year reached INR 3.20 bn, up from INR 1.65 bn in FY25.

Fee income saw a notable jump in Q4 to INR 62 mn from just INR 16 mn in Q3. This was driven by a conscious strategic shift to monetize the fee potential that was earlier being left on the table. The Q4 fee run rate is expected to become the new normal going forward. Fee charges range from 10 bps to 100 bps depending on the client.

Average AUM for FY26 stood at INR 26.4 bn compared to INR 12.8 bn in FY25, a 106% increase. This rules out any one off or price driven spike in the closing AUM number.

Finance costs for FY26 were INR 1.34 bn versus INR 320 mn in FY25, reflecting the ramp up in borrowings to fund the growing book. NIM was approximately 7.7% and cost to income ratio was around 15%.

Basic EPS for FY26 came in at INR 22.75 versus INR 14.54 in FY25.

### Asset Quality

Gross and net NPA remain nil across all quarters and the full year. This track record is underpinned by the inherent structure of the supply chain financing model.

The company follows a purchase financing approach backed by invoices, ensuring full end use monitoring. The average loan cycle is just 45 days. In Q4 alone, disbursements of approximately INR 77 bn were made against a book of INR 39 bn, which means the entire book churned roughly twice within the quarter.

Funds are never handed directly to the dealer. Payment goes straight to the anchor or OEM against specific invoices. If the dealer does not repay, the OEM stops supplying further goods, creating a natural discipline mechanism. This tripartite structure between the lender, dealer and anchor ensures repayment incentives are aligned for all parties.

An early warning system monitors the churn cycle of every dealer on a continuous basis. Wherever the procurement to sale to receivable to cash cycle shows signs of elongation, the team steps in proactively along with the anchor to resolve the situation before it deteriorates.

Provisioning on the balance sheet stands at INR 180 mn under the ECL framework as required by Ind AS. An impairment reserve of INR 68 mn was created during FY26 as per RBI norms. The philosophy is clear: the target is zero credit loss, and the internal messaging reflects that with no tolerance for any planned delinquency.

## AUM and Business Mix

AUM reached an all time high of INR 39.4 bn as of March 31, 2026, growing 75% YoY. Gross disbursements for FY26 crossed INR 250 bn, demonstrating the digital and financing capability of the platform.

More than three fourths of the book is core supply chain dealer financing. The remaining quarter comes from cross sell opportunities within the same ecosystem, including working capital, term funding for business expansion and micro LAP for business borrowers. The cost of acquisition for this cross sell book is virtually zero since it originates from existing anchor dealer relationships.

Construction remains the largest sector at approximately 35% of the book, followed by auto and automotive. Other sectors include steel, IT peripherals and white goods. Mobile contributes around 2%.

The company operates across 30 locations pan India, each covering roughly a 100 km radius. Except for the northeast, coverage spans the entire country. The average ticket size per borrower is approximately INR 50 mn outstanding.

Related party exposure is less than INR 1 bn. Group company channel financing accounts for about 29 to 30% of the overall book.

## New Initiatives

The factoring license obtained from RBI has two dimensions. Bilateral factoring has already been commercialized with INR 1.75 bn outstanding as of March 31, 2026. On the TReDS front, agreements have been signed and two platforms, RXIL and M1 Exchange, have been onboarded. The company expects to go live on TReDS in Q1 FY27.

There are no plans to build a proprietary TReDS platform. The company will participate as a financier on existing RBI regulated platforms.

Tier 2 dealer financing has been tested successfully over the past few months. This involves financing the sub dealers of existing tier 1 dealers, essentially going deeper into the supply chain network of the same anchors. This is expected to become a meaningful growth lever going forward.

Entry into new business verticals like AIF is under evaluation but is subject to multiple regulatory approvals, team building and business planning. It is difficult to say whether this will materialize in FY27 or FY28.

## Capital and Leverage

Total equity now stands at INR 14.6 bn after the allotment of INR 316 bn worth of equity shares in March 2026 through conversion of warrants. An additional INR 810 mn in warrants were converted in April 2026.

Current leverage is approximately 1.9x. The comfortable operating range is 2x, with an aspiration to reach 3x over the next two to three years in a phased manner.

Sanctioned bank limits are in the range of INR 30 to 35 bn, with significant undrawn headroom available. CRAR stands at a healthy 36.67%.

At 3x leverage, the company can reach INR 100 bn AUM without needing any fresh equity infusion. Accumulated profits and additional bank lines will provide the funding. The debt to total assets ratio is 0.65x.

## Guidance

AUM growth guidance on a medium to long term basis is 25 to 30% CAGR. For FY27 specifically, the aspiration is upward of 30%, closer to 35 to 40%.

ROA is expected to range between 4.5% to 5.0%. The current 4.8% is considered healthy and sustainable, though it may moderate slightly as leverage increases. ROE is targeted at 14 to 16%.

Cost to income ratio is guided at 13 to 17%.

PAT growth guidance is 30 to 35% CAGR on a YoY basis over the previous year's PAT, not on exit run rate.

NPA guidance remains nil. The philosophy of under committing and over delivering continues to define the approach. The conservative posture on guidance is intentional and the Q4 FY26 performance underscores the gap between guided numbers and actual delivery.

## Key Financials

P&L (INR Mn )	FY24	FY25	FY26	FY27E	FY28E	FY29E
Interest income	1,858	1,700	3,334	4,572	6,395	8,615
Interest expense	640	320	1,345	1,981	3,043	3,955
<b>NII</b>	<b>1,218</b>	<b>1,380</b>	<b>1,990</b>	<b>2,591</b>	<b>3,352</b>	<b>4,660</b>
Non-interest income	39	3	2	36	36	36
<b>Net revenues</b>	<b>1,258</b>	<b>1,383</b>	<b>1,992</b>	<b>2,627</b>	<b>3,388</b>	<b>4,696</b>
Operating expenses	148	199	246	280	337	411
Depreciation	2	5	7	15	20	27
Provision for ESOP	0	0	0	13	13	13
<b>Total Opex</b>	<b>150</b>	<b>205</b>	<b>253</b>	<b>307</b>	<b>370</b>	<b>450</b>
<b>PPOP</b>	<b>1,108</b>	<b>1,178</b>	<b>1,739</b>	<b>2,320</b>	<b>3,019</b>	<b>4,245</b>
Provisions	28	77	24	84	185	128
<b>PBT</b>	<b>1,080</b>	<b>1,102</b>	<b>1,715</b>	<b>2,236</b>	<b>2,833</b>	<b>4,117</b>
Tax	265	292	439	563	713	1,036
<b>PAT</b>	<b>815</b>	<b>810</b>	<b>1,277</b>	<b>1,673</b>	<b>2,120</b>	<b>3,081</b>

Balance sheet	FY24	FY25	FY26	FY27E	FY28E	FY29E
Share capital	7,256	10,148	14,602	16,275	18,396	21,477
Reserves & surplus	807	0	0	1,673	3,793	6,874
<b>Net worth</b>	<b>8,064</b>	<b>10,148</b>	<b>14,602</b>	<b>17,949</b>	<b>22,189</b>	<b>28,351</b>
Borrowings	9,568	13,847	27,052	43,113	63,810	83,033
Short term provisions	72	100	0	251	436	564
Other liability	91	69	80	104	137	184
<b>Total liabilities</b>	<b>17,794</b>	<b>24,164</b>	<b>41,734</b>	<b>61,417</b>	<b>86,572</b>	<b>1,12,133</b>
Fixed assets	19	22	24	41	49	62
Advances	16,730	22,460	39,242	54,939	76,914	1,03,834
Deferred tax asset	55	57	38	17	17	17
Investment	0	803	2	0	0	0
Cash & bank balance	772	611	2,041	6,034	9,205	7,834
Other assets	217	211	386	386	386	386
<b>Total assets</b>	<b>17,794</b>	<b>24,164</b>	<b>41,734</b>	<b>61,417</b>	<b>86,572</b>	<b>1,12,133</b>

## Key Ratios

Ratios	FY24	FY25	FY26	FY27E	FY28E	FY29E
<b>Growth (%)</b>						
NII	268.91%	13.25%	44.18%	30.22%	29.39%	39.00%
PPOP	283.09%	6.35%	47.61%	33.37%	30.13%	40.64%
PBT	331.70%	2.00%	55.73%	30.35%	26.71%	45.32%
PAT	343.05%	-0.68%	57.62%	31.07%	26.71%	45.32%
Advances	71.50%	34.25%	74.72%	40.00%	40.00%	35.00%
Borrowings	94.08%	44.72%	95.37%	59.37%	48.01%	30.13%
<b>Spread (%)</b>						
Cost of Borrowings	8.8%	8.5%	8.4%	8.3%	8.3%	8.3%
Yields	14.0%	12.7%	12.6%	13.9%	13.1%	13.1%
NIM	9.2%	5.2%	6.8%	7.4%	8.2%	9.3%
<b>Asset quality (%)</b>						
Gross NPAs	0%	0%	0%	0%	0%	0%
Net NPAs	0%	0%	0%	0%	0%	0%
<b>Return ratios (%)</b>						
RoE	11.82%	8.9%	10.3%	10.3%	10.6%	12.2%
RoA	5.71%	3.9%	4.1%	3.6%	3.2%	3.4%
<b>Per share (Rs)</b>						
EPS	15.90	12.31	19.40	25.43	32.22	46.82
BV	157	154	222	273	337	431
ABV	157	154	222	273	337	431
<b>Valuation (x)</b>						
P/E	32.6	42.1	26.7	20.4	16.1	11.1
P/BV	3.3	3.4	2.3	1.9	1.5	1.2
P/ABV	3.3	3.4	2.3	1.9	1.5	1.2

## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

### Head Office

#1011, Solitaire Corporate Park  
Building No. 10, 1<sup>st</sup> Floor  
Andheri Ghatkopar Link Road  
Chakala, Andheri (E)  
Mumbai – 400093  
Tel: (91-22) 42254800

### Registered Office

6 Lad Colony,  
Y.N. Road,  
Indore - 452003, (M.P.)  
Tel: (91-731) 4217100/101  
CIN: L66120MP1992PLC007182

### 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

Research Analyst  
Registration No.

Contact

Website

Email Id

**INH000002764**

**SMS: 'Arihant' to 56677**

[www.arihantcapital.com](http://www.arihantcapital.com)

[instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

## Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800

**Disclaimer:** This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800