SG Finserve Ltd

Strong start to FY27, Q1 print reaffirms the growth runway, zero-NPA track record intact, fee monetisation gaining traction..

CMP: INR 603

Rating: ACCUMULATE

Target: INR 676

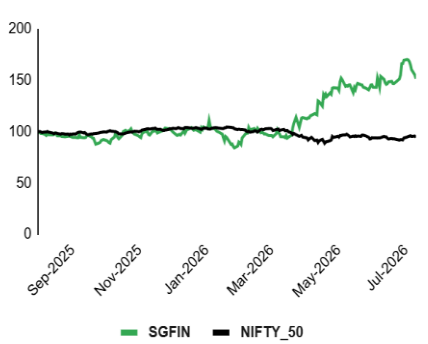
Stock Info	
BSE	539199
NSE	SGFIN
Sector	NBFC
Face Value (INR)	10
Equity Capital (INR Mn)	659
Mkt Cap (INR Mn)	39,750
52w H/L (INR)	702 / 323
Avg Daily Vol (in 000')	288.84

Shareholding Pattern %
(As on June, 2026)

Promoters	57.00%
Public & Others	43.00%

Stock Performance (%)	1m	6m	12m
SG Finserve Ltd	0.97	53.15	52.20
Nifty 50	0.83	(6.39)	(4.54)

SG Finserve Ltd Vs Nifty 50



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114871

Juhi Manwani
Juhi.manwani@arihantcapital.com
022 67114870

The company reported a net profit of INR 0.54 bn, compared with INR 0.42 bn in Q4FY26 and INR 0.25 bn in Q1FY26, up 119% YoY and 28% QoQ. NII stood at INR 0.75 bn, up 87% YoY and 33% QoQ. PPOP came in at INR 0.72 bn vs INR 0.56 bn in Q4FY26 and INR 0.35 bn in Q1FY26, while PBT increased to INR 0.72 bn from INR 0.56 bn in Q4FY26 and INR 0.34 bn in Q1FY26. The loan book grew 16% QoQ to INR 45.5 bn, up 82% YoY. Cost to income ratio remained below 12%, with asset quality pristine at NIL GNPA.

Earnings Momentum Sustained into FY27 with a Strong Q1 Print: The company carried its FY26 exit momentum into the new fiscal, with PAT rising 28% QoQ to INR 0.54 bn, up 119% YoY, on the back of a full-quarter contribution from the enlarged capital base. The performance was driven by loan book growth of 16% QoQ to an all time high of INR 45.5 bn and continued traction in fee income at INR 0.07 bn, up 159% YoY. Interest income rose 30% QoQ to INR 1.29 bn, while NII expanded 33% QoQ to INR 0.75 bn. Cost to income ratio stayed below 12% and asset quality remained pristine with NIL GNPA, underscoring the resilience of the supply chain financing model.

Enlarged Capital Base Underwrites the Growth Runway: Following the INR 3.16 bn warrant conversion in Q4FY26 and a further INR 0.21 bn in April 2026, the company entered FY27 with total equity of INR 15.4 bn, providing a full quarter of deployment headroom for the first time. Leverage remains conservative at 2.2x, well below the medium term comfort level of 3.0x. Sanctioned bank lines of INR 30 to 35 bn provide ample undrawn headroom, and at 3x leverage the company can scale AUM to INR 100 bn without any fresh equity raise. CRAR stands at a healthy 31.7%, with promoter holding at around 57%.

Supply Chain Franchise Deepens as Factoring and TReDS Scale: 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. Bilateral factoring continues to scale, and the company has gone live on TReDS platforms (RXIL, M1 Exchange) during Q1FY27, adding a new sourcing channel. Tier 2 deep dealer financing continues to ramp as 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 strong Q1FY27, with PAT up 28% QoQ and 119% YoY, supported by robust loan book growth, rising fee income, zero NPAs and a disciplined balance sheet. The quarter validates management's guidance of 35 to 40% AUM growth for FY27 and 25 to 30% CAGR over the medium term, alongside profitability guidance of 4.5 to 5.0% ROA and 14 to 16% ROE and an aspiration of 30 to 35% PAT CAGR. We note that the FY27 NII optic is amplified by a depressed FY26 average book, the underlying quarterly run rate implies a measured sequential trajectory. **We broadly retain our estimates and revise our rating to ACCUMULATE with a revised target price of INR 676, based on 2.0x FY29E ABV, implying an upside of 12.2% from the current market price.**

Exhibit 1: Financial Summary

Y/E Mar (INR Mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
NII	1,142	1,339	1,857	3,044	3,561	4,302
PAT	786	810	1,276	2,157	2,499	2,999
Networth	8,064	10,148	14,602	16,759	19,257	22,256
Diluted BVPS (INR)	157.2	154.2	221.9	254.7	292.7	338.2
Diluted EPS (INR)	15.3	12.3	19.4	32.8	38.0	45.6
P/E (x)	39.4	49.0	31.1	18.4	15.9	13.2
P/Adj BV (x)	3.8	3.9	2.7	2.4	2.1	1.8

Q1FY27 - Quarterly Performance (In INR Mn)

Quarterly Result Update (INR Mn)	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Interest Income	1,288.6	991.8	648.0	29.93%	99%
Interest Expended	(540.6)	(429.3)	(248.0)	100.00%	117.95%
Net Interest Income	**748.0**	**562.5**	**399.9**	**32.97%**	**87.03%**
Processing Fees & Other Charges	72.5	62.3	27.9	16.29%	159.49%
Operating Income	**820.5**	**624.8**	**427.9**	**31.31%**	**91.76%**
Operating Expenses	(95.9)	(62.8)	(79.0)	52.89%	21.46%
Employee Expenses	(62.3)	(35.5)	(53.4)	75.62%	16.52%
Other Operating Expenses	(33.7)	(27.3)	(25.5)	23.37%	31.81%
PPOP	**724.5**	**562.1**	**348.9**	**28.90%**	**107.68%**
Provisions	(8.7)	(2.5)	(10.3)	248.70%	-15.40%
PBT	**715.8**	**559.6**	**338.5**	**27.91%**	**111.43%**
Tax Expenses	(179.2)	(139.4)	(93.4)	28.57%	91.89%
Net Profit	**536.6**	**420.2**	**245.2**	**27.69%**	**118.88%**

SG Finserve Ltd KTA Q1FY27

The company delivered a stellar operational and financial performance in Q1FY27, characterized by record loan book expansion, disciplined cost controls, and impeccable asset quality. The company continues to solidify its footprint in the supply chain financing space while aggressively commercializing new products like factoring and TReDS. The robust 119% YoY growth in profitability, coupled with a pristine nil NPA book, underscores a highly risk-balanced and scalable growth model. A strong equity base, optimal leverage, and the strategic pivot toward decreasing concentration risk position the company exceptionally well to capitalize on the vast B2B financing market.

Record Disbursements & Income Growth

•Total operating income surged to INR 1,361.3 mn, reflecting a 102% YoY and 29% QoQ growth.
•Net Interest Income (NII) stood at INR 748.0 mn, increasing by 87% YoY and 31% QoQ.
•Profit After Tax (PAT) reached an all-time high of INR 536.8 mn, marking a 119% YoY and 27% QoQ jump.
•The cost-to-income ratio remained highly efficient at below 15%, demonstrating stringent operating discipline.

Robust Balance Sheet & Asset Quality

•The loan book scaled to a record INR 45.52 bn as of June 30, 2026, delivering an 82% YoY and 16% QoQ expansion.
•Asset quality remains pristine with Gross and Net NPAs standing consistently at zero.
•Annualized Return on Assets (RoA) and Return on Equity (RoE) stood strong at 5.10% and 14.0%, respectively.
•Total equity sits at a robust INR 15.39 bn with a comfortable Debt-to-TNW ratio of 2.2x, providing significant headroom for future scale.

Diversification & Product Expansion

•The AUM profile is steadily diversifying, with the historical APL Apollo ecosystem contribution now reduced to roughly one-third of the total loan book.
•The target portfolio mix aims for an equal one-third split across APL Apollo supply chain, broader market supply chain limits, and beyond-supply-chain working capital.
•Factoring and TReDS businesses have been successfully commercialized, targeting a massive estimated INR 25 trillion B2B receivables market.
•Launch preparations are actively underway for Loan Against Property (LAP) and pure digital lending solutions to further broaden the MSME offering.

Strategic Growth Initiatives

•A wholly-owned subsidiary, SG Insurance Brokers Limited, was incorporated during the quarter to initiate a fee-based B2B insurance cross-selling framework.
•In-principle approval has been secured to evaluate establishing a wholly-owned finance subsidiary in GIFT City to capture inbound and outbound international supply chain opportunities.
•Growth is being aggressively driven by a "deepening and widening" strategy - extracting higher wallet share from the existing 52 anchor mandates while aggressively acquiring new dealer ecosystems.

Guidance & Forward-Looking Outlook

•**AUM & Profitability:** Projected to achieve an AUM CAGR of 25-30% over the next 3-4 years. The corporate objective is to hit the INR 100 bn AUM milestone by FY30. PAT is guided to compound at a 30-35% CAGR over the same timeframe.
•**FY27 Targets:** Near-term visibility points to a Profit Before Tax (PBT) target of approximately INR 3.0 bn for FY27, implying an estimated 75% YoY growth.
•**Leverage & Returns:** Strategies are in place to gradually transition balance sheet leverage from 2.0x to 3.0x without requiring near-term equity dilution, ultimately intending to drive RoE toward the targeted 14%-16% band.
•**Operational Normalization:** Normalized sequential PBT growth (adjusting for the massive Q4FY26 equity infusion) is anticipated to stabilize at a sustainable 8-10% QoQ run rate going forward, ensuring risk-calibrated expansion.

Key Financials

P&L (INR Mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Interest income	1,782	1,659	3,201	5,676	7,126	8,965
Interest expense	640	320	1,345	2,632	3,566	4,664
NII	**1,142**	**1,339**	**1,857**	**3,044**	**3,561**	**4,302**
Non-interest income	115	52	135	227	276	331
Net revenues	**1,258**	**1,391**	**1,992**	**3,271**	**3,836**	**4,632**
Operating expenses	148	261	246	312	384	462
Depreciation	2	5	7	9	10	12
Provision for ESOP	30	0	0	13	13	13
Total Opex	**179**	**266**	**253**	**334**	**407**	**487**
PPOP	**1,078**	**1,125**	**1,739**	**2,938**	**3,430**	**4,145**
Provisions	**28**	**23**	**24**	**55**	**91**	**138**
PBT	**1,050**	**1,102**	**1,715**	**2,882**	**3,339**	**4,007**
Tax	265	292	439	725	840	1,009
PAT	**786**	**810**	**1,276**	**2,157**	**2,499**	**2,999**

Balance sheet	FY24	FY25	FY26	FY27E	FY28E	FY29E
Paid-up capital & prior reserves	7,256	10,148	14,602	14,602	14,602	14,602
Addition to reserves	807	0	0	2,157	4,655	7,654
Net worth	**8,064**	**10,148**	**14,602**	**16,759**	**19,257**	**22,256**
Borrowings	9,568	13,847	27,042	40,262	53,570	68,352
Short term provisions	72	100	0	55	146	284
Other liability	91	69	90	115	150	199
Total liabilities	**17,794**	**24,164**	**41,734**	**57,192**	**73,123**	**91,091**
Fixed assets	19	22	24	41	49	62
Advances	16,730	22,460	39,242	52,977	67,810	85,441
Deferred tax asset	55	57	38	17	17	17
Investment	0	803	2	0	0	0
Cash & bank balance	772	611	2,041	3,771	4,861	5,186
Other assets	217	211	386	386	386	386
Total assets	**17,794**	**24,164**	**41,734**	**57,192**	**73,123**	**91,091**

Key Ratios

Ratios	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth (%)						
NII	258.92%	17.20%	38.69%	63.91%	16.99%	20.81%
PPOP	272.82%	4.31%	54.64%	68.91%	16.75%	20.86%
PBT	319.83%	4.89%	55.70%	68.02%	15.85%	20.01%
PAT	326.91%	3.08%	57.59%	68.96%	15.85%	20.01%
Advances	71.50%	34.25%	74.72%	35.00%	28.00%	26.00%
Borrowings	94.08%	44.72%	95.30%	48.89%	33.05%	27.59%
Spread (%)						
Cost of Borrowings	6.7%	2.7%	6.6%	7.8%	7.6%	7.7%
Yields	10.7%	8.5%	10.4%	12.3%	11.8%	11.7%
NIM	6.8%	6.8%	6.0%	6.6%	5.9%	5.6%
Asset quality (%)						
Gross NPAs	0%	0%	0%	0%	0%	0%
Net NPAs	0%	0%	0%	0%	0%	0%
Return ratios (%)						
RoE	9.7%	8.9%	10.3%	13.8%	13.9%	14.4%
RoA	4.4%	3.9%	3.9%	4.4%	3.8%	3.7%
Per share (Rs)						
EPS	15.32	12.31	19.40	32.78	37.97	45.57
BV	157	154	222	255	293	338
ABV	157	154	222	255	293	338
Valuation (x)						
P/E	39.4	49.0	31.1	18.4	15.9	13.2
P/BV	3.8	3.9	2.7	2.4	2.1	1.8
P/ABV	3.8	3.9	2.7	2.4	2.1	1.8

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	**SMS: 'Arihant' to 56677**	www.arihantcapital.com	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

Abhishek Jain
Head of Research
Abhishek.jain@arihantcapital.com

Abhishek Chhajed Jain
Digitally signed by Abhishek Chhajed Jain
Date: 2026.07.15 14:37:24 +05'30'