

Rating

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Issue Offer

Issue Opens on	Aug 03, 2023
Issue Close on	Aug 07, 2023
Total IPO size (cr)	1,025.00
Fresh issue (cr)	600.00
Offer For Sale (cr)	425.00
Price Band (INR)	54-57
Market Lot	260
Face Value (INR)	10
Retail Allocation	35%
Listing On	NSE, BSE

Objects of the issue

- To meet future capital requirements of the Company.

Issue Break-up (%)

QIB Portion	50
NIB Portion	15
Retail Portion	35

Shareholding (No. of Shares)

Pre Issue	958,908,906
Post Issue	1,064,237,454

Indicative Timetable

Finalisation of Basis of Allotment	10-08-2023
Refunds/Unblocking ASBA Fund	11-08-2023
Credit of equity shares to DP A/c	14-08-2023
Trading commences	16-08-2023

SBFC Finance Limited is a non-deposit taking non-banking finance company (“NBFC-ND-SI”) offering Secured MSME Loans and Loans against Gold, with a majority of its borrowers being entrepreneurs, small business owners, self-employed individuals, salaried and working class individuals.

- Among MSME-focused NBFCs in India, SBFC has one of the highest assets under management (“AUM”) growth, at a CAGR of 44% in the period from Fiscal 2019 to Fiscal 2023.
- The company has a diversified pan-India presence, with an extensive network in its target customer segment. As of March 31, 2023, it has an expansive footprint in 120 cities, spanning 16 Indian states and two union territories, with 152 branches.
- The Company’s complete portfolio of loans has in-house origination and benefits from its risk management framework. Leveraging its significant operational experience, it has set up stringent credit quality checks and customised operating procedures that exist at each stage for comprehensive risk management.
- The company primarily focus on small enterprise borrowers, whose monthly income is up to ₹ 0.15 million, with a demonstrable track record of servicing loans such as gold loans, loans for two-wheeler vehicles and have a CIBIL score above 700 at the time of origination.
- SBFC source customers directly through its sales team of 1,911 employees as of March 31, 2023, and has adopted a direct sourcing model through branch-led local marketing efforts, repeat customers or through walk-ins, which has helped it to maintain contact with customers and establish strong relationships with them.
- The company has also created an onground collections infrastructure that is extensive, to ensure that it maintain a high asset quality.

Outlook & Valuation: SBFC is a well-established company with consistent financial performance and a stable asset quality; it is showing growing AUM and a decline in its NPAs. It has a diversified presence across India, and its access to diversified funding sources is a key contributor to its growth. However, there are a few risks as well. SBFC is dependent on a few key customers. Secondly, The company is also exposed to fluctuations in the price of securities it takes as collateral for loans. Additionally, an increase in interest rates could pose a challenge for the company. Nevertheless, the Issue looks fairly priced, and after considering all these factors, we believe that investors may consider to apply for this IPO.

KEY MANAGERIAL PERSONNEL

- Neeraj Swaroop is an Independent Director and Chairperson of the Board. He has been associated with the Company since November 21, 2017. Prior to joining this Company, he was associated with Pond's (India) Limited, Bank of America, HDFC Bank Limited, Standard Chartered Bank and Singapore Exchange Limited
- Aseem Dhru is the Managing Director and Chief Executive Officer of the Company. He has over 25 years of experience in the banking industry and has been associated with the Company since September 28, 2017.
- Narayan Barasia, is the Chief Financial Officer of the Company. In his current role, he is responsible for financial management, accounts, tax, treasury, secretarial and legal matters. He has more than two decades of experience.
- Jay Mistry, is the Company Secretary and Compliance Officer of the Company. In his current role, he is responsible for secretarial and regulatory compliance of the Company. He has more than five years of experience in securities and corporate laws, and corporate compliances.
- Mahesh Dayani, is chief business officer of the company. He has over 22 years of experience across wholesale and retail banking.
- Saiprashant Menon is chief collection officer of the company. He has more than 21 years of experience in collections.

COMPETITIVE STRENGTHS

- Diversified pan-India presence with an extensive network to cater the target customer segment.
- 100% in-house sourcing, leading to favourable business outcomes.
- Comprehensive credit assessment, underwriting and risk management framework.
- Extensive on-ground collections infrastructure leading to maintenance of asset quality.
- Healthy liability franchise with low cost of funds.
- Consistent financial performance backed by profitable growth
- Experienced, cycle-tested and professional management team

KEY STRATEGIES

- Leverage pan-India network to deepen its penetration in the target customer segment.
- Expand its product portfolio through offering affordable housing finance.
- Diversify its source of borrowings and improve operating leverage.

KEY CONCERNS

- It require substantial capital for its business and any disruption in its sources of capital could have an adverse effect on the business.
- Their business is particularly vulnerable to interest rate risk, and volatility in interest rates for both lending and treasury operations, could have an adverse effect on it.
- Inability to compete effectively in an increasingly competitive industry may adversely affect its net interest margins, income and market share.
- Any downgrade in its credit ratings could increase borrowing costs.
- Risk arising from collateral for its portfolio.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Company	EPS (Basic)	NAV	P/E	Total Income (Mn)	RoNW (%)
SBFC Finance Limited	1.71	19.26	-	7403.61	9.93
Peer Group					
Aavas Financiers Ltd	54.38	413.58	28.80x	16106.08	13.14
Home First Finance Company India Ltd	26.01	206.48	31.12x	7955.98	12.56
Aptus Value Housing Finance India Ltd	10.11	67.05	24.80x	11289.99	15.06
AU Small Finance Bank Ltd	21.86	164.64	35.01x	92398.73	13.01
Five Star Business Finance Limited	20.71	148.94	32.47x	15289.28	13.91

FINANCIALS (RESTATED CONSOLIDATED)

Particulars (Rs. In Millions)	FY 2023	FY 2022	FY 2021
Equity Share Capital	8,895.72	8,068.00	7,966.74
Other Equity	8,376.96	4,803.67	4,084.34
Net Worth	17,272.68	12,871.67	12,051.08
Total Borrowings	36,936.59	28,945.04	26,097.27
Revenue from Operations	7,328.12	5,290.52	5,070.99
EBITDA	4905.32	3,190.94	3,620.61
Profit Before Tax	2,013.66	866.96	1,140.65
Net Profit for the year	1,497.36	645.21	850.10

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