

CMP: INR 414

Rating: BUY

Target: INR 710

Stock Info

BSE	539199
NSE	NA
Sector	NBFC
Face Value (INR)	10
Equity Capital (INR Mn)	558.95
Mkt Cap (INR Mn)	23,670
52w H/L (INR)	546/ 308
Avg Daily Vol (in 000')	13,740

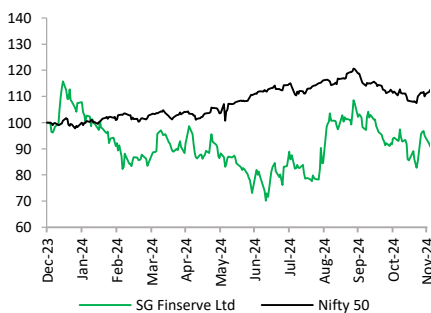
Shareholding Pattern %

(As on July, 2025)

Promoters	48.38%
Public & Others	51.62%

Stock Performance (%)	1m	6m	12m
SG Finserve Ltd	1.52	11.14	6.05
Nifty 50	0.57	8.23	2.6

SG Finserve Ltd Vs Nifty 50



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The company has delivered positive performance in the Q1FY26, following a period of de-growth attributable to regulatory compliance challenges that impacted its performance in preceding quarters. They reported a net profit of INR 245.2 mn (v/s INR 237.9 mn in Q4FY25) (v/s INR 193.9 mn for Q1FY25) (+26.45% YoY, +3.04% QoQ). NII stood at INR 399.9 mn (+30.78% YoY, +18.78% QoQ). They reported PPOP of INR 348.9 mn, (v/s INR 281.2 mn for Q4FY25) (v/s INR 262.6 mn for Q1FY25). PBT came in at INR 338.5 mn (v/s INR 310.7 mn for Q4FY25) (v/s INR 262.6 mn for Q1FY25). Loan Book grew by 13% QoQ at INR 26.3 bn.

Inline operational performance: NII growth for the quarter was at 18.78% QoQ/ +30.78% YoY to INR 399.9 mn, which was inline with our estimates. The resolution of RBI regulatory issues in the Q2FY25, helped the company to grow at faster pace. Processing fees increased by 47.56% QoQ and 297.02% YoY at INR 27.9 mn. Net profit grew marginally by 3.04% QoQ to INR 245.2 mn. This was majorly due to one – time ESOP cost of INR 27.2 mn.

Asset Quality remains strong : The GNPA and NNPA ratios remains strong at 0%, driven by strong underwriting procedures adopted by the company. They acknowledged potential future NPAs but deems risks minimal due to close anchor relationships and short loan durations.

Disbursement growth momentum continues: Disbursement registered a growth of 4% QoQ and 22.22% YoY at INR 52,840 mn. The strong growth in disbursements was again attributable to the resolution of RBI regulatory issues in the Q2FY25. Further, strong growth in disbursements led to 13% sequential growth in their loan book. Going forward, the company expects the disbursement growth momentum to continue. They welcomed new anchor clients during the quarter, and integrated with an additional bank for smoother payments, which is expected to support their growth plans.

Valuation and View: SG Finserve Limited reported inline financial performance in Q1FY26 in terms of operational parameters like profitability and asset quality among others. Further, their disbursement growth has continued in Q1FY26. We expect the disbursement growth momentum to continue in coming quarters, owing to resolution of RBI regulatory issues in the Q2FY25. The company has set a loan book target of INR 40 bn by FY26, INR 60 bn by FY27. Despite potential future NPAs and competition, we expect asset quality to remain strong going forward. We maintain our positive outlook on the company. We have BUY rating on the stock and a TP of INR 788 based on 3.0 x of ABV FY27E, giving an upside of 91%.

Exhibit 1: Financial Summary

Y/E Mar (INR cr)	FY23	FY24	FY25	FY26E	FY27E
NII	33.0	125.8	139.1	227.5	384.6
PAT	18.4	78.6	81.0	140.2	254.3
Networth	573.1	806.4	1,014.8	1,475.1	1,729.4
Diluted BVPS (INR)	157.0	157.2	154.2	224.2	262.8
Diluted EPS (INR)	5.0	15.3	12.3	21.3	38.7
P/E (x)	81.9	27.0	33.6	19.4	10.7
P/Adj BV (x)	2.6	2.6	2.7	1.8	1.6

Q1FY26 - Quarterly Performance

(In INR Mn)

Quarterly Result Update (INR Mn)	Q1FY26	Q4FY25	Q1FY25	Q-o-Q	Y-o-Y
Interest Income	648.0	522.2	428.4	24.08%	51%
Interest Expended	(248.0)	(185.5)	(122.6)	33.69%	102.39%
Net Interest Income	399.9	336.7	305.8	18.78%	30.78%
Processing Fees & Other Charges	27.9	18.9	7.0	47.56%	297.02%
Operating Income	427.9	381.1	323.4	12.28%	32.31%
<u>Operating Expenses</u>	(79.0)	(99.9)	(60.8)	-20.91%	29.93%
Employee Expenses	(53.4)	(23.0)	(33.4)	132.18%	59.94%
Other Operating Expenses	(25.5)	(76.9)	(27.4)	-66.76%	-6.70%
PPOP	348.9	281.2	262.6	24.07%	32.86%
Provisions	(10.3)	29.6	-	-134.95%	#DIV/0!
PBT	338.5	310.7	262.6	8.95%	28.93%
Tax Expenses	(93.4)	(72.8)	(68.7)	28.25%	35.92%
Net Profit	245.2	237.9	193.9	3.04%	26.45%

Concall KTAs:

Guidance

- Company aims to achieve Loan Book of INR 40 bn by FY26, INR 60 bn by FY27.
- They have an ROE target of 18-20% with an ROA of 4 - 4.5%.
- Debt to equity ratio will be maintained at a maximum of 3:1.

Highlights

- Loan Book grew by 13% QoQ at INR 26.3 bn.
- Company reported a net profit of INR 245.16 mn (v/s INR 237.93 mn in Q4FY25) (v/s INR 193.88 mn for Q1FY25) (+26.45% YoY, +3.04% QoQ).
- Their profitability grew marginally sequentially despite growth in AUM, primarily due to increase in borrowing cost and due to one - time ESOP cost of 27.2 mn.
- Asset quality remains strong with GNPA of NIL.
- Anchor partners stood at 48 v/s 44 in Q4FY25.
- MOUs with Anchors aggregating to INR 64 bn (up by INR 9 bn QoQ) already in place, providing a blueprint to achieve the target loan book for FY27.
- 80% of the overall book is secured via Charge on Funded Inventory and Receivables generated by sale of the same.
- Company aims to achieve Loan Book of INR 40 bn by FY26, INR 60 bn by FY27.
- Debt to equity ratio is expected to be maintained at a maximum of 3:1.
- Average yield remain at 12.9%.
- Added 12 new locations expanding into tier 2 cities, with South region leading performance.

Key Financials

P&L (INR Cr)	FY23	FY24	FY25	FY26E	FY27E
Interest income	41.45	189.72	171.04	410.69	694.62
Interest expense	8.42	63.96	31.98	183.20	310.07
NII	33.03	125.76	139.06	227.49	384.55
Non-interest income	0.51	-	-	-	-
Net revenues	33.54	125.76	139.06	227.49	384.55
Operating expenses	4.59	17.77	26.11	30.21	33.59
Depreciation	0.03	0.17	0.51	1.08	1.46
Provision for ESOP	-	-	-	2.54	1.27
Total Opex	4.62	17.94	26.61	33.83	36.32
PPOP	28.92	107.82	112.45	193.66	348.23
Provisions	3.90	2.79	2.29	6.24	8.36
PBT	25.02	105.03	110.16	187.42	339.87
Tax	6.61	26.45	29.17	47.17	85.55
PAT	18.41	78.58	80.99	140.25	254.33

Balance sheet	FY23	FY24	FY25	FY26E	FY27E
Share capital	550.81	725.64	853.05	1,173.14	1,173.14
Reserves & surplus	22.27	80.74	161.73	301.97	556.30
Net worth	573.08	806.38	1,014.78	1,475.12	1,729.44
Borrowings	492.98	956.79	1,384.66	2,678.97	4,432.34
Short term provisions	4.02	7.19	10.01	16.72	25.09
Other liability	9.15	9.05	6.93	9.78	13.95
Total liabilities	1,079.23	1,779.41	2,416.38	4,180.59	6,200.82
Fixed assets	1.07	1.92	2.17	3.52	4.12
Advances	975.54	1,673.01	2,246.05	4,000.00	6,000.00
Investment	-	-	80.26	80.26	80.26
Deferred tax asset	1.01	1.76	2.46	-	-
Cash & bank balance	91.40	77.23	61.08	72.45	92.08
Other assets	10.21	25.50	24.37	24.37	24.37
Total assets	1,079.23	1,779.41	2,416.38	4,180.59	6,200.82

Key Ratios

Ratios	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)					
NII		280.75%	10.58%	63.59%	69.04%
PPOP		272.82%	4.30%	72.22%	79.81%
PBT		319.83%	4.89%	70.14%	81.34%
PAT		326.91%	3.07%	73.17%	81.34%
Advances		71.50%	34.25%	78.09%	50.00%
Borrowings		94.08%	44.72%	93.47%	65.45%
Spread (%)					
Cost of Borrowings	1.7%	8.8%	8.5%	8.4%	8.3%
Yields	4.2%	14.3%	12.7%	12.6%	13.9%
NIM	3.4%	9.5%	5.3%	6.5%	7.0%
Asset quality (%)					
Gross NPAs	0%	0%	0%	0%	0%
Net NPAs	0%	0%	0%	0%	0%
Return ratios (%)					
RoE	3.21%	11.39%	8.9%	11.3%	15.9%
RoA	1.71%	5.50%	3.9%	4.5%	5.1%
Per share (Rs)					
EPS	5.04	15.32	12.31	21.31	38.65
BV	157	157	154	224	263
ABV	157	157	154	224	263
Valuation (x)					
P/E	81.9	27.0	33.6	19.4	10.7
P/BV	2.6	2.6	2.7	1.8	1.6
P/ABV	2.6	2.6	2.7	1.8	1.6

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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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