SG Finserve Ltd

29th July, 2026

CMP: 676 **Target: 916** **Upside: 35%**

Company Background:

SG Finserve Limited (SGFL), is an RBI-registered NBFC established in 1994 and is part of the APL Apollo Group. The company is a technology-enabled NBFC focused on supply chain financing and working capital solutions for MSMEs and SMEs through partnerships with leading corporates (anchors). While APL Apollo Tubes remains its largest anchor, SGFL continues to diversify its anchor ecosystem across multiple industries. The company has also received an RBI license to undertake factoring business, further strengthening its product offerings. SG Finserve operates through a network of 30 locations across India. As of Q1FY27, the company had a loan book of Rs. 4,550 crore and quarterly disbursements of Rs. 7,300 crore, with an average financing cycle of 45–60 days.

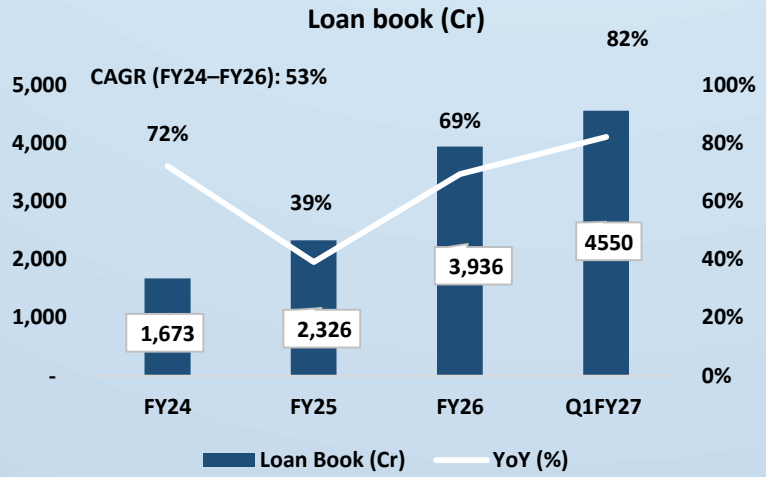
Supply Chain Financing Model:



Investment Rationale:

Strong Loan Book Growth: SG Finserve's loan book has grown at a CAGR of ~53% during FY24–FY26, driven by new anchor additions and deeper penetration within existing corporate ecosystems. Loan book growth moderated to 39% in FY25 as the company temporarily paused business expansion while transitioning to the RBI's Middle Layer NBFC framework. Growth rebounded to 69% in FY26 and 82% YoY in Q1FY27. Supported by a largely underpenetrated supply chain finance market and management's guidance of 25–30% AUM growth through FY30, SG Finserve is well positioned to sustain its growth trajectory.

Technology-led Lending Platform: SG Finserve has built a technology-led lending platform with integrated Loan Origination System, Loan Management System and ERP systems. The company uses GST, income tax and banking data for credit assessment and borrower monitoring, enabling faster loan processing, scalable growth and efficient risk management.



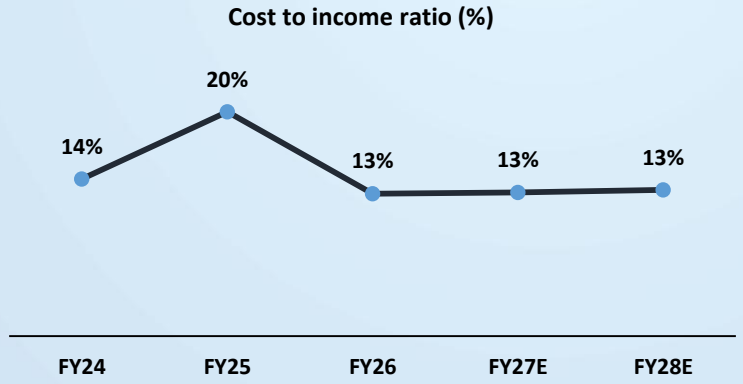
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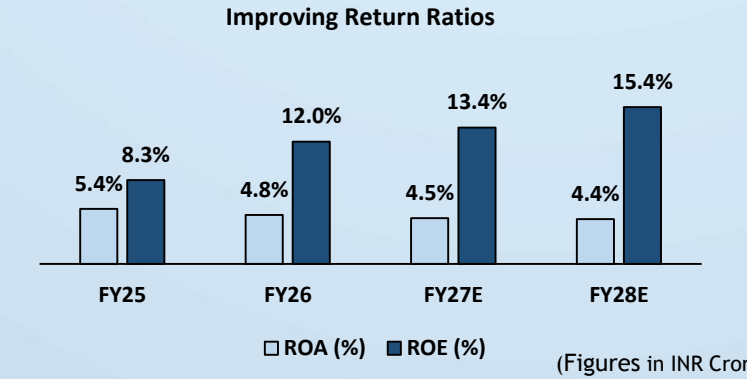
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- Asset quality remains a key differentiator, with lending backed by verified purchase invoices and direct payments to anchors, ensuring end-use monitoring and minimizing fund diversion risk. Continuous monitoring of the cash conversion cycle supports early stress detection, enabling the company to maintain near-zero NPAs.
- The cost-to-income ratio increased to 20% in FY25 due to investments related to the company's transition to a Middle Layer NBFC. With these investments largely behind it, the ratio normalized to 13% in FY26, and management expects it to remain within the 13–17% range, supported by operating leverage and disciplined cost control.
- **Improving Return Ratios:** SGFL is well positioned to deliver healthy return ratios, supported by its high-yield supply chain financing portfolio, and low credit costs. We expect ROA to remain at 4–5% over FY27E–FY28E, while ROE is likely to improve from 12% in FY26 to 15% in FY28E, driven by loan book growth, operating leverage and efficient capital utilization. Management also expects the debt-to-equity ratio to gradually increase from around 2x to 3x, providing headroom for balance sheet expansion and further supporting ROE improvement.





Valuation: We expect SG Finserve to deliver strong earnings growth, supported by AUM expansion, improving operating leverage and healthy asset quality. We forecast NII/PAT CAGR of 54%/55% over FY26–FY28E, with ROE improving from 12% in FY26 to 15% in FY28E. Given its scalable business model, prudent underwriting, technology-led lending platform, near-zero NPAs and long growth runway in the underpenetrated supply chain finance market, we value SG Finserve at 3x P/BV, arriving at a target price of Rs. 916.

(Figures in INR Crore)

Year	NII (Rs cr)	Growth	PAT (Rs cr)	Growth	EPS (Rs)	PE (x)	ABVPS (Rs)	Adj P/BV (x)	RoA	RoE
FY25	134	13.3%	82	3.2%	14.7	45.9	159	4.2	5.4%	8.8%
FY26	186	38.7%	128	55.6%	19.6	34.5	224	3.0	4.8%	12.0%
FY27E	327	76.1%	226	76.7%	34.6	19.5	258	2.6	4.5%	13.4%
FY28E	443	35.5%	307	36.0%	47.0	14.3	305	2.2	4.4%	15.4%

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