SG Finserve Ltd.

13th May, 2026

Current Market Price: ₹ 580

Target Price: ₹ 673

Upside Potential: 16.03%

Reccomendation: BUY

SG Finserve Ltd is an RBI registered NBFC focused on B2B supply chain financing. The company provides short tenure financing solutions to businesses operating within large corporate supply chain ecosystems. As of March 2026, SG Finserve's loan book stood at around ₹3,936 crore, while FY26 gross disbursements crossed ₹25,000 crore, reflecting the short cycle nature of the lending business. SG Finserve operates across sectors such as construction, building materials, automobiles, steel, IT peripherals, etc. Management has stated that the business is 100% domestic, with no direct import export financing exposure.

The company has also commercialised factoring, with a reported factoring book of around ₹175 crore and plans to participate as a financier on existing TReDS platforms such as RXIL and M1xchange.

Valuation Outlook & Recommendation

Based on our **FY29E Book Value of ₹2,134 crores**, we assign an exit multiple of **2.8x FY29E P/B**, deriving an implied FY29 market capitalisation of ~₹5,974 crores over a three year period. After adjusting for our one year investment horizon, this translates into a fair value of **~₹673 per share**, implying an **IRR of 16.03%** in our base case scenario.

We believe SG Finserve deserves a positive valuation stance due to its differentiated position in India's underpenetrated supply chain finance market. The company has built a scalable, anchor led lending model with direct payment to anchors, invoice backed transactions and a short 30–45 day churn cycle, enabling faster capital rotation and better end use control. The business also benefits from strong promoter backing, recent promoter side accumulation, a strengthened capital base, improving lender confidence, disciplined leverage expansion and a digital operating platform that can support scale without proportionate cost increase. With management guiding for strong AUM growth, 4.5–5.0% ROA, 14–16% ROE and controlled cost-to-income, SG Finserve offers a strong combination of growth, profitability and balance sheet scalability.

Company Snapshot

Market Cap	₹ 3,819 Crores
52 week High/Low	₹ 650 / 323
Face Value	₹ 10
NSE/BSE	SGFIN / 539199
Sector	NBFC
P/E	29.90
ROE	10.30%
BVPS	221.55

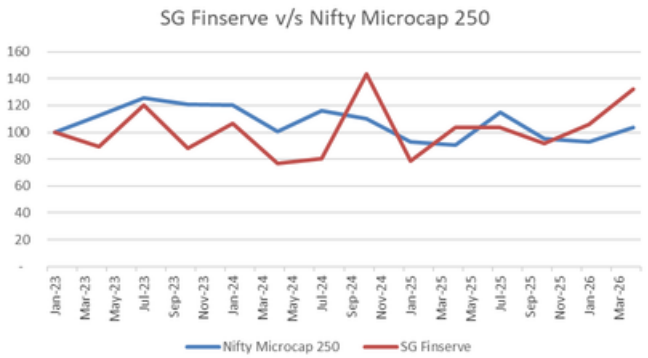
Financials (In Cr)

Particulars	FY26	FY27E	FY28E	FY29E
Interest Income	320	438	592	799
Finance Profit	175	222	296	398
Finance Margin	54.54%	50.59%	49.96%	49.76%
PAT	129	163	217	293
EPS	20	25	33	44

Shareholding Pattern

Particulars	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	48.38%	48.38%	50.30%	52.92%
FIIs	0.12%	0.17%	0.07%	0.26%
DIIs	4.44%	4.03%	3.46%	3.28%
Public	47.07%	47.43%	46.17%	43.54%

Price Performance (Indexed to 100)

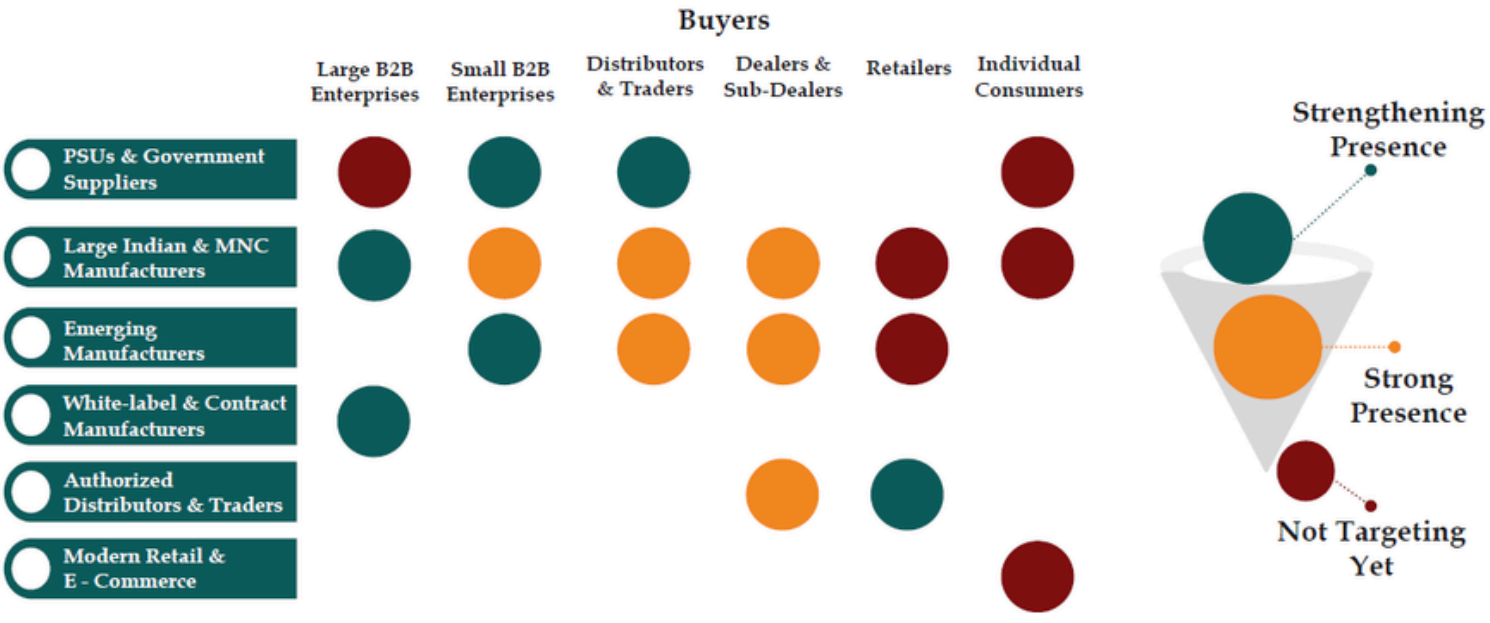


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Investment Rationales

- **Large underpenetrated supply chain finance opportunity:** SG Finserve benefits from India's underpenetrated MSME, dealer and distributor credit market, where many businesses still lack access to formal credit despite having regular operations, established anchor relationships and recurring working capital needs. Management commentary indicates that the overall supply chain finance market, including PSU banks, may be above ₹1 lakh crore. However, organised penetration remains low, with fewer than 100 of India's top 500 corporates currently active in organised supply chain finance and only around 25–30% of sales covered even among anchors that already run such programmes. At the same time, several large private banks and NBFCs already operate dealer finance books of around ₹10,000–15,000 crore, suggesting that the addressable market is large enough for multiple lenders to co-exist. For SG Finserve, growth can come from two levers: onboarding new anchors and increasing penetration within existing anchor ecosystems. As more corporates move toward cash and carry models, lower debtor days and organised dealer funding, SG Finserve is well placed to benefit from rising demand for fast, invoice backed, short term working capital finance.

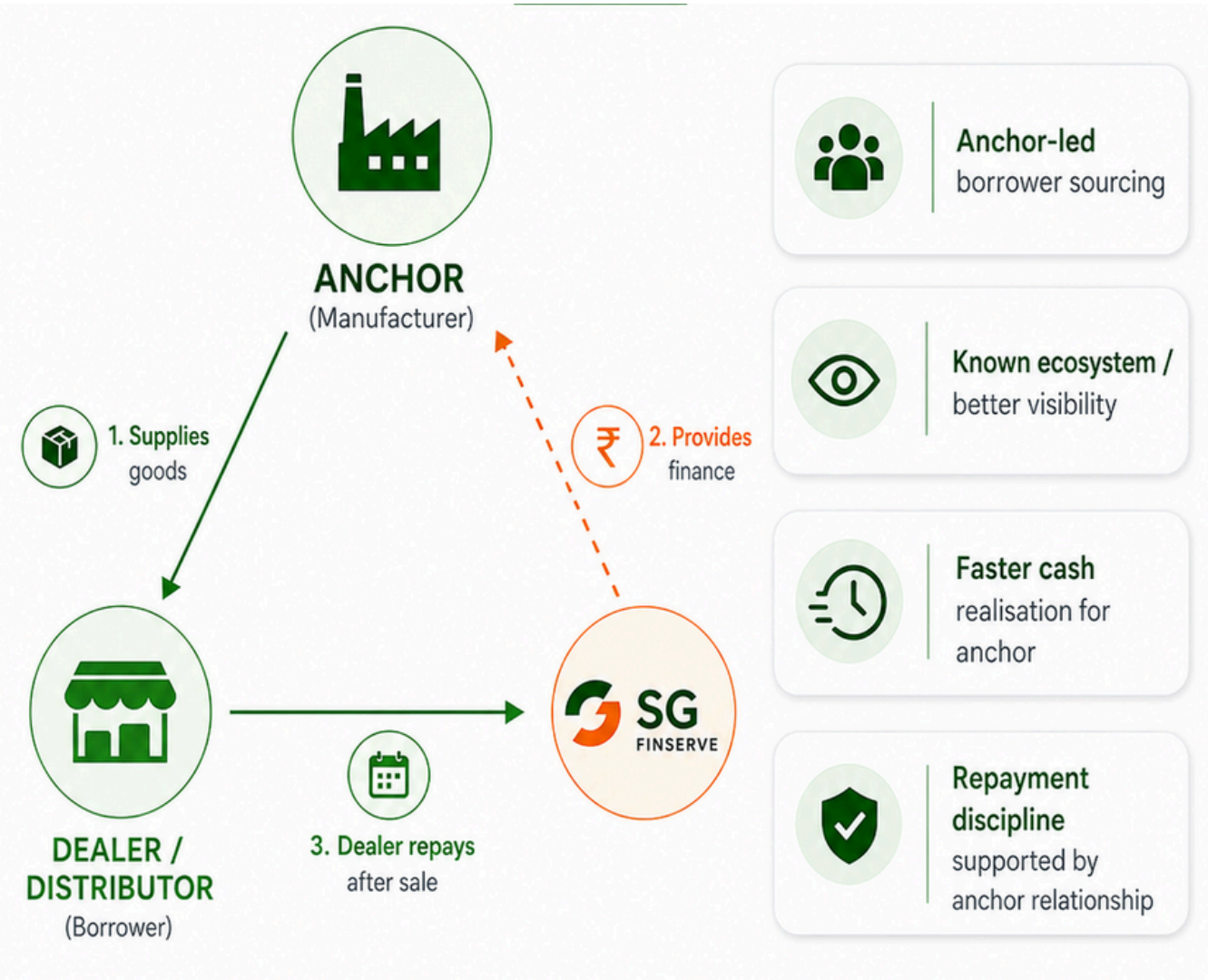
KEY TARGET MARKET – DOWNSTREAM ECOSYSTEM



Source - Company

Investment Rationales

- **Anchor led model:** SG Finserve does not do generic unsecured MSME lending. Instead, it lends within an anchor led ecosystem, where the borrower is a dealer, distributor, vendor or retailer connected to a large corporate anchor. This gives SG Finserve better visibility on the borrower's business activity and commercial relevance within the supply chain. The anchor led model creates a three party relationship between the anchor, the dealer and the financier. The dealer needs financing to procure goods from the anchor. The anchor wants the dealer to remain funded so that sales in that territory continue. SG Finserve provides the working capital and earns interest/fees on the transaction. This structure creates better alignment compared with a normal business loan, where only the lender is responsible for monitoring and recovery. In SG Finserve's core dealer finance model, the funding is linked to invoices and the money is paid directly to the anchor rather than being handed to the dealer. This improves end use control and reduces the risk that the borrower diverts funds elsewhere. This is one of the most important structural strengths of the business model.



Source - AI Generated

Investment Rationales

- **Factoring and TReDS:** SG Finserve has entered adjacent products like factoring and TReDS participation, both natural extensions of supply chain finance. Factoring is receivables financing, with management indicating a book of around ₹175 crore as of March 2026. For TReDS, SG Finserve plans to act as a financier on existing RBI regulated platforms like RXIL and M1xchange, instead of building its own platform. This gives access to invoice discounting opportunities without regulatory or operational burden. These products can expand SG Finserve's addressable market beyond dealer finance.

- **Conservative Leverage and Funding Runway Provide ROE Upside:** SG Finserve has a moderate leverage profile, which gives it room to improve ROE as the business scales. For an NBFC, higher leverage allows the same equity base to support a larger loan book, provided asset quality and funding access remain strong. Management has guided for medium term ROE of around 14–16%, compared with historically lower ROE during the regulatory disruption period. The investment case strengthens if SG Finserve can gradually move from around 2x leverage toward 3x leverage in a calibrated manner while maintaining credit discipline. A sudden leverage increase would be risky, but a controlled rise can improve shareholder returns. The company also has a visible funding runway, supported by incremental equity raised through warrants and available bank limits of around ₹3,000–3,500 crore. With the current loan book at around ₹3,936 crore as of March 2026, management believes SG Finserve can scale to a much larger AUM base without immediate fresh equity, aided by existing capital, retained earnings and additional bank lines.

- **Technology led model supports operating efficiency:** SG Finserve's business model is supported by a digital lending infrastructure, including loan origination systems, loan management systems, ERP integration with anchors, GST/income tax data monitoring and early warning systems. The company's systems are designed to capture invoices, process disbursements, track repayments and monitor borrower behaviour with limited manual intervention. This technology led structure is important because supply chain finance involves high transaction volumes, short cycles and frequent disbursements. Manual underwriting and disbursement would make the model difficult to scale. With digital systems, the company can process a larger number of invoices and borrowers without proportionately increasing operating costs.

Investment Rationales

- **Short tenure, High Churn Lending Model with Sector Focus:** SG Finserve's loans are short term, with an average 30–45 day churn cycle, allowing the same capital to be lent, collected and redeployed multiple times a year. This makes gross disbursements much higher than the closing loan book. In Q4 FY26, disbursements were around ₹7,700 crore versus a closing loan book of around ₹3,900 crore, implying nearly two book turns in one quarter. This high churn enables rapid scaling without the loan book growing at the same pace, while generating high capital productivity and recurring income, provided underwriting and repayments remain strong. The model is supported by SG Finserve's focus on high churn supply chain sectors such as construction/building materials, steel, automobiles, white goods, IT peripherals and electronics. These sectors have organised dealer networks, repeat procurement, inventory movement, identifiable anchor relationships & frequent working capital needs. Construction, building materials and steel have large distribution networks and regular inventory demand, auto dealers need funding for high ticket inventory and white goods/electronics have organised channels and fast cash conversion cycles.

Sector	Suitability	Why it fits	Key risk
Construction / Building Materials	High	Large dealer networks, high inventory churn, continuous stock requirements	Real estate slowdown, lower government spending
Steel / Metals	High	Deep distribution tiers, high-velocity trade	Price volatility affecting inventory values
Automobiles	High	High-ticket dealer inventory, organised channels	Demand cycles, EV-led inventory transition
White Goods / IT Peripherals / Mobile / Electronics	Medium-High	Organised distribution, fast cash-conversion cycles	Consumer-demand slowdown, import dependence, obsolescence
FMCG	Selective	Fast churn, large retail penetration	Thin margins, fragmented lower tiers

Source – AI Generated

Industry Overview

- **A Shift from Generic Lending to Invoice Backed Credit:** Supply chain finance is a working capital financing model used to support dealers, distributors, vendors, retailers and MSMEs operating within large corporate supply chains. Unlike generic business loans, supply chain finance is usually linked to a specific commercial transaction such as a verified invoice, purchase order or receivable. This gives lenders better visibility over the underlying trade flow and makes the product more controlled than traditional open ended working capital facilities. The industry exists because many MSMEs and channel partners face a structural working capital mismatch. Dealers need capital to buy inventory from large anchor companies, but cash is realised only after those goods are sold further into the market and receivables are collected. This gap restricts growth even for viable businesses.

- **Traditional Working Capital v/s Supply Chain Finance:** Traditional working capital products such as Cash Credit, Overdraft and Working Capital Demand Loans remain the dominant form of business financing. However, these products are generally open ended: once a borrower receives a limit, the lender has limited visibility on the exact use of funds. This creates fund diversion risk and makes monitoring more difficult. Supply chain finance, by contrast, is close ended and transaction linked, with financing tied to invoices, purchase orders or receivables. Supply chain finance, invoice backed purchase finance, factoring and TReDS are more directly linked to trade flows and are therefore better suited to short cycle, high frequency dealer and MSME financing.

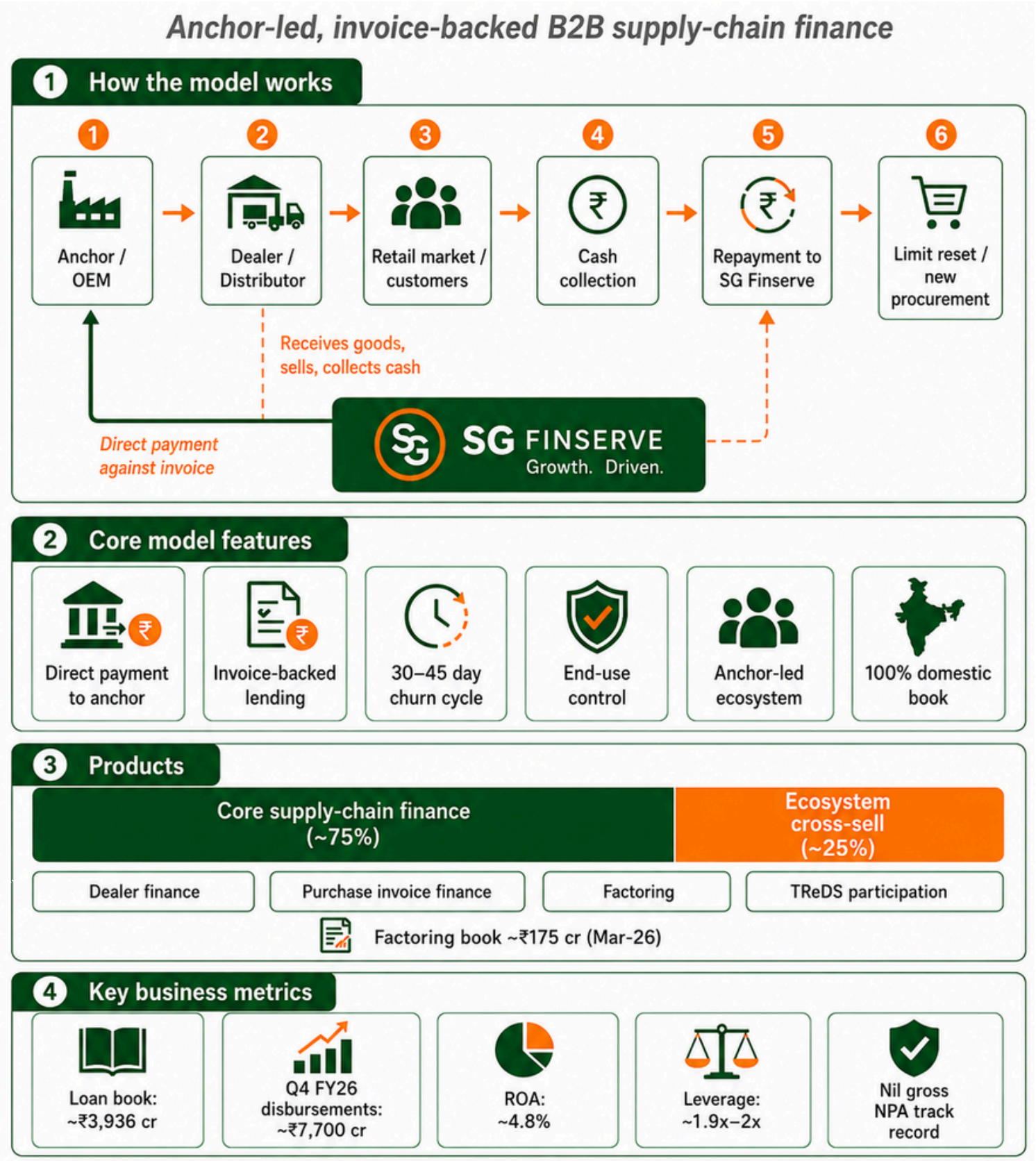
- **Structural Working Capital Gap:** The working capital gap is most visible in dealer and distributor ecosystems. A dealer may have a long standing relationship with a reputed anchor, regular inventory movement and a profitable business, but still may not receive adequate bank funding due to limited collateral, thin margins, informal financial records or slow credit processes. Traditional banks generally underwrite based on balance sheet strength and hard collateral, while the real strength of many MSME dealers lies in their trading relationship, inventory churn and repayment behaviour with the anchor.

Industry Overview

- **Sector Suitability:** Supply chain finance works best in sectors with fast moving inventory, strong brand pull, organised distribution networks and repeat procurement. Construction and building materials are suitable because they have large dealer networks, high inventory churn and continuous stock requirements, although they remain exposed to real estate slowdown and lower government spending. Steel and metals are suitable because of deep distribution tiers and high velocity trade, but price volatility can affect inventory values. Automobiles are well suited because dealers need funding for high ticket inventory, though the sector is exposed to demand cycles and EV led inventory transition. White goods, IT peripherals, mobile and electronics are also suitable because they have organised distribution structures and fast cash conversion cycles, though they carry consumer demand, import dependence and obsolescence risks. FMCG has very fast churn and large retail penetration, but thin margins and fragmented lower tiers make underwriting more complex.

- **Growth Drivers:** The long term growth drivers for supply chain finance are strong. Formalisation of MSME credit is the most important driver because only around 10% of MSMEs have access to formal credit. GST data, income tax data and digital invoicing improve underwriting and monitoring. ERP integration with anchors allows invoice capture, automated checks and fast disbursement. Corporate preference for cash and carry and lower receivable days is another structural driver. Large anchors benefit when dealers pay quickly, while dealers benefit if financing allows them to capture cash discounts or rotate inventory faster. Bank participation, TReDS adoption and growth of organised distribution networks across construction, auto, steel, white goods and IT peripherals further support long term market expansion.

Business Model



Source - AI Generated

- SG Finserve is an NBFC that finances dealers and distributors associated with large corporate anchors in organised supply chains. These businesses need working capital to buy inventory from large companies but receive cash only after selling the goods and collecting customer payments.

Business Model

Banks may not sufficiently fund them due to limited collateral, thin margins, informal records, or slower credit processes. SG Finserve bridges this gap by financing their inventory purchases.

- In a typical transaction, a dealer places an order with an anchor company and the anchor raises an invoice. SG Finserve funds that invoice, but instead of giving money directly to the dealer, it pays the anchor company directly. The dealer then receives the goods, sells them in the market, collects cash and repays SG Finserve. Once repayment is made, the dealer's credit limit opens again and can be used for the next purchase. This direct payment structure helps ensure that the loan is used for the intended business transaction rather than being diverted elsewhere.
- SG Finserve earns mainly through interest income and fee income. It borrows money from banks and other lenders at a certain cost and lends that money to dealers at a higher rate. The difference between its lending rate and borrowing cost becomes its spread or net interest income. Apart from interest, it can also earn processing or transaction fees on disbursements. Since these loans are short term and linked to inventory purchase, the same capital can be lent, collected and redeployed multiple times.
- Anchors are central to the model because SG Finserve lends to dealers and distributors who are already connected to reputed large companies. This gives the company better visibility on the borrower's business compared with generic MSME lending. In typical dealer finance cases, if the dealer does not repay, the anchor can stop supplying fresh goods until dues are cleared. This creates repayment discipline because the dealer's business depends on continued supply from the anchor.
- The company's main product is dealer and distributor finance, where it funds dealers to buy goods from anchors. It also offers purchase invoice finance, where lending is linked to a specific invoice. In addition, SG Finserve has entered adjacent products such as factoring and participates as a financier on TReDS platforms. Management has also indicated that part of the business comes from cross sell within the existing borrower ecosystem. In simple terms, SG Finserve finances dealers and distributors of large companies, pays the anchor directly against an invoice and earns interest and fees as the dealer sells the goods and repays the loan.





Source - Company

Company History



Source - AI Generated

- **Legacy NBFC Platform:** SG Finserve was earlier known as Moongipa Securities, a legacy NBFC platform that existed before the involvement of the APL Apollo Group. At that stage, the company was not a large operating supply chain finance business. It was more of a legacy financial services / NBFC platform rather than a scaled lending franchise with a clear sectoral focus. The major transformation happened only after promoters associated with the APL Apollo Group acquired control. Instead of continuing as a generic NBFC, the new promoters used the platform to build a specialised lending business focused on the working capital needs of dealers, distributors, vendors and other channel partners of large corporate anchors.
- **COVID Era Insight:** The original idea came from a practical issue seen in the APL Apollo dealer ecosystem during COVID. APL Apollo moved to a cash and carry model and increased cash discounts from around 1% to 2% to encourage upfront payment. For distributors, this was attractive because capital could turn 7–8 times a year, so a 2% discount per cycle could create an annualised benefit of around 14–16%. Even after borrowing at 9-12%, distributors could still earn an incremental spread. However, many distributors were still not taking the discount, despite long relationships, regular inventory movement and good repayment behaviour. The issue was that they could not access timely funding from banks, NBFCs or fintech lenders, even at 12–13% rates. This led to the key insight: the problem was not necessarily borrower quality, but the lack of adequate formal credit for SME distributors.

Company History

- **Regulatory Reset and Fresh RBI Approval:** During FY24, SG Finserve faced a major regulatory disruption as its asset size crossed around ₹1,000 crore, triggering higher regulatory requirements under RBI's scale based framework and requiring a transition from NBFC Type-I to NBFC-ICC Type-II. During this transition, the company faced RBI scrutiny and operational restrictions, which slowed lending activity, forced repayment/reset of bank lines and led to a reduction in the loan book from around ₹1,900 crore to roughly ₹750–1,200 crore. RBI also imposed a monetary penalty of ₹28.3 lakh for earlier non compliance with certain conditions of the previous Certificate of Registration. While not financially material, it highlighted the importance of governance and regulatory discipline as the company scaled. Regulatory clarity returned on 3 October 2024, when SG Finserve received a fresh Certificate of Registration from RBI and became an NBFC-ICC Type-II, formally allowing it to operate as an Investment and Credit Company under the appropriate regulatory structure. Although the reset was painful in the short term, it created a cleaner base for growth by restoring operational confidence, enabling bank lines to be rebuilt, placing the company under a stricter Middle Layer governance framework and improving lender confidence

- **Recovery, Scale Up and New Leadership:** FY25 was a reset and recovery year for SG Finserve after the regulatory disruption. The company had to rebuild lending momentum, restore bank relationships, strengthen compliance, improve risk systems and regain confidence among lenders, investors and anchors. This phase was important because SG Finserve needed to prove that the supply chain finance model could restart and scale again after receiving regulatory clarity. By FY26, the company had returned to a stronger growth trajectory. The loan book reached around ₹3,936 crore, gross disbursements crossed ₹25,000 crore, PAT was around ₹128 crore and ROA stood around 4.8%. FY26 also saw a major management transition, with the earlier CEO and CFO/COO stepping down and Vinay Gupta taking over as CEO and Sanjay Rajput as CFO. While this initially raised investor concerns, the new leadership has adopted a more conservative and execution focused approach, emphasising clearer guidance, controlled growth, disciplined leverage, asset quality protection and an "undercommit and overdeliver" communication style.

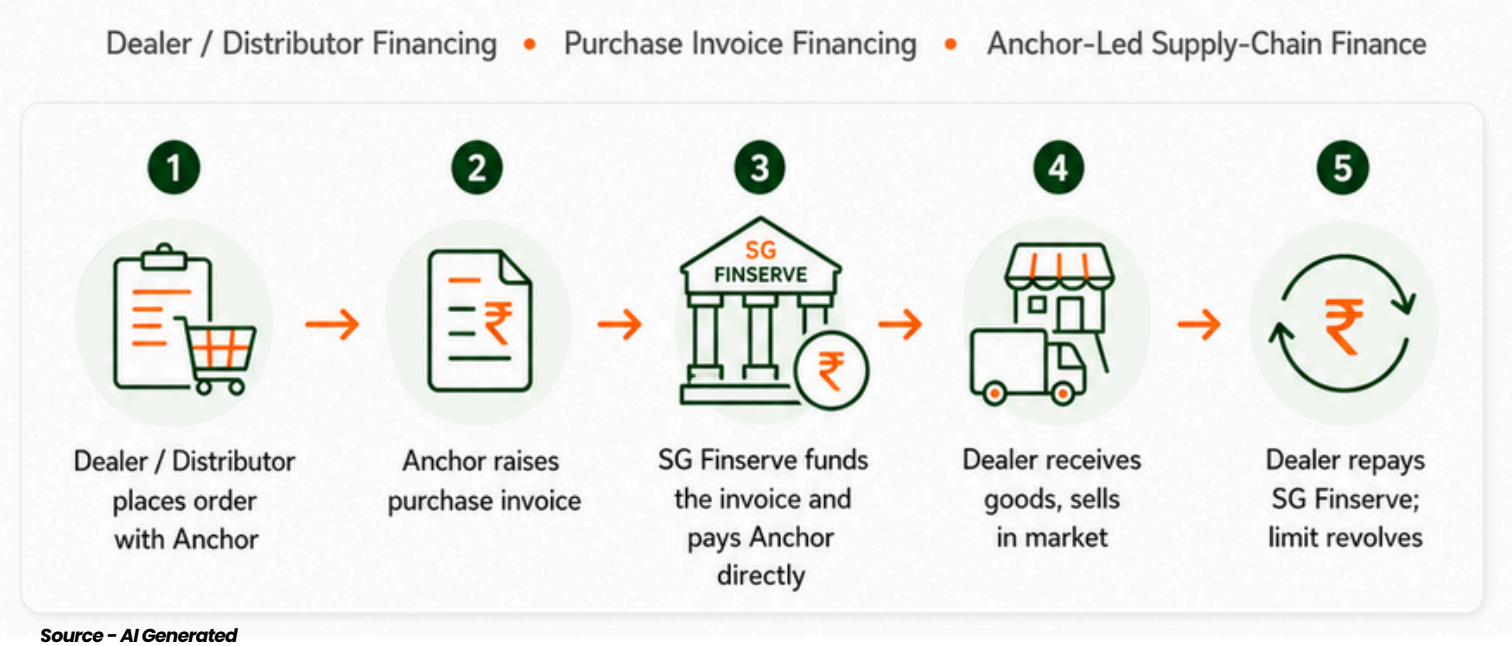
Company History

Many had strong trade relationships & long business histories, but traditional lenders were constrained by collateral requirements, underwriting gaps and slow processes.

- **The APL Apollo Edge:** APL Apollo already had deep experience in managing large distribution networks. APL Apollo Tubes had around 800 direct selling partners, while Apollo Pipes had more than 600 direct selling partners. The group had worked with many of these channel partners for years and understood their business cycles, purchase patterns, inventory movement and repayment behaviour. This gave the promoters a clear advantage. They were not entering an unknown lending market. They were entering a financing opportunity within an ecosystem they already understood. The group had access to dealer level information, anchor relationships and practical knowledge of which distributors were disciplined. The strategic logic was simple that if SG Finserve could finance known channel partners against real invoices, pay the anchor directly and monitor repayments through a structured process, it could solve a real working capital gap while also building a scalable NBFC business. This gave SG Finserve access to dealer level data, anchor relationships and a natural borrower base from day one, helping it build a scalable lending platform that started with APL Apollo and Apollo Pipes channel partners, with the broader ambition of extending the same model to other large corporate anchors.

- **Capital Infusion and Launch of Lending Operations:** In October 2022, SG Finserve raised around ₹720 crore of pure equity capital, with nearly half from promoters and the balance from external investors, giving it a strong base to start lending without heavy dependence on borrowings. The initial focus was on known APL Apollo and Apollo Pipes channel partners, helping the company test the model, validate repayments and build systems before expanding to external anchors. Later, promoters committed another ₹450 crore through warrants, further strengthening capital and signalling confidence. Alongside this, SG Finserve built a full NBFC operating platform by hiring teams across credit, risk, operations, finance, technology and collections. The company implemented a Loan Origination System and Loan Management System to handle borrower onboarding, loan processing, disbursement tracking and repayment management. It also integrated with anchor ERP platforms like SAP for digital invoice flow and direct anchor payments and connecting with GST, income tax and banking systems for borrower assessment, monitoring and collections.

Product Portfolio



Source - AI Generated

- **Dealer financing** is SG Finserve's core product and forms the backbone of its supply chain finance model. Under this structure, the company provides short tenure working capital finance to dealers and distributors who purchase finished goods from large corporate anchors. The facility is linked to a specific purchase invoice, and SG Finserve pays the anchor directly instead of transferring funds to the dealer. This ensures end use control and reduces fund diversion risk. The dealer receives inventory, sells it in the market, collects cash and repays SG Finserve, after which the limit is reset for the next purchase cycle. Since the lending cycle is typically short at around 30–45 days, the same capital can rotate multiple times during the year, resulting in gross disbursements being significantly higher than the closing loan book.
- The product benefits all 3 participants in the ecosystem. Dealers receive timely formal credit to purchase inventory and scale sales, anchors receive faster cash realisation and lower receivables, while SG Finserve earns interest and fees on repeat, invoice backed transactions. The risk framework is stronger than generic MSME lending because borrowers are sourced through anchor ecosystems, transactions are linked to real invoices, and repayment behaviour can be monitored through the full cash cycle of procurement, sale, receivable collection and repayment. In typical dealer-finance arrangements, repayment discipline is further supported by the anchor relationship, as fresh supply can be restricted if dues are not cleared. This makes dealer financing a scalable, granular and high churn product

Product Portfolio

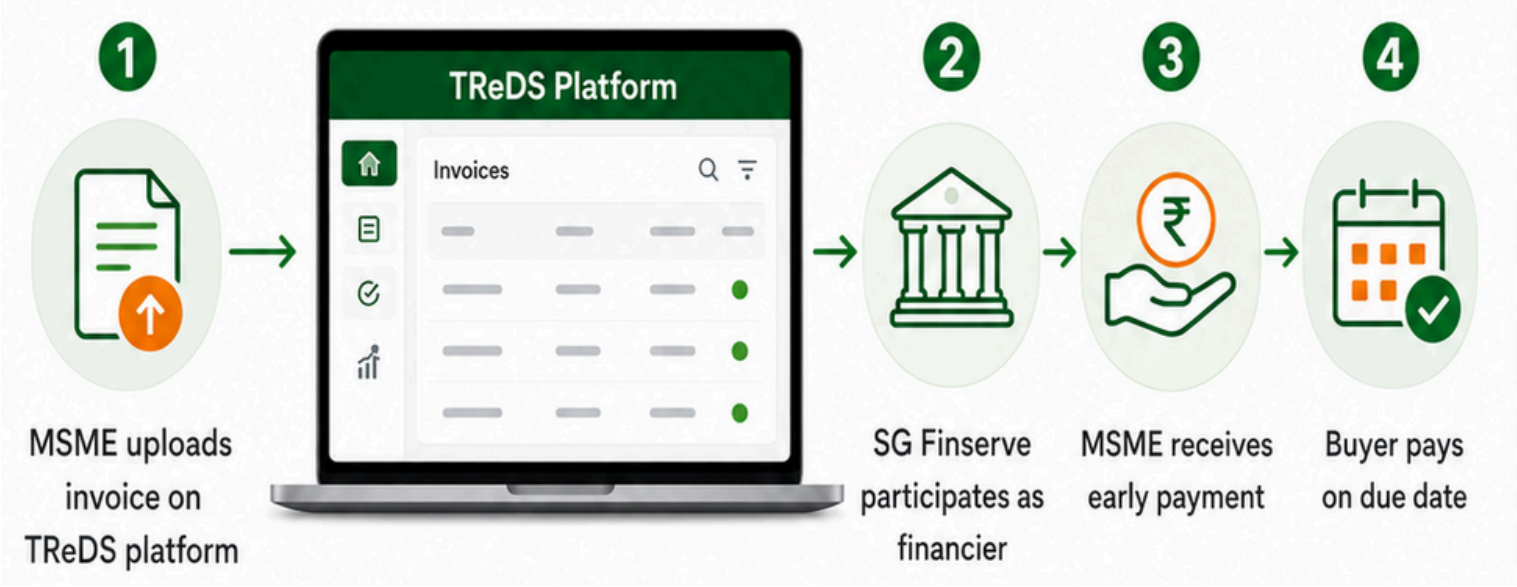


Source - AI Generated

- The **Factoring business** is an adjacent extension of its core supply chain finance model, where the company provides early liquidity against trade receivables rather than only financing dealer purchases. While dealer finance funds the buyer side of the transaction, factoring funds the seller side, helping MSMEs or suppliers receive cash immediately instead of waiting 30–60 days for buyer payments. Management has indicated that bilateral factoring has already been commercialised, with a factoring book of around ₹175 crore as of March 2026, which is still small versus the overall loan book of around ₹3,936 crore but meaningful as an emerging adjacent product.
- Strategically, factoring expands SG Finserve's addressable market beyond dealer purchase finance, improves product diversification, increases wallet share within known ecosystems. However, factoring carries a different risk profile from dealer finance because repayment depends on receivable quality and buyer payment behaviour.

Product Portfolio

Key risks include buyer credit risk, invoice dispute risk, concentration risk and operational/ documentation risk. Therefore, factoring should be viewed as an adjacent growth engine rather than a replacement for the core dealer finance business, with the key monitorables being receivable quality, buyer concentration, documentation discipline and whether the product scales without diluting SG Finserve's core risk framework.

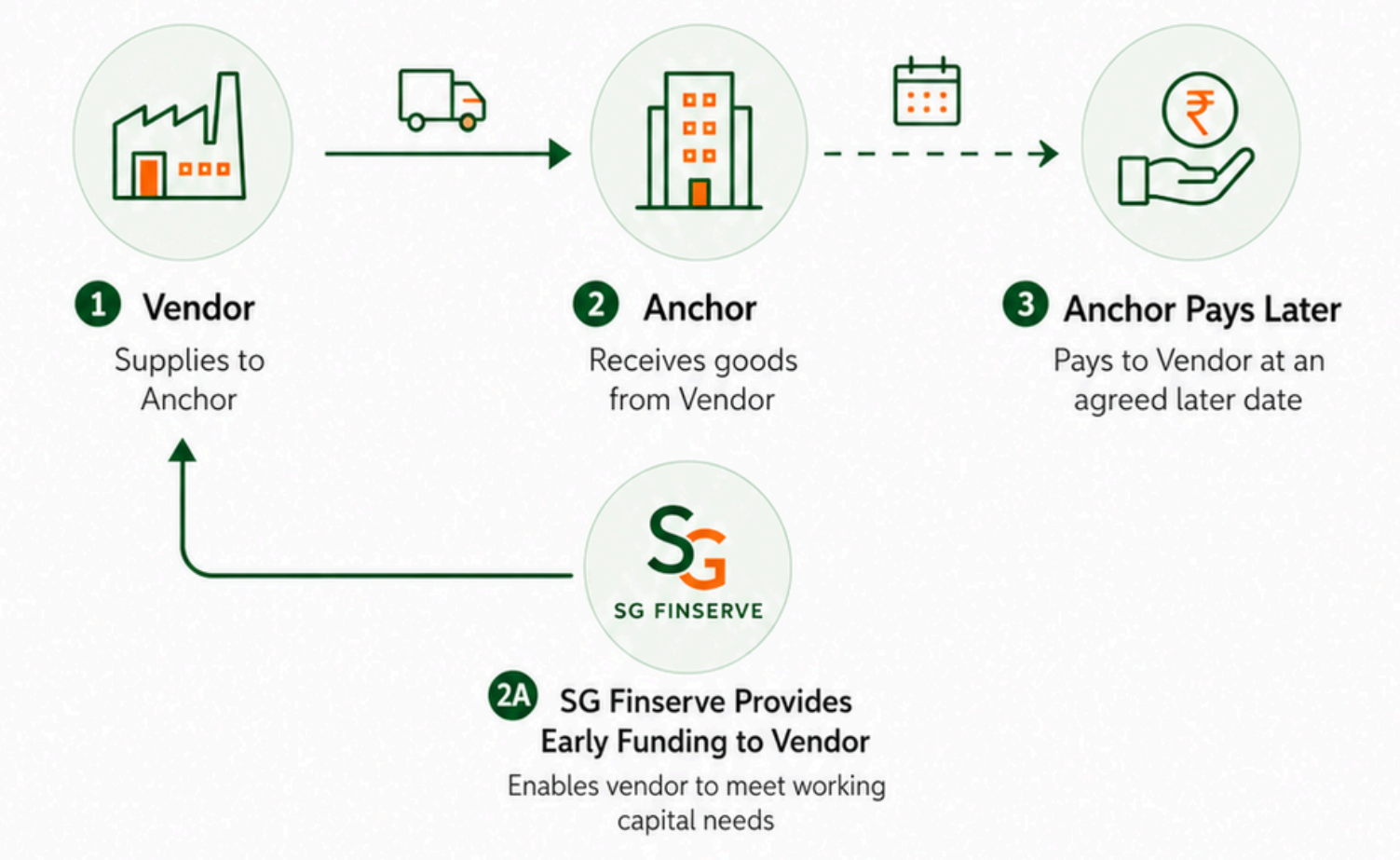


Source - AI Generated

- **TReDS** is an RBI regulated electronic invoice discounting platform that enables MSMEs to receive early payment against accepted trade receivables. In a typical transaction, an MSME supplies goods or services to a large buyer, raises an invoice, the buyer accepts the invoice on the TReDS platform and financiers such as banks or NBFCs discount the invoice. The MSME receives cash upfront, while the buyer pays the financier on the due date.

- For SG Finserve, TReDS is an adjacent receivable financing opportunity rather than the core business. The company does not intend to build its own TReDS platform, instead, it participates as a financier on existing platforms such as RXIL and M1xchange. This allows SG Finserve to access invoice backed MSME lending opportunities without taking on the regulatory and operating burden of running a platform. Strategically, TReDS complements SG Finserve's dealer finance and factoring business by expanding its participation across the supply chain credit ecosystem. The key monitorables will be buyer quality, invoice verification, platform discipline, yields and whether the product scales without diluting the company's risk framework.

Product Portfolio



Source - AI Generated

- **Vendor financing i**s an upstream supply chain finance product where funding is provided to suppliers. Under this structure, the vendor supplies goods to the anchor and raises an invoice, but instead of waiting for the normal credit period, the vendor receives early payment from the financier. The anchor then repays the financier on the invoice due date.
- SG Finserve had earlier explored vendor financing and built a book of around ₹200 crore. However, management later exited this product because the required exposure sizes were large, typically around ₹25–30 crore plus per borrower. This created concentration risk and did not fit well with SG Finserve's preferred lending model, which is more granular, short tenure and spread across a larger number of dealers.
- Vendor financing carries a different risk profile from dealer financing because repayment depends more on anchor receivables, invoice acceptance and buyer payment behaviour, rather than dealer inventory churn and anchor level supply controls. While it can deepen SG Finserve's participation across the supply chain by supporting anchor suppliers, it should currently be viewed as a historically evaluated adjacency, not a core growth driver.

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FY26 At a Glance

(₹ Cr)

25,368 GROSS DISBURSEMENTS	3,936 LOAN BOOK	334 TOTAL INCOME
2,704 TOTAL DEBT	1,460 EQUITY	NIL NPA (%)
199 NET INTEREST INCOME	172 PROFIT BEFORE TAX	128 PROFIT AFTER TAX

1.9x	4.8%	12.0%	NIL
DEBT/TNW	RoA	RoE	NPAs

(RoA/RoE is calculated basis avg. AUM/Equity)

YEAR ON YEAR → PERFORMANCE

(₹ Cr)

	FY26	FY25	Change
Loan Book	3,936	2,246	75%
Operating Income	334	170	96%
Profit Before Tax	172	110	56%
Profit After Tax	128	81	58%

Source - Company

- SG Finserve delivered a strong FY26 performance, led by robust growth in disbursements, loan book, income and profitability, while maintaining clean asset quality. Gross disbursements crossed the ₹25,000 crore mark and stood at ₹25,368 crore, up 40% YoY from ₹17,705 crore in FY25. The closing loan book / AUM reached ₹3,936 crore, registering 75% YoY growth, reflecting strong momentum in the company's anchor led supply chain finance model.
- Operating income nearly doubled, increasing 96% YoY to ₹334 crore from ₹170 crore in FY25. Net Interest Income also grew to ₹199 crore, compared with ₹138 crore in FY25, supported by higher average AUM and continued monetisation of the short tenure lending book. Profitability remained strong, with PBT rising 56% YoY to ₹172 crore and PAT increasing 58% YoY to ₹128 crore.
- Importantly, SG Finserve maintained its Nil Gross NPA track record in FY26 despite strong growth in the loan book and disbursements. Overall, FY26 was a scale up year for the company, with strong growth across core operating and profitability metrics while preserving asset quality.

Our View

We view SG Finserve as a high conviction, yet still maturing, specialised NBFC franchise positioned at the intersection of India's formalisation of MSME credit and the rising need for structured supply chain finance. The company addresses a genuine financing bottleneck in the dealer and distributor ecosystem, where many channel partners have healthy inventory movement, long standing anchor relationships and recurring business demand, but remain underserved by traditional lenders due to collateral gaps, thin margins and slower underwriting processes

SG Finserve's investment case has strengthened materially, but it still carries a few legacy credibility and governance overhangs that need to be factored in. Earlier management communication created confusion around growth and profitability expectations, with references to ₹4,000 crore AUM by FY26, ₹6,000 crore AUM by FY27 and PAT expectations of ₹150–160 crore, which were later moderated or clarified toward ₹120–125 crore / exit run rate interpretation. For an NBFC, this matters because valuation depends heavily on confidence in management's guidance. The positive change is that the new management has shifted to a more conservative, range based guidance framework and appears focused on undercommitting and overdelivering.

Rajesh Jain:

Yes, thanks for the follow-up. Sir, I have one request and one question. So, I will just articulate my request first. So, regarding the financial year 25 guidance of INR150 crores, INR160 crores, we are getting different answers at different times, okay. So, today in the call, you have said that the guidance was revised downwards to INR120 crores, INR125 crores due to economic slowdown.

But just a few weeks ago, during the Bharat Connect Conference organized by Arihant Capital. So Mr. Sorabh Dhawan had told that INR150 crores, INR160 crores was never the guidance, it was the exit run rate. So, I will request the new incoming management to be very specific on guidance. I mean, 50% growth is also a very good guidance, but if you say 100% and deliver 50%, it gives wrong impression to the investors. So, that is the feedback and that is the request.

Aditya Lathe:

Hi. I have just one question. I just wanted to understand any challenges the existing management has faced with SG Finserve and anything you would have done differently while building the business. That is one.

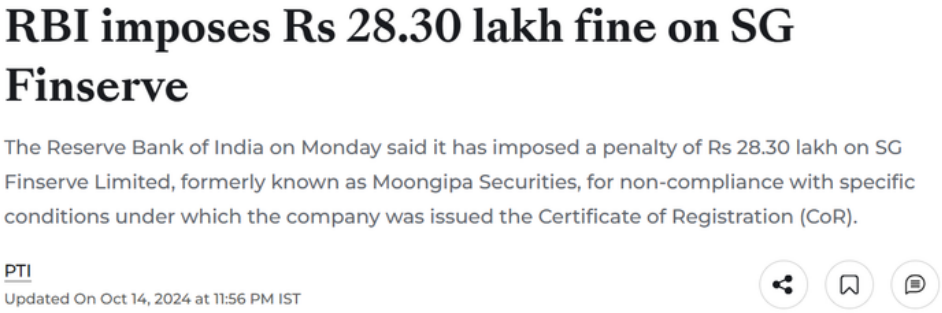
And I have one suggestion. I think we should avoid getting into the forecasting game, like when we are saying that we want to forecast at the exact amount for the next quarter or for the next year. I think the guidance for the book is okay, because that is a broad guidance.

But when we get down to PAT and all, we always end up disappointing. That is just one suggestion. And the query was what I asked earlier. Thank you.

Source - Oct 25 Concall

Our View

The RBI episode was a more serious operational reset. As the company crossed around ₹1,000 crore in assets, it had to transition from NBFC Type-I to NBFC-ICC Type-II. During this period, lending slowed, bank lines were repaid or reset and the loan book contracted from around ₹1,900 crore to roughly ₹750–1,200 crore. RBI also imposed a ₹28.30 lakh penalty for earlier CoR related non compliance. While the penalty was not financially material, it showed that regulatory discipline is critical as the company scales. Management has since resolved the issue through a fresh RBI certificate of registration dated 3 October 2024, restoring regulatory clarity as an NBFC-ICC Type-II and creating a cleaner base for growth.



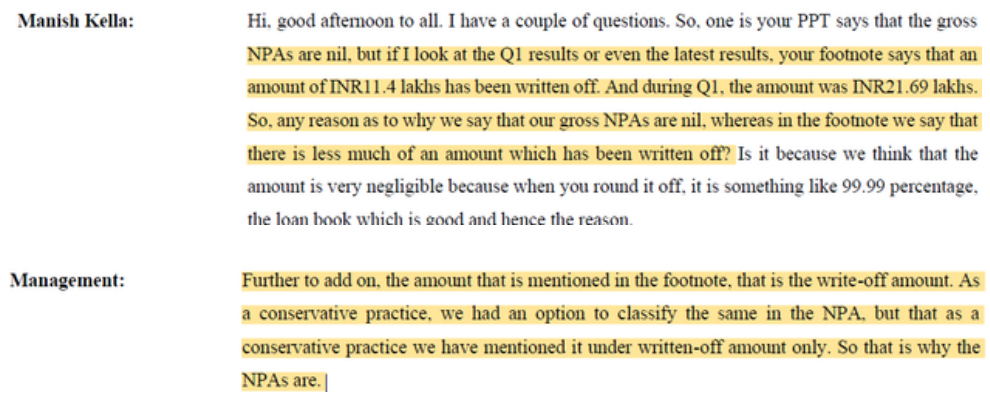
RBI imposes Rs 28.30 lakh fine on SG Finserve

The Reserve Bank of India on Monday said it has imposed a penalty of Rs 28.30 lakh on SG Finserve Limited, formerly known as Moongipa Securities, for non-compliance with specific conditions under which the company was issued the Certificate of Registration (CoR).

PTI
Updated On Oct 14, 2024 at 11:56 PM IST

Source - Economic Times

The Nil Gross NPA track record is encouraging, but it should not be viewed in isolation. Investors had highlighted small write offs of around ₹11.4 lakh and ₹21.69 lakh despite nil NPA. Management clarified that these were directly written off as a conservative practice rather than being allowed to flow into NPA classification. The amounts are immaterial, but they reinforce the need to monitor asset quality beyond headline GNPA, including write offs, overdue trends, credit cost, restructuring and provisioning policy.



Manish Kella: Hi, good afternoon to all. I have a couple of questions. So, one is your PPT says that the gross NPAs are nil, but if I look at the Q1 results or even the latest results, your footnote says that an amount of INR11.4 lakhs has been written off. And during Q1, the amount was INR21.69 lakhs. So, any reason as to why we say that our gross NPAs are nil, whereas in the footnote we say that there is less much of an amount which has been written off? Is it because we think that the amount is very negligible because when you round it off, it is something like 99.99 percentage, the loan book which is good and hence the reason.

Management: Further to add on, the amount that is mentioned in the footnote, that is the write-off amount. As a conservative practice, we had an option to classify the same in the NPA, but that as a conservative practice we have mentioned it under written-off amount only. So that is why the NPAs are.

Source - May25 Concall

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Our View

SG Finserve's NPA control framework has structural strengths because its core dealer finance model is built around verified purchase invoices and direct payment to anchors, rather than unrestricted cash disbursement to borrowers. This ensures end use control, reduces fund diversion risk and ties lending to a real trade transaction. The company monitors the full cash cycle and any elongation acts as an early warning for stuck inventory, delayed receivables or weakening demand. In typical dealer finance cases, repayment discipline is further supported by the anchor relationship, as fresh supply can be restricted if dues are not cleared.

Despite the concerns, we remain supportive because the new management has shifted to a more conservative, execution focused approach, with guidance of 25–30% medium term AUM growth, 35–40% FY27 AUM growth aspiration, 4.5–5% ROA, 14–16% ROE and gradual leverage expansion from 1.9x–2x toward 3x. The operating platform has also strengthened through dedicated credit, risk, operations, finance, technology and collections teams, Loan Origination System/Loan Management System, SAP/ERP integration and use of GST, income tax and banking data for borrower assessment and monitoring. This shows SG Finserve has evolved from a licence holding NBFC into a functioning digital supply chain finance platform.

Promoter and capital support remain a key reason for our interest in SG Finserve. The company raised around ₹720 crore of equity in October 2022, followed by a further ₹450 crore promoter warrant commitment, giving it a stronger net worth base and improving lender comfort. More recently, promoter alignment has increased further, with Sanjay Gupta acquiring 15,50,000 shares, equivalent to around 2.35% of voting capital, through an off market gift transaction dated 27 April 2026. In addition, S Gupta Holding Private Limited (owned by Sanjay Gupta and family) purchased 3,32,222 shares on 6 May 2026 at ₹569 per share. For an NBFC, this matters because a stronger promoter holding, repeated capital commitment and visible promoter side accumulation improve confidence in funding access, balance sheet scalability.

GUIDANCE

GROWTH, RETURNS & ASSET QUALITY

- AUM: 25 - 30% CAGR
- PAT: 30 - 35% CAGR
- RoA: 4.5% - 5.0%
- RoE: 14% - 16%
- Cost/Income: 13% - 17%
- NPAs: NIL

PRODUCT EXPANSION & SUPPLY CHAIN LEADERSHIP

- Scale Supply Chain Finance & Deep Tier Financing
- Strengthen Factoring, Invoice Financing & TReDS Offering
- Launch Micro LAP & Digital Lending programs

PARTNERSHIPS & NEW BUSINESS AVENUES

- Expand into new geographies & deepen existing relationships
- Strengthen co-lending programs & strategic partnerships
- Explore adjacent Financial Services like ARC, AIF, etc.

DIGITAL CAPABILITIES

- Leverage digital & AI-driven capabilities
- Drive underwriting excellence & collections efficiency

Source - Company

Management Overview



Vinay Gupta
Chief Executive Officer

Vinay Gupta is the key face of the new management team. He is a CA and seasoned banker with over 20 years of experience across supply chain finance, trade finance and corporate banking. He has worked with institutions such as YES Bank, DBS and ICICI. Under him, the company has shifted toward a more conservative and execution focused communication style, with emphasis on controlled growth, asset quality.



Sanjay Rajput
Chief Financial Officer

Sanjay Rajput was elevated internally from Head of Finance & Accounts, a role he had held for around two years. He is responsible for financial reporting, accounting, internal controls, treasury coordination and finance operations. Since he was already part of the company before becoming Chief Financial Officer, his elevation reduces transition risk in financial systems and reporting.



Vivekanand Tiwari
Chief Operating Officer

Vivekanand Tiwari is responsible for operational execution and process discipline. He was earlier associated with the compliance function, which gives him familiarity with the company's internal processes and regulatory environment. As COO, his role is important in scaling the lending platform while ensuring that credit processes, operations, disbursement flow, documentation and monitoring remain controlled.



Lalit Gupta
Chief Business Officer

Lalit Gupta is responsible for business development, anchor onboarding and growth of the supply chain finance franchise. His role is central to increasing AUM through new anchor relationships and deeper penetration within existing ecosystems. Since SG Finserve's model depends heavily on anchor led sourcing, the CBO role is important for expanding the company beyond the promoter group ecosystem.

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Profit & Loss Statement

(In Cr.)

Particulars	FY26	FY27E	FY28E	FY29E
Interest Income	320	438	592	799
YoY Growth %	94%	37%	35%	35%
Other Income	14	28	32	36
Interest Expense	134	210	280	370
Net Interest Income	200	256	344	465
Operating Expenses	25	35	48	67
Financing Profit	**175**	**222**	**296**	**398**
Financing Margin %	54.54%	50.59%	49.96%	49.76%
Impairment on Financial Assets	2.4	4	6	7
Profit Before Tax (PBT)	**172**	**218**	**290**	**391**
Tax Rate %	0.25	0.25	0.25	0.25
Tax Provision	43	54	72	98
Profit After Tax (PAT)	**129**	**163**	**217**	**293**
Earnings Per Share (₹)	20	25	33	44

Balance Sheet

(In Cr.)

Particulars	FY26	FY27E	FY28E	FY29E
ASSETS				
Cash and cash equivalents	204	252	280	320
Loans	3,924	4,924	6,232	7,699
Investments	0	1	1	1
Other financial assets	38	40	50	44
Non Financial Assets	7	9	12	14
Total Assets	**4,173**	**5,226**	**6,575**	**8,078**
LIABILITIES AND EQUITY				
Equity share capital	65	65	65	65
Other equity	1,395	1,558	1,776	2,069
Shareholder's Funds	**1,460**	**1,623**	**1,841**	**2,134**
Debt Securities	50	96	104	127
Borrowings (other than debt securities)	2,654	3,481	4,592	5,771
Other liabilities & Provisions	9	26	38	46
Total Equity and Liabilities	**4,173**	**5,226**	**6,575**	**8,078**
BV per Share	222	246	279	324

Valuations

Scenario	P/B	Market Cap	Fair Value	3 Year IRR
BEAR	2.5	5,334	809	11.73%
BASE	2.8	5,974	907	16.07%
BULL	3	6,401	971	18.74%

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Key Ratios

(In Cr.)

Ratio	FY26	FY27E	FY28E	FY29E
PROFITABILITY RATIO				
Closing loan book	3924	4,924	6,232	7,699
AUM growth YoY	75%	25.48%	26.56%	23.54%
Interest income	320	438	592	799
Net interest income	200	256	344	465
Return on assets (RoA)	4.80%	3.69%	3.90%	4.21%
Return on equity (RoE)	12%	10.59%	12.55%	14.74%
Financing Margin %	54.54%	50.59%	49.96%	49.76%
Gross yield on loan	8.20%	10.54%	11.18%	11.99%
Cost of funds	6.10%	6.85%	6.94%	7.14%
EFFICIENCY & ASSET QUALITY				
Cost / income ratio	12.53%	13.50%	14%	14.50%
Financing margin %	54.54%	50.59%	49.96%	49.76%
Impairment	2.4	4	6	7
LEVERAGE & CAPITAL				
Debt / equity (D/E)	1.86	2.22	2.57	2.79
Total debt	2,713	3,603	4,734	5,944
Shareholders' funds	1,460	1,623	1,841	2,134
Book value per share	222	246	279	324
EPS	20	25	33	44
PAT	129	163	217	293
PAT growth %	57.60%	26.52%	33.02%	34.81%

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Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst Registration No.: INH000018319.

LLPIN: AAM-3358 Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony andheri West, Mumbai 400053. Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony andheri West, Mumbai 400053.

TEL: 022 61907900