Dated: 3rd Nov 2025

SBFC (SBFC) - REDUCE

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.114	**Rs.110**

Rationale:

- SBFC's Q2 FY26 performance was in line.
- Credit costs remain high, reflecting asset quality stress, tailwinds from borrowings and productivity improvement provided on offset.
- The credit cycle hit harder than expected, despite early tightening by the company, but it has been executing smoothly to ride the same.
- Retain REDUCE with Fair value of Rs. 110.

Q2FY26 Earnings Update:

Positives:

- SBFC reported Profit After Tax ("PAT") of Rs. 0.11 Crores in Q2 FY26, 2% above estimates.
- Net Interest Income ("NII") growth was strong at 33% yoy, and Asset Under Management ("AUM") growth was 29%.
- Net Interest Margin ("NIM") expanded 25 bps qoq to 11.3% in Q2 FY26.
- We expect SBFC to deliver mid-teen RoE and 24% earnings CAGR FY2026-28E, on the back of 26% CAGR in loans.
- SBFC impressively reduced funding costs qoq by 36 bps.

Negatives:

- Credit cost were elevated at 1.3% (1.1% in Q1 FY26 and 1% in Q2 FY25).
- Company is facing asset quality challenges, with credit cost at 119 bps in 1HFY26 (128 bps in 2QFY26) as compared with 95 bps in FY2025 and 80 bps in FY2024.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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