

10th March 2025



Initiating Coverage



SG FINSERVE



SNM VALUE EDUCATOR RESEARCH
SERVICES LLP:
Emerging Titans

RA No: INH000019789



SG Finserve | BUY

Huge opportunity in supply chain management financing

We initiate coverage on SG Finserve, an NBFC specializing in providing financing solutions to channel partners such as dealers, distributors, retailers and buyers, with a BUY rating. With multiple triggers, SG Finserve is well-poised to deliver significant growth due factors such as: 1) High scope of growth in MSME Financing. 2) High Net Interest Margins, Low Leverage, Zero Gross NPAs due to extreme short term financing durations. 3) Parental advantage from APL Apollo group umbrella

Parental Advantage

SG Finserve Ltd and SG Mart Ltd are a part of APL Apollo group, with SG Finserve providing financial services that support the operations of SG Mart. While SG Mart specializes in the trading and distribution of building materials across India, SG Finserve facilitates financing solutions to help SG Mart's channel partners manage working capital and scale their businesses.

SG Finserve has maintained a zero delinquency rate, driven by its focus on short-term loans and a strong customer base. The company is well-positioned to benefit from the growing MSME financing sector, further supported by government initiatives such as ECLGS.

Competitive Advantage

SG Finserve stands out as a one-stop solution that drives holistic growth across the supply chain and corporate sectors. It has established a strong partnership with leading companies such as APL Apollo Tubes Limited, APL Apollo Building Products Pvt Ltd, Vedanta Ltd, Hindustan Zinc Ltd, BALCO .

Competitive Rates for Underserved Borrowers

S G Finserve capitalizes on offering competitive supply chain financing rates, lending at 10-13% , catering to underserved distributors and dealers. Unlike large banks and traditional NBFCs which focus on low risk borrowers, S G Finserve targets riskier segments.



Recommendation	BUY
Allocation	5%
CMP (at initiation)	₹343
Market Cap (₹ Cr)	₹2237
52 Week High/Low	₹546/ ₹316.15
BSE	539199

Shareholding pattern

Promoter	48.38%
FII+DII	1.99%
Others	49.63%

Financial Summary

(₹ Cr)	FY22	FY23	FY24
Revenues	2	41	190
Financing Margin (%)	55%	59%	55%
PAT	1	18	79
ROE (%)	10%	6%	11%



COMPANY OVERVIEW

SG Finserve is an NBFC based in Delhi-NCR India, specializing in providing financing solutions to channel partners such as dealers, distributors, retailers and buyers of Indian Corporation at competitive pricing of 13-14% rate of interest to grow their business and that of their business partner.

They provide working capital finance to MSMEs and earn interest in return.

HISTORY AND WHAT CHANGED IN THE COMPANY ?

SG Finserve Limited (formerly Moongipa Securities Limited) established in 1994, is a NBFC. Previously, the company offered a broad range of financial services including broking, distribution, investment research, online trading, wealth management, investment research, online trading, wealth management, investment banking and insurance.

However it ceased all the operation and relaunched its business on September 1, 2022

Now, SG Finserve specializes in supply chain financing solutions, catering to Indian conglomerates and their supply chain, from top-tier companies to smaller vendors. Leveraging a seamless tech-driven platform, the company provides financing solutions for dealers, distributors, vendors, retailers and logistics providers

Currently they are operating in 14 locations across India





On 5th July 2024, Company received a letter from RBI, which advised the company to act as Type 1 NBFC, instead of Type 2 NBFC. In order to comply with this letter, SG Finserve Ltd reduced their loan book to Rs. 800cr and repaid public deposits and borrowings of approximately Rs. 1000 cr which led to degrowth in the company

Recently, RBI has approved the proposal for conversion from Type 1 to Type 2 NBFC. This conversion will help them to raise money from the public, which will support growth plans and lead to a megafold jump in book.



SG Finserve Limited

July 5, 2024

The General Manager
Department of Corporate Services
BSE Limited
25th Floor, P.J Towers,
Dalal Street, Mumbai – 400001

Scrip Code: 539199

Subject: Disclosure Regarding Letter received from Reserve Bank of India.

Ref.: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

We wish to inform that the Reserve Bank of India ("RBI"), vide its letter dated July 3, 2024 has returned the Company's application for conversion from NBFC Type 1 to Type 2 while advising the Company to approach again to the RBI for the said conversion after adhering to the applicable terms and conditions. In the interregnum, the RBI has also advised the Company to act as a Type 1 NBFC.

The Company is fully committed to complying with the regulatory requirements and conditions as advised by RBI and is taking necessary steps in this direction. We shall be resubmitting the conversion application shortly and are confident that we will be able to secure the conversion to a Type 2 NBFC.

The Company is taking necessary measures to ensure that there is no material impact on its profitability.

Submitted for your kind reference and records.

Yours sincerely,
For **SG Finserve Limited**

RITU NAGPAL
Digitally signed by
RITU NAGPAL
Date: 2024.07.05
18:07:09 +05'30'

Ritu Nagpal
Company Secretary & Compliance Officer
M. No. A38318

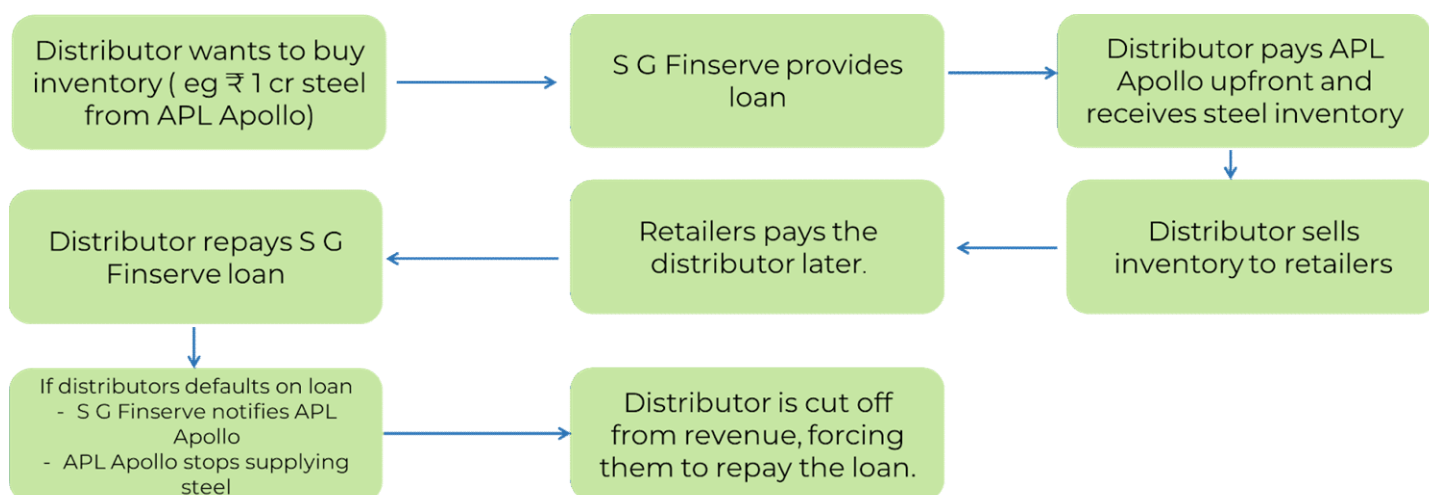
FOUNDER AND MANGEMENT

Promotor of SG Finserve are Rahul Gupta and Rohan Gupta, sons of Sanjay Gupta who is chairman and Managing Director of APL Apollo Steel Pipes. Sanjay Gupta has more than 30 years of experience in the steel industry segments.



They acquired 56.25% stake in SG Finserve on August 20, 2021

BUSINESS MODEL



SG Finserve provides working capital loans to small businesses that either supply to large companies or distribute their products. These loans help businesses manage short-term cash flow without requiring collateral. Instead, SG Finserve secures the loan by having a charge on the inventory purchased using the loan.

For example, if a distributor wants to buy ₹1 crore worth of steel from APL Apollo Tubes, they need to pay APL Apollo upfront. However, the distributor will only receive payments from retailers later. To bridge this gap, SG Finserve provides a loan, allowing the distributors to purchase the inventory and continue business operations smoothly.

To reduce credit risk, SG Finserve has an arrangement with the anchor company (APL Apollo). If a distributor fails to repay the loan, SG Finserve can request APL Apollo to stop supplying inventory to the defaulting distributor. This effectively cuts off the distributor's ability to generate future revenue, creating a strong incentive to repay the loan on time.

Due to this risk mitigation strategy, SG Finserve has not experienced any NPA in its first 18 months of operations.

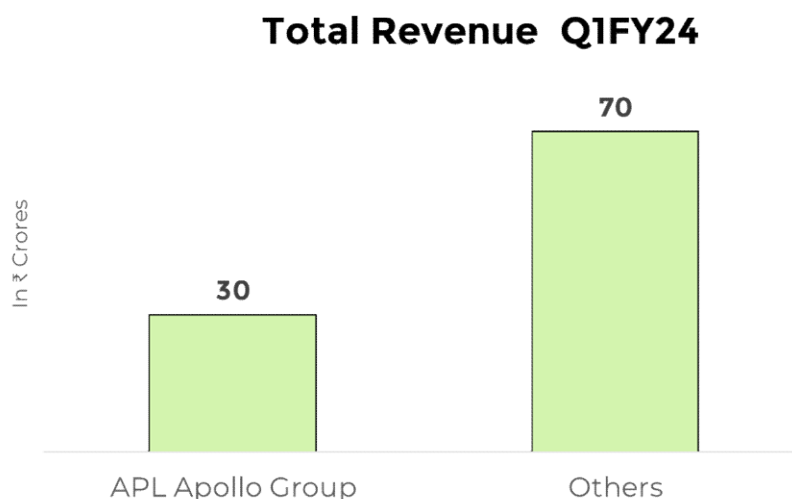


ANCHOR COMPANIES



As of Q3FY25 there are 40 Anchor Companies.

From total anchor channel partner, Apl Apollo Tubes and Apl Apollo Pipes alone 30% of total revenue as of FY24.



GROWTH TRIGGERS

1. Niche Positioning

Apl Apollo has carved a niche in supply chain financing with competitive interest rates. Large banks lend at 9-11% but prefer low-risk borrowers. NBFCs like Aditya Birla, Tata Capital and Cholamandalam charge 11-12% but have limited risk appetite and technology adoption. New age NBFCs and FinTech's like SG Finserve lend at 13%+ catering to riskier borrowers. This allows the company to serve underserved distributors and dealers.



2. Huge Scope of Growth in MSME Financing

India still lags behind Western and East Asian economies like China in supply chain efficiency. A major challenge is the disconnect between manufacturers and customers, with inefficiencies in vendor supply chains affecting both logistics and payments. SG Finserve, though currently dependent on a few key clients and partnerships, is playing a crucial role in bridging these gaps and is well-positioned for strong growth as the supply chain ecosystem evolves.

3. Stop Supply Arrangement

MSME loans are short-term, which aligns well with the needs of smaller supply chains and helps keep non-performing assets (NPAs) at zero. Additionally, SG Finserve has a Stop Supply Arrangement with its anchor companies, ensuring that in case of payment delays or defaults, companies can halt further deliveries to distributors, reducing credit risk. Additionally, the Portfolio at Risk remains well controlled, further strengthening the company's financial stability.

Portfolio at Risk is a key metric in lending that measures the percentage of a loan portfolio that is overdue beyond a specific number of days. It indicates the proportion of loans at risk in default.

4. Parental Advantage

SG Finserve is closely affiliated with APL Apollo Tubes and benefits from its vast distribution and dealer network across India. APL Apollo's nationwide presence further strengthens SG Finserve's market reach. Additionally, 40% of SG Finserve's business comes from SG Mart, which operates under the APL Apollo umbrella. The company's expansion into Raipur and its Dubai service center is expected to drive further growth and enhance its overall business operations.

5. Competitive Advantage

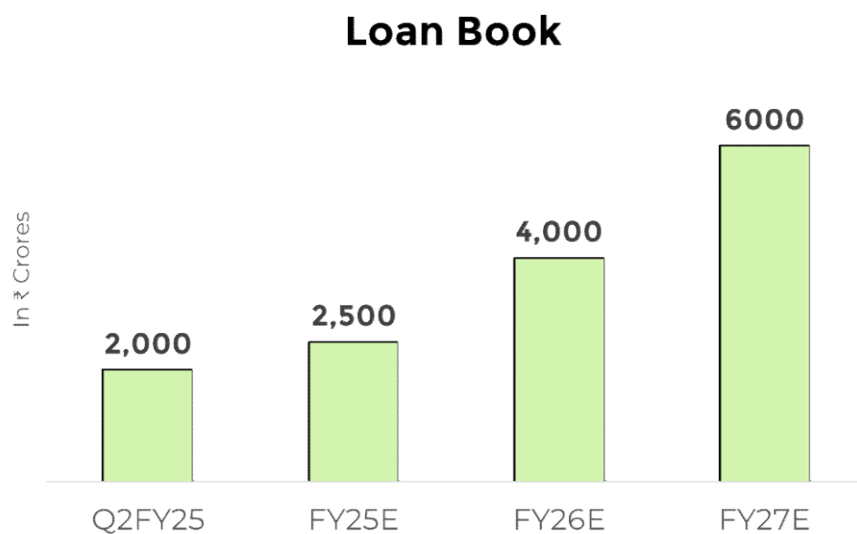
Among 70-80 NBFCs operating in India, SG Finserve is the only one exclusively focused on supply chain finance, reinforcing its unique positioning and industry expertise.



FUTURE OUTLOOK

Currently the loan book is at ₹2000 cr. By the FY25 the target loan book is ₹2500 cr. , FY26 ₹4000 cr. and by FY27 ₹6000 cr

In FY27 ROA is expected to be 4%, ROE 18%-20% and Net Interest Margin 6%



Warrants of Rs 450 cr were infused in Oct 2024. Over the next 18 months capital will flow into the company. With current net worth of Rs 856 cr and upcoming infusion from warrants of Rs 450 projected net worth will increase to Rs. 1500 cr. including retained earnings.



SG Finserve Limited

Date: October 25, 2024

To
Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street, Fort, Mumbai-400001

Scrip Code: 512329

Subject: Outcome of the meeting of the Allotment Committee of the Board of Directors of SG Finserve Limited ("the Company"), in accordance with the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

This is further to our communication dated October 7, 2024 regarding voting results of shareholders' resolutions passed through postal ballot.

In accordance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), we wish to inform you that the allotment committee of the Board of Directors of the Company, at its meeting held on, October 25, 2024, considered and approved following business: -

Allotment of 1,00,00,000 Fully Convertible Warrants ('Warrants') to persons belonging to promoter and non-promoter category each carrying a right to subscribe to one equity share per Warrant, for cash of Face Value of ₹10/- each, at an issue price of ₹450/- per Warrant on preferential basis upon receipt of 25% of issue price from the following allottees in accordance with the provisions of SEBI (ICDR) Regulations, 2018.

Sr. No.	Name of Proposed Allottees	Category	No. of warrants
1.	Shri Rohan Gupta	Promoter	50,77,778
2.	Kitara PIIN 1103	Non-Promoter	20,00,000
3.	Shri Ashish Rameshchandra Kacholia	Non-Promoter	11,11,111
4.	RBA Finance and Investment Company	Non-Promoter	11,11,111
5.	Marigold Partners	Non-Promoter	3,00,000
6.	AGDG Enterprises LLP	Non-Promoter	2,00,000
7.	Anubhav Gupta Enterprises LLP	Non-Promoter	2,00,000
Total			1,00,00,000

The above warrants entitle the allottee to apply for and get allotted equal number of equity shares for each warrant held by them on payment of balance 75% of the issue price within 18 months from the date of allotment of these warrants.

SG Finserve Limited (Formerly known as Moongipa Securities Limited)

(CIN: L64990DL1994PLC057941)

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Corporate Office: - 35, Second Floor, Kaushambi, Near Anand Vihar Terminal, Ghaziabad,

Uttar Pradesh - 201010, Ph: 0120- 4140400

E-mail: info@sgfinserve.com, Website: www.sgfinserve.com

With warrants getting infused in next 18 months which would result in equity increasing up to ₹1500 cr and PAT around ₹300 cr will help company achieve is ROE margin of 20%

As of Q3FY25 there are 40 anchor companies and this number will rise to 75 by FY27.



RISKS

1. Concentration Risk

SG Finserve is highly dependent on one company (APL Apollo Tubes Limited) for vendor financing. If Apollo Tubes Ltd faces financial troubles, it could affect the NBFCs business. A downturn in specific industry or sector could have significant impact on their earnings or future.

2. Stagnation in Exports and Manufacturing

Much of the recent investment in manufacturing and logistics is based on the expectation that India's manufacturing sector will thrive in the future. However, the sector has underperformed in previous business cycles, including the period following the 2008–09 global economic crisis, as Indian manufacturers often struggle to compete globally due to inefficiencies.



Financials

Profit & Loss Statement

	2023	2024
Interest Income	40.25	178.2
Interest Expense	8.42	63.96
Net investment income	31.83	114.24
Non-interest income	1.71	11.52
Net revenues	33.54	125.76
Operating expenses	4.59	14.8
Depreciation	0.033	0.17
Provision for ESOP	-	2.97
Total Opex	4.62	17.94
Pre Provision Op Profit	28.92	107.82
Provisions	3.9	2.79
PBT	25.02	105.03
Tax	6.61	26.45
PAT	18.41	78.58

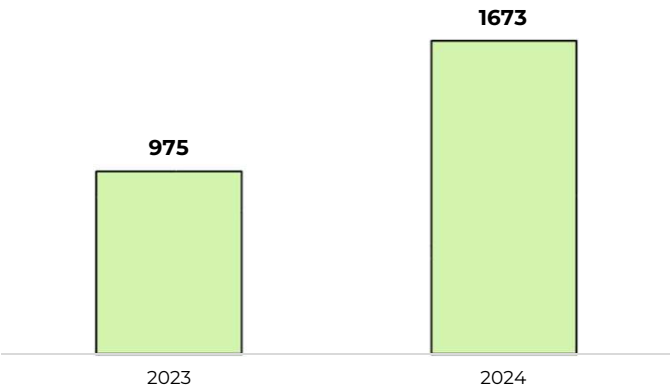
Balance Sheet

	2023	2024
Equity Capital	41	55
Reserves	532	751
Borrowings	493	957
Other Liabilities	13	16
Total Liabilities	1079	1779
Fixed Assets	0	2
CWIP	1	0
Investments	0	0
Other Assets	1078	1178
Total Assets	1079	1779

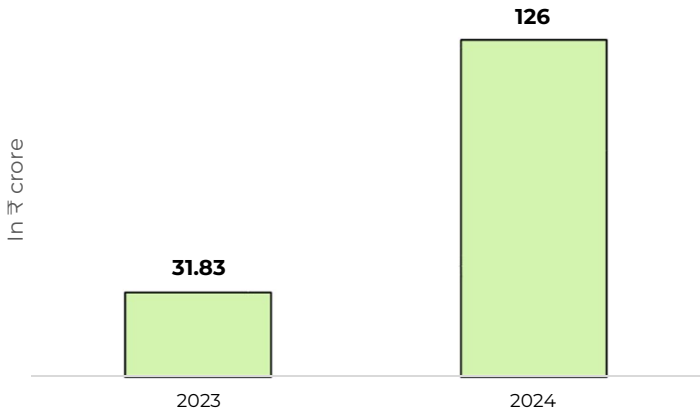


Financials

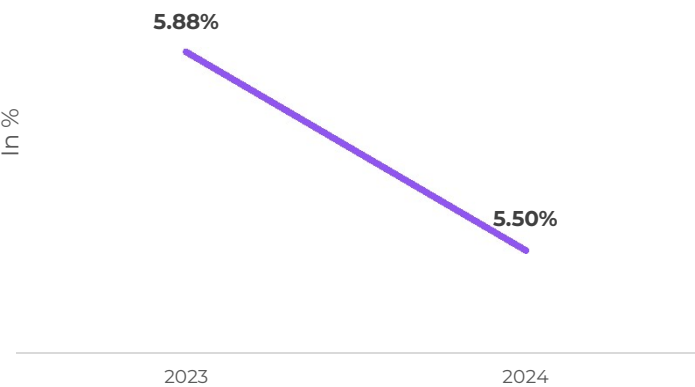
Loan Book



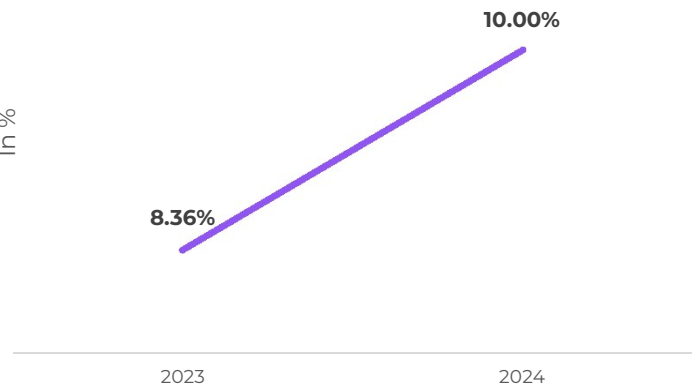
Net Interest Income



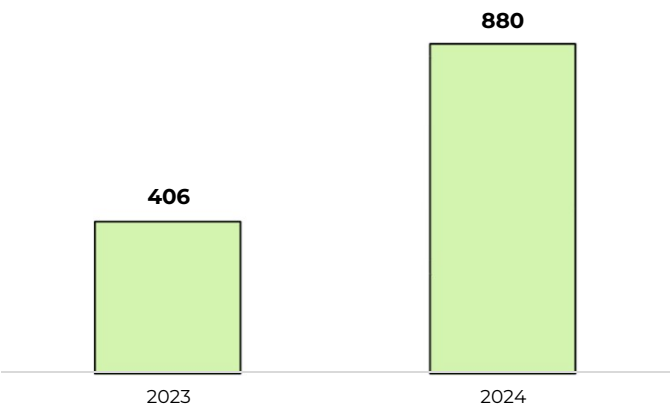
Return on Asset



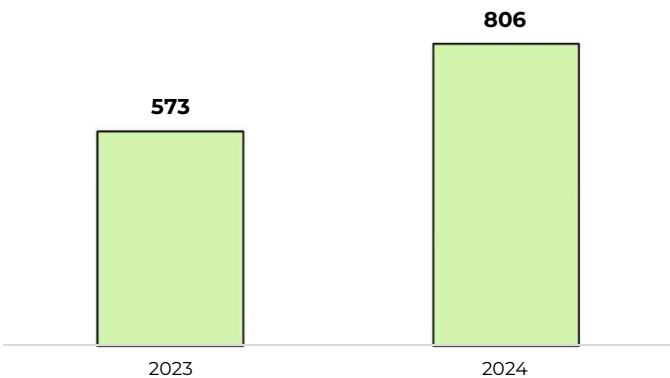
Return on Equity



Net Debt



Equity





Disclaimers and Disclosures | 10th March 2025

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For a comprehensive understanding of the disclosure, we recommend a thorough review of the disclosure document available on our website: www.valueeducator.com

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