SBM Bank (India) Limited

August 20, 2025

Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Tier-II bonds	250.00	CARE A; Stable	Reaffirmed
Certificate of deposit	500.00	CARE A1+	Reaffirmed

Details of instruments in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to the debt instruments of SBM Bank (India) Limited (SBIL) continue to draw comfort from ultimate parentage of SBM Holdings Limited (SBM Holdings), its demonstrated and expected support to SBIL being an important subsidiary for the SBM group, sharing the common brand name. The group has been supporting SBIL with frequent equity infusions including ₹100 crore in FY24, ₹80 crore in FY25 with a further commitment of ₹80-100 crore for FY26 to support its capital adequacy requirements amidst losses, which have reduced capital cushions.

However, rating strengths are offset by the bank's weak profitability profile, with losses reported in the last two fiscals. These losses were primarily driven by lower revenues arising from slowdown in business, which led to stagnant advances, reduced fee-based income, and higher operating expenses incurred towards corrective measures following regulatory restrictions imposed in FY23. Given these factors, the bank's profitability is likely to remain muted in the near-term, making equity infusion essential to support scale up of operations and improve profitability.

Ratings also consider its small size of operations, deteriorating asset quality and relatively higher concentration in advances and deposits despite the bank focusing on improving granularity.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating actions/upgrade:

- Improvement in credit profile of the SBM group.
- Significant scale up in operations accompanied by healthy profitability, adequate capitalisation and stable asset quality parameters.

Negative factors: **Factors that could individually or collectively lead to negative rating actions/downgrade:**

- Deterioration in credit profile of the SBM group.
- Sustained decline in capital buffers with cushion falling below 2.5% over the regulatory minimum, or inability to raise planned equity to support business growth.
- Deterioration in asset quality with gross non-performing assets (GNPA) rising above 4% or weakening of earnings profile on a sustained basis.

Analytical approach:

Standalone approach with expected support from SBM Holdings Limited, the ultimate holding company of the SBM group.

Outlook: Stable

The stable outlook is on the expectation that increased capital will help bank grow its advances book while reducing its losses in FY26.

Detailed description of key rating drivers:

Key strengths

Benefits derived from being part of the SBM Group and expected support

SBIL benefits from being a subsidiary of SBM (Bank) Holdings Limited and a step-down subsidiary of SBM Holdings Limited, the listed holding company of the SBM Group. The Government of Mauritius and related entities holds a 42% stake, making them the largest shareholders in SBM Holdings Limited. The group has consistently sFY26 and SBIL through equity infusions of ₹1,037 crore till FY25, with a further ₹80-100 crore committed for FY26, and has also provided an undertaking to the RBI to extend

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

financial support if required. SBIL also enjoys strong linkages with its parent through shared brand name and Board-level representation.

As on June 30, 2025, SBIL's net worth stood above ₹750 crore, supported by regular capital infusions, despite losses in FY24 and FY25. Its capital adequacy ratio (CAR) and Common Equity Tier 1 (CET I) stood at 16.10% and 12.19%, respectively, comfortably above regulatory norms. The bank targets to maintain CET I/Tier I above 11.25% and CAR above 14.5% on an ongoing basis. However, with profitability likely to remain muted in the near to medium term, its ability to raise capital or secure continued support from the parent remains a key rating sensitivity.

Key weaknesses

Weak profitability

Regulatory guidelines and supervisory observations have constrained SBIL's advances growth and deposit mobilisation, while also significantly increasing operating expenses in the last two years. In FY25, the bank's net interest income declined as the advances book remained stagnant and deposits grew by 8%, driven by a higher cost of funds. Fee income also contracted in the year. Elevated operating expenses led to a net loss of ₹87 crore in FY25, compared to a loss of ₹43 crore in FY24. For Q1FY26, the bank reported profit after taxation (PAT) of ₹30 crore due to reversal of provision on one corporate account. The bank continues to make operating losses quarter on quarter, despite some moderation in losses.

CARE Ratings Limited (CareEdge Ratings) expects SBIL's profitability to remain subdued in the medium term until it meaningfully scales up its advances book as operating expenses remain high and the bank continues to maintain elevated liquidity buffers. While quarterly losses have narrowed and the bank is approaching breakeven, sustained profitability is likely to take a few more quarters, with earnings expected to remain weak in the interim.

Deteriorating asset quality parameters

Asset quality parameters have weakened in FY25 and Q1FY26. The bank's GNPA increased from 2.59% as on March 31, 2024, to 3.42% as on March 31, 2025, largely due to lower write-offs and stagnation in gross advances. While the slippage ratio improved to 1.52% in FY25 (FY24: 1.95%), it worsened sharply to 5.29% (annualised) in Q1FY26. Despite this, the headline GNPA improved to 2.71% as on June 30, 2025, considering upgrade in a large corporate account, which also resulted in provision reversals.

Provision coverage ratio (PCR, excluding technical write-offs) weakened significantly to 40.90% as on June 30, 2025, from 76.82% as on March 31, 2024. Consequently, net NPA (NNPA) to net worth rose to 10.30% as on June 30, 2025 (March 31, 2025: 6.00%; March 31, 2024: 3.72%). Gross stressed assets and net stressed assets to net worth remained elevated at 3.20% and 13.36%, respectively, as on June 30, 2025 (March 31, 2024: 3.10% and 6.89%).

Wholesale corporate advances constituted 67% of the total loan book as on June 30, 2025. The bank's loan portfolio also remains concentrated, with top 20 individual exposures accounting for 18% of total advances and 214% of net worth as on March 31, 2025. The bank's ability of the bank to improve and sustain its asset quality amidst such concentrated book remains a monitorable.

Moderate scale with limited diversification and concentrated deposit profile

The bank operates only 22 branches concentrated in metro cities, with a wholesale-dominated loan book and limited retail presence. With total assets of ~₹9,900 crore and loan book of ₹5,100 crore, scale of operations remains modest compared to other mid-sized private sector banks.

On the liabilities side, deposit concentration remains high, with top 20 depositors contributing 23% to total deposits as on March 31, 2025, and significant reliance on bulk deposits (above ₹3 crore), which accounted for 74% of total deposits as on June 30, 2025, leading to elevated cost of funds. Current account saving account (CASA) share declined from 24.96% as on March 31, 2024, to 19.53% as on June 30, 2025.

The bank's ability to improve granularity in its deposit base, alongside diversification of advances, remains a key monitorable.

Liquidity: Adequate

The bank's average liquidity coverage ratio stood at 134.17% in Q1FY26 against minimum regulatory requirement of 100%. The bank's asset liability maturity (ALM) statement as on June 30, 2025, had no cumulative negative mismatches up to two months and had a negative gap of 34% in the asset-liability tenors up to one year. There were cumulative negative mismatches in 3-6 months as average tenure of deposits is lower than the average tenure of advances. The bank manages short-term mismatches and maintains excess statutory liquidity ratio (SLR) and has access to market liquidity, which provides comfort. The bank had surplus SLR of ₹1,960 crore (23% of net term and demand liabilities) as on June 30, 2025, composed of government securities, which can be sold to generate liquidity.

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

Definition of Default
Rating Outlook and Rating Watch
Banks
Financial Ratios - Financial Sector
Rating Basel III - Hybrid Capital Instruments issued by Banks
Short Term Instruments
Factoring Linkages Parent Sub JV Group

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Banks	Other bank

SBM Holdings Limited

SBM Holdings Limited is the holding company for the SBM Group, which is one of the largest financial services groups in Mauritius providing banking and non-banking financial services primarily to the Mauritian market, and also across the Asia-Africa corridor. It is one of the largest listed entities on the Stock Exchange of Mauritius with a market capitalisation of MUR15.7 billion as on August 2024. Government of Mauritius and other government-backed entities including pension funds remain the largest shareholder with 42% stake. SBM Group is present in Mauritius, Madagascar, and India and Kenya. SBM Holdings Limited is the holding company of banking and financial activities of the SBM Group (Mauritius). It houses three intermediate investment arms of the group, SBM (Bank) Holdings Limited for banks, SBM (NBFC) Holdings Limited for non-banking financial segment, which hold stake in non-banking financial services entities including insurance broking, asset management, and factoring among others and SBM (NFC) Holdings Limited, which is into non-financial segment.

SBM Bank (India) Limited

SBIL has been operating in India as a branch in Mumbai from 1994 as part of SBM Bank (Mauritius) Limited India operations under the branch model. SBIL was incorporated on March 30, 2017, to operate as a subsidiary of foreign bank per RBI WOS framework dated November 06, 2013. RBI sanctioned a scheme of amalgamation for the Indian branches of SBM Bank (Mauritius) Limited and SBM Bank (India) Limited, which was granted a license to carry out banking operations effective December 01, 2018. SBIL was the first banking institution to have been granted a license by RBI to operate as a scheduled commercial bank - offering universal banking services through the subsidiary route. SBIL is a step-down subsidiary of SBM Holdings Limited, a listed entity in the Mauritius Stock Exchange, promoted by the Government of Mauritius. The bank is operating across 22 branches in India.

SBIL Financials

Brief Financials (₹ crore)	31-03-2024 (A)	31-03-2025 (A)	Q1FY26 (UA)
Total income	940	917	245
PAT	-43	-87	30
Total assets	8,919	9,558	9,876
Net NPA (%)	0.61	0.99	1.62
ROTA (%)	-0.45	-0.94	1.24

A: Audited; UA: Unaudited; Note: these are latest available financial results
All calculations per CareEdge Ratings.
Net worth and total assets are net of intangible assets, revaluation reserve and deferred tax

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds-Tier II Bonds	INE07PX08019	05-Apr-2022	9.75	05-Apr-2032	125.00	CARE A; Stable
Bonds-Tier II Bonds	INE07PX08027	24-Jan-2023	9.88	24-Jan-2033	99.00	CARE A; Stable
Bonds-Tier II Bonds	Proposed	-	-	-	26.00	CARE A; Stable
Certificate Of Deposit	INE07PX16459	03-Mar-2025	8.35	30-Aug-2025	25.00	CARE A1+
Certificate Of Deposit	INE07PX16475	04-Mar-2025	8.35	29-Aug-2025	40.00	CARE A1+
Certificate Of Deposit	INE07PX16483	13-Mar-2025	8.73	13-Mar-2026	50.00	CARE A1+
Certificate Of Deposit	INE07PX16491	20-Mar-2025	8.75	20-Mar-2026	50.00	CARE A1+
Certificate Of Deposit	INE07PX16541	28-Jul-2025	6.85	23-Jan-2026	60.00	CARE A1+
Certificate Of Deposit	INE07PX16517	25-Mar-2025	8.75	25-Mar-2026	50.00	CARE A1+
Certificate Of Deposit	INE07PX16525	27-Mar-2025	8.75	27-Mar-2026	25.00	CARE A1+
Certificate Of Deposit	INE07PX16533	21-May-2025	7.65	18-Nov-2025	25.00	CARE A1+
Certificate Of Deposit	Proposed	-	-	-	175.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Certificate Of Deposit	ST	500.00	CARE A1+	-	1)CARE A1+ (21-Aug-24)	1)CARE A1+ (23-Oct-23)	1)CARE A1+ (26-Oct-22)
2	Bonds-Tier II Bonds	LT	250.00	CARE A; Stable	-	1)CARE A; Stable (21-Aug-24)	1)CARE A+; Negative (23-Oct-23)	1)CARE A+; Stable (26-Oct-22)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds-Tier-II Bonds	Simple
2.	Certificate of deposit	Simple

Annexure-5: Lender details: Not applicable

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
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