

SBFC

SBFC FINANCE LIMITED

Our Company was originally incorporated on January 25, 2008 at Mumbai, India as "MAPE Finserve Private Limited", a private limited company under the Companies Act, 1956, pursuant to a certificate of incorporation issued by the Registrar of Companies, Maharashtra at Mumbai ("RoC"). The Board of our Company approved the change in the name of our Company from "MAPE Finserve Private Limited" to "Small Business Fincredit India Private Limited" by their resolution dated July 3, 2017, which was thereafter approved by the Shareholders of our Company through their resolution dated August 24, 2017 and a fresh certificate of incorporation, under the Companies Act, 2013, was issued by the RoC on August 31, 2017. Thereafter, the Board of our Company approved the change in the name of our Company from "Small Business Fincredit India Private Limited" to "SBFC Finance Private Limited" by their resolution dated October 24, 2019, for the ease of reference that a shorter name provides, which was thereafter approved by the Shareholders of our Company through their special resolution dated December 11, 2019 and a fresh certificate of incorporation, under the Companies Act, 2013, was issued by the RoC on January 13, 2020. Subsequently, our Company was converted into a public limited company under the Companies Act, 2013 and consequently the name of our Company was changed from "SBFC Finance Private Limited" to "SBFC Finance Limited" pursuant to a resolution passed by the Board of our Company on September 21, 2022 and a special resolution passed by the Shareholders of our Company on September 23, 2022, and a fresh certificate of incorporation dated September 30, 2022 was issued by the RoC. For details of the change in the name and the registered office of our Company, see "History and Certain Corporate Matters" on page 240 of the Prospectus dated August 8, 2023 ("Prospectus").

Corporate Identity Number: U67190MH2008PLC178270

Registered and Corporate Office: 103, 1st Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Village Chakala, Andheri (East), Mumbai 400 059, Maharashtra, India. Contact Person: Jay Mistry, Company Secretary and Compliance Officer; Tel: +91 22 67875344; E-mail: complianceofficer@sbfc.com; Website: www.sbfc.com

OUR PROMOTERS: SBFC HOLDINGS PTE. LTD., CLERMONT FINANCIAL PTE. LTD., ARPWOOD PARTNERS INVESTMENT ADVISORS LLP, ARPWOOD CAPITAL PRIVATE LIMITED AND EIGHT45 SERVICES LLP

Our Company has filed the Prospectus dated August 8, 2023 with the RoC and thereafter with the Securities and Exchange Board of India ("SEBI"), the National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE"), together with NSE, the "Stock Exchanges" and the Equity Shares are proposed to be listed on the Stock Exchanges and trading is expected to commence on August 16, 2023.

BASIS OF ALLOTMENT

INITIAL PUBLIC OFFERING OF 179,863,285 EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF SBFC FINANCE LIMITED ("COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ 57 PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ 47 PER EQUITY SHARE) (THE "OFFER PRICE") AGGREGATING TO ₹ 10,250 MILLION ("OFFER") COMPRISING A FRESH ISSUE OF 105,071,903 EQUITY SHARES AGGREGATING TO ₹ 5,989.10 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 74,561,402 EQUITY SHARES BY ARPWOOD PARTNERS INVESTMENT ADVISORS LLP, ARPWOOD CAPITAL PRIVATE LIMITED AND EIGHT45 SERVICES LLP ("PROMOTER SELLING SHAREHOLDERS") (AGGREGATING TO ₹ 4,250 MILLION ("OFFERED SHARES")) ("OFFER FOR SALE"), AND TOGETHER WITH THE FRESH ISSUE, THE "OFFER". THE OFFER INCLUDES A RESERVATION OF 1,863,636 EQUITY SHARES, AGGREGATING TO ₹ 102.50 MILLION (THE "EMPLOYEE RESERVATION PORTION"). THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HERINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER CONSTITUTED 16.90% AND 16.73%, RESPECTIVELY, OF THE POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF THE COMPANY. OUR COMPANY, IN CONSULTATION WITH THE PROMOTER SELLING SHAREHOLDERS AND THE BOOK RUNNING LEAD MANAGERS, HAS UNDERTAKEN A PRIVATE PLACEMENT OF 27,272,727 EQUITY SHARES FOR CASH CONSIDERATION AGGREGATING TO ₹ 1,500 MILLION (THE "PRE-IPO PLACEMENT"). THE SIZE OF THE FRESH ISSUE HAS BEEN REDUCED BY ₹ 1,500 MILLION AND ACCORDINGLY, THE SIZE OF THE FRESH ISSUE IS TO ₹ 6,000 MILLION.

* A discount of ₹ 2 per Equity Share was offered to Eligible Employees Bidding in the Employee Reservation Portion.

ANCHOR INVESTOR OFFER PRICE: ₹ 57 PER EQUITY SHARE OF FACE VALUE OF ₹ 10 EACH

OFFER PRICE: ₹ 57 PER EQUITY SHARE OF FACE VALUE OF ₹ 10 EACH

THE OFFER PRICE IS 5.7 TIMES OF THE FACE VALUE

Employee discount: ₹ 2 per Equity Share on the Offer Price

Risks to Investors:

Regulatory Risk

- As an NBFC, we are subject to periodic inspections by the RBI. Non-compliance with observations made by the RBI during these inspections could expose us to penalties and restrictions.
- We are subject to laws and regulations governing the financial services industry and our operations in India, including laws in relation to capital adequacy ratios. Changes in regulations governing us could adversely affect our business, results of operations and prospects.
- Our non-convertible debentures are listed on the BSE and we are subject to rules and regulations with respect to such listed non-convertible debentures. We have had instances of non-compliance in the past and if we fail to comply with such rules and regulations, we may be subject to certain penal actions, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

Business Risk

- The risk of non-payment or default by our borrowers may adversely affect our business, results of operations and financial condition.
- The quality of our portfolio may be impacted due to higher levels of NPAs and our business may be adversely affected if we are unable to provide for such higher levels of NPAs. Set forth below are details of our asset quality ratios, as well as provision coverage ratio, as of each of the corresponding periods:

Particulars	As of March 31,		
	2021	2022	2023
Gross NPA ⁽ⁱ⁾ (₹ million)	666.55	828.94	1,081.65
Gross NPA ratio ⁽ⁱⁱ⁾ (%)	3.16%	2.74%	2.43%
Net NPA ⁽ⁱⁱⁱ⁾ (₹ million)	411.59	493.72	626.88
Net NPA ratio ^(iv) (%)	1.95%	1.63%	1.41%
Provision Coverage Ratio ^(v) (%)	38.25%	40.44%	42.04%

⁽ⁱ⁾ Gross NPA represents Gross Loan Book pertaining to loans which are required to be classified as NPA as per the Income Recognition, Asset Classification and Provisioning norms issued and modified by RBI from time to time.

⁽ⁱⁱ⁾ Gross NPA ratio (%) represents the Gross NPA to the Gross Loan Book as of the last day of the relevant period.

⁽ⁱⁱⁱ⁾ Net NPA represents Gross NPA reduced by NPA provisions as of the last day of relevant period.

^(iv) Net NPA ratio (%) represents the Net NPA to the Gross Loan Book as of the last day of the relevant period.

^(v) Provision Coverage Ratio represents total provisions held on Gross NPA as of the last day of the period, as a percentage of total Gross NPAs as of the last day of the period.

- Our inability to assess and recover the full value of collateral, or amounts outstanding under defaulted loans in a timely manner, or at all, could adversely affect our business, results of operations and financial condition.
- We require substantial capital for our business and any disruption in our sources of capital could have an adverse effect on our business, results of operations and financial condition.
- Our business is particularly vulnerable to interest rate risk, and volatility in interest rates for both lending and treasury operations, could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations and cash flows.
- The Weighted Average Cost of Acquisition of all Equity Shares transacted in last three years, 18 months and one year:

Period	Weighted Average Cost of Acquisition per Equity Share (in ₹)	Cap Price is 'x' times the weighted average cost of acquisition	Range of Acquisition price per Equity Share: Lowest Price - Highest Price (in ₹)
Last one year	44.95	1.27	12.50 to 60.00
Last 18 months	43.02	1.32	12.50 to 60.00
Last three years	41.57	1.37	12.50 to 60.00

As certified by M/s Suresh Surana & Associates LLP, Statutory Auditors, vide their certificate dated July 28, 2023.

Weighted average cost of acquisition compared to Floor Price and Cap Price:

Past Transactions	Weighted Average Cost of Acquisition (in ₹)	Floor price of ₹ 54	Cap price of ₹ 57
WACA of primary issuance in last 18 months	40.00	1.35 times	1.43 times
WACA of secondary issuance in last 18 months	55.00	0.98 times	1.04 times

As certified by M/s Suresh Surana & Associates LLP, Statutory Auditors, pursuant to a certificate dated August 8, 2023.

- Average cost of acquisition of Equity Shares for the Promoters and Promoter Selling Shareholders namely, SBFC Holdings Pte. Ltd. is ₹ 16.08, Arpwood Partners Investment Advisors LLP is ₹ 12.69, Arpwood Capital Private Limited is ₹ 15.98 and Eight45 Services LLP is ₹ 12.73 and the Offer Price at the upper end of the Price Band is ₹ 57 per Equity Share.
- The Price/Earnings ratio based on diluted EPS for Fiscal 2023 for our Company at the upper end of the price band is 35.19 times and Price/Earnings ratio of the average industry peer group as disclosed in the Prospectus is 30.44 times.
- Weighted Average Return on Net Worth for Fiscals 2023, 2022 and 2021:

Year ended	RoNW (%)	Weight
As on March 31, 2023	9.93	3
As on March 31, 2022	5.18	2
As on March 31, 2021	7.67	1
Weighted Average	7.97	

- Our market capitalisation at the lower end and higher end of price band to revenue from operations for Fiscal 2023 is 7.88 times and 8.28 times respectively.
- The three BRLMs associated with the Offer have handled 88 public issues in the past three Fiscal Years, out of which 30 issues closed below the Offer price on the listing date.

Name of the BRLM	Total Issues	Issues closed below IPO price on listing date
ICICI Securities Limited*	15	4
Axis Capital Limited*	19	6
Kotak Mahindra Capital Company Limited*	13	3
Common Issues of above BRLMs	41	17
Total	88	30

*Issues handled where there were no common BRLMs

BID/OFFER PERIOD

ANCHOR INVESTOR BIDDING DATE OPENED AND CLOSED ON WEDNESDAY, AUGUST 2, 2023

BID/OFFER OPENED ON THURSDAY, AUGUST 3, 2023 | BID/OFFER CLOSED ON MONDAY, AUGUST 7, 2023

The Offer was made in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended, ("SCRR") read with Regulation 31 of the SEBI ICDR Regulations. The Offer was made through the Book Building Process, pursuant to Regulation 6(1) of the SEBI ICDR Regulations, where not more than 50% of the Net Offer was made available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs") ("QIB Category"), of which our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, allocated 60% of the QIB Category to Anchor Investors, on a discretionary basis ("Anchor Investor Portion"), of which one-third was reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which Equity Shares will be allocated to Anchor Investors. Post allocation to the Anchor Investors, the QIB Category will be reduced by such number of Equity Shares. Further, 5% of the Net QIB Category (excluding the Anchor Investor Portion) was made available for allocation on a proportionate basis to Mutual Funds only and the remainder of the Net QIB Category was made available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, not less than 15% of the Net Offer was made available for allocation on a proportionate basis to Non-Institutional Investors and not less than 35% of the Net Offer was made available for allocation to Retail Individual Investors, in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. One-third of the Non-Institutional Portion shall be available for allocation to Non-Institutional Investors with a Bid size of more than ₹ 200,000 and up to ₹ 1,000,000 and two-thirds of the Non-Institutional Portion shall be available for allocation to Non-Institutional Investors with a Bid size of more than ₹ 1,000,000 provided that under-subscription in either of these two sub-categories of the Non-Institutional Portion may be allocated to Non-Institutional Investors in the other sub-category of Non-Institutional Portion in accordance with the SEBI ICDR Regulations, subject to valid bids being received at or above the Offer Price. Further, Equity Shares will be allocated on a proportionate basis to Eligible Employees applying under the Employee Reservation Portion, subject to valid Bids being received from them at or above the Offer Price. All Bidders (other than Anchor Investors) are mandatorily required to participate in this Offer through the Application Supported by Block Amount ("ASBA") process, and are required to provide details of their respective bank account (including UPI ID in case of UPI Bidders using UPI Mechanism) in which the Bid Amount was blocked by the SCSBs or the Sponsor Bank, as the case may be. Anchor Investors are not permitted to participate in the Anchor Investor Portion through the ASBA process. For further details, see "Offer Procedure" on page 468 of the Prospectus.

The bidding for Anchor Investor opened and closed on August 2, 2023. The Company received 37 Anchor Investor Application Forms for 53,408,160 Equity Shares. The Anchor Investor Offer Price was finalized at ₹ 57/- per Equity Share. A total of 53,407,893 Equity Shares were allocated under the Anchor Investor Portion aggregating to ₹ 3,044,249,901. The Offer received 2,314,399 applications for 9,434,851,400 Equity Shares resulting in 52.45 times subscription as disclosed in the Prospectus. The details of the applications received in the Offer from Retail Individual Investors, Non-Institutional Investors and QIBs are as under (before technical rejections):

Sl. No.	CATEGORY	NO. OF APPLICATIONS APPLIED	NO. OF EQUITY SHARES	SHARES RESERVED AS PER PROSPECTUS	NO. OF TIMES SUBSCRIBED	AMOUNT (₹)
A	Retail Individual Investors	2,133,910	733,387,720	62,309,210	11.77	41,796,551,940
B	Non-Institutional Investors – More than ₹ 2 lakhs and upto ₹ 10 lakhs	99,007	382,677,880	8,901,316	42.99	21,802,520,220
C	Non-Institutional Investors – More than ₹ 10 lakhs	53,191	1,008,156,500	17,802,832	56.63	57,464,343,040
D	Eligible Employees	28,072	11,460,020	1,863,636	6.15	630,229,860
E	Qualified Institutional Buyers (excluding Anchor Investors)	182	7,245,761,120	35,605,263	203.50	413,008,383,840
F	Anchor Investors	37	53,408,160	53,407,893	1.00	3,044,249,901
Total		2,314,399	9,434,851,400	179,889,950	52.45	537,746,294,020

Final Demand

A summary of the final demand as per BSE and NSE as on the Bid/Offer Closing Date at different Bid prices is as under:

Sr. No	Bid Price (₹)	No. of Equity Shares	% to Total	Cumulative Total	Cumulative % of Total
1	54	2,994,160	0.03	2,994,160	0.03
2	55	3,346,200	0.03	6,340,360	0.07
3	56	3,179,540	0.03	9,519,900	0.10
4	57	8,823,458,540	91.93	8,832,978,440	92.02
	CUTOFF	765,485,240	7.98	9,598,463,680	100.00
	TOTAL	9,598,463,680	100.00		

The Basis of Allotment was finalized in consultation with the Designated Stock Exchange, being NSE, on August 10, 2023.

A. Allotment to Retail Individual Investors (After Technical Rejections) (including ASBA Applications)

The Basis of Allotment to the Retail Individual Investors, who have bid at cut-off or at the Offer Price of ₹ 57/- per Equity, was finalized in consultation with NSE. This category has been subscribed to the extent of 11,10,949 times. The total number of Equity Shares Allotted in Retail Individual Investors category is 62,565,855 Equity Shares to 240,637 successful applicants. The category-wise details of the Basis of Allotment are as under:

Category	No. of Applications Received	% of Total	Total No. of Equity Shares applied	% to Total	No. of Equity Shares Allotted per Bidder	Ratio	Total No. of Equity Shares allotted
260	1,824,205	90.34	474,293,300	68.26	260	120 : 1007	56,519,320
520	95,040	4.71	49,420,800	7.11	260	74 : 621	2,944,500
780	28,664	1.42	22,357,920	3.22	260	23 : 193	888,160
1040	16,034	0.79	16,675,360	2.40	260	23 : 193	496,860
1300	11,824	0.59	15,371,200	2.21	260	23 : 193	366,340
1560	5,975	0.30	9,321,000	1.34	260	23 : 193	185,120
1820	5,868	0.29	10,679,760	1.54	260	23 : 193	181,740
2080	2,830	0.14	5,886,400	0.85	260	23 : 193	87,620
2340	1,412	0.07	3,304,080	0.48	260	23 : 193	43,680
2600	5,932	0.29	15,423,200	2.22	260	23 : 193	183,820
2860	1,049	0.05	3,000,140	0.43	260	23 : 193	32,500
3120	1,300	0.06	4,056,000	0.58	260	23 : 193	40,300
3380	19,231	0.95	65,000,780	9.36	260	23 : 193	595,660
TOTAL	2,019,364	100.00	694,789,940		1	1 : 99	62,565,855

Including Spilled over of 256,645 Equity Shares from Employee category.

Please Note : 1 additional Share shall be allotted to 235 Allottees from amongst 23255 Successful Applicants from the categories 520 - 3380 (i.e., excluding successful applicants from Category 260) in the ratio of 1 : 99.

B. Allotment to Non-Institutional Investors (more than ₹ 2 lakhs and upto ₹ 10 lakhs) (After Technical Rejections) (including ASBA Applications)

The Basis of Allotment to the Non-Institutional Investors (more than ₹ 2 lakhs and upto ₹ 10 lakhs), who have bid at the Offer Price of ₹ 57/- per Equity Share or above, was finalized in consultation with NSE. This category has been subscribed to the extent of 41,52,530 times. The total number of Equity Shares allotted in this category is 8,937,980 Equity Shares to 2,455 successful applicants. The category-wise details of the Basis of Allotment are as under: (Sample)

Category	No. of Applications Received	% of Total	Total No. of Equity Shares applied	% to Total	No. of Equity Shares Allotted per Bidder	Ratio	Total No. of Equity Shares allotted
3,640	89,553	93.24	325,972,920	87.83	3,640	47 : 1838	8,335,600
3,900	2,257	2.35	8,802,300	2.37	3,640	58 : 2257	211,120
4,160	401	0.42	1,668,160	0.45	3,640	10 : 401	36,400
4,420	191	0.20	844,220	0.23	3,640	5 : 191	18,200
4,680	117	0.12	547,560	0.15	3,640	3 : 117	10,920
4,940	69	0.07	340,860	0.09	3,640	2 : 69	7,280
5,200	569	0.59	2,958,800	0.80	3,640	15 : 569	54,600
5,460	141	0.15	769,860	0.21	3,640	4 : 141	14,560
5,720	49	0.05	280,280	0.08	3,640	1 : 49	3,640
5,980	42	0.04	251,160	0.07	3,640	1 : 42	3,640
6,240	51	0.05	318,240	0.09	3,640	1 : 51	3,640
6,500	84	0.09	546,000	0.15	3,640	1 : 42	7,280
6,760	69	0.07	466,440	0.13	3,640	2 : 69	7,280
7,020	104	0.11	730,080	0.20	3,640	3 : 104	10,920
7,280	176	0.18	1,281,280	0.35	3,640	5 : 176	18,200
7,800	191	0.20	1,489,800	0.40	3,640	5 : 191	18,200
8,060	29	0.03	233,740	0.06	3,640	1 : 29	3,640
8,320	42	0.04	349,440	0.09	3,640	1 : 42	3,640
8,580	600	0.62	5,148,000	1.39	3,640	1 : 40	54,600
8,840	120	0.12	1,060,800	0.29	3,640	1 : 40	10,920
9,100	79	0.08	718,900	0.19	3,640	2 : 79	7,280
9,880	13	0.01	128,440	0.03	3,640	0 : 13	0
10,140	28	0.03	283,920	0.08	3,640	1 : 28	3,640
10,400	101	0.11	1,050,400	0.28	3,640	3 : 101	10,920
10,660	101	0.11					