SMFG India Credit Company Limited's rating reaffirmed at 'CareEdge A/Stable'

Long-Term Foreign Currency Issuer Rating	CareEdge A/Stable

CareEdge Global Ratings has reaffirmed the Long-Term Foreign Currency Issuer rating of **'CareEdge A/Stable'** to SMFG India Credit Company Ltd (SMICC), a wholly owned subsidiary of Sumitomo Mitsui Financial Group Inc. (SMFG), a leading Japan-based global banking and financial services group.

Rating rationale

The rating is driven by the strong credit profile of the parent, SMFG, its full ownership of SMICC, and the latter's strategic value to the group's India business. Strong ties include shared brand identity, strong managerial and operational linkages through alignment of key policies and practices, and executive involvement in strategy, risk management, and key decision-making. Parental support is also clear from a Rs 10.75 billion rights issue subscribed by SMFG in April 2026, following equity support of around Rs 43 billion in FY25.

SMFG's credit profile is primarily driven by its flagship banking entity, i.e. Sumitomo Mitsui Banking Corporation (SMBC), which accounts for about 90% of group's net income and about 80% of its asset base. SMFG is a global systemically important bank (G-SIB), with diversified operations and an asset base across various products, currencies, and geographies.

SMICC's rating matches that of SMFG based on the strength of articulation and commitment by the latter's management to extend proactive and timely financial support (equity as well as debt) to SMICC to fund not only its growth but also during periods of stress, if any.

India-based SMICC focuses exclusively on the domestic market. However, our foreign currency issuer rating on SMICC is two notches higher than our view on India's sovereign rating (CareEdge BBB+/ Stable 'Unsolicited') because the foreign-based parent, SMFG, has articulated financial support to SMICC even in a potential scenario of sovereign stress (for India) by exploring mechanisms consistent with regulations to ensure full and timely servicing of its foreign currency debt obligations, as and when they are issued. Historically, SMFG has shown support to its various group entities irrespective of their country of domicile, which lends credibility to the articulation of support for SMICC. Further, any default by the India subsidiary could potentially be construed negatively by global financial markets where SMFG has a presence, given the inherent need to maintain trust in the financial services business.

CareEdge Global has also factored in SMICC's increasing scale of operations, a well-diversified book across product categories and geographies, adequate capitalisation supported by regular and timely infusions from the parent, diversified resource profile, experienced management, and adequate liquidity. These strengths are partly offset by moderate asset quality, elevated credit costs and write-offs, modest profitability despite improved margins, and limited seasoning in the rapidly growing digital and housing-finance portfolios.

Outlook

The stable outlook for SMICC reflects our credit outlook for its parent, SMFG. A revision in outlook or a change in SMICC's rating would be closely linked to a similar change in the parent's credit profile. CareEdge Global expects the company to continue to be a direct subsidiary of SMFG and will be supported through timely fund infusion for business growth and exigencies.

Rating sensitivities

Upward factors

- Improvement in the credit profile of the parent, SMFG
- Improvement in SMICC's asset quality metrics on a sustained basis

Downward factors

- Deterioration in the parent's credit profile, or dilution of ownership below 51%, or reduction in support to SMICC from the parent
- Any significant weakening of India's external profile, leading to higher possibility of potential restrictions on capital convertibility
- Sustained reduction in profitability levels and/or asset quality such that it significantly limits the economic incentives to SMFG

Analytical approach

The rating is based on the consolidated view of SMICC along with its wholly owned subsidiary, SMFG India Home Finance Company Limited (SMHFC). CareEdge Global has equated SMICC's rating with that of SMFG, with application of its criteria for 'Group Rating Methodology'. Under the criteria, CareEdge Global believes that SMICC is 'highly strategic' within the group for executing the group's strategy of growth and expansion in target markets. Thus, there is a high likelihood of full and timely support from SMFG to SMICC.

Key rating drivers

Supporting factors

Strong credit profile of the parent SMFG and…

Japan-based SMFG is a leading global banking group with an asset base of over USD 2 trillion across 40 countries. SMFG's credit profile is primarily driven by SMBC, which benefits from its large asset base of USD 1.9 trillion diversified globally, healthy capitalisation, and deposits accounting for around three-fourths of the resources with the remaining from multiple channels. These strengths are partly offset by the rise in the group's NPL ratio to 0.97%, overseas credit risks, commercial real estate exposure, and market risk from sizeable securities holdings.

…its articulation, as well as track record of extending significant support

SMICC is directly and wholly owned by SMFG, which is expected to continue, shares its brand, and acts as its local arm. Consequently, SMFG has strong economic and reputational reasons to extend timely support and safeguard confidence in its global financial-services franchise. SMFG has articulated its intention to extend financial support to SMICC even in a potential scenario of sovereign stress (for India), by exploring mechanisms consistent with regulations to ensure full and timely servicing of its foreign currency debt obligations, as and when they are issued.

SMFG has a track record of supporting its subsidiaries globally, including during regulatory shifts or economic crisis, regardless of legal obligation or shareholding. Notable examples include SMBC Consumer Finance Co. Ltd. This consistent approach, coupled with multiple mechanisms for financial support, reinforces strong parental commitment towards SMICC's financial stability and growth.

SMFG has so far invested USD 2.7 billion in the acquisition of SMICC and USD 510 million in equity infusion. Most recently, SMFG infused Rs 10.75 billion through a rights issue in April 2026, following the equity support extended in FY25, underscoring its strong intent and long-term strategic commitment towards supporting SMICC.

SMFG executives and expatriates are involved in key business, financial policy and strategy matters, while group-aligned treasury, risk and underwriting practices reinforce the high degree of integration between the parent and the subsidiary.

SMICC is an important part of SMFG's India strategy

SMFG's multi-franchise strategy focuses on high-growth Asian markets, including India, Indonesia, Vietnam, and the Philippines. India has been established as a separate regional division within the group, reflecting its strategic importance. The India division oversees SMICC, SMBC's banking operations, and the group's other India-related interests.

SMICC provides SMFG with an established platform in retail, rural, digital and MSME lending, complementing SMBC India's focus on wholesale and corporate banking. For instance, SMBC acquired a 24.2% stake in YES Bank in September 2025, followed by an additional 0.7% stake in October 2025, taking its total shareholding to 24.9%. This has broadened the group's commercial banking and deposit franchise in India. CareEdge Global expects the three platforms to remain complementary, with SMICC continuing to play an important role in the group's mass market and MSME lending strategy.

Improving scale of operations post-acquisition by SMFG

SMICC's operational scale has consistently improved under SMFG's ownership, supported by sustained business growth across retail, rural, digital, and housing finance segments. The company's AUM increased by 15% to Rs 654 billion as of March 31, 2026 from Rs 570 billion as of March 31, 2025, while annual disbursements grew to a record Rs 528 billion in FY26. Growth was supported by strong traction in the digital business, urban lending segment, and the housing finance subsidiary (SMHFC).

SMICC has also strengthened its franchise through a wide distribution network of over 800 branches and retail touchpoints across more than 670 towns and 70,000 villages, serving over 31 lakh customers. The company's diversified product portfolio, extensive geographical reach, and continued investments in digital capabilities support business scale-up, while improving its competitive positioning in the retail lending market.

Adequate capitalisation ensuring headroom for growth

SMICC's standalone capital adequacy ratio was 19.4% as of March 31, 2026, above the regulatory requirement of 15%. The ratio moderated from 22.4% in FY25 because of portfolio growth and elevated credit costs. However, SMFG's Rs 10.75 billion equity infusion in April 2026 provides adequate headroom to support near-term growth.

On a consolidated basis, leverage was 5.4x[1] as of March 31, 2026, vs 5.0x as a year earlier, but continues to be supported by SMFG's rights issue in April 2026. In addition to periodic equity support, SMFG has extended capital support through structured instruments such as perpetual debt instruments, which qualify as Tier-I capital and provide additional loss absorption capacity.

Diversified resource profile

SMICC has a diversified resource profile across bank term loans and working capital facilities, non-convertible debentures (NCDs), commercial paper, external commercial borrowings (ECBs), pass-through certificates, and direct assignments. The funding mix became more diversified in FY26, with a higher share of ECBs and lower dependence on NCD. The company's total borrowings increased to Rs 565.4 billion as of March 31, 2026, from Rs 489.2 billion a year earlier. ECB borrowings rose to Rs 140.2 billion from Rs 77.3 billion, supporting greater

1 Leverage ratios are adjusted for off-book exposures

funding diversification. Funding support from SMBC through ECBs and perpetual debt instruments, along with internal lender-exposure limits, further strengthens the resource profile and limits concentration risk.

Offsetting factors

Modest profitability despite stronger income and margins
Consolidated PAT increased by around 13% to Rs 5.01 billion in FY26, supported by business growth and improvement in margins. Net interest margin improved to around 10.9%, aided by higher-yielding products and a diversified resource mix. However, PAT margin moderated to around 4.1% from 4.4% and return on average assets (RoTA) remained modest at around 0.8%, as the benefit of stronger spreads was absorbed by elevated operating expenses and credit costs.

Operating expenses remained high at around 6.9% of average assets, while credit cost increased to around 3.7%. The cost-to-income ratio improved to around 60% from 63%, but remains elevated following investments in technology, branches, and operating infrastructure. Management expects better productivity and operating leverage as the investment cycle matures. However, a sustained improvement in risk-adjusted profitability remains a key monitorable.

Modest asset quality metrics
SMICC's asset quality remains modest, with the GNPA ratio largely unchanged at 2.4% as of March 31, 2026, compared with 2.3% as of March 31, 2025, indicating persistent underlying stress. Similarly, while the NNPA ratio was unchanged at 1.3%, the absolute NNPA amount increased to Rs 8.1 billion as of March 31, 2026, from Rs 7.3 billion as on March 31, 2025. Slippages continued to remain elevated at 8% in FY26, broadly in line with FY25 levels, reflecting ongoing stress in the portfolio. Furthermore, fresh GNPA accretions increased to Rs 42.5 billion in FY26 from Rs 35.2 billion in FY25, leading to a rise in the absolute GNPA stock. SMICC continues to undertake write-offs, which contributes the reported delinquency ratios.

Liquidity

SMICC's liquidity is assessed as adequate with total liquidity (including investments) at ~Rs 57 billion as of March 31, 2026. It is supported by cash and liquid investments, adequate unutilised bank lines, diversified funding sources, and demonstrated financial support from the parent. The company reported no material cumulative asset-liability mismatch across the disclosed maturity buckets. The average behavioural tenor of the loan portfolio is broadly aligned with the average tenor of resources. CareEdge Global also expects SMFG to provide timely liquidity support, if required, given SMICC's strategic importance.

About the company

SMICC is registered with the RBI as a non-deposit accepting NBFC (NBFC-NDSI) and has been in operations since 2006. In November 2021, SMFG acquired 74.9% stake in SMICC from Fullerton Financial Holdings (FFH). SMFG acquired the remaining 25.1% from FFH in March 2024.

SMICC offers a range of secured and unsecured products across rural and urban markets with presence in 25 states and union territories through 1,015 branches. Its services include a secured lending portfolio consisting of LAP to retail customers and small and medium enterprises (SMEs), as well as commercial vehicle (CV) loans. The unsecured portfolio majorly comprises personal loans to salaried and self-employed individuals in urban areas, group loans in rural areas, and digital loans. The secured book accounted for ~46% of the overall portfolio of Rs 654 billion as of March 31, 2026. Its wholly owned subsidiary SMHFC is registered as a housing finance company with the NHB and primarily caters to lending in the affordable housing segment in urban and rural settings.

About the group

SMFG is a Japan-based global financial group with numerous operating segments under its umbrella, ranging from banking, leasing, consumer finance to securities and asset management. The entities that are strategically and operationally important to SMFG include SMBC, SMBC Consumer Finance Co. Ltd., Sumitomo Mitsui Finance and Leasing Company Limited, SMBC Aviation Capital Limited, Sumitomo Mitsui DS Asset Management Company Limited, Sumitomo Mitsui Card Company Limited, SMBC Nikko Securities Inc., and SMICC.

SMBC contributes about 90% of the group’s net income and is one of Japan’s three megabanks. SMFG has also been categorised as a G-SIB as it is among the top 15 banks globally.

Environmental, social, and governance (ESG) considerations

SMFG India Credit Company Limited’s ESG profile remains well-positioned, supported by a strong governance framework, a deeply embedded culture of financial inclusion, and a growing focus on environmental responsibility. The company’s sustainability performance is reflected in its ICRA ESG Impact Rating of 78/100 (Good), demonstrating a balanced and mature approach to managing environmental, social, and governance priorities.
The assessment highlights strong Social (88/100) and Governance (80/100) performance, complemented by a Good Environmental score (72/100). These scores underscore the company's ability to integrate responsible business practices across its operations while creating long-term value for customers, employees, communities, investors, and other stakeholders.

From an Environmental perspective, SMICC continues to benefit from the relatively low-carbon nature of its NBFC business model while actively advancing resource-efficiency initiatives across its operations. The company has implemented energy-efficient infrastructure measures, accelerated digitalisation to reduce paper consumption, and supports biodiversity and ecological restoration programmes through its CSR initiatives. Its strategic roadmap towards increased renewable energy adoption, green infrastructure, and climate-risk integration further demonstrates an evolving commitment to environmental stewardship. Environmental Score: 72/100 (Good).

On the Social dimension, SMICC's performance is a key differentiator. The company serves nearly three million customers through products designed to improve financial access for underserved communities, women borrowers, and rural households. Its CSR platform, Uday – Ek Nayi Subah, continues to create measurable impact across healthcare, education, livelihood enhancement, financial literacy and community development. Internally, SMICC maintains a strong focus on employee development, leadership capability building, diversity and inclusion, employee well-being, and customer protection. These initiatives have contributed to an Outstanding Social Score of 88/100, reflecting the company's significant contribution to inclusive and sustainable growth.

From a Governance standpoint, SMICC demonstrates a robust governance architecture characterised by active board oversight, independent representation, specialised risk and sustainability committees, and comprehensive compliance and risk management processes. ESG oversight has been institutionalised through dedicated governance structures, while alignment with the sustainability commitments and global best practices of its parent, Sumitomo Mitsui Financial Group (SMFG), further strengthens governance maturity. The company’s governance practices are reflected in its Outstanding Governance Score of 80/100. Overall, the ESG assessment reinforces SMICC’s position as a responsible financial institution that is successfully embedding sustainability considerations into its business strategy, operations, customer engagement approach and stakeholder value creation agenda. The company's overall ESG Impact Rating of 78/100 (Good) reflects a strong and well-rounded ESG profile that supports its long-term resilience and sustainable growth aspirations.

Key financial metrics (consolidated)

Particulars	Unit	March 31, 2024	March 31, 2025	March 31, 2026
AUM	Rs billion	454	570	654
Net interest margin	%	9.7	10.2	10.9
Cost to income	%	55.8	63.0	59.8
Gross stage 3 assets	%	2.5	1.9	2.4
RoA	%	1.3	0.8	0.8
CAR[2]	%	17.3	22.4	19.4

Solicitation status

These ratings are solicited. The management has provided information to and held meetings with the CareEdge Global analytical team for the rating.

Rating history

Instrument	Type	Rating	Date
Issuer Rating	Long Term Foreign Currency (Solicited)	CareEdge A/Stable	August 04, 2026
Issuer Rating	Long Term Foreign Currency (Solicited)	CareEdge A/Stable	August 06, 2025

Criteria applied

CareEdge Global's Rating Methodology for Financial Institutions
CareEdge Global's Group Rating Methodology
CareEdge Global's Consolidation Methodology

Analytical contacts

Ankit Kedia
ankit.kedia@careedgeglobal.com

Sanchit Arora
sanchit.arora@careedgeglobal.com

Neha Maheshwari
neha.maheshwari@careedgeglobal.com

Media contact

Mradul Mishra
mradul.mishra@careedge.in

[2] CAR reported on a standalone basis

About Us
CareEdge Global IFSC Limited (CareEdge Global) is a full-service Credit Rating Agency (CRA) with a mission of **Empowering Global Capital Market Participants Through Unrivalled Insights and Expertise.** As the first CRA registered and authorized by the International Financial Services Centres Authority (India), CareEdge Global is uniquely positioned to provide comprehensive ratings on a global scale. A part of the CareEdge Group, which is a knowledge-based analytical organisation offering a wide range of services in Credit Ratings, Analytics, Consulting, and Sustainability. Established in 1993, our parent company, **CARE Ratings Limited (CareEdge Ratings)**, stands as India's second-largest rating agency.

Disclaimer
This disclaimer applies to each credit rating report and/ or credit rating rationale ('report') that is provided by CareEdge Global IFSC Limited ('CareEdge Global').

Ratings from CareEdge Global are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/ instruments or to make any investment decisions. The report is not a solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CareEdge Global assumes no obligation to update its opinions following publication in any form or format although CareEdge Global may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the investor, user, its management, employees, advisors and/ or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. Therefore, the report is not intended to and does not constitute an investment advice. The report should not be the sole or primary basis for any investment decision. CareEdge Global is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CareEdge Global. CareEdge Global does not act as a fiduciary by providing the rating.

Any unsolicited ratings assigned by CareEdge Global are based on publicly available information as CareEdge Global may or may not have access to documents / information or participation from management of such issuers. While CareEdge Global has obtained information from sources it believes to be reliable, CareEdge Global does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/ or relies on in its reports. CareEdge Global ratings are subject to a periodic review, which may lead to revision in ratings. CareEdge Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CareEdge Global has in place a ratings code of conduct and policies for managing conflict of interest.

Neither CareEdge Global nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents guarantee the accuracy, completeness or adequacy of the report, and shall not have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. CareEdge Global DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CareEdge Global or its associated entities or persons be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

This report does not constitute an offer of services. This report is solely for use in the jurisdiction of IFSCA, GIFT City in Gandhinagar. Without limiting the generality of the foregoing, nothing in the report is to be construed as CareEdge Global providing or intending to provide any services in jurisdictions where CareEdge Global does not have the necessary licenses and/ or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CareEdge Global and the user.

For latest rating information on any instrument of any company rated by CareEdge Global, you may visit our website www.careedgeglobal.com.

CareEdge Global IFSC Limited
501, FlexOne, GIFT SEZ, Block 15, Gandhinagar, Gujarat – 382050, India. Phone: +91-79-6519 0701 l www.careedgeglobal.com
CIN-U66190GJ2024PLC151103