

February 26, 2026

SBM Bank (India) Ltd: Long-term rating reaffirmed with outlook revised to Negative; short-term rating downgraded

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Basel III Tier II Bonds	250.00	250.00	[ICRA]A(Negative); reaffirmed with outlook changed from Stable to Negative
Certificate Of Deposit	500.00	500.00	[ICRA]A1; downgraded from [ICRA]A1+
Total	750.00	750.00	

*Instrument details are provided in Annexure-I

Rationale

The revision in the outlook for SBM Bank (India) Ltd's (SBMIL) long-term rating and the downgrade of its short-term rating take into consideration the moderation in its capitalisation buffers over the regulatory minimum due to persisting pressure on its earnings profile. While the scaling up and sustenance of operations are critical for the bank for an improvement in its earnings profile, the same entails the thinning of the capitalisation buffers over the regulatory levels unless there is capital infusion or the bank starts generating sufficient internal accruals to fund growth capital requirements. Given the sustained weakness in the operating profitability and thin capital buffers, SBMIL is exposed to the risk of a breach of the capitalisation limits in case of sudden asset quality shocks. Thus, scaling up needs to be accompanied by improvement in earnings profile to support capitalisation profile, however, in the absence of same SBMIL's dependence on regular capital infusions by the parent remains high. In addition, ICRA takes note of the increasing asset-liability mismatches in the near-term buckets. Hence, the bank's ability to roll over deposits will remain monitorable.

SBMIL's ratings continue to benefit from its parentage in the form of SBM Holdings Limited, which is also the ultimate holding company of SBM Bank (Mauritius) Limited (rated Ba1 for long-term deposits by Moody's). The parent has supported the operations by way of a capital infusion of Rs. 275 crore between April 2023 and December 2025 and remains committed towards further capital infusions to scale up the operations.

The ratings also factor in the bank's moderate asset quality, which remains prone to lumpy slippages as seen in the recent past after improving in the past few years. The fresh gross non-performing advances (GNPA) generation rate stood at 2.02% (annualised) in 9M FY2026 compared to the recent low of 0.83% in FY2023. High loan book concentration in the corporate segment exposes SBMIL's asset quality profile to sudden shocks and resultant credit losses. This, coupled with the weak operating profitability, pose risk to the capitalisation profile. The bank was able to mobilise recoveries from its written-off and delinquent assets in the past and curtail credit losses to limit the impact on the capitalisation profile.

The Negative outlook on the long-term rating indicates ICRA's expectation that SBMIL will continue to witness a weak profitability profile and thin capital buffers over the minimum regulatory capital levels in the near term. While the parent has stayed committed to providing operational and capital support and maintaining a majority stake in the bank, the sustained weakness in the earnings profile has remained a challenge for the growth and capital buffers.

Key rating drivers and their description

Credit strengths

Part of SBM Group (Mauritius) – ICRA continues to factor in SBMIL's parentage and its position as a step-down wholly-owned subsidiary (WOS) of SBM Holdings Limited, the ultimate holding company of SBM Bank (Mauritius) Limited. SBM Holdings Limited's shareholders include the Government of Mauritius, which, along with other state-owned entities including state-owned pension funds, remains the largest shareholder with a 42% stake as on September 30, 2025. Additionally, SBM Bank (Mauritius) Limited is the second largest bank in Mauritius with assets of \$7.52 billion as on September 30, 2025. The parent's continued strong commitment towards supporting the Indian operations serves as a credit positive. Strong operational linkages with the Group, in terms of ownership and the shared name, as well as its overall importance in advancing the Group's growth plans in the region provide further comfort.

SBM Holdings Limited, through its subsidiary SBM (Bank) Holdings Limited, has a track record of providing support to the bank with the latest infusion of Rs. 95 crore in October 2025, along with Rs. 180 crore in the last two years (FY2024-FY2025). The parent had, on various occasions, provided capital aggregating ~Rs. 380 crore during FY2019-FY2023. ICRA factors in the strong likelihood of continued support from the parent to the Indian entity, if required. Moreover, SBM Bank (Holdings) Limited has given an in-principle undertaking to provide necessary financial support to the Indian entity to meet any liability it is unable to meet. This remains in line with the Reserve Bank of India's (RBI) framework for any WOS of foreign banks in India.

Credit challenges

Weak profitability profile – SBMIL reported a net loss of Rs. 10.8 crore in 9M FY2026 on an asset base of Rs. 10,732 crore as on December 31, 2025 compared to a net loss of Rs. 87 crore in FY2025 on an asset base of Rs. 9,583 crore as on March 31, 2025. It witnessed pressure on its earnings profile amid the declining interest rate cycle, given the challenges in cutting down the cost of funds. This affected the net interest margin (NIM), which declined to 1.62% of average total assets (ATA) in 9M FY2026 from 2.11% in FY2025. The reduction in losses during 9MFY2026 was supported by reduction in operating cost intensity (as reflected in decline in operating cost/ATA ratio in 9M FY2026) and the recovery from legacy written-off account, even as the bank continues to report losses at operating level. Accordingly, the return on assets (RoA) and return on net worth (RoNW) remained weak at -0.14% and -1.73%, respectively, in 9M FY2026 compared to -0.94% and -11.03%, respectively, in FY2025 (-0.45% and -5.43%, respectively, in FY2024). SBMIL's ability to improve its operating profitability on a sustained basis is yet to be demonstrated. The earnings profile is expected to stay weak until the scale of operations improves meaningfully in the near term, which appears to be a challenge amid weak capital buffers.

Thin capitalisation buffers and dependence on capital infusions to fund growth – SBMIL reported a Tier I capital ratio of 11.09% as on December 31, 2025, down from 11.64% as on March 31, 2025 despite the capital infusion of Rs. 95 crore by the parent in October 2025. The moderation in the Tier I ratio was on account of the scaling of the loan book after the infusion while the weak earnings profile eroded the capital due to losses. The bank's near-to-medium-term dependency for fresh capital remains high for maintaining sufficient buffers over the regulatory levels while achieving its growth ambitions. Although the parent remains committed to SBMIL with in-principle approval for additional capital support, the timing and adequacy of the capital infusion remains monitorable. This is because the thinning of buffers over the regulatory minimum makes the bank susceptible to regulatory breaches in case of any sudden asset quality shocks while the earnings profile remains weak due to continuing net losses.

Asset quality profile remains modest – SBMIL's asset quality profile has performed well in the past few years, with limited slippages, supported by the healthy rate of recoveries in recent quarters. However, the bank's fresh NPA generation rate increased to 2.02% (annualised) in 9M FY2026 from 1.52% in FY2025 (1.88% in FY2024, 0.88% in FY2023) owing to a few lumpy slippages in H1 FY2026. Meanwhile, the uptick in the NPA generation rate was offset by healthy recoveries from stressed and written-off assets, thereby limiting its impact on the earnings profile in 9M FY2026. As on December 31, 2025, SBMIL's headline asset quality metrics, i.e. GNPA and NNPA, stood at 2.43% and 1.39%, respectively, compared to 3.42% and 0.99%, respectively, as on March 31, 2025, marking the reduction in the provision coverage ratio (PCR) on the NPAs to 43% as on December 31, 2025 from 72% as on March 31, 2025.

SBMIL's top 20 exposures has declined from the highs seen a few years ago and stood at 18% of total exposures as on March 31, 2025 compared to 28% as on March 31, 2021 (17% as on March 31, 2024). While comparing the same to the net worth base, it has varied as the net worth has been volatile due to persisting losses and episodes of capital infusions by the parent.

Nonetheless, overall concentration remains high and susceptible to sudden asset quality shocks, which may also impact the earnings profile.

Liquidity position: Adequate

SBMIL's liquidity profile remains characterised as adequate for its scale of operations. Though there are negative cumulative mismatches across all time buckets in the medium to long term, mainly due to the heavy deposit maturities in the less than 1 year time buckets compared to lower maturities of advances and investments, its ability to roll over deposits helps it manage liquidity. Going forward, SBMIL's ability to maintain a high rollover rate of deposits and improve the granularity of its deposit base will remain a key factor for sustaining liquidity. The bank, however, maintained an excess statutory liquidity ratio (SLR) of 17-28% of net demand and time liabilities (NDTL) on the fortnightly reporting dates between April 2024 and December 2025, which supports the liquidity profile in the near term. High cash and SLR investments also support the liquidity coverage ratio, which stood at 126% for the quarter ended December 31, 2025, well above the regulatory requirement of 100%.

Rating sensitivities

Positive factors – Given the Negative outlook, an upgrade in the near term is unlikely. However, a sustained improvement in the profitability levels and capital cushions will be positive and would support a change in the outlook to Stable. An improvement in the credit profile of the SBM Group (Mauritius) will also be a positive factor.

Negative factors – Continued capital cushion of less than 2% over the Tier I regulatory requirement (9.5%) and inability to achieve breakeven profitability on a sustainable basis will be negative factors. Further, a deterioration in the credit profile of the SBM Group (Mauritius) or lack of adequate funding support to maintain the capital and liquidity cushions, if required, will be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Banks and Financial Institutions
Parent/group Support	Parent: SBM Holdings Limited ICRA expects SBM Bank (India) Ltd's parent, SBM Holdings Limited, which is also the holding company of SBM Bank (Mauritius) Limited, to be willing to extend financial support to the bank, if required, given the high strategic importance it holds for SBM Holdings Limited for meeting its diversification objectives and for driving growth in the region. SBM Holdings Limited and SBM Bank (India) Ltd share a common name, which, in ICRA's opinion, would persuade the parent to provide financial support to the bank to protect its reputation from the consequences of a group entity's distress.
Consolidation/standalone	Standalone

About the company

The SBM Group (Mauritius) commenced banking operations in India in 1994 with four branches (Mumbai, Chennai, Hyderabad and Ramachandrapuram), which operated as branches of SBM Bank (Mauritius) Limited. In December 2018, the RBI sanctioned a scheme of amalgamation for the Indian branches of SBM Bank (Mauritius) Limited and SBM Bank (India) Ltd, which was granted a licence to carry out banking operations under the WOS mode. The scheme became effective from December 1, 2018. Following this, all the Indian branches started functioning as branches of SBM Bank (India) Ltd. As on December 31, 2025, it had 22 branches in India against four at the time of its conversion to a WOS.

SBM Bank (India) Ltd reported a net loss of Rs. 11 crore in 9M FY2026 (net loss of Rs. 87 crore in FY2025) on a total asset base of Rs. 10,732 crore as on December 31, 2025 (Rs. 9,583 crore as on March 31, 2025). The capital-to-risk weighted assets ratio (CRAR) stood at 14.49% as on December 31, 2025 (15.52% as on March 31, 2025). Its headline asset quality metrics, i.e. the GNPA's and NNPAs, stood at 2.43% and 1.39%, respectively, as on December 31, 2025 (3.42% and 0.99%, respectively, as on March 31, 2025).

SBM Bank (Mauritius) Limited

Established in 1973, it is the second largest domestic bank in Mauritius. It provides retail, corporate, small and medium-sized enterprise and cross-border banking as well as other services, including bancassurance, financial market services such as structured treasury and money market instruments, and custodial services. In 2014, the Group restructured its operations and segregated its banking operations from its non-banking operations. SBM Holdings Limited was established as the new holding company for the operating companies and is the entity listed on the Stock Exchange of Mauritius.

For 9M CY2025, SBM Bank (Mauritius) Limited reported a net profit of \$102.9 million on total assets of \$7.5 billion as on September 30, 2025 compared to a net profit of \$116.0 million in 9M CY2024 on total assets of \$6.8 billion as on September 30, 2024 (net profit of \$128.7 million in CY2024 on total assets of \$7.2 billion as on December 31, 2024). It also reported a Tier I capital of 17.9% and CRAR of 19.5% as on September 30, 2025 compared to 14.7% and 16.3%, respectively, as on December 31, 2024.

SBM Holdings Limited

SBM Holdings Limited is the holding company of all the banking and financial activities of the SBM Group (Mauritius). It houses two intermediate investment arms of the Group, namely SBM (Bank) Holdings Limited for banks and SBM (NFC) Holdings Limited for non-banks, which operate banking and non-banking entities across Africa and India. The Government of Mauritius (rated Baa3 (negative) by Moody's) is the largest shareholder in SBM Holdings Limited. On a consolidated basis, SBM Holdings Limited reported a net profit of \$103.8 million in 9M CY2025 on total assets of \$10.38 billion as on September 30, 2025 compared to a net profit of \$95.7 million in CY2024 on a total asset base of \$9.27 billion as on December 31, 2024 (net profit of \$97.8 million in CY2023 on a total asset base of \$8.23 billion as on December 31, 2023).

Key financial indicators (audited)

SBM Bank (India) Ltd	FY2024	FY2025	9M FY2026
Total operating income [^]	393.0	328.0	258.0
Profit after tax	(43)	(87)	(11)
Total assets	8,946	9,583	10,732
Return on average total assets (annualised)	-0.5%	-0.9%	-0.1%
Common equity Tier I (CET I) ratio	12.3%	11.6%	11.1%
CRAR	16.9%	15.5%	14.5%
Gross NPA	2.6%	3.4%	2.4%
Net NPA	0.6%	1.0%	1.4%

Source: SBM Bank (India) Ltd & ICRA Research; Amount in Rs. crore

All ratios as per ICRA's calculations

[^]Total operating income includes net interest income and non-interest income

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Current (FY2026)			Chronology of rating history for the past 3 years						
			FY2026	FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Feb 26, 2026	Date	Rating	Date	Rating	Date	Rating
Certificates of deposit	Short term	500.00	[ICRA]A1	Feb 28, 2025	[ICRA]A1+	Jul 20, 2023	[ICRA]A1+	Jul 28, 2022	[ICRA]A1+
				-	-	Mar 1, 2024	[ICRA]A1+	-	-
Basel III Tier II bonds	Long term	250.00	[ICRA]A (Negative)	Feb 28, 2025	[ICRA]A (Stable)	Jul 20, 2023	[ICRA]A+ (Negative)	Jul 28, 2022	[ICRA]A+ (Stable)
				-	-	Mar 1, 2024	[ICRA]A (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Basel III Tier II Bonds	Highly Complex
Certificate Of Deposit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
INE07PX16483	Certificates of deposit	Mar 13, 2025	8.73	Mar 13, 2026	50.00	[ICRA]A1
INE07PX16491	Certificates of deposit	Mar 20, 2025	8.75	Mar 20, 2026	50.00	[ICRA]A1
INE07PX16525	Certificates of deposit	Mar 27, 2025	8.75	Mar 27, 2026	25.00	[ICRA]A1
INE07PX16517	Certificates of deposit	Mar 25, 2025	8.75	Mar 25, 2026	50.00	[ICRA]A1
INE07PX16558	Certificates of deposit	Aug 28, 2025	6.70	Feb 25, 2026	25.00	[ICRA]A1
INE07PX16574	Certificates of deposit	Sep 29, 2025	6.95	Mar 30, 2026	25.00	[ICRA]A1
INE07PX16566	Certificates of deposit	Sep 02, 2025	6.70	Mar 02, 2026	25.00	[ICRA]A1
INE07PX16582	Certificates of deposit	Sep 29, 2025	7.00	Apr 10, 2026	25.00	[ICRA]A1
INE07PX16525	Certificates of deposit	Dec 15, 2025	6.45	Mar 27, 2026	40.00	[ICRA]A1
INE07PX16590	Certificates of deposit	Jan 30, 2026	8.20	Aug 24, 2026	60.00	[ICRA]A1
NA	Certificates of deposit	Unplaced	NA	7-365 days	125.00	[ICRA]A1
INE07PX08019	Basel III Tier II bonds	Apr 05, 2022	9.75%	Apr 05, 2032 [^]	125.00	[ICRA]A (Negative)
INE07PX08027	Basel III Tier II bonds	Jan 24, 2023	9.88%	Jan 24, 2033 [*]	99.00	[ICRA]A (Negative)
NA	Basel III Tier II bonds	Unplaced	NA	-	26.00	[ICRA]A (Negative)

[^]Call option available on April 5, 2027; ^{*}Call option available on January 24, 2028, though it is subject to regulatory approval

Certificates of deposits as on February 24, 2026

Source: SBM Bank (India) Ltd

Annexure II: List of entities considered for consolidated analysis

Not Applicable

Key features of the rated debt instruments

The servicing of the rated certificates of deposit is not contingent on the capital ratios or the bank's profitability. However, the Basel III Tier II bonds are expected to absorb losses once the point of non-viability (PONV) trigger is invoked by the RBI. These bonds have equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

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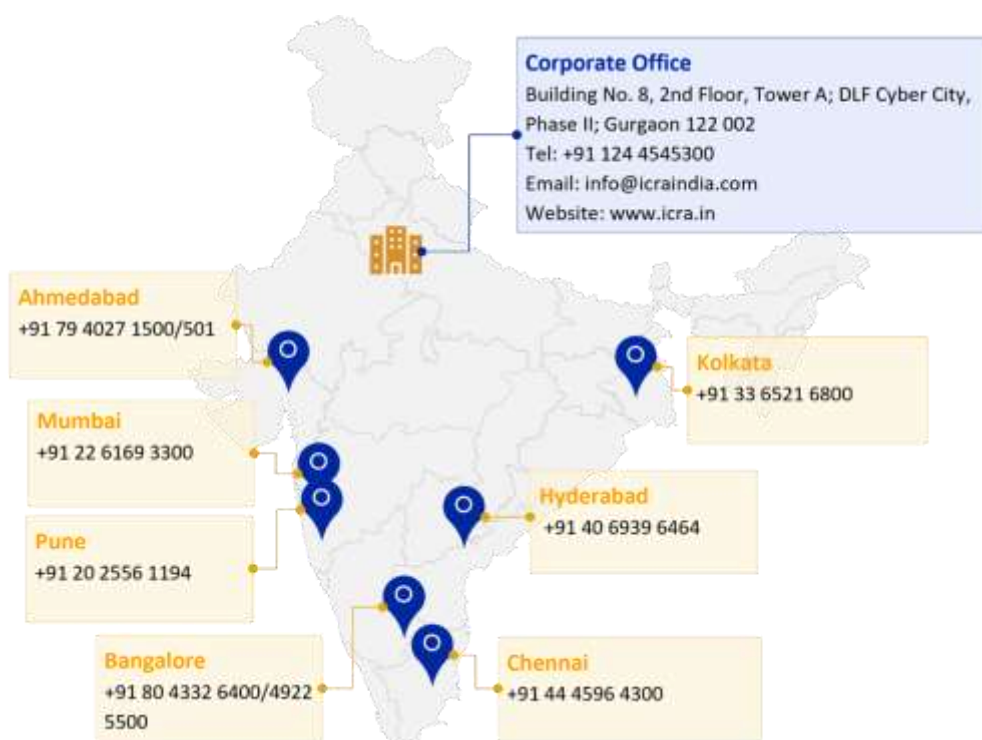


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