August 18, 2023

Svatantra Microfin Private Limited: Update on entity

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Subordinated debt	75.00	75.00	[ICRA]A+ (Stable)
Total	**75.00**	**75.00**	

**Instrument details are provided in Annexure I*

Rationale

On August 08, 2023, Svatantra Microfin Private Limited (SMPL) announced that its board of directors had approved a transaction involving the acquisition of 100% of the total issued and paid-up equity share capital of Chaitanya India Fin Credit Private Limited (CIFCPL) from the existing shareholders of CIFCPL, viz. Navi Finserv Limited (NFL) and Navi Technologies Limited (NTL). The completion of the transaction is subject to the receipt of approval from the Reserve Bank of India and the satisfaction of other conditions set forth in the share purchase agreement. Upon the completion of the transaction, CIFCPL shall become a wholly-owned subsidiary of SMPL.

ICRA takes note of the announcement and that the proposed transaction is subject to approvals from various regulatory authorities. The combined assets under management of the two companies would make SMPL the second largest microfinance institution in India and it would benefit from the increase in its scale and operations. The company would require additional equity capital for the proposed acquisition, which is expected to be raised from the promoters. ICRA believes SMPL will continue receiving regular capital support from its promoters to meet its envisaged growth.

In ICRA's opinion, the aforementioned announcement and the proposed transaction are not expected to have any adverse impact on the company's credit profile. SMPL is expected to carry out its business in ordinary course till the requisite approvals are in place from the regulatory authorities and the transaction is completed. Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, and key financial indicators: Click here

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Non-banking Finance Companies Rating Approach – Implicit Support From Parent or Group
Parent/Group support	SMPL is owned by the promoters – the Birla family and the holding/investment company of Aditya Birla Group. It receives support in the form of regular capital infusions and board supervision
Consolidation/Standalone	Standalone

About the company

Svatantra Microfin Private Limited (SMPL), promoted by Ms. Ananyashree Birla, was incorporated in 2012 and started microfinance operations in March 2013. It is registered with the Reserve Bank of India as a non-banking financial company-microfinance institution. It provides microcredit to women borrowers, for income-generating activities, under the joint liability group lending model. The borrowers are organised in groups of 5-30 people with each member of the group providing a credit guarantee for the other members. SMPL was operating in 19 states through a network of 804 branches, catering to more than 22 lakh borrowers with a managed loan portfolio of Rs. 7,499 crore as on March 31, 2023.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2024)					Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Jun 30, 2023* (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					Aug 18, 2023	Jan 30, 2023	Feb 04, 2022	Feb 05, 2021	Aug 17, 2020
1	**Subordinated debt**	Long term	75	75	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**
2	**Long-term bank facilities**	Long term	-	-	**-**	**-**	**-**	**[ICRA]A- (Stable); reaffirmed and simultaneously withdrawn**	**[ICRA]A- (Stable)**

**Source: Company*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Subordinated debt	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
INE00MX08011	**Subordinated debt**	May 31, 2018	11.70% p.a.	Nov 30, 2023	75.00	[ICRA]A+ (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

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