

June 25, 2024

## SATYA MicroCapital Ltd.: [ICRA]BBB+ (Stable) assigned to Rs. 50-crore NCD programme

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
NCD programme	0.00	50.00	[ICRA]BBB+ (Stable); assigned
NCD programme	408.54	408.54	[ICRA]BBB+ (Stable); outstanding
Tier II bonds programme	25.00	25.00	[ICRA]BBB+ (Stable); outstanding
Subordinated debt programme	105.00	105.00	[ICRA]BBB+ (Stable); outstanding
Market linked debenture (MLD)	20.00	20.00	PP-MLD [ICRA]BBB+ (Stable); outstanding
Bank facilities (LT – Fund based)	1,700.00	1,700.00	[ICRA]BBB+ (Stable); outstanding
<b>Total</b>	<b>2,258.54</b>	<b>2,308.54</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings continue to factor in SATYA MicroCapital Ltd.'s (SML) track record in the microfinance business and its fairly diversified geographical presence. SML's consolidated assets under management (AUM) grew by ~30% in FY2024 to Rs. 6,139 crore as on March 31, 2024, supported by the healthy increase in the borrower base. The company's funding profile is fairly diversified with more than 70 active lender relationships as on March 31, 2024.

Given the high pace of growth vis-à-vis internal capital generation, SML's consolidated managed gearing<sup>1</sup> has been increasing and was reported at 5.9 times as on March 31, 2024. The company last raised ~Rs. 57-crore equity capital from existing shareholders including Gojo & Co. INC (Gojo), promoters, employees etc. in March 2024 through rights issue, which has helped support its capitalisation profile to some extent. ICRA notes that SML is in the process of raising fresh equity capital from existing investors, Gojo, and International Finance Corporation (IFC) to maintain a prudent capitalisation profile while supporting its growth plans. Although SML has been able to raise equity capital regularly from its promoters and investors, a delay in its capital-raising plans could adversely impact its credit profile and the same shall remain a monitorable.

The ratings also consider SML's relatively moderate asset quality metrics. The company's standalone gross non-performing assets (GNPAs) stood at 2.2% as on March 31, 2024 (1.3% as on March 31, 2023). Further, it had security receipts (SRs) outstanding of around Rs. 89 crore (1.8% of its on-book portfolio) as on March 31, 2024, the recovery from which remains a monitorable. Its subsidiary, SATYA Micro Housing Finance Private Limited (SMHFPL), reported GNPAs of 0.5% as on March 31, 2024. As SMHFPL is in a nascent stage of operations with an unseasoned book, its asset quality shall remain monitorable.

SML's consolidated profitability remains under pressure because of the relatively higher level of operating expenses and credit costs. The ratings continue to factor in the risks associated with unsecured lending and the political and operational risks associated with microlending and affordable housing finance lending, which may lead to volatility in the asset quality indicators.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that SML shall maintain a steady credit profile, while expanding its scale of operations, supported by its demonstrated ability to raise debt funds and equity capital in a timely manner. Nevertheless, any delay in raising capital, which would constrain the capital structure, will adversely impact the credit profile.

<sup>1</sup> Managed gearing = (On-book debt + Off-book portfolio)/Net worth

## Key rating drivers and their description

### Credit strengths

**Improvement in scale, driven by growth in borrower base and geographical expansion** – SML's consolidated AUM increased by ~30% in FY2024 to Rs. 6,139 crore<sup>2</sup> as on March 31, 2024. Its standalone AUM increased by 28% in FY2024 to Rs. 6,010 crore as on March 31, 2024, supported by the growth of ~25% in its borrower base to 17.1 lakh. The AUM is expected to grow at a healthy pace, though it would be critical to raise commensurate equity capital, considering the moderate internal capital generation.

SML's operations are fairly diversified with a presence across 327 districts (standalone) in 25 states/Union Territories (UTs) as on March 31, 2024. It also offers affordable housing finance through its subsidiary – SMHFPL, which had a presence in 43 districts across 5 states as on December 31, 2023. ICRA takes note of the management's plan to continue expanding the company's footprint and enter new districts over the next few years. Uttar Pradesh (UP) accounted for the largest share of SML's standalone AUM at 26% as on March 31, 2024, followed by Bihar (22%), Karnataka (7%), Punjab (6%) and Rajasthan (5%) with the 20 other states/UTs accounting for the balance.

**Fairly diversified funding profile** – SML's funding mix is fairly diversified comprising various lenders, including banks {public sector/private/small finance banks (SFBs)}. Funding from banks (including foreign banks and SFBs), in the form of term loans and subordinated debt, accounted for 33% of the borrowing mix as on March 31, 2024, while loans from non-banking financial companies (NBFCs)/financial institutions (FIs) accounted for 16%. Non-convertible debentures (NCDs; including market linked debentures, subordinated debt and Tier II bonds), external commercial borrowings (ECBs) and the off-book (direct assignment book and business correspondent (BC) book) constituted 21%, 9% and 21%, respectively.

### Credit challenges

**Moderate asset quality and earnings profile** – SML reported a consolidated net profit of Rs. 123 crore in FY2024, translating into a return on average managed assets (RoMA) of 1.9% and a return on average net worth (RoNW) of 13.3% vis-à-vis Rs. 53 crore, 1.4% and 9.2%, respectively, in FY2023. Operating expenses, with respect to the average managed assets, were relatively high at 7.1% in FY2024 vis-à-vis 6.5% in FY2023 as the Group continues to expand its scale and reach. This, along with the elevated credit costs (2.0% of average managed assets in FY2024), is keeping SML's profitability profile at a moderate level. SML's standalone GNPA's increased in FY2024 to 2.2% as on March 31, 2024 from 1.3% as on March 31, 2023. Delinquencies have increased, especially in some districts of Punjab and Haryana, leading to higher GNPA's. Further, SML wrote off Rs. 54 crore in FY2024, constituting 1.1% of the loan book as on March 31, 2024. The company's ability to improve its operating efficiency and control the credit costs, at the consolidated level, shall remain a monitorable.

**Increasing leverage, given high pace of growth** – Given the high pace of growth vis-à-vis internal capital generation, the Group's managed gearing has been increasing and stood at 5.9 times as on March 31, 2024 compared to 5.6 times as on March 31, 2023 (5.1 times as on March 31, 2022). The company last raised ~Rs. 57-crore equity capital from existing shareholders through rights issue in March 2024, which has helped support its capitalisation profile to some extent. ICRA notes that SML is in the process of raising fresh equity capital from existing investors, Gojo, and IFC to maintain a prudent capitalisation profile while supporting its growth plans. Although it has been able to raise equity capital regularly from its promoters and investors, a delay in its capital-raising plans could adversely impact its credit profile and the same shall remain a monitorable.

**Political, communal, and other risks, given the unsecured lending and marginal borrower profile** – The company remains susceptible to the risks associated with unsecured lending to marginal borrowers, given the high share of microfinance, the limited ability of the borrowers to absorb income shocks, and the rising borrower leverage levels owing to an increase in multiple lending in the areas of operation. Further, political and operational risks associated with microfinance may result in high volatility in the asset quality indicators. However, SML's geographically diversified portfolio mitigates these risks to some

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<sup>2</sup> AUM value under IGAAP

extent, as these issues are largely region-specific so far. The microfinance industry is prone to socio-political, climatic and operational risks, which could negatively impact its operations. SML’s ability to onboard borrowers with a good credit history, recruit and retain employees as well as maintain the geographical diversity of its operations would be a key rating sensitivity.

### Liquidity position: Adequate

As on March 31, 2024, SML had a cash and liquid balance of ~Rs. 608 crore (standalone; including first loss default guarantee (FLDG) towards BC book) along with unavailed sanctions of more than Rs. 200 crore. As of March 2024, it had scheduled debt obligations of ~Rs. 2,670 crore over the next 12 months vis-à-vis collections due of ~Rs. 1,721 crore over the same time frame. Factoring in the expected collections from advances, the liquidity profile is expected to remain adequate to meet the debt obligations in a timely manner. However, the company would require additional funding to support the envisaged disbursements, given its growth plans.

As on January 31, 2024, SMHFPL had an unencumbered cash and liquid balance of ~Rs. 10 crore to cater to its scheduled debt obligations of ~Rs. 14 crore over the next 12 months vis-à-vis collections due of ~Rs. 7 crore over the same time frame. Further, an unavailed sanctioned amount of Rs. 25 crore is available from SML.

### Rating sensitivities

**Positive factors** – An improvement in the consolidated profitability, with RoMA of more than 2.5% on a sustained basis, while maintaining adequate asset quality could positively impact the credit ratings.

**Negative factors** – Pressure on SML’s ratings could arise if its consolidated managed gearing remains above 6.0 times on a sustained basis. Pressure could also be seen in case of a steady weakening of its liquidity profile or a significant deterioration in the asset quality, impacting the profitability.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">ICRA’s credit rating methodology for NBFCs</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

### About the company

SATYA MicroCapital Ltd. is a Delhi-based NBFC-microfinance institution (NBFC-MFI), which was incorporated in 1995. It started its microfinance operations in FY2017 by adopting the joint liability group (JLG) model with fortnightly and monthly collection cycles. The company primarily offers JLG loans with ticket sizes in the median range of Rs. 25,000-75,000, and individual microloans with ticket sizes in the range of Rs. 45,000-80,000 at interest rates of 24-26%, along with a processing fee of 0.50-0.75% for JLG loans and 3% for individual loans. SML primarily focuses on lending to women (husbands/sons (above 18 years of age) act as nominees) who aim to initiate a new business or enhance their existing business. As on March 31, 2024, the standalone operations were spread in 327 districts across 25 states/UTs. The company also offers affordable housing finance through its subsidiary – SATYA Micro Housing Finance Private Limited.

SML reported a consolidated profit after tax (PAT) of ~Rs. 123 crore in FY2024 against Rs. 53 crore in FY2023. Its consolidated assets under management (AUM) stood at Rs. 6,139 crore as on March 31, 2024, registering an annualised growth of ~30% in FY2024.

**Key financial indicators (audited; consolidated)**

SATYA MicroCapital Ltd.	FY2022	FY2023	FY2024
<b>Total income</b>	402	738	1,284
<b>PAT</b>	32	53	123
<b>Total managed assets</b>	3,478	5,706	7,269
<b>Return on managed assets</b>	1.2%	1.4%	1.9%
<b>Managed gearing (times)</b>	5.1	5.6	5.9
<b>Gross NPA</b>	3.3%	1.3%	2.2%
<b>CRAR<sup>^</sup></b>	23.0%	19.2%	22.2%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

<sup>^</sup> Standalone

**Status of non-cooperation with previous CRA: Not applicable**
**Any other information:**

SML faces prepayment risk, given the possibility of debt acceleration upon the breach of covenants, including financial, operating and rating-linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lenders/investors or the lenders/investors do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the ratings would face pressure.

### Rating history for past three years

Instrument	Type	Current rating (FY2025)					Chronology of rating history for the past 3 years																				
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2025			Date & rating in FY2024					Date & rating in FY2023					Date & rating in FY2022										
				Jun-25-2024	May-14-2024	Apr-2-2024	Feb-21-2024	Feb-16-2024	Dec-14-2023	Nov-9-2023	May-25-2023	Feb-3-2023	Nov-2-2022	Jul-14-2022	May-17-2022	Apr-19-2022	Mar-28-2022	Mar-24-2022	Mar-7-2022	Jan-25-2022	Dec-09-2021	Nov-22-2021	Oct-20-2021	Jun-18-2021	Jun-11-2021	Apr-22-2021	
1	NCD programme	Long term	40	40	[ICRA] BBB+ (Stable)	[ICRA]BB B+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB (Positive)	[ICRA] BBB (Positive)	[ICRA] BBB (Positive)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)
2	CP programme	Short term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[ICRA] A3+; withdrawn	[ICRA] A3+	[ICRA] A3+	[ICRA] A3+		
3	NCD programme	Long term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4	Term loan	Long term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	NCD programme	Long term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[ICRA] BBB (Stable); withdrawn	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)		
6	NCD programme	Long term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[ICRA] BBB (Stable); withdrawn	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)		
7	Bank facilities term loan	Long term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)
8	Bank facilities CC	Long term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)
9	Bank facilities others	Long term	1,700	1,671.23	[ICRA] BBB+ (Stable)	[ICRA]BB B+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB (Positive)	[ICRA] BBB (Positive)	[ICRA] BBB (Positive)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB (Stable)





Current rating (FY2025)							Chronology of rating history for the past 3 years																			
Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2025			Date & rating in FY2024					Date & rating in FY2023					Date & rating in FY2022									
				Jun-25-2024	May-14-2024	Apr-2-2024	Feb-21-2024	Feb-16-2024	Dec-14-2023	Nov-9-2023	May-25-2023	Feb-3-2023	Nov-2-2022	Jul-14-2022	May-17-2022	Apr-19-2022	Mar-28-2022	Mar-24-2022	Mar-7-2022	Jan-25-2022	Dec-09-2021	Nov-22-2021	Oct-20-2021	Jun-18-2021	Jun-11-2021	Apr-22-2021
30	NCD programme	Long term	50	-	[ICRA] BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)																		
31	NCD programme	Long term	50	-	[ICRA] BBB+ (Stable)																					

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Bank facilities (LT-fund based)	Simple
NCD programme	Simple/ Very simple*
Tier II bonds programme	Simple
Subordinated debt programme	Very Simple
LT-market linked debt	Moderately complex

*\*Some ISINs have a call option*

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	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE982X07135	MLD programme	Jun-14-2021	SENSEX Linked	Sep-30-2024	20.00	PP-MLD[ICRA]BBB+ (Stable)
INE982X07150	NCD programme	Jun-30-2021	11.6778%	Jun-30-2027	22.10	[ICRA]BBB+ (Stable)
INE982X07168	NCD programme	Jul-02-2021	11.7229%	Jul-02-2027	16.10	[ICRA]BBB+ (Stable)
INE982X07143	NCD programme	Jul-05-2021	11.7229%	May-05-2026	16.10	[ICRA]BBB+ (Stable)
INE982X07218	NCD programme	Jan-14-2022	11.76%	Jan-14-2026	42.00	[ICRA]BBB+ (Stable)
INE982X07267	NCD programme	Sep-11-2018	12.70%	Dec-31-2026	40.00	[ICRA]BBB+ (Stable)
INE982X07424	NCD programme	Feb-28-2024	12.00%	Feb-28-2026	50.00	[ICRA]BBB+ (Stable)
INE982X08018	Sub-debt programme	Mar-29-2019	15.75%	May-30-2025	20.00	[ICRA]BBB+ (Stable)
INE982X08059	Sub-debt programme	Oct-22-2021	14.75%	May-21-2027	30.00	[ICRA]BBB+ (Stable)
INE982X08067	Sub-debt programme	Mar-14-2022	15.15%	Mar-15-2027	30.00	[ICRA]BBB+ (Stable)
INE982X08083	Sub-debt programme	Jun-27-2023	15.25%	Jul-03-2028	25.00	[ICRA]BBB+ (Stable)
INE982X08034	Tier II bonds programme	Jul-08-2019	14.27%	Jul-08-2026	10.00	[ICRA]BBB+ (Stable)
INE982X08042	Tier II bonds programme	Aug-01-2019	14.27%	Jul-08-2026	15.00	[ICRA]BBB+ (Stable)
INE982X07184	NCD programme	Aug-23-2019	12.65%	Nov-22-2027	28.50	[ICRA]BBB+ (Stable)
INE982X07093	NCD programme	Jul-24-2020	11.723%	Jul-24-2024	34.50	[ICRA]BBB+ (Stable)
INE982X07234	NCD programme	Mar-30-2022	11.7702%	Mar-30-2026	45.00	[ICRA]BBB+ (Stable)
INE982X07283	NCD programme	May-31-2022	11.7702%	May-31-2026	37.50	[ICRA]BBB+ (Stable)
INE982X07226	NCD programme	Mar-30-2022	11.76%	Dec-30-2024	26.00	[ICRA]BBB+ (Stable)
INE982X07416	NCD programme	Feb-02-2024	12.50%	Feb-02-2026	25.00	[ICRA]BBB+ (Stable)
Not issued	NCD programme	NA	NA	NA	0.74	[ICRA]BBB+ (Stable)
Yet to be issued	NCD programme	NA	NA	NA	25.00	[ICRA]BBB+ (Stable)
Yet to be issued	NCD programme	NA	NA	NA	50.00	[ICRA]BBB+ (Stable)
Not applicable	Bank facilities	Sep 2021 to Dec 2023	9.25% to 15.25%	24 to 84 months	1,700.00	[ICRA]BBB+ (Stable)

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	SML Ownership	Consolidation Approach
SATYA Micro Housing Finance Private Limited	97.15%	Full Consolidation

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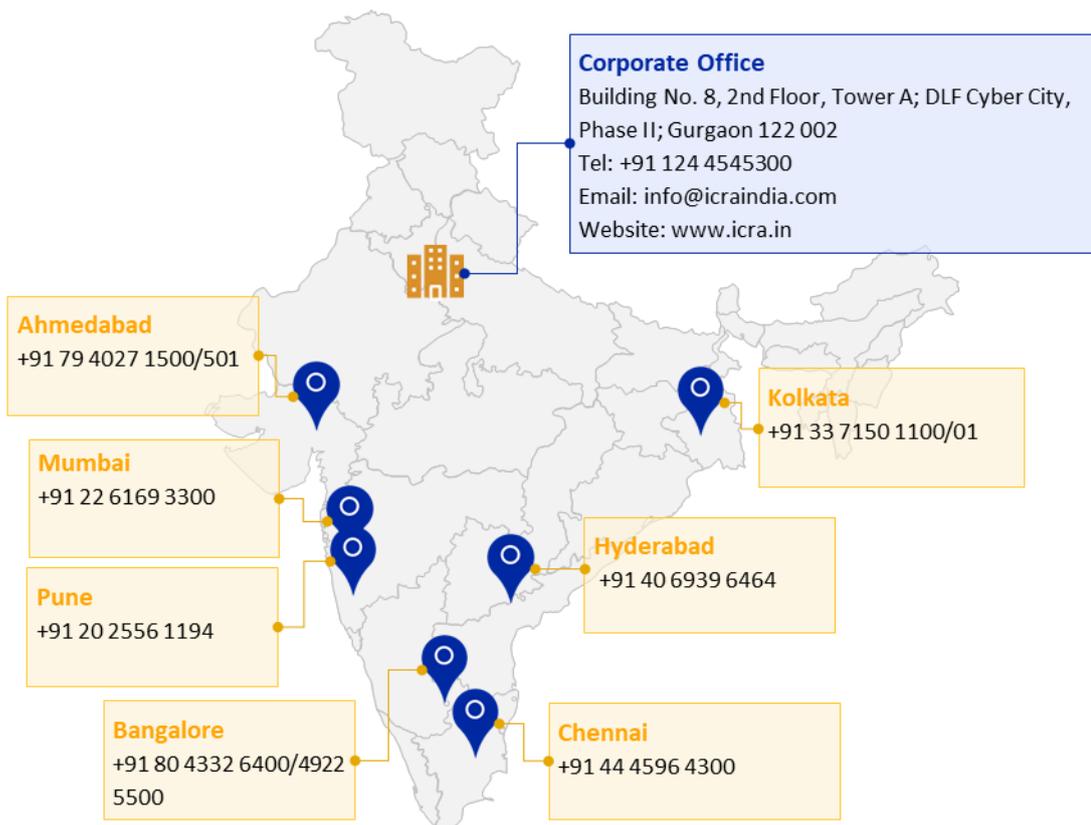
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