

September 01, 2025

SATYA MicroCapital Ltd.: Rating downgraded to [ICRA]BBB and outlook revised to Negative from Stable; rating withdrawn for matured subordinated debt

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-convertible debentures	319.84	319.84	[ICRA]BBB (Negative); downgraded from [ICRA]BBB+ and outlook revised to Negative from Stable
Subordinated debt [#]	25.00	25.00	[ICRA]BBB (Negative); downgraded from [ICRA]BBB+ and outlook revised to Negative from Stable
Subordinated debt	85.00	85.00	[ICRA]BBB (Negative); downgraded from [ICRA]BBB+ and outlook revised to Negative from Stable
Subordinated debt	20.00	0.0	[ICRA]BBB (Negative); downgraded from [ICRA]BBB+ and outlook revised to Negative from Stable, and withdrawn
Bank facilities – Long-term fund-based others	1,700.00	1,700.00	[ICRA]BBB (Negative); downgraded from [ICRA]BBB+ and outlook revised to Negative from Stable
Total	2,149.84	2,129.84	

*Instrument details are provided in Annexure I; [#]Previously denoted as Tier II bonds

Rationale

The rating action factors in the sharp deterioration in SATYA MicroCapital Ltd.'s (SML) asset quality in Q1 FY2026, resulting in sizeable losses and a steep deterioration in its capitalisation profile. ICRA takes note of the planned rights issue (Rs. 300 crore) in September 2025. However, the elevated operating cost structure for the current scale, the expected credit costs on account of forward flows and the modest provisions on overdues and security receipts (SRs) would continue to exert pressure on SML's credit risk profile in the next few quarters. Thus, the company would have to raise further capital, over and above the proposed rights issue, for maintaining adequate capital buffers over the regulatory requirements. Further, the free on-balance sheet liquidity is quite modest, in view of its current position, at 4.8% of the total assets (standalone) as on June 30, 2025. In ICRA's opinion, it is crucial for SML to secure commensurate funding to improve its liquidity profile, which was impacted by its weak performance and the consequent breach of covenants pertaining to its debt funding agreements.

SML's current collection efficiency¹ dropped significantly to ~83% in Q1 FY2026 from ~93% in Q4 FY2025, amid the ongoing stress in microfinance industry and tightened lending guardrails. Consequently, the gross non-performing assets (NPAs; standalone) rose to 4.8% as on June 30, 2025 from 1.2% in the previous quarter. Provisions on NPAs remained relatively low at ~51% as of June 2025 (~65% as of March 2025), considering the prevalent stress in the microfinance sector. Further, the company had sold Rs. 324 crore of stressed loans (including Rs. 259 crore of loans in 61-90 days past due (dpd) segment; total Rs. 326 crore sold in FY2025) to an asset reconstruction company (ARC) in Q1 FY2026, against which it received SRs of Rs. 155 crore. The company has set aside an impairment allowance of ~Rs. 232 crore (6.4% of on-book portfolio) but still holds a large portfolio (Rs. 388 crore or 10.7% of on-book portfolio as on June 30, 2025) in the early delinquency stages (1-90 dpd), making future slippage risk significant. Further, it had gross SRs of Rs. 393 crore (9.8% of its on-book portfolio including SRs) as on June 30, 2025 with limited provisions against the same (Rs. 26 crore); thus, recovery from SRs remains monitorable. Although ICRA takes note of the corrective measures being taken by the company, the near-term performance shall remain monitorable considering the tightened guardrails for the microfinance sector.

¹ Collections from the current month's billing/Current month's billing

SML reported a consolidated net loss of ~Rs. 249 crore in Q1 FY2026 compared to the loss of Rs. 51 crore in FY2025 due to asset quality deterioration, higher credit costs and weak operating efficiency. Continued high overdue accounts and weak operating profits suggest that the profitability will most likely stay weak in FY2026. SML's capital buffers deteriorated sharply in Q1 FY2026, following the reported loss during the quarter. Its consolidated managed gearing² increased to 7.7 times as on June 30, 2025, exceeding ICRA's stipulated rating sensitivity threshold of 6 times. The standalone capital adequacy ratio declined to 15.2% (Tier I: 8.2%) as on June 30, 2025 from 22.7% (Tier I: 16.3%) as on March 31, 2025, close to the regulatory requirement of 15%.

ICRA has simultaneously downgraded, revised the outlook to Negative from Stable and withdrawn the rating for the Rs. 20-crore subordinated debt as the instrument has matured/redeemed with no amount outstanding against the same. This is in accordance with ICRA's policy on the withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Established track record with fairly diversified geographical presence – SML is an established player in the microfinance industry with consolidated assets under management (AUM) of Rs. 4,743 crore as on June 30, 2025 (Rs. 4,971 crore as on March 31, 2025; Rs. 6,139 crore as on March 31, 2024) and a fairly diversified geographical presence. It draws upon the experience of its promoters and management personnel, some of whom have remained with the company for long, and upon the instituted policies, operational infrastructure and guidance therefrom. As on June 30, 2025, SML was present in 357 districts (standalone) across 26 states/Union Territories (UTs). Uttar Pradesh (UP) accounted for the largest share of the standalone AUM at 30% as on June 30, 2025, followed by Bihar (20%) and Karnataka (4%). SML also offers affordable housing finance through its subsidiary – SATYA Micro Housing Finance Private Limited (SMHFPL), which had a presence in five states/UTs through 52 branches with an AUM of Rs. 321 crore as on June 30, 2025.

Credit challenges

Sharp weakening in asset quality and earnings profile – SML reported a sharp weakening in its collection efficiency and asset quality in Q1 FY2026 with gross NPAs (standalone) increasing to 4.8% as on June 30, 2025 from 1.2% as on March 31, 2025 (2.2% as on March 31, 2024). Provisions on NPAs remained relatively low at ~51% as of June 2025 (~65% as of March 2025), considering the prevalent stress in the microfinance sector. ICRA takes note of the impairment allowance being carried by the company (Rs. 232 crore or 6.4% of on-book portfolio as on June 30, 2025). However, a sizeable part of its portfolio (Rs. 388 crore or 10.7% of on-book portfolio as on June 30, 2025) is in the 1-90 dpd category and its ability to control slippages from the same remains important. Further, SML had sold Rs. 324 crore of stressed loans (including Rs. 258 crore in the 61-90 dpd category; Rs. 326 crore sold in FY2025) to an ARC in Q1 FY2026, against which it received SRs of Rs. 155 crore. As on June 30, 2025, the company was holding gross SRs of Rs. 393 crore (9.8% of its on-book portfolio including SRs) with limited provisions against the same (Rs. 26 crore); thus, recovery from SRs remains monitorable. SMHFPL's gross NPAs remained under control at 1.5% as on June 30, 2025 (1.2% as on March 31, 2025). However, its long-term performance remains monitorable as the portfolio lacks seasoning. Although ICRA takes note of the corrective measures being taken by SML, its near-term performance shall remain monitorable considering the tightened guardrails for the microfinance sector.

SML reported a consolidated net loss of ~Rs. 249 crore in Q1 FY2026 vis-à-vis a net loss of Rs. 51 crore in FY2025. It reported a standalone net loss of ~Rs. 248 crore in Q1 FY2026 vis-à-vis a net profit of ~Rs. 25 crore in FY2025. The higher loss was due to the significant deterioration in the asset quality and the consequent credit costs in Q1 FY2026. This apart, the decline in SML's AUM amid asset quality pressure has resulted in the weakening of its operating efficiency, leading to a pre-impairment loss of Rs. 84 crore in Q1 FY2026 vis-à-vis a profit of Rs. 94 crore in FY2025. As a sizeable part of the portfolio is in the overdue category, ICRA expects the company's credit costs to remain elevated. This, along with weak operating profits, will lead to SML's profitability remaining weak in FY2026.

² Managed gearing = (On-book debt + Off-book portfolio)/Net worth; pro forma merged

Steep deterioration in capitalisation profile – SML’s capital buffers deteriorated significantly in Q1 FY2026, given the loss reported by it during the quarter. Its consolidated managed gearing increased to 7.7 times as on June 30, 2025, significantly breaching the ICRA-stipulated rating sensitivity of 6 times. The company’s capital adequacy ratio (standalone) declined to 15.2% (Tier I: 8.2%) as on June 30, 2025 from 22.7% (Tier I: 16.3%) as on March 31, 2025, and was close the regulatory requirement of 15%. In March 2025, SML had informed that it was in the process of raising fresh equity capital of around \$70 million from existing and new investors, though the same has been delayed. The company is now planning to raise Rs. 300 crore of equity capital from existing investors via a rights issue by September 30, 2025, which is critical for it to keep its capital adequacy above the regulatory requirement for the immediate quarter. However, given the sizeable portfolio in overdue buckets, elevated operating costs for its current scale and low provisions on overdues and SRs, SML would have to raise further equity capital to build and keep the capital buffers over the regulatory requirements on a sustained basis.

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, 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, a geographically diversified portfolio mitigates these risks to some 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: Stretched

As on June 30, 2025, SML (consolidated) held a free cash and bank balance and liquid investments of Rs. 257 crore. On a standalone basis, it held a free cash and bank balance of ~Rs. 250 crore (~Rs. 302 crore as on July 31, 2025). Further, the company had undrawn FDOD (overdraft facility against fixed deposits) of ~Rs. 103 crore as of June 2025. As per the asset-liability management statement as on June 30, 2025, it had scheduled debt repayments of ~Rs. 512 crore and Rs. 1,026 crore, respectively, over the next three and six months, respectively, versus expected principal collections of ~Rs. 701 crore and Rs. 1,104 crore, respectively, during these periods. However, the collection efficiency against the scheduled demand was ~83% in Q1 FY2026. The company’s inability to improve its collection efficiency would impact its liquidity profile.

Further, ICRA notes that SML faces prepayment risk, given the breach of covenants, including financial, operating and rating-linked covenants. As per the data shared with ICRA, the company was in breach of covenants pertaining to non-convertible debenture facilities amounting to Rs. 842 crore (~21% of overall borrowings) as on June 30, 2025. ICRA notes that SML has sought waivers from the lenders and is yet to receive the same.

Rating sensitivities

Positive factors – ICRA could revise the outlook if the company demonstrates a sustained improvement in its asset quality and profitability indicators while maintaining a prudent capitalisation profile.

Negative factors – Delay in raising equity capital or inability to improve the liquidity and capital buffers shall negatively impact the rating. Continued deterioration in the asset quality and profitability can also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking finance companies (NBFCs) Policy on withdrawal of credit ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

About the company

SATYA MicroCapital (SML) Ltd. is a Delhi-based non-banking financial company-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. SML primarily focusses 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 June 30, 2025, its standalone operations were spread in 357 districts across 26 states/UTs. The company also offers affordable housing finance through its subsidiary – SATYA Micro Housing Finance Private Limited.

SML reported a consolidated net loss of ~Rs. 249 crore in Q1 FY2026 compared to a net loss of Rs. 51 crore in FY2025. Its consolidated assets under management (AUM) stood at Rs. 4,743 crore as on June 30, 2025, registering a decline of ~5% in Q1 FY2026.

Key financial indicators (audited; standalone)

SATYA MicroCapital Ltd.	FY2024	FY2025	Q1 FY2026*
Total income	1,271	1,312	224
Profit after tax	131	25	-248
Total managed assets	7,339	6,775	6,183
Return on average managed assets	2.0%	0.4%	-15.3%
Managed gearing (times)	5.8	5.3	6.3
Gross NPA	2.2%	1.2%	4.8%
CRAR	22.2%	22.7%	15.2%

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

Key financial indicators (audited; consolidated)

SATYA MicroCapital Ltd.	FY2024	FY2025
Total income	1,284	1,256
Profit after tax	123	-51
Total managed assets	7,324	6,846
Return on average managed assets	1.9%	-0.7%
Managed gearing (times)	5.9	6.0

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Current (FY2026)					Chronology of rating history for the past 3 years					
	FY2026			FY2026		FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	September 01, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Subordinated bonds/debt (Tier II bonds)	Long term	25	[ICRA]BBB (Negative)	Apr-1-25	[ICRA]BBB+ (Stable)	Apr-2-24	[ICRA]BBB+ (Stable)	May-25-23	[ICRA]BBB+ (Stable)	Apr-19-22	[ICRA]BBB (Stable)
				Apr-9-25	[ICRA]BBB+ (Stable)	May-14-24	[ICRA]BBB+ (Stable)	Nov-9-23	[ICRA]BBB+ (Stable)	May-17-22	[ICRA]BBB (Stable)
						Jun-25-24	[ICRA]BBB+ (Stable)	Dec-14-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB (Positive)
						-	-	Feb-16-24	[ICRA]BBB+ (Stable)	Nov-2-22	[ICRA]BBB (Positive)
						-	-	Feb-21-24	[ICRA]BBB+ (Stable)	Feb-3-23	[ICRA]BBB (Positive)
Subordinated bonds/debt	Long term	85	[ICRA]BBB (Negative)	Apr-1-25	[ICRA]BBB+ (Stable)	Apr-2-24	[ICRA]BBB+ (Stable)	May-25-23	[ICRA]BBB+ (Stable)	Apr-19-22	[ICRA]BBB (Stable)
				Apr-9-25	[ICRA]BBB+ (Stable)	May-14-24	[ICRA]BBB+ (Stable)	Nov-9-23	[ICRA]BBB+ (Stable)	May-17-22	[ICRA]BBB (Stable)
						Jun-25-24	[ICRA]BBB+ (Stable)	Dec-14-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB (Positive)
						-	-	Feb-16-24	[ICRA]BBB+ (Stable)	Nov-2-22	[ICRA]BBB (Positive)
						-	-	Feb-21-24	[ICRA]BBB+ (Stable)	Feb-3-23	[ICRA]BBB (Positive)
Subordinated bonds/debt	Long term	20	[ICRA]BBB (Negative); withdrawn	Apr-1-25	[ICRA]BBB+ (Stable)	Apr-2-24	[ICRA]BBB+ (Stable)	May-25-23	[ICRA]BBB+ (Stable)	Apr-19-22	[ICRA]BBB (Stable)
				Apr-9-25	[ICRA]BBB+ (Stable)	May-14-24	[ICRA]BBB+ (Stable)	Nov-9-23	[ICRA]BBB+ (Stable)	May-17-22	[ICRA]BBB (Stable)
						Jun-25-24	[ICRA]BBB+ (Stable)	Dec-14-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB (Positive)
						-	-	Feb-16-24	[ICRA]BBB+ (Stable)	Nov-2-22	[ICRA]BBB (Positive)
						-	-	Feb-21-24	[ICRA]BBB+ (Stable)	Feb-3-23	[ICRA]BBB (Positive)
Bonds/NCD/LTD	Long term	319.84	[ICRA]BBB (Negative)	Apr-1-25	[ICRA]BBB+ (Stable)	Apr-2-24	[ICRA]BBB+ (Stable)	May-25-23	[ICRA]BBB+ (Stable)	Apr-19-22	[ICRA]BBB (Stable)
				Apr-9-25	[ICRA]BBB+ (Stable)	May-14-24	[ICRA]BBB+ (Stable)	Nov-9-23	[ICRA]BBB+ (Stable)	May-17-22	[ICRA]BBB (Stable)
						Jun-25-24	[ICRA]BBB+ (Stable)	Dec-14-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB (Positive)
								Feb-16-24	[ICRA]BBB+ (Stable)	Nov-2-22	[ICRA]BBB (Positive)
						-	-	Feb-21-24	[ICRA]BBB+ (Stable)	Feb-3-23	[ICRA]BBB (Positive)
Long-term others – Fund based	Long term	1,700	[ICRA]BBB (Negative)	Apr-1-25	[ICRA]BBB+ (Stable)	Apr-2-24	[ICRA]BBB+ (Stable)	May-25-23	[ICRA]BBB+ (Stable)	Apr-19-22	[ICRA]BBB (Stable)

				Apr-9-25	[ICRA]BBB+ (Stable)	May-14-24	[ICRA]BBB+ (Stable)	Nov-9-23	[ICRA]BBB+ (Stable)	May-17-22	[ICRA]BBB (Stable)
						Jun-25-24	[ICRA]BBB+ (Stable)	Dec-14-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB (Positive)
						-	-	Feb-16-24	[ICRA]BBB+ (Stable)	Nov-2-22	[ICRA]BBB (Positive)
						-	-	Feb-21-24	[ICRA]BBB+ (Stable)	Feb-3-23	[ICRA]BBB (Positive)

Complexity level of the rated instruments

Instrument	Complexity indicator
Bank facilities – Long-term fund-based others	Simple
Bonds/NCD/LTD	Simple/Very Simple*
Subordinated bonds/debt (Tier II bonds)	Simple
Subordinated bonds/debt	Very Simple

**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
INE982X07143	Bonds/NCD/LTD	Jul-05-2021	11.7229%	May-05-2026	16.10	[ICRA]BBB (Negative)
INE982X07218	Bonds/NCD/LTD	Jan-14-2022	11.76%	Jan-14-2026	42.00	[ICRA]BBB (Negative)
INE982X07424	Bonds/NCD/LTD	Feb-28-2024	12.00%	Feb-28-2026	50.00	[ICRA]BBB (Negative)
INE982X08018	Subordinated bonds/debt	Mar-29-2019	15.75%	May-30-2025	20.00	[ICRA]BBB (Negative); withdrawn
INE982X08059	Subordinated bonds/debt	Oct-22-2021	14.75%	May-21-2027	30.00	[ICRA]BBB (Negative)
INE982X08067	Subordinated bonds/debt	Mar-14-2022	15.15%	Mar-15-2027	30.00	[ICRA]BBB (Negative)
INE982X08083	Subordinated bonds/debt	Jun-27-2023	15.25%	Jul-03-2028	25.00	[ICRA]BBB (Negative)
INE982X08034	Subordinated bonds/debt (Tier II bonds)	Jul-08-2019	14.27%	Jul-08-2026	10.00	[ICRA]BBB (Negative)
INE982X08042	Subordinated bonds/debt (Tier II bonds)	Aug-01-2019	14.27%	Jul-08-2026	15.00	[ICRA]BBB (Negative)
INE982X07457	Bonds/NCD/LTD	Aug-23-2019	12.65%	Nov-22-2027	28.50	[ICRA]BBB (Negative)
INE982X07234	Bonds/NCD/LTD	Mar-30-2022	11.7702%	Mar-30-2026	45.00	[ICRA]BBB (Negative)
INE982X07283	Bonds/NCD/LTD	May-31-2022	11.7702%	May-31-2026	37.50	[ICRA]BBB (Negative)
INE982X07416	Bonds/NCD/LTD	Feb-02-2024	12.50%	Feb-02-2026	25.00	[ICRA]BBB (Negative)
INE982X07440	Bonds/NCD/LTD	Aug-23-2024	10.40%	Feb-23-2026	50.00	[ICRA]BBB (Negative)
Not issued	Bonds/NCD/LTD	NA	NA	NA	0.74	[ICRA]BBB (Negative)
Yet to be issued	Bonds/NCD/LTD	NA	NA	NA	25.00	[ICRA]BBB (Negative)
Not applicable	Long term – Fund-based others	Sep 2021 to Dec 2023	9.25% to 15.25%	24 to 84 months	1,700.00	[ICRA]BBB (Negative)

[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 (Jun-30-2025)	Consolidation approach
SATYA Micro Housing Finance Private Limited	97.79%	Full consolidation

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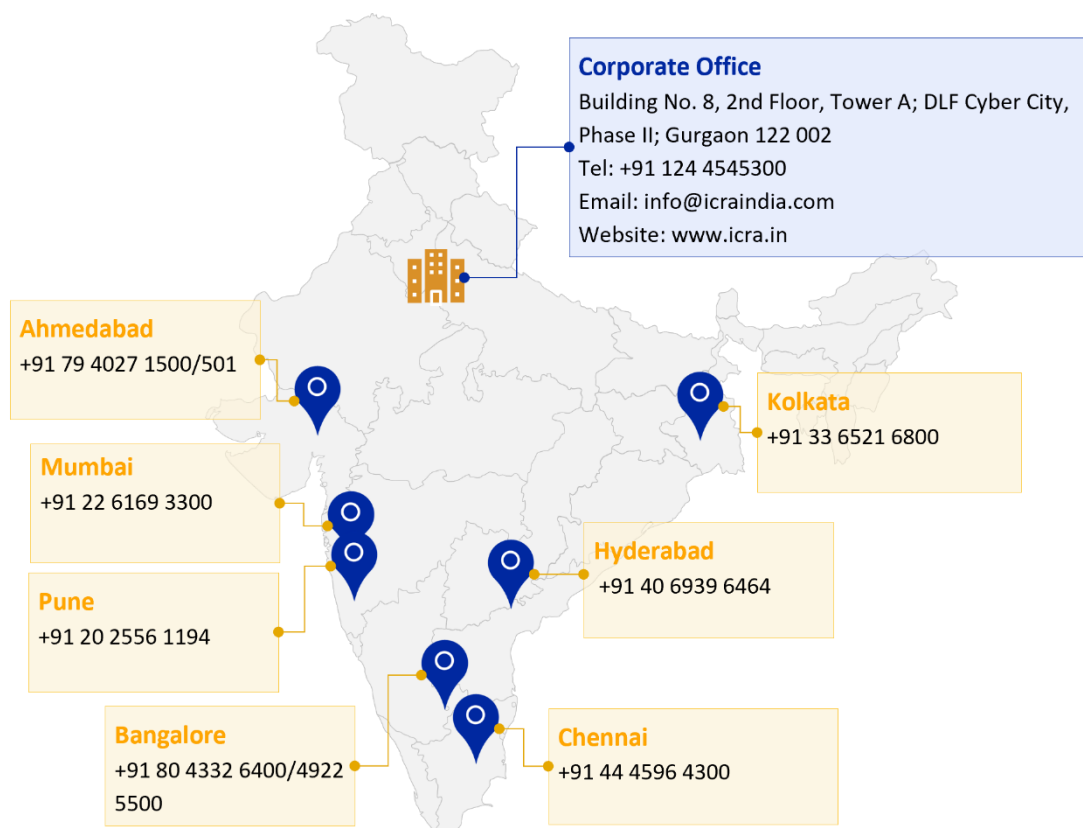


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