

September 01, 2025

SATYA Micro Housing Finance Private Limited: Rating downgraded to [ICRA]BBB- and outlook revised to Negative from Stable

Summary of rating action

Instrument*	Previous rated amount	Current rated amount (Rs. crore)	Rating action
Long-term others – Fund based	80.0	80.0	[ICRA]BBB- (Negative); downgraded from [ICRA]BBB and outlook revised to Negative from Stable
Total	80.0	80.0	

*Instrument details are provided in Annexure I

Rationale

The rating action factors in the weakening in the credit profile of SATYA MicroCapital Ltd. (SML), which holds ~98% stake in SATYA Micro Housing Finance Private Limited (SMHFPL). SML reported a sharp weakening in its asset quality and profitability in Q1 FY2026, negatively impacting its capitalisation profile. It reported a consolidated net loss of Rs. 249 crore in Q1 FY2026 compared to a loss of Rs. 51 crore in FY2025 due to elevated credit costs and weakened operating efficiency. As on June 30, 2025, SML's consolidated managed gearing increased sharply to 7.7 times, breaching ICRA's negative rating factor sensitivity threshold of 6 times. Its standalone capital adequacy ratio declined to 15.2% (Tier I: 8.2%), nearing the regulatory minimum of 15%. ICRA takes note of SML's 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.

The rating also factors in SMHFPL's stretched liquidity position, given the relatively longer tenure of its assets vis-à-vis its liabilities, and the consequent refinancing requirement. The company has a commitment (equity and debt) of up to Rs. 50 crore approved by the parent entity's board in its business plan for FY2026, which can be used to meet any funding or liquidity requirements. However, the parent's ability to support SMHFPL's funding or liquidity requirement remains limited at this time. In ICRA's opinion, it remains critical for SMHFPL to secure adequate funding to improve its liquidity buffers.

The rating considers SMHFPL's limited operating history, exposure to a relatively vulnerable borrower segment, and its weak earnings profile due to its nascent stage of operations. The rating continues to factor in the company's adequate capitalisation profile with a capital adequacy ratio of 54% and managed gearing of 2.4 times as of June 2025. Nevertheless, it would require equity infusions over the near-to-medium term, given its stated growth plans.

Key rating drivers and their description

Credit strengths

Adequate capitalisation profile – SMHFPL reported a total capital-to-risk weighted assets ratio (CRAR) of 54% (provisional), well above the regulatory requirement, while the managed gearing¹ remained low at 2.4 times as on June 30, 2025. The net worth increased to Rs. 102 crore as on June 30, 2025 from Rs. 61 crore as on March 31, 2024, supported by the Rs. 50-crore equity infusion in FY2025 from SML. Since the company is in a nascent stage of operations and its assets under management (AUM) is relatively low, the capital profile is currently adequate. Nevertheless, it would require equity infusions over the near-to-medium term, given its stated growth plans.

Support from SML – SMHFPL enjoys financial support from its parent – SML. The company also benefits from board-level guidance as well as the shared brand name with SML. It has received ~Rs. 122 crore of equity capital from SML so far (Rs. 50 crore in FY2025). Nonetheless, given the deterioration in SML's capitalisation and its stretched liquidity profile, its ability to infuse further capital in the subsidiary is limited at this time. Any material change in the shareholding or strategic importance of SMHFPL to SML and/or any further adverse change in SML's credit profile could impact SMHFPL's credit profile as well.

Credit challenges

Limited track record and exposure to vulnerable borrower profile – Following its acquisition by SML in FY2023, the company has been scaling up its operations and reported an AUM of ~Rs. 321 crore as on June 30, 2025 (~Rs. 129 crore as on March 31, 2024). Its operations are spread in five states/Union Territories (UTs) through a network of 52 branches. While the company has been scaling up its operations at a high pace, its scale remains relatively modest.

Further, SMHFPL operates in the affordable housing finance segment, which is relatively riskier due to the low-to-middle-income profile of the borrowers. Most of the borrowers work in small private enterprises or proprietorships and remain vulnerable to economic cycles with limited income buffers to absorb income shocks. While the losses on default are expected to be limited considering the secured nature of the portfolio, the company's ability to manage the asset quality profile, contain slippages and manage recoveries from its overdue borrowers will remain important from a credit perspective.

Weak earnings profile, given nascent stage of operations – SMHFPL reported a net loss of ~Rs. 1 crore in Q1 FY2026 (provisional) compared to a net loss of Rs. 8 crore in FY2025. Given the nascent stage of operations, the company's operating expenses are elevated due to branch expansion, manpower recruitment and investment in information technology systems, thereby affecting its profitability. Furthermore, SMHFPL's asset quality metrics are still evolving and its ability to manage its asset quality, and hence credit costs, while improving its operational efficiency as it scales up, shall be key for its credit profile.

Liquidity position: Stretched

As on June 30, 2025, SMHFPL held an unencumbered cash and bank balance of ~Rs. 7 crore to cater to its scheduled debt repayments of ~Rs. 18 crore and Rs. 35 crore, respectively, over the next three and six months, respectively, versus principal collections due of ~Rs. 3 crore and Rs. 22 crore, respectively, during this period. The company raised Rs. 15 crore through a securitization (pass-through certificates) transaction in August 2025. Further, the company had unavailed lines of Rs. 3 crore as of June 2025. It also has a commitment (equity and debt) of up to Rs. 50 crore approved by SML's board in its business plan for FY2026, which can be used to meet any funding or liquidity requirements. However, SML's ability to support SMHFPL's funding or liquidity requirement remains limited at this time. This is expected to adversely impact its liquidity in the near term unless it is able to secure incremental credit lines and refinance.

¹ Managed gearing = (On-book borrowings + Off-book portfolio)/Net worth

Rating sensitivities

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

Negative factors – A material change in the expected support from SML and/or further deterioration in its credit profile could impact the rating. Pressure on the rating could also arise on a material weakening in SMHFPL's capitalisation profile (managed gearing of more than 6 times on a sustained basis) or further stretch in its liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies (NBFCs)
Parent/Group support	The rating factors in the high likelihood of support from SML (parent company), given the shared brand name as well as the managerial, operational and financial support extended to SMHFPL.
Consolidation/Standalone	Standalone

About the company

SATYA Micro Housing Finance Private Limited (SMHFPL; formerly known as Baid Housing Finance Private Limited) is a housing finance company, which was incorporated in 2008. It was later acquired and renamed by Satya MicroCapital Ltd. in FY2023. SMHFPL, a subsidiary of SML, offers housing loans and loan against property under the affordable housing finance segment.

As on June 30, 2025, SMHFPL reported an AUM of Rs. 321 crore (Rs. 308 crore as on March 31, 2025) spread across a network of 52 branches in five states and Union Territories, namely Delhi-NCR, Uttar Pradesh, Bihar, Rajasthan and Uttarakhand. The company reported a net loss of Rs. 1 crore in Q1 FY2026 on total managed assets of Rs. 353 crore as on June 30, 2025.

Key financial indicators (audited; standalone)

SATYA Micro Housing Finance Private Limited	FY2024	FY2025	Q1 FY2026*
Total income	13	42	14
PAT	-8	-8	-1
Total managed assets	145	338	353
Return on managed assets	-8.0%	-3.2%	-1.5%
Managed gearing (times)	1.3	2.2	2.4
Gross NPA	0.5%	1.2%	1.5%
CRAR	74.8%	55.4%	54.1%

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

*As per provisional financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)					Chronology of rating history for the past 3 years					
	FY2026					FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	September 01, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term others – Fund based	Long term	80.00	[ICRA]BBB- (Negative)	April 1, 2025	[ICRA]BBB (Stable)	April 2, 2024	[ICRA]BBB (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term others – Fund based	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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
Not applicable	Long-term others – Fund based	Sep-2023 to Feb-2025	11.50-11.75%	Oct-2026 to Feb-2028	80.0	[ICRA]BBB- (Negative)

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Annexure II: List of entities considered for consolidated analysis

Not applicable

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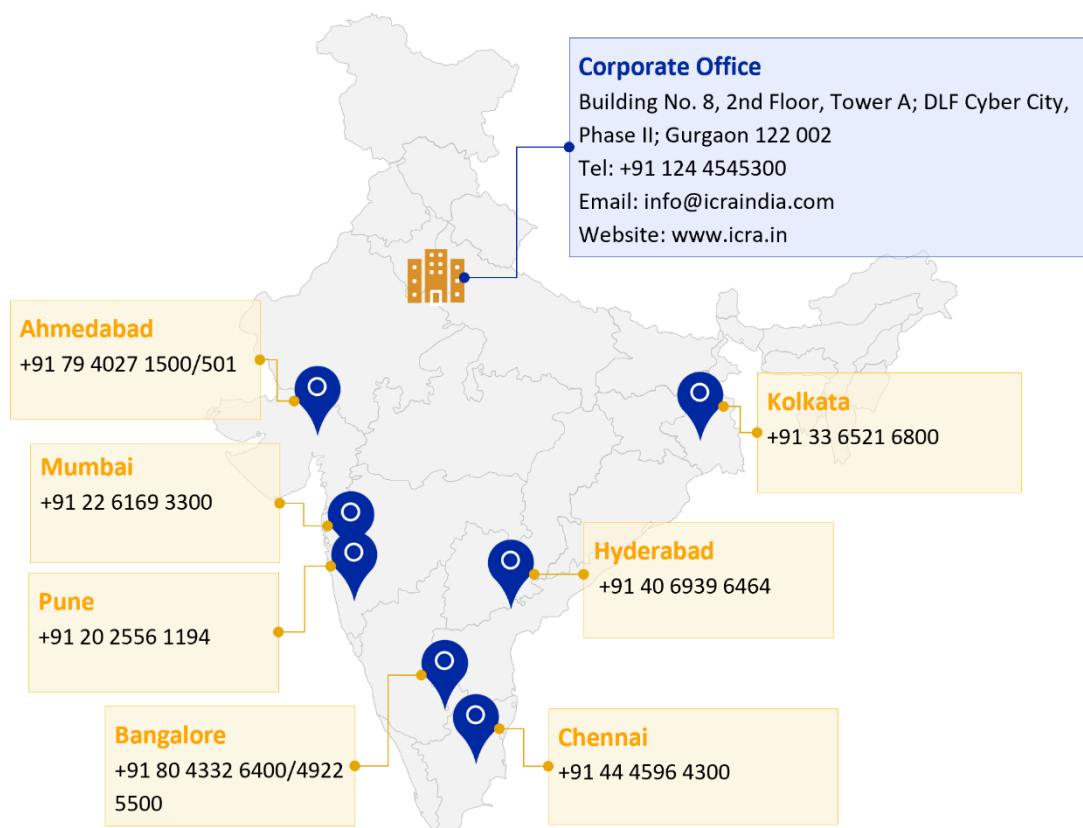


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