

September 02, 2025

Svatantra Micro Housing Finance Corp Ltd: [ICRA]A1+ assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Commercial paper (CP)	100.00	[ICRA]A1+; assigned
Total	100.00	

*Instrument details are provided in Annexure I

Rationale

To arrive at the rating, ICRA has taken a consolidated view of Svatantra Microfin Private Limited (SMPL), Chaitanya India Fin Credit Pvt Ltd (CIFCPL), Svatantra Holdings Pvt Ltd (SHPL) and Svatantra Micro Housing Finance Corp Ltd (SMHFCL), hereafter referred to as the Svatantra Group (or the Group), given the common promoters and senior management team, common franchise and financial linkages. The Group is also going through an amalgamation process, whereby CIFCPL and SHPL shall merge into SMPL while SMHFCL will become a wholly-owned subsidiary of SMPL. The process is awaiting statutory approval from the National Company Law Tribunal (NCLT), which is expected to be received in the near term.

The rating factors in the continued capital support and strong financial flexibility enjoyed by the Group, given its majority ownership by the promoters, i.e., the Aditya Birla Group (ABG) family and the holding/investment company of ABG, as on March 31, 2025. The promoters have continued to support the company through board supervision and regular capital infusions, the most recent being ~Rs. 1,100 crore in FY2024 by promoters, which strengthened its capital base and aided its growth plans. The rating also considers the Group's established track record of operations with assets under management (AUM; consolidated) of Rs. 17,300 crore as on March 31, 2025 (~Rs. 17,497 crore as on June 30, 2025), rising at a 5-year compound annual growth rate (CAGR) of 33% during FY2020-FY2025.

ICRA takes note of the Group's moderate asset quality and earnings profile. Its gross non-performing assets (GNPAs) increased to 2.4% as of March 2025 from 2.0% as of March 2024. The microfinance industry is facing asset quality challenges due to borrower overleveraging, socio-political disruptions, and operational issues. Consequently, elevated credit costs and operating expenses have negatively impacted the Group's earnings profile. It reported a consolidated profit after tax (PAT) of Rs. 444 crore in FY2025, translating into a return on managed assets (RoMA) of 2.4% and a return on net worth (RoNW) of 15.0% against Rs. 535 crore, 3.1% and 24.8%, respectively, in FY2024.

Key rating drivers and their description

Credit strengths

Strong capital support and commitment of promoters – The promoters, i.e., the ABG family and the holding/investment company of ABG, have a majority stake in the Svatantra Group. The rating factors in the support received from the promoters in the form of regular capital infusions and board supervision. The Group remains adequately capitalised with a consolidated net worth of Rs. 3,593 crore and a managed gearing of 4.0 times as on March 31, 2025. The promoters last infused ~Rs. 1,100 crore into SMPL in FY2024, strengthening its capital base and supporting its growth plans. SMPL also raised primary equity of Rs. 830 crore in FY2025 from Advent International and Multiples Private Equity. SMPL, CIFCPL and SMHFCL had a capital-to-risk weighted assets ratio (CRAR) of 29.6%, 23.6% and 31.9%, respectively, as on March 31, 2025. ICRA believes that the Group is well capitalised to support its stated growth plans over the medium term and will continue receiving capital support from its promoters whenever required.

ICRA notes that the Group is going through an amalgamation process, whereby CFCPL and SHPL shall merge into SMPL and SMHFCL will become a wholly-owned subsidiary of SMPL. Following the merger, ICRA expects the promoters to hold continue holding a majority stake in SMPL and shall keep providing support in the form of board supervision and capital infusion(s), as and when required.

Established track record of operations – The Group's AUM stood at Rs. 17,300 crore as on March 31, 2025 (Rs. 17,497 crore as on June 30, 2025), increasing at a 5-year CAGR of 33% during FY2020-FY2025. The growth moderated to 5% in FY2025 because of the slowdown in the microfinance business on account of asset quality stress. SMHFCL's growth was also impacted by operational challenges involving the setting up of branch infrastructure. SMHFCL shifted to a branch-based model wherein it set up 17 branches in FY2025 and another 25 branches in Q1 FY2026. With ~93% of the SMHFCL's AUM comprising ticket sizes of up to Rs. 20 lakh as on March 31, 2025, the company is well placed to tap the increasing demand in the low-income housing segment. Further, the Group's operations are fairly diversified geographically with no state comprising more than 20% of the AUM and the share of the top 3 states at 49% of the AUM as on March 31, 2025. ICRA expects the Group to continue scaling up its AUM while maintaining a fairly diversified geographical presence.

Strong financial flexibility and diversified funding profile – The Group has demonstrated strong financial flexibility and raised debt capital through term loans, debentures, and the securitisation route from different lenders. Its borrowing profile comprised loans from banks (67%), non-banking financial companies (NBFCs; 10%), subordinated debt (4%), non-convertible debentures (2%) and direct assignment (16%) as on March 31, 2025. The funding profile is fairly diversified with borrowings comprising a good mix of private and public sector banks and NBFCs as on March 31, 2025.

Credit challenges

Asset quality remains monitorable – The Group reported a deterioration in its asset quality in FY2025 with the GNPA's increasing to 2.4% as of March 2025 from 2.0% as of March 2024. The microfinance industry is facing asset quality challenges due to borrower overleveraging, socio-political disruptions, and operational issues. SMPL and CFCPL's combined 0+ days past due (dpd) increased to 5.5% as of June 2025 (5.5% as of March 2025) from 3.2% as of March 2024. SMHFCL also reported an uptick in delinquencies in FY2025 with the GNPA's rising to 2.9% as on March 31, 2025 from 2.1% as on March 31, 2024 on account of the stress witnessed in certain geographies. Nevertheless, ICRA notes the limited write-offs undertaken so far at SMHFCL. ICRA notes that certain corrective measures have been taken, including the tightening of customer selection criteria, strengthening of the collections team, etc, in the microfinance business. Nonetheless, the near-term performance shall remain monitorable, considering the tightened guardrails for the microfinance sector.

Moderate earnings profile – The Group reported a consolidated PAT of Rs. 444 crore in FY2025, translating into RoMA of 2.4% and RoNW of 15.0% against Rs. 535 crore, 3.1% and 24.8%, respectively, in FY2024. The moderation in the overall profitability in FY2025 was largely due to higher operational expenses and credit costs. Further, SMHFCL's earnings profile remains subdued with PAT of Rs. 23 crore, RoMA of 1.0% and RoNW of 6.2% in FY2025 (Rs. 23 crore, 1.2% and 7.0%, respectively, in FY2024) on account of lower lending spreads and operational efficiency. In this regard, it remains important for SMHFCL to improve its lending spreads/margin while improving its operational efficiency as it continues to scale up its operations. The Group's ability to arrest slippages and control its credit costs will remain important for improving its profitability.

Ability to manage political, communal and other risks, given the marginal borrower profile – Microfinance, which comprised 87% of the Group's AUM as of June 2025, remains susceptible to the risks associated with unsecured lending to marginal borrowers with limited ability to absorb income shocks and the rising borrower leverage levels owing to an increase in multiple lending in the areas of operations. Further, political and operational risks associated with microfinance may result in high volatility in the asset quality indicators. The microfinance industry is prone to socio-political, climatic and operational risks, which could negatively impact its operations. The Group's ability to onboard borrowers with a good credit history, recruit and retain employees as well as improve the geographical diversity of its operations would be key for managing high growth rates while maintaining its credit profile.

Further, SMHFCL operates in the affordable housing finance segment, wherein it offers home loans (HLs) and loan against property (LAP) to a relatively vulnerable borrower segment, given their low-to-middle-income profile. Most of the borrowers

work in small private enterprises or proprietorships and remain vulnerable to economic cycles. The losses on default are expected to be limited, considering the secured nature of the portfolio with moderate loan-to-value (LTV) ratios (average LTV of 50-60%). However, the company's ability to manage the asset quality profile, control slippages and manage recoveries from its overdue accounts will remain important from a credit perspective.

Liquidity position: Adequate

The Group's liquidity profile is adequate with ~Rs. 874 crore of unencumbered on-book liquidity as on June 30, 2025, which is sufficient to meet its debt obligations of Rs. 6,777 crore for the 12-month period ending June 30, 2026, with collections of Rs. 8,267 crore expected during this period. Further, ICRA expects support to be forthcoming from the promoters if required. On a standalone basis, SMHFCL maintained adequate liquidity in the form of unencumbered on-book cash and investments of ~Rs. 94 crore along with unavailed sanctioned lines of ~Rs. 281 crore from various lenders as on June 30, 2025.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on the rating could arise in case of a sustained deterioration in the capitalisation profile with the managed gearing exceeding 5 times. Significant deterioration in the asset quality, thereby impacting earnings on a sustained basis, or a change in ABG's support philosophy, could also exert pressure on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Non-banking Finance Companies
Parent/Group support	SMHFCL is owned by the promoters i.e., the ABG family and the holding/investment company of ABG. It receives support in the form of regular capital infusions and board supervision
Consolidation/Standalone	Consolidation

About the company

The Svatantra Group, promoted by Ms. Ananyashree Birla, comprising four entities – SHPL, SMHFCL, SMPL and CIFCPL, conducts housing finance and microfinance businesses. While SHPL is the holding company, the microfinance business is conducted through SMPL and CIFCPL and housing finance through SMHFCL. Incorporated in 2008, SMHFCL is a housing finance company registered with National Housing Bank (NHB). It was fully taken over by SHPL in September 2018. The company's target segment is first-time home buyers in economically weaker sections (EWS) and lower income groups (LIG). SMHFCL's standalone AUM was Rs. 2,268 crore as on March 31, 2025 (Rs. 2,028 crore as on March 31, 2024).

SMPL was incorporated in FY2012 and started microfinance operations in March 2013. It is registered with the Reserve Bank of India (RBI) as an NBFC-microfinance institution (NBFC-MFI). It provides microcredit to women for income-generating activities under the joint liability group (JLG) lending model. SMPL's standalone AUM was Rs. 7,309 crore as on March 31, 2025 (Rs. 7,725 crore as on March 31, 2024).

CIFCPL was incorporated in FY2009 and provides microcredit to women for income-generating activities under the joint liability group (JLG) lending model. It is registered with the RBI as an NBFC-MFI. On November 23, 2023, it became a wholly-owned subsidiary of SMPL following the acquisition of all its equity shares from Navi Technologies Limited and Navi Finserv Limited. CIFCPL's standalone AUM was Rs. 7,723 crore as on March 31, 2025 (Rs. 6,713 crore as on March 31, 2024).

The Svatantra Group's AUM stood at Rs. 17,300 crore as on March 31, 2025 (Rs. 16,465 crore as on March 31, 2024).

Key financial indicators (audited)

Svatantra Group (consolidated)	FY2023E	FY2024E	FY2025E
Total income	2,331	3,236	3,465
PAT	297	535	444
Total managed assets	16,068	18,651	18,913
Return on managed assets	2.2%	3.1%	2.4%
Managed gearing (times)	6.6	6.5	4.0
Gross NPA	3.2%	2.0%	2.4%

Source: Company, ICRA Research; All ratios as per ICRA's calculations and estimates; Amount in Rs. crore; Note: The Group does not publish consolidated financial statements for the four entities. However, ICRA has estimated the consolidated financial statements basis line-by-line addition of items and adjusting the same for intra-Group transactions

SMHFCL (standalone)	FY2023	FY2024	FY2025
Total income	178	244	285
PAT	19	23	23
Total managed assets	1,765	2,143	2,382
Return on managed assets	1.2%	1.2%	1.0%
Managed gearing (times)	5.0	4.8	5.1
Gross NPA	2.1%	2.1%	2.9%
CRAR	38.6%	34.8%	31.9%

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Seo 2, 2025	Date	Rating	Date	Rating	Date	Rating
CP programme	Short term	100.0	[ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
CP programme	Very 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 issued yet	CP programme	NA	NA	NA	100.0	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership as on March 31, 2025	Consolidation approach
Svatantra Holdings Pvt Ltd	Holding company	ICRA has taken a consolidated view of the parent, its subsidiary, associate and step-down subsidiary
Svatantra Micro Housing Finance Corp Ltd	100%	
Svatantra Microfin Private Limited	21.47%*	
Chaitanya India Fin Credit Pvt Ltd	100% subsidiary of SMPL	

Source: Company; * 55.3% held by promoters, i.e., the ABG family and the holding/investment company of ABG

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