

December 31, 2025

SATYA MicroCapital Ltd.: Rating downgraded to [ICRA]BB, removed from Rating Watch with Negative Implications and Negative outlook assigned

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]BB (Negative); rating downgraded from [ICRA]BBB-, removed from Rating Watch with Negative Implications and Negative outlook assigned
Subordinated debt [#]	25.00	25.00	[ICRA]BB (Negative); rating downgraded from [ICRA]BBB-, removed from Rating Watch with Negative Implications and Negative outlook assigned
Subordinated debt	85.00	85.00	[ICRA]BB (Negative); rating downgraded from [ICRA]BBB-, removed from Rating Watch with Negative Implications and Negative outlook assigned
Bank facilities – Long-term fund-based others	1,700.00	1,700.00	[ICRA]BB (Negative); rating downgraded from [ICRA]BBB-, removed from Rating Watch with Negative Implications and Negative outlook assigned
Total	2,129.84	2,129.84	

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

Rationale

The rating action factors in the continued delay in raising equity capital, negatively impacting SATYA MicroCapital Ltd.'s (SML) capitalisation profile and financial flexibility. The company's standalone capital adequacy ratio had declined to 11.2% (Tier I: 7.2%) as on September 30, 2025 (15.2% and 8.2%, respectively, as on June 30, 2025) from 22.7% (Tier I: 16.3%) as on March 31, 2025, below the regulatory requirement of 15%. It had raised ~Rs. 102 crore in November 2025 with plans to raise an additional ~Rs. 203-crore equity capital by December 2025. However, the proposed equity infusion has been stalled amid differences of opinion between SML's promoter and Gojo & Co. (Gojo; majority shareholder). Further, there have been allegations between the promoter and Gojo regarding non-adherence to requisite policy(ies) pertaining to certain transaction(s).

In ICRA's opinion, it remains critical for SML to secure substantial incremental equity to improve its capitalisation and solvency¹ profiles, given the deterioration in the asset quality and the consequent loss reported in H1 FY2026. ICRA shall closely monitor the company's plans to improve its capital and liquidity buffers. The on-balance sheet free liquidity stood at 5.4% of the company's total borrowings (standalone) as on September 30, 2025.

The rating also considers the company's weak asset quality and earnings profile. Forward flows into harder overdue buckets remained high in Q2 FY2026 with the 150+ and 90+ days past due (dpd) increasing to Rs. 364 crore² (9.4% of the assets under management; AUM) and Rs. 470 crore² (12.4%), respectively, as on September 30, 2025 from Rs. 134 crore and Rs. 223 crore, respectively, as on June 30, 2025. The 90+ dpd increased further to ~Rs. 537 crore (15.1% of AUM) as on November 30, 2025. The company has thus suspended disbursements entirely from September 2025 to preserve its capital adequacy and it is focussing on collections.

¹ Unprovided stressed assets as proportion of net worth

² Net of write offs of ~Rs. 44 crore in Q2 FY2026

Given 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 earnings profile. Further, the solvency profile has been affected by the sizeable pool of stressed on-balance sheet assets (overdues in harder buckets³ and gross SRs together at ~Rs. 756 crore² as of September 2025) with modest provisions thereof. This, along with the curtailment of fresh disbursements, impacted the asset security cover against secured borrowings, which is currently below the lender requirements/terms. Also, SML was in breach of the minimum qualifying assets criteria as of September 2025 with qualifying assets of ~56% vis-à-vis the regulatory requirement of 60%.

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 a standalone AUM of Rs. 3,871 crore² as on September 30, 2025 (~Rs. 3,569 crore as on November 30, 2025; Rs. 4,663 crore as on March 31, 2025) and consolidated AUM of Rs. 4,185 crore (Rs. 4,971 crore as on March 31, 2025) with a fairly diversified geographical presence. As on June 30, 2025, the company 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 Rajasthan (~5%). 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 AUM of ~Rs. 312 crore as on September 30, 2025.

Credit challenges

Weak asset quality and solvency – Forward flows into harder overdue buckets remained high in Q2 FY2026 with the 150+ and 90+ dpd increasing to Rs. 364 crore² (9.4% of AUM) and Rs. 470 crore² (12.4%), respectively, as on September 30, 2025 from Rs. 134 crore and Rs. 223 crore, respectively, as on June 30, 2025. The 90+ dpd increased further to ~Rs. 537 crore (15.1% of AUM) as on November 30, 2025. SML's on-book portfolio overdue/delinquent for more than 90 days rose to Rs. 437 crore as on November 30, 2025 (~15% of on-book portfolio; Rs. 374 crore² or ~12% of on-book portfolio as on September 30, 2025) from Rs. 157 crore (4.4%) as on June 30, 2025. Additionally, the company was carrying gross SRs of ~Rs. 382 crore (gross of ~Rs. 38 crore provisions) as on September 30, 2025. Consequently, the solvency profile has been affected by the sizeable pool of stressed on-balance sheet assets (overdues in harder buckets and gross SRs together at ~Rs. 756 crore as of September 2025) with modest provisions thereof. As of September 2025, the company held provisions of ~Rs. 305 crore on account of the expected credit loss on loans and provisions on SRs. In ICRA's opinion, the expected credit costs on account of forward flows and the modest provisions on overdues and SRs would continue to exert pressure on SML's credit profile.

Weak financial flexibility and capitalisation profile; further delay in raising equity capital – Given the deterioration in the asset quality and the consequent loss reported in H1 FY2026, the company's standalone capital adequacy ratio had declined to 11.2% (Tier I: 7.2%) as on September 30, 2025 (15.2% and 8.2%, respectively, as on June 30, 2025) from 22.7% (Tier I: 16.3%) as on March 31, 2025, breaching the regulatory requirement of 15%. SML suspended disbursements entirely from September 2025 to preserve its capital adequacy and to focus on collections. Nonetheless, given the sizeable pool of stressed assets and modest provisions thereof, the solvency profile shall remain weak and the company would face challenges in maintaining the required asset security cover against its secured borrowings. This shall adversely impact its financial flexibility in raising commensurate incremental funding and for managing liquidity.

SML had raised ~Rs. 102 crore in November 2025 with plans to raise an additional ~Rs. 203-crore equity capital by December 2025. However, the proposed equity infusion has been stalled amid differences of opinion between the company's promoter and Gojo. Further, there have been allegations between the promoter and Gojo regarding non-adherence to requisite policy(ies) pertaining to certain transaction(s). This apart, SML was in the process of monetising its fixed assets and was planning a partial stake sale in its wholly-owned subsidiary (SMHFPL), with the same yet to materialise. In ICRA's opinion, it

³ On-book portfolio overdue/delinquent for more than 90 days

remains critical for SML to secure substantial incremental equity to improve its capitalisation and solvency⁴ profiles and ICRA shall closely monitor the company’s plans to improve its capital and liquidity buffers.

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 partially mitigates these risks 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

On a standalone basis, SML had a free cash and bank balance of ~Rs. 241 crore as on September 30, 2025 (~Rs. 209 crore of liquidity as on December 14, 2025, including ~Rs. 141 crore of overdraft against fixed deposits facility). As per the asset-liability management statement as on September 30, 2025, it had scheduled debt repayments of ~Rs. 492 crore and Rs. 1,025 crore, respectively, over the next three and six months versus scheduled principal collections of ~Rs. 401 crore and Rs. 751 crore from performing advances, respectively, during these periods. Further, the collection efficiency against the scheduled demand was ~84% in 7M 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. In ICRA’s opinion, given the sizeable pool of stressed assets, the company’s ability to maintain adequate security cover against its borrowings shall remain a challenge. As per the data shared with ICRA, SML was in breach of covenants pertaining to non-convertible debenture (NCD) facilities amounting to Rs. 842 crore (~21% of overall borrowings) as on June 30, 2025 and continued to be in breach of covenants pertaining to its debt facilities as on September 30, 2025 as well. ICRA notes that the company has sought waivers from the lenders and is yet to receive the same. In the meantime, it is paying additional interest on certain NCDs/term loans(s) in lieu of the breach of covenants.

Rating sensitivities

Positive factors – A substantial improvement in the capitalisation profile along with an improvement in the asset quality and earnings could have a positive impact on the rating.

Negative factors – Inability to improve the capital buffers and liquidity 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)
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

About the company

SATYA MicroCapital Ltd. (SML) 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 September 30, 2025, its standalone operations were spread across 26 states/UTs. The company also offers affordable housing finance through its

⁴ Unprovided stressed assets as proportion of net worth

subsidiary – SATYA Micro Housing Finance Private Limited. Its consolidated assets under management (AUM) stood at Rs. 4,185 crore as on September 30, 2025, registering an annualised decline of ~26% in H1 FY2026.

Key financial indicators (audited; standalone)

SATYA MicroCapital Ltd.	FY2024	FY2025	H1 FY2026*
Total income	1,271	1,312	433
Profit after tax	131	25	-447
Total managed assets	7,339	6,802 [^]	5,435
Return on average managed assets	2.0%	0.4%	-14.6%
Managed gearing (times)	5.8	5.3	7.3
Gross NPA	2.2%	1.2%	12.5%
CRAR	22.2%	22.7%	11.2%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; * As per limited review; [^]This includes provision on security receipts (SR)

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					FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	December 31, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Subordinated bonds/Debt (Tier II bonds)	Long term	25	[ICRA]BB (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)
				Sep-1-25	[ICRA]BBB (Negative)	Jun-25-24	[ICRA]BBB+ (Stable)	Dec-14-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB (Positive)
				Nov 20-25	[ICRA]BBB- Rating Watch with Negative Implications	-	-	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]BB (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)
				Sep-1-25	[ICRA]BBB (Negative)	Jun-25-24	[ICRA]BBB+ (Stable)	Dec-14-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB (Positive)
				Nov 20-25	[ICRA]BBB- Rating Watch with Negative Implications	-	-	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]BB (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)
				Sep-1-25	[ICRA]BBB (Negative)	Jun-25-24	[ICRA]BBB+ (Stable)	Dec-14-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB (Positive)
				Nov 20-25	[ICRA]BBB- Rating Watch with Negative Implications	-	-	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]BB (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)

Instrument	Current (FY2026)					Chronology of rating history for the past 3 years					
	FY2026					FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	December 31, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
				Sep-1-25	[ICRA]BBB (Negative)	Jun-25-24	[ICRA]BBB+ (Stable)	Dec-14-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB (Positive)
				Nov-20-25	[ICRA]BBB- Rating Watch with Negative Implications	-	-	Feb-16-24	[ICRA]BBB+ (Stable)	Nov-2-22	[ICRA]BBB (Positive)
						-	-	Feb-21-24	[ICRA]BBB+ (Stable)	Feb-3-23	[ICRA]BBB (Positive)

LTD – Long-term debt

Complexity level of the rated instruments

Instrument	Complexity indicator
Bank facilities – Long-term fund-based others	Simple
Bonds/NCD/LTD	Simple/ Complex*
Subordinated bonds/Debt (Tier II bonds)	Simple
Subordinated bonds/Debt	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]BB (Negative)
INE982X07218	Bonds/NCD/LTD	Jan-14-2022	11.76%	Jan-14-2026	42.00	[ICRA]BB (Negative)
INE982X07424	Bonds/NCD/LTD	Feb-28-2024	12.00%	Feb-28-2026	50.00	[ICRA]BB (Negative)
INE982X08059	Subordinated bonds/Debt	Oct-22-2021	14.75%	May-21-2027	30.00	[ICRA]BB (Negative)
INE982X08067	Subordinated bonds/Debt	Mar-14-2022	15.15%	Mar-15-2027	30.00	[ICRA]BB (Negative)
INE982X08083	Subordinated bonds/Debt	Jun-27-2023	15.25%	Jul-03-2028	25.00	[ICRA]BB (Negative)
INE982X08034	Subordinated bonds/Debt (Tier II bonds)	Jul-08-2019	14.27%	Jul-08-2026	10.00	[ICRA]BB (Negative)
INE982X08042	Subordinated bonds/Debt (Tier II bonds)	Aug-01-2019	14.27%	Jul-08-2026	15.00	[ICRA]BB (Negative)
INE982X07457	Bonds/NCD/LTD	Aug-23-2019	12.65%	Nov-22-2027	28.50	[ICRA]BB (Negative)
INE982X07234	Bonds/NCD/LTD	Mar-30-2022	11.7702%	Mar-30-2026	45.00	[ICRA]BB (Negative)
INE982X07283	Bonds/NCD/LTD	May-31-2022	11.7702%	May-31-2026	37.50	[ICRA]BB (Negative)
INE982X07416	Bonds/NCD/LTD	Feb-02-2024	12.50%	Feb-02-2026	25.00	[ICRA]BB (Negative)
INE982X07440	Bonds/NCD/LTD	Aug-23-2024	10.40%	Feb-23-2026	50.00	[ICRA]BB (Negative)
Yet to be issued	Bonds/NCD/LTD	NA	NA	NA	0.74	[ICRA]BB (Negative)
Yet to be issued	Bonds/NCD/LTD	NA	NA	NA	25.00	[ICRA]BB (Negative)
Not applicable	Long term – Fund-based others	Sep 2021 to Dec 2023	9.25% to 15.25%	24-84 months	1,700.00	[ICRA]BB (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 (Sep-30-2025)	Consolidation approach
SATYA Micro Housing Finance Private Limited	97.79%	Full consolidation

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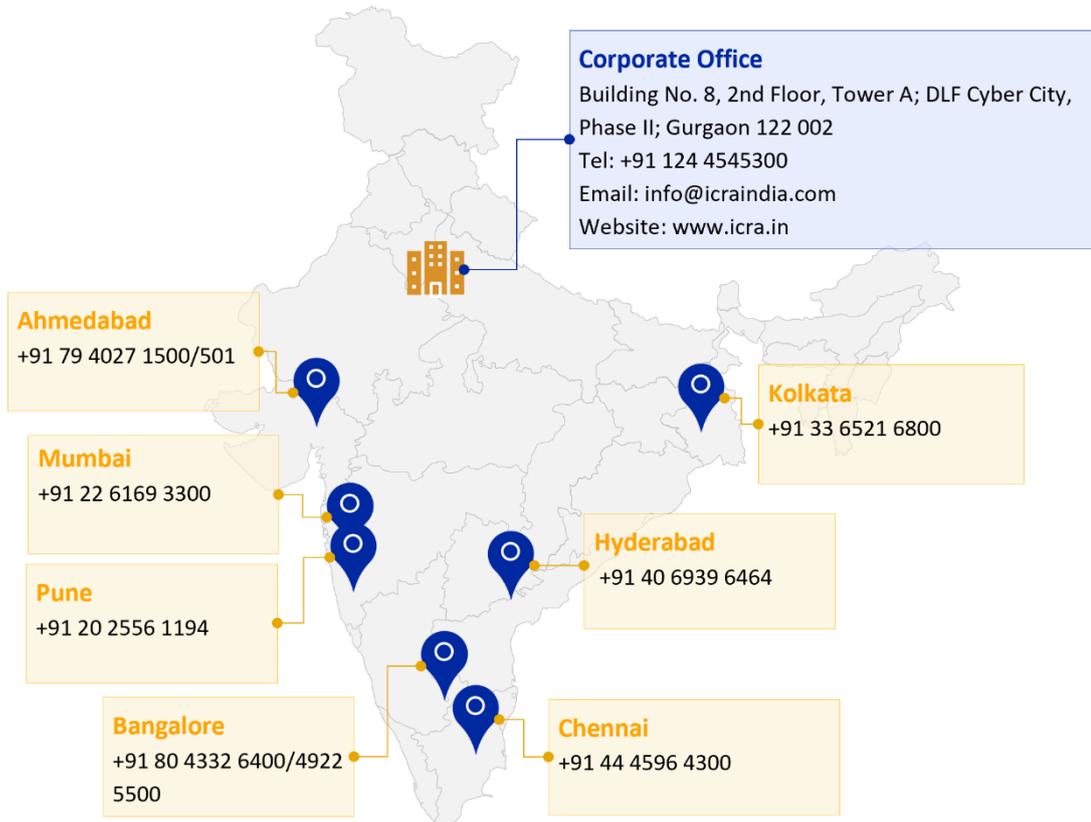


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