

March 17, 2026

Suryoday Small Finance Bank Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Subordinated debt programme	100.00	100.00	[ICRA]A (Stable); reaffirmed
Certificates of deposit programme	130.00	130.00	[ICRA]A1+; reaffirmed
Total	230.00	230.00	

*Instrument details are provided in Annexure I

Rationale

The rating action factors in Suryoday Small Finance Bank Limited's (Suryoday) comfortable capitalisation profile along with the gradual diversification of its portfolio. As on December 31, 2025, the bank's reported capital adequacy ratio (CAR) of 21.9% (Tier I: 21.0%) was well above the regulatory requirement of 15.0% (Tier I: 7.5%). In ICRA's opinion, Suryoday is sufficiently capitalised to support its envisaged growth in the near-to-medium term. Given the prevailing stress in the microfinance sector, the bank has focussed on scaling up the non-microfinance portfolio (such as commercial vehicles, loans to micro, small and medium enterprise (MSMEs), housing loans, loans against property (LAP), financial intermediary groups and others). Consequently, the share of the microfinance segment has gradually declined and stood at 45% of the portfolio as on December 31, 2025 (50% as on March 31, 2025 and 59% on March 31, 2024). ICRA expects that the bank will maintain an equal share of microfinance and non-microfinance loans over the medium term as it continues scaling up its portfolio.

The rating also considers the deterioration in Suryoday's asset quality and profitability profile in FY2025 and 9M FY2026. The gross non-performing assets (GNPAs) increased to 6.7% as on December 31, 2025 (7.2% as on March 31, 2025) from 2.9% as on March 31, 2024 primarily on account of higher slippages in the microfinance portfolio. However, Suryoday has taken a guarantee cover under Credit Guarantee Fund for Micro Units (CGFMU), covering around 98% of the microfinance portfolio as of December 2025, thereby mitigating the credit risk and controlling credit costs to an extent. Nonetheless, the decline in the net interest margins (NIMs) on account of the increase in GNPAs and reduction in the share of the high-yielding microfinance portfolio has impacted the bank's earnings profile. The return on average total assets and return on average net worth declined to 0.8% and 10.3%, respectively, in 9M FY2026 from 1.9% and 12.7%, respectively, in FY2024 (0.8% and 8.2%, respectively, in FY2025). ICRA expects the asset quality and profitability to improve in the coming quarters with stress in the microfinance segment showing signs of stabilisation.

ICRA takes note of the healthy traction in deposit mobilisation by the bank. However, the share of current account savings account (CASA) deposits remained relatively low at 21% as on December 31, 2025 (21% and 20% as on March 31, 2025 and March 31, 2024, respectively). ICRA takes note of the improving granularity of deposits with total CASA and retail term deposits increasing to 87% as of December 2025 from 81% as of March 2025 (79% as on March 31, 2024). Going forward, Suryoday's ability to sustainably improve the share of CASA in the deposit profile while scaling up its deposit base and operations will be important from a credit perspective.

The Stable outlook reflects ICRA's expectation that the bank would be able to maintain a steady credit profile while gradually scaling up its operations and maintaining its capitalisation profile.

Key rating drivers and their description

Credit strengths

Comfortable capitalisation profile – The bank's CAR of 21.9% (Tier I: 21.0%), as on December 31, 2025, was comfortably above the regulatory requirement of 15.0% (Tier I: 7.5%). Its last equity capital raise was in FY2021 (~Rs. 522 crore of equity capital through initial public offering and private placement), which helped it maintain a comfortable capitalisation profile while scaling up its portfolio. In ICRA's opinion, while Suryoday's internal capital generation would have to be strengthened going forward, it is comfortably capitalised currently to sustain the healthy growth rate envisaged over the near-to-medium term.

Improving diversity in the portfolio – The bank's assets under management grew by 24% year-on-year (YoY) to Rs. 11,885 crore as on December 31, 2025 (Rs. 10,251 crore as on March 31, 2025) from Rs. 9,563 crore as on December 31, 2024 (Rs. 8,650 crore as on March 31, 2024). Given the stress in the microfinance space, it has focussed on scaling up the non-microfinance portfolio (such as commercial vehicles, loans to MSMEs, housing loans, financial intermediary groups and others). As a result, the share of the microfinance segment has gradually declined and stood at 45% of the portfolio as on December 31, 2025 (50% as on March 31, 2025) compared to 53% as on December 31, 2024 (59% as on March 31, 2024; 61% as on March 31, 2023). Nevertheless, ICRA expects Suryoday to maintain an equal share of microfinance and non-microfinance loans as it continues scaling up its portfolio by 25-30% per annum over the near-to-medium term.

Credit challenges

Moderate asset quality and earnings profile; coverage under guarantee scheme mitigates risk to an extent – Suryoday's asset quality deteriorated in FY2025 and 9M FY2026 with the GNPA's increasing to 6.7% as on December 31, 2025 (7.2% as on March 31, 2025) from 2.9% as on March 31, 2024. This was primarily on account of higher slippages in the microfinance portfolio due to the stress prevailing in this sector. ICRA notes that the bank has taken certain corrective measures including tightening of customer selection criteria, strengthening of the collections team, etc. Further, Suryoday has taken a guarantee cover under CGFMU, covering around 98% of the microfinance portfolio as of December 2025, which mitigates the credit risk to a certain extent. ICRA notes that the collection efficiency is gradually improving in this segment. Nevertheless, the bank's ability to arrest further slippages and achieve recoveries from delinquent customers remains important.

Despite the deterioration in the asset quality, Suryoday's credit costs remained under control at 1.2% in 9M FY2026 (1.8% in FY2026 and 1.5% in FY2024) because of limited incremental provisioning owing to the guarantee cover under CGFMU. However, NIMs compressed in FY2025 and 9M FY2026 on account of decreasing yields because of the increase in GNPA's and decline in the share of the higher-yielding microfinance book. This adversely impacted the earnings profile in FY2025 and 9M FY2026. The return on average total assets and return on average net worth declined to 0.8% and 10.3%, respectively, in 9M FY2026 from 1.9% and 12.7%, respectively, in FY2024 (0.8% and 8.2%, respectively, in FY2025). This was below the ICRA-stipulated negative rating factors for profitability. However, ICRA expects the profitability to improve in the following quarters with better operating efficiency and credit costs, though the overall earnings profile is likely to remain moderate in the near term.

Relatively lower share of CASA in deposits – Suryoday has successfully built a large deposit base, constituting 88% of its total borrowings as on December 31, 2025, up from 80% as on March 31, 2025. The bank continues to scale up its deposit franchise and reported a healthy YoY growth of 33% in deposits in 9M FY2026, increasing the overall deposit base to Rs. 12,865 crore as on December 31, 2025 from Rs. 10,580 crore as on March 31, 2025. However, the share of CASA remains relatively low compared to peers at 21% as on December 31, 2025 (21% and 20% as on March 31, 2025 and March 31, 2024, respectively). ICRA takes note of the improving granularity of deposits with total CASA and retail term deposits increasing to 87% as of December 2025 from 81% as of March 2025 (79% as on March 31, 2024). Going forward, Suryoday's ability to sustainably improve the share of CASA in the deposit profile while scaling up its deposit base and operations will be important from a credit perspective.

Environmental and social risks

Environmental considerations – Given Suryoday’s service-oriented business, its direct exposure to environmental risks as well as those stemming from regulations or policy changes is not material. While the bank is not materially exposed to physical climate risks, it indirectly encounters environmental risks through its portfolio of assets. Further, its lending typically involves short-to-medium-term durations, enabling it to adjust and incrementally invest in less environmentally vulnerable businesses.

Social considerations – Data security and customer privacy are potentially among the key sources of vulnerability for Suryoday, as any material lapse could be detrimental to its reputation and could invite regulatory censure. Customer preference is increasingly shifting towards digital banking, which provides an opportunity for the bank to reduce its operating costs. However, any lag in the execution of information technology strategies and the inability to meet customer requirements adequately may result in more costs than benefits. On the positive side, Suryoday contributes towards enhancing financial inclusion by providing several products and services that are specifically targeted towards the marginalised sections of society and attempts to address and cater to social concerns. Prudent lending to such underserved segments could create growth opportunities. However, such growth opportunities must be seen in conjunction with asset quality risks that could impact the bank’s credit quality.

Liquidity position: Strong

The liquidity coverage ratio was healthy at 144% for the quarter ended December 31, 2025 (141% for the quarter ended March 31, 2025) on a daily average basis for the respective quarter. The net stable funding ratio (NSFR) stood at 154% as on December 31, 2025, remaining above the regulatory level of 100%. The bank’s asset-liability management statement as on December 31, 2025 did not show any cumulative mismatches for a period of at least one year. Its liquidity profile is supported by the strong borrowing ability on account of its ‘scheduled’ status and the large portion of relatively shorter-tenor assets. The liquidity profile is also supported by the availability of funding lines from financial institutions (FIs).

Rating sensitivities

Positive factors – A sustained improvement in the scale and deposit profile, while maintaining a prudent capitalisation profile and a healthy earnings profile could positively impact the long-term rating.

Negative factors – Pressure on the bank’s ratings could arise if the return on assets remains below 1% on a sustained basis. A sustained deterioration in the capitalisation profile or weakening of the liquidity profile could also exert pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	ICRA’s Rating Methodology for Banks and Financial Institutions
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Suryoday was initially incorporated as Suryoday Micro Finance Limited in October 2008 as a non-banking financial company with the objective of providing loans to women in urban and semi-urban areas using the joint liability group (JLG) lending model. It received a licence from the Reserve Bank of India (RBI) in FY2016 to commence operations as a small finance bank. It started operations as a small finance bank on January 23, 2017.

As on December 31, 2025, the bank was operating in 16 states and Union Territories (UTs) across India through 712 branches, with a strong presence in Maharashtra, Tamil Nadu and Odisha. Suryoday catered to 38 lakh clients while managing a portfolio of Rs. 11,885 crore as on December 31, 2025.

Key financial indicators (audited)

Suryoday Small Finance Bank Limited	FY2024	FY2025	9M FY2026*
Accounting as per	IGAAP	IGAAP	IGAAP
Total income	1,808	2,171	1,828
Profit after tax	216	115	102
Total assets	12,378	15,614	17,039
CET I	26.5%	24.5%	21.0%
CRAR	28.4%	25.8%	21.9%
PAT/ATA	1.9%	0.8%	0.8%
Gross NPAs	2.9%	7.2%	6.7%
Net NPAs	0.9%	4.6%	4.3%

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

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					
	Type	Amount rated (Rs. crore)	Mar 17, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Certificates of deposit programme	Short term	130.00	[ICRA]A1+	Mar 18, 2025	[ICRA]A1+	Mar 19, 2024	[ICRA]A1+	Mar 21, 2023	[ICRA]A1+
Subordinated debt programme	Long term	100.00	[ICRA]A (Stable)	Mar 18, 2025	[ICRA]A (Stable)	Mar 19, 2024	[ICRA]A (Stable)	Mar 21, 2023	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Subordinated debt programme	Simple
Certificates of deposit programme	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
INE428Q08073	Subordinated debt programme	Sep 08, 2020	12.50% p.a.	Apr 07, 2027	100.00	[ICRA]A (Stable)
NA	Certificates of deposit programme – Yet to be issued	NA	NA	7-365 days	130.00	[ICRA]A1+

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 22 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Prateek Mittal
+91 33 6521 6812
prateek.mittal@icraindia.com

Chandni
+91 124 4545 300
chandni@icraindia.com

Arpit Agarwal
+91 124 4545 873
arpit.agarwal@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar
+91 22 2433 1084
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



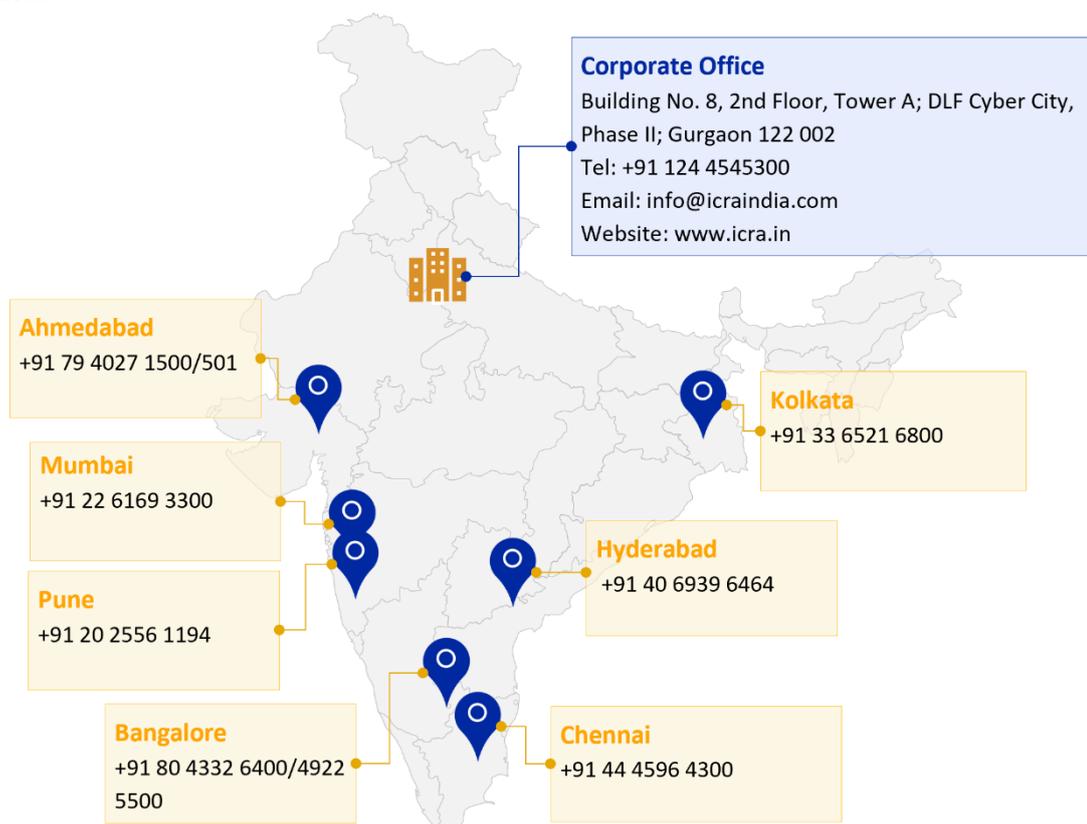
Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-50



Branches



© Copyright, 2026 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.