

Satin Creditcare Network Limited

Instrument	Amount (Rs in crores)	Rating Action
Commercial Paper Programme	25 (enhanced from Rs 12 crore)	[ICRA]A2 Assigned for enhanced amount

ICRA has assigned a rating of “[ICRA]A2” (pronounced ICRA A two) rating to the enhanced Rs 25 crore Commercial Paper programme (enhanced from Rs 12 crore) of Satin Creditcare Network Limited (“Satin”/ “the company”)†. ICRA also has a rating of [ICRA]BBB+ (Stable) on the Rs. 53 crore subordinated debt programme, Rs. 27 crore Non Convertible Debenture programme and [ICRA]A1+(SO) (pronounced ICRA A one plus Structured Obligation) for Rs 50 Crore Commercial paper programme of the company.

The rating factors in Satin’s track record of operating in the microfinance segment (managed portfolio base of Rs 2,538 crore as on December 31, 2015) , geographically diversified presence (company operates in 16 states as on December 31, 2015); while maintaining good asset quality (30+ delinquencies of 0.52% as on December 31, 2015) and good profitability indicators (ROE of 23% in 9M FY16) supported by relatively lower operating expenses. ICRA also takes note of Satin’s experienced management team, its prudent loan origination, monitoring and collection mechanisms and adequate liquidity profile supported by good financial flexibility arising out of relationships with more than 60 lenders. The rating is however constrained by geographical concentration of portfolio (~40% of its portfolio being concentrated in the state of Uttar Pradesh), high pace of growth, monoline nature of operations along with political and operational risks arising out of cash handling, dependence on wholesale funding sources as well as lack of diversity in earnings. Though access to credit bureaus is a positive, however, with the increase in regulatory maximum permissible ticket size from Rs 50,000 earlier to Rs 1 lakh, MFIs would need to carefully assess the debt repayment capacity of borrowers so as to limit the risk of overleveraging and the consequent threat to portfolio credit quality.

Satin’s capitalisation levels were moderate, (Net worth in relation to Managed Advances of 11% as on December 31, 2015), supported by Rs 51 crore of capital raised in June 2015. In ICRA’s estimates, Satin’s incremental capital requirements are high, given that the company plans to grow at a CAGR of 60-65% over the next three years with the pace of growth likely to be higher than internal capital generation, the company would need Rs 450-550 crore external equity (180-220% of existing Net worth) to meet its growth plans till March 2018. The company intends to increase the share of Tier 2 capital as well as capital efficient off balance sheet book to manage the capitalisation levels. ICRA expects the company to get the required equity as the outlook on the microfinance sector is good, Satin got listed on Bombay Stock Exchange in October 2015 and National Stock Exchange in August 2015, and has maintained good asset quality and profitability indicators. Overall, ability of the company to maintain asset quality and capitalisation indicators on a larger asset base would be key rating sensitivities.

Satin had a diversified funding profile, with around 60 direct lenders apart from raising funds through off balance sheet transactions. As for Satin liquidity profile is comfortable supported by the well relatively shorter tenor assets vis-a-vis liabilities. However the company would require regular flow of funds for meeting its growth plans. Satin’s profitability indicators were good (ROE of 23% in 9M FY16), relatively lower operating expenses vis-a-vis peers (6.3% in 9M FY16) and lower credit costs. Going forward, ICRA expects the company to be able to maintain ROE indicators of 16-18% provided the company is able to keep its credit costs under control.

Company Profile

Satin Creditcare Network Limited (Satin) (rated [ICRA]BBB+(Stable)) was set up in 1990 to provide individual loans to urban shopkeepers for purchase of generators for their businesses. It was registered with RBI as a deposit taking Non-Banking Finance Company (NBFC) under the name Satin Leasing and Finance Company Limited. In 1994, it was converted into public limited company and in 2000 was renamed as Satin Creditcare Network Limited. The company started off its operations in the urban areas in 1990 with the individual lending model, and entered into group lending only in 2008. As on September 30, 2015, the company was present in 13 states with a total managed portfolio of Rs 2156 crore. Satin got listed on the Bombay Stock Exchange in October 2015 and National Stock Exchange in August-2015.

† For complete rating scale and definitions please refer to ICRA’s website www.icra.in or other ICRA Rating Publications



Satin reported a PAT of Rs. 31.72 crore on a managed advance base of Rs 2141 crore for the year FY2015 vis-a-vis PAT of Rs 15.56 crore on a managed advance base of Rs 1056 crore in FY2014. For the nine months ended December 31, 2015, the company reported a PAT of Rs 41.60 crore on a managed advance base of 2538 crore as on December 31, 2015

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