



Press Release
Svasti Microfinance Private Limited
September 20, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	80.00	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	180.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) to the Rs. 80.00 crore bank facilities of Svasti Microfinance Private Limited (SMPL). The outlook is '**Stable**'.

Acuite has assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) to the Rs. 100.00 crore bank facilities of Svasti Microfinance Private Limited (SMPL). The outlook is '**Stable**'.

The rating continues to factor SMPL's established presence in microfinance sector along with comfortable capitalization levels supported by equity infusions at regular intervals. The ratings further factors expectations of further capital raising in the near to medium term which is critical to support the growth momentum. During FY2023, the company disbursed loans amounting to Rs. 993.77 Cr. vis-à-vis Rs. 456.05 Cr. during FY2022. Consequently, AUM increased to Rs. 1059.26 Cr. as on March 31, 2023 from Rs. 619.18 Cr. as on March 31, 2022. Further, the AUM stood at Rs. 1034.99 Cr as on June 30, 2023. The asset quality remains healthy, marked by GNPA of 2.03 percent and NNPA of 0.50 percent as on June 30, 2023. The rating is however, is constrained by geographical concentration in the state of Maharashtra (~49percent of AUM as on June 30, 2023). The rating is further constrained by the relatively high leveraged capital structure with a gearing of 4.25 times as on March 31, 2023 (3.63 times as on March 31, 2022).

Going forward, Acuite believes that the company's ability to raise capital, profitably grow its loan portfolio while containing credit costs will be key monitorables.

About the company

Established in 2008, as Svasti Foundation, Mumbai based Svasti Microfinance Private Limited (SMPL) is a NBFC-MFI promoted by Mr. Arunkumar Padmanabhan and Mr. Narayanan Subramanian. In March 2010, Svasti Foundation bought over an existing NBFC, Easy Housing and Finance Limited and renamed it as Svasti Microfinance Private Limited. The microfinance business was transitioned from Svasti Foundation to SMPL in October 2010. SMPL is primarily engaged in extending microfinance to women borrowers through Joint Liability Model. The company's AUM stood at Rs. 1034.99 Cr as on June 30, 2023.

Acuité has considered the standalone financial and business risk profile of SMPL to arrive at the rating.

Key Rating Drivers

Strength

Experienced management and support of marquee investors

SMPL, a Mumbai based NBFC-MFI is promoted by Mr. Arunkumar Padmanabhan (Co-Founder & CEO) and Mr. Narayanan Subramanian (Co-Founder, CFO and CIO). Mr. Arun is responsible for rollout of the branches, products and services and to scale up the business volumes in line with Svasti's business plans. Mr. Arun also handles the Human Resources function. Mr. Narayanan is responsible for operations process design and supporting it with technology initiatives. He also handles the Finance, Accounts, Operations Audit and Training Design. The promoters have demonstrated their resource raising ability by raising funds from reputed and diverse set of investors at regular intervals which includes Andaman Group, Poonawala Group, Nordic Microfinance Initiative amongst others.

The company's board comprises of 5 directors of which Mr. M.N Venkatesan and Mr. Ramanathan Annamalai are independent directors who have extensive experience in banking and microfinance lending. Mrs. Smriti Chandra of Nordic Microfinance Initiative Fund is nominee directors on Board.

Acuité believes that the company's growth prospects will be supported by the promoter's experience in the industry along with their demonstrated track record of resource raising ability. Further, expectations of capital raising in the near to medium term shall support the growth momentum going forward.

Adequate financial risk profile with a diversified funding mix

The capitalisation profile is supported by regular capital infusions by the promoters. The company has raised around Rs. 122 crore since inception by the support from its promoters. Further, in March 2023 Rs. 16 Cr was infused by the existing shareholders and the company has plans on bringing in more capital during the year. The company's capital structure is supported by a Networth of Rs. 168.52 Cr. , total debt of Rs. 716.44 Cr and resultant gearing of 4.25 times as on March 31, 2023. The company plans to raise Rs. 100 crore during the year FY2024, this infusion will be done by new investors. However, the dilution of the shares will happen equally. The company raised fresh borrowings of Rs. 540.51 Cr in FY2023 from various PSUs, Private Banks and NBFCs. The capitalization levels of SMPL are adequate, with CAR being at 23.13 percent as on June 30, 2023. CAR majorly comprises of Tier I capital.

The company saw an increase in its Net Interest Income to Rs. 75.46 Cr. for FY 2023 from Rs. 38.09 Cr. for FY 2022. Resultantly, its profitability improved in FY2023, PAT stood at Rs. 17.58 Cr. during the year FY2023 as against Rs. 2.39 Cr. in FY2022. The Return on Average Assets (RoAA) stood at 1.93 percent as on March 31, 2023 as against 0.41 percent as on March 31, 2022. Further, during Q1FY24 the company reported PAT of Rs. 9.74 Cr.

Acuité believes, going forward, that the ability of the company to mobilise low-cost funding and its ability to deploy the funds profitably will be a key monitorable.

Weakness

Leveraged capital structure

SMPL is engaged in microfinance lending providing short term loans up to 12-24 months. The company extends micro-credit through the Joint Liability Group (JLG) model. The company's networth stood at Rs. 168.52 Cr. and total debt stood at Rs. 716.44 Cr. as on March 31, 2023. MML's gearing stood at 4.25 times as on March 31, 2023 (3.63 times as on March 31, 2022). The debt comprises term loans from Banks, NBFCs and FIs, NCD and others. SMPL is in talks to raise capital of ~Rs 100 Cr, this infusion will be done by new investors. To support the growth momentum SMPL would require further debt and considering the already leveraged capital structure the promoters may be required to infuse additional equity to support any future

business growth.

Acuité believes that company's ability to manage its gearing will be a key monitorable.

Risk inherent to microfinance segment

The activities of microfinance companies, like SMPL are exposed to geographical concentration risks. The top 3 states comprise ~82 percent of the overall portfolio. SMPL has concentration in Maharashtra (~49 percent of the overall portfolio), Uttar Pradesh (~19 percent) and Madhya Pradesh (~15 percent) as on June 30, 2023. It has 140 branches located over 92 districts as on June 30, 2023. This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework. Going forward, Acuité believes company's plans grow its presence and further diversify its operations geographically will be important from a credit perspective.

ESG Factors Relevant for Rating

Svasti Microfinance Private Limited (SMPL) belongs to the NBFC-MFI sector which facilitates lending to the unbanked population. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions to financial inclusion and community development, responsible financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. The entity maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures regarding related party transactions, vigil mechanism and whistle blower policy. The board of directors of the company comprise of 5 directors. The audit committee formed by the entity majorly comprises of independent directors with the objective to monitor and provide an unbiased supervision of the management's financial reporting process. SMPL also maintains transparency in terms of disclosures pertaining to interest rate policy and its adherence to Fair Practice Code.

Rating Sensitivity

- Ability to raise capital
- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability metric
- Changes in the regulatory environment

All Covenants

SMPL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality, among others.

Liquidity Position Adequate

SMPL's overall liquidity profile remains adequate with no negative cumulative mis-matches in near to medium term as per ALM dated March 31, 2023. The company has cash and bank balance of Rs. 86.41 Cr. as on March 31, 2023. Acuité believes that the company's liquidity

profile will continue to benefit from funding support from its promoters.

Outlook - Stable

Acuité believes that SMPL will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to maintain asset quality and liquidity levels. The outlook may be revised to 'Positive' in case of higher than expected growth in loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality and profitability metrics. The outlook may be revised to 'Negative' in case of any deterioration in the capital structure.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	953.02	664.23
Total Income*	Rs. Cr.	103.48	48.09
PAT	Rs. Cr.	17.58	2.39
Net Worth	Rs. Cr.	168.52	137.29
Return on Average Assets (RoAA)	(%)	2.17	0.41
Return on Average Net Worth (RoNW)	(%)	11.5	1.75
Debt/Equity	Times	4.25	3.63
Gross NPA	(%)	1.33	2.01
Net NPA	(%)	0.44	0.99

*Total income equals to Net Interest Income plus other income.

Status of non-cooperation with previous CRA (if applicable):

None

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Banks And Financial Institutions: <https://www.acuite.in/view-rating-criteria-45.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Jun 2023	Term Loan	Long Term	10.77	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	10.42	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	6.87	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	8.79	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.41	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.84	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	8.27	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	7.50	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.13	ACUITE BBB+ Stable (Reaffirmed)
28 Mar 2022	Term Loan	Long Term	5.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	11.40	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	18.60	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	30.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
04 Mar 2022	Proposed Bank Facility	Long Term	40.00	ACUITE BBB+ Stable (Reaffirmed)
10 Dec 2020	Proposed Bank Facility	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
27 Mar 2020	Proposed Bank Facility	Long Term	40.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	8.12	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	37.36	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	16 Mar 2021	9.15	16 Mar 2024	Simple	9.12	ACUITE BBB+ Stable Reaffirmed
UCO Bank	Not Applicable	Term Loan	24 Sep 2021	9.30	29 Sep 2024	Simple	2.10	ACUITE BBB+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	18 Sep 2021	9.25	30 Sep 2024	Simple	7.23	ACUITE BBB+ Stable Reaffirmed
UCO Bank	Not Applicable	Term Loan	24 Sep 2021	9.30	29 Sep 2024	Simple	4.24	ACUITE BBB+ Stable Reaffirmed
SBM Bank (India) Ltd.	Not Applicable	Term Loan	25 Feb 2022	11.00	28 Feb 2024	Simple	6.25	ACUITE BBB+ Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Term Loan	23 Dec 2021	9.60	29 Mar 2024	Simple	8.33	ACUITE BBB+ Stable Reaffirmed
UCO Bank	Not Applicable	Term Loan	21 Sep 2022	10.55	30 Dec 2026	Simple	6.42	ACUITE BBB+ Stable Reaffirmed
Dhanlaxmi Bank Ltd	Not Applicable	Term Loan	18 Oct 2022	10.90	28 Oct 2025	Simple	8.19	ACUITE BBB+ Stable Reaffirmed
SBM Bank (India) Ltd.	Not Applicable	Term Loan	16 Jun 2023	13.00	16 Sep 2025	Simple	20.00	ACUITE BBB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	30 Sep 2022	10.95	01 Oct 2025	Simple	11.25	ACUITE BBB+ Stable Assigned
Small Industries Development	Not Applicable	Term Loan	01 Nov 2022	11.90	01 Nov 2025	Simple	9.00	ACUITE BBB+ Stable

Bank of India								Assigned
State Bank of India	Not Applicable	Term Loan	29 Nov 2022	10.55	29 Nov 2025	Simple	20.80	ACUITE BBB+ Stable Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	28 Feb 2023	13.10	28 Feb 2025	Simple	21.59	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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