



Press Release
Satin Finserv Limited
February 15, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE A- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE A-**' (read as **ACUITE A minus**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 50.00 Cr. bank facilities of Satin Finserv Limited (SFL). The outlook is '**Stable**'.

Rationale for the upgrade

The rating upgrade reflects significant uptick in the portfolio along with healthy capital buffers owing to infusions and improvement in the earnings profile. The portfolio growth is driven by traction in disbursements. The group disbursed a total of Rs. 8,087 Cr. for FY23 as against Rs. 4,855 Cr. for FY22. The 9MFY24 disbursements stood at Rs. 7,445 Cr. The AUM increased to Rs. 9,115 Cr. as on FY23 from Rs. 7,617 Cr. as on FY22. (Rs. 11,074 Cr. as on December 31, 2023). The profitability stood impacted in FY23 due to sizable credit costs. The group incurred a total credit cost (including write offs) of Rs. 408 Cr. in FY23 vis-à-vis previous year levels of Rs. 180 Cr. Accordingly, the PAT moderated to Rs. 4.81 Cr. in FY23 (Rs. 20.7 Cr. for FY22). Nevertheless, post the one-time measure of write-offs undertaken, the net profits have improved in the current fiscal reflected by a PAT of Rs. 308 Cr. for 9MFY24.

The rating continues to take into consideration the established position and long track record of Satin Group and the support Satin Finserv Limited draws from the parent. The rating also takes into consideration the healthy capitalisation, comfortable liquidity and well diversified resource profile of the company. The group raised equity at regular intervals through existing and new investors to aid capital buffers. In Q3FY24, Satin raised Rs. 250 Cr. via QIP placement which is expected to maintain the capitalisation.

The rating, however, remains constrained by the vulnerability of the borrowers in microfinance segment and moderate asset quality metrics. Due to sizable write-offs made by the group, SCNL's on book GNPA recovered to 3.28 percent as on FY23 from 8.01 percent as on FY22 (2.38 percent as on Sep-23). With majority of the portfolio being originated recently, the susceptibility to any slippages remains high. On a standalone level, the GNPA of Satin Finserv Limited stood at 4.72 percent with a NNPA of 2.80 percent as on Sep-23. Going forward, the ability of the group to contain the credit costs while scaling up the portfolio will remain a key rating monitorable.

About the Company

Incorporated in 2018, SFL is a 100 percent subsidiary of SCNL, the flagship company of Satin group. SFL obtained its license from RBI in 2019. SFL is engaged in the business of providing various financial services to entrepreneurs, MSMEs and individual businesses, as well as lending to other MFI companies. SFL offers products in the retail segment, with ticket size upto Rs. 3.5 Lakh and wholesale segment, with ticket size up to Rs. 5 Cr.

Satin Creditcare Network Limited (SCNL) is the flagship company of Satin Group which started its operations in 1990. It started with providing financial services to shopkeepers in the unbanked sectors of the society. After three decades SCNL is one the major players in the country in the MFI and SME lending sector. Headquartered in Gurugram, Haryana, the company focuses on providing inclusive growth through its various financial products. SCNL has Satin Housing Finance Limited and Satin Finserv Limited (merged with Taraashna Financial Services Limited) as subsidiaries. All together these companies form Satin Group.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

While arriving at the ratings, Acuité has taken a consolidated view on the credit profile of Satin group of companies (SCNL has Satin Housing Finance Limited and Satin Finserv Limited (merged with Taraashna Financial Services Limited) as subsidiaries), collectively referred to as the Satin group. The consolidation is in view of common promoters, shared brand name, and strong financial and operation synergies. Acuité expects financial, managerial and operational support from SCNL will continue to be available to all the key group companies of Satin group.

Key Rating Drivers

Strength

Strong and established track record and experienced management

The Satin group was founded in 1990. Now after three decades it is one the major players in the country in the MFI and SME lending sector. Satin group is led by Mr. Harvinder Pal Singh, who has been incremental in the group's growth. Besides lending, he has experience in the field of auditing, accounts, project financing, advisory services and company law matters. His financial engineering experience of more than three decades has helped the Company in operational strategy and efficiency. He is also part of the SFL board. SCNL and SFL also get the guidance of Mr. Sundeep Kumar Mehta, who is an independent director and has an experience of nearly two decades. Previously he was associated with the RKJ group, Escorts Ltd, Panacea Biotech Ltd, Bata India Ltd, and Eicher Good Earth Ltd at different capacities. The board of directors of SCNL and SFL also have Mr Anil Kumar Kalra who has nearly four decades of experience in Banking, Financial Services, Investment Banking and Infrastructure Financing both in India and abroad. The SCNL board of directors include Mr Satvinder Singh, who was associated with the company since inception and served as MD for over 15 years. SCNL draws support from Mrs Sangeeta Khorana, Independent Director, who is a former Indian Civil Services officer with a doctorate in International Economics. SCNL also has Mr Goh Colin, founder and CEO of the RICE Co. Ltd. and Mr Sanjay Bhatia, who has more than three decades of experience across leading corporates, start-ups and BAU environments, as independent directors.

Improvement in scale of operations

The group disbursed a total of Rs. 8,087 Cr. for FY23 as against Rs. 4,855 Cr. for FY22. The 9MFY24 disbursements stood at Rs. 7,445 Cr. The AUM increased to Rs. 9,115 Cr. as on FY23 from Rs. 7,617 Cr. as on FY22. (Rs. 11,074 Cr. as on December 31, 2023). Since December 31, 2022, the group has added 119 branches leading to overall branch network of 1,386 as on December 31, 2023.

Owing to the completion of the merger with TFSL, Satin Finserv's AUM stood at Rs. 638.45 Cr. including off-book portfolio taken over in the form of Business Correspondence amounting to Rs. 371.01 Cr. as on September 30, 2023. SFL disbursed Rs. 381 Cr. during FY23 as compared to Rs. 95.61 Cr. in FY22. Acuité expects the disbursement trends to continue at the group level

leading to further portfolio growth.

Healthy capitalization levels; recent capital infusions

SFL's capitalisation stood healthy as reflected by the CRAR at 51.63 percent as on September 30, 2023. The parent company infused Rs. 40 Cr. into SFL in H1FY24. The gearing levels stood at 0.90 times as on September 30, 2023 improving from 1.23 times as on March 31, 2023. The capitalization of SCNL at a standalone level stood adequate at 25.73 percent with a gearing of 3.00 times as on December 31, 2023. The group raised equity at regular intervals through existing and new investors to aid capital buffers. In Q3FY24, Satin raised Rs. 250 Cr. via QIP placement which is expected to further maintain the capitalisation metrics. Going forward, Acuité expects the group to benefit from the strong resource raising ability.

Weakness

Earning profile impacted due to write-offs; albeit improving

The group incurred a total credit cost (including write offs) of Rs. 408 Cr. in FY23 vis-à-vis previous year levels of Rs. 180 Cr. Accordingly, the PAT moderated to Rs. 4.81 Cr. in FY23 (Rs. 20.7 Cr. for FY22). Nevertheless, post the one-time measure of write-offs undertaken, the net profits have improved in the current fiscal reflected by a PAT of Rs. 308 Cr. for 9MFY24. However, any incremental slippages coupled with credit costs might have a bearing on the earning profile of the group. Acuité envisages that the current shift in the profitability might entail some sustenance.

Moderate asset quality

SCNL's on book GNPA recovered to 3.28 percent as on FY23 from 8.01 percent as on FY22 (2.38 percent as on Sep-23). With majority of the portfolio being originated recently, the susceptibility to any slippages remains high. On a standalone level, the GNPA of Satin Finserv Limited stood at 4.72 percent with a NNPA of 2.80 percent as on Sep-23. Going forward, the ability of the group to contain the credit costs while scaling up the portfolio will remain a key rating monitorable.

ESG Factors Relevant for Rating

Satin Group focuses on 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 SCNL comprise of 6 independent directors including 1 female independent director out of a total of 8 directors. SFL has 4 directors of which 3 are independent directors including 1 female independent director. 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. Satin Group also maintains transparency in terms of disclosures pertaining to interest rate policy and its adherence to Fair Practice Code as disseminated by Reserve Bank of India's circular.

Satin group has been working towards safe water and sanitation in around 121 districts and more than 35,000 villages in 8 states viz Bihar, Chhattisgarh, Uttar Pradesh, West Bengal etc. SCNL's is running clean energy programmes by providing customized financial solution. The Group received a Certificate of Excellence by UNFCC's Clean Development Program.

Rating Sensitivity

- Growth in AUM and disbursements
- Movement in profitability metrics
- Movement in asset quality and credit costs

Liquidity Position Adequate

Satin Group's liquidity buffers primarily depend on its cash inflows (collections from clients and loans from banks) vis. a vis. the cash outflows (disbursements, debt servicing commitments, operating expenses). The group's liquidity stood at ~Rs. 1,800 Cr. at the end of December 31, 2023. As on September 30, 2023, there were no negative mismatches in the ALM statement of SFL. Acuité believes Satin Group has adequate liquidity to meet its debt obligation in near to medium term.

Outlook: Stable

Acuité believes that Satin Group and SFL will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance and SME segment along with demonstrated ability to grow its AUM and capital raising ability. The outlook may be revised to 'Positive' in case of higher-than-expected growth in AUM while maintaining key operating metrics, asset quality and liquidity. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of any challenges in maintaining its asset quality, profitability metrics and capital adequacy parameters.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	*FY22 (Actual)
Total Assets	Rs. Cr.	317.95	253.89
Total Income*	Rs. Cr.	87.96	84.58
PAT	Rs. Cr.	6.06	(20.10)
Net Worth	Rs. Cr.	137.68	131.69
Return on Average Assets (RoAA)	(%)	2.12	(10.19)
Return on Average Net Worth (RoNW)	(%)	4.50	(16.88)
Debt/Equity	Times	1.23	0.86
Gross NPA	(%)	4.60	4.28
Net NPA	(%)	2.67	3.29

*Total income equals Net Interest Income plus other income

*FY22 figures reinstated post the merger with group entity i.e. Taraashna Financial Services Limited

Key Financials (Consolidated)

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	7760.99	7572.73
Total Income*	Rs. Cr.	942.23	754.26
PAT	Rs. Cr.	4.81	20.70
Net Worth	Rs. Cr.	1628.12	1581.85
Return on Average Assets (RoAA)	(%)	0.06	0.27
Return on Average Net Worth (RoNW)	(%)	0.30	1.35
Debt/Equity	Times	3.63	3.63
Gross NPA [^]	(%)	3.28	8.01
Net NPA [^]	(%)	1.50	2.38

*Total income equals Net Interest Income plus other income

[^]NPA figures are standalone (SCNL)

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

Not applicable

Any Other Information

None

Applicable Criteria

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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
17 Nov 2022	Term Loan	Long Term	16.96	ACUITE BBB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	33.04	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 avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	33.04	ACUITE A- Stable Upgraded (from ACUITE BBB+)
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	19 Feb 2027	Simple	16.96	ACUITE A- Stable Upgraded (from ACUITE BBB+)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company Name	Relationship
1	Satin Creditcare Network Limited (SCNL)	Parent
2	Satin Finserv Limited (SFL); merged with Taraashna Financial Services Limited (TFSL)	Subsidiary
3	Satin Housing Finance Limited (SHFL)	Subsidiary

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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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