

April 02, 2024

SATYA Micro Housing Finance Private Limited: [ICRA]BBB (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Bank facilities (LT – Fund based)	80.0	[ICRA]BBB (Stable); assigned
Total	80.0	

*Instrument details are provided in Annexure I

Rationale

The assigned rating factors in the support received by SATYA Micro Housing Finance Private Limited (SMHFPL) from SATYA MicroCapital Ltd. (SML; 97.15% equity stake in SMHFPL as on December 31, 2023). SMHFPL (erstwhile Baid Housing Finance Private Limited) was acquired and renamed by SML in FY2023. Subsequently, SML infused ~Rs. 72-crore equity capital in the company, which is adequate for the current scale of operations. SML is expected to infuse further capital in order to support SMHFPL's growth plans. Additionally, SMHFPL had Rs. 25-crore debt funding lines from SML as on December 31, 2023.

The rating considers the company's limited track record of operations and its exposure to the relatively vulnerable borrower profile. Following its acquisition by SML in FY2023, SMHFPL has been scaling up its operations and reported assets under management (AUM) of ~Rs. 76 crore as on December 31, 2023 (~Rs. 33 crore as on March 31, 2023). The rating also factors in the weak earnings profile, given the nascent stage of operations.

The Stable outlook on the long-term rating reflects ICRA's opinion on SML and the expectation that SMHFPL would continue receiving support from the parent in the form of equity and debt funding, for sustaining its credit profile, as it scales up.

Key rating drivers and their description

Credit strengths

Support from SML – As it is a subsidiary with a shared brand name, SMHFPL enjoys managerial, operational and financial support from its parent – SML. The company benefits from board-level guidance as well as operational support from its parent. It has received ~Rs. 72 crore of equity capital from SML, along with ~Rs. 25-crore unavailed debt funding lines. Further, SMHFPL can potentially leverage SML's diversified lending relationships to support its growth plans. ICRA takes comfort that SML intends to continue supporting SMHFPL, including in the form of funding (both debt and equity). Any material change in the shareholding or strategic importance of SMHFPL to SML and/or any adverse change in SML's credit profile could impact SMHFPL's credit profile as well.

Adequate capitalisation profile – SMHFPL reported a total capital-to-risk weighted assets ratio (CRAR) of 117.9% (provisional) and a managed gearing of 0.3 times as on December 31, 2023. Since the company is in the nascent stage of operations and its AUM is relatively small, the capital profile is currently adequate. Nevertheless, it would require equity infusions over the near-to-medium term, given its stated growth plans.

Credit challenges

Limited track record and exposure to vulnerable borrower profile – Following its acquisition by SML in FY2023, the company has been scaling up its operations and reported an AUM of ~Rs. 76 crore as on December 31, 2023 (~Rs. 33 crore as on March 31, 2023). Its operations were spread across 43 districts in 5 states/Union Territories (UTs) through a network of 43 branches. While the company has been scaling up its operations at a high pace, its scale remains relatively modest.

Further, SMHFPL operates in the affordable housing finance segment, which is relatively riskier due to the low-to-middle-income profile of the borrowers. Most of the borrowers work in small private enterprises or proprietorships and remain vulnerable to economic cycles with limited income buffers to absorb income shocks. While the losses on default are expected to be limited considering the secured nature of the portfolio, the company's ability to manage the asset quality profile, contain slippages and manage recoveries from its overdue borrowers will remain important from a credit perspective.

Weak earnings profile, given the nascent stage of operations – SMHFPL reported a net loss of ~Rs. 6 crore in 9M FY2024 (provisional) compared to a net profit of Rs. 0.2 crore in FY2023. Given the nascent stage of operations, the company's operating expenses are elevated with branch expansion, manpower hiring and investment in information technology systems, thereby affecting its profitability. Furthermore, SMHFPL's asset quality metrics are still evolving and its ability to manage its asset quality, and hence the credit cost, while improving its operational efficiency, as it scales up, shall be key for its credit profile.

Liquidity position: Adequate

As on January 31, 2024, the company's liquidity profile was supported by adequate unencumbered on-balance sheet liquidity of Rs. 10 crore along with scheduled inflows of Rs. 7 crore against scheduled debt obligations of Rs. 14 crore over the next 12 months. It also held Rs. 25 crore of sanctioned and unutilised funding lines from its parent. Factoring in the unutilised funding lines and the expected collections from advances, the liquidity profile is adequate for meeting the debt obligations in a timely manner.

Rating sensitivities

Positive factors – Significant growth in the scale of operations while maintaining comfortable asset quality, prudent capitalisation and improved profitability could positively impact the rating. An improvement in SML's credit profile could also positively impact the rating.

Negative factors – Any material change in the expected support from SML and/or a deterioration in its credit profile could impact the rating. Further, pressure on the rating could arise if there is a deterioration in the scale and/or asset quality, thereby affecting the profitability, or weakening of the capitalisation profile (with managed gearing of more than 6 times on a sustained basis) or a stretch in the liquidity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's credit rating methodology for NBFCs
Parent/Group support	The rating factors in the high likelihood of support from SML (parent company), given the shared brand name and managerial, operational and financial support being extended to SMHFPL.
Consolidation/Standalone	Standalone

About the company

SATYA Micro Housing Finance Private Limited (SMHFPL; formerly known as Baid Housing Finance Private Limited) is a housing finance company, which was incorporated in 2008. It was later acquired and renamed by Satya MicroCapital Ltd. in FY2023. SMHFPL, a subsidiary of SML, offers housing loans and loan against property under the affordable housing finance segment.

As on December 31, 2023, SMHFPL reported an AUM of Rs. 76 crore (Rs. 33 crore as on March 31, 2023) managed through a network of 43 branches in five states and Union Territories, namely Delhi-NCR, Uttar Pradesh, Bihar, Rajasthan and

Uttarakhand. The company reported a net loss of Rs. 6 crore in 9M FY2024 on total managed assets of Rs. 83 crore as on December 31, 2023.

Key financial indicators (audited; standalone)

SATYA Micro Housing Finance Private Limited	FY2022	FY2023	9M FY2024*
Total income	2	3	7
PAT	1	0	-6
Total managed assets	16	44	83
Return on managed assets	3.8%	0.2%	-12.4%
Managed gearing (times)	0.0	0.0	0.3
Gross NPA [^]	0.0%	0.1%	0.8%
CRAR [^]	107.4%	254.4%	117.9%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

*As per provisional financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Apr 2, 2024	NA	NA	NA
1 Fund-based bank facilities	Long term	80.0	26.06	[ICRA]BBB (Stable)	NA	NA	NA

Complexity level of the rated instruments

Instrument	Complexity Indicator
Bank facilities (LT-fund based)	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
Not applicable	Bank facilities	Dec-2023 to Feb-2024	11.50%-11.75%	Feb-2025 to Feb-2027	80.0	[ICRA]BBB (Stable)

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

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Branches



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