Title

India Ratings Downgrades Satya Microcapital's NCDs and Bank Loan Facilities to 'IND BB+'; Outlook Stable

Brief

India Ratings and Research (Ind-Ra) has downgraded Satya Microcapital Limited's (SML) non-convertible debentures (NCDs) and bank loan facilities to 'IND BB+' from 'IND BBB-'. The Outlook is Stable. The detailed rating action is as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Non-convertible debentures#	-	-	-	INR2,150 (reduced from INR2,950)	IND BB+/Stable	Downgraded
Bank loan facilities	-	-	-	INR6,000	IND BB+/Stable	Downgraded

Details in Annexure

Analytical Approach

Ind-Ra continues to take a standalone view of SML to arrive at the ratings.

Detailed Rationale of the Rating Action

The downgrade reflects a sustained stress on SML's asset quality over FY25-2QFY26, which continues to weigh heavily on the company's profitability and capital buffers. This pressure stems mainly from the elevated credit costs and high operating expenses. SML remains amongst the most severely impacted players in the ongoing microfinance crisis, and Ind-Ra expects its operating and financial performance to remain under pressure in the near term. The agency also believes a sizeable capital infusion is required to stabilize operations in the near term and provide visibility on future growth.

The ratings also reflect delays in the planned equity infusion, which resulted in a higher-than-expected leverage, a reduction in the capital adequacy ratio (CAR) and shrinking assets under management (AUM). Of the INR3,000 million rights issue which was scheduled for completion by October 2025, only about INR1,000 million was received in November 2025. This delay caused the CAR to fall below the minimum regulatory requirement to 11.16% during 2QFY26. Post the infusion of INR1,000 million of proceeds, the CAR improved to 15.92%. While this is above the regulatory minimum, any adverse scenario could increase the risk of regulatory intervention. To strengthen its capital position, the company is underway to raise INR2,030 million through a new rights issue, targeted for completion before December 2025; this should help cushion SML's leverage and improve the capital ratios.

The ratings further factor in deterioration in SML's asset quality and the resultant profitability pressure during 2QFY26, leading to a loss of INR1,998 million. The CARs were significantly impacted in 2QFY26 with the CAR falling to 11.16% (1QFY26: 15.18%; FY25: 25%) and Tier 1 to 7.15% (8.15%; 18%), below the regulatory minimum. Given the sharp decline in the asset quality and associated credit costs, the timeliness and the quantum of the equity infusion remain critical.

The ratings are also constrained by the sector's vulnerability to sporadic socio-political and idiosyncratic risks, which are amplified by high geographic concentration, causing a sharp volatility in performance. Thus, non-bank financial companies-micro finance institutions (NBFC-MFIs) require above-average capital buffers to withstand such shocks.

List of Key Rating Drivers

Weaknesses
- Weak capitalisation; capital raise critical
- Profitability under pressure due to high credit cost
- Weak asset quality

Strengths
- Diversified funding sources
- Experienced promoter and management team

Detailed Description of Key Rating Drivers

Weak Capitalisation; Capital Raise Critical: SML's CARs were impacted in 2QFY26 on account of higher losses with the total CAR reducing to 11.16% in 2QFY26 (1QFY26: 15.18%; FY25: 25%) and tier 1 to 7.15% (8.15%; 18%), below the minimum regulatory requirements. SML's leverage remains high and increased to 6.2x in 2QFY26 (1QFY26: 5.1x; FY25: 4.5x; FY24: 4.6x; FY23: 4.4x) due to delays in capital infusion. Of the planned INR3,000 million rights issue scheduled for completion by October 2025, only INR 1,000 million was infused in November 2025. Following the partial infusion of INR1,000 million, the CAR improved to 15.92% as of 12 November 2025, reverting above the regulatory minimum. However, the ratio remains vulnerable, underscoring the urgency of raising capital to provide a sufficient buffer against further stress.

The company has received the board's approval for raising INR2,030 million, of which INR1,350 million will be infused by Gojo & Company, Inc (holds 65% stake in SML) before end-December 2025, leading to a significant reduction in the leverage in FY26. The tangible net worth stood at INR5,970 million at 2FYE26 (1QEFY26: INR7,964 million, FYE24: INR10,155 million, FYE23: INR8,393 million, FYE22: INR5,458 million). SML has been able to raise equity at periodic intervals to expand and diversify geographically, with its key investor, Gojo & Company, infusing INR3,348 million in SML over FY21-FY22 and INR2,014 million in FY23, both in the form of compulsorily convertible preference shares. The raising of capital to grow its franchise will remain a key rating monitorable.

Profitability Under Pressure due to High Credit Cost: Despite reporting lower losses of INR1,998 million in 2QFY26 (1QFY26: loss of INR2,478 million;FY25: profit of INR254 million; FY24: profit of INR1,309 million), SML's profitability was impacted by elevated credit cost of INR915 million (INR1,832 million; INR1,601 million; INR1,314 million), standing at 11% on annualised basis (21%; 3.82%; 3.04%). The yield remained largely stable at 24% in 2QFY26 (FY25: 24.32%; FY24: 23.42%). The MFI industry witnessed headwinds due to events such as heatwaves, elections, and field-level attrition and overleveraging in certain geographies, for which the MFI network issued guardrails in 2025. Ind-Ra expects the losses to sustain for the entire FY26 and the profitability to remain under pressure up to FY27. The profitability is also dependent on the commencement of the disbursement cycle by SML. Furthermore, the company's ability to reduce credit costs significantly will remain a key rating monitorable in this challenging operating environment.

Weak Asset Quality: The early delinquencies (0+days past due; dpd) remained elevated at 16.9% in 2QFY26 (1QFY26: 16%; FY25: 9%; FY24: 4%; FY23: 2%), with 90+dpd increasing to 12.1% (1QFY26: 5%)The net non-performing assets stood at 6% with a moderate provision coverage ratio of 47% in 2QFY26. Given the aggressive growth in the last few years, the portfolio's performance in the key geographies of Bihar and Uttar Pradesh (UP) would remain key monitorables over the near-to-medium term. UP and Bihar contribute 30% and 20% to the total AUM, respectively, and both these states have seen an increase in delinquencies in the softer bucket. The 1+ dpd for UP increased substantially in September 2025 from March 2024, while that for Bihar also increased over the same period. Karnataka (where collection is impacted for the industry); and Tamil Nadu also have exposure in the portfolio. Moreover, SML sold its asset reconstruction company in 1QFY26 and has a substantial old book that could cause asset quality pressures. The company has outstanding security receipts due to the sale to asset reconstruction company, the performance of which needs to be monitored. Also, SML's provision coverage ratio is relatively lower than its peers' due to the unsecured nature of loans; this needs to be ramped up as it could exert pressure on the credit cost. SML has faced covenant breaches for 20% of the total borrowing and is in discussion for waiver for most of the breaches. As confirmed by the management, there has been no lender recall for any of the loans. The collection efficiency also remained at subpar level of 85.70% in September 2025 Thus, Ind-Ra anticipates credit costs to remain elevated in FY26.

Diversified Funding Sources: The company has a diversified funding profile, encompassing term loans from banks and financial institutions (around 70%), NCDs (about 20%) and subordinated debt (10%). As of June 2025, the company also had a diversified borrowing profile, with relationships with more than 60 lenders. The cost of funds has largely remained stable

(2QFY26: 12.52%; 1QFY26: 12.54%; FY25: 12.50%; FY24: 12.4%). The company raised around INR3,720 million and entered into a direct assignment of INR1,208 million in 1QFY26.

Experienced Promoter and Management Team: Established in 2017, SML is headed by a managing director who has over two decades of experience in the microfinance industry. Prior to SML, he had worked with Satin Creditcare Network Limited for eight years. Furthermore, SML has seen limited churn in its senior management and most of them have seen the company navigate through major credit events such as demonetisation, during which, the company had low gross non-performing assets of 1.3% and the COVID-19 outbreak. Several members of SML's management team have experience of over 15 years in their functional domains. The company's overall operations are overseen by its board, which underwent changes in 1HFY26 with the addition of a new nominee director representing Gojo & Company. The board now comprises eight members, including one promoter director and his brother, four independent directors, and two nominee directors, each bringing diverse and relevant experience.

Liquidity

Adequate: As per the structural liquidity statement, SML had a cumulative surplus (as a percentage of its total assets) of 9% in the less-than-one-year bucket at end-September 2025, largely because the average asset tenure is 18-24 months, and the average liability tenure is around 30 months. As on 30 September 2025, the company had cash and bank balance of INR2,181 million and unutilised bank lines of INR200 million, against the next three-month repayment of INR4,635 million. The company's next two months of debt obligations is around INR2,504 million and it has available liquidity of close to two months. This, along with the advance inflow provides adequate liquidity cover.

Rating Sensitivities

Positive: The following factors could collectively result in a positive rating action:
- significant strengthening of the capital buffers,
- stabilisation of franchise,
- a material improvement in the asset quality,
- demonstration of ability to raise debt capital.

Negative: The following factors could, individually or collectively, result in a negative rating action:
- a further delay in equity infusion impacting capital buffers,
- further deterioration in the asset quality impacting profitability,
- funding challenges leading to a dilution in liquidity.

Disclosures for CE Rating

Disclosures for Provisional Rating

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on SML, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

Any Other Information

Not applicable

About the Company

Promoted by Vivek Tiwari, SML is a Delhi-based NBFC-MFI registered with the Reserve Bank of India. The company, which started its operations in 2017, provides microcredit to the women borrowers via the joint liability group model and caters to more than 1.7 million borrowers through a network of 591 branches across 327 districts in 25 states while managing a portfolio of around INR45,000 million.

Key Financial Indicators

Particulars	1HFY26	FY25	FY24
Total assets (INR million)	44,390	55,968	59,482
Loans and advances	29,376	35,347	48,477
Tangible net worth (INR million)	5,970	10,454	10,155
Net income (INR million)	-4,476	254	1,309
Return on average assets (%)	-24	0.44	2.4
Leverage (x)	6.2	4.3	4.6
CAR (%)	11.16	25.2	22.3
Source : SML			

Applicable Criteria

- Non-Bank Finance Companies Criteria
- Evaluating Corporate Governance
- Financial Institutions Rating Criteria
- The Rating Process

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook						
	Rating Type	Rated Limits (million)	Rating	22 August 2025	27 December 2024	8 July 2024	15 May 2024	16 May 2023	13 March 2023	14 October 2022
Non-convertible debentures	Long-term	INR2150	IND BB+/Stable	IND BBB-/Negative	IND BBB+/Stable	IND BBB+/Positive	IND BBB+/Positive	IND BBB+/Stable	IND BBB+/Stable	IND BBB+/Stable
Bank loan facilities	Long-term	INR6000	IND BB+/Stable	IND BBB-/Negative	IND BBB+/Stable	IND BBB+/Positive	IND BBB+/Positive	IND BBB+/Stable	-	-

Complexity Level of the Instruments

Instrument Type	Complexity Indicator

Bank loan facilities	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook
Non-convertible debentures	INE982X07390 *	20 October 2023	12	19 October 2025	INR800	WD
Non-convertible debentures	INE982X07432	26 July 2024	10.97	26 July 2029	INR2,075	IND BB+/Stable
				Total unutilised	**INR75**	IND BB+/Stable
Total **					**INR2,150**	

Source: NSDL, company
* Ind-Ra is has withdrawn the rating as there is no debt outstanding against the rated instrument. This is consistent with Ind-Ra's policy on Withdrawal of Ratings.
** does not include withdrawn NCD

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located at Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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