

April 01, 2025

SATYA Micro Housing Finance Private Limited: Rating reaffirmed

Summary of rating action

| Instrument* | Previous rated amount | Current rated amount (Rs. crore) | Rating action |
|-----------------------------|-----------------------|-------------------------------------|--------------------------------|
| Long term-others-fund based | 80.0 | 80.0 | [ICRA]BBB (Stable); reaffirmed |
| Total | 80.0 | 80.0 | |

*Instrument details are provided in Annexure I

Rationale

The rating factors in SATYA Micro Housing Finance Private Limited's (SMHFPL) adequate capitalisation profile and the support received from its parent, SATYA MicroCapital Ltd. (SML; 97.79% equity stake in SMHFPL as on December 31, 2024). SMHFPL (erstwhile Baid Housing Finance Private Limited) was acquired and renamed by SML in FY2023. SML has infused ~Rs. 122-crore equity capital in the company so far, which is adequate for the current scale of operations. It is expected to infuse further capital to support SMHFPL's growth plans. The company has up to Rs. 50 crore commitment approved from parent entity's board in its business plan for FY2026 which can be used to meet any funding or liquidity requirements.

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, SMHFPL has been scaling up its operations and reported assets under management (AUM) of ~Rs. 233 crore as on December 31, 2024 (~Rs. 129 crore as on March 31, 2024). 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 that SMHFPL will be able to maintain a steady credit profile and adequate capitalisation, while expanding its scale of operations, with continued support from the parent in the form of equity and debt funding.

Key rating drivers and their description

Credit strengths

Adequate capitalisation profile – SMHFPL reported a total capital-to-risk weighted assets ratio (CRAR) of 73% (provisional), well above the regulatory requirement, while the managed gearing¹ remained low at 1.5 times as on December 31, 2024. The net worth increased to Rs. 100 crore as on December 31, 2024 from Rs. 61 crore as on March 31, 2024, supported by the Rs. 50-crore equity infusion from SML. 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.

Support from SML – SMHFPL enjoys managerial, operational and financial support from its parent – SML. The company benefits from board-level guidance as well as the shared brand name. It has received ~Rs. 122 crore of equity capital from SML so far (Rs. 50 crore in 9M FY2025). Additionally, the company has up to Rs. 50 crore commitment approved from parent entity's board in its business plan for FY2026 which can be used to meet any funding or liquidity requirements. 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

¹ Managed gearing = (on-book borrowings + off-book portfolio) / net worth

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.

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. 233 crore as on December 31, 2024 (~Rs. 129 crore as on March 31, 2024). Its operations were spread in five states/Union Territories (UTs) through a network of 52 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. 11 crore in 9M FY2025 (provisional) compared to a net loss of Rs. 8 crore in FY2024. Given the nascent stage of operations, the company's operating expenses are elevated due to branch expansion, manpower recruitment 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 credit costs, while improving its operational efficiency as it scales up, shall be key for its credit profile.

Liquidity position: Adequate

As on December 31, 2024, SMHFPL held an unencumbered cash and bank balance of ~Rs. 9 crore to cater to its scheduled debt obligations of ~Rs. 51 crore over the next 12 months vis-à-vis collections due of ~Rs. 16 crore over the same time frame. ICRA takes note of the refinancing requirement and funding pipeline. The company has up to Rs. 50 crore commitment approved from parent entity's board in its business plan for FY2026 which can be used to meet any funding or liquidity requirements

Rating sensitivities

Positive factors – A 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 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 position.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Non-banking Finance Companies (NBFCs) |
| Parent/Group support | The rating factors in the high likelihood of support from SML (parent company), given the shared brand name as well as the managerial, operational and financial support 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. SATYA MicroCapital Ltd. (SML) acquired and renamed the company in FY2023. SMHFPL offers housing loans and loans against property under the affordable housing finance segment.

As on December 31, 2024, SMHFPL reported an AUM of Rs. 233 crore (Rs. 129 crore as on March 31, 2024) managed through a network of 52 branches spread across five states and Union Territories, namely Delhi NCR, Uttar Pradesh, Bihar, Rajasthan and Uttarakhand. The company reported a net loss of Rs. 10.7 crore in 9M FY2025 on total managed assets of Rs. 239 crore as on December 31, 2024.

Key financial indicators (audited; standalone)

| SATYA Micro Housing Finance Private Limited | FY2023 | FY2024 | 9M FY2025* |
|---|--------|--------|------------|
| Total income | 3 | 13 | 22 |
| PAT | 0 | -8 | -11 |
| Total managed assets | 44 | 145 | 254 |
| Return on managed assets | 0.2% | -8.0% | -7.2% |
| Managed gearing (times) | 0.0 | 1.3 | 1.5 |
| Gross NPA | 0.1% | 0.5% | 1.0% |
| CRAR | 254.4% | 74.8% | 73.0% |

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

| Current (FY2026) | | | | Chronology of rating history for the past 3 years | | | | | |
|-----------------------------|-----------|--------------------------|--------------------|---|--------------------|--------|--------|--------|--------|
| FY2026 | | | | FY2025 | | FY2024 | | FY2023 | |
| Instrument | Type | Amount rated (Rs. crore) | April 1, 2025 | Date | Rating | Date | Rating | Date | Rating |
| Long term-others-fund based | Long term | 80.00 | [ICRA]BBB (Stable) | Apr-02-2024 | [ICRA]BBB (Stable) | - | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|-----------------------------|----------------------|
| Long term-others-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 | Long term-others-fund based | Sep-2023 to Feb-2025 | 11.50-11.75% | Oct-2026 to Feb-2028 | 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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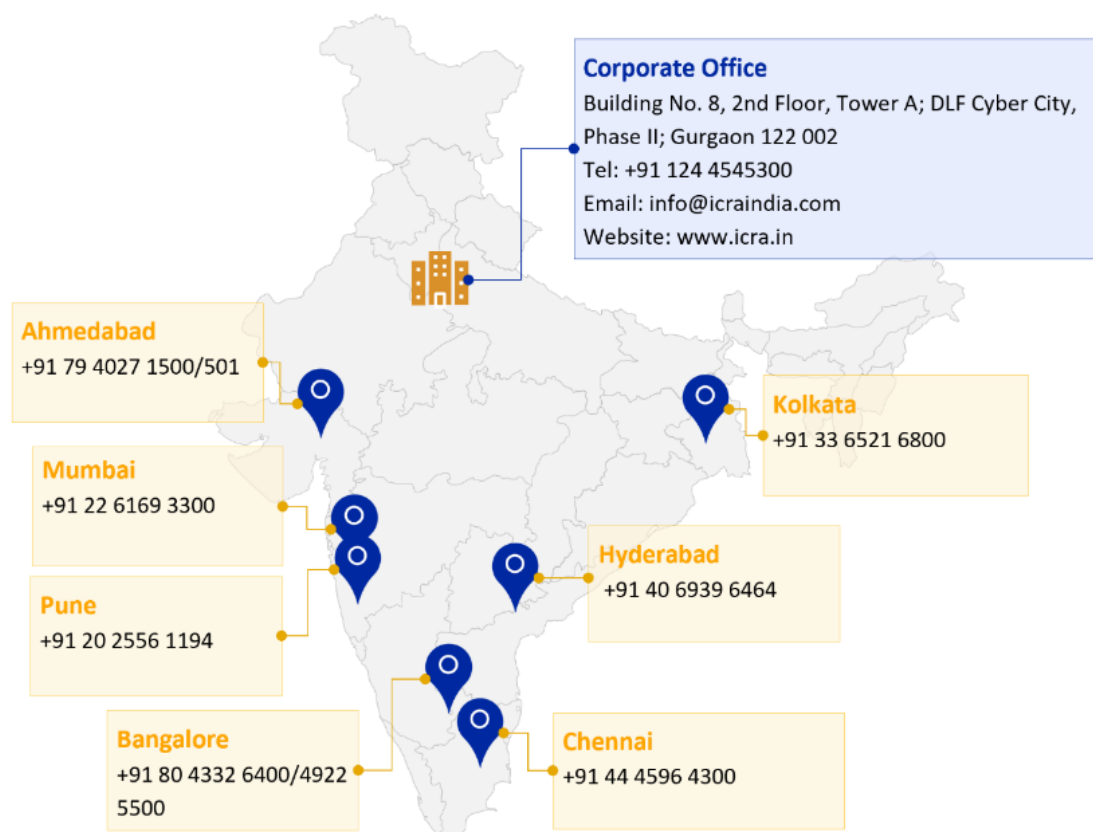
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