

NOVEMBER 03, 2016

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES, NCD, SUBORDINATED DEBT AND REDEEMABLE PREFERENCE SHARES OF SATIN CREDITCARE NETWORK LIMITED**
**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	2200 (enhanced from Rs.1600 crore)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
<b>Total</b>	<b>2200</b> <b>(Rupees Twenty Two Hundred crore only)</b>		
Non-Convertible Debentures	25 (Rupees Twenty Two crore only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-Convertible Debentures	25 (Rupees Twenty Two crore only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-Convertible Debentures	18 (Rupees Eighteen crore only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-Convertible Debentures	50 (Rupees Fifty crore only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-Convertible Debentures	51.50 (Rupees Fifty crore Fifty lakh only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-Convertible Debentures	26.28* (Rupees Twenty Six crore Twenty Eight lakh only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-Convertible Debentures	50 (Rupees Fifty crore only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-Convertible Debentures	46.44** (Rupees Forty Six crore Forty Four lakh only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-Convertible Debentures	25 (Rupees Twenty Two crore only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-Convertible Debentures	70^ (Rupees Seventy crore only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non Convertible Debenture	34^^ (Rupees Thirty Four crore only)	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Non-convertible debentures - Subordinated Debentures	21 (Rupees Twenty One crore only)	CARE BBB+ (Triple B Plus)	Revised from CARE BBB (Triple B)
Redeemable Preference Shares	25 (Rupees Twenty Five crore only)	CARE BBB+ (Triple B Plus)	Revised from CARE BBB (Triple B)

\* Exchange Rate USD 1 = INR 65.70 for Instrument of USD 4 million

\*\* Exchange Rate USD 1 = INR 66.34 for Instrument of USD 7 million

^ Exchange Rate USD 1 = INR 70 for Instrument of USD 10 million

^^ Exchange Rate USD 1 = INR 68 for Instrument of USD 5 million

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

## Rating Rationale

The revision in the ratings of Satin Creditcare Network Limited (SCNL) takes into account improvement in capital adequacy upon equity infusion of Rs.250 crore and addition to capital of around Rs.50 crore upon acquisition of stake in Taraashna Services Private Limited (TSPL), a promoter group company engaged in extending microfinance loans on behalf of Banks/Financial Institutions. The ratings also factor in the consistent growth in income and profitability on account of strong growth in loan portfolio while maintaining good asset quality. The ratings continue to draw comfort from the long-standing experience of the promoters, established track record, adequate risk management systems and diversified resource base of the company. The ratings, however, are constrained by high, although improving, geographical concentration and the inherent risk involved in the microfinance industry including socio-political intervention risk and regulatory uncertainty.

The ability of the company to geographically diversify its operations, improve its profitability on the back of growth in loan portfolio while maintaining healthy asset quality, capital structure and gearing levels are the key rating sensitivities.

## Background

SCNL is a leading microfinance company based out of Delhi. The company is registered with Reserve Bank of India (RBI) as a non-deposit accepting, systemically important non-banking financial company (NBFC) and had been granted NBFC-MFI status on November 6, 2013, by RBI. SCNL is also listed on the National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and Calcutta Stock Exchange (CSE).

Incorporated in 1990 by Mr H P Singh, the company was initially engaged in providing loans to individuals including shopkeepers etc. in the urban area. As on March 31, 2016, the individual loans portfolio stood at Rs.61.40 crore. In 2008, the company started group lending business with joint liability group model, wherein the company provides micro loans to individual members in the group with each group consisting of four-six members (loans provided are based on the joint guarantee from members). The group lending business constitutes 98% of the portfolio of SCNL. In FY16 (refers to the period April 1 to March 31), SCNL has also started a pilot to provide loan against property to individuals which constitutes a small portion of the total off-book portfolio of SCNL. As on June 30, 2016, SCNL was operating in 36,669 villages, serving more than 22.72 lakh loan clients through its 458 branches spread across 16 States/UTs, ie, Uttar Pradesh, Delhi/ NCR, Madhya Pradesh, Uttarakhand, Bihar, Rajasthan, Haryana, Punjab, Chandigarh, Jammu & Kashmir, Maharashtra, Chhattisgarh, Jharkhand, Himachal Pradesh, West Bengal and Gujarat with Assets Under Management (AUM) of Rs.3,278 crore. In September 2016, SCNL acquired a majority stake in TSPL which is a business correspondent of various banks (RBL, Yes Bank, Reliance Capital, DCB Bank) with presence in 6 states and AUM of Rs.349 crore as on March 31, 2016.

In FY16, SCNL reported a PAT of Rs. 57.94 crore on total income of Rs.558.53 crore with assets under management of Rs.3270.76 crore as on March 31, 2016. The Networth of SCNL was Rs.297.97 crore with CAR of 16.82% as on March 31, 2016. During Q1FY17 (refers to the period April 1 to June 30), SCNL reported a total income of Rs.196.75 crore and PAT of Rs.24.59 crore with AUM of Rs.3,278.24 crore and CAR at 17.87% as on June 30, 2016.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691