MOODY'S RATINGS

ASSESSMENT

23 January 2025

Send Your Feedback

Contacts

Muhammad Ibrahim, CFA
Associate Lead Analyst-Sustainable Finance
muhammad.ibrahim@moodys.com

Jiahuan Liu
Sustainable Fin Associate
jiahuan.liu@moodys.com

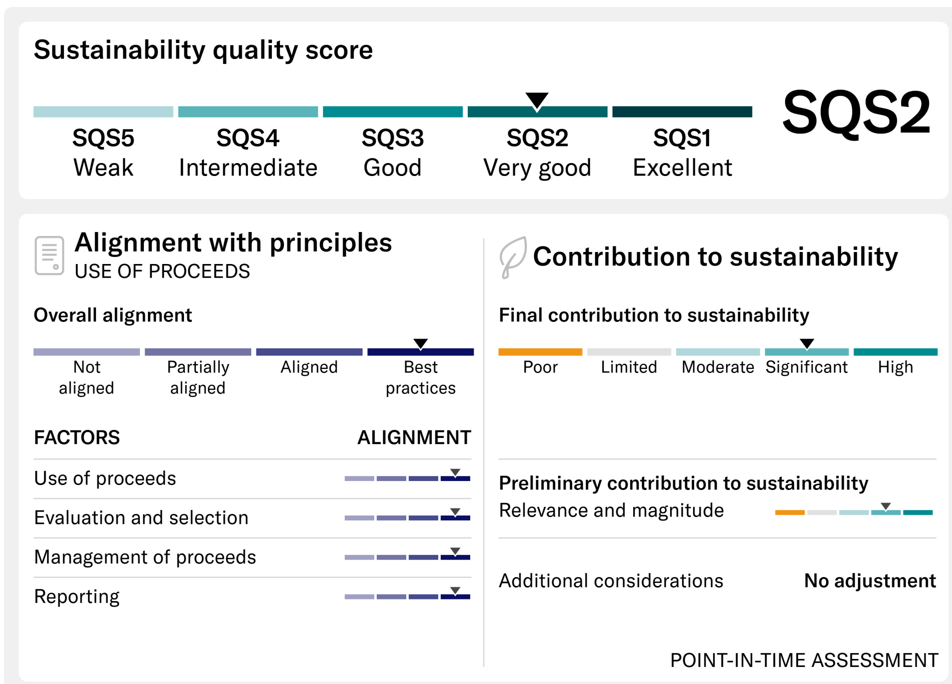
Jeffrey Lee
SVP-Sustainable Finance
sukjoonjeffrey.lee@moodys.com

Satin Creditcare Network Limited

Second Party Opinion – Social Financing Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 Sustainability Quality Score (Very Good) to Satin Creditcare Network Limited's (SCNL) social financing framework dated January 2025. SCNL has established its use-of-proceeds framework to finance four eligible social categories. The framework is aligned with the four components of the International Capital Market Association's (ICMA) Social Bond Principles (SBP) 2023, and the Loan Market Association, Asia-Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Social Loan Principles (SLP) 2023. The company has also incorporated all Moody's Ratings identified best practices for all four components. The framework demonstrates a significant contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of SCNL's social financing framework, including the framework's alignment with the ICMA's SBP 2023 and the LMA/APLMA/LSTA's SLP 2023. Under its framework, the company plans to issue use-of-proceeds social financing instruments (SFIs), with the aim of financing projects comprising four social categories, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 22 January 2025, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Assessment Framework: Second Party Opinions on Sustainable Debt, published in November 2024.

Issuer profile

Satin Creditcare Network Limited (SCNL) is a Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI) based in India. SCNL offers a variety of financial products, including income-generation loans (IGLs), water and sanitation loans, and product financing to facilitate access to clean energy, better mobility, and overall productivity. The IGL financing product is a collateral-free loan disbursed through the joint-liability group (JLG) model, primarily to women borrowers.

SCNL's subsidiaries include Satin Housing Finance Limited, which focuses on affordable housing; Satin Finserv Limited, which provides financing; and Satin Technologies. As of 31-Mar-2024, the company had consolidated assets under management (AUM) of INR 11,850 crores ($1.38 billion) and a standalone AUM of INR 10,593 crores ($1.22 billion).

In general, finance companies have moderate exposure to social risks, although the level of social risk exposure varies across companies depending on the nature of its business. Finance companies have shown the operational flexibility to adapt to emerging social issues. We expect demographic and societal trends to have a moderate impact on finance companies' core businesses as consumers and companies adapt their spending habits and changes in their behavior.

Strengths

» The target beneficiaries are financially excluded women residing in rural areas, which is expected to have a long-term positive impact.

» Moody's-identified best practices are incorporated for all four pillars of the SBP and SLP.

Challenges

» The WASH loans expect to improve livelihood, but the benefits are partially offset by the absence of the water quality standards.

Alignment with principles

SCNL's social financing framework is aligned with the four core components of the ICMA's SBP 2023 and the LMA/APLMA/LSTA's SLP 2023. The company has also incorporated all Moody's Ratings identified best practices for all four components. For a summary alignment with principles scorecard, please see Appendix 1.

- ○ Green Bond Principles (GBP)
- ○ Green Loan Principles (GLP)
- ☑ Social Bond Principles (SBP)
- ☑ Social Loan Principles (SLP)
- ○ Sustainability-Linked Bond Principles (SLBP)
- ○ Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned	Partially aligned	Aligned	Best practices ▼

Clarity of the eligible categories – BEST PRACTICES

SCNL has clearly communicated the nature of expenditures for the eligible categories, as well as the exclusion criteria. The eligibility criteria description includes financing products, which are clearly specified under each project category. Additionally, the target population, applicable to all categories, is defined as women borrowers with an annual household income of up to INR 300,000 ($3,500). The company has identified the target location as India.

Clarity of the environmental or social objectives – BEST PRACTICES

The company has clearly outlined the environmental and social (E&S) objectives associated with all the categories. Almost all the eligible categories are relevant to the respective E&S objectives to which they aim to contribute. The company has referenced the United Nations' (UN) Sustainable Development Goals (SDGs) in articulating the objectives of the eligible categories, and the objectives are coherent with these recognized international standards.

Clarity of expected benefits – BEST PRACTICES

The company has identified relevant E&S benefits for all eligible categories. The expected benefits are measurable and will be quantified in the impact reporting. The company has shared that it aims to maintain a 50:50 ratio of financing vs refinancing and is expected to report the actual share of refinancing in its allocation reporting. The maximum look-back period is 36 months.

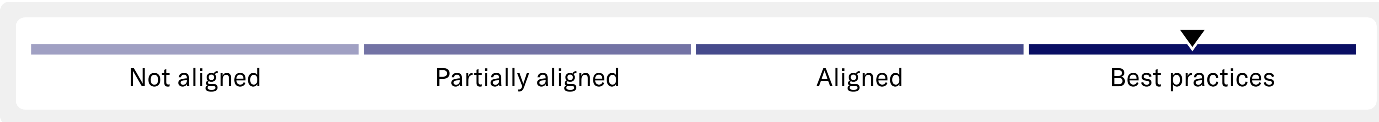
Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices ▼

Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

The company's decision-making process for determining the eligibility of projects is well-structured and clearly outlined in the framework, which will be publicly available. SCNL will form a social financing team (SFT), a cross-departmental team, to evaluate and select eligible social projects. The SFT will manage the proceeds using a portfolio approach, and the team will meet on an annual basis or more frequently if required. The team is responsible for evaluating the compliance of proposed social projects against the eligibility criteria, as well as establishing robust mechanisms for regular monitoring, reporting, and auditing throughout the life of the SFI issuance. As part of monitoring, SCNL will engage with relevant stakeholders to ensure that financing projects comply with relevant laws, regulations, and ethical standards.

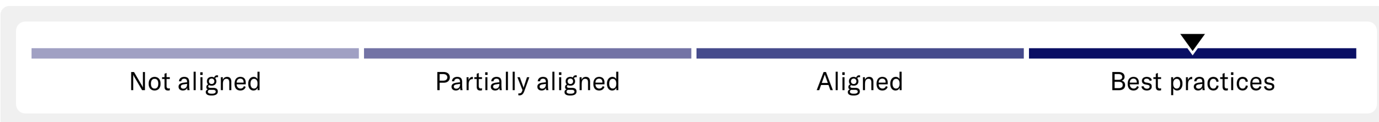
Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The SFT will manage the proceeds using a portfolio approach, and the SFI proceeds will be placed in standard accounts. Tracking will be done via system mapping with the support of the Management Information System and IT teams. The company has committed to annually adjusting the net proceeds to match the allocation to the eligible projects made during that period. The proceeds management process will be transparently disclosed to the public. The company intends to fully allocate the proceeds within 12 months, with majority of the proceeds to be allocated within 6 months from the drawdown date. Any unallocated proceeds will be held as cash, cash equivalents, or other readily marketable instruments, and will not be invested in any greenhouse gas (GHG)-intensive or controversial activities, as defined in the exclusion list in the framework.

Reporting



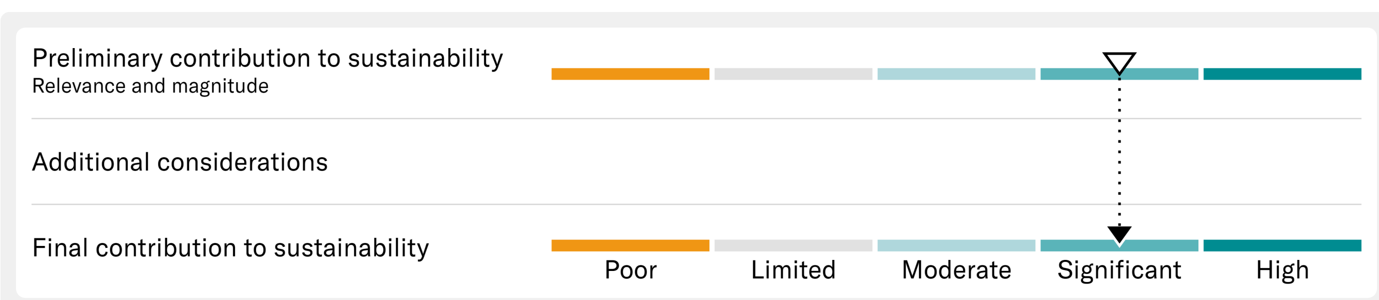
Reporting transparency – BEST PRACTICES

The company will report on SFI proceeds annually and prepare and publish a social finance investor report until the SFI maturity. This report will be made available on SCNL's website, accessible to both investors and the general public. The company commits to provide reporting on disbursement and impact indicators, including allocation details at the category level, the share of refinancing, expected E&S benefits, and any material developments related to the projects.

The company has identified relevant E&S impact indicators for the eligible categories. The methodologies and assumptions used to report on E&S impacts will be disclosed in the investor report. SCNL has committed to appointing an external verifier to conduct annual post-issuance verification of its social finance investor report, which includes both allocation and impact indicators.

Contribution to sustainability

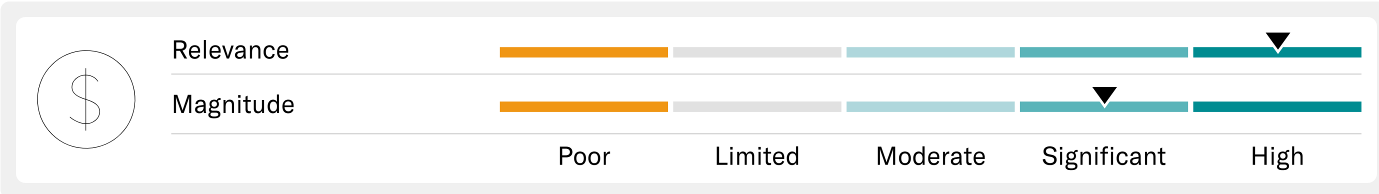
The framework demonstrates a significant overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of significant, based on the relevance and magnitude of the eligible project categories, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the eligible project categories. SCNL has shared that more than 90% of the proceeds will be used for IGL product. Thus, the categories that include IGL have received higher weights, and these include 'socioeconomic advancement and gender empowerment', 'employment generation, unemployment prevention/alleviation', and 'food security and sustainable food system'. A detailed assessment by eligible category has been provided below.

Socioeconomic advancement and gender empowerment

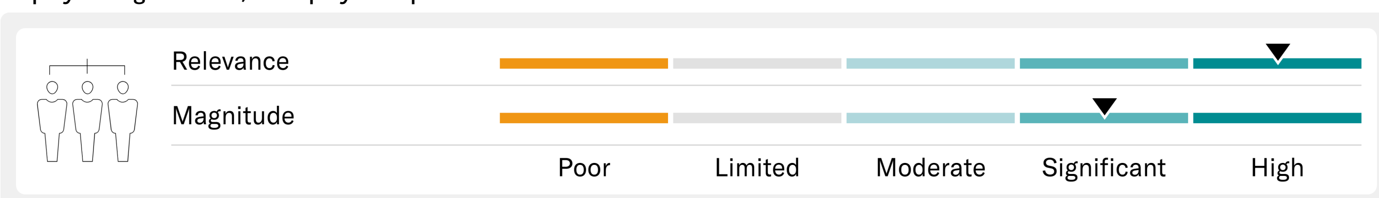


The relevance is high because gender equality continues to be a significant issue in India due to cultural norms, lower financial literacy, and systemic barriers that hinder the full realization of access and progress for girls and women. India has closed 64.1% of its gender gap, yet it ranks 129th out of 146 countries in the Global Gender Gap Report 2024, released by the World Economic Forum.[2] Despite significant progress, women in smaller cities and rural areas continue to face challenges in accessing credit, savings products, and financial services that suit their needs. Women account for more than 60% of India's unbanked population, a segment that Satin primarily targets, leading to a high relevance for the issuer.

The magnitude is significant because product financing will support financially excluded women residing in rural areas, with interest rates offered align to the market rates. The target population is defined as women borrowers with an annual household income of up to INR 300,000 ($3,500), which will likely target low to lower-middle income classes given the national average household income of INR 360,000 in 2023.[3] The loan ticket size is smaller, with an average of $321, and only one loan is issued per household at a given time, which supports responsible lending and addresses some over-indebtedness risks. Additionally, all loan applicants must undergo compulsory group training and group recognition training before loan disbursement, providing financial literacy and awareness. The lending rates are fixed, ensuring stability and affordability for the borrowers during periods of financial market volatility. The category also includes the product financing, but it is expected to constitute a minor portion within the proceeds allocation.

The company has shared that it conducts loan utilization checks (LUC), in particular for 1st cycle clients. Furthermore, at the time of loan origination, the company takes the bureau score into consideration when assessing an applicant's repayment capability, helping to address concerns about over-indebtedness.

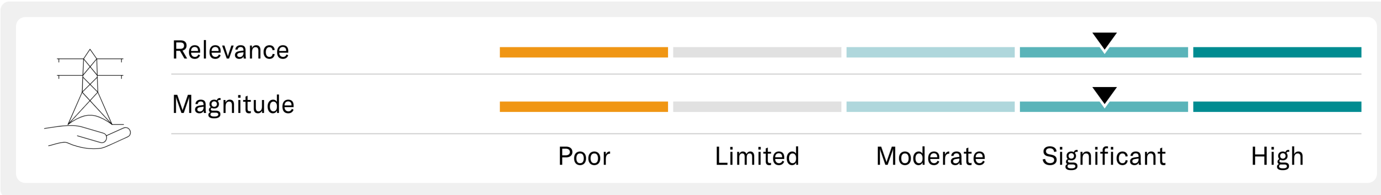
Employment generation, unemployment prevention/alleviation



The relevance is high because only 24% of women are in India's formal workforce,[4] while a large proportion are engaged in agriculture, informal sectors, and small business entrepreneurship. This exclusion from formal employment disadvantages women in accessing financial services and achieving gender equality. Financial inclusion is critical to achieving the economic empowerment of women, which account for 60% of India's unbanked population. Providing credit directly to women can have a significant impact on women's income-generating opportunities, in particular for rural areas where women are tend to be self-employed.

The category has significant magnitude, as it uses the same IGL product that is covered as a primary activity under the 'socioeconomic advancement and gender empowerment' category. SCNL will offer the IGL product to financially excluded women residing in rural areas, which is expected to have a significant impact towards employment generation.

Affordable basic infrastructure

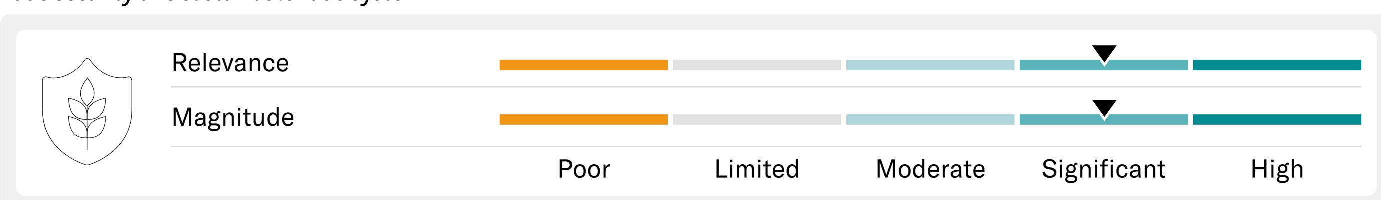


The relevance of this eligible category is significant because financing water, sanitation, and hygiene (WASH) related facilities helps preventing the spread of diseases, enhancing community health, and supporting sustainable development by improving living conditions and overall well-being. Currently, less than 49% of the rural population is using safely managed drinking water, and it is estimated that waterborne diseases have an economic burden of approximately $600 million a year in India, according to UNICEF. Meanwhile, hygiene issue caused by open defecation also emphasize the importance of having sanitation facilities especially in rural India where people are poorer, literacy rates are lower, and water is relatively more scarce. Product financing is also included in this category, which covers solar products and light bulbs. Although WASH loans and product financing account for only 0.4% and 0.2% of the company's AUM, respectively, access to these products improves livelihoods, underscoring their significant relevance for the issuer.

The magnitude of this category is significant because it is likely to provide social benefits in rural India by offering infrastructure to address WASH issues among vulnerable populations with an adequate lending rate. The loans will support women with an annual household income of up to INR 300,000 ($3,500), primarily residing in rural areas and lacking adequate WASH facilities. The market-aligned interest rate and processing fee of these loans make them affordable for borrowers. Additionally, the loan sizes for the WASH loans and the product financing are smaller than IGL, which increases affordability through smaller installments for borrowers. However, in the context of water pollution in India, the absence of effective water quality control measures limits the anticipated impact of this category.

To prevent over-indebtedness, SCNL implements several measures. Applicants must complete a two-day group training and a recognition test to improve financial literacy. Loan officers visit borrowers to collect installments and ensure responsible loan use. Borrowers can avail up to four microfinance lenders at a given time, a policy mandated by the Self-regulatory Organizations (SRO) for MFI sector. At the same time, total monthly loan obligations are capped at 50% of household income, as per the regulatory requirement, mitigating some over-indebtedness concerns.

Food security and sustainable food system



Microfinance for agricultural projects is significantly relevant because it provides small-scale female farmers with financial inclusion and addresses household food security, a significant social challenge in India. Despite progress in food grain production and reducing malnutrition, India still faces significant food and nutrition insecurity, ranking 105th out of 127 countries on the 2024 Global Hunger Index. Agricultural microfinance provided through income generating loan will enable smallholders to invest in quality seeds, fertilizers, and other inputs. While this leads to increased agricultural productivity, we lack clarity on whether sustainable agricultural practices are adopted under these activities.

The magnitude of this category is significant because providing microfinance to financially excluded women at market-aligned interest rates is to potentially have a positive impact on food security without negative externalities. SCNL will offer the IGL product to women who are financially excluded and have an annual household income below INR 300,000 ($3,500), which is around 16% lower than the national average annual household income, covering both the lowest to the middle income classes. The lending rate is in line with the market, based on the data from the Microfinance Industry Network (MFIN). The interest rate is fixed, which helps ensure stability for the borrowers during periods of financial market volatility, reducing the risk of bankruptcy and failure. SCNL offers mandatory financial literacy training programs and recognition tests to borrowers during the application process, and it assesses an applicant's repayment capability using bureau score, helping to address concerns about over-indebtedness.

The activities financed under this category are agriculture and animal husbandry, providing visibility into the end-use. Some activities may have potential environmental impacts, such as GHG emissions from livestock, but these impacts are likely minimal given the financing is directed towards smallholder farmers. Furthermore, we expect the social benefits derived from these activities to outweigh the environmental footprint considerations.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to the sustainability score based on additional considerations. SCNL has conducted a third party impact assessment and identified key topics for the company's growth. There is an established internal Environment, Social, and Governance (ESG) policy, focusing on key areas such as climate change strategy and environmental and social risks in lending activities. SCNL also has policies on diversity and inclusion to promote gender equality, aligning with the social objectives of this social financing framework. The Board of Directors of SCNL has formed a Corporate Social Responsibility Committee, which has oversight on ESG functions.

Appendix 1 - Alignment with principles scorecard for SCNL's social financing framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Best practices	**Best practices**
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	Yes		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Best practices	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	Yes		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	**Best practices**
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	**Best practices**
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Best practices	**Best practices**
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	Yes		
				Overall alignment with principles score:	**Best practices**

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The four eligible categories included in SCNL's framework are likely to contribute to five of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals		SDG Targets
GOAL 1: No Poverty	*Socioeconomic advancement and gender empowerment* *Employment generation, unemployment prevention/alleviation*	1.4: Ensure all have equal rights to economic resources, access to basic services, property ownership and finance
GOAL 2: Zero Hunger	*Food security and sustainable food systems*	2.3: Double agricultural productivity and incomes of small-scale farmers through equal access to resources and opportunities
GOAL 6: Clean Water and Sanitation	*Affordable basic infrastructure*	6.1: Achieve universal and equitable access to safe and affordable drinking water for all
		6.2: Achieve access to adequate sanitation and hygiene for all and end open defecation
GOAL 8: Decent Work and Economic Growth	*Socioeconomic advancement and gender empowerment* *Employment generation, unemployment prevention/alleviation*	8.5: Achieve full, productive employment and decent work for all women and men, and equal pay for work of equal value
GOAL 10: Reduced Inequality	*Socioeconomic advancement and gender empowerment* *Employment generation, unemployment prevention/alleviation* *Affordable basic infrastructure* *Food security and sustainable food systems*	10.2: Empower and promote the social, economic and political inclusion of all

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in SCNL's framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Socioeconomic advancement and gender empowerment	- Income Generating Loans: to increase the income-generating potential of the clients engaged in agricultural, transportation, trading, and production related business operations. These loans help to enhance the quality of life of the underserved population across our presence. - Product Financing (eligible products: cycles, sewing machines, induction cookers and stoves): to uplift the well-being of communities around us.	Socioeconomic advancement and gender empowerment	- No. of loans disbursed to women from the funding proceeds - Total number of beneficiaries of mentioned Product Financing from the funding proceeds. - Total no. of Beneficiaries from below poverty line from the funding proceeds - % of borrowers with improved abilities to manage finances as result of the given loan - % of borrowers (women) whose ability to make decisions have increased as a result of the given loan - % of borrowers whose savings have increased as a result of the given loan
Employment generation, unemployment prevention/alleviation	- Income Generating Loans: to increase the income-generating potential of the clients engaged in agricultural, transportation, trading, and production related business operations. These loans help to enhance the quality of life of the underserved population across our presence.	Employment generation	- % of borrowers whose paid employee count has increased - % of borrowers whose income has increased as a result of the given loan
Affordable basic infrastructure	- Water & Sanitation (WASH) Loans: to empower our clients to build safe, household-level potable water and sanitation facilities. - Product Financing (eligible products: solar products and light bulbs): to uplift the well-being of communities around us.	Affordable basic infrastructure	- % of borrowers whose amount spent on home improvement have increased as a result of the given loan - No. of loans disbursed for Water and Sanitation from the funding proceeds - Total number of beneficiaries of solar loans from the funding proceeds
Food security and sustainable food systems	- Income Generating Loans: to increase the income-generating potential of the clients engaged in agricultural, transportation, trading, and production related business operations. These loans help to enhance the quality of life of the underserved population across our presence.	Food security and sustainable food systems	- Total number of beneficiaries engaged in Agri and Agri-allied activities from the funding proceeds - % of borrowers whose number and quality of meals have increased as a result of the given loan

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

2 World Economic Forum: Global Gender Gap Report 2024.

3 The Times of India, Incomes up since Covid, but poorest 20% still below FY16 level: Study, 25 January 2024.

4 Council on Foreign Relations: Spotlight on India - Growing Economies Through Gender Parity.

REPORT NUMBER 1434445