

## 'CareEdge B/Stable' rating assigned to dollar bonds of Satin Creditcare Network Limited

**USD 35 million External Commercial Borrowing**

**CareEdge B/Stable**

CareEdge Global has assigned a '**CareEdge B/Stable**' rating to USD 35 million external commercial borrowing (ECB) of Satin Creditcare Network Limited (SCNL).

### **Rationale**

SCNL's rating is driven by its long operational track record in the microfinance institution (MFI) space and position as the third-largest NBFC-MFI in India, with consolidated assets under management (AUM) of Rs 133 billion as on December 31, 2025. It accounts for around 4% and 10% market share in MFI and NBFC-MFI industry (as on December 31, 2025), respectively. Its credit profile is further supported by an adequate capitalisation level with capital adequacy ratio (CAR) of 24.6% as on December 31, 2025.

SCNL also benefits from a diversified resource profile, with 73 active lenders. As of end-December 2025, banks constitute 71% of total borrowings, followed by overseas funds at 15%, domestic financial institutions at 8.5% and non-banking financial institutions (NBFIs) at 5.5%, indicating wide accessibility to funding.

The rating also factors in a moderately diversified product portfolio through its subsidiaries Satin Finserv Ltd (SFL) and Satin Housing Finance Ltd (SHFL). At the consolidated level, Joint liability group (JLG) loans comprise 84% of the portfolio, followed by micro, small and medium enterprise (MSME) loans (8%) and housing finance loans (8%) as on December 31, 2025. Present across 31 states and union territories (UTs), the top three states of Uttar Pradesh, Bihar and Assam collectively account for 48% of the AUM, broadly in line with the industry's geographical presence in India.

However, these strengths are partly offset by moderate asset quality metrics with higher delinquencies witnessed during FY25 and 9MFY26. SCNL's 90+ days past due (dpd) increased to 3.7% as on March 31, 2025, from 2.5% as on March 31, 2024, owing to broader stress in the microfinance sector in India over the past 6-7 quarters. However, the delinquencies improved to 3.3% as on December 31, 2025, as reflected in average collection efficiency of 92% for the nine months ended December 31, 2025 (FY2025: 87%). Further, asset quality is expected to normalise in the next few quarters as borrower stress eases and stricter underwriting standards take effect. The rating is also tempered by inherent risks of an

unsecured asset class (~87% of the portfolio), high leverage, and underlying vagaries associated with the microfinance sector.

### Outlook: Stable

The stable outlook reflects our expectation that SCNL will maintain its position as a leading microfinance company in India, supported by comfortable capitalisation and healthy growth while maintaining the asset quality and leverage.

### Rating Sensitivities

#### Upward factors

- Improvement in the asset quality with gross non-performing assets (GNPA) below 3% and improvement in credit costs on a sustained basis
- Higher geographical diversification mitigating risks associated with unsecured lending

#### Downward factors

- Weakening of the capital structure with overall leverage beyond 5x or CAR slipping below 20% on a sustained basis
- Increase in credit costs or operating expenses resulting in adverse impact on the return on assets (RoA)

### Analytical approach

CareEdge Global has evaluated SCNL's business and financial risk profile on a consolidated basis, including its subsidiaries – SHFL, SFL, Satin Technologies Limited and Satin Growth Alternatives Limited.

### Key rating drivers

#### Strengths

##### Leading microfinance player in India with diversified portfolio

With over three decades of track record in the lending business and more than 15 years in the microfinance segment, SCNL a leading MFI in India. It is currently the third-largest NBFC-MFI, with a consolidated AUM of Rs 133 billion as on December 31, 2025, vs Rs 121 billion as on December 31, 2024, reflecting 10% y-o-y growth. SCNL's book constitutes ~3% and ~8% of the overall MFI and NBFC-MFI industry AUM, respectively.

SCNL operates in 558 districts across 31 states and UTs through a network of 1,987 branches as of end-December 2025. To reiterate, the top three states of Uttar Pradesh, Bihar and Assam account for 48% of the AUM, broadly in line with the industry's geographical presence in India. As on December 31, 2025, JLG loans constitute 84% of the total AUM, reflecting continued focus on livelihood linked microcredit. In addition to its core microfinance business, SCNL is present in housing finance and MSME lending segments, through its subsidiaries SHFL and

SFL. These entities manage an AUM of Rs 11 billion and Rs 7 billion, respectively, as on December 31, 2025, gradually diversifying the group's customer and product base.

### **Comfortable capitalisation and diversified resource profile**

SCNL has a comfortable capitalisation profile, supported by adequate buffer above the regulatory requirement of 15%. The company reported a CAR of 24.6% as on December 31, 2025, reflecting headroom for growth and loss-absorption capacity. Historically, it has maintained a capital buffer of 5-10% over the minimum requirement aided by regular capital infusions, and this trend is expected to continue in the near to medium term as well.

SCNL maintains good relationship with its lenders, indicated by the company's well-diversified resource profile backed by 73 active lenders. As on December 31, 2025, banks constitute 71% of its total borrowings, followed by overseas funds at 15%, domestic financial institutions (DFIs) at 8.5% and NBFIs at 5.5%. The resource profile is also diversified in terms of financial instruments, with term loans constituting 37% of borrowings, followed by direct assignments (DA; 22%), ECBs (15%), pass-through certificates and non-convertible debentures.

### **Weaknesses**

#### **Moderate asset quality underpinned by deterioration across industry**

SCNL's asset quality remains moderate due to weak borrower profile in microfinance segment coupled with unsecured lending. While the asset quality improved during FY22 to FY24, it deteriorated in FY25 and 9MFY26 owing to rising delinquencies across all geographies. This was on account of weakening of macroeconomic factors and overleveraging of borrowers, witnessed across MFIs over the last 6-7 quarters. SCNL's GNPA's stood at 3.7% as on March 31, 2025 (FY2024: 2.5%) despite addition of Rs 6.2 billion in GNPA, owing to write-offs of Rs 3 billion. However, the 90+ dpd improved to 3.3% as on December 31, 2025, with abating macro stress. This is also reflected in average collection efficiency of 92% for the last nine months ended December 31, 2025 (FY2025: 87%). Further, asset quality is expected to normalise in the next few quarters with the seasoning of new disbursements.

Deterioration in asset quality also resulted in breach of few covenants owing to which SCNL faces a prepayment risk. As on March 31, 2025, the company had breached covenants for six debt-funding agreements amounting to Rs 6.3 billion. However, this reduced to Rs 2.4 billion by end-2025, representing ~3.2% of outstanding debt. The company has secured waivers from all lenders for the breaches as of March 2025 and December 2025. There was no acceleration of debt by any lender, and SCNL maintains its ability to secure capital from a broad range of funding sources.

### **High gearing level**

SCNL's gearing has remained high at 4.7x<sup>1</sup> on a consolidated level as on December 31, 2025, compared with gearing of 4.6x as on March 31, 2025. Higher gearing is on account of a sizeable managed portfolio of over Rs 25 billion for the past three years. It was Rs 32 billion as on December 31, 2025, increasing from 26 billion as on March 31, 2025. SCNL's standalone gearing was lower at 3.9x as on December 31, 2025 (3.7x as of March 2025). While the overall gearing has improved from historical levels of ~5.7x, it continues to be high. CareEdge Global expects the gearing to remain below 5x in the near to medium term, supported by timely capital infusion and steady accruals.

### **Asset class inherently susceptible to macroeconomic shocks**

Being an NBFC-MFI, SCNL's loan book largely comprises unsecured assets, accounting for ~87% of its consolidated portfolio. Borrowers are predominantly low-income women whose incomes tend to be affected by environmental factors such as floods, drought/heat wave, which ultimately impact the asset quality. To counter this, frequent customer interactions and continuous monitoring of borrower indebtedness are a necessity. Historically, the poor credit behaviour in the microfinance segment is underpinned by socio-political events (such as the announcement of farm loan waivers), and its sensitivity to the borrower class. Similarly, lack of understanding and awareness has resulted in misinterpretation of certain ordinances in CY2025 by borrowers in Karnataka and Tamil Nadu, leading to deterioration in loan repayment behaviour for non-financial reasons. Similarly, asset quality of SCNL's Bihar portfolio (13% of AUM) is a monitorable with the Legislative Assembly recently passing the Bihar Micro Finance Institutions (Regulations of Money Lending and Prevention of Coercive Actions) Bill, 2026. The Bill aims to implement strong oversight for MFIs and small loan providers operating in the state. CareEdge Global expects no material impact in the near term, but the company's ability to manage slippages, AUM growth and maintain its profitability levels is a key monitorable.

### **Liquidity**

SCNL's liquidity position is adequate with cash and equivalents of Rs 21 billion as on December 31, 2025. It maintains a buffer of around two months of disbursements as liquidity as per internal threshold. The company's liquidity would cover 167% of its debt servicing obligations for the next three months. There are no negative cumulative mismatches as of December 31, 2025. SCNL has demonstrated strong relationships with banks and other financial institutions and has not faced any refinancing challenge despite the covenant breaches.

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<sup>1</sup> Gearing is computed including the managed portfolio

### **Environmental, social and governance (ESG) considerations**

SCNL integrates ESG principles into its operations through responsible-lending practices and technology-driven underwriting that help mitigate environmental and social risks. Its rural-focused business model supports sustainable financial inclusion in 558 districts across 31 states/UTs, reflecting its deep outreach in underserved communities.

Socially, SCNL serves over 33 lakh active clients, primarily women, and promotes borrower protection through stringent leverage checks and credit-discipline guardrails. Its subsidiaries support affordable housing and MSME borrowers, helping micro-entrepreneurs strengthen and rebuild their economic footing.

On the governance front, SCNL is supported by an experienced leadership team and robust risk-management systems, including PAR-based monitoring. Currently, four of the six directors on the board are independent. Continuous digital upgrades—including investments in cybersecurity through the acquisition of QTrino Labs—enhance internal controls and future-readiness.

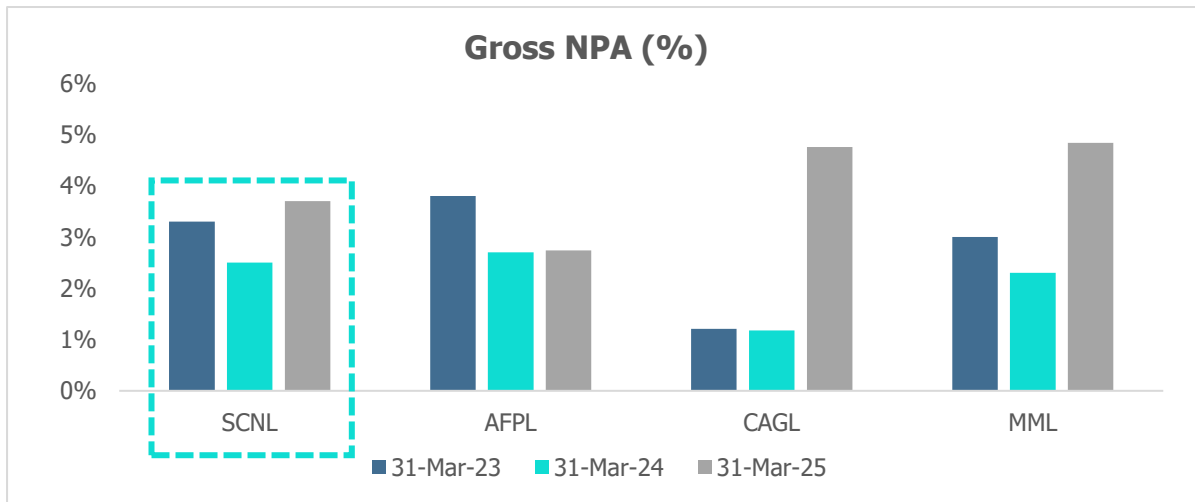
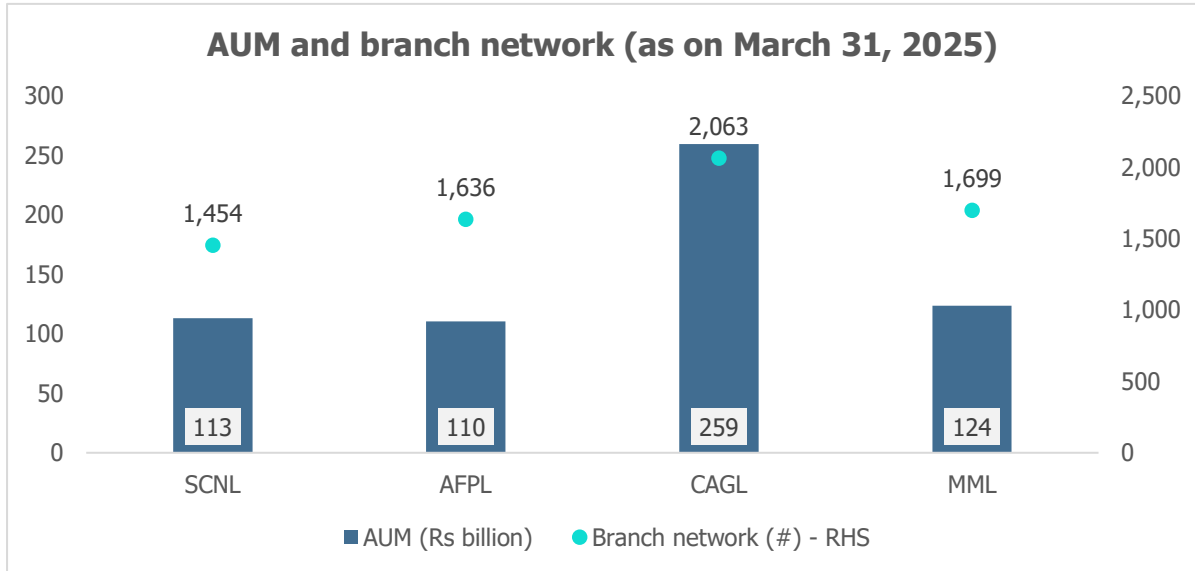
### **About the company**

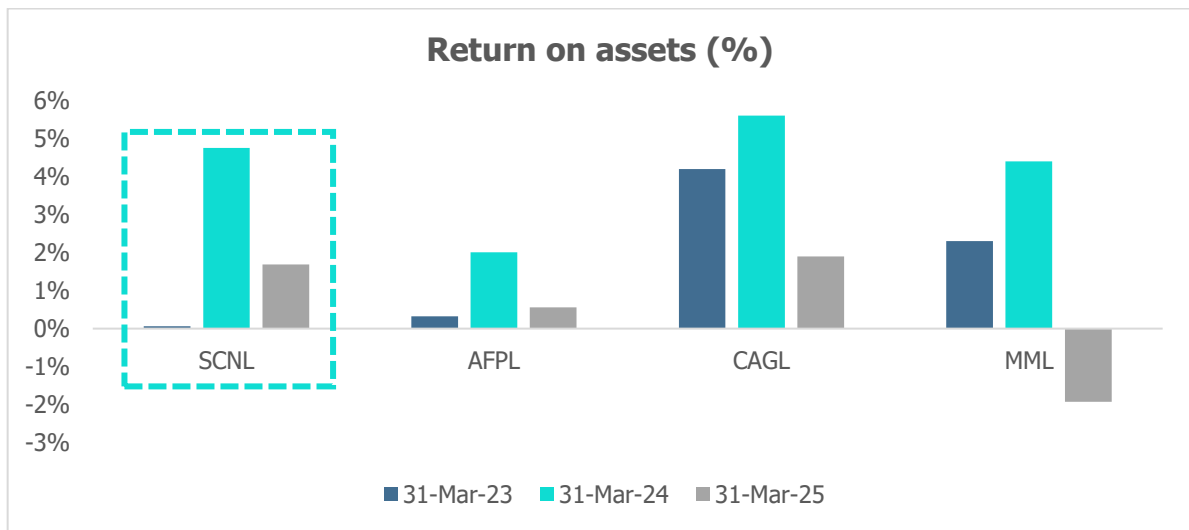
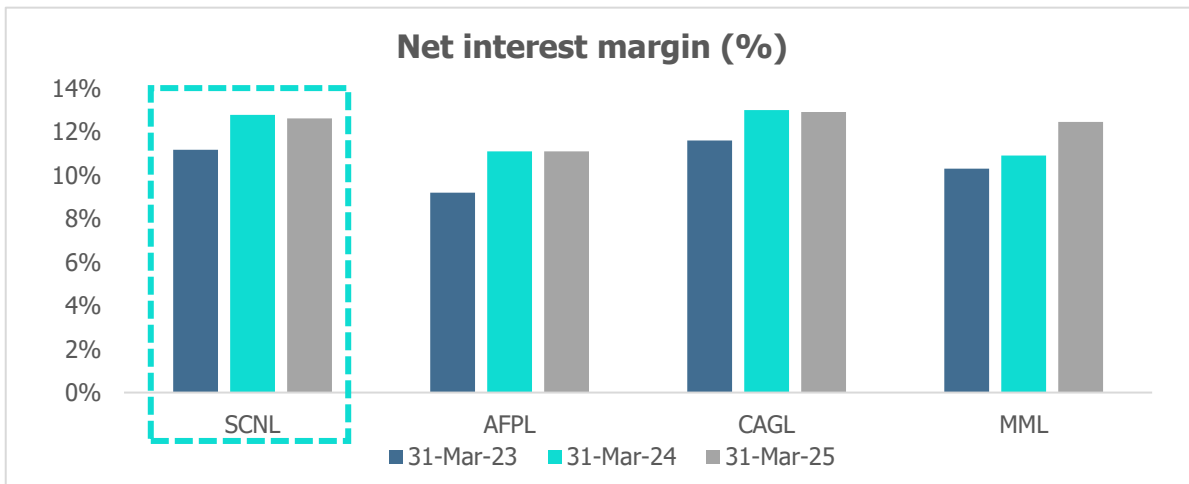
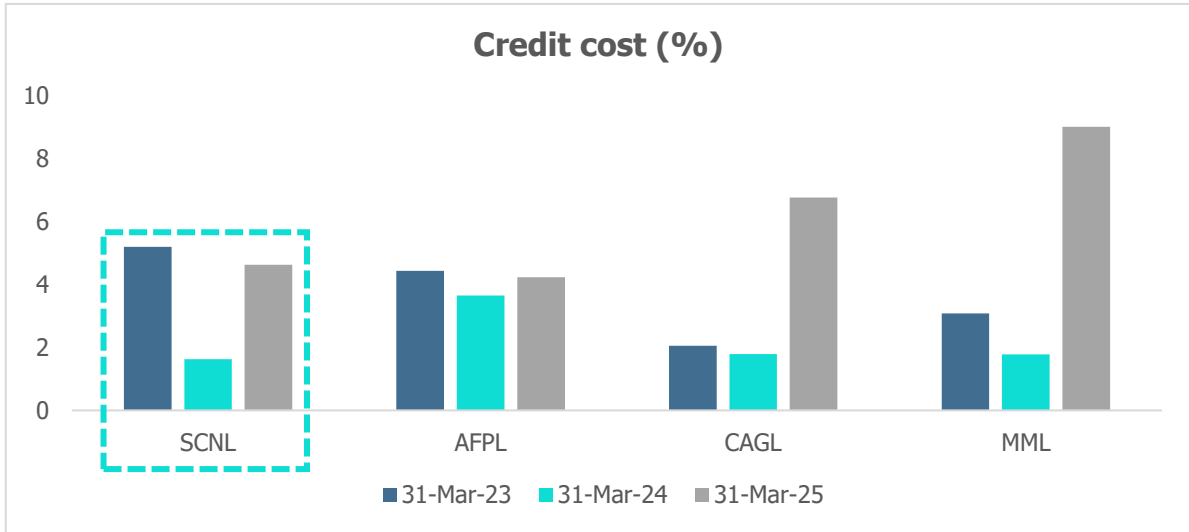
SCNL, established in 1990, is one of India's oldest and largest NBFC-MFIs with a strong focus on advancing financial inclusion among underserved low-income households. The company began by offering small business and individual loans and was registered as an NBFC with the Reserve Bank of India in 1998, later transitioning to an NBFC-MFI in 2013. Over the years, SCNL has evolved into a leading MFI with a diversified product suite and deep rural penetration.

SCNL's business model is centred around the JLG framework, enabling efficient delivery of collateral-free microcredit to women engaged in income-generating activities. In addition to its core microfinance portfolio, the company operates through two subsidiaries—SHFL and SFL—which extend affordable housing loans and MSME loans, respectively, allowing the company to expand into secured and semi-secured lending segments.

As on December 31, 2025, SCNL had a consolidated AUM of Rs 133 billion. It operates through a wide physical network of 1,987 branches across 31 states and UTs, serving 3.3 million clients and supported by a workforce of 18,240 employees and 11,981 loan officers. With more than three decades of experience, strong institutional processes and a diversified presence, SCNL has built a robust franchise in the microfinance landscape.

**Comparison with other NBFC-MFIs**





*SCNL: Satin Creditcare Network Ltd; AFPL: Annapurna Finance Pvt Ltd; CAGL: CreditAccess Grameen Ltd; MML: Muthoot Microfin Ltd*

### Recent updates and financial summary

The company posted a net profit of Rs 1,700 million for the nine months of the current fiscal, higher than Rs 1,640 million for the same period of the previous fiscal, a 4% increase. Its AUM increased 12% y-o-y to Rs 133 billion as on December 31, 2025, from Rs 119 billion as on December 31, 2024. On a standalone basis, it reported GNPA and NNPA of 3.3% and 1.1% respectively, as on December 31, 2025, with a healthy CAR of 24.6% against the regulatory requirement of 15%.

### Key summary financial metrics (Consolidated)

Particulars	Unit	March 31, 2023	March 31, 2024	March 31, 2025
AUM	Rs bn	91	118	128
Net interest margin	%	8.3	10.8	11.5
Cost to income	%	56.6	45.2	51.3
GNPA <sup>2</sup>	%	3.2	2.5	3.7
Return on assets	%	0.1	4.7	1.7
CAR <sup>2</sup>	%	26.6	27.7	25.9

### Solicitation status

The rating is solicited. The management has provided information to and held meetings with the CareEdge Global analytical team for the rating.

### Details of instruments

Instrument	ISIN	Date of issuance	Maturity date	Issue size	Rating
<b>External Commercial Borrowings</b>	-	-	-	USD 35 million	CareEdge B/Stable

### Rating history

Instrument	Type	Rating	Date
<b>External Commercial Borrowings</b>	Long-Term Foreign Currency	CareEdge B/Stable	May 06, 2026

<sup>2</sup> As per reported financial statements

**Criteria applied**

[CareEdge Global's Rating Methodology for Financial Institutions](#)

[CareEdge Global's Rating Consolidation Methodology](#)

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