

'CareEdge B-/Stable' rating assigned to dollar bonds of Satin Finserv Limited

USD 15 million External Commercial Borrowing

CareEdge B-/Stable

CareEdge Global has assigned a '**CareEdge B-/Stable**' rating to Satin Finserv Limited's (SFL) USD 15 million external commercial borrowing.

Rationale

SFL's rating factors in its position as a wholly owned subsidiary of Satin Creditcare Network Limited (SCNL), the third-largest non-banking financial company - microfinance institution (NBFC-MFI) by asset under management (AUM). This relationship ensures periodic capital infusion and strategic support from its parent.

Continued and timely capital support from SCNL is a key strength and is expected to support SFL's growth plans as its AUM is likely to grow rapidly over the next 1-2 years with the growth in the disbursements in sustainability and emerging businesses (SEB) segment which has a larger ticket size ranging from Rs 1 million to Rs 200 million.

Although SCNL has minimal involvement in SFL's daily operations, the subsidiary benefits from the strategic guidance and oversight of its promoter, Dr. H.P. Singh, a 35-year veteran of the lending business.

SFL's standalone credit profile has accounted for adequate capitalisation, with an above-regulatory requirement buffer of over 20% in the past three years. SFL reported a CRAR of 36% and a comfortable gearing of 2.7x as of end-2025.

As on December 31, 2025, SFL's funding mix is diversified into term loans (46%), pass-through certificates (PTCs) (28%) and non-convertible debentures (NCDs; 26%).

However, these strengths are partly offset by SFL's modest scale of operations as reflected in AUM of Rs 7.6 billion as on December 31, 2025, and moderate asset quality, as seen in gross non-performing assets (GNPA) of over 4% in the past five years. The asset quality deteriorated this fiscal because Rs 349 million was added to the GNPA in the year resulting in GNPA of 4.8% as of end-2025. The borrower base continues to be vulnerable to income volatility, due to the specific customer segments served, leaving the portfolio susceptible to macroeconomic stress. Further, modest scale of operations and higher credit costs have capped profitability; PAT was Rs 31 million in 9MFY26 (Rs 75 million in FY2025). However, earnings are expected to improve meaningfully over the next 2-3 years as scale benefits accrue and asset quality improves.

Outlook: Stable

The stable rating outlook indicates our expectation that SFL will continue to expand its portfolio while maintaining a comfortable capitalisation, along with support from the parent.

Rating sensitivities

Upward factors

- Upward revision in the credit rating of the parent, SCNL
- Significant growth in the scale of operations while maintaining asset quality
- Increase in profitability and return metrics

Downward factors

- Deterioration in asset quality and credit costs over 4% on a sustained basis
- Capitalisation below 20% on a sustained basis
- Dilution in shareholding below majority or weakening of the parent's support for SFL

Analytical approach

CareEdge Global has evaluated SFL's business and financial risk profile on a standalone basis by applying its 'Financial Institutions Rating Methodology'. The Group Rating Methodology has been applied to factor in support from SCNL.

Key rating drivers

Supporting Factors

Strong parentage and expectation of continued support

SCNL, with a consolidated AUM of Rs 133 billion as on December 31, 2025, is the third-largest NBFC-MFI in India with an established operating track record of over three decades. It accounts for around 3% and 8% market share in the MFI and NBFC-MFI industries (as on September 30, 2025) respectively, underscoring its strong position in the MFI landscape.

As a wholly owned subsidiary, SFL benefits from the financial and strategic backing of its parent, SCNL. This relationship includes capital infusions, strategic direction and board oversight, ensuring consistent strategic alignment through a common promoter and an experienced board. SCNL is committed to extending support in the future as well. SFL also leverages SCNL's well-established and diversified lender relationships to strengthen its funding profile and support its growth plans.

Comfortable capitalisation and leverage

SFL's capitalisation is adequate, supported by a buffer of 20% over the regulatory requirement (15%) in the past three years. This is expected to remain 5-10% above the regulatory requirement on a steady state basis. The company reported a capital adequacy ratio (CAR) of 36% as on December 31, 2025 (37.6% as on March 31, 2025). Capitalisation is bolstered by timely equity infusions from SCNL, including Rs 500 million capital infused in December 2025.

The company's leverage is also comfortable, with gearing at 2.7x as on December 31, 2025 (2.4x as on March 31, 2025).

Offsetting factors

Modest scale of operations

Although SFL has expanded its portfolio, operational scale is still modest. AUM increased to Rs 7.6 billion as on December 31, 2025, from Rs 5.5 billion as on March 31, 2025. It is expected to maintain the growth momentum over the next 1-2 years thanks to higher disbursements in the SEB segment, which has a larger ticket size of Rs 1 million-Rs 200 million. The on-book portfolio expanded steadily to Rs 7.0 billion as on December 31, 2025, from Rs 5.1 billion as of March 31, 2025, indicating a focus on building its book. Meanwhile, the discontinued business-correspondence (BC) portfolio is expected to fully run down by next fiscal.

Moderate asset quality and vulnerable borrower profile

SFL's asset quality is moderate, with its GNPA rising to 4.8% as on December 31, 2025, from 4.3% as of March 31, 2024. This is because of GNPA additions of Rs 199 million in FY25 and Rs 349 million in 9MFY26. As on December 31, 2025, delinquency levels rose to 4.6%, highlighting inherent risks associated with the borrower segment, characterised by unstable occupations and volatile cashflows. Despite 90% of the book being secured, the structural vulnerability makes the portfolio more prone to economic shocks or sectoral disruptions. Hence, to improve the asset quality, SFL needs to strengthen collections, tighten underwriting practices, and enhance monitoring frameworks.

Subdued profitability and earnings profile

SFL's earnings profile is constrained by its moderate scale of operations and NPAs, which kept credit costs high at 4.1% (annualised) in 9MFY26, compared with 2.4% in FY25. The company reported a modest PAT of ~Rs 31 million in 9MFY26 and Rs 75 million in FY25. It reported meagre return on assets (RoA) and return on equity (RoE) of ~0.5% and ~1.9% (annualised) in 9MFY26, and 1.5% and 4.2% respectively in FY25. Nevertheless, earnings are expected to improve meaningfully over the next 2-3 years as SFL scales up its on-book portfolio and consequently improves the asset quality.

Liquidity

SFL's liquidity position is adequate with unencumbered cash and equivalents of Rs 825 million as on December 31, 2025, bolstered by the parent's ability to provide timely financial support. It typically maintains a liquidity buffer of two months of disbursements. The company's liquidity is sufficient to cover 90% of its debt servicing obligations over the next quarter. No negative cumulative mismatches have been reported as on December 31, 2025. Adequate near-term liquidity provides a safety net during volatile economic cycles.

Environmental, social and governance (ESG) considerations

SFL's ESG profile highlights a lending business with limited direct environmental footprint, material social exposure through its borrower base, and a strong governance framework supported by an experienced board and parent oversight.

On the environmental front, the impact is largely indirect; arising through portfolio exposure to micro and small enterprises whose operations can get disrupted by climate-linked events. SFL's own operations are highly digitised, ensuring minimal paper usage and branch-level resource intensity, with scope to strengthen energy efficiency, e-waste controls, etc. as its scale increases.

The social factors are more material: By focusing on livelihood creation, SFL supports small business owners and the self-employed, but this segment's income stability is a key driver of potential delinquency pressure. The company mitigates this through responsible-lending practices, field-level engagement and borrower education, strengthened collections, and staff training on conduct and fair-practice codes, as well as attention to employee safety, incentives, and retention.

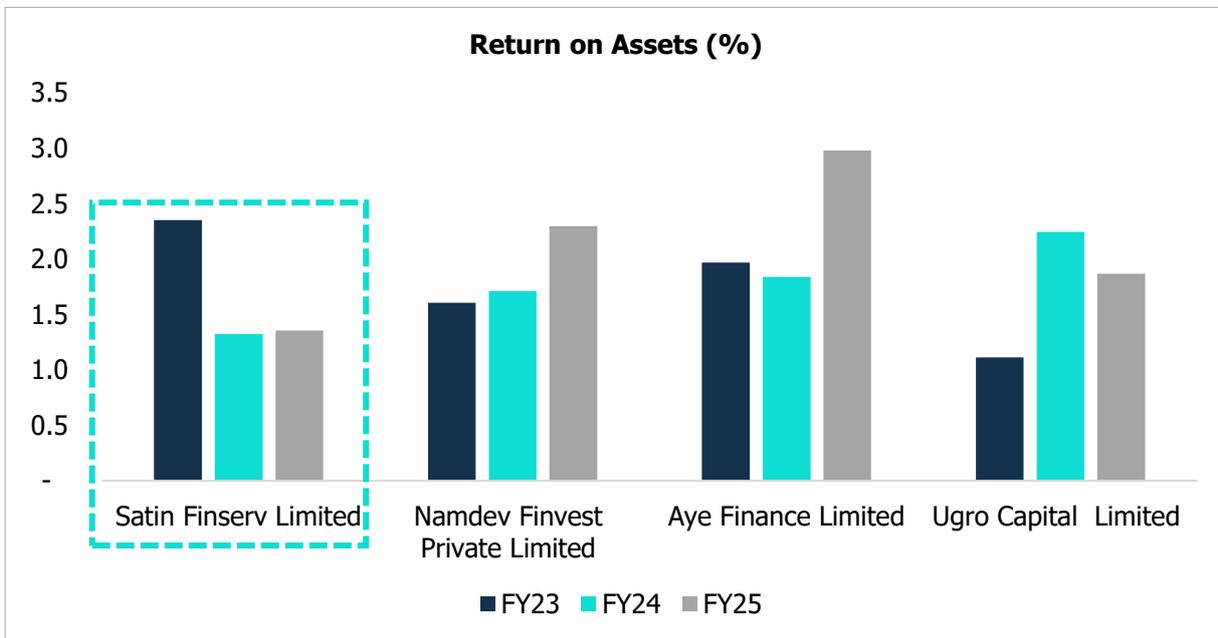
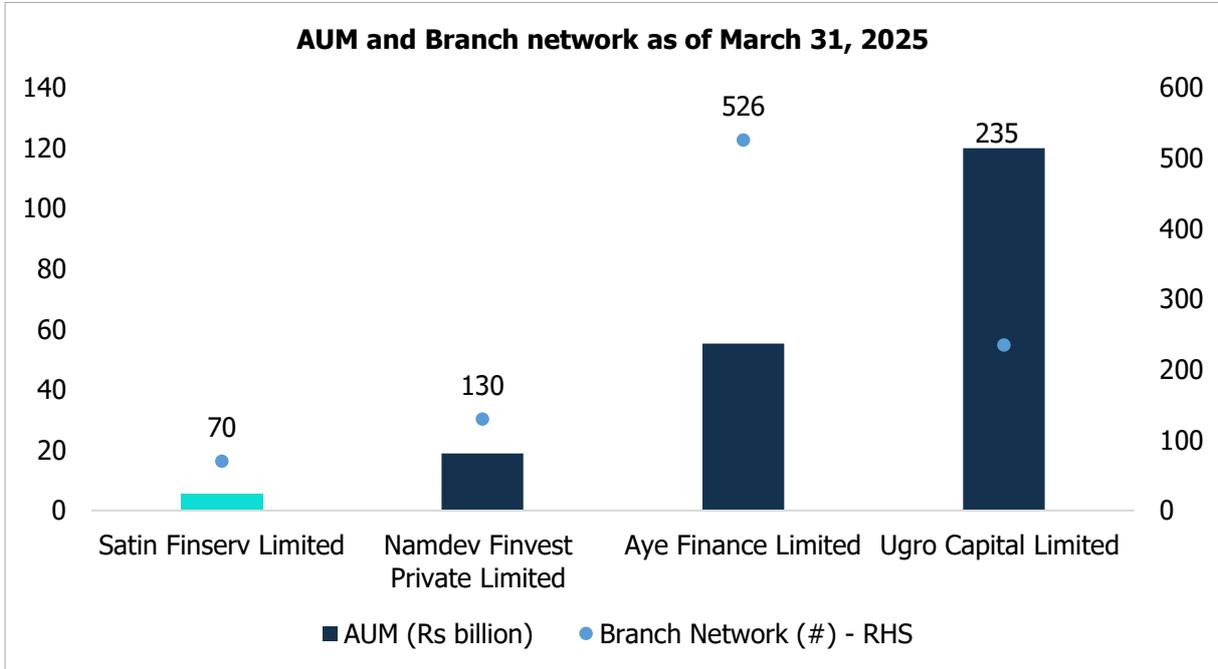
Regarding governance, the company maintains an effective board structure, with three of five directors being independent. Governance is supported by SFL's status as a 100% subsidiary of SCNL and board-level guidance which includes the common promoter as well. SFL continues to reinforce internal audit, risk and compliance frameworks, data protection and IT controls, and oversight of higher-ticket/wholesale exposures, with clear policies on credit underwriting, early-warning triggers, and grievance redressal.

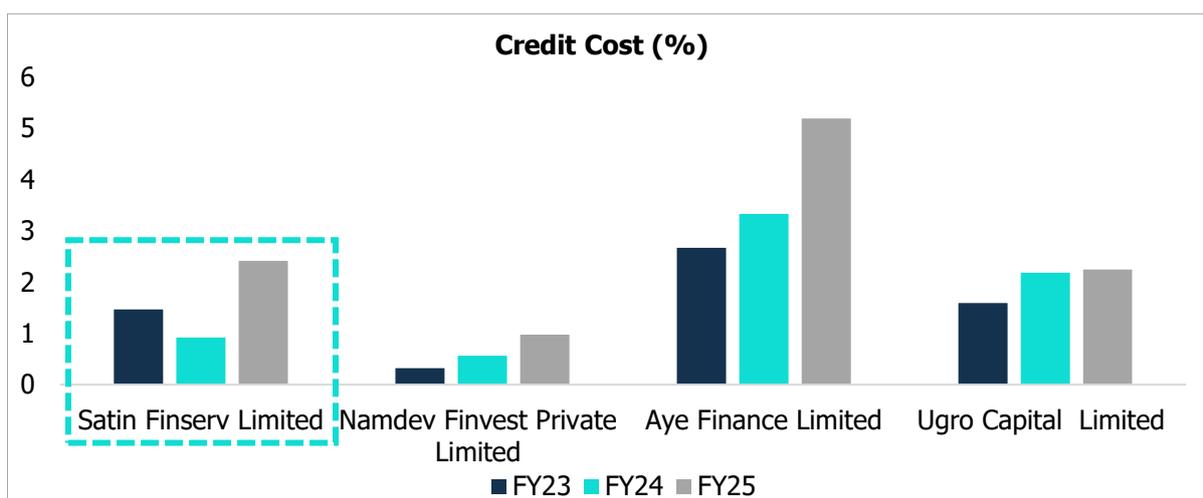
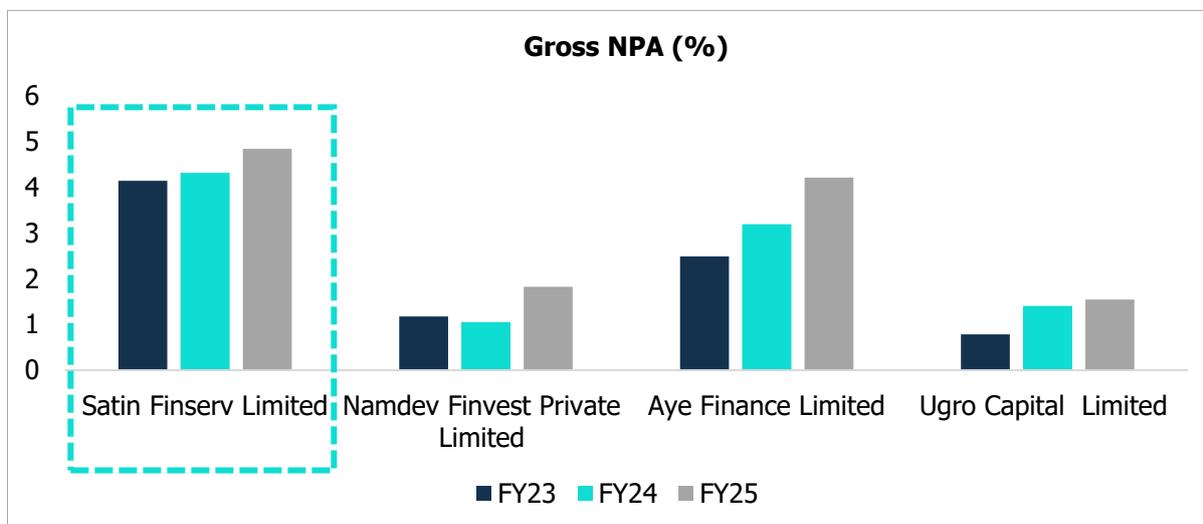
About the company

SFL, incorporated as a NBFC in August 2018, operates as a wholly owned subsidiary of SCNL, one of India's largest MFI. SFL was established to diversify the group's portfolio beyond traditional microfinance by focusing on MSME lending, and specialised wholesale lending exposures.

SFL operates primarily across two segments aligned with parent's strategic framework. The micro enterprise group (MEG) vertical (78% of AUM), it extends secured loans to small business owners and micro-entrepreneurs, while the sustainable & emerging businesses (SEB) segment (22%) focuses on green financing and sustainability-linked lending. Together, these segments enable SFL to cater to a broad spectrum of micro and small enterprises. SFL is present in 11 states and union territories with 48% of AUM contributed by the top three states (Uttar Pradesh, Punjab, and Haryana).

Comparison with other NBFC-MSME lending





Recent updates and financial summary

The company posted a net profit of Rs 31 million for the nine months of fiscal 2026, lower than Rs 52 million for the same period of the previous year. AUM increased to Rs 7.6 billion as on December 31, 2025, from Rs 5.5 billion as on March 31, 2025. It reported GNPA and NNPA of 4.8% and 2.8%, as on December 31, 2025, vs 4.8% and 2.9%, respectively, as on March 31, 2025. CAR was healthy at 36% as of end-2025, against the regulatory requirement of 15%.

Key summary financial metrics

Particulars	Unit	March 31, 2023	March 31, 2024	March 31, 2025
AUM	Rs mn	6,816	5,010	5,477
Net interest margin	%	9.3	10.0	11.3
Cost to income	%	86.4	88.7	72.3

GNPA ¹	%	4.1	4.3	4.8
Return on assets	%	2.4	1.3	1.4
CAR	%	46.6	48.0	37.6

Solicitation status

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

Details of Instruments

Instrument	ISIN	Date of Issuance	Maturity Date	Issue Size	Rating
External Commercial Borrowing	-	-	-	USD 15 million	CareEdge B-/Stable

Rating History

Instrument	Type	Rating	Date
External Commercial Borrowing	Long-Term Foreign Currency	CareEdge B-/Stable	March 12, 2026

Criteria applied

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

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

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¹ As per reported financial statements

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