Save Microfinance Private Limited

September 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Market Linked Debentures	20.00	CARE PP-MLD BBB; Stable	Reaffirmed
Non Convertible Debentures	100.00	CARE BBB; Stable	Assigned
Non Convertible Debentures	100.00	CARE BBB; Stable	Reaffirmed
Non Convertible Debentures	100.00	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For assessing ratings of non-convertible debentures (NCDs) and market-linked debentures (MLDs) of Save Microfinance Private Limited (SMPL), CARE Ratings Limited (CARE Ratings) has taken a view based on combined financials of Save Solutions Private Limited (SSPL, parent entity), Save Financial Services Private Limited (SFSPL), SMPL, Save Housing Finance Limited (SHFL), and Saggraha Management Services Private Limited (Saggraha), together referred to as the Save group.

The ratings derives strength from the continuous equity infusion from existing and new investors, and adequate liquidity position. Ratings also continue to draw comfort from SSPL's long track record, which has one of the largest business correspondent (BC) networks in India, and experienced promoters and management team. This apart, ratings factor the group's strategy of diversifying the business by operating across sectors such as BC, microfinance, loan-against-property (LAP), and housing finance through SSPL, SMPL, SFSPL, SHFL, and Saggraha.

However, ratings are partially offset by the moderated asset quality, unseasoned profile of operations at subsidiaries' level, geographically concentrated operations on a consolidated basis, higher portfolio vulnerability due to the relatively marginal income borrower profile and moderate profitability profile, and relatively high leverage position.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Factors that could individually or collectively lead to positive rating action/upgrade:

- Scaling-up operations sustainably and profitably.
- Maintaining adequate capitalisation profile with consolidated gearing below 3x on a steady basis.

Negative factors – Factors that could individually or collectively lead to negative rating action/downgrade:

- AUM/net worth exceeding 7x on a sustained basis.
- Weakness in profitability on a continuous basis.
- Significantly deteriorating reported asset quality metrics impacting profitability.

Analytical approach

Combined approach, considering four wholly-owned subsidiaries of SSPL – SFSPL, SMPL, SHFL, and Saggraha.

Outlook: Stable

CARE Ratings expects the group's asset quality to be controlled with rising scale of operations and its profitability profile to improve going forward.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Improving scale of operations

SSPL is engaged in BC operations, including basic banking services such as account opening, e-know your customer (e-KYC) verification, providing small ticket sizes loans, providing debit and credit cards and PIN, loan deposit and recovery, and general banking transactions. The company also facilitates recharging FASTags for collecting electronic toll charges. SSPL commenced BC operations in 2009 and has a long operational track record of more than a decade. It is working with 13,588 customer service points (CSPs) across 28 states and Union Territories. SSPL has tie-ups with four public sector banks (PSBs) – State Bank of India (SBI), Bank of Baroda (BoB), Bank of India (BoI), and Punjab National Bank (PNB), and a regional rural bank – Jharkhand Rajya Gramin Bank (JRGB). The company's primary source of income is charging banks for services provided, which vary per agreements with different banks.

To further expand operations and foray into related segments, SSPL has floated two wholly-owned subsidiaries – SFSPL and SMPL. SSPL acquired a housing finance company (HFC) on January 05, 2022, renaming it SHFL, and later acquired Saggraha on July 15, 2022, which is a BC company.

SMPL contributed 46% to the Save group's AUM, followed by SHFL, Saggraha and SFSPL with 7%, 41% and 5%, respectively, as on June 30, 2024. SSPL's overall AUM stood at ₹2445 crore as compared to 2,503 crore as on Mar-24 and ₹2,266 crore as on June-23.

SMPL, engaged in microfinance lending with small ticket size (₹15,000-60,000), has been consistently growing over the years with AUM reaching ₹1,180 crore as on March 31, 2024, up from ₹1,252 crore as on March 31, 2023. However, as on Jun-24, the AUM has declined by 4% to ₹1,130 crore due to slower disbursements as compared to last year.

SFSPL is a micro, small and medium enterprise (MSME) lending business unit of the Save group, in which it lends secured loans in ticket size ranging from ₹1-30 lakh with tenure ranging from 12 to 120 months and unsecured business loan in ticket size ranging from ₹75,000 to 300,000 with tenure ranging from 12 to 48 months. The company mainly has two products – short-term individual loan (STIL) and LAP. SFSPL's AUM has remained range bound due to its focus towards collections and recoveries, at ₹125 crore as on Jun-24 as compared to ₹127 crore as on Mar-24

SHFL's AUM comes from pre-acquisition times (erstwhile New Habitat Housing Finance and Development Limited), which rose to ₹181 crore as on March 31, 2024, up from ₹121 crore as on March 31, 2023, and ₹77 crore as on March 31, 2022. It has remained at similar level at ₹183 crore as on Jun-24.

SSPL's acquisition of Saggraha is a strategic move, as the latter is a Bengaluru-based entity engaged in the micro-financing business through BC. With this acquisition, the Save group plans to leverage the already-established operations of Saggraha.

Going forward, CARE Ratings expects the AUM to continue growing at a similar pace with majority contribution from SMPL.

Adequate capitalisation profile

The group has been able to raise equity from its existing and new investors. In Q4FY24, the group has received ₹25 crore in infusion from Maj Invest. It has received ₹82 crore of infusion from Incofin in May 2024. Out of total infusion, ₹25 crore was transferred to SMPL in May-24 and another ₹25 crore in Aug-24. With these regular infusions, the group is able to maintain adequate capitalisation profile and keep gearing below 4x as on March 31, 2024.

However, with the group's AUM increasing significantly through off book share in FY23 and FY24 and further with the acquisition of Saggraha, which is engaged in BC for microfinancing lending, the off book share has increased significantly to 47% of the AUM from 8% of the AUM as on March 31, 2023. With this, the AUM/net worth ratio has also increased to 9.2x as on March 31, 2024, and 8.18x as on March 31, 2023, as compared to 2.49x as on March 31, 2022.
However, with the infusion of ₹82 crore, the AUM/net worth ratio has improved to 6.2x as on Jun-24. CARE Ratings expects the ratio to improve with planned infusion of ₹170 crore in fiscal 2025.

Moderation in asset quality

SMPL's asset quality has moderated with gross non-performing asset (GNPA) ratio increasing to 1.9% as on March 31, 2024 from 1% as on March 31, 2023 due to increased slippages, which has further rose to 3.1% as on Jun-24, however, it remains under control.

SHFL's asset quality also moderated with GNPA ratio rising to 1.8% as on June 30, 2024 as compared to 1.2% as on March 31, 2024.

SFSPL's asset quality is the weakest in the group and the major contributor to the group's non-performing assets (NPA). SFSPL's asset quality deteriorated due to the negative impact of regulations in the leather industry in Agra, SFSPL's main customer base. The asset quality further deteriorated with COVID-19. However, with significant write offs, asset quality has improved to 4.73% as on Mar-24 as compared to 13% as on March 31, 2023. Further, GNPA ratio stood at 5.3% as on June-24.

Going forward, the ability of the group to maintain asset quality while growing loan book under each subsidiary remains key monitorable.

Key weaknesses

Unseasoned profile of microfinance operations with geographically concentrated book

While SSPL commenced operations in 2013 and has a PAN-India presence in BC operations, its subsidiaries SFSPL and SMPL commenced operations in 2015 and 2018, respectively. CARE Ratings notes that SMPL's loan book is largely unseasoned with most disbursements happening over past few quarters. SFSPL's AUM has also been range bound up to FY22, as it primarily focused on collections and recoveries and started increasing afterwards.

High portfolio vulnerability due to marginal income profile borrowers

The group's microfinance arm, SMPL provides small-ticket joint-liability group (JLG) loans to low-income group self-employed women or women working in informal sector while the non-banking financial company (NBFC) arm- SFSPL provides LAP to MSMEs. SMPL benefits from the extensive CSP network of the parent company, around 75% of MFI collections are done by CSP networks only.

Moderate resource base

With rising operations of all group companies, the consolidated borrowings has reduced to ₹822 crore as on March 31, 2024 as compared to ₹1,182 crore as on March 31, 2023. SSPL has been mainly borrowing through capital markets (NCDs), followed by banks (term loans) with average cost of funds of 10.5-15.9%. SMPL is not dependent on its parent and mainly borrows through banks, followed by NBFCs with incremental cost of fund of about 13.5%. SFSPL mainly depends on its parent for borrowings. Its entire borrowings up to FY22 were from its parent, with SFSPL borrowing from an NBFC only in FY23. SHFL's major borrowings are from banks, followed by the National Housing Bank (NHB).

Moderate profitability

On a consolidated basis, the group in FY24 reported net profits of ₹1.8 crore as compared to net losses of ₹13 crore FY23 and further reported a PAT of 4.5 crore in Q1FY25. The losses reported in FY23 was due to net losses reported in Saggraha of ₹22 crore, and rising interest expenses and operating expenses in SSPL. In Q1FY25, Saggraha has reported a PAT of ₹0.7 crore as against the net losses of ₹13.7 crore in FY24. With Saggraha reaching tis breakeven level, CARE Ratings expects the profitability of the group to improve further.

However, on standalone basis, SMPL has reported decline in its profitability due to rise in credit cost. As on Jun-24, SMPL has reported decline in ROTA to 0.8% as compared to 1.3% in FY24 owing to increased credit cost of 1.2% in Q1FY25 as compared to 0.5% in FY24.

Going forward, the ability of the company to control its credit cost remains key monitorable.

Liquidity: Adequate

SMPL has positive cumulative mismatches across all time buckets per its asset liability management (ALM) statement as on June 30, 2024. The company has a free cash balance of ₹62 crore as on date.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios - Financial Sector](#)
[Housing Finance Companies](#)
[Market Linked Notes](#)
[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Microfinance Institutions

SSPL is a Gaya, Bihar-based company, engaged in extending basic banking and financial services particularly in rural parts of the country. SSPL commenced BC operations from Bihar in 2010. It was initially founded as SAVE in 2009 and later converted into a private limited company as on December 02, 2013. SSPL has four wholly-owned subsidiaries – SMPL, SFSPL, SHFL, and Saggraha.

Consolidated Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	June 30, 2024 (P)
Total income	419.71	569.90	NA
PAT	-13.16	1.87	4.48
Interest coverage (times)	0.84	1.59	NA
Total assets	1,483	1,565	NA
Net NPA (%)	0.95	NM	NM
ROTA (%)	-1.09	NM	NM

A: Audited; NM: Not meaningful; NA: Not available. Note: These are latest financial results available.

SMPL Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	June 30, 2024 (P)
Total income	167.40	208.72	43.80
PAT	17.10	12.81	1.60
Interest coverage (times)	1.30	1.16	1.11
Total assets	1,018.40	822.04	820.10
Net NPA (%)	0.5	0.70	1.22
ROTA (%)	2.16	1.33	0.79

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Debentures-Market-linked debentures	INE0JAH07013	17-09-2021	Linked to BSE Sensex	31-10-2024	20.00	CARE PP-MLD BBB; Stable
Debentures-Non-convertible debentures	INE0JAHO7021	29-10-2021	13.75%	30-09-2024	5.00	CARE BBB; Stable
Debentures-Non-convertible debentures	INE0JAH08037	45378	14.70%	15-03-2027	10.00	CARE BBB; Stable
Debentures-Non-convertible debentures	INE0JAH07088	45373	13.00%	22-03-2026	20.00	CARE BBB; Stable
Debentures-Non-convertible debentures	INE0JAH08029	45363	14.70%	15-07-2027	9.80	CARE BBB; Stable
Debentures-Non-convertible debentures	INE0JAH07070	45321	13.50%	30-01-2025	20.00	CARE BBB; Stable
Debentures-Non-convertible debentures	INE0JAH08011	45278	14.70%	15-07-2027	25.20	CARE BBB; Stable
Debentures-Non-convertible debentures	INE0JAH07062	45261	13.10%	01-12-2025	35.00	CARE BBB; Stable
Debentures-Non-convertible debentures	INE0JAH07096	45471	12.50%	29-06-2026	20.00	CARE BBB; Stable
Debentures-Non-convertible debentures	INE0JAH07104	45483	12.50%	10-07-2027	20.00	CARE BBB; Stable
Proposed					135.00	CARE BBB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	100.00	CARE BBB; Stable	1)CARE BBB; Stable (29-May-24)	1)CARE BBB; Stable (22-Mar-24) 2)CARE BBB; Stable (03-Oct-23)	1)CARE BBB; Stable (04-Oct-22) 2)CARE BBB-; Stable (01-Aug-22)	-
2	Debentures-Market Linked Debentures	LT	20.00	CARE PP-MLD BBB; Stable	1)CARE PP-MLD BBB; Stable (29-May-24)	1)CARE PP-MLD BBB; Stable (22-Mar-24) 2)CARE PP-MLD BBB; Stable (03-Oct-23)	1)CARE PP-MLD BBB; Stable (04-Oct-22) 2)CARE PP-MLD BBB-; Stable (01-Aug-22)	-
3	Debentures-Non Convertible Debentures	LT	100.00	CARE BBB; Stable	1)CARE BBB; Stable (29-May-24)	1)CARE BBB; Stable (22-Mar-24)	-	-
4	Debentures-Non Convertible Debentures	LT	100.00	CARE BBB; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Market Linked Debentures	Simple
2	Debentures-Non Convertible Debentures	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Save Solutions Private Limited	Full	Parent Company
2	Save Microfinance Private Limited	Full	100% Subsidiary
3	Save Financial Services Private Limited	Full	100% Subsidiary
4	Save Housing Finance Limited	Full	100% Subsidiary
5	Saggraha Management Services Private Limited	Full	100% Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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