

Swarna Pragati Housing Microfinance Private Limited

March 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	20.00	CARE B; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale & Key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from Swarna Pragati Housing Microfinance Private Limited (SPHMPL) to monitor the rating(s) vide e-mail communications dated November 11, 2024, January 06, 2025, among others and numerous phone calls. However, despite repeated requests, the company has not provided requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating basis best available information, which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. SPHFL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on SPHMPL's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and public at large) are hence requested to exercise caution while using above rating(s).

The rating considers weakening credit profile driven by deteriorating financial performance in FY24, small scale of operations and exposure to the customer segment, which is highly susceptible to economic downturn. However, the rating favourably factors in SPHMPL's adequate capitalisation.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers

At the time of last rating on January 03, 2024, the following were the rating strengths and weaknesses (updated for the limited information available from company Annual Report FY24:

Key Rating Weaknesses

Weak financial risk profile

The company had stopped disbursements of loans from June 2019 and has been focusing on recovery from its loan portfolio which has resulted in decline in its loan portfolio till FY21. In FY22, the company resumed loan disbursements, despite slowly. The company has entered a BC & co-lending partnership with established NBFCs to utilise its branch set-up and plans to build off-balance sheet loan portfolio. With the reducing own book loan portfolio and lower amount of disbursements of loans, the interest income for FY24 declined to ₹5.17 crore (FY23: ₹6.55 crore), while the total income declined to ₹10.59 crore for FY24 (FY23: ₹10.96 crore). The company's operating expense increased in FY24 considering increase in the employee expenses. The company was hiring people for legal team for recovery of non-performing asset (NPA) accounts and hiring the sales team for increasing the on-book and off-book lending. Thus, company reported pre-provision operating loss of ₹6.53 crore in FY24 (PY: ₹2.9 crore) and losses of ₹8.60 crore in FY24 (PY: loss of ₹2.44 crore).

CARE Ratings understands that SPHMPL's ability to turn its business profitable, while improving its asset quality parameters and maintaining moderate gearing levels remains a key sensitivity.

Small scale of operations and exposure to economically weaker segment

SPHMPL provides finance towards rural housing and loans towards improvement of houses. The target segment of the company is majorly contractual workers for small firms and self-employed customers with micro businesses. The average ticket size of the loan ranges from ₹1-10 lakh, with tenure ranging between 36-120 months. Loans are majorly used for laying foundation, plinth level construction, tiled roofing, pucca flooring, fixing wooden doors/windows, among others. This particular class of debtors has

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

been the company's focus since its founding. As on March 31, 2023, the company's on-book loan portfolio stood at ₹35.85 crore (₹31.49 crore as on September 30, 2023) compared to loan portfolio of ₹50.45 crore on March 31, 2022. Reduction in the business activity from FY19 to FY22 was part of its business restructuring plan. Lately, the company has been concentrating on growing its portfolio of off-book loans by providing business correspondent services and entering into co-lending agreements with NBFCs.

Weak asset quality parameters

SPHMPL has been primarily lending towards the housing finance needs of the self-employed customers or salaried borrowers operating in unorganised sector in low and middle-income segment, who are not serviced by the banking sector. SPHMPL's asset quality was affected in COVID-19 pandemic, resulting in increase in its NPAs. The company reported GNPA ratio of 60.5% and NNPA ratio of 49.5% as on September 30, 2023, compared to GNPA ratio of 65% and NNPA ratio of 57.2% as on March 31, 2022. Since the company's targeted customer segment is highly susceptible to the impact of economic downturn, SPHMPL's ability to manage asset quality of the loan portfolio is a key rating sensitivity.

Key Rating Strength

Adequate capitalisation level

The company's tangible net worth (TNW) stood at ₹24 crore as on March 31, 2024, compared to ₹33 crore as on March 31, 2023. The decline in net worth was considering losses reported in FY24. However, with decline in loan portfolio it reported capital adequacy ratio (CAR) of 112% (Tier-I CAR: 111%) as on March 31, 2024, compared to CAR of 103% (Tier-I CAR: 103%) as on March 31, 2023. The company has fully repaid term loans through collection from standard loan portfolio and NPAs and has negligible outstanding borrowings as on March 31, 2024. Going forward, CARE Ratings expects the company to grow its on book lending portfolio and would look at borrowing to fund growth. Raising resources to fund the company's growth in the near term would be critical and is a key monitorable.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Housing Finance Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Housing finance company

SPHMPL is a housing finance company (HFC) founded in January 2009 by A Ramesh Kumar, former Chief General Manager (CGM) of State Bank of India (SBI), Maharashtra Circle, where he pioneered the bank's linkages with Self Help Groups (SHG) making SBI a leader in microfinance lending in Maharashtra. SPHMPL is focused on providing housing loans for fresh construction and for renovation/ repairs/ upgrade existing houses. SPHMPL has investments of reputed private equity investors like Zephyr Peacock India Fund III Limited, Aavishkaar Goodwell India Microfinance Development Company - II Limited, among others. As on September 30, 2023, the company had existence in six states with 52 branches.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total income	12.23	10.96	10.59
PAT	9.54	-2.44	-8.60
Total Assets	59.48	47.15	35.52
Net NPA (%)	11.96	47.61	NA
ROTA (%)	12.83	-4.57	-20.81

A: Audited Note: these are latest available financial results

NA: Not available

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
Fund-based - LT-Term Loan	-	-	-	NA	20.00	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

LT: Long term

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	Fund-based - LT-Term Loan	LT	20.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable (03-Jan-24)	1)CARE B; Stable (28-Nov-22)	1)CARE D (25-Feb-22) 2)CARE D (09-Jul-21) 3)CARE BB+; Stable (06-Apr-21)

*Issuer did not cooperate; based on best available information.

LT: Long 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	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

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.

Contact us

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About us:

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