

AUGUST 29, 2016

CARE ASSIGNS 'CARE A- / CARE A1' RATING TO THE PROPOSED BANK FACILITIES OF SURYODAY MICRO FINANCE LIMITED

Rating

Instruments / Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Bank Facilities	150	CARE A- / CARE A1 [Single A Minus / A One]	Assigned
Total	150 (Rupees One hundred Fifty crore only)		

Rating Rationale

The rating factors in SMFL's experienced promoters and management team, strong investor profile and comfortable capital adequacy, stable earnings profile, good asset quality and comfortable liquidity position. The rating, however, is constrained by geographical concentration, the inherent risk involved in the microfinance industry including socio-political intervention risk and lack of diversity in earnings.

The ability of the company to raise capital and diversify borrowings through deposits as Small Finance Bank, asset quality, profitability and geographical diversification of operations are the key rating sensitivities.

Background

Incorporated in November 2008, Suryoday Micro Finance Limited (SMFL) is a Mumbai based NBFC-MFI. SMFL commenced group lending business w.e.f. May 2009. Under the JLG model, SMFL provides micro loans to individual members in the group with each group consisting of five members and 2-6 groups forming a centre. The loans are provided to individual members in a group based on the mutual guarantee from members wherein each member is jointly responsible for the loan repayment of the centre. This segment constitutes over 99% of the loan portfolio of the company. SMFL also undertakes Business Correspondent (BC) operations for IndusInd Bank. As on March 31, 2016, SMFL had Rs.1,042 crore of Assets under Management (AUM) including managed portfolio of Rs.57 crore and portfolio originated as a BC of Rs.2.56 crore as on March 31, 2016. The operations of SMFL are spread across seven states and one union territory i.e. Maharashtra, Tamil Nadu, Odisha, Gujarat, Madhya Pradesh, Karnataka, Puducherry and Rajasthan. As on March 31, 2016, SMFL was operating in 99 districts through 179 branches (Individual & JLG) with 6,54,320 active borrowers (Individual & JLG). In September 2015, RBI granted "in principal" approval to Suryoday to set up a Small Finance Bank (SFB).

During FY16 (refers to the period April 01, 2015 to March 31, 2016), SMFL reported a profit of Rs.27 crore on total income of Rs.200 crore as compared to profit of Rs.17 crore on total income of Rs.118 crore. As on March 31, 2016, the total AUM was Rs.1,042 crore. The total capital adequacy was 22.43% with Tier-I CAR at 18.42% as on March 31, 2016.

During Q1FY17 (refers to the period April 01 to June 30), SMFL reported a profit of Rs.10 crore on total income of Rs.66 crore. The total AUM was Rs.1,055 crore as on June 30, 2016. The total capital adequacy was 35.03% with Tier-I CAR at 31.38% as on June 30, 2016.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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