DECEMBER 15, 2016

CARE ASSIGNS 'CARE A-' TO NCD AND 'CARE A1' TO CP OF SURYODAY MICRO FINANCE LIMITED

Ratings

Instruments / Facilities	Amount (Rs. crore)	Ratings*[1]	Remarks
Non Convertible Debenture	60	**CARE A-; Stable [Single A Minus; Outlook: Stable]**	**Assigned**
Bank Facilities	150	**CARE A-; Stable / A1 [Single A Minus; Outlook: Stable / A One]**	**Reaffirmed**
Commercial Paper	175	**CARE A1 [A One]**	**Assigned**
Total	**385 (Rupees Three hundred eighty five crore only)**		

Rating Rationale

The rating factors in SMFL's experienced promoters and management team, strong investor profile 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 joint liability 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 assigned / securitized portfolio of Rs.57 crore and portfolio originated as a BC of Rs.2.56 crore. 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 with 6,54,320 active borrowers. In August 2016, RBI granted license 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.

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

During H1FY17 (refers to the period April 01, 2016 to September 30, 2016), SMFL reported a profit of Rs.19.69 crore on total income of Rs.133.05 crore. The total AUM was Rs.1,087 crore as on September 30, 2016. The total capital adequacy was 36.99% with Tier-I CAR at 31.24% as on September 30, 2016.

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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