Suryoday Micro Finance Limited

February 8, 2017

Ratings

Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Non-Convertible Debenture	50.00	**CARE A-; Stable [Single A Minus; Outlook Stable]**	Assigned
Total Instruments	**50 (Rupees Fifty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed 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.

Detailed description of the key rating drivers

SMFL has been carrying out micro lending activities since 2009 and has gained reasonable experience in the group lending business. The senior management team has rich experience in the financial services and microfinance sector.

Major institutional investors include Sarva Capital (Formerly LOK Capital), International Finance Corporation, DWM (International) Mauritius, HDFC Holdings and HDFC Standard Life held majority stake in the company as on April 30, 2016. The investors infused over 130 crore pf equity capital in Q1FY17. The total capital adequacy was 22.43% with Tier-I CAR at 18.42% as on March 31, 2016. As on September 30, 2016, SMFL CAR and Tier I ratio were 36.99% and 31.24% respectively.

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. SMFL has mainted Return on Total assets (ROTA) of over 2.5% over the past three years. 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.

Asset quality remains confortable with Gross NPA and Net NPA ratios of 0.13% and 0.03% as on March 31, 2016. Gross NPA and Net NPA ratios were 0.29% and 0.06% respectively as on September 30, 2016. Demonitization has lead to a decline in collection efficiency across microfinance entitities. SMFL's cumulative collection efficiency for the period Novemebr 2016 till January 9, 2017 was 93.5% as against a collection efficiency of over 98% in the earlier months. Going forward, collection efficiency will be a key monitorable.

SMFL has a moderately diversified resource base with major source of external funding for SMFL being Term loans and NCDs from over 30 banks/ financial institutions as on March 31, 2016. SMFL's liquidity profile is comfortable due to shorter tenure of majority of its loan portfolio as compared to its borrowings.

SMFL's loan portfolio is geographically concentrated with Maharashtra constituting 39% of the portfolio and 215% of the Net-worth as on March 31, 2016. As on September 30, 2016, Maharashtra accounted for 36.5% of the portfolio and 119% of the Net-worth.

SMFL's earnings remains susceptible to operational risks with majority of disbursements being in cash while the company also faces socio-political intervention risk on account of its target customer base. Furthermore, there is a lack of diversity in earnings with over 98% of SMFL's portfolio comprising of joint liability loans to women.

Analytical approach: Standalone

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

Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Criteria for Non Banking Financial Companies]
[Financial ratios – Financial Sector]

Background of Suryoday Micro Finance Limited

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). Suryoday commenced operations as a SFB on January 23, 2017.

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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.*

Analyst Contact:
Name: Vishal Sanghavi
Tel: 022-67543430
Email: vishal.sanghavi@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non convertible Debenture	12-Jan-17	11.15%	10-Jan-20	40.00	CARE A-; Stable
Non convertible Debenture	12-Jan-17	11.15%	10-Jan-20	10.00	CARE A-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund based/Non fund based-LT/ST	LT/ST	150.00	CARE A-; Stable / CARE A1	1)CARE A-; Stable / CARE A1 (15-Dec-16) 2)CARE A- / CARE A1 (29-Aug-16)	-	-	-
2.	Commercial Paper	ST	175.00	CARE A1	1)CARE A1 (15-Dec-16)	-	-	-
3.	Debentures-Non Convertible Debentures	LT	60.00	CARE A-; Stable	1)CARE A-; Stable (15-Dec-16)	-	-	-
4.	Debentures-Non Convertible Debentures	LT	50.00	CARE A-; Stable	-	-	-	-

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691