



Press Release

January 14, 2026

Svasti Microfinance Private Limited Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	180.00	ACUITE BBB Negative Downgraded	-
Total Outstanding	180.00	-	-
Total Withdrawn	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to ‘**ACUITE BBB**’ (read as **ACUITE triple B**) from ‘**ACUITE BBB+**’ (read as **ACUITE triple B Plus**) on Rs. 180.00 crore bank facilities of Svasti Microfinance Private Limited (SMPL). The outlook is ‘**Negative**’.

Rationale for Rating

The rating downgrade factors in a significant deterioration in asset quality, decline in AUM and disbursements and subdued profitability in FY2025 and H1FY2026, which is attributed to the ongoing stress in the micro-finance (MFI) segment. The asset quality has deteriorated significantly, marked by a GNPA of 8.64 percent and NNPA of 3.96 percent as on March 31, 2025 from GNPA of 1.60 percent and NNPA of 0.69 percent; The GNPA and NNPA as on September 30, 2025 stood at 13.97 percent and 7.26 percent respectively. Since lower collection efficiency rates is one of the predominant factors of the stress in the MFI space, SMPL has also struggled in this facet where the on-time portfolio has been ~84 percent for the past year. The disbursements have declined from ~Rs. 1,036 Cr. during FY24 to ~Rs. 464 Cr. during FY25; ~Rs. 78 Cr. during H1FY2026. Consequently, AUM reduced to Rs. 948.55 Cr. as on March 31, 2025 from Rs. 1308.09 Cr. as on March 31, 2024. Further, the AUM stood at Rs. 750.25 Cr. as on September 30, 2025. Due to a culmination of these factors and significant write-offs, the earning profile has been affected in FY2025 and H1FY26. The entity has registered a loss of Rs. 21.48 Cr. during FY2025 and a PAT of Rs. 0.13 Cr. during H1FY2026.

The outlook remains negative on account pressure on asset quality, collection efficiency, disbursements and profitability due to on-going stress in the MFI segment.

The rating also continues to factor SMPL’s established presence in microfinance sector along with comfortable capitalization levels supported by equity infusions at regular intervals. The networth stood at Rs. 197.57 Cr. as on March 31, 2025 and has maintained an overall CRAR of 23.54 percent comprising majorly of Tier 1 Capital. The rating further factors expectations of further capital raising in Q4FY2026 to the tune of ~Rs. 50 Cr. to aid disbursements, which is expected to be at ~Rs. 120 Cr. for Q4FY2026.

Going forward, Acuite believes that the company’s ability to raise capital, profitably grow its loan portfolio and improve its’ asset quality while containing credit costs will be key monitorables.

About the company

Established in 2008, as Svasti Foundation, Mumbai based Svasti Microfinance Private Limited (SMPL) is a NBFC MFI promoted by Mr. Arunkumar Padmanabhan and Mr. Narayanan Subramanian. In March 2010, Svasti Foundation bought over an existing NBFC, Easy Housing and Finance Limited and renamed it as Svasti Microfinance Private Limited. The microfinance business was transitioned from Svasti Foundation to SMPL in October 2010. SMPL is primarily engaged in extending microfinance to women borrowers through Joint Liability Model. The company’s AUM stood at Rs. 750.25 Cr. as on September 30, 2025.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of SMPL to arrive at the rating.

Key Rating Drivers

Strength

Experienced management and support of marquee investors

SMPL, a Mumbai based NBFC-MFI is promoted by Mr. Arunkumar Padmanabhan (Co- Founder & CEO) and Mr. Narayanan Subramanian (Co-Founder, CFO and CIO). Mr. Arun is responsible for rollout of the branches, products and services and to scale up the business volumes in line with SMPL's business plans. Mr. Arun also handles the Human Resources function. Mr. Narayanan is responsible for operations process design and supporting it with technology initiatives. He also handles the Finance, Accounts, Operations Audit and Training Design. The promoters have demonstrated their resource raising ability by raising funds from reputed and diverse set of investors at regular intervals which includes Andaman Group, Poonawala Group, Nordic Microfinance Initiative amongst others. The company's board comprises of 5 directors of which Ms Jaya Janardanan and Mr. Ramanathan Annamalai are independent directors who have extensive experience in banking and microfinance lending. Mrs. Jagriti Bhandari of Nordic Microfinance Initiative Fund is a nominee director on the Board.

Acuité believes that the company's growth prospects will be supported by the promoter's experience in the industry along with their demonstrated track record of resource raising ability. Further, expectations of capital raising in the near to medium term shall support the growth momentum going forward.

Comfortable Capital structure

The capitalisation profile is supported by regular capital infusions by the promoters. The company has raised around Rs. 122 Cr. since inception by the support from its promoters. Further, during FY2023 and FY2024, ~Rs.16 Cr. and ~Rs. 23 Cr. respectively was infused by the existing shareholders. The rating further factors expectations of further capital raising in Q4FY2026 to the tune of ~Rs. 50 Cr. to aid disbursements in Q4FY2026. The company's capital structure is supported by a networth of Rs. 197.57 Cr. and total debt of Rs. 648.94 Cr., resulting in a gearing of 3.28 times as on March 31, 2025. The debt comprises term loans from Banks, NBFCs and FIs, NCD and others. The company has maintained an overall CRAR of 23.54 percent comprising majorly of Tier 1 Capital as on March 31, 2025.

Acuité believes, going forward, that the ability of the company to mobilise low-cost funding and its ability to deploy the funds profitably will be a key monitorable.

Weakness

Decline in AUM and profitability

The AUM reduced to Rs. 948.55 Cr. as on March 31, 2025 from Rs. 1308.09 Cr. as on March 31, 2024. Further, the AUM stood at Rs. 750.25 Cr. as on September 30, 2025. This is fueled by decline in disbursements from ~Rs. 1,036 Cr. during FY24 to ~Rs. 464 Cr. during FY25; ~Rs. 78 Cr. during H1FY2026. Consequently, the entity has registered a loss of Rs. 21.48 Cr. during FY2025 and a PAT of Rs. 0.13 Cr. during H1FY2026 owing to significant write-offs and reduction in total income.

Deterioration in asset quality

The asset quality has deteriorated significantly, marked by a GNPA of 8.64 percent and NNPA of 3.96 percent as on March 31, 2025 from GNPA of 1.60 percent and NNPA of 0.89 percent; The GNPA and NNPA as on September 30, 2025 stood at 13.97 percent and 7.26 percent respectively. Since lower collection efficiency rates is one of the predominant factors of the stress in the MFI space, SMPL has also struggled in this facet where the on-time portfolio has been ~84 percent for the past year.

Risk inherent to microfinance segment

The activities of microfinance companies, like SMPL are exposed to geographical concentration risks. It has a branch network of 150 branches spread across 8 states as on September 30, 2025. The company's performance is expected to remain exposed to a competitive landscape in the regions that it is present and occurrence of events such as natural calamities, may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework. Moreover, the on-time portfolio has dropped to ~84 percent at its worst and is expected to improve incrementally as the firm traverses through the difficult period that the whole segment is going through. Therefore, profitability is expected to be subdued in FY26 and moreover the risk of asset quality deteriorating further would be a possible reality.

Going forward, Acuité believes company's plans grow its presence and further diversify its operations geographically will be important from a credit perspective.

ESG Factors Relevant for Rating

Svasti Microfinance Private Limited (SMPL) belongs to the NBFC-MFI sector which facilitates lending to the unbanked population. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the

contributions to financial inclusion and community development, responsible financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. The entity maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures regarding related party transactions, vigil mechanism and whistle blower policy. The board of directors of the company comprise of 5 directors. The audit committee formed by the entity majorly comprises of independent directors with the objective to monitor and provide an unbiased supervision of the management's financial reporting process. SMPL also maintains transparency in terms of disclosures pertaining to interest rate policy and its adherence to Fair Practice Code.

Rating Sensitivity

- Ability to raise capital
- Movement in collection efficiency and asset quality
- Movement in liquidity buffers
- Movement in profitability metric
- Changes in the regulatory environment

Liquidity Position

Adequate

SMPL's overall liquidity profile remains adequate with no negative cumulative mis-matches in near to medium term as per ALM dated March 31, 2025. The company has cash and bank balances of Rs. 89.68 Cr. as on March 31, 2025. Acuité believes that the company's liquidity profile will continue to benefit from funding support from its promoters and investors.

Outlook:

Negative

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY25 (Actual)	FY24 (Actual)
Total Assets	Rs. Cr.	905.05	1135.01
Total Income*	Rs. Cr.	145.36	174.00
PAT	Rs. Cr.	(21.48)	37.47
Net Worth	Rs. Cr.	197.57	224.66
Return on Average Assets (RoAA)	(%)	(2.11)	3.59
Return on Average Net Worth (RoNW)	(%)	(10.17)	19.06
Debt/Equity	Times	3.28	3.77
Gross NPA	(%)	8.64	1.60
Net NPA	(%)	3.96	0.89

*Total income equals to Net Interest Income plus other income.

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.