

India Ratings Assigns Sindhuja Microcredit's Additional NCDs 'IND BBB'/Stable; Affirms Existing Ratings

May 18, 2026 | Sindhuja Microcredit Private Limited | Microfinance Institutions

India Ratings and Research (Ind-Ra) has taken the following rating actions on Sindhuja Microcredit Private Limited's (Sindhuja) debt instruments as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned with Outlook/Watch	Rating Action
Non-convertible debentures*#	-	-	-	INR1,800	IND BBB/Stable	Assigned
Non-convertible debentures*	-	-	-	INR1,580	IND BBB/Stable	Affirmed
Bank loan facilities	-	-	-	INR4,000	IND BBB/Stable	Affirmed

*Details in Annexure

Yet to be issued

Analytical Approach

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Ind-Ra continues to take a standalone view of Sindhuja to arrive at the ratings.

Accept

Detailed Rationale of the Rating Action

The ratings continue to reflect Sindhuja's demonstrated ability to raise capital resulting in adequate capitalisation, the extensive experience of the promoter in the microfinance business, geographical diversification, and a comfortable leverage and funding profile compared with peers. Ind-Ra also notes an equity infusion of INR469 million on 5 May 2026 from its existing investors. Sindhuja maintains a robust capital position, with a capital adequacy ratio of 23.3% and a leverage (debt/tangible net worth) of 2.85x in FY26. The company has also secured funding from major banks at competitive interest rates, which has supported the maintenance of its franchise scale amid a challenging operating environment, wherein the microfinance sector dropped by approximately 15% yoy.

However, the ratings also factor in the continued stress on Sindhuja's asset quality during FY25-FY26 and the consequent pressure on profitability, driven primarily by elevated credit costs and operating expenses. The credit costs moderated to 6.7% in FY26 (FY25: 10.4%), leading to a reduction in net losses to INR231 million in FY26 (FY25: loss of INR354 million).

The rating continues to reflect Sindhuja's established operating track record and its ability to manage the loan portfolio through multiple business cycles, including disruptive events such as demonetisation and the COVID-19 pandemic.

List of Key Rating Drivers

Strengths

- Adequate capital buffers supported by investor backing and moderate leverage
- Experienced promoter and management team
- Diversified funding sources

Weaknesses

- Asset quality trends and collection performance show gradual stabilisation with regional risks remaining key monitorable
- Near-term profitability pressure due to elevated credit costs

Detailed Description of Key Rating Drivers

Adequate Capital Buffers Supported By Investor Backing and Moderate Leverage: Sindhuja benefits from a diversified and reputed investor base, comprising Carpediem Capital Partners (28.79% stake), Abler Nordic Fund (25.36%), Huruma Fund (13.56%), Oikocredit International (9.69%), and other shareholders accounting for the remaining 22.6%. The company's tangible net worth stood at INR2,418 million in FY26 (FY25: INR2,647 million; FY24: INR3,014 million). In May 2026, Sindhuja raised INR469 million from Aber Nordic, GAWA Capital and Oikocredit International to support its business expansion, which will result in strengthening of its capital base and moderation in leverage. The proceeds are being utilised to scale operations in existing geographies and to enter new markets. The company's capital adequacy was 23.3% in FY26 (FY25: 32.5%; FY24: 30.1%).

The leverage was moderate with debt-to-equity of 2.85x in FY26 (FY25: 2.6x; FY24: 2.89x). While Ind-Ra expects the capital utilisation to increase in line with growth, management expects the leverage to remain below 4.5x over the medium term. Sindhuja has demonstrated a consistent ability to raise equity at regular intervals to support expansion. Since inception, key investors including Carpediem Capital Partners and Abler Nordic Fund have infused about INR1,499 million into the company. Given the unsecured nature of the microfinance business, Ind-Ra expects Sindhuja to maintain prudent capital buffers and a moderate leverage profile over the near to medium term.

Experienced Promoter and Management Team: Founded in 2018, Sindhuja is led by promoters with over two decades of experience in the microfinance sector. The company is supported by a seasoned management team, with several senior executives bringing in more than 15 years of domain-specific experience across key functional areas. Governance and strategic oversight are provided by an experienced board comprising eight directors, including three independent directors and three nominee directors, whose diverse and relevant expertise strengthens decision-making and risk management.

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Diversified Funding Sources: Sindhuja sources funds from more than 50 lenders and investors, ensuring a well-diversified borrowing profile. As of end-March 2026, Banks constitute 20.8%, NBFC 46.5%, Alternate Investment Fund 16.5%, Foreign Institutional Investor at 5.5%, External commercial borrowing 9.2% and others 1.5%. Sindhuja's cost of borrowings was 12.8% in FY26 (FY25: 12.5%; FY24: 12.7%) and is likely to remain range-bound in the near term. Moreover, the company was able to receive sanctions worth INR8,593 million from January 2025 to March 2026 from banks and NBFCs at a competitive rate of 12.30 % in this challenging operating environment.

Asset Quality Trends and Collection Performance Show Gradual Stabilisation with Regional Risks Remaining Key Monitorable: Early-stage delinquencies (0+ days past due; dpd) have shown improvement, largely aided by aggressive write-offs undertaken over the last two fiscal years. The 0+ dpd ratio declined sharply to 3.1% in March 2026 from around 10% in January 2025, indicating a cleaner book portfolio post-recognition and resolution of stressed exposures. In FY26, the gross non-performing assets (GNPA) were moderate at 2.04% (FY25: 0.09%), supported by a strong provision coverage ratio (PCR) of 85%, providing adequate loss-absorption cushion against potential future slippages.

Portfolio performance in the key operating geographies of Bihar and Uttar Pradesh (UP) will remain critical monitorables over the near to medium term. Bihar and UP account for approximately 30% and 10% of the total assets under management (AUM), respectively, making them strategically significant to the overall portfolio health. Both states had witnessed elevated stress in the softer delinquency buckets during the industry-wide headwinds, driven by factors such as borrower overleveraging and localised disruptions. While early indicators have improved, sustained normalisation in these regions will be essential for durable asset quality traction.

Collection efficiency has shown meaningful recovery, improving to 95.6% in FY26 (FY25: 90.6%), reflecting strengthened collection efforts, gradual borrower normalisation and recovery from stress observed during the peak disruption phase. However, collections were temporarily impacted during 1QFY26 due to the implementation of Microfinance Institutions Network guardrails, particularly the capping of the maximum number of lenders per borrower at three.

Post the implementation of these guardrails, borrower over-indebtedness has reduced meaningfully. The proportion of borrowers with more than four lenders declined to 3% in March 2026 (March 2025: 11%), underscoring improved credit discipline at the borrower level. Overall, while asset quality metrics have improved, the trajectory of collections and portfolio performance in key geographies will remain central to the company's credit profile.

Near-term Profitability Pressure due to Elevated Credit Costs: Sindhuja's profitability in FY26 was adversely affected by elevated credit costs, which stood at 8.49%, albeit an improvement from 13.7% in FY25 (FY24: 1.33%). The company undertook sizeable write-offs of INR1,088.4 million in FY25 and INR502 million in FY26. Consequently, GNPA plus write-offs as a percentage of AUM remained elevated at 6% in FY26 (FY25: 11%).

Sindhuja reported losses of INR231 million in FY26 (FY25: INR354 million; FY24: INR 339 million), while operating expenses to AUM remained high at around 11% (10%; 8%). The microfinance industry faced multiple headwinds, including heatwaves, elections, field-level attrition, and borrower overleveraging in certain geographies, prompting the MFI network to introduce additional guardrails in 2025. Sindhuja's credit costs were further impacted by a decline in collection efficiency to 91% as of September 2025 from approximately 97% previously. The company has a collection efficiency of 96% as of March 2026. Ind-Ra expects profitability to remain under pressure through FY27, and the company's ability to achieve a meaningful reduction in credit costs will remain a key rating monitorable amid the challenging operating environment.

Liquidity

Adequate: At end-March 2026, the company had maintained a cumulative surplus in the buckets of up-to-one year of 15% of the total assets. Also, based on Ind-Ra's stress test, the company has adequate liquidity buffers in the up-to-one-year bucket. Given MFI loans have a shorter tenor than that of liabilities, the asset-liability mismatch is generally in excess over the short term. At end-March 2026, Sindhuja had balance sheet liquidity in the form of unencumbered cash and FD of INR1,175 million, which will comfortably cover over three months of outflows (debt maturing in next three months: INR1,094 million).

We use cookies to enhance your browsing experience. By continuing to browse this site, you agree to our cookie policy. Sindhuja is currently in breach of covenants (on 1.4% of debt), primarily financial covenants, which could result in accelerated debt recall should the lenders choose to do the same. While the entity has sought and received waivers on such breaches in the past, this remains an ongoing exercise till breaches exist. If the waivers are not available and the lenders initiate a recall, this could put pressure on liquidity and result in a multi-notch rating action.

Rating Sensitivities

Positive: A positive rating action could result from a continued profitable scaling up of operations while improving stable asset quality levels, and improving funding diversification that would reflect in an improvement in the cost of borrowings relative to peers and maintaining adequate capitalisation levels.

Negative: Material deterioration in the profitability and capital impairment arising from deterioration in the company's asset quality, a weakening of its funding profile, the leverage exceeding 5.0x, and the company's inability to maintain adequate capital buffers could result in a negative rating action.

Any Other Information

Not applicable

About the Company

Sindhuja was incorporated under the provisions of the Companies Act and has a registered office in Noida, Uttar Pradesh. The company was registered as an NBFC-MFI with the Reserve Bank of India on 11 September 2018. It primarily provides microfinance services to women, who are enrolled as members and organised as joint liability groups, in rural areas of India. At end-March 2026, the company had 366 branches with AUM of around INR10,000 million operating across Bihar, Jharkhand, Chhattisgarh, Uttar Pradesh, Rajasthan, Haryana, Madhya Pradesh and Gujarat.

Key Financial Indicators

Particulars	FY26	FY25
Total assets (INR million)	10,213	9,695
Total equity (INR million)	2,418	2,647
Net income (INR million)	-231	-354
Return on average assets (%)	-2.3	-3.6
Leverage (x)	2.8	2.6
Capital adequacy ratio (%)	23.3	32.5
Source: Sindhuja, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Rating/Outlook	Historical Rating/Outlook				
				21 May 2025	23 April 2025	30 July 2024	20 December 2023	2 March 2023
Non-convertible debentures	Long-term	INR3,380	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable	IND BBB/Positive	IND BBB/Stable	IND BBB/Stable
Bank loan facilities	Long-term	INR4,000	IND BBB/Stable	IND BBB/Stable	IND BBB/Stable	IND BBB/Positive	IND BBB/Stable	IND BBB/Stable

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook
Non-convertible debentures	INE0FWI07070	28 June 2024	13%	18 May 2026	INR115	IND BBB/Stable
Non-convertible debentures	INE0FWI07088	25 April 2025	12.3%	23 May 2028	INR400	IND BBB/Stable
Non-convertible debentures	INE0FWI07096	28 March 2025	12.3%	23 April 2028	INR400	IND BBB/Stable
Non-convertible debentures	INE0FWI07104	30 June 2025	13	27 January 2028	INR270	IND BBB/Stable

Non-convertible debentures	INE0FWI07112	15 December 2025	13.3	15 December 2028	INR395	IND BBB/Stable
		Total utilised			INR1,58 0	IND BBB/Stable
Non-convertible debentures		Unutilised			INR1,800	IND BBB/Stable
		Total			INR3,38 0	IND BBB/Stable
Source: NSDL, Company						

List of instruments and names of regulators of the instruments

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

A. Rating Activity

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)*	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts	SEBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
22	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
23	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In Press Release(s) subsequent to issuance(s), India Ratings shall separately capture the rated quantum details along with names of respective regulators.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

B. Other activities:

Sr. No.	Activity Name	Regulator of the activity
1	Monitoring Agency	SEBI
2	Research activities, incidental to rating, such as research for Economy, Industries and Companies @	NA

@ permitted by SEBI vide SEBI Master Circular for CRAs.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria

The Rating Process

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