SKS Microfinance Limited
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SKS Microfinance Limited slashes interest rate to 19.75%, becomes the first MFI to charge sub-20% interest rate

Four interest rate reductions, aggregating 4.8%, announced by the Company since October 2014

Mumbai, November 27, 2015: SKS Microfinance Limited today announced a 1% reduction in the interest rate charged to borrowers from 20.75% to 19.75% with effect from December 7, 2015, for all future disbursals. With this, the Company becomes the first micro finance institution to charge a sub-20% interest rate on its core Income Generating Loans (IGL) which are unsecured micro loans. Interest rate of 19.75% is the lowest rate charged by any private sector MFI in the world.

This is the fourth interest rate reduction, aggregating 4.8%, announced by the Company since October 2014. The reductions are consistent with the Company's policy of passing on the cost advantages accruing from reduction in the cost of borrowing and economies of scale to its borrowers.

SKS Microfinance Limited could reduce its marginal cost of borrowing to 11.3% in Q2-FY16 from 13.6% in FY14 on account of downward adjustments in risk premium. Marginal cost of borrowing for H2-FY16 is expected to be lower than 11.3% given the Company has accessed refinance from MUDRA at 10% and issued commercial papers at 9.5% per annum in October and November 2015.

The Company's sustained turnaround, improved profitability in FY15, Q1-FY16 and Q2-FY16, capital raise in May 2014, rating upgrade as also issuance of Commercial Papers and Non-Convertible Debentures are the factors that drove the reduction in its cost of borrowing.

Creditor confidence in SKS Microfinance Limited has also been boosted by the Company's spotless repayment track record. During the most difficult Andhra Pradesh microfinance situation, the Company did not join Corporate Debt Restructuring (CDR) and met all its financial obligations -- amounting to Rs. 5,800 crore -- to the banking system without any hair-cut or rescheduling.

The Company has a short-term credit rating of 'A1+' and a long-term rating of 'A+'.

In Q2-FY16, SKS Microfinance Limited's gross loan portfolio has surpassed the past peak of Rs. 5,434 crore (in Q2-FY11), thanks to the Company's consistent annual growth of around 50%. Also, the Company registered a 5.3% quarter-on-quarter drop in cost to income to 47% in Q2-FY16 from 52.3% in Q1-FY16.

As of September 30, 2015, SKS Microfinance Limited had a net worth of Rs. 1,203 crore and a capital adequacy of 24.6%. Cash and cash equivalents stood at Rs. 834 crore.

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About SKS Microfinance Limited:

SKS Microfinance Limited is among the largest microfinance companies in India with presence across 18 states covering 1, 00,000 villages. The states include: Andhra Pradesh, Telangana, Karnataka, Maharashtra, Odisha, Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan, Uttaranchal, Haryana, West Bengal, Jharkhand, Chhattisgarh, Kerala, Punjab, Himachal Pradesh and Delhi. The Company's mission is to provide financial services to the economically weaker sections.

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