

SKS Microfinance gets Rs100 crore Mudra loan

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Microfinance firms such as SKS typically borrow from banks and financial institutions and provide small loans for individuals and small businesses. Photo: Sneha Srivastava/Mint

Hyderabad: SKS Microfinance Ltd on Wednesday said it has received a ₹100 crore loan from Micro Units Development and Refinance Agency Ltd (Mudra), a government initiative to help micro-entrepreneurs.

Hyderabad-based SKS said the Mudra loan, which comes at 10% annual interest rate, is cheaper than loans from financial institutions. This would help it bring down the cost of interest-bearing liabilities, the company said.

Microfinance firms such as SKS typically borrows from banks and financial institutions and provide small loans for individuals and small businesses.

The company said it has brought down its interest rates by 3.8 percentage points to 20.75%, as interest-bearing liabilities have come down. These liabilities dropped to 11.9% in the first quarter in this fiscal year from 13.6% in FY14 because of downward adjustments in risk premium. Since October 2014, interest rates have dropped thrice.

“At a rate of 10%, this is lower than regular term loans from conventional lenders, and reinforces our assertion in the recent past that the Non Banking Financial Companys–Micro Finance Institution (NBFC-MFI) structure does not preclude us from availing dedicated refinance lines at a lower rate of interest. We are already the lowest cost lender in the MFI segment, and will pass on this benefit to our microfinance borrowers,” said Dilli Raj, president, SKS Microfinance.

Mudra from its inception earlier this year has financed a host of MFIs including Ujjivan Microfinance Ltd, Equitas Holdings Ltd, Satin Creditcare Ltd and Aarohan Financial Services Pvt Ltd.

It has sanctioned ₹540 crore to MFIs and NBFC MFIs. The rate of interest it levies differs from company to company and is ranged between 10-12.5%. The refinance bank, mostly decides what rate to charge based on the ratings of the company. Lending companies offering loans to women borrowers and MFIs get 0.25 percentage point lesser interest rate compared to other financial institutions.

“Mudra is also now going to come up with a charter that would include terms for companies to treat customers. This would be for voluntary adoption and from our end we would persuade companies to use it. Broadly it would guide the lending institution on terms with which they deal customers,” said S. Srinivasan, deputy

managing director of Mudra. These guidelines are yet to get board approval, post which the government will take it up for consideration.

At 3.29pm, SKS Microfinance shares rose 6.46% to ₹426 on BSE, while the benchmark Sensex index was down 0.77% to 27,043.57 points.

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