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## SKS Microfinance slashes interest rate to 19.75%

As on September 30, 2015, SKS Microfinance's net worth stood at Rs 1,203 cr

BS Reporter | Hyderabad  
November 28, 2015 Last Updated at 00:30 IST



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SKS Microfinance has reduced the interest rate it charges from borrowers from 20.75 per cent to 19.75 per cent. The new rate will be applicable for future disbursements with effect from December 7.

With this, the company has become the first microfinance institution to charge a below-20 per cent interest rate on its core income-generating loans, which are unsecured micro loans. The new rate is the lowest rate charged by any private sector microfinance institution (MFI) in the world, SKS said in a press release. This is the fourth interest rate reduction, aggregating 4.8 per cent, announced by the company since October 2014.

SKS Microfinance could reduce its marginal cost of borrowing to 11.3 per cent in the second quarter of FY16 from 13.6 per cent in FY14 on account of downward adjustments in risk premium.

Marginal cost of borrowing in the second half of FY16 is expected to be lower than 11.3 per cent as the company has accessed refinance from MUDRA at 10 per cent and issued commercial papers at 9.5 per cent a year in October and November 2015, the release added.

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Turnaround and improved profitability are among the factors that drove the reduction in its cost of borrowing.

In the second quarter of FY16, the MFI's gross loan portfolio surpassed the past peak of Rs 5,434 crore in the second quarter of FY11. Its cost to income declined to 47 per cent in the second quarter of FY16 from 52.3 per cent in the first quarter.

As on September 30, 2015, SKS Microfinance's net worth stood at Rs 1,203 crore and it had a capital adequacy of 24.6 per cent. Cash and cash equivalents stood at Rs 834 crore, the release stated.

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