

## Vedika Credit Capital Limited (VCCL)

**GRADING ASSIGNED: MF 3**

**GRADING DATE: May 7, 2018**

MFI Grading	
BWR MF 1	<b>MFI Grading Scale at Brickwork Ratings</b>  The MFI Grading Scale at Brickwork Ratings is on an 8 point scale from BWR MF 1 to BWR MF8 with BWR MF 1 corresponding to the highest grade while BWR MF 8 is the lowest grade.  The MFI grades assigned refer to the ability of the MFI to manage its operations in a sustainable manner; they do not refer to the credit quality of the MFI and should not be used as a proxy for the creditworthiness of the company.
BWR MF 2	
BWR MF 3	
BWR MF 4	
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## Grading Rationale

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Brickwork Ratings has assigned 'MF 3' grading to Vedika Credit Capital Ltd (VCCL) a Microfinance Institution in the North Eastern Region - Ranchi (Jharkhand).

The grading has factored the experience of the Promoters and Management in the Microfinance industry, good processes and systems in place, good asset quality, comfortable CRAR, good recovery rate and comfortable liquidity position.

The operations of the company are spread over five states namely Jharkhand, West Bengal, Bihar, UP and recently added Assam.

The company has increased its portfolio significantly from Rs. 211.60 Crs as on March 31, 2017 to Rs. 295.11 Crs as on Dec 31, 2017. However the Company is constrained by relatively moderate scale of operations, competition from other players, slight deterioration in the asset quality and inherent risks associated with the microfinance industry.

Vedika Credit Capital Limited ('VCCL' or the 'Company') is a Non-Banking Finance Company (NBFC) and a member of RBI nominated Self-Regulatory Organization (SRO) "Sa-Dhan" and MFIN. It is engaged in the business of providing microfinance services and its head office is located at Jharkhand.

VCCL offers microloans to women for income generation activity as per RBI Guidelines. It operates on Joint Liability Group (JLG) lending model with each Centre consisting of 20 to 25 members and within the Centre, there are Groups comprising of 4 to 5 members in each group. VCCL operates through its network of 92 Branches (as of Dec 2017), increased from 64 Branches (as of March 2017). VCCL provides Financial services to a total Active borrower base of 196,740 as of December 2017.

VCCL operates in the relatively backward geographical area of the NE Region which is largely unserved or underserved by formal financial institutions and provides plenty of opportunity to establish its presence as an MFI to reckon with. The experience of the promoters, coupled with well-established practices guided by the RBI norms imply that the Company will have a stable progress ahead. Going forward, sustaining the progress and improving operational efficiencies would be the major sensitivities.

## Profile

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<b>Vedika Credit Capital Limited ('VCCL') - MFI Grading Report</b>	
<b>Year of incorporation</b>	As Stock Broking Pvt. Firm in year March 1995 and then became Public Ltd., in year Nov.1995. In March 1998, re-registered as an NBFC
<b>Year of commencement of microfinance operations</b>	February 2004* -Individual Lending 2007 - JLG Model
<b>Legal status</b>	MFI Non-Banking Finance Company (NBFC) in the Year June 2015
<b>Lending model</b>	Joint Liability Group (JLG)
<b>Chairman and Executive Director</b>	Mr.Ummed Mal Jain as the Chairman. Mr.Gautam Jain as the Managing Director
<b>Geographical areas of operation</b>	Jharkhand, W.Bengal, Bihar and U.P.
<b>Branches</b>	64 (as of March 2017) 92 (as of Dec 2017)

*\*In Feb. 2004, the company was acquired by the present team Ummed Jain and Family and started Individual Lending Model*

Vedika Credit Capital Limited ('VCCL' or the 'Company') is a Non-Banking Finance Company (NBFC) and a member of the Self-Regulatory Organization (SRO) "MFIN" and "Sa-Dhan" as per Reserve Bank of India norms.

It started its origin as a Stock Broking Pvt. Firm in March 1995, subsequently in Nov. 1995, the status of the company transferred from Private Limited to Public Limited - thereby enhancing the volume of operations. In March 1998, it got registered with RBI as an NBFC.

In the year 2004, the company was taken over by Mr. Ummed Jain and family (the present owners) and since then the company was involved in credit financing under "Individual Lending Model". In 2007, the company added another product - Microfinance Lending under the JLG concept. In June 2015, it re-registered with RBI as an NBFC-MFI.

The promoters and the family members hold 71.74% of stake in VCCL. Besides, the associate Company "Link Line Marketing Pvt. Ltd." holds 5.54 % stake and the promoters Trust has 6.48% stake while "Others" have a stake of 16.24%.

VCCL offers microloans to women (who do not have access to regular Banking system) for income generation purposes as per RBI Guidelines. It operates on Joint Liability Group (JLG) lending model with each Centre comprising of 20 to 25 members. VCCL operates through its network of 92 branches spread across 5 States. VCCL provides its financial services to a total active borrower base of 196,740 as of Dec 2017 with total outstanding portfolio of Rs. 295.11 Crs.

### Vision of the company

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The Vision Statement of VCCL is “To be the Leader in providing total financial solution to Micro Entrepreneurs.” in the deprived regions.

### Shareholding Pattern

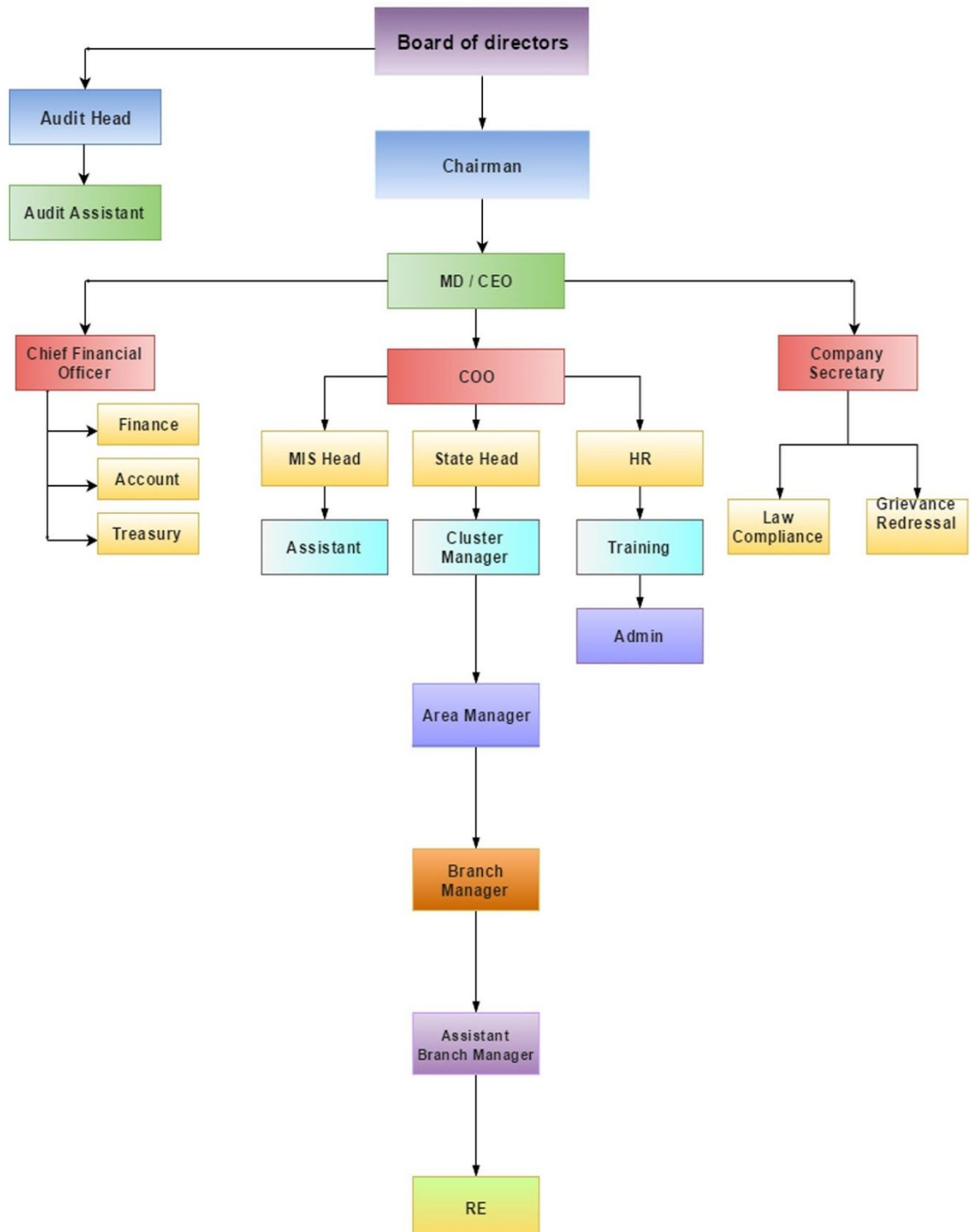
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S. No.	Name of Shareholders	No. of Shares	Share Value (Rs Cr)	% Holding
1.	Gautam Jain	2364198	2.36	23.86
2.	Ummed Mal Jain	1372950	1.37	13.86
3.	Vikram Jain	1214600	1.21	12.26
4.	Kanta Devi Jain	941050	0.94	9.50
5.	Anita Jain	583550	0.58	5.89
6.	Vinita Jain	631200	0.63	6.37
7.	Link Line Marketing Pvt. Ltd. (an Associate )	549200	0.55	5.54
8.	Dev. Initiative for Global Information Trust (maintained by Gautam & Vikram Jain)	642500	0.64	6.48
9.	Others	1608500	1.61	16.24
	<b>TOTAL</b>	<b>99,07,748</b>	<b>9.90</b>	<b>100</b>

As far as **Preferential Share** is concerned, **SIDBI constitutes 17.20%** of the total shares (No. of shares held by SIDBI : 10,00,000 @ Rs.10 per share) and the rest 82.80% is held by Mr.Ummed Mal Jain and his Family members.

## Organisation Structure

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## Management Details

Board of Directors		
Name	Designation	Experience
Mr. Ummed Mal Jain	Chairman	Ummed Mal Jain is the <b>Chairman</b> of the Company. Started his career as an Advocate in Patna High Court and later moved into Business out of choice and started food grain business. Thereafter, he ran a flour mill very successfully for several years. When business grew manifold, he decided to diversify and got into financing business. Using his vast experience, spanning over five decades presides in all matters of critical importance for the Company.Has been into MFI last 10 years.
Mr. Gautam Jain	Managing Director	Gautam Jain an MBA in Marketing, is the <b>Managing Director</b> of the company. He started his career with a jute mill in Calcutta and subsequently, moved into Finance business. He looks after the day to day operations of the Company. Has over 7 plus years of experience in the MFI segment.
Mr. Vikram Jain	Director	Vikram Jain a Commerce graduate is the <b>Director</b> of the Company. He was earlier managing the family business of food grains. Having drawn inspiration from his father Mr. Ummed Mal Jain and under his constant guidance he started managing the finance business of the family. He is a fund management specialist. He has around 7 plus years of experience in the MFI segment.
Mr.Praveen Chaturvedi	Director	Praveen Chaturvedi an IIM (Ahmedabad) and an LLB is the <b>Director</b> of the Company & having 36 years of Banking experience & retired as General Manager of Indian Overseas Bank. Presently taking care of Audit of the company. Has over 30 years of experience in the Banking industry.
Mr.Vinod Kumar Gupta	Independent Director	Vinod Kumar a Post Graduate in Physics & CAIIB is an <b>Independent Director</b> having 35 years of experience in Banking Industry & retired as GM from Bank of Maharashtra. He has held roles of increasing responsibility in the organization across strategy, finance, corporate development, sales, consumer research and marketing. Has over 30 years of experience in the Banking industry.

## Senior Management

Name	Designation	Experience
Balwant Kumar Singh	COO	An MBA in Finance with over 15 years of experience in the MFI segment is the <b>Chief Operating Officer (COO)</b> of the Company. His in-depth knowledge of the field and the sector makes him a very vital person of the <b>microfinance sector</b> .
Abhishek Agarwal	CFO	He is the <b>Chief Financial Officer (CFO)</b> of the Company. An ACS and MBA (Finance) by qualification, looks after the entire gamut of financial activities, disclosure of financial information in offer document, risk management, internal control and audit of the company. He has over 6 years of experience in microfinance sector.
Gaurav Kumar	Company Secretary	An ACS & LLB is the <b>Company Secretary</b> & looks after the corporate and other statutory compliances of the Company.
Pradeep Sharma	Head Internal Audit	A Graduate in English by qualification <b>heads the Internal Audit</b> functions of the company

## Lending Model & Products

- VCCL offers Micro loans to economically weaker section of women for income generation purposes as per RBI Guidelines. It operates on JLG (Joint Liability Group) lending model wherein a collective group of individual women form a Centre come together to borrow from VCCL. They share responsibilities and guarantee each other's loans. Each Centre comprises of 20 to 25 female members, and within Centre, they are further teamed up in Groups of 5.
- Criteria is poor downtrodden women with family income of less than Rs. 1,00,000 p.a. in rural & Rs. 1,60,000 p.a. in urban areas are the set standards for being eligible for loans.
- Loans are normally offered for agriculture and allied activities, petty / small businesses -trading/ manufacturing, etc. Loans are not usually offered for housing or personal consumption.
- Presently Vedika Credit Capital Ltd., offers only two loan products. The first one by name of "Unnati" with tenure of 15-18 months and monthly repayment. The second one named "Sampati" with tenure of 24-26 months and monthly repayment.

- The details of the loan products are as below:

Loan Product	Loan Size (Rs)	Tenure	Interest Rate%	Processing Fee	Repayment Frequency
Unnati	25400-29,600	15-18 months	24.70%	1%	Monthly
Sampati	48300-60000	24-26 months	24.70%	1%	Monthly

The details on Insurance :

Borrower Insurance Amt (Rs)	Amt.Pd. (Rs.)	sum insured	Other Features
14,700	113.2	Loan Amount	Guardian also covered
29,600	348.1	Loan Amount	Guardian also covered

Vedika Credit Capital has tied up with “Shriram Life Insurance” for the coverage of its Clients. The charges are for every Rs. 1000 , Rs.1.85 charged as insurance fee.

### Operational Model

A well-defined process is followed by the Company for group formation, loan appraisal, disbursement and collection.

#### JLG Formation:

#### Village Selection :

- Village survey and information of the village as per standard formats such as total number of households, literacy rate, sources of income, main business activities, financial dependency, irrigation facility, major threats etc. is carried out by Vedika Field staff. **(Relationship Executive)**

### **Group Formation :**

- After approval of a village by Cluster Manager, the Relationship Executive(RE) visits the local area and conducts a general meeting with the villagers to discuss about the micro credit programme of VCCL and importance of JLG. This process will continue till the time RE gathers minimum 10 women members in that village. Once 10 women members are gathered, RE will form JLG
- (Target Client): It is mandatory to visit the prospective Client's house to ensure her identity and get correct information of member profile.

### **CGT & GRT**

- After group formation, a 3 day **Compulsory Group Training (CGT)** of the members' is organised in a particular location, preferably in the house of a any member of the group.
- In this weekly meeting the JLG members are taught about the group's cohesiveness, how to maintain different registers, cash book, and about importance of Insurance. Within this period, JLG members are instructed to open bank account. Each Centre elects its President and each Group elects its Secretary / Leader to manage the operations of the Centre and Group respectively.
- Group Recognition Test is conducted after imparting CGT.
- GRT is to test and understand the members awareness towards their purpose of enrolling into the Organisation and Group.
- After GRT, the Centre is approved by the respective Area Manager and is officially enrolled with the company and the details of the Group captured with the MIS department. The Centre is then officially recognised by the H.O.
- The Centre / Group member details are vetted with the Credit Bureau namely **High Mark, Equifax and recently Experian (since Sept.2016)**. CIBIL check is also done for the members.
- After CGT the regular monthly Centre meetings are held by Relationship Executive. The time, place and day are fixed by the group members in consultation with the Group. The Centre meetings are attended by all members .
- Bank Account is opened for every member before GRT.

### **Loan Appraisal Process and Disbursement**

- Loan Application Form is given to each member by RE for duly filling of all details pertaining to loan and its purpose.
- The Forms are scrutinised and approved by the Branch Manager.
- House visits are done by the Branch Manager and Area Manager to check the authenticity of the Client's information provided in the Loan Document.

- Vedika's target is that the gap between the first day of training and disbursement for a JLG should not exceed 10 days for a new JLG and 7 days from the day of previous loan closure for an old JLG.
- The customers deposit their Loan Processing Fees at the Branch and the amount of loan gets transferred to their account directly "online transfer" of funds from BANK.
- The Company follows the Policy of **"No Bank Account No Loan"**.
- **Transfer of funds thru' NEFT**

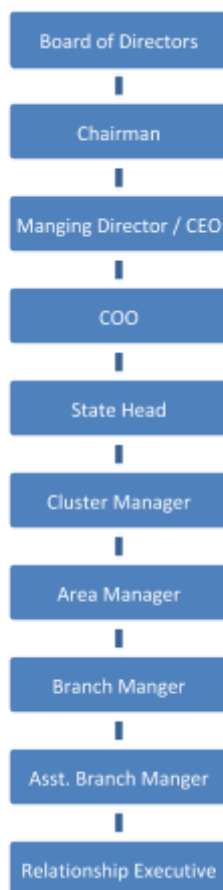
### **Collection Process**

- The repayment starts after a moratorium of 30 days of disbursement. Repayment Card should be made available to each borrower.
- The detailed monthly repayment schedule of the loan amount including Principal and Interest is handed over to the Group by the members before starting of the Centre meeting.
- Loan utilization certificate is important to ensure the utilization of the loan.
- BM verifies the demand collection sheet along with the records kept at the branch level and issues demand collection sheet (hard copy) to Field Representative.
- Cash collected is deposited to the nearest Branch of the HO Bank account on the same day and the collection details are updated in the online software BIJ
- Cash vaults are present at every branch for safekeeping of cash.
- The Company has availed insurance for both cash in transit and cash at vaults from Shriram Insurance.
- Branch office sends Reports to HO after collection on a daily basis.
- In very rare case of delinquency, RE follows up the overdue loans and reports the same to BM. Well defined process is laid out for follow-up and collection of delinquent loans based on overdue bucket. Clear responsibilities are defined for each bucket with involvement of RE, BM, and AM. No undue influence and coercion is used to force the recovery. No penalty charges are levied.

## Internal Control System

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- VCCL has a strong Internal Control System to monitor its Operations. The reporting chain is as below:



- At the Branch level, a reporting structure has been created for effective monitoring of operations.
- The Relationship Executive does the field verification and then reports to the BM. BM conducts the appraisal and frames his comments on the loan application. From BM, the next level of screening is done by the respective AM. After his consent, the proposal goes to the HO credit committee, which includes COO (Operations) and the Finance & Accounts Departmental Heads for final approval based on the recommendation of the BM and Area Manager and the past repayment history of the groups.
- The operations are centralised with Head Office (HO) having the final authority for loan sanction & disbursement. However, BM is responsible for loan collection and delinquency management.

## MIS & Reporting

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- Vedika uses a **Software called “Business Information Justified And Logically Integrated (BIJLI)”** maintained by Force Ten Technologies.
- All Branches are computerized and online. In order to stabilize its information technology systems for its future growth, the company has transformed its core business system to a **web based system**.
- Right from the initial step of conducting group meetings and registering the clients till disbursement, all of it is through the BIJLI software. (member registration, scanning of Aadhar card & linking to Credit Bureau (Highmark) and thus credit info. of Client is received./ checked ).
- Also the Branches sends Reports on the details of daily cash collections to Head Office. The data sent from different branches gets reconciled at the HO on a daily basis.
- Most of the operations from member creation to loan application, sanction, repayment tracking, report generation, etc., can be performed through the software.
- All types of reports are generated through the **BIJLI software** in a short span of time.

## Transparency

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### 1. Management Quality

Constitution, Ownership and Maturity of the MFI	VCCL is constituted as an NBFC -MFI and adheres to the process laid by RBI. The microfinance operations were started in Feb.2007. The promoters hold 72% of stake in VCCL (majority of the Company's shares). The company is into MFI operations last 10 years. VCCL is a member of the RBI nominated SRO - both Sa-dhan and MFIN.
Experience of the promoters in this segment	The promoter, Ummed Mal Jain was a successful Businessman besides being an advocate for the last 50 years. His vast business acumen coupled with wisdom presides over all matters of critical importance. is The other promoters Gautam Jain, Vikram Jain have good amount of experience in Financial Business.
The management's stability and inclusion/exit of key management personnel	The senior management have been with the Company for a minimum of five plus years and have good experience in microfinance.
Business Strategies	VCCL has a well-defined business strategy for the next couple of years. The company plans to achieve a portfolio of more than Rs. 500 Crs by end of FY19. To achieve the same, the Company plans to raise funds thru' banks/ financial institutions. Also by way of Securitisation model.
Financial & accounting policies and Corporate	VCCL has four member Board comprising of experienced professionals from banking & finance and operations

Governance policies & processes	domain. They have one independent director on the Board. Total 5 members.
Vision and Social Impact expected to be achieved through operations.	VCCL offers Microloans to women for income generation purpose. It aims to provide financial services to people in rural and urban areas by organizing them through JLG so that the targeted populace may be engaged in economically viable activities for strengthening their livelihood. Vision statement of VCCL “To be the Leader in providing total Financial solution to Micro Entrepreneurs”.

## 2. Social Impact

The segments of borrowers financed and the reason for financing	VCCL targets poor downtrodden women with family income of Rs. 1,00,000 p.a. in rural & Rs. 1,60,000 p.a. in urban areas. Loan is normally offered for agriculture and allied activities, small businesses trading/ manufacturing, etc. Loans are not usually offered for housing or personal consumption.
Tie ups with corporate houses for Corporate Social Responsibility Programs etc.	Partner with private & public sector banks, governmental & local institutions involved in financial inclusion, health, education and livelihood development. Provides secondary loan for solar lamp purchase.

## 3. Business Model

Loan tracking system and process-control mechanism for present scale of operations	BM issues demand collection sheet (hard copy) to RE. Repayment collection is done at the JLG meeting by the RE on a monthly basis. RE has the receipt book in their custody and every time the repayment is collected from the Group, a receipt is issued.
Adequate HR practices	Brickwork Ratings opines that VCCL has satisfactory HR policies in place for its present scale of operations. VCCL has appointed a HR Team who oversees staff recruitment, incentive planning, annual performance appraisal and training of its staff.
Adequate Recovery and collections process	Well defined process has been laid out for follow-up and collection of delinquent loans (if need arises). RE follows up all the overdue loans and reports the same to BM. Well defined process is laid out for follow-up and collection of delinquent loans based on overdue bucket. Clear responsibilities are defined for each bucket with involvement of RE, BM, AM and Cluster Head in cases of hard buckets. No penalty charges are levied.
Good management information system (MIS) and process control mechanism	VCCL uses web based software called BIJLI for its day to day operations and MIS. All transactions at the branch level are entered and can be instantly accessed from the Head Office. Reports like Product-wise Loan Disbursement, Cycle-wise Loan Disbursement, overdue, ageing analysis, etc., can be generated by the software at any given point of time.

Moderate cash management system	Cash collected is deposited to the nearest branch of the HO bank account on same day and the collection details are updated in the system.
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#### 4. Operational Efficiency

Use of technology	Use of technology is adequate for the current level of operations.
Management has adequate experience to upscale and sustain operations	Brickwork Ratings believes that the senior management team's experience in microfinance will help VCCL expand and sustain operations if it raises capital and resources on time.
Cost Management	Operating expense as a % of gross loan portfolio has increased from 5.95% in FY16 to 6.90% in FY17. The same has however, come down to 5.53% in 9M FY18.
Assets per Loan Officer	VCCL's average Gross Loan Portfolio per loan officer was Rs. 0.52 Crs as of December 31, 2017 which is slightly higher than the industry average of Rs 0.49 Crs.
Profit per Loan Officer	EBDTA per Loan Officer has declined to Rs. 0.01 Crs during 9M FY18.
Profit per branch	EBDTA per Branch has also declined to Rs. 0.05 Crs during 9M FY18

#### 5. Enterprise Risk Management

Independent risk management division and independent Internal Audit with Monitoring and supervision	VCCL has a dedicated internal audit team and functions unbiased. Internal audit is done at all Branches on a quarterly basis with well-defined audit calendar and the report is submitted to the Board and Organisational Head. The management takes responsibility to ensure relevant actions are taken on the Audit findings. Audit Reports are also shared with the respective Branches for taking corrective measures and rectifications. In addition to this, surprise branch visits are conducted by both Audit team and Senior Management. The objective of the department is to monitor and evaluate financial as well as operational data and borrower level processes.
Loan sanction and disbursement policies	Credit policies are clearly defined and documented. Credit policies are strictly adhered to for formation of groups, field verification and credit appraisal. Credit policy communication is done verbally through group meetings and training sessions to the group members.
Management of credit, market and operational risks	Adequate policies for management of credit and operational risks are in place. Credit payment history of the borrower is checked with multiple Credit Bureaus like High Mark, Equifax, and Experian as Vedika is a member of all these Credit Bureaus. CIBIL check is also done, thus thorough verification done.

Management of legal and compliance risk	VCCL has Code of conduct in place, where Integrity, Transparency, Client Protection, Privacy of Client Information, Avoidance of over indebtedness and Grievance Redressal Mechanism are followed by the staff and all Departmental Heads report to the MD.
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## 6. Financial Performance

Adequate capitalization	As on December 31, 2017, VCCL had a CRAR of about 25.02%. As per RBI guidelines for NBFC-MFI, they have to maintain CRAR at 15%.
Asset Quality	VCCL has been able to maintain good asset quality, however, the same has witnessed some deterioration during 9M FY18. Delinquencies at 90+dpd were 1.72% as on Dec 31, 2017 and repayment rate has declined to 98.43% from 99.37% as on March 31, 2017
Funding profile	VCCL has loans from a few nationalised banks and financial institutions. It has also approached some other banks to increase its borrowings. As of Dec 31, 2017 the leverage ratio was 6.50 times.
Earning Profile	VCCL registered a Net profit of 3.42 Crs during FY17 and Rs. 3.11 Crs during 9M FY18.
Liquidity Profile	VCCL has a comfortable cash flow position in both short and long term.

## Financial Statements

P & L Summary (Rs. Crs)	FY14 (A)	FY15 (A)	FY16 (A)	FY17 (A)	9M FY18 (Prov)	FY18 (P)	FY19 (P)
Interest Income	11.71	15.57	29.99	48.53	60.96	94.50	165.65
Interest Expense	8.34	9.66	18.49	26.69	46.04	45.62	74.30
<b>Net Interest Income</b>	<b>3.37</b>	<b>5.91</b>	<b>11.50</b>	<b>21.84</b>	<b>14.92</b>	<b>48.87</b>	<b>91.35</b>
Other Financial Charges	-	0.06	1.74	3.14	-	-	-
Other Income	1.12	0.00	0.70	0.15	3.86	4.29	7.53

<b>Total Income</b>	<b>4.49</b>	<b>5.86</b>	<b>10.45</b>	<b>18.85</b>	<b>18.78</b>	<b>53.16</b>	<b>98.89</b>
Employee Benefit Expenses	2.37	3.06	4.08	8.14	8.19	-	-
Provision for contingencies	0.42	0.27	0.57	0.72	-	1.80	3.76
Other Expenses	1.33	1.86	3.37	5.35	5.87	35.93	64.88
<b>Total Expenses</b>	<b>4.12</b>	<b>5.19</b>	<b>8.03</b>	<b>14.21</b>	<b>14.06</b>	<b>37.73</b>	<b>68.65</b>
<b>PBDTA</b>	<b>0.37</b>	<b>0.66</b>	<b>2.43</b>	<b>4.64</b>	<b>4.72</b>	<b>15.43</b>	<b>30.24</b>
Depreciation	0.06	0.07	0.15	0.24	0.22	0.32	0.32
PBT	0.31	0.59	2.28	4.40	4.50	15.11	29.92
Taxes	0.23	0.18	0.93	0.98	1.39	5.23	10.41
<b>PAT</b>	<b>0.08</b>	<b>0.41</b>	<b>1.35</b>	<b>3.42</b>	<b>3.11</b>	<b>9.89</b>	<b>19.51</b>

### Balance Sheet Summary

<b>LIABILITIES (Rs. Crs)</b>	<b>FY14 (A)</b>	<b>FY15 (A)</b>	<b>FY16 (A)</b>	<b>FY17 (A)</b>	<b>9MFY18 (Prov)</b>	<b>FY18 (P)</b>	<b>FY19 (P)</b>
<b>Equity And Reserves</b>	<b>16.64</b>	<b>16.96</b>	<b>26.80</b>	<b>35.80</b>	<b>68.90</b>	<b>78.69</b>	<b>143.20</b>
Share capital	7.03	7.03	13.96	17.72	17.72	17.72	17.72
Quasi Equity/Tier II Capital	-	-	-	-	30.00	33.00	63.00
Reserves and Surplus	9.60	9.93	12.83	18.08	21.18	27.97	62.47
<b>Non-current liabilities</b>	<b>49.62</b>	<b>38.39</b>	<b>77.58</b>	<b>85.75</b>	<b>137.92</b>	<b>187.49</b>	<b>419.09</b>
Long-Term Borrowings	49.60	38.39	76.16	83.64	137.92	187.44	419.01
Deferred Tax Liabilities (Net)	0.01	-	0.03	-	-	0.05	0.07

Long-Term Provisions	-	-	1.39	2.11	-	-	-
<b>Current liabilities</b>	<b>2.41</b>	<b>47.60</b>	<b>74.84</b>	<b>135.26</b>	<b>143.66</b>	<b>180.21</b>	<b>306.08</b>
Short-Term Borrowings	1.61	46.34	43.75	82.71	139.11	170.31	286.62
CPLTD	-	-	29.96	39.72	-	-	-
Other Current Liabilities	0.02	0.18	0.16	10.41	0.35	2.88	5.29
Short-Term Provisions	0.78	1.08	0.96	2.42	4.20	7.02	14.17
<b>Total</b>	<b>68.67</b>	<b>102.95</b>	<b>179.22</b>	<b>256.81</b>	<b>350.48</b>	<b>446.40</b>	<b>868.36</b>
<b>Assets (Rs Cr)</b>							
<b>Non-current assets</b>	<b>33.21</b>	<b>48.91</b>	<b>63.58</b>	<b>80.81</b>	<b>139.26</b>	<b>62.68</b>	<b>206.56</b>
Tangible Assets	0.18	0.40	0.74	0.99	1.44	1.07	1.19
Intangible Assets	0.07	0.06	0.08	0.03	0.02	-	-
Deferred Tax Assets (Net)	-	0.05	-	0.66	-	-	-
Long Term Loans and Advances	32.96	48.40	62.77	79.14	137.80	61.61	205.37
<b>Current assets</b>	<b>35.45</b>	<b>54.04</b>	<b>115.63</b>	<b>176.00</b>	<b>211.22</b>	<b>383.72</b>	<b>661.80</b>
Current Investments	0.52	0.05	0.10	-	0.68	-	-
Cash and Cash Equivalents	12.77	20.09	38.71	41.86	62.97	51.65	96.66
Short-Term Loans and Advances	22.15	33.89	76.79	133.79	142.97	329.30	561.81
Other Current Assets	0.01	0.01	0.03	0.35	4.60	2.77	3.32
<b>Total</b>	<b>68.67</b>	<b>102.95</b>	<b>179.22</b>	<b>256.81</b>	<b>350.47</b>	<b>446.40</b>	<b>868.36</b>

### Key Financial Ratios

Financial Ratios	FY15	FY16	FY17	9M FY18
PAR > 1 day	0.25	0.43	0.20	1.47
PAR > 30 days	0.20	0.38	0.24	0.55
PAR > 60 days	0.28	0.20	0.29	0.48
PAR > 90 days	0.22	0.16	0.49	1.19
PAR > 180 days	0.28	0.22	0.10	3.89
Capital to Risk (Weighted) Assets Ratio (CRAR)	20.92%	20.26%	22.37%	25.02%

Average cost of borrowings	14.30%	15.54%	15.54%	14.90%
Net Interest Margin	7.18%	8.28%	10.32%	9.80%
Interest Income/ Gross Loan Outstanding	17.40%	20.09%	22.93%	20.66%
Operating Expense as a % of Gross Loan Outstanding	5.67%	5.95%	6.90%	5.53%
Employee Expenses/Total Income	19.66%	13.31%	16.77%	13.44%
Return on Assets	0.48%	0.83%	1.61%	0.89%
Return on Equity	2.47%	5.04%	9.55%	9.97%
On-Time Repayment	98.82%	99.01%	99.37%	98.43%
Operational Self-Sufficiency (OSS) %	106%	108%	110%	107.45%

- Portfolio at Risk (PAR) greater than 90 days is considered as NPA. Therefor Gross NPA for 9M FY18 stands at 1.72 % of the portfolio outstanding.
- Capital to Risk (Weighted) Assets Ratio (CRAR) is at 25.02% for 9M FY18 is well above the RBI requirement of 15% and hence, the Company can leverage its balance sheet to meet its future loan portfolio growth
- NIM is relatively comfortable at 9.80% in 9M FY18 as the same cannot be more than 10% as per RBI's guidelines.
- ROA & ROE Ratios have remained volatile.
- Provisioning for the loan portfolio is as per the Regulations for MFIs at 1% of the total loan portfolio outstanding.

## Productivity Indicators

Productivity Ratios	Unit	FY15	FY16	FY17	9M FY18
Operational Self-Sufficiency (OSS)	%	106	108	110	107.45
Operating Cost Ratio	%	5.67	5.95	6.90	5.53
Income/Borrowers	(Rs. Crs)	0.01	0.01	0.01	0.01
Loan Outstanding/Borrower	(Rs.)	14374	18671	17760	15000
<b>Employee productivity</b>					
Number of groups/ Credit Officer	No.	44	52	91	89

Number of members/ Credit Officer	No.	323	307	336	348
Number of borrowers/ Credit Officer	No.	323	307	336	348
Loan Outstanding/Credit Officer	(Rs. Crs)	0.46	0.57	0.60	0.52
Income/Credit Officer	(Rs. Crs)	0.08	0.12	0.14	0.11
<b>Branch productivity</b>					
Number of members/ Branch	No.	3,012	2,859	1862	2138
Number of borrowers/ Branch	No.	3,012	2,859	1862	2138
Loan Outstanding/Branch	(Rs. Crs)	3.05	3.15	3.31	3.21
Income/Branch	(Rs. Crs)	0.53	0.64	0.76	0.66

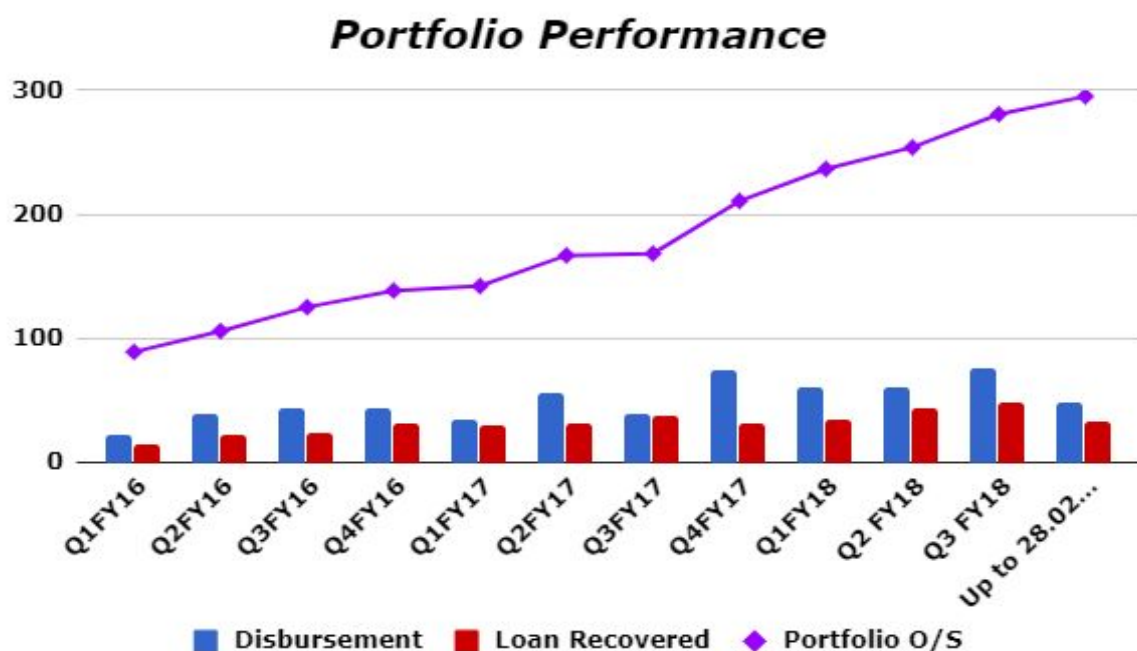
## Business Indicators

### Operational Outreach

Particulars	Unit	FY15	FY16	FY17	9M FY18
Number of states	No.	3	4	4	5
Number of districts	No.	19	26	32	48
Branches	No.	27	44	64	92
Number of active groups	No.	7829	12,474	32,305	50,319
Number of members	No.	57229	74346	119147	196740
Number of borrowers	No.	57229	74346	119147	196740

Number of Credit Officers	No.	177	242	355	565
Total No. of Employees	Rs. Crs	217	286	417	660
Total No. of Female Employees	Rs. Crs	17	21	33	11
Total Outstanding Loan portfolio	Rs. Crs	82.26	138.82	211.60	295.11

- The loan portfolio is steadily increasing y-o-y.
- The company has expanded majorly in the last two years, specifically during 9M FY18. While, the number of employees has gone up significantly, the company do not have many female employees.



Disbursements and recoveries are steady leading to increasing loan portfolio Q-o-Q.

### Conclusion:

Vedika Credit Capital Limited has been in the Microfinance business for ten years now and has impacted rural & semi urban livelihoods in Jharkhand, W.Bengal, Bihar UP and Assam. The Company has gained the status of NBFC- MFI. The Management is well qualified and has fair experience in microfinance operations. Risk Management and Credit policies are in place, well documented and communicated. Overall disclosures are good. VCCL is a Member of MFIN and Sa-dhan. Going forward it would need to be competitive in changing landscape especially with the advent of small finance banks.

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**Annexure I: Index of Abbreviations**

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<b>Abbreviation</b>	<b>Interpretation</b>
BC	Business Correspondence
BIJLI	Business Information Justified & Logically Integrated
BM	Branch Manager
CGT	Compulsory Group Training
CO	Credit Officer
CRAR	Capital to Risk (Weighted) Assets Ratio
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
FI	Financial Institution
GRT	Group Recognition Test
HO	Head Office
JLG	Joint Liability Group
MFI	Microfinance Institution
MIS	Management Information System
MFIN	Microfinance Institutions Network

NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Finance Company
NBFC-MFI	Non-Banking Finance Company – Microfinance Institution
OSS	Operational Self-Sufficiency
PAR	Portfolio At Risk
PAT	Profit After Tax
PBDTA	Profit Before Depreciation, Tax and Amortisation
PBT	Profit Before Tax
RBI	Reserve Bank of India
RE	Relationship Executive
SRO	Self-Regulatory Organization
VCCL	Vedika Credit Capital Limited



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