



## **SMERA Comprehensive Grading**

**M3C2**

*(Above Average  
capacity of the MFI to  
manage its operations  
in a sustainable manner  
and good performance  
on code of conduct  
dimensions)*

## **SMERA Comprehensive Grading**

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Vedika Credit Capital Limited



To verify the grading, please scan the QR code

***Date of Report:***

***30<sup>th</sup> November, 2020***

***Valid Till:***

***29<sup>th</sup> November, 2021***

## SMERA's MFI Comprehensive Grading Scale

The grading is done on 8 x 5 matrix. The matrix assesses the entity on two broad parameters:

- Capacity to manage their microfinance operations in a sustainable manner
- Performance on COCA dimensions
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Scale	C1	C2	C3	C4	C5
M1					
M2					
M3		M3C2			
M4					
M5					
M6					
M7					
M8					

The MFI obtains comprehensive MFI grading of “**M3C2**”. It signifies **above average** capacity of the MFI to manage its operations in a sustainable manner and **good** performance on code of conduct dimensions.



To Verify the Grading, please scan the QR code

### Grading Rationale

<b>Microfinance Capacity Assessment Grade</b>	VCCL obtains “ <b>M3</b> ” as its performance grade which signifies “high capacity of the organization to carry out its activities in a sustainable manner”.
<b>Code of Conduct Assessment Grade</b>	VCCL obtains “ <b>C2</b> ” as its Code of Conduct Assessment Grade which signifies “good performance on COCA dimensions”.

*Comprehensive MFI Grading provides opinion of the Rating Agency on MFI’s capacity to carry out its microfinance operations in a sustainable manner and its adherence to Industry code of conduct. MFI Capacity Assessment Grading has been done on the dimensions of **Capital Adequacy, Governance, Management Quality** and **Risk Management Systems**. Assessment on Code of Conduct has been done on the indicators pertaining to **Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal** and **Data Sharing**. Some of these indicators have been categorized as Higher Order indicators consisting of indicators on **Integrity and Ethical Behaviour** and **Sensitive Indicators**.*

*Disclaimer: MFI grading is not a comment on debt servicing ability, not a buy-sell recommendation and must not be used for raising fund.*

## Conflict of Interest Declaration

SMERA (including its holding company and wholly owned subsidiaries) has not been involved in any assignment of advisory nature for a period of 12 months preceding the date of the comprehensive grading. None of the employees or the Board members of the SMERA have been a member of the Board of Directors of the MFI for a period of 12 months preceding the date of the comprehensive grading.

## Disclaimer

SMERA's Ratings / Gradings / Due Diligence and other credit assessment related services do not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a buyer's or lender's independent assessment. Rating / Grading / Due Diligence are based on the information provided by the rated entity and obtained by SMERA from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true and correct, SMERA makes no representation or warranty, expressed or implied with respect to the accuracy, adequacy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability, whatsoever, for any direct, indirect or consequential loss of any kind arising from the use of its Ratings / Gradings / Assessments.

## Historical Rating Grades

Date	Rating Agency	Rating/Grading
30 <sup>th</sup> September, 2020	SMERA	M3
18 <sup>th</sup> May, 2020	Acuité Ratings and Research	BBB+
26 <sup>th</sup> September, 2020	SMERA	M2
31 <sup>st</sup> October, 2018	SMERA	M2C2
29 <sup>th</sup> September, 2018	SMERA	M2

## Microfinance Capacity Assessment Grading Symbols and Definitions

Grading Scale	Definitions
M1	<b>Highest capacity of the MFI to manage its operations in a sustainable manner.</b>
M2	<b>High</b> capacity of MFI to manage its operations in a sustainable manner.
<b>M3</b>	<b>Above average capacity of the MFI to manage its operations in a sustainable manner</b>
M4	<b>Average</b> capacity of the MFI to manage its operations in a sustainable manner
M5	<b>Inadequate</b> capacity of the MFI to manage its operations in a sustainable manner
M6	<b>Low</b> capacity of the MFI to manage its operations in a sustainable manner.
M7	<b>Very low</b> capacity of the MFI to manage its operations in a sustainable manner
M8	<b>Lowest</b> capacity of the MFI to manage its operations in a sustainable manner

## Code of Conduct Assessment Scale and Definitions

Grading Scale	Definitions
C1	<b>Excellent</b> performance of the MFI on Code of Conduct dimensions
<b>C2</b>	<b>Good performance of the MFI on Code of Conduct dimensions</b>
C3	<b>Average</b> performance of the MFI on Code of Conduct dimensions
C4	<b>Weak</b> performance of the MFI on Code of Conduct dimensions
C5	<b>Weakest</b> performance of the MFI on Code of Conduct dimensions

## Company Fact Sheet

Name of the MFI	:	Vedika Credit Capital Limited	
Operational Head – Microfinance Business	:	Name	Mr. Pradeep Sharma
	:	Designation	COO
	:	Mobile No.	9570395182
	:	Email ID	<a href="mailto:pradeep.sharma@teamvedika.com">pradeep.sharma@teamvedika.com</a>
	:	Date of Joining	1 <sup>st</sup> March, 2020
Date of Incorporation/Establishment	:	15 <sup>th</sup> March, 1995	
Date of commencement of microfinance business	:	2007	
Legal Status	:	NBFC-MFI	
Business of the company	:	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	:	406, Shrilok Complex, 4th Floor, H.B. Road, Ranchi-834 001 Jharkhand	
Geographical Reach (As on 31/Mar/2020)	:	No. of States	7
	:	No. of Districts	102
	:	No. of Branches	212
	:	No. of Active Borrowers	2,22,105
	:	No. of Total Employees	1,410
	:	No. of Field/Credit Officers	1,262
No. of Lenders	:	39 lenders (including Banks and institutional lenders)	
Statutory Auditors	:	N. K. Kejriwal & Co.	

### Background:

- Vedika Credit Capital Limited, herein referred as VCCL was incorporated in 1995 at Ranchi and is engaged in microfinance operations since 2007 (more than a decade). VCCL was registered as an NBFC-MFI with RBI in June 2015. The company is managed by Jain family. The majority stake of the company is held with Mr. Gautam Jain, Mr. Ummed Mal Jain, Mr. Vikram Jain and Mrs. Kanta Devi Jain. The remaining equity shares are held by other members of Jain family.

## Product Profile

Products	Description	Loan Size (Rs)	Interest Rate (A) (In %)	Processing Fee (B) (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
JLG Loan	Income Generating Loan	29,740 – 41,160	24.09	1.00	25.09
Individual Loan	Business Loan, House repairing Loan	48,000-95,300	24.09	1.00	25.09
Consumer Durable Loan	Consumer Durable loan to existing clients	600 – 13,000	24.09	1.00	25.09

## Capital Structure (as on September 30, 2020)

<b>Authorized Capital</b>	Rs. 40.00 crore
<b>Paid Up Capital</b>	Rs. 32.07 crore

## Shareholding Pattern (as on September 30, 2020)

Equity Shares	
Shareholders	% Holding
Gautam Jain	15.95
Ummed Mal Jain	5.33
Vikram Jain	5.46
Kanta Devi Jain	5.00
Anita Jain	3.16
Vinita Jain	3.30
Sidharth Jain	0.09
Aditya Jain	0.05
Vikram Jain Huf	0.35
Gautam Jain Huf	1.97
Ummed Mal Jain Huf	1.49
Linkline Marketing Pvt Ltd	10.40
Jatinder Finance Pvt Ltd	1.55
Vedika It Solution Pvt Ltd	1.47
Vedika Sales & Services Pvt Ltd	6.63
Vedika Agro Mart Pvt Ltd	5.41
Digit	2.89
Gautam Jain Family Welfare Trust	0.48
Vikram Jain Family Welfare Trust	0.50

Vedika Financial Services Pvt. Ltd.	13.08
Insight Merchants Pvt. Ltd.	5.97
Vedika Irrigation and Energy Solution Pvt. Ltd.	9.48
<b>Total</b>	<b>100.00</b>

<b>Cumulative Convertible Preference Shares (CCPS)</b>	
<b>Shareholders</b>	<b>% Holding</b>
Gautam Jain	26.41
Ummed Mal Jain	9.83
Vikram Jain	13.72
Kanta Devi Jain	0.73
Anita Jain	0.73
Sidharth Jain	0.37
Vikram Jain HUF	11.01
Gautam Jain HUF	18.34
Ummed Mal Jain HUF	8.80
Vedika Financial Services Pvt. Ltd.	10.05
<b>Total</b>	<b>100.00</b>

<b>Optionally Convertible Preference Shares (OCPS)</b>	
<b>Shareholders</b>	<b>% Holding</b>
Small Industries Development Bank of India	100.00
<b>Total</b>	<b>100.00</b>

## Board of Director's/Promoter's Profile

<b>Director Details</b>		<b>Profile</b>
Name:	Mr. Ummed Mal Jain	He started his career as an Advocate in Patna High Court. Later on, he drifted into business out of choice and started a food grain business. Thereafter, he ran a flourmill for several years. In order to diversify his business, he promoted VCCL in the year 1995.
Designation:	Chairman	
Qualification:	LLB	
Name:	Mr. Gautam Jain	He is the managing director of the company. He has over a decade of experience in the financial domain.
Designation:	Managing Director	
Qualification:	MBA (Marketing)	
Name:	Mr. Vikram Jain	He used to manage a Food Grain business (a family business) before joining VCCL. He is a Fund Management Specialist.
Designation:	Director	
Qualification:	B.Com (H)	



Name:	Mr. Praveen Kumar Chaturvedi	He has 36 years of experience in the banking industry. He retired as a General Manager from Indian Overseas Bank.
Designation:	Independent Director	
Qualification:	MSc, LLB and MBA (IIM Ahmedabad)	
Name:	Mr. Maqsoodul Hasan Ansari	He has 34 years of experience in skill development of the marginalized sections of the society in India. He served as Head of the Department of Rural Management at XISS, Ranchi for a period of 14 years. He is having a Lifetime membership of the International Institute of Adult and Lifelong Education, New Delhi since the Year 1990. He has written and published small books and produced Audio-visual aids, which helped in creating awareness in the rural masses for developmental interventions. He received “Mahatma Gandhi Peace Award-2015” in the field of Education on 2nd of October 2015.
Designation:	Independent Director	
Qualification:	MBA with Specialization in Marketing Management & Doctorate of Philosophy (Ph.D.)	
Name:	Mr. Siba Prasad Nayak	He is Nominee Director from SIDBI. He has 17 years of experience in Banking and Financial Institutions like SIDBI. He is experienced in MSME Lending. He is presently working as Assistant General Manager in SIDBI, Ranchi, looking after MSME lending in the state of Jharkhand.
Designation:	Nominee Director	
Qualification:	B. Com and Masters in Industrial Relations and Personnel Management	

#### SMERA Observations:

- VCCL has six-member board. Board members have extensive experience in microfinance, finance, Banking and development sectors.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective.

## Management Profile

Management Details		Profile
Name:	Mr. Abhishek Agarwal	<p>He is Chief Financial Officer of the Company. ACS and MBA (Finance) by qualification, he is managing the financial actions of a company including tracking cash flow and financial planning as well as analyzing the company's financial strengths and weaknesses and proposing corrective actions, all strategic and tactical matters as they relate to budget management, cost benefit analysis, forecasting needs and the securing of new funding. He has over 10 years' experience in micro finance sector.</p>
Designation:	CFO	
Qualification:	ACS & MBA (Finance)	
Name:	Mr. Gaurav Kumar Vohra	<p>He is the Company Secretary of the company. ACS and Law graduate by qualification, he looks after the corporate and other statutory compliances of the Company &amp; he is responsible for the efficient administration of a company, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the board of directors are implemented.</p>
Designation:	Company Secretary	
Qualification:	ACS & LL.B	
Name:	Mr. Chandan Kumar Malviya	<p>He has 7 years of experience in Banking Audit, Accounting and Micro finance. He has handled account creation, transactions and Audit at various industries of Microfinance, Telecom and other private organizations.</p>
Designation:	Audit Head	
Qualification:	Graduate	
Name:	Mr. Biplob Sen Gupta	<p>He has more than 8 years of experience in HR in various industries like Steel and Power, Microfinance and Telecom industry.</p>
Designation:	HR	
Qualification:	MBA	

Name:	Mr. Sunil Kumar	He is the Chief Technical Officer of the company. He is looking after implementation of various software, IT Infrastructure & Security and other digital initiatives.
Designation:	CTO	
Qualification:	MBA	
Name:	Mr. Binay Kumar Mohanty	He is the Group Chief Risk Officer and looks after risk and credit of Vedika Group. He is experienced across industries like Technology, Retail and Finance.
Designation:	CRO	
Qualification:	Ph. D	

#### SMERA Observations:

- VCCL senior management has adequate experience across sectors such as microfinance, Banking, finance, IT and development sector.
- Majorities of the senior management members have been associated with it for long tenure and have risen from ranks.
- VCCL has dedicated department wise / function wise heads and no major functional overlaps have been observed.
- The senior management reports to the CEO, except the auditor who directly report to the board.

## Compliance with RBI's Directives for MFIs

RBI's Direction	VCCL's Status	Compliance
85% of total assets to be in the nature of qualifying assets	Qualifying assets forms more than 85% of total assets as on 30/Sept/2020.	Complied
Net worth to be in excess of Rs 5 Crore	Net worth of VCCL stood at Rs. 72.04 crore as on 30/Sept/2020.	Complied
Income of borrower not to exceed Rs 125,000 in the rural areas and Rs 200,000 in the urban and semi-urban areas*	VCCL extends loans to households whose income does not exceed Rs 125,000 in rural and Rs 200,000 in urban areas.	Complied
Loans size not to exceed Rs 75,000 in first cycle and Rs 125,000 in subsequent cycles*	Loan size of VCCL does not exceed 75,000 in the first cycle and 1,25,000 in the subsequent cycle.	Complied
Total indebtedness of the borrower not to exceed Rs 125,000 (excl medical and education loans)*	Apart from taking declaration from the client, VCCL conducts credit check on the loans outstanding through credit bureaus.	Complied
Tenure of loans not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty*	Tenure of loans is not less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty.	Complied
Pricing guidelines are to be followed	Loans are provided at 24.09% on reducing balance basis which meets the RBI criteria.	Complied
Transparency in interest rates to be maintained	Interest, Processing fees and insurance premium charged are duly mentioned in the loan card provided to the client.	Complied
Not more than two MFIs lend to the same client	VCCL verifies the same though credit check from credit bureaus.	Complied

<b>RBI's Direction</b>	<b>VCCL's Status</b>	<b>Compliance</b>
Loan pricing to include processing fee (not exceeding 1% of the loan amount)	VCCL charges 1% processing fee to the borrowers.	Complied
Collateral free loans	VCCL does not accept any Collateral for extending the credit.	Complied
MFIs shall not collect any Security Deposit / Margin from the borrower.	VCCL does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	VCCL does not take late payment or prepayment penalties from the clients.	Complied
Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, as per the frequency of data submission prescribed by the CIC.	VCCL shares its client data with CRIF Highmark, Equifax, Experian and CIBIL.	Complied
Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs	VCCL provides 100% of total loans for income generation activities as on 30/Sept/2020.	Complied
NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 percent of its aggregate risk weighted assets.	CRAR of VCCL stood at 24.94% as on 30/Sept/2020 which complies with the minimum CRAR requirement of 15% for NBFC-MFIs as prescribed by RBI. VCCL does not have any exposure in Andhra Pradesh.	Complied
The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more'.	The statutory auditor has certified the appropriate provisions have been made.	Complied

### **Financial Snapshot (In Rs. Crores)**

<b>Particulars</b>	<b>31/03/2018</b>	<b>31/03/2019</b>	<b>31/03/2020</b>
Total AUM (in Crores)	446.19	562.92	615.22
On Balance Sheet Portfolio Outstanding (in Crores)	320.67	348.24	422.32
Off Balance Sheet (in Crores)	125.52	214.68	192.90
Total Net Worth (in Crores)	49.30	70.37	52.54
Total External Borrowings (in Crores)	351.41	442.53	434.95

<b>Particulars</b>	<b>31/03/2018</b>	<b>31/03/2019</b>	<b>31/03/2020</b>
Financial Revenue from Operations (in Crores)	84.79	110.88	123.48
Finance Expenses (in Crores)	48.81	61.24	65.95
Operating Expenses (in Crores)	26.46	36.23	46.07
Operating Income (in Crores)	8.42	9.81	(21.60)
Net Operating Income (in Crores)	5.52	6.89	(17.16)

<b>Particulars</b>	<b>31/03/2018</b>	<b>31/03/2019</b>	<b>31/03/2020</b>
Cost of funds ratios (%)	15.22	15.42	15.01
Capital Adequacy Ratio (%)	24.90	22.00	18.89
Operational Self Sufficiency (%)	111.03	109.71	106.44
Operating Expense Ratio (OER) (%)	6.94	6.33	7.84
Portfolio at Risk (>30 days) (%)	1.91	0.90	2.83
Debt to Equity ratio (in times)	7.13	6.29	8.28

### **Highlights of Microfinance Operations**

Particulars	31/Mar/2017	31/Mar/2018	31/Mar/2019	31/Mar/2020
No. of States	4	5	7	7
No. of Districts	32	48	85	101
No. of Branches	65	96	178	212
No. of Active Members	1,19,147	2,04,678	2,10,860	2,22,105
No. of Active Borrowers	1,19,147	2,04,678	2,10,860	2,22,105
No. of Total Employees	417	660	1,198	1,410
No. of Field/Credit Officers	355	565	1,062	1,262
No. of SHGs	0	0	0	0
No. of JLGs	30,550	52,481	54,682	56,942
No. of Individual Loans	0	0	0	0
<b>Owned Portfolio</b>				
Particulars	31/Mar/2017	31/Mar/2018	31/Mar/2019	31/Mar/2020
Total loan disbursements during the year (in crore)	201.16	288.96	353.18	474.71
Total portfolio outstanding (in crore)	210.95	320.67	348.24	422.32
<b>Securitised Portfolio</b>				
Particulars	31/Mar/2017	31/Mar/2018	31/Mar/2019	31/Mar/2020
Total loan disbursements during the year (in crore)	0	0	88.83	50.00
Total portfolio outstanding (in crore)	0	0	67.51	46.77
<b>Managed Portfolio/Off Balance Sheet</b>				
Particulars	31/Mar/2017	31/Mar/2018	31/Mar/2019	31/Mar/2020
Total portfolio outstanding (in crore)	74.24	125.52	147.17	146.13

### **Loan utilisation schedule:**

Loan Utilisation	31/Mar/2017 (%)	31/Mar/2018 (%)	31/Mar/2019 (%)	31/Mar/2020 (%)
Agriculture & Agri Allied	30.11	29.44	31.12	34.05
Business	69.89	70.56	68.88	65.95
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### **SMERA Observations:**

- 100% of disbursed loan have been used for Income generating purpose during the period under study.
- The company does not provide any asset generating loan.

## Section 1: Microfinance Capacity Assessment Grading

### Operating Environment

- The outbreak of COVID-19 has significantly impacted the operations of Micro Finance Institutions (MFIs). The MFI sector which has registered the CAGR growth of over 35% in last five years, amidst this pandemic crisis, faces serious challenges on collections, asset quality and cash flow management. Due to the moratorium, the collection level has been severely impacted in turn affecting cash flow and ALM.
- It is understood that with the micro finance lenders allowing moratorium to its microfinance clients till August 2020, the real impact on delinquencies would only come post the moratorium window is lifted. MFIs might see steep increase in delinquency level as lower income self-employed groups and micro businesses are the severely impacted. It seems it would be difficult for MFIs to recover instalments over next few months even post moratorium. However, rural areas expected to witness lesser delinquencies as compared to urban and semi urban areas. Credit costs on account of higher provisioning and delinquencies may more than double, thereby profitability expected to be impacted severely in FY2021.
- SMERA believes that industry might require top-up loan to help MFI beneficiaries to mitigate the impact of pandemic and restart their business operations. Given the current liquidity position, most of the MFIs are not in a position for fresh disbursement though ease of lockdown can push demand of fresh loan.
- Going forward, it is expected that the revival of agricultural related activities would be faster and would gradually start putting MFI back to the track ahead of other asset class. Further, high degree of self-regulations through enhanced process and controls, strong technological adoption and continuous innovation in the industry are the strong pillars which might help the industry to overcome the tough times. However, SMERA would keep close watch on the developments and reforms measures pertaining to the industry.

### Long track record of operations and satisfactory industry experience of promoters

- Vedika Credit Capital Limited, herein referred as VCCL was incorporated in 1995 at Ranchi and is engaged in microfinance operations since 2007 (more than a decade). VCCL was registered as an NBFC-MFI with RBI in June 2015. The company is managed by Jain family. The majority stake of the company is held with Mr. Gautam Jain, Mr. Ummed Mal Jain, Mr. Vikram Jain and Mrs. Kanta Devi Jain. The remaining equity shares are held by other members of Jain family.
- VCCL has six-member board as on September 2020 having extensive experience in the banking and finance segment. The board has three promoter directors, one professional director, one independent director and one nominee director.
- Mr. Gautam Jain, managing director of the company is an MBA in marketing by qualification. He has over a decade of experience in the financial domain. Mr. Ummed Mal Jain, chairman of the company was an advocate in Patna High Court.



- The top level management of VCCL has adequate experience in the financial and microfinance sector.

### **Diversified resource profile**

<b>Resource Profile</b>	<b>% (as on 31/Mar/2020)</b>
Banks	35
FIs	16
NBFCs	49
<b>Total</b>	<b>100.00</b>

- VCCL has developed funding relationships with a large number of lenders i.e. 39 lenders (including PSU Banks/Private Bank/Financial Institutions). Out of total debt outstanding of Rs. 434.95 crores, the borrowings from PSU/Private Banks/State Owned Financial Institutes contribute ~51 per cent of external borrowings and the rest from NBFCs as on 31<sup>st</sup> March, 2020.
- These relationships have helped VCCL in meeting its funding requirements to meet the projected growth. Apart from owned portfolio, VCCL also has BC portfolio. VCCL is presently working as a business correspondent with Mas Financial Services Ltd, IDFC First Bank SIDBI, IDBI and Fincare Small Finance Bank. The managed loan portfolio of the company stood at Rs.146.13 crore as on 31st March, 2020.
- The cost of borrowing has decreased to 15.01% in FY 2020 as compared to 15.42% in FY 2019 on account of availing debt at relatively lower cost. VCCL has been able to raise Tier-II capital (Subordinated Debt) from Capital First Limited and MAS Financial Services Ltd in a tune of Rs. 20 crore and Rs. 10 crore respectively.

### **Moderate capitalisation and comfortable liquidity profile**

<b>Capital Adequacy</b>	<b>% (as on 31/Mar/2020)</b>
Tier -I Capital (A)%	9.45
Tier -II Capital (B)%	11.31
<b>Capital to risk adjusted ratio (CRAR) (%) (A+B)</b>	<b>18.89</b>

- VCCL has moderate capitalization marked by capital adequacy ratio (CRAR) of 18.89 per cent as on March 31, 2020. CRAR has declined from 22.00% as on March 31, 2019 on account of reporting loss in FY 2020.
- VCCL's total equity capital has decreased to Rs. 52.54 crore as on 31<sup>st</sup> March 2020 as compared to Rs. 70.37 crore in the previous year. Gearing of VCCL stood high at 8.28 times as on 31<sup>st</sup> March, 2020 indicating very less room for enhanced borrowings.
- However, VCCL has infused equity capital of Rs. 22.50 crore in September. Total equity capital stood at Rs. 75.04 crore as on 30<sup>th</sup> September, 2020 and CRAR has also improved to 24.94% in the same period.

- The tenure of microfinance loans is about 12-24 months, whereas the incremental bank funding is typically with tenure of about 12-36 months. The bank borrowing is revolving in nature which supports the liquidity position of the MFI. However fresh inflow of funds from Bank or NBFC route is critical to maintain the projected growth in the microfinance operations.

### **Subdued operational performance in FY 2020**

Particulars	FY 2018	FY 2019	FY 2020
Net financial margin (In thousands)	3,48,837	4,60,373	2,44,660
Operating expenses (In thousands)	2,64,627	3,62,272	4,60,710
Operational Self Sufficiency (%)	111.03	109.71	85.11
Operating Expense Ratio (OER) (%)	6.94	6.33	7.84

- VCCL has reported net loss of Rs. 17.16 crore on operating income of Rs. 123.48 crore in FY2020 on account of special provision due to COVID 19 of Rs. 23.00 crore. As informed by the management, the company has created the additional one-time provision to cover all losses incurred due to COVID. Provision for standard assets has increased to Rs. 35.09 crore as compared to Rs. 5.09 crore in the previous year.
- In FY2019, VCCL had reported net profit of Rs. 6.89 crore on operating income of Rs.110.87 crore.
- As on 31<sup>st</sup> March, 2020, VCCL has an outstanding loan portfolio of Rs.615.22 crore (including Securitised portfolio of Rs. 46.77 crore and managed portfolio of Rs. 146.13 crore) spread over 212 branches of 7 states with about 2,22,105 borrowers.
- VCCL has reported net profit of Rs. 2.56 crore on operating income of Rs. 54.65 crore as on 30<sup>th</sup> September, 2020 (as per the provisional financials provided by the management).
- The operational self-sufficiency (OSS) of the company has declined to 106.44% in FY2020 as compared to 109.71% in the previous year. The company's operating expense stood comfortable at 7.84% in FY2020.
- Yield on portfolio stood at 29.24% as on 31<sup>st</sup> March, 2020 as compared to 31.98% in the previous year.

### **Geographical Diversification**

Particulars	31/Mar/2017	31/Mar/2018	31/Mar/2019	31/Mar/2020
No. of States	4	5	7	7
No. of Districts	32	48	85	101
No. of Branches	65	96	178	212

- VCCL is currently operating in 7 states in 101 districts with 212 branches with 2,22,105 borrowers.
- The single state and two-state concentration remained comfortable at 36.50% and 58.86% respectively as on March 31, 2020.
- In order to mitigate any potential risk arising out of geographical concentration, VCCL has diversified its presence across the states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Assam	18	17,143	32.21	16.11	7.63
Bihar	46	50,173	94.45	1.45	22.36
Jharkhand	26	26,517	55.06	1.67	13.04
Odisha	15	12,545	19.74	1.72	4.67
Tripura	20	18,473	33.17	0.12	7.86
UP	23	18,737	33.52	1.14	7.94
West Bengal	64	78,517	154.16	2.41	36.50
<b>Total</b>	<b>212</b>	<b>2,22,105</b>	<b>422.32</b>	<b>2.83</b>	<b>100.00</b>

- VCCL's operations are diversified in seven states i.e. West Bengal, Bihar, Assam, Jharkhand, Odisha, Uttar Pradesh and Tripura.
- However, it would also be key grading sensitivity factor for the company to replicate its systems, processes and sound asset quality in the newer geographies while improving portfolio diversity.

### **Productivity and efficiency of employees**

Particulars	31/Mar/2017	31/Mar/2018	31/Mar/2019	31/Mar/2020
No. of States	4	5	7	7
No. of Districts	32	48	85	101
No. of Branches	65	96	178	212
No. of Active Members	1,19,147	2,04,678	2,10,860	2,22,105
No. of Active Borrowers	1,19,147	2,04,678	2,10,860	2,22,105
No. of Total Employees	417	660	1198	1410
No. of Field/Credit Officers	355	565	1062	1262
No. of SHGs	0	0	0	0
No. of JLGs	30550	52481	54682	56942
No. of Individual Loans	0	0	0	0

Financial Ratios	31/Mar/2018	31/Mar/2019	31/Mar/2020
No. of Active Borrowers Per Staff Member	49	176	158
No. of Active Borrowers per field executives	57	199	176
No. of members per Branch	2,132	1,198	1,048
Gross Portfolio o/s per field executive (in thousands)	5,677	3,279	3,346
Average Outstanding Balance per client (in Rs)	15,667	16,515	19,014
Cost per Active client	3,731	4,793	5,005

- The company's branch network has increased from 65 in FY 2017 to 212 in FY 2020. Client network has expanded from 1,19,147 borrowers as on March 2017 to 2,22,105 borrowers as on March 2020.
- VCCL's field productivity remains average in comparison to its peers; field outreach and asset productivity indicators of the company have been stable over the years.
- The company would be required to register a consistent improvement in productivity whilst diversifying its operations.

### **Moderate asset quality**

- VCCL has maintained moderate asset quality with on-time repayment rate of 96.14% as on March 31, 2020.

Period	FY 2017	FY 2018	FY 2019	31/Mar/2020
	Portfolio o/s (crore)	Portfolio o/s (crore)	Portfolio o/s (crore)	Portfolio o/s (crore)
On-time (in crore)	205.53	312.90	343.98	406.01
1-30 days (in crore)	3.50	1.64	1.14	4.36
31-60 days (in crore)	0.73	0.55	0.43	2.07
61-90 days (in crore)	0.59	0.42	0.29	2.25
91-180 days (in crore)	0.44	1.06	0.75	3.56
> 180 days (in crore)	0.17	4.10	1.65	4.07
Write-off (in crore)	1.29	3.89	1.75	3.09
<b>Total</b>	<b>210.96</b>	<b>320.67</b>	<b>348.24</b>	<b>422.32</b>
On-time (in %)	97.43	97.58	98.78	96.14
PAR 0-30 days (in %)	1.66	0.51	0.33	1.03
PAR >30 days (in %)	0.91	1.91	0.90	2.83
PAR >90 days (in %)	0.29	1.61	0.69	1.81

- The PAR 0-30 days has increased to 1.03% as on 31st March, 2020 as compared to 0.33% as on 31st March, 2019. The PAR >30 days has increased to 2.83% as on 31st March, 2020 as compared to 0.90% as on 31st March, 2019.
- Adequate credit appraisal processes, monitoring and risk management mechanisms is critical to keep asset quality indicators under control.

### **Adequate IT Systems Audit Mechanism**

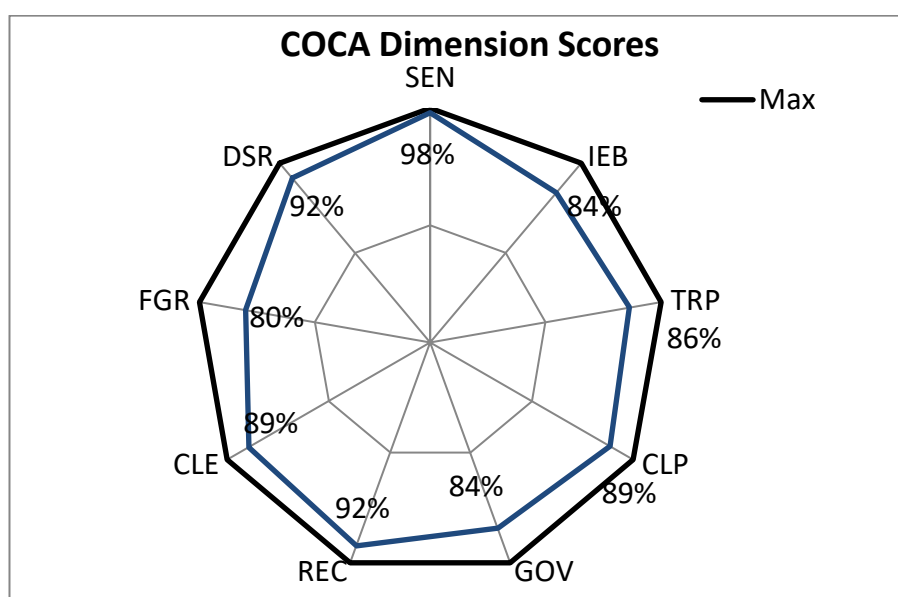
- VCCL's management information system (MIS) and Information Technology (IT) infrastructure is adequate for its current scale of operations. It has dedicated MIS and IT team at Head Office to ensure smooth flow of operational data between Head Office and branches. The company uses customised software "BIJLI" to maintain its MIS in Head Office and branches.
- **Credit Bureau Checks**  
The company conducts compulsory credit bureau check of its borrowers from High Mark. The company shares the credit data with three credit bureaus i.e. Experian, CRIF High Mark and Equifax on monthly basis as per the RBI norms.
- **Helpline Number**  
The company has a dedicated helpline number, where calls are recorded automatically and addressed within 7 days.
- **Internal Audit Process**  
The company has a dedicated team of internal auditors who undertakes compulsory branch and borrower audit once in every month. All audits are surprise audits.

### **Inherent risk prevalent in the microfinance sector**

- VCCL's business risk profile is susceptible to regulatory and legislative risks, along with the inherent risk exist such as unsecured nature of lending, vulnerable customer profile and exposure to vagaries of political situation in the area of operation.

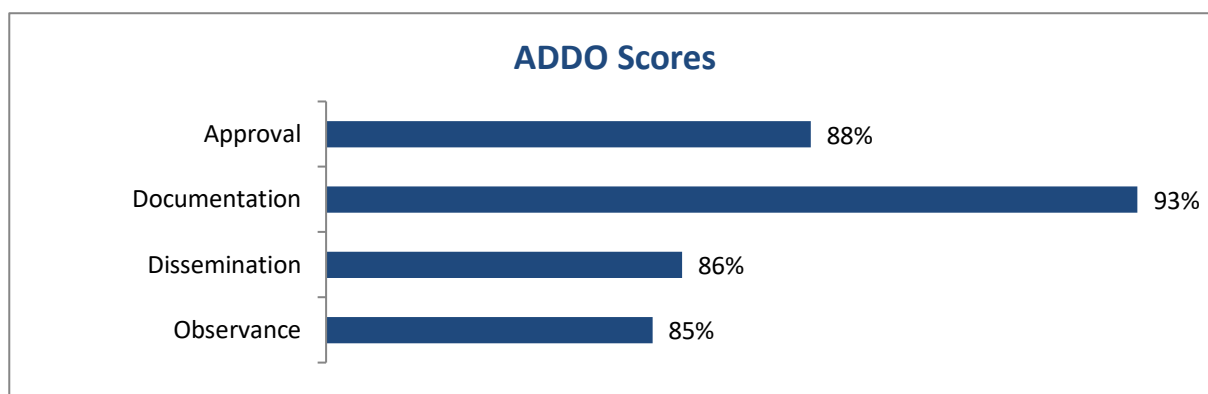
## Section 2: Code of Conduct Assessment

### COCA Grading – C2 (Good Performance on Code of Conduct dimensions)



### SCORES ON PARAMETERS

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	98%
Integrity and Ethical Behavior	IEB	84%
Transparency	TRP	86%
Client Protection	CLP	89%
Governance	GOV	84%
Recruitment	REC	92%
Client Education	CLE	89%
Feedback & Grievance Redressal	FGR	80%
Data Sharing	DSR	92%



VCCL with an overall grade of “C2”, indicate **Good Performance on Code of Conduct dimensions**.

## Code of Conduct Assessment Summary

The Code of Conduct report for Vedika Credit Capital Limited (VCCL) evaluates the company's adherence to various code of conduct parameters. The study examines and comments upon the common minimum indicators such as:

- Sensitive Indicators
- Integrity and Ethical Behaviour
- Transparency
- Client Protection
- Governance
- Recruitment
- Client Education
- Feedback and Grievance Redressal
- Data Sharing

SMERA believes that VCCL exhibits **good** performance on COCA dimensions. This document details SMERA's approach and methodology for this study and gives observations of its assessment team while conducting the evaluation. The Approval; Documentation; Dissemination and Observance (ADDO) framework has been used for assessment and measuring VCCL's adherence towards ethical operational practices.



## Strengths and weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Board approved policies, compliant with the RBI guidelines.</li> <li>• Code of Conduct framed as per the VCCL mission, vision, values and displayed in all branch offices &amp; HO.</li> <li>• Membership with MFIN and Sa-Dhan.</li> <li>• Board with rich experience from Banking and finance background.</li> <li>• Experienced and qualified management with more than a decade of experience in MFI industry.</li> <li>• Credit policies are well established documented and communicated.</li> <li>• Adequate loan appraisal &amp; monitoring systems.</li> <li>• High standard of governance and integrity by inducting persons with good and sound reputation in the industry and understanding of microfinance industry.</li> <li>• Compulsory training on products terms and conditions to client prior to every loan.</li> <li>• Compulsory check on over indebtedness of every borrower.</li> <li>• Efficient systems and strong internal audit team to check misappropriations and regular monitoring of compliance.</li> <li>• Toll Free helpline number for client feedback/grievance.</li> <li>• Data sharing with credit bureau (Equifax, CIBIL, Experian and High Mark).</li> </ul>	<ul style="list-style-type: none"> <li>• Code of conduct compliance report of last financial year of VCCL is not available in the company website.</li> <li>• Grievance Register was available in the branches; however very limited records were observed in the registers of the visited branches.</li> </ul>

## Significant Observations

HIGHER ORDER INDICATORS	
<b>Integrity and Ethical Behaviour</b>	<ul style="list-style-type: none"> <li>• The MFI does have the policy to place reports on COC compliance before the board at the end of every financial year.</li> <li>• The audit committee of the Board reviews the adequacy of audit staff strength and scope of Internal Audit.</li> <li>• Board has approved a policy of recovering delinquent loans.</li> <li>• MFI prepares monthly reports about the number, nature and resolution of grievances and feedback received for management review and same is presented to Grievance Redressal committee set up at board level.</li> <li>• The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year; however the same is not documented in the HR manual.</li> <li>• In all the branches visited, the contact number and address of Sa-Dhan/MFIN nodal official was displayed properly.</li> <li>• Awareness among client on interest rate and insurance claim settlements was found to be moderate to high in the assessed branches.</li> <li>• The MFI have the policy to place reports on COC compliance before the board.</li> <li>• Fixed Component compensation of staff is not impacted in event of overdues. VCCL, in its fair practices code provides importance for transparency in pricing and clear communication to the clients.</li> </ul>
<b>Sensitive Indicators</b>	<ul style="list-style-type: none"> <li>• Clients interviewed were aware of the charges and price for all services availed.</li> <li>• Awareness among the staff on RBI guidelines was found to be moderate.</li> <li>• There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI.</li> <li>• VCCL shares accurate data with all credit bureaus on a frequency prescribed by SRO.</li> <li>• VCCL does not charge any extra fees from client apart from processing fee and insurance premium. The loans are issued to the clients without any collateral and no security deposit is accepted. Further no penalty is charged for overdue and pre-closure of loans. The organization also has a well-documented policy on pre-payments.</li> <li>• The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.</li> </ul>

<b>BUILDING BLOCKS</b>	
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• Awareness among the staff on RBI guidelines was found to be moderate.</li> <li>• VCCL has documented the pricing of its loan products in its operational manual. In the branches visited loan documents had been maintained in local languages.</li> <li>• Circulars with the most recent directions were available in the visited branches.</li> <li>• VCCL's in its fair practices code provides importance for transparency in pricing and clear communication to the clients.</li> <li>• The loan interest rate and processing fees is mentioned on the loan passbook provided to the client.</li> <li>• Clients interviewed were moderately aware of the charges and price for all services availed.</li> <li>• Audit committee verifies through the audit reports whether all clients have received the necessary loan documents.</li> <li>• VCCL displays the details of the loan products including their interest rates and client grievance redressal system on its website.</li> <li>• VCCL enters into loan agreement with the clients with all the terms and conditions.</li> <li>• Previous financial year annual financial statement and report is not available in the public domain. Code of conduct compliance report of last financial year of VCCL is not available in the company website.</li> </ul>
<b>Client Protection</b>	<ul style="list-style-type: none"> <li>• VCCL has a board-approved policy regarding client data security.</li> <li>• Employees are trained on aspects of appropriate behavior with the clients.</li> <li>• VCCL has documented policy on client data security which forms part of its fair practice code.</li> <li>• VCCL has framed a Fair Practice Code and has also adopted the RBI fair practices code.</li> <li>• Employees are trained on aspects of appropriate behavior with the clients.</li> <li>• Staffs were found to be aware of the need to have professional conduct with the clients.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• VCCL maintains high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body.</li> <li>• VCCL has 1/3rd of independent persons in its Governing Board, and the Board is actively involved in all policy formulations and other important decisions.</li> <li>• VCCL discloses its MD's compensation in its audited reports (Ref. Audit Report 2020).</li> </ul>

	<ul style="list-style-type: none"> <li>• An audit committee of the Board with an independent director as chairperson.</li> <li>• The MFI has got its accounts audited in a timely manner after the end of the most recent financial year.</li> <li>• No adverse observations in the Auditor's report regarding accounting standards followed by the MFI.</li> <li>• Action taken report based on the last audit report was available in the branches visited.</li> <li>• Staff satisfaction related to compensation and incentive is covered under scope of Internal Audit.</li> </ul>
<b>Recruitment</b>	<ul style="list-style-type: none"> <li>• VCCL's board has reviewed its recruitment policies at least once annually.</li> <li>• The MFI has a defined and documented process for responding to reference check requests.</li> <li>• There is documentary evidence to suggest that MFI has honored the notice period for all employees who have left it.</li> <li>• MFI obtain NOC or relieving letter from the previous employee, in case employees are recruited from other MFIs.</li> <li>• The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year; however the same is not documented in the HR manual.</li> </ul>
<b>Client Education</b>	<ul style="list-style-type: none"> <li>• VCCL in its fair practices code provides importance for raising clients' awareness of the options, choices and responsibilities regarding financial products and services</li> <li>• VCCL does not charge clients for the trainings provided to clients by itself or through a related party.</li> <li>• Awareness among client on annualized Interest rate &amp; Insurance claim settlement process was found to be moderate to high.</li> </ul>
<b>Feedback and Grievance Redressal</b>	<ul style="list-style-type: none"> <li>• The Board has approved a policy for redressal of its clients' grievances, which requires board to be updated on the functioning of grievance redressal mechanism.</li> <li>• MFI prepares monthly reports about the number, nature and resolution of grievances and feedback received for management review and same is presented to audit committee set up at board level.</li> <li>• VCCL has a policy on time frame and process for client's complaint resolution.</li> <li>• Clients were found to be aware of the helpline number.</li> <li>• Feedback mechanisms are regularly tracked and monitored.</li> <li>• In the branches visited, the contact number and address of Sa-Dhan/MFIN nodal official was displayed properly.</li> </ul>

	<ul style="list-style-type: none"> <li>• Complaints lodged through helpline at H.O and branches are documented and resolved.</li> <li>• Awareness among client and staff on MFIN grievance Redressal mechanism was found to be moderate to high.</li> <li>• Dedicated team at HO level to document and follow up on the client complaints.</li> </ul>
<b>Data Sharing</b>	<ul style="list-style-type: none"> <li>• Operational data for FY 2020 is available on the website of VCCL.</li> <li>• MFI has a well-defined process for sharing data with the credit bureaus.</li> <li>• MFI has provided data called for by SROs and RBI as and when required as per compliance.</li> <li>• VCCL shares accurate data with all credit bureaus on a frequency prescribed by SROs.</li> <li>• VCCL performs compulsory credit bureau checks for all its clients.</li> </ul>

## ANNEXURES

## Microfinance Grading Methodology

### A) Operational Track Record

Business Orientation and Outreach of the MFI is an important parameter to gauge the growth strategies of the MFI and to assess its strategies for development. This parameter is analysed using the following sub-parameters.

- Direction & Clarity
- Ability to raise funds
- Degree of association with promoter institution
- Alternate avenues for funds
- Outreach (No. of offices, No. of clients, No. of employees, Portfolio diversification)

### B) Promoters & Management Profile

The elements in this parameter helps in assessing the Promoter & management quality evaluated on the basis of the basic educational qualification, professional experience of the entrepreneur; and business attitude that is related to the motivation of carrying out the business and pursuing business strategies. This parameter is analysed using the following sub-parameters.

- Past experience of the management
- Vision and mission of the management
- Profile of the Board Members
- Policies and Processes
- Transparency and corporate governance

### C) Financial Performance

SMERA analyses the credit worthiness of the organization through the following financial parameters. Various financial adjustments are done to get more accurate ratios for comparison. Financial analysis helps the MFI to know its financial sustainability. This parameter is analysed using the following sub-parameters.

- Capital adequacy
- Profitability/Sustainability ratios
- Productivity and efficiency ratios
- Gearing and Liquidity ratios

#### **D) Asset Quality**

The loan portfolio is the most important asset for any MFI. SMERA analyses the portfolio quality of the MFIs by doing ageing analysis, sectoral analysis, product wise analysis etc. SMERA compares the portfolio management system with organizational guidelines and generally accepted best practices. This parameter is analysed using the following sub-parameters.

- Ageing schedule
- Arrears Rate / Past Due Rate
- Repayment Rate
- Annual Loan Loss Rate

#### **E) System & Processes**

SMERA analyses the policies and processes followed by the MFIs, their ability to handle volume of financial transactions, legal issue and disputes, attrition among the employees and client drop out which impact the productivity of the organization. SMERA also analyses asset liability maturity profile of the MFI, liquidity risk and interest rate risk. This parameter is analysed using the following sub-parameters.

- Operational Control
- Management Information System
- Planning & Budgeting
- Asset Liability Mismatch

#### **F) Financial Performance**

SMERA analyses the credit worthiness of the organization through the following financial parameters. Various financial adjustments are done to get more accurate ratios for comparison. Financial analysis helps the MFI to know its financial sustainability. This parameter is analysed using the following sub-parameters.

- Capital adequacy
- Profitability/Sustainability ratios
- Productivity and efficiency ratios
- Gearing and Liquidity ratios

Thus an evaluation of MFI would be comprehensive assessment based on the financial and non-financial parameters of any MFI.



## COCA Methodology

The Code of Conduct Assessment (COCA) tool was developed as a response to the need expressed in a meeting of stakeholders in Indian microfinance by the Small Industries Development Bank of India (SIDBI) and the World Bank in December 2009. The code of conduct dimensions were identified by reviewing the various norms for ethical finance. These included RBI's fair practices guidelines for Non-Banking Financial Companies, industry code of conduct (Sadhan-MFIN) and Smart Campaign's Client Protection Principles (CPP).

In 2016, need was felt to harmonize COCA to the most recent industry code of conduct and to standardize COCA tools of different rating/assessment agencies. This grading is based on the harmonized COCA tool. In the harmonized COCA tool, the dimensions were classified in three categories – highest order, higher order and building blocks. This grading is based on the harmonized COCA tool.

Highest Order	
Sensitive Indicators	
Higher Order	
Integrity & Ethical Behaviour	
Building Blocks	
Governance	Client Protection, Recruitment
Transparency	Feedback/Grievance Redressal
Client Education	Data Sharing

*Chart: COCA Indicators Framework*

Number of indicators in each category is presented below

Higher Order Indicators	Number of Indicators
Integrity and Ethical Behaviour	32
Sensitive indicators	26
Building Blocks	Number of Indicators
Transparency	40
Client Protection	122
Governance	30
Recruitment	13
Client Education	14
Feedback & Grievance Redressal	25
Data Sharing	6
<b>Total</b>	<b>250</b>

## Methodology

The Code of Conduct exercise is spread over four to eight days. The first day is spent at the head office. The assessment team visits the branches over the next three to eight days. Depending upon the size and the operational area of the MFI, eight to fifteen branches and between 120 and 300 clients are sampled for primary survey (except in cases where number of branches in an MFI is less than eight).

## Sampling guidelines

The following is taken as the guideline to determine the sample size for a COCA exercise.

MFI Size	No. of branches to be visited	No. of borrowers to be visited
Small MFI (Less than 8 branches)	All branches	15 clients per branch covering minimum two centers.
Small / Mid-size MFI (up to 2,50,000 borrowers)	8 – 10 branches (geographically distributed)	120-150 clients (15 clients per branch covering minimum two centers).
Large MFI (>2,50,000 borrowers)	12 – 15 branches (geographically distributed)	240-300 clients (20 clients per branch covering minimum two centers).
Large MFI (>2,50,000 borrowers) and having gross loan portfolio (GLP) > Rs 500 crore	18 – 20 branches (geographically distributed)	360-400 clients (20 clients per branch covering minimum two centers).

## Code of Conduct Assessment exercise requires:

1. Discussions with key staff members and the senior management at the head office. particularly the senior operational management team as well as the human resources team. These discussions focus on key issues of the code of conduct identified above.
2. Review of policy documents and manuals at the head office. These are reviewed in order to assess the policy as well as documentation regarding important aspects of the code of conduct. The last audited financial statements will also be required.
3. Sampling of branches at the head office. The assessment team samples branch for review. The branches are chosen in across different states in case the MFI operates in more than one state. Care is exercised to include older branches as well as branches that are distant from the head office or the regional office. The sampling of the branches is performed at the head office of the MFI.
4. Discussions with the branch staff at the branch office. Discussions with branch managers and the field staff is carried out to assess their understanding of the key code of conduct principles.
5. Sampling of respondents in the selected branches. A judgmental sampling is performed on the MFI's clients by the assessment team to draw respondents from the interest group, in order to maximize the likelihood that instances of non-adherence can be detected.
6. Interview with the clients. Information from the clients is collected ideally during the group meetings. If this is not possible, visits are made to the clients' locations for collecting information.
7. Review of loan files at the branch office. This review focuses on loan appraisal performed before disbursing loans as well as the documents collected from the clients.

As part of this assessment, we visited eighteen branches of the MFI. The details of the branches visited are provided below.

Sr No	Branch	State	No of clients interviewed
1	Halisahar	West Bengal	15
2	Memari	West Bengal	16
3	Karimpur	West Bengal	20
4	Durgapur	West Bengal	21
5	Pandra	Jharkhand	23
6	Gola	Jharkhand	16
7	Amguri	Assam	17
8	Narayanpur	Assam	19
<b>Total</b>			<b>147</b>

## Financials

### Profit & Loss Account (Rs. In Thousands)

Period	FY 2018	FY 2019	FY 2020
Months	12	12	12
<b>Financial revenue from operations</b>	<b>8,47,922</b>	<b>11,08,759</b>	<b>12,34,836</b>
Less - Financial expenses from operations	4,88,099	6,12,379	6,59,495
<b>Gross financial margin</b>	<b>3,59,823</b>	<b>4,96,380</b>	<b>5,75,341</b>
Provision for Loan Loss	10,986	36,007	1,00,681
Provision Due to Covid 19	0	0	2,30,000
<b>Net financial margin</b>	<b>3,48,837</b>	<b>4,60,373</b>	<b>2,44,660</b>
<b><u>Less - Operating Expenses</u></b>			
Personnel Expense	1,29,745	2,46,301	3,23,988
Depreciation and Amortization Expense	3,277	5,749	8,519
Other Administrative Expense	1,31,605	1,10,222	1,28,203
<b>Net Operating Income</b>	<b>84,210</b>	<b>98,101</b>	<b>(2,16,050)</b>
Income Tax	29,002	29,156	(44,408)
<b>Net Income</b>	<b>55,208</b>	<b>68,945</b>	<b>(1,71,642)</b>

*Above financials are audited.*

## Balance Sheet (Rs in Thousands)

As on date	31/Mar/2018	31/Mar/2019	31/Mar/2020
<b>SOURCES OF FUNDS</b>			
<b><u>Capital</u></b>			
Equity Capital	2,08,434	2,70,899	2,70,899
Reserves & Surplus	2,84,587	4,32,773	2,54,481
<b>Total Equity</b>	<b>4,93,021</b>	<b>7,03,672</b>	<b>5,25,380</b>
<b><u>Liabilities</u></b>			
<b><u>Short-Term Liabilities</u></b>			
Commercial Loans from banks/FI	0	23,80,000	22,85,661
Account payable & Other short-term liabilities	16,426	1,05,257	62,760
<b>Total Short-Term Liabilities</b>	<b>16,426</b>	<b>24,85,257</b>	<b>23,48,421</b>
<b><u>Long-Term Liabilities</u></b>			
<b><u>Long-Term Borrowings</u></b>			
Commercial Loans from banks/FI	32,14,102	17,45,266	17,63,850
Subordinated Debt	3,00,000	3,00,000	3,00,000
<b>Total Long-Term Borrowings</b>	<b>35,14,102</b>	<b>20,45,266</b>	<b>20,63,850</b>
<b>Total Other Liabilities</b>	<b>35,30,528</b>	<b>45,30,523</b>	<b>44,12,271</b>
Provision for Standard Assets	10,694	50,973	3,50,973
Other Provisions	64,055	25,089	13,756
<b>TOTAL LIABILITIES</b>	<b>40,98,298</b>	<b>53,10,257</b>	<b>53,02,380</b>

As on date	31/Mar/2018	31/Mar/2019	31/Mar/2020
<b>APPLICATION OF FUNDS</b>			
<b><u>Fixed Assets</u></b>			
<b>Net Block</b>	<b>16,622</b>	<b>26,405</b>	<b>26,659</b>
Investments	0	2,66,775	0
Cash and Bank Balances	3,51,848	4,91,317	2,68,304
Security Deposits	0	6,44,360	4,93,722
Investment in Fixed Deposit	4,17,573	2,04,800	84,052
<b><u>Loan Portfolio</u></b>			
<b>Net Loan Portfolio</b>	<b>32,06,732</b>	<b>34,67,356</b>	<b>42,23,212</b>
Accounts Receivable And Other Assets	91,277	1,91,773	1,22,071
Intangible Assets	4,025	1,891	2,303
Deferred Tax Asset	10,221	15,580	82,057
<b>TOTAL ASSETS</b>	<b>40,98,298</b>	<b>53,10,257</b>	<b>53,02,380</b>

## Financial Ratios

Financial Ratios	31/Mar/2018	31/Mar/2019	31/Mar/2020
<b><u>Capital Adequacy Ratio (CAR)</u></b>			
Capital Adequacy Ratio (%)	24.90	22.00	18.89
<b><u>Productivity / Efficiency Ratios</u></b>			
No. of Active Borrowers Per Staff Member	49	176	158
No. of Active Borrowers per field executives	57	199	176
No. of active borrowers per branch	2,132	1,198	1,048
Gross Portfolio o/s per field executive (Rs in thousands)	5,677	3,279	3,346
Average Outstanding Balance Per borrower (In Rs)	15,667	16,515	19,014
Cost Per Active borrower (In Rs)	3,731	4,793	5,005
<b><u>Asset / Liability Management</u></b>			
Yield on Portfolio (%)	26.44	31.98	29.24
Cost of Fund (COF) (%)	15.22	15.42	15.01
<b><u>Profitability / Sustainability Ratios</u></b>			
Operational Self Sufficiency (%)	111.03	109.71	85.11
Operating Expense Ratio (OER) (%)	6.94	6.33	7.84
Return on Assets (RoA) (%)	2.08	1.99	1.52
Portfolio at Risk (>30 days) (%)	1.91	0.90	2.83
Return on Equity (RoE) (%)	13.31	10.23	11.87
<b><u>Leverage Ratios</u></b>			
Total Outside Liabilities to Tangible Networth Ratio (Times)	7.16	6.44	8.40
Debt/Equity Ratio (Times)	7.13	6.29	8.28

## About SMERA Gradings & Ratings

SMERA, widely known as ‘The SME Rating Agency’, was conceptualised by Ministry of Finance, Govt. of India and the Reserve Bank of India to help Indian MSMEs grow and get access to credit through independent and unbiased credit opinion that banks can rely on. Thus, SMERA became world’s first MSME focused rating agency and introduced the concept of SME Ratings in India. SMERA offers SME Ratings, New Enterprise Credibility Scores, SME Credit Due Diligence and SME Trust Seal to Indian MSMEs to help lenders take informed decisions.

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