

Vedika Credit Capital Limited

406, Shrilok Complex, 4th Floor, HB Road,

Ranchi- 834001

Code of Conduct Assessment – 1 Indicates

Excellent performance of the MFI on Code of Conduct dimensions

Date: 13th Feb, 2023

Infomerics Analytics and Research Private Limited

(CIN: U74999DL2020PTC369018)

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Infomerics Code of Conduct Assessment Grading Scale

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

Grading Rationale

Code of Conduct Assessment Grade	Vedika Credit Capital Limited obtains “C1” as its Code of Conduct Assessment Grade which signifies ‘Excellent’ performance of the COCA dimensions
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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

Conflict of Interest Declaration

The Grading Agency (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 Grading Agency have been a member of the Board of Directors of the MFI during for a period of 12 months preceding the date of the comprehensive grading.

Disclaimer

Infomerics / 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 Infomerics from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true and correct, Infomerics makes no representation or warranty, expressed or implied with respect to the accuracy, adequacy or completeness of the information relied upon. Infomerics 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 (COCA)

Year	Name of the Agency	Grade
-	-	-

Historical Rating Grades (MFI Gradings)

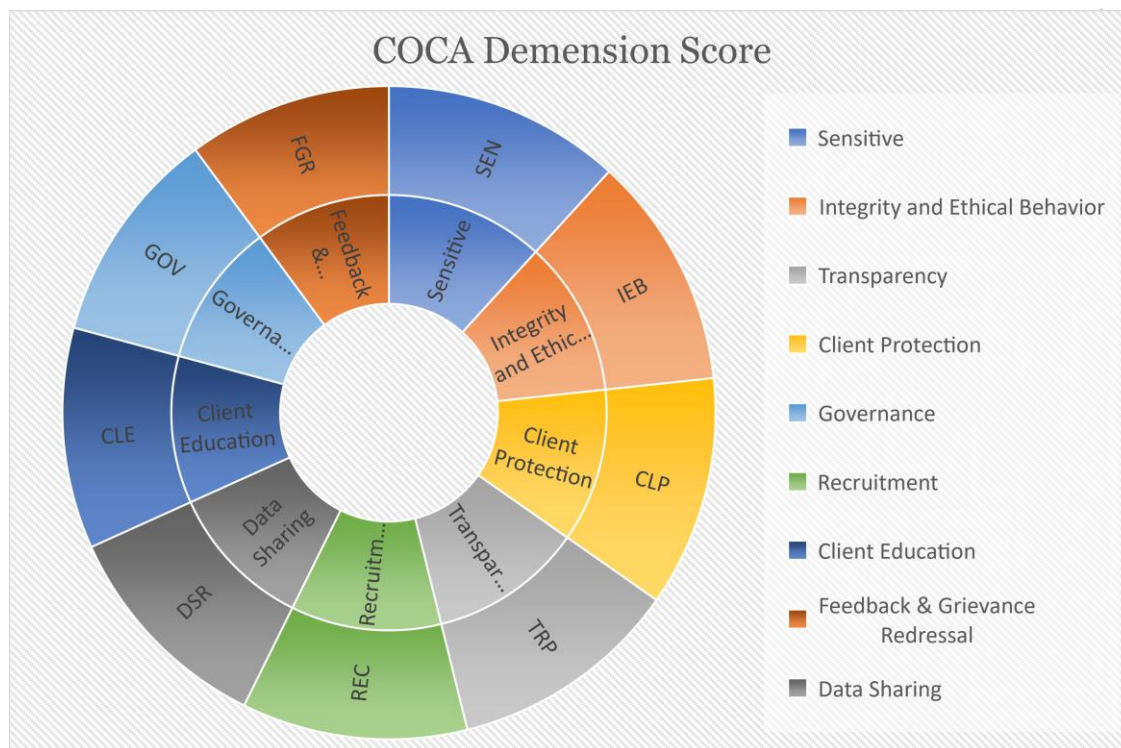
Year	Name of the Agency	Grade
November 30, 2022	Infomerics Analytics & Research	IAR MFI 1
February 15, 2021	Brickworks	BWA MFI 2

Historical Rating (Bank Loan Ratings)

Date	Rating Assigned	
	Long Term	Short Term
October 12, 2022	IVR A-; Stable	-

Code of Conduct Assessment Score

COCA Grading – ‘C1’ (‘Excellent’ performance of the MFI on Code of Conduct dimensions)



Scores on Parameters

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	99%
Integrity and Ethical Behavior	IEB	97%
Transparency	TRP	96%
Client Protection	CLP	96%
Governance	GOV	90%
Recruitment	REC	94%
Client Education	CLE	92%
Feedback & Grievance Redressal	FGR	85%
Data Sharing	DSR	92%

Code of Conduct Assessment Summary

The Code of Conduct report for ‘Vedika Credit Capital Limited’ evaluates the entity’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 Behavior
- Transparency
- Client Protection
- Governance
- Recruitment
- Client Education
- Feedback and Grievance Redressal
- Data Sharing

Infomerics believes that ‘**Vedika Credit Capital Limited**’ exhibits ‘**C1**’ performance on COCA dimensions.

This document details Infomerics 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 SMFPL’s adherence towards ethical operational practices.

Company Profile

Name of the MFI	Vedika Credit Capital Limited	
Registered Office/ Corporate Office	406, Shrilok Complex, 4th Floor, HB Road, Ranchi-834001	
Date of Incorporation	March 15, 1995 (NBFC Operation 1998)	
Date of Commencement of Microfinance Business	2007	
CIN	U67120WB1995PLC069424	
Group	NA	
Legal Status	Non-Banking Finance Company (NBFC-MFI)	
RBI Classification	Registered as a NBFC-MFI under RBI Act.	
Lending Model	Joint Lending Group (JLG)	
Geographical Reach as on March 31, 2022	No. of States	7
	No. of Districts	94
	No. of Branches	192
	No. of Active Borrowers	254649
	No. of Total Employees	1149
	No. of Field/Credit Officers	950
Managing Director	Mr. Gautam Jain	
Statutory Auditor	N.K. Kejriwal & Co.; Ranchi	
Net worth (Rs. Crore)	Rs.104.70 crore as on March 31, 2022	

Background:

- Vedika Credit Capital Limited (VCCL) is a Non-Banking Financial Company – Microfinance Institution (NBFC-MFI) registered under Reserve Bank of India (RBI). It started its microfinance on-lending operation in the year 2007 with its head office in Ranchi (Jharkhand), by providing small ticket size loan to poor woman in rural and semi-urban area through Joint Lending Group (JLG) based system and Micro Home Loan. Initially, the company was started in 1995 and got the RBI registration for NBFC operation from 1998 under previous owner and was in stock broking operation. In 2004, VCCL was taken over by the current promoters, Mr. Ummed Mal Jain (Chairman) and his sons, Mr. Gautam Jain and Mr. Vikram Jain. Thereafter, the new promoters discontinued stock broking operation and initiates two wheelers financing business. In 2007, VCCL transferred two wheelers financing business portfolio to its group company and started Microfinance lending operation and later in June 2015 the company has was got registration as NBFC-MFI from Reserve Bank of India. Presently, the Company provides livelihood promotion services comprising of livelihood and other Micro financial services to those population segments which are mostly un-reached by the formal banking systems with the principal purpose of promoting sustainable livelihoods.
- VCCL is now working with 192 branches spread over 94 districts in seven states, West Bengal, Assam, Bihar, Jharkhand, Odisha, Tripura and Uttar Pradesh, where they are providing services to more than 2,50,000 clients.

- Beside direct lending, the company also entered into a partnership to work as a Business Correspondence (BC) with Fincare Small Finance Bank and MAS Financial Services Limited wherein VCCL manages the entire micro finance operation for designated areas on behalf of banks/FI's for a certain fee income. It has co-lending business with State Bank Of India, Indian Overseas Bank and Punjab National Bank.
- As on March 31, 2022, VCCL is managing a total loan portfolio of Rs.745.72 crore (including managed portfolio under Business correspondence model, Co-lending arrangement and PTC transaction from various Banks/FIs/NBFCs aggregating to Rs.165.17 crore.). Furthermore, the same has increased to Rs.752.55 crore (where combined BC, Co-lending and PTC proportion was of Rs.173.29 cr) as on June 30, 2022 and the same stood at ~Rs.764 crore as on August 31, 2022 ((Own Portfolio Rs. 572 Cr and Managed Rs.192 Cr).
- Currently, the operations of the company are managed by Mr. Ummed Mal Jain, Chairman and Mr Gautam Jain (Managing Director) & Mr. Vikram Jain– (Whole Time Director) along with other four directors and a team of experienced personnel.

Product Profile

Product	Ticket size	Tenure	Returns (p.a)	Method
Joint Liability Group (JLG)	3,000-50,000	12-24 Months	25.65%	Reducing
Individual Loan	50,000-2,00,000	18-60 Months	25.65%	Reducing
Loans for Consumer Durables (cross sale)	600 - 30,000	8-12 Months	25.65%	Reducing

Capital Structure as on March 31, 2022

	(Rs in crore)
Authorized Capital	40.00
- Equity Share Capital	30.00
- Preference Share Capital	10.00
Paid Up Capital	28.46
Equity - Paid Up Capital	26.46
Optionally Convertible Preference Share Capital	2.00

Shareholding Pattern as on March 31, 2022

Equity Shares	
Shareholders	Holding

Ummed Mal Jain	5%
Gautam Jain	15%
Vikram Jain	5%
Linkline Marketing Private Limited	9%
Vedika Sales & Services Private Limited	7%
Vedika Agromart Private Limited	12%
Vedika Financial Services Private Limited	12%
Insight Merchant Private Limited	5%
Vedika Irrigation and Energy Solution Private Limited	8%
Others	21%
Total	100%

Optional Convertible Preference Shares (OCPS)	
Shareholders	Holding
MUDRA	100%
Total	100%

PROFILE OF GOVERNING BODY MEMBERS/DIRECTORS OF VCCL

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
Mr. Gautam Jain	52 Years	Managing Director	MBA (F)	Mr. Gautam Jain, aged about 52 years, residing at Poddar Bagan, Harmu Road, Ranchi, Jharkhand - 834001, presently acting as an Managing Director (DIN-00367524) of the company is a young, bright and dynamic individual with a passion to achieve excellence regardless of the odds and challenges. An MBA in Marketing, he started his career with a jute mill in Calcutta and subsequently, moved	Over 25 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
				into finance business. He looks after the day to day operations of the Company. A visionary with a great sense of commitment, he is committed to make VCCL a brand name in the financial service sector.	
Mr. Vikram Jain	49 Years	Whole Time Director	B.Com	Mr. Vikram Jain, aged about 49 years, residing at Poddar Bagan, Harmu Road, Ranchi, Jharkhand - 834001, presently acting as Director (DIN-00367570) of Vedika Credit Capital Ltd. He was earlier managing the family business of food grains. Having drawn inspiration from his father Mr. Ummal Jain and under his tutelage, he started managing the finance business of the family. He is a Fund Management Specialist.	Over 20 years
Mr. Ummal Jain	76 Years	Director	LL.B	Mr. Ummal Jain, aged about 76 years, residing at Poddar Bagan, Harmu Road, Ranchi, Jharkhand - 834001, presently acting as a Chairman (DIN-01225087) of the Company is a man	Over 40 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
				<p>who has seen it all and done it all. Starting his career as an Advocate in Patna High Court, he drifted into business out of choice and started a 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 five decades, and his business acumen coupled with wisdom, he presides over all matters of critical importance for the Company and advises top managers.</p>	
Mr. Deep Kumar Hessa	40 Years	Independent Director	LL.B & LL.M	Mr. Deep Kumar Hessa, Independent Director (DIN-03452241) of the Company. His qualification is LL.B & LL.M in n Customary Law & Tribal Governance. He has associated with NGO's and deep knowledge of Rural Tribal area belongs in Jharkhand.	Over 10 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
Mr. Maqsoodul Hasan Ansari	69 Years	Independent Director	MBA & Doctorate of Philosophy (PhD)	Mr. Maqsoodul Hasan Ansari, Independent Director (DIN-08188472) of the Company. He has Contributed significantly in preparing young minds of the country in the last 34 years of teaching and training for building their career in rural development as well as to work for the marginalized sections of the society and the country. His qualification are Post-graduate Diploma in “Social Service” with specialization in Personnel Management & Industrial Relations & MBA with Specialization in Marketing Management & Doctorate of Philosophy (PhD) from Post Graduate Department of Commerce and Business Management, Ranchi University, Ranchi. He served as Head of the Department of Rural Management at XISS, Ranchi for a period of	Over 40 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
				<p>14 years. He is having a Life 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 has participated and moderated many National and International Conferences. He has also received “Mahatma Gandhi Peace Award-2015” in the field of Education on 2nd of October 2015.</p>	
Mr. George Roshan Tirkey	42 Years	Nominee Director	B. Com, JAIB and CAIB	<p>Mr. George Roshan Tirkey is a nominee Director of the Company representing SIDBI. His Qualification is B. Com and has completed JAIB and CAIB from IIBF. He has varied experience in Bank and Financial Institution and has been with SIDBI for last 15 years. He has handled direct finance</p>	Over 15 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
				<p>operations in different capacities in many geographies and has also been associated with SFMC and NBFC vertical and working towards extending support to Microfinance and sectors for their funding and other needs. At present, he is working as an Assistant General Manager in NBFC-MFI Vertical, Mumbai and looking after NBFC-MFI lending of SIDBI (PAN India).</p>	
Mr. Hari Babu Shukla	61 Years	Additional Director	Post graduate and associate member of Indian Institute of Bankers	<p>"Mr. Hari Babu Shukla has retired on superannuation from service of Indian Overseas Bank on 31/12/2021 after a stint of 37.5 years of experience. I joined the direct in officer cadre of Bank after passing college/university in 1984 & worked in various capacities. Having more than 37 years of Banking experience in various aspects of Banking. His experience in Banking includes Branch Banking experience, Head of</p>	Over 30 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
				Region experience, Overseas Banking/International Banking experience, Corporate Office, Board Secretary as well as head of the training institute. He has achieved many accolades in my career and won many prizes and appreciation from the Bank."	

Comments:

- VCCL has seven-members board. Board members have strong experience in microfinance, banking, finance, risk and development sectors.

MANAGEMENT'S PROFILE

Name	Qualification	Designation	Total years of experience
Mr. Pradeep Sharma	Graduate	Business Head	He is Business Head of the Company. He is graduate by qualification and has over 19 years' experience in micro finance sector. His in-depth knowledge of the field and the sector makes him a very vital component of the micro finance sector
Mr. Abhishek Agarwal	ACS and MBA (Finance)	CFO	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

Name	Qualification	Designation	Total years of experience
			has over 10 years' experience in micro finance sector
Mr. Gaurav Kumar Vohra	ACS and Law Graduate	Company Secretary	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 & 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.
Mr. Chandan Kumar Malviya	Graduate	Audit Head	He is Audit & Risk Head of the company. He is having 10 years of rich experience in Banking Audit, Accounting and Micro finance. He has handled account creation, transactions and Audit at various industries of MFI, Telecom and other private organizations.
Mr. Milan Singh	B.Tech (CSE)	Chief Technology Officer	Mr. Milan is responsible for company's IT strategy and its sub-systems Integration. He spearheaded leads the team responsible for implementing of various Software, IT infrastructure & Security, Asset Management and other Digital Initiatives. Mr. Milan's career spans more than 8 years, with leading position in System Analysis, Managing, Designing and Implementing of Web & Mobile Application for various MFI's, Societies, Trusts, Cooperatives and Government Department in multiple states.

Comments:

- VCCL's senior management has adequate experience across sectors such as Microfinance space and development sector.
- VCCL has dedicated department wise / function wise heads and no major functional overlaps have been observed.

HIGHLIGHTS OF MICROFINANCE OPERATIONS

For the period ended / As on,	FY20	FY21	FY22
Number of states	7	7	7
Number of districts	101	94	94
Branches	212	192	192
Number of active JLG groups	56942	39256	52379
Number of active JLG members	222105	177281	254649
Number of active JLG borrowers	222105	177281	254649
No. of Total Employees	1410	1177	1149
No. of Field/Credit Officers	1262	1073	950
No. of JLG	56942	39256	52379
Loan Portfolio			
No. of loan disbursed during the year	182095	50638	159219
Amount of loan disbursed during the year (Rs. Cr)	474.71	174.89	449.42
Average Loan size disbursed during the year (Rs.)	26069	34537	28227
Overdue at the beginning of the year (Rs. Cr.)	0.58	10.73	21.04
Principal due during the year (Rs. Cr.)	411.57	396.19	340.84
Principal recovered during the year (Rs. Cr.)	399.12	283.07	323.38
Overdue at the end of the year (Rs. Cr.)	10.73	21.04	1.15
Recovery rate (%)	80.06%	95.50%	96.43%
Total outstanding loan portfolio (Rs. Cr.)	422.32	341.44	580.55
Portfolio at risk (PAR) >30 days (%)	2.83%	5.45%	5.08%
Portfolio at risk (PAR) >90 days (%)	1.81%	2.21%	2.01%
CAR (Tier 1) %	9.45%	20.42%	16.76%
CAR (Tier 2) %	11.08%	11.21%	3.29%
CAR (Overall) %	18.89%	31.63%	20.05%

Details on Human Resources

	FY20	FY21	FY22
Relationship Executive	1262	1073	950
Total employees	1410	1177	1149
Employee productivity			
Number of loans per field officer	176	165	268
Number of members per field officer	176	165	268
Number of borrowers per field officer	176	165	268
Amount of loan outstanding per field officer (Rs. crore)	0.33	0.32	0.61
Branch productivity			
Number of members per branch	1048	923	1326
Number of individual borrowers per branch	1048	923	1326
Amount of loan outstanding per branch (Rs. crore)	1.99	1.78	3.02

Bifurcation of AUM
(Rs. Crore)

Owned portfolio (Rs.cr)						
Particulars	FY 2019	FY 2020	FY 2021	FY 2022	Q1FY23	5MFY23
Total loan disbursements during the year (in crore)	353.18	474.71	174.89	449.42	60.52	95.46
Total portfolio outstanding (in crore)	346.74	422.32	341.44	580.55	579.28	571.83
Managed portfolio (Rs.cr)						
Particulars	FY 2019	FY 2020	FY 2021	FY 2022	Q1FY23	5MFY23
Total loan disbursements during the year (in crore)	139.69	112.48	127.91	139.13	50.65	95.46
Total portfolio outstanding (in crore)	214.68	192.9	170.97	165.17	173.29	191.95

During FY22, own portfolio has increased with significant increase in disbursement during FY22. However, the company is trying to reduce its dependency on BC portfolio to improve its profitability.

Compliance with RBI's Directives for MFIs

RBI's Direction	VCCL Status	Compliance
75% of total assets to be in the nature of qualifying assets	Qualifying assets forms more than 75% of total assets i.e 87.77% as on March 31, 2022.	Complied
Net worth to be in excess of Rs 5 Crore	Net worth of VCCL stood at Rs. 104.70 crore as on March 31, 2022	Complied
A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.	VCCL here by complies with it , as per latest RBI circular. Firstly it is informed at every level starting from sourcing, loan officers, branch manager have been given proper training and thoroughly informed with specific format for calculation is shared and further the same is being verified at every level by the qualified audit team.	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
The REs shall have a board-approved policy to provide the flexibility of repayment periodicity on microfinance loans as per borrowers' requirement.	VCCL has provided a board approved policy that enables the REs to extend flexibility with respect to the repayment periodicity and it is circulated at every level and closely monitored that the same is extended as approved.	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
Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, as per the frequency of	Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, AFPL shares its clients data with CRIF Highmark.	Complied

<p>data submission prescribed by the CIC.</p>		
<p>Each RE shall have a board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income.</p>	<p>VCCL complies with it and towards the same REs are provided with proper training as per latest RBI circular. There is a specific format as approved by the board and it is ensured that the same is followed.</p>	<p>Complied</p>
<p>The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50 per cent of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.</p>	<p>VCCL complies with it. As mentioned, it is calculated as per the format shared to them and it is pre-approved by the board. Further it is ensured by the audit team that it is compiled properly .</p>	<p>Complied</p>
<p>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’.</p>	<p>The statutory auditor has certified that appropriate provisions have been made.</p>	<p>Complied</p>

Pricing of Loans

- Each RE shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, cover the following:
 - o A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate;
 - o Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters;
 - o The range of spread of each component for a given category of borrowers; and
 - o A ceiling on the interest rate and all other charges applicable to the microfinance loans.
 - o There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

Strengths and Weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> • Board approved policies, compliant with the RBI guidelines. • Membership with Sa-dhan. • Board with rich experience from banking and finance background. • Experienced and qualified management with more than a decade of experience in MFI industry. • Standardized operating procedures in place with documented policies with respect to loan sanctions, conduct of the staff, field operations, credit appraisal and systems. • Compulsory training on products terms and conditions to client prior to every loan. • Compulsory check on over indebtedness of every borrower. • Awareness among client on SRO Grievance Redressal mechanism was found to be moderate to high in the visited branches. 	<ul style="list-style-type: none"> • Awareness among the staff on RBI compliance was found to be moderate to high in the sample branches. • The loan documents were not available in the regional language in every branches.

<ul style="list-style-type: none"> • Efficient systems and strong internal audit team to check misappropriations and regular monitoring of compliance. • Adequate software-based MIS to handle current scale of operations. • Code of Conduct framed as per the VCCL’s mission, vision, values are displayed in all branch offices & HO. • High focus on client relationship and empathetic behavior towards borrowers. • VCCL’s recruitment policy is well-defined with the applicant required to appear for an interview and provide a relieving letter from the previous employer. VCCL also performs a reference check for all its employees and responds to the reference checks sought by any other entities for its employees. 	
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Significant Observations

HIGHER ORDER INDICATORS	
<p>Integrity and Ethical Behaviour</p>	<ul style="list-style-type: none"> • Standard operating process and policies are in place with strong degree of adherence and the staff is appropriately trained to abide by the code of conduct. • Fair degree of transparency observed while dealing with borrowers and the staff was found ethical and the management treats borrowers and staff members with dignity. • The Board and board level committees in place which help good oversight in observations with Code of Conduct. • The audit committee of the Board reviews the adequacy of audit staff strength and scope of Internal Audit. • Board has approved a policy of recovering delinquent loans. • Awareness among client and staff on Sa-dhan grievance redressal mechanism was found to be moderate to high. • 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.

	<ul style="list-style-type: none"> • In all the branches, the contact number and address of Sa-dhan nodal official was properly displayed. • 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.
<p>Sensitive Indicators</p>	<ul style="list-style-type: none"> • Clients interviewed were aware of the charges and price for all services availed. • Awareness among the staff on RBI guidelines was found to be adequate. • There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • VCCL shares accurate data with all credit bureaus on a frequency prescribed by Sa-dhan. • 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. • The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.
<p>BUILDING BLOCKS</p>	
<p>Transparency</p>	<ul style="list-style-type: none"> • The policies of the MFI are in place and documented in its operational manual and HR manual. • The MFI has complied with RBI's NBFC-MFI directions and no security deposit has been collected from the borrowers. • 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. • Circulars with the most recent directions were available in the visited branches. • The loan interest rate and processing fees is mentioned on the loan passbook and sanction letter provided to the client. • The MFI has a system to review the prevailing base rates of the five largest banks and the same are presented to the board and recorded in the board minutes.

	<ul style="list-style-type: none"> • Clients interviewed were moderately aware of the charges and price for all services availed. • Audit committee verifies through the audit reports whether all clients have received the necessary loan documents. • VCCL issues loan agreement to the clients with all terms and conditions of the loan including annualized interest rates, processing fee and insurance premium. • Previous financial year annual financial statement and report i.e FY2022 is not available in the public domain.
<p>Client Protection</p>	<ul style="list-style-type: none"> • VCCL has a board-approved policy regarding client data security. • Employees are trained on aspects of appropriate behaviour with the clients. • VCCL has documented policy on client data security which forms part of its fair practice code. • VCCL has framed a Fair Practice Code and has also adopted the RBI fair practices code. • Staffs were found to be aware of the need to have professional conduct with the clients. • Insurance is provided through IRDA approved insurance agency. • The loan cards given to the clients have documented repayment schedule and the charges and interest rates printed on them. • The borrowers will receive manual receipt for every payment made by them. • The field staff is trained for not using any coercive or abusive language or provide any threat in case of non-payment by the borrowers. • The sample of borrowers surveyed were satisfied with the behaviour of the field staff.
<p>Governance</p>	<ul style="list-style-type: none"> • Good governance with reputed people comprising the Board and presence of board level subcommittees. • Out of 7 directors, 2 are independent director, 1 is nominee director, 1 is additional director and 3 are promoter directors. • VCCL has several board level committees which deal with various aspects of the microfinance operations. • The key operational and key financial metrics are apprised to the board on a daily basis. The detailed operational and financial performance is updated to the Board in the quarterly Board Meetings.

	<ul style="list-style-type: none"> • The MFI places regular reports on compliance with COC, Sa-dhan and RBI Guidelines before the board. • The MFI has a dedicated internal audit team and the head of internal audit reports directly to the Board Committee. Internal audit is done on quarterly basis and the report is submitted directly to the audit committee and Board of Director. • The MFI has got its accounts audited in a timely manner after the end of the most recent financial year. • The statutory auditor M/s. N.K. Kejriwal &Co. has given favourable feedback on the accounting practices and systems followed by the organization. Also, there are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI.
<p>Recruitment</p>	<ul style="list-style-type: none"> • VCCL's board has reviewed its recruitment policies at least once annually. • The MFI has a defined and documented process for responding to reference check requests. • There is documentary evidence to suggest that MFI has honoured the notice period for all employees who have left it. • MFI obtain NOC or relieving letter from the previous employee, in case employees are recruited from other MFIs. • 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 and the same is not documented in Operational Manual. • All new recruits shall be on probation for a period of 6 months and be confirmed in the post on completion of probation period only after he/she is found to be suitable for confirmation by competent authority. In case one is not found suitable, the probation period may be extended for another 6 months.
<p>Client Education</p>	<ul style="list-style-type: none"> • The MFI has trained staff for the purpose of increasing clients' awareness and periodic financial literacy trainings are given to borrowers by the MFI staff. • The surveyed borrowers indicated that they were informed about the organization's policies and procedures when they joined the MFI and there has not been any instance where the MFI

	has charged its clients for training provided to them.
Feedback and Grievance Redressal	<ul style="list-style-type: none"> • Vedika Credit Capital Limited has a grievance redressals mechanism in place with a helpline number, email id printed in the loan card/passbook and there is one designated redressal officer. • However, if the issue is not resolved, the escalations should be forwarded to HO. The Credit Monitoring Officers of HO would specifically review the grievance handling procedure during their periodic monitoring visits.
Data Sharing	<ul style="list-style-type: none"> • Financial and operational data for FY 2022 is not available on the website of VCCL. • MFI has a well-defined process for sharing data with the credit bureaus. • MFI has provided data called by Sa-Dhan and other state level SROs and RBI as and when required as per compliance. • VCCL shares accurate data with all credit bureaus on a frequency prescribed by Sa-dhan. • VCCL performs compulsory credit bureau checks for all its clients.

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

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)	8 – 10 branches (geographically distributed)	120-150 clients (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 branches 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 observed all branches and interacted with Branch Staff and Borrowers of the MFI in person and through branch visit. The details of the branches are provided below.

SL. No.	Branch	State	No of clients interviewed
1	Biradingi	West Bengal	20
2	Jagadispur		21
3	Dunlop		16
4	Tollyganj		22
5	Sonarpur		23
6	Amtala		18
7	Baruipur		20

8	Rajarhat		21
9	Baguiati		18
10	Haripal		20
11	Dhaniakhali		22
12	Triveni		23
TOTAL			224

Infomerics Analytics and Research Pvt Ltd

About Infomerics Analytics and Research:

Infomerics Analytics and Research Private Limited a subsidiary of Infomerics Valuation and Rating Pvt Ltd., a SEBI Registered and RBI Accredited credit grading company was established in the year 2021 exclusively for rendering services in the field of grading, scoring, analysis, evaluation, certification, appraisal etc. to business entities which include Government agencies & regulators, Overseas Corporate Bodies (OCB's) including FPI's and FII's etc. The company was formed consequent to the guidelines of SEBI restricting the operations of credit rating agencies only to the assigning of rating of Bank Loans, commercial papers, NCD etc.

Infomerics Valuation and Rating Pvt Ltd is a Registered Credit Rating Agency with Securities and Exchange Board of India (SEBI) and a recognized external credit assessment agency (ECAI) by Reserve Bank of India (RBI) to carry out Credit Ratings in India.

Infomerics Analytics and Research covers a wide spectrum of services and solutions to offer through a rationale and prudent approach which leads to a robust analysis and deliverance. We have a team of experienced and knowledgeable analysts and experts who conduct in-depth study of various aspects of an entity before assigning the Rating / Grading which is accepted by various Banks and Financial Institutions. The immaculate approach covering all the nuances is adopted for preparing the study reports which covers every aspect of the business entity.