

## Vedika Credit Capital Limited

406, Shrilok Complex, 4th Floor, HB Road,  
Ranchi- 834001, India.

### Code of Conduct Assessment

**IAR– C1**

Which indicates **Excellent** performance of the MFI on Code of Conduct dimensions

Date: 12<sup>th</sup> Jan, 2024

**Infomerics Analytics and Research Private Limited**

**(CIN: U74999DL2020PTC369018)**

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## Infomerics Code of Conduct Assessment Grading Scale

Grading Scale	Definitions
C1	<b>Excellent</b> performance of the MFI on Code of Conduct dimensions
C2	<b>Good</b> performance of the MFI on Code of Conduct dimensions
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

## Grading Rationale

<b>Code of Conduct Assessment Grade</b>	<b>Vedika Credit Capital Limited</b> obtains “C1” as its Code of Conduct Assessment Grade which signifies ‘Good’ 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
Nov 20 <sup>th</sup> , 2022	Infomerics Analytics & Research	IAR C1

### Historical Rating Grades (MFI Gradings)

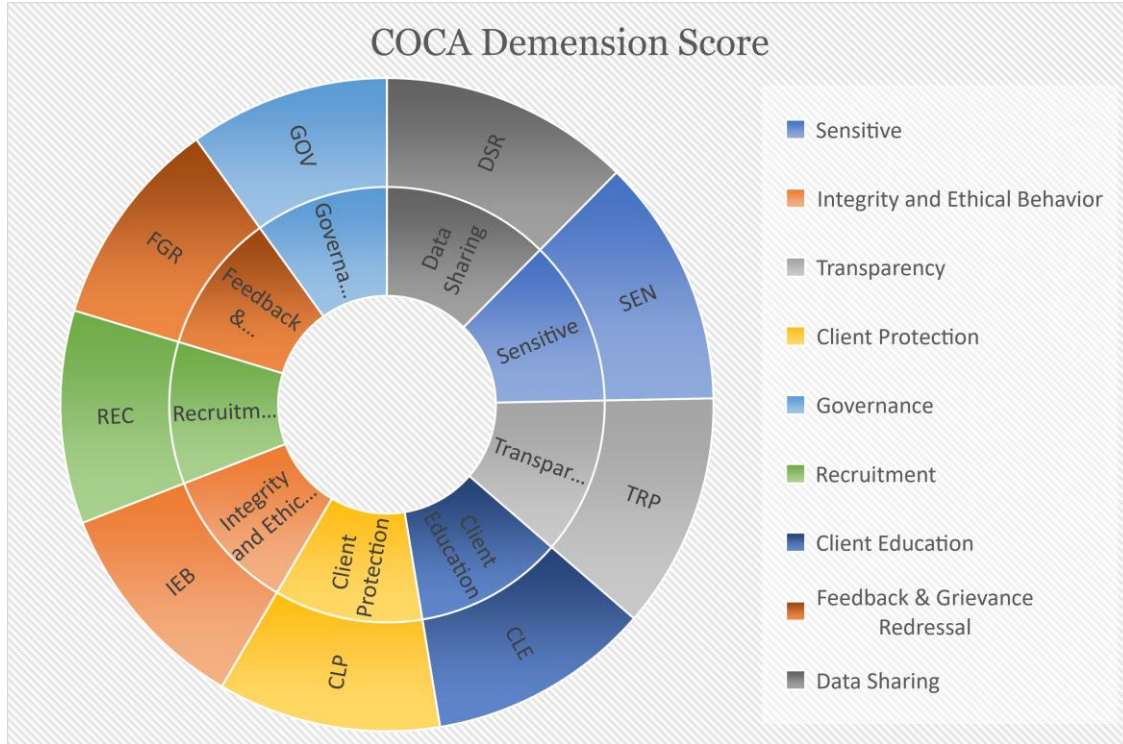
Year	Name of the Agency	Grade
Nov 14 <sup>th</sup> , 2022	Infomerics Analytics & Research	IAR MFI 1

### Historical Rating (Bank Loan Ratings)

Date	Rating Assigned	
	Long Term	Short Term
Jan 2 <sup>nd</sup> , 2023	ACUITE BBB+   Stable   Reaffirmed	-

## 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	90%
Transparency	TRP	94%
Client Protection	CLP	90%
Governance	GOV	90%
Recruitment	REC	95%
Client Education	CLE	92%
Feedback & Grievance Redressal	FGR	94%
Data Sharing	DSR	100%

## 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 **‘VCCL’** 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 VCCL’s adherence towards ethical operational practices.

## Company Profile

Sr. No.	Particulars	Details	
1	Managing Director	Mr. Gautam Jain	
2	Year of Incorporation	March 15, 1995	
3	Legal Status	Non-Banking Finance Company (NBFC-MFI)	
4	CIN	U67120WB1995PLC069424	
5	RBI Registration No.	05.00844 dated 11 <sup>th</sup> March 1998	
6	NBFC MFI Registration No.	B-05.00844 dated 03 <sup>rd</sup> June 2015	
7	LEI No.	335800WR2QFGZEL2PX23	
8	Registered Office/ Corporate Office	406, Shrilok Complex, 4th Floor, HB Road, Ranchi- 834001.	
9	Lending Model	Joint Liability Group (JLG)	
10	Tangible Net Worth	Rs 157.25 crores as on March 31, 2023	
11	Geographical reach as on March 31, 2022	No. of States	7
		No. of Districts	94
		No. of Branches	192
		No. of Active Borrowers	3,13,803
		No. of Total Employees	1475
		No. of Field/Credit Officers	1286
12	Auditors	N.K. Kejriwal & Co.; Ranchi	
13	<b>Outstanding Grading</b>	<b>IAR M1 assigned on September 15, 2022</b>	
14	<b>Outstanding Rating</b>	<b>IVR A-; Stable as per PR dated October 12, 2022</b>	
15	Software use	SWATAH software	
16	No of Lenders	37	

## Background:

### Brief Profile of the organization

- 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 2009 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 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 3,13,797 clients.
- Beside direct lending, the company also entered into a partnership to work as a Business Correspondence (BC) with IDFC First Bank Limited, SIDBI, IDBI, Fincare Small Finance Bank Limited, MAS Financial Services Limited, Kisandhan Finance Limited Wherein VCCL manages the entire micro finance operation for designated areas on behalf of banks/FF's for a certain fee income.
- As of 31-March-2023, providing financial services to a total active borrower base of 313797 with asset under management of ₹ 1097.12 Crores (It includes Own Rs. 771.65 Cr and managed portfolio of Rs 325.47 Cr).
- Currently, the operations of the company are managed by Mr. Ummed Mal Jain, Chairman and Mr Gautam Jain (Managing Director) & Mr. Vikram Jain– (Director) along with other four directors and a team of experienced personnel.

### Product Profile

S No.	Loan Product Name	Age Limit	Brief Description	Tenure	Collection Frequency	State (Area of Working)	Min & Max Loan Ticket Size	P. F.	R OI
1	<b>Joint Liability Group (JLG)</b>	18-59	Small Business, Agri & allied Agri activities	18-24 months	Monthly	Bihar, Jharkhand, West Bengal, UP, Assam, Odisha, Tripura	INR 20,000 to 50,000	1%	27%
2	<b>Individual Loan</b>	18-59	Business expansion, Micro Housing, WASH & EV	24-48 months	Monthly		INR 50,000 to 1,50,000	1%	27%
3	<b>Loans for Consumer Durables</b>	18-59	Purchase of Consumer durables to existing client only	3-12 months	Monthly		INR 999 to 20,000	1%	27%

### Capital Structure as on March 31, 2023

(Rs in crore)

<b>Authorized Capital</b>	
- Equity Share Capital	35.00
- Preference Share Capital	5.0
<b>Equity - Paid Up Capital</b>	<b>32.13</b>
<b>Preference Share Capital</b>	-

## Shareholding Pattern as on March 31, 2023

S.N.	Shareholders	EQUITY SHARES		
		No of Shares	Amt (INR)	%
1	Gautam Jain	6723904	67239040	20.92%
2	Vikram Jain	5397922	53979220	16.80%
3	Anita Jain	1139265	11392650	3.54%
4	Vinita Jain	980270	9802700	3.05%
5	Divya Jain	12195	121950	0.04%
6	Ramesh Kumar Jain	12195	121950	0.04%
7	Pradeep Kumar Jain	12195	121950	0.04%
8	Yogesh Kumar Sahu	48780	487800	0.15%
9	Indu Jain	7317	73170	0.02%
10	Aditi Mewara	12195	121950	0.04%
11	Sarita Mewara	12195	121950	0.04%
12	Meenu Devi Mewara	36585	365850	0.11%
13	Manoj Kumar Mewara	36585	365850	0.11%
14	Shreya Mewara	48780	487800	0.15%
15	Rohit Choudhary	26341	263410	0.08%
16	Chandra Mohan Choudhary	17560	175600	0.05%
17	Manjula Choudhary	4878	48780	0.02%
18	Milan Poddar	24390	243900	0.08%
19	Pradeep Kumar Jain	243902	2439020	0.76%
20	Vikram Jain Huf	504200	5042000	1.57%
21	Gautam Jain Huf	990098	9900980	3.08%
22	Ummedmal Jain Huf	626983	6269830	1.95%
23	Link Line Marketing Private Limited	2314613	23146130	7.20%
24	Vedika Fincorp Private Limited	345000	3450000	1.07%
25	Vedika Sales & Services Private Limited	1975000	19750000	6.15%
26	Vedika Agro Mart Private Limited	3205000	32050000	9.97%

<b>27</b>	Digit	642500	6425000	2.00%
<b>28</b>	Gautam Jain Family Welfare Trust	107000	1070000	0.33%
<b>29</b>	Vikram Jain Family Welfare Trust	110500	1105000	0.34%
<b>30</b>	Vedika Financial Services Private Limited	3082043	30820430	9.59%
<b>31</b>	Insight Merchants Private Limited	1329000	13290000	4.14%
<b>32</b>	Vedika Irrigation And Energy Solution Private Limited	2110000	21100000	6.57%
<b>Total</b>		<b>32139391</b>	<b>321393910</b>	<b>100.00%</b>

**PROFILE OF GOVERNING BODY MEMBERS/DIRECTORS OF VCCL**

<b>Name</b>	<b>Age</b>	<b>Designation In the board</b>	<b>Education Qualification</b>	<b>Brief Profile</b>	<b>Total Years of Experience</b>
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 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.	Over 25 years
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	Over 20 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
				<p>earlier managing the family business of food grains. Having drawn inspiration from his father Mr. Ummed Mal Jain and under his tutelage, he started managing the finance business of the family. He is a Fund Management Specialist.</p>	
Mr. Ummed Mal Jain	76 Years	Director	LL. B	<p>Mr. Ummed Mal 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 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</p>	Over 40 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
				over all matters of critical importance for the Company and advices top managers.	
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
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	Over 40 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
				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.	
Mr. Siba Prasad Nayak	44 Years	Nominee Director	MBA, CAIIB & JAIIB	Mr. Siba Prasad Nayak, Nominee Director of the Company from SIDBI. His Qualification is B. Com and Masters in Industrial Relations and Personnel Management from Berhampur University, Odisha. He has 17 years of experience in Bank and Financial Institution like SIDBI. Specialist in MSME Lending. JAIIB and CAIIB certified. Presently working as Assistant General Manager in SIDBI, Ranchi, looking after MSME lending in the state of Jharkhand.	Over 15 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience
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 &amp; 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 Region experience, Overseas Banking/International Banking experience, Corporate Office, Board Secretary as well as head of the training institute.</p>	Over 30 years

**Comments:**

- VCCL has Seven-member 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 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.

Name	Qualification	Designation	Total years of experience
Mr. Chandan Kumar Malviya	CA	Audit & Risk 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. Rajesh Pandey	MBA (HR)	CHRO	As a CHRO, Mr. Rajesh is handling the responsibility of development and implementation of Company's HR strategies and practices. Having more than 05 years' experience in leading & managing HR functions for Steel, Power, Manufacturing, Telecom industry and Banking sector, he efficiently balances the manpower requirement and HR matter for VEDIKA.
Mr. Milan Singh	NA	IT Manager	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.

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,	FY21	FY22	FY23
Number of states	7	7	7
Number of districts	94	94	94
Branches	192	192	192
Number of active SHG groups	0	0	0
Number of active JLG groups	39256	54415	71430
Number of active SHG members	0	0	0
Number of active JLG members	177281	254649	313797
Number of active SHG borrowers	0	0	0
Number of active JLG borrowers	177281	254649	313797
<b>Loan Portfolio</b>			
No. of loan disbursed during the year	62345	159308	111484
Amount of loan disbursed during the year (Rs. Cr)	174.91	449.44	490.05
Average Loan size disbursed during the year (INR)	28055	28212	43957
Overdue at the beginning of the year (Rs. crore)	10.73	21.04	1.15
Principal due during the year (Rs. crore)	396.19	340.84	396.22
Principal recovered during the year (Rs. crore)	283.07	323.38	386.44
Overdue at the end of the year (Rs. crore)	21.04	1.15	2.75
Recovery rate (%)	95.50%	96.43%	98.58%
Total outstanding loan portfolio (Rs. crore)	341.44	580.55	771.65
Portfolio at risk (PAR) >30 days (%)	5.45%	5.08%	3.05%
Portfolio at risk (PAR) >90 days (%)	2.21%	2.01%	0.89%
CAR (Tier 1) %	20.42%	16.76%	20.10%
CAR (Tier 2) %	11.21%	3.29%	2.46%
CAR (Overall) %	31.63%	20.05%	22.56%

### Details on Human Resources

	FY21	FY22	FY23
Relationship Executive	1073	950	1286
Total employees	1177	1149	1407
No. of Branch	192	192	192
<b>Employee productivity</b>			
Number of loans per Relationship Executive	165	268	244
Number of members per Relationship Executive	165	268	244
Number of borrowers per Relationship Executive	165	268	244
Amount of loan outstanding per Relationship Executive (Rs. crore)	0.32	0.61	0.60
<b>Branch productivity</b>			

Number of members per branch	923	1326	1634
Number of individual borrowers per branch	923	1326	1634
Amount of loan outstanding per branch (Rs. crore)	1.78	3.02	4.02

### **Bifurcation of AUM**

(Rs. Crore)

Period ended	Mar 31, 2020	Mar 31, 2021	Mar 31, 2022	Mar 31, 2023
Managed portfolio (BC etc.)	192.90	170.97	165.17	325.47
Own loan portfolio	422.32	341.44	580.55	771.65
<b>AUM (Rs.cr.)</b>	<b>615.22</b>	<b>512.41</b>	<b>745.72</b>	<b>1097.12</b>

‘During FY23, own portfolio has increased with significant increase in disbursement during FY23. However, the company is trying to reduce its dependency on BC portfolio to improve its profitability.

Period ended	Mar 31, 2022	Mar 31, 2023
<b>AUM (Rs.cr.)</b>	<b>745.72</b>	<b>1097.12</b>
Managed portfolio (BC etc.)	165.17	325.47
Own loan portfolio	580.55	771.65
<b>Less: Processing fees deferment and reclassification as of FY22 and FY23</b>	<b>2.07</b>	<b>4.85</b>
<b>Less: Impairment Loss allowance as of FY22 and FY23</b>	<b>14.43</b>	<b>16.76</b>
<b>Total</b>	<b>564.05</b>	<b>750.04</b>

As per the balance sheet which we calculated the total loan portfolio on basis of final value after deduction such as less impairment loss allowance and processing fees deferment & Reclassification, so the final values coming as 750.04 crores as of 31<sup>st</sup> March 2023 as compared to 564.05 crore as of FY2022.

## Compliance with RBI's Directives for MFIs

RBI's Direction	VCCL Status	Compliance
85% of total assets to be in the nature of qualifying assets	Qualifying assets forms more than 97.49% of total assets as on 31/Mar/2023.	Complied
Net worth to be in excess of Rs 5 Crore	Net worth of VCCL stood at Rs. 157.26 crore as on March 31, 2023	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 , relationship executives 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
Loans size not to exceed Rs 75,000 in first cycle and Rs 125,000 in subsequent cycles*	VCCL offers loan in the range of Rs.20,000 to Rs. 50,000 in first cycle and 50,000 – 1,25, 000 in subsequent cycles depending on client repayment capacity, type of activity etc.	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 rate of interest of 25-26% 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
The REs shall have a board-approved policy to provide the flexibility of repayment	VCCL has provided a board approved policy that enables the REs to extend flexibility with respect to the repayment	Complied

periodicity on microfinance loans as per borrowers' requirement.	periodicity and it is circulated at every level and closely monitored that the same is extended as approved.	
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.	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.	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 more than 50% of total loans for income generation activities as on 31/Mar/2023.	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 22.56% as on 31/March/2023 which complies with the minimum CRAR requirement of 15% for NBFCMFIs as prescribed by RBI.	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 that appropriate provisions have been made.	Complied

## 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

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>Board approved policies, compliant with the RBI guidelines.</li> <li>Membership with 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>Standardized operating procedures in place with documented policies with respect to loan sanctions, conduct of the staff, field operations, credit appraisal and systems.</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>Awareness among client on SRO Grievance Redressal mechanism was found to be moderate to high in the visited branches.</li> <li>Efficient systems and strong internal audit team to check misappropriations and regular monitoring of compliance.</li> <li>Adequate software-based MIS to handle current scale of operations.</li> <li>Code of Conduct framed as per the VCCL's mission, vision, values are displayed in all branch offices &amp; HO.</li> <li>High focus on client relationship and empathetic behaviour towards borrowers.</li> <li>The loan documents were available in the regional language in every branches.</li> </ul>	<ul style="list-style-type: none"> <li>Awareness among the staff on RBI compliance was found to be moderate to high in the sample branches.</li> </ul>

**Significant Observations**

<b>HIGHER ORDER INDICATORS</b>	
<b>Integrity and Ethical Behaviour</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• The Board and board level committees in place which help good oversight in observations with Code of Conduct.</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>• Awareness among client and staff on Sa-dhan grievance redressal mechanism was found to be moderate to high.</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> <li>• In all the branches, the contact number and address of Sa-dhan nodal official was properly displayed.</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> </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 adequate.</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 Sa-dhan.</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</li> </ul>

	<p>organization also has a well-documented policy on pre-payments.</p> <ul style="list-style-type: none"> <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>The policies of the MFI are in place and documented in its operational manual and HR manual.</li> <li>The MFI has complied with RBI's NBFC-MFI directions and no security deposit has been collected from the borrowers.</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>The loan interest rate and processing fees is mentioned on the loan passbook and sanction letter provided to the client.</li> <li>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.</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 issues loan agreement to the clients with all terms and conditions of the loan including annualized interest rates, processing fee and insurance premium.</li> <li>Previous financial year annual financial statement and report i.e FY2022 is not available in the public domain.</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 behaviour 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>Staffs were found to be aware of the need to have professional conduct with the clients.</li> </ul>

	<ul style="list-style-type: none"> <li>• Insurance is provided through IRDA approved insurance agency.</li> <li>• The loan cards given to the clients have documented repayment schedule and the charges and interest rates printed on them.</li> <li>• The borrowers will receive manual receipt for every payment made by them.</li> <li>• 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.</li> <li>• The sample of borrowers surveyed were satisfied with the behaviour of the field staff.</li> </ul>
<p><b>Governance</b></p>	<ul style="list-style-type: none"> <li>• Good governance with reputed people comprising the Board and presence of board level subcommittees.</li> <li>• Out of 9 directors, 1 is managing director and 6 are directors and 3 are nominee directors.</li> <li>• VCCL has several board level committees which deal with various aspects of the microfinance operations.</li> <li>• 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.</li> <li>• The MFI places regular reports on compliance with COC, Sa-dhan and RBI Guidelines before the board.</li> <li>• 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 an interval of 45-60 days basis and the report is submitted directly to the audit committee and Board of Director.</li> <li>• The MFI has got its accounts audited in a timely manner after the end of the most recent financial year.</li> <li>• The statutory auditor M/s. R. Vender Gupta &amp; Associates 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.</li> </ul>
<p><b>Recruitment</b></p>	<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> </ul>

	<ul style="list-style-type: none"> <li>• There is documentary evidence to suggest that MFI has honoured 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 and the same is not documented in Operational Manual.</li> <li>• All new recruits shall be on probation for a period of 3-6 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.</li> </ul>
<p><b>Client Education</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Feedback and Grievance Redressal</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Data Sharing</b></p>	<ul style="list-style-type: none"> <li>• Financial and operational data for FY 2022 is not 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 by Sa-Dhan and other state level SROs and RBI as and when required as per compliance.</li> </ul>

	<ul style="list-style-type: none"> <li>• VCCL shares accurate data with all credit bureaus on a frequency prescribed by Sa-dhan.</li> <li>• VCCL performs compulsory credit bureau checks for all its clients.</li> </ul>
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## 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 was 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.

<b>Highest Order</b>	
Sensitive Indicators	
<b>Higher Order</b>	
Integrity & Ethical Behaviour	
<b>Building Blocks</b>	
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 centres)
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 centres)
Large MFI (>2,50,000 borrowers)	12 – 15 branches (geographically distributed)	240-300 clients (20 clients per branch covering minimum two centres).
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 centres).

### 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 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 to collect 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 visits. The details of the branches are provided below.

SL. No.	Branch	State	No of Groups interviewed
1	Phusro Branch,	Jharkhand	1
2	Dhanbad Branch		2
3	Garhwa Branch		1
4	Daltonganj Branch		1
5	Pandra Branch		1
6	Ramgarh Branch		2
7	Bakaro Branch		1
8	Kokar Branch		0
9	Gola Branch		1
10	Kokar Branch – Head Office		0
<b>TOTAL</b>			<b>10</b>

## 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.