



SMERA MFI Grading

M3

*(Above Average
capacity of the MFI to
manage its operations
in a sustainable
manner)*

SMERA MFI Grading

Servitium Micro Finance Pvt Ltd



To verify the grading, please scan the QR Code

Date of Report:

December 11, 2023

Valid Till:

December 9, 2024

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 MFI 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

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Historical Rating Grades

Date	Rating Agency	Rating/Grading
13-01-2023	Infomerics	MFI 4
21-06-2022	CARE	MFI 3+
03-08-2023	Brickworks	BWA MF4

SMERA's MFI Grading Scale

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

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



To verify the grading, please scan the QR Code

Company Fact Sheet

Name of the MFI	:	Servitium Micro Finance Private Limited	
Operational Head – Microfinance Business	:	Name	Mr. Subrata Ghosh
		Designation	Managing Director
		Mobile No.	+91- 9830141845
		Email ID	servitium.mfi@servitium.in
Date of Incorporation/Establishment	:	March 16, 1995	
Date of commencement of microfinance business	:	2018	
Legal Status	:	NBFC – MFI	
Business of the company	:	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	:	24/1, Old Calcutta Road, Chowdhury Para, Rahara, Kolkata-700118 West Bengal India	
Geographical Reach (As on 30/Sept/2023)	:	No. of States	02
		No. of Districts	09
		No. of Branches	15
		No. of Active Borrowers	19,474
		No. of Total Employees	61
		No. of Field/Credit Officers	37
No. of Lenders	:	20 (as on Nov 30, 2023)	
Statutory Auditors	:	K.N Jain & Co.	

Background:

Since 2006, SEBA RAHARA has operated as a microlender under the legal status of society. In 2015–16, the same management of SEBA RAHARA acquired "SUNFLAG MERCHANTS PRIVATE LIMITED," an existing NBFC, and filed an application with the RBI to convert the NBFC to an NBFC–MFI in 2020. In May 2022, the RBI approved the NBFC-MFI license under the name SERVITIUM MICRO FINANCE PRIVATE LIMITED (SMFPL).

Product Profile

Product	Description	Loan size (Rs.)	Interest Rate (In %) Reducing Balance	Processing Fees (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Srijan Loan	Loan for Income Generating activity	40,000 – 50,000	27.00	1.30	28.30
Sujala Loan		35,000			
Nirmal Dhara Loan	Sanitation Loan for Construction of New Toilet	30,000 – 50,000			
Sukhigriha	House Repairing with Sanitation Loan	45,000 – 50,000			

Capital Structure as of 30/Sept/2023

Authorized Capital	Rs. 10.20 crore
Paid Up Capital	Rs. 6.98 crore

Shareholding Pattern (as on 30/Sept/2023)

Equity Shares	
Shareholders	% Holding
Subrata Ghosh	7.15
Rajib Kumar Ghosh	27.26
Rita Ghosh	14.89
Aparna Roy	5.31
Bipul Saha	5.37
Others	59.98
Total	100.00

Board of Director's/Promoter's Profile

Director Details		Profile
Name:	Mr. Chanchal Majumder	<ul style="list-style-type: none"> Retired as Senior General Manager of UCO Bank (Public sector Bank) and Head of the Credit Monitoring Department along with Head of Stressed Assets Management Vertical having more than 5 and half years' experience as GM handling all sorts accounts (both small, medium and big) under stressed, special mention accounts. Experience as a Zonal Manager (as DGM) of Mumbai, the largest zone of UCO bank in India. Experienced leading as a Branch Head (as AGM/ DGM) Mid Corporate/Flagship Corporate branch, D N Road Mumbai followed by Flagship Corporate Branch, Nariman Point, Mumbai (Largest branch UCO bank in India) for almost 4 and half years managing both mid and large corporate borrowal accounts of almost of leading corporate entities in India.
Designation:	Independent Director	
Qualification:	B.SC in Agriculture & JAIB	
Name:	Mr. Partha Sengupta	<ul style="list-style-type: none"> Retired as a General Manager (Recovery) in UCO Bank, in his 34 years of working experience as a banker he has worked in different capacities like Asst. Manager, Branch Head, Officer in Lead Bank Office, Executive Assistant in Executive Director's Office, SME Hub In-charge also worked as Zonal Manager in 4 zones.
Designation:	Independent Director	
Qualification:	M.sc (Agri)	
Name:	Mr. Subrata Ghosh	<ul style="list-style-type: none"> He was associated with SEBA RAHARA, a registered society as Secretary for last 17 years. The organization is engaged in poverty eradication through financial inclusion and also helping in livelihood promotion activities. The principal areas of activities are in West Bengal. The target populations are hailed from the financially weaker sections of the society.
Designation:	Managing Director	
Qualification:	M.Com & MBA(Fin)	

		<ul style="list-style-type: none"> • Before joining 'SEBA' he worked with BANDHAN-Konnagar as management trainee
Name:	Mr. Sunil Kumar Chakraborty	<ul style="list-style-type: none"> • 30 years' experience in UCO Bank as an officer and Branch Manager (retired as Class III). He had exposure to operations, credit and rural finance. After retirement associated to 'SEBA' as 'Treasurer'.
Designation:	Director	
Qualification:	M.Com & B.A.(Spl.)	
Name:	Mrs. Rita Ghosh	<ul style="list-style-type: none"> • She was associated with SEBA RAHARA, a registered society as Coordinator for last 9 years. The organization is engaged in poverty eradication through financial inclusion and also helping in livelihood promotion activities. The principal areas of activities are in West Bengal. The target populations are hailed from the financially weaker sections of the society. • Acting as director of Servitium Micro Finance Private Limited for the last 2 years, the captioned NFBC and engaged in bulk lending to other organizations and small ticket lending for last 1 year.
Designation:	Director	
Qualification:	Graduate	

SMERA Observations:

- SMFPL has five-member board. Board members have adequate experience in microfinance, 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	Designation	Profile
Name:	Mr. Subrata Ghosh	<ul style="list-style-type: none"> He has relevant experience in Microfinance Sector including 1 year in Bandhan as a Management Trainee & 17 years' experience in SEBA RAHARA. He manages Field operations, HRD and administration department in the company. He has attended various training programs and seminars organized by different institutions for institutional development.
Designation:	Managing director	
Qualification:	M.Com, MBA (Finance)	
Name:	Mr. Biswajit Sarkar	<ul style="list-style-type: none"> He has more than 12 years' experience in Proshika as BM, DM and 13 years' experience in SEBA RAHARA as Divisional Manager. He is looking after the daily function of branches to protect the fraud and misappropriation of funds.
Designation:	Operational Head	
Qualification:	M.Sc.	
Name:	Mr. Debendra Modak	<ul style="list-style-type: none"> 17 Years' experience in Mico Finance Sector and 4 years' experience in Business Correspondence with Yes Bank & IDBI Bank
Designation:	Zonal Manager	
Qualification:	M.S.W.	
Name:	Mr. Jayanta Samanta	<ul style="list-style-type: none"> He has 12 years' experience in SEBA RAHARA He is associated with SMPL since 2017 and handles MIS and accounts department. He has attended various training and conferences conducted by Sa-Dhan, AMFI and FIs etc.
Designation:	Chief Manager (MIS)	
Qualification:	B.Com.	
Name:	Mr. Sandipta Sinha Roy	<ul style="list-style-type: none"> He has 12 years' experience in Process Control Instrumentation, Office Management, Forex, Central Excise and Sales Tax etc. He has 6 years experience in SEBA RAHARA at HR Department handling staff recruitment, P.F., ESIC etc. Now he is looking after various MIS Reports generation, and software related issues. He has attended various trainings and conferences conducted by Sa-Dhan, AMFI, Banks/FIs etc.
Designation:	Chief Manager (Finance)	
Qualification:	B.Sc.	

Name:	Mr. Pijush Saha	<ul style="list-style-type: none"> • He has 22 years' experience in Manufacturing Industry and 6 years in Servitium Micro Finance Private Limited as a Manager (HR). He is looking after staff recruitment, staff related issue, P.F., ESIC, etc. He has attended various HR trainings conducted by AMFI.
Designation:	Manager H.R.	
Qualification:	Diploma in Mechanical Engineering	

SMERA Observations:

- SMFPL's senior management has adequate experience across sectors such as Microfinance, finance, HR and IT.
- A majority of the senior management members have been associated with it for long tenure and have risen from ranks.
- SMFPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.

Financial Snapshot (In Rs. Crores)

Particulars	31/03/2021	31/03/2022	31/03/2023
Total AUM (in Crores)	4.22	11.68	30.90
On Balance Sheet Portfolio Outstanding (in Crores)	4.22	11.68	30.19
Off Balance Sheet/Managed Portfolio Outstanding (in Crores)	0.00	0.00	0.71
Securitized/DA Portfolio Outstanding (in Crores)	0.00	0.00	0.00
Total Equity (in Crores)	6.61	7.52	10.68
Total External Borrowings (in Crores)	0.75	7.77	23.99

Particulars	31/03/2021	31/03/2022	31/03/2023
Financial Revenue from Operations (in Crores)	0.99	1.38	5.34
Finance Expenses (in Crores)	0.0001	0.30	2.08
Operating Expenses (in Crores)	0.28	0.39	0.91
Net Operating Income (in Crores)	0.69	0.60	2.07
Net Income (in Crores)	0.51	0.42	1.45

Particulars	31/03/2021	31/03/2022	31/03/2023
Cost of funds ratios (%)	0.01	7.09	13.09
Capital Adequacy Ratio (%)	150.56	63.37	35.54
Operational Self Sufficiency (%)	-	175.77	163.23
Operating Expense Ratio (OER) (%)	-	4.95	4.29
Portfolio at Risk (>30 days) (%)	1.74	1.57	0.17
Debt to Equity ratio (in times)	0.11	1.03	2.25

Highlights of Microfinance Operations

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	30/Sept/2023
No. of States	02	02	02	02
No. of Districts	03	04	07	09
No. of Branches	03	04	10	15
No. of Active Members	3,704	7,261	17,462	23,676
No. of Active Borrowers	2,999	5,929	13,983	19,474
No. of Total Employees	10	20	40	61
No. of Field/Credit Officers	05	10	23	37
No of JLGs	225	498	1,235	1,667
No. of Individual Loans	-	-	-	-
Owned Portfolio				
Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	30/Sept/2023
Total loan disbursements during the year (in crore)	3.58	15.27	47.66	41.99
Total portfolio outstanding (in crore)	4.22	11.68	30.19	43.50
BC/Managed Portfolio				
Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	30/Sept/2023
Total portfolio outstanding (in crore)	0.00	0.00	0.71	1.85

Company has projected total AUM of Rs.80 Cr. by end of the current financial year including own portfolio of Rs.60 Cr. and projected BC portfolio of Rs. 20 Cr. According to the management, SMFPL currently has BC portfolio with Ananya Finance, and Unity Small Finance Bank is anticipated to onboard as a BC partner by mid-December.

Additionally, management has mentioned that SMFPL would carry on with its microfinance business under NBFC MFI and that SEBA as a society will carry on with a variety of CSR initiatives in the future.

The entity completed an equity infusion of Rs.74 lakhs in September 2023. and plans to infuse an additional Rs. 50 lakhs by February 2023.

Microfinance Capacity Assessment Grading Rationale

Operating Environment

- The outbreak of COVID-19 had 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.
- The industry started to gain momentum in Q2-FY2021 with the ease of nationwide lockdown. Broadly, the disbursement was back to pre-covid level as on December, 2020. Disbursements have partly picked up since many players are resorting to lending to existing borrowers so as to help them repay and tide over the stress.
- In the context of the re-emergence of asset quality stress in the second wave of COVID 19, RBI's measures to provide better funding access to the sector came in a timely manner. RBI has announced in its latest relief package on May 5, 2021 that SFBs can tap a Rs 10,000 Cr special long -term repo operations (SLTRO) funding programme which can provide funds at the repo rate of 4.0% for a tenor upto 3 years.
- The sector started showing improvements right from the Q1 of FY 2023 as Y-O-Y growth was almost close to the pre-pandemic level and overall on-time repayment rate surpassed than 95% backed by the revival of demand and improvement in overall business environment. By the end of Q3 of FY 2023 PAR> 30 days and PAR> 60 days improved to 3.43% and 2.60% whereas overall NPA of the sector also improved to 1.76% by the same period of time. Total AUM of the sector stood at Rs. 3.24 Lakh Crore by the end of Q3 of FY 2023 registering a growth of 26.19% on Y-O-Y basis.
- SMERA estimates the industry's PAR>30 days and PAR>90 days to be less than 3% and 1.50% respectively at the end of FY 2023. Further, the asset quality is expected to stabilise in FY2024 and on-time repayment rate expected to be close to the pre-covid level.

Long Track Record of Operations and Extensive Industry Experience of Promoters

- Since 2006, SEBA RAHARA has operated as a microlender under the legal status of society. In 2015–16, the same management of SEBA RAHARA acquired "SUNFLAG MERCHANTS PRIVATE LIMITED," an existing NBFC, and filed an application with the RBI to convert the NBFC to an NBFC–MFI in 2020. Lastly, in May 2022, the RBI approved the NBFC-MFI license under the name "SERVITIUM MICRO FINANCE PRIVATE LIMITED."
- Mr. Subrata Ghosh is the key person of the entity responsible for day to day operation of the entity. He is associated with SMFPL as a managing director has relevant experience in Microfinance Sector including 1 year in Bandhan as a Management Trainee & 17 years' experience in SEBA RAHARA. He manages Field operations, HRD and administration department in the company. He has attended various training programs and seminars organized by different institutions for institutional development.
- SMFPL has five-member board. Board members have adequate experience in microfinance, Banking and development sectors. Company is also having two independent directors in the board who had earlier served as a general manager in public sector bank.

Diversified resource profile but leans more towards financial institution

Resource Profile	% (as on 30/Nov/2023)
Banks	40.33%
FIs/NBFCs	59.67%
Total	100.00

- SMFPL has developed funding relationships with 20 lenders (including 3Banks and 17NBFCs/Financial Institutes) for on-lending its microfinance operations. The cost of funds (COF) of SMFPL stood at 13.09% in FY 2023 as compared to 7.09% recorded in the previous year.
- Apart from owned portfolio, SMFPL has a BC portfolio. The total BC portfolio outstanding is of Rs. 1.85 crore as on Sept 30, 2023 with Ananya Finance.
- Rs. 1.00 Cr. has been approved by SIDDBI in the form of OCPS and has already received Rs. 50 Lakhs of that total, and the remaining amount is anticipated to be received by the end of December 2023.

Adequate capitalisation and comfortable liquidity profile

- SFSPL has adequate capitalization marked by capital adequacy ratio (CRAR) of 35.54% as on March 31, 2023. Decreased from 63.37% as on March 31, 2022 mainly on account of significant increase in the portfolio. Total AUM of the company has increased significantly year on year from Rs.11.68 Cr as on March 31, 2022 to Rs.43.50 Cr. as on Sept 30, 2023.
- CRAR is more comfortable than the RBI stipulated CRAR for NBFC-MFI of 15 per cent. CRAR of the company stood at 35.54% as on March 31, 2023. SMFPL's total equity capital has increased to Rs.10.68 crore as on March 31, 2023 as compared to Rs.7.52 crore in the previous year on account of equity infusion and retained earnings.
- Gearing of the company stood at 2.25 times in as on 31st March, 2023 as compared to 1.03 times as recorded on 31st March, 2022.
- SMFPL has a comfortable liquidity position due to well-matched maturity of assets and liabilities. The tenure of loans is about 12-24 months, whereas the incremental bank funding is typically with tenure of about 24-36 months.
- However regular flow of funds is critical to maintain the projected growth and the same would have a key bearing on its liquidity profile.

Healthy operational performance in FY2023

Particulars	FY 2021	FY 2022	FY 2023
Net financial margin (In thousands)	9,667	9,892	29,811
Operating expenses (In thousands)	2,780	3,931	9,142
Operational Self Sufficiency (%)	-	175.77	163.23
Operating Expense Ratio (OER) (%)	-	4.95	4.29

- SMFPL has reported net profit of Rs.1.45 Cr. on operating income of Rs.5.34 crore in FY2023. In FY2022, SMFPL had reported net profit of Rs.0.41 Cr. on operating income of Rs.1.38 crore.
- Own portfolio of SMFPL has increased significantly from Rs.11.68 crore as on 31st March, 2022 to Rs.30.19 crore in 31st March, 2023.
- The operational self-sufficiency (OSS) of the company has increased 163.23% in FY2023 as compared to 175.77% in the previous year. The company's operating expense stood at 4.29% in FY2023 as compared to 4.95% in the previous year.

Concentrated geographical presence

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	30/Sept/2023
No. of States	02	02	02	02
No. of Districts	03	04	07	09
No. of Branches	03	04	10	15

- SMFPL's operation caters into 02 states, however 64% of the portfolio is concentrated in West Bengal as on Sept 30,2023. And 36% of the portfolio is operating in Bihar.
- over the years number of branches have increased from 03 in FY2021 to 15 in FY2023.
- In order to mitigate any potential risk arising out of geographical concentration, SMFPL has been diversifying its presence across states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
West Bengal	11	7,507	15.66	0.13	36.00
Bihar	04	11,967	27.84	0.12	64.00
Total	15	19,474	43.50	0.25	100.00

Note: Above table includes own branches alongwith the branches of managed and securitised portfolio.

- 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.

Moderate Productivity and efficiency of employees

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	30/Sept/2023
No. of States	02	02	02	02
No. of Districts	03	04	07	09
No. of Branches	03	04	10	15
No. of Active Members	3,704	7,261	17,462	23,676
No. of Active Borrowers	2,999	5,929	13,983	19,474
No. of Total Employees	10	20	40	61
No. of Field/Credit Officers	05	10	23	37
No. of JLG	225	498	1,235	1,667

Financial Ratios	31/Mar/2021	31/Mar/2022	31/Mar/2023
No. of Active Borrowers Per Staff Member	296	350	319
No. of Active Borrowers per field executives	593	608	526
No. of members per Branch	1,482	1,398	1,298
Gross Portfolio o/s per field executive (in thousands)	4,218	5,078	8,352
Average Outstanding Balance per client (in Rs)	7,115	8,352	15,868

- The company is currently operating with 15 branches servicing over 23,676 members as on Sept 2023.

- SMFPL's field productivity remains average in comparison to its peers; the company has to improve its field outreach and asset productivity indicators over the years.
- The company would be required to register a consistent improvement in productivity whilst diversifying its operations.

Sound asset quality

- SMFPL has maintained moderate asset quality with on-time repayment rate of 99.60% as on Sept 30, 2023 as compared to 98.00% as on March 31, 2022.

Period	FY 2021	FY 2022	FY 2023	30-Sept-2023
	Portfolio o/s (crore)	Portfolio o/s(crore)	Portfolio o/s (crore)	Portfolio o/s (crore)
On-time (in crore)	4.10	11.41	30.03	43.30
1-30 days (in crore)	0.02	0.05	0.02	0.06
31-60 days (in crore)	0.01	0.05	0.02	0.04
61-90 days (in crore)	0.02	0.03	0.007	0.03
91-180 days (in crore)	0.03	0.02	0.01	0.03
181-360 days (in crore)	0.01	0.08	0.005	0.006
> 360 days (in crore)	0.003	0.003	0.01	0.007
Write-off (in crore)	0.02	0.028	0.09	0.028
Total	4.19	11.64	30.10	43.47
On-time (in %)	97.89	98.00	99.76	99.60
PAR 0-30 days (in %)	0.48	0.43	0.07	0.14
PAR >30 days (in %)	1.74	1.57	0.17	0.26
PAR >90 days (in %)	1.03	0.88	0.08	0.10

*Note: As provided by the management, SMERA analytical team has not verified the asset quality of the all branches.

- The PAR 0-30 days stood at 0.14% as on Sept 30, 2023 as compared to 0.43% as on March 31, 2022. The PAR >30 days has improved to 0.26% as on Sept 30, 2023 as compared to 1.57% as on March 31, 2022.
- Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.

Adequate IT Systems Audit Mechanism

- SMFPL 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.
- **Credit Bureau Checks**
The company conducts compulsory credit bureau check of its borrowers from CRIF High Mark. The company shares the credit data with all four credit bureaus i.e. CIBIL, 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 working days.
- **Internal Audit Process**
The company has a dedicated team of internal auditors who undertakes compulsory branch and borrower audit once in every quarter. All audits are surprise audits.

Inherent risk prevalent in the microfinance sector

- SMFPL'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.

Financials

Profit & Loss Account (Rs. In Thousands)

Period	FY 2021	FY 2022	FY 2023
Months	12	12	12
Financial revenue from operations	9,939	13,828	53,356
Less - Financial expenses from operations	1	3,019	20,777
Gross financial margin	9,938	10,809	32,579
Provisions	271	917	2,768
Net financial margin	9,667	9,892	29,811
<u>Less - Operating Expenses</u>			
Personnel Expense	1,209	1,711	3,544
Depreciation and Amortization Expense	119	92	141
Other Administrative Expense	1,452	2,128	5,457
Net Operating Income	6,887	5,961	20,669
Current Tax	1,800	1,723	6,204
Deferred Tax	10	(20)	(11)
Extraordinary Items	-	107	-
Net Income	5,077	4,151	14,476

Note: Above financials are audited.

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2021	31/Mar/2022	31/Mar/2023
SOURCES OF FUNDS			
<u>Capital</u>			
Equity Capital	46,861	50,433	60,836
Reserve & Surplus	19,196	24,776	45,918
Total Capital			
<u>Liabilities</u>			
<u>Short-Term Liabilities</u>			
Commercial Term Loans from Banks/FI	5,429	38,855	1,38,136
Account payable & Other short-term liabilities	487	725	2,712
Total Short-Term Liabilities			
<u>Long-Term Liabilities</u>			
<u>Long-Term Borrowings</u>			
Commercial Loans from Banks/FI	2,070	38,822	95,155
Subordinated Debt	-	-	-
Unsecured Loan from Directors			6,600
Total Long-Term Borrowings	2,070	38,822	1,01,755
Total Other Liabilities	7,986	78,402	2,42,063
Provision for Loan Loss	537	1,168	3,019
Other Provisions	1,802	1,723	6,204
TOTAL LIABILITIES	76,382	1,56,502	3,58,040

As on date ¹⁵⁶	31/Mar/2021	31/Mar/2022	31/Mar/2023
APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Net Block	128	325	234
Investments			
Cash and Bank Balances	29,837	22,010	13,472
Security Deposits	2,300	9,800	35,086
<u>Loan Portfolio</u>			
Net Loan Portfolio	42,184	1,16,793	3,01,918
Loans & Advances to Related Parties	15	156	205
Accounts Receivable and Other Assets	1,903	7,384	7,081
Intangible Assets			
Deferred Tax Asset	15	34	44
TOTAL ASSETS	76,382	1,56,502	3,58,040

Financial Ratios

Financial Ratios	31/Mar/2021	31/Mar/2022	31/Mar/2023
<u>Capital Adequacy Ratio (CAR)</u>			
Capital Adequacy Ratio (%)	150.56	63.37	35.54
<u>Productivity / Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	296	350	319
No. of Active Borrowers per field executives	593	608	526
No. of active borrowers per branch	1,482	1,398	1,298
Gross Portfolio o/s per field executive (Rs in thousands)	4,218	5,078	8,352
Average Outstanding Balance Per borrower (In Rs)	7,115	8,352	15,868
Cost Per Active borrower (In Rs)	383	225	469
<u>Asset / Liability Management</u>			
Yield on Portfolio (%)	-	17.40	25.06
Cost of Fund (COF) (%)	-	7.09	13.09
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	325.66	175.77	163.23
Operating Expense Ratio (OER) (%)	-	4.95	4.29
Return on Assets (RoA) (%)	1.23	5.12	8.03
Portfolio at Risk (>30 days) (%)	1.74	1.57	0.17
Return on Equity (RoE) (%)	10.43	8.44	22.72
<u>Leverage Ratios</u>			
Total Outside Liabilities to Tangible Networth Ratio (Times)	0.12	1.04	2.27
Debt/Equity Ratio (Times)	0.11	1.03	2.25

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

About SMERA 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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