



This is to certify that

Svasti Microfinance Private Limited

has been assigned

a SMERA MFI Grading of

SMERA M2

This rating indicates High capacity of the MFI to manage its operations in a sustainable manner

D&B D-U-N-S® Number: 85-955-8903

Location: Mumbai

Entity Type: NBFC-MFI

This Rating is valid from Jan 29, 2019 to Jan 28, 2020



To verify this certificate click:

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For SMERA
A Division of Acuité Ratings & Research Limited


Sankar Chakraborti
Chief Executive Officer

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SMERA MFI Grading

M2

*(High capacity of the
MFI to manage its
operations in a
sustainable manner*

SMERA MFI Grading

Svasti Microfinance Private Limited



To verify the grading, please scan the QR Code

Date of Report:

29th January, 2019

Valid Till:

28th January, 2020



Conflict of Interest Declaration

The Rating 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 MFI grading. None of the employees or the Board members of the Rating 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

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Historical Rating Grades

Date	Rating Agency	Rating/Grading
02/April/2018	CARE Ratings Limited	BBB-
28/December/2017	SMERA Ratings Limited	M2

SMERA's MFI Grading Scale

Grading Scale	Definitions
M1	MFIs with this grade are considered to have highest capacity to manage their microfinance operations in a sustainable manner.
M2	MFIs with this grade are considered to have high capacity to manage their microfinance operations in a sustainable manner.
M3	MFIs with this grade are considered to have above average capacity to manage their microfinance operations in a sustainable manner.
M4	MFIs with this grade are considered to have average capacity to manage their microfinance operations in a sustainable manner.
M5	MFIs with this grade are considered to have inadequate capacity to manage their microfinance operations in a sustainable manner.
M6	MFIs with this grade are considered to have low capacity to manage their microfinance operations in a sustainable manner.
M7	MFIs with this grade are considered to have very low capacity to manage their microfinance operations in a sustainable manner.
M8	MFIs with this grade are considered to have lowest capacity to manage their microfinance operations in a sustainable manner.



To verify the grading, please scan the QR Code

Company Profile

Name of the MFI	Svasti Microfinance Private Limited	
Operational Head – Microfinance Business	Name	Mr. Bhagavathi Subramaniam Narayanan
	Designation	Executive Director, CFO & CIO
	Mobile No.	9840099120
	Email ID	narayanan@svasti.in
	Date of Joining	15 th March,2010
Date of Incorporation/Establishment	23 rd February,1995	
Date of commencement of microfinance business	01 st October, 2010	
Legal Status	NBFC-MFI	
Business of the company	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	New No.187 (Old No.107) Peters Road, Chennai, Tamil Nadu – 600 086	
Geographical Reach (As on 31/Dec/2018)	No. of States	4
	No. of Districts	17
	No. of Branches	38
	No. of Active Borrowers	1,41,240
	No. of Total Employees	485
	No. of Field/Credit Officers	233



Product Profile

Products	Description	Loan Size (Rs)	Interest Rate (A) (In %)	Processing Fee (B) (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Pragati	Income Generation Loan	20,000 – 60,000	25.15%	1%	26.15%
Unnati	Income Generation Loan	20,000 – 60,000	25.16%	1%	26.16%
JLG Loan Outside Mumbai	Income Generation Loan	20,000 – 50,000	25.16%	1%	26.16%
Individual Loan	Loan Against Property	1,00,000 – 5,00,000	24%	2% or Rs. 10,000/- (Whichever is Higher)	26%

CAPITAL STRUCTURE (as on Dec 31, 2018)

Authorized Capital	In Rs.	5.23	Crore
Paid-up Capital	In Rs.	2.98	Crore

Shareholding Pattern (as on Dec 31, 2018)

EQUITY SHARES	
Shareholders	% Holding
P Arunkumar	5.67
B Narayanan	5.67
Svasti Financial Services Private Limited	0.27
Svasti MSOP Trust	6.71
Michael and Susan Dell Foundation	12.26
Sprinters Capital LLP	1.84
Mr.Somasekhar Sundaresan	1.68
Mrs.Lakshmi Rao	2.01
Indovest Holdings Private Limited	0.91
Mr.N Gautam	0.67
Mr. Anand Ladsariya	0.50
Mr. Indur Dadlani	0.50
Mr.Rajendra Sah	0.50
Mr.Vivek Trilokinath	0.67
Mr.Vikas Chhariya	1.01
Mr.Devang Bhuta	0.50
Mr. Harshad Lahoti	0.34
Mr.Rajiv Dadlani	0.34
Ms.Dileep Raghunath	0.17
Nitin Agarwal HUF	0.17
Bamboo Finance Inclusion Mauritius	16.31
Andaman Finance and Investment Private Limited	12.48
Rising Sun Holdings Private Limited	12.48
Nordic Microfinance Initiative Fund III KS*	16.35
Total	100.00

Note: *Nordic Microfinance Initiative Fund III KS holds Compulsorily Convertible Preference Shares (CCPS) of Svasti Microfinance Private Limited.

Board of Director's/Promoter's Profile

Name	Position	Qualification	Brief Profile
Mr. P. Arunkumar	Executive Director, CEO	B. Sc.,LLB	He has more than six years of experience at ICICI Bank as legal advisor to the corporate banking, project finance, structured finance, private banking and treasury operations. He was part of the core strategic team that planned and executed the bank's foray into international markets.
Mr. Bhagavathi Subramaniam Narayanan	Executive Director, CFO & CIO	B.Com, FCA, CISA	As an auditor, he has been involved in conducting central audits of Oriental Bank of Commerce and Andhra Bank. As a banking technology consultant he has been involved in projects for providing technology solutions to banking operations of ICICI Bank, ING Vysya Bank and Lord Krishna Bank. He also was a key member of the startup team of myTiger.com, a business intelligence venture, where his contribution lay primarily in heading the technology team.
Mr. M. N. Venkatesan	Director	B.Com, FCA	Mr. Venkatesan is a Chartered Accountant and Senior Partner, Mr. Narain & Co., Chartered Accountants, Chennai, a 57 year old firm. He has been in charge of RBI appointed central statutory audits of Andhra Bank, Oriental Bank of Commerce, State Bank of Mysore, Corporation Bank and The Lord Krishna Bank Limited. Presently, he is the central statutory auditor of Allahabad Bank. He was the Director of Indian Overseas Bank from December 2002 to December 2008.
Mr. Arun Asok	Director (Nominee – Blue Orchard)	MBA (IIM Ahmedabad)	Mr. Arun Asok is a MBA from IIM Ahmedabad. He has seven years of experience in NBFC.
Ms. Smriti Chandra	Director, (Nominee – Nordic Microfinance Initiative Fund III KS)	Chartered Accountant	She is an Experienced Investment Professional with a demonstrated history of working in the investment banking industry. She is skilled in Financial Modeling and Structuring, Pitch Documents, Valuation, Corporate Finance, Strategy and Corporate Advisory, Investment Banking, Due diligence and Deal Negotiation.

Management Profile

Name	Position	Qualification	Brief Profile
Mr. P. Arunkumar	Executive Director, CEO	B. Sc., LLB	He has more than six years of experience at ICICI Bank as legal advisor to the corporate banking, project finance, structured finance, private banking and treasury operations. He was part of the core strategic team that planned and executed the bank's foray into international markets.
Mr. Bhagavathi Subramaniam Narayanan	Executive Director, CFO & CIO	B.Com, FCA, CISA	As an auditor, he has been involved in conducting central audits of Oriental Bank of Commerce and Andhra Bank. As a banking technology consultant he has been involved in projects for providing technology solutions to banking operations of ICICI Bank, ING Vysya Bank and Lord Krishna Bank. He also was a key member of the start-up team of myTiger.com, a business intelligence venture, where his contribution lay primarily in heading the technology team.
Ms. Nuzhat Mulla	Senior Vice President, Finance	CA	She has working experience in Moore Stephens and Deloitte as Statutory and Internal Auditor. She has handled the Audits of one of the IL&FS Group Company, HDFC Mutual Fund, HDFC Ergo, TCS e-serve etc. She has worked as Finance head of IITL Group which was into allied activities including NBFC, Insurance Broking, Real estate etc.
Mr. Ravikumar Nagaram	Regional Manager-Operations	B.Com	He has working experience in MFI Sector in Spandana Sphoorthy Microfinance Pvt. Ltd., as State Head, Maharashtra. He has an overall experience of 18 years.
Mr. Nitesh Kumar Sinha	Vice President-Audit	MBA (Rural Management)	He has working experience in MFI Sector in organisations like NEED, Ujjivan Financial Services and BASIX.
Mr. Narayan Bhaskar	Vice President- HR & Admin	B.Com, Post-Graduation, Diploma in HRD, LLB, LLM	He has overall experience of 18 years in Human Resource, Administration and Legal Department. Prior to joining SMPL he has worked with ICICI Bank and Pangea3.
Mr. Sudhakar Seetha	Regional Manager - Outside Mumbai	B.A	He has working experience in MFI Sector in Share Microfin Pvt Limited, as State Level In-charge, Internal Audit. He has overall experience of 17 years.

Mr. Peeyush Dubey	Regional Manager - Outside Mumbai	MBA (Rural Management)	He has working experience in MFI Sector in NEED Livelihood Microfinance Private Limited as a Branch Manager. He has overall experience of 9 years.
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HIGHLIGHTS OF MICROFINANCE OPERATIONS

Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Dec/2018
No. of States	2	3	3	4
No. of Districts	4	11	12	17
No. of Branches	17	27	30	38
No. of Active Members	49,236	72,503	1,19,846	1,41,240
No. of Active Borrowers	49,236	72,503	1,19,846	1,41,240
No. of Total Employees	250	372	412	485
No. of Field/Credit Officers	121	201	204	233
No. of JLGs	10,494	14,500	23,969	28,248
No. of Individual Loans	0	44	123	231
Owned Portfolio				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Dec/2018
Total loan disbursements during the year (in crore)	50.44	78.63	229.36	115.14
Total portfolio outstanding (in crore)	48.18	78.88	203.91	191.67
Managed/BC PORTFOLIO				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Dec/2018
Total loan disbursements during the year (in crore)	38.51	35.92	10.00	54.34
Total portfolio outstanding (in crore)	30.02	29.72	10.77	55.54
Securitised Portfolio				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Dec/2018
Total loan disbursements during the year (in crore)	0	9.25	15.16	11.77
Total portfolio outstanding (in crore)	2.83	1.57	11.99	9.37

Microfinance Capacity Assessment Grading Rationale

- SMERA estimates the MFI sector to grow at a CAGR of 25%-30% and is expected to touch Rs. 180000 crore by the end of FY2019.
- MFIs have reported an increase of ~27% in total loan outstanding FY2018 as compared to FY2017. SMERA believes seasoned customer profile over multiple loan cycles along with the inclusion of fresh borrowers have helped MFI industry to increase its total loan outstanding.
- The fund flow to the sector has improved on account of increased confidence on MFI sector. Further large MFIs are exploring the route of Non-convertible debentures (NCDs) and Pass through Certificates (PTCs); whereas small –mid size MFIs have an increased access to funds from banks and financial institutions. SMERA believes that the RBI guidelines on co-origination of priority sector loans by NBFCs and banks are significant step towards an efficient framework for micro lending in India. SMERA estimates Rs.25,000-30,000 crore of potential lending every year under this origination mechanism over the medium term.
- Support systems such as Self-Regulatory Organizations (SRO), Credit Information Bureaus (CIB) among others have been established to ensure credit check and process adherence among MFIs. This regulatory framework has brought more accountability and transparency within the sector.
- On the contrary, recent demonetization drive restrained MFIs disbursement and collection process which has moderated microfinance sector growth in FY2016-17 as compared to the previous year. Post demonetization Asset Quality has declined, however it has improved and Portfolio at Risk (PAR) > 30 stood at 2.4% in Q2 FY 18-19.

Long track record of operations and extensive industry experience of promoters

Svasti Microfinance Private Limited (SMPL) is a non-deposit taking NBFC –MFI registered with the Reserve Bank of India. SMPL was started in October 2008 as Svasti Foundation by promoters Mr. P Arunkumar and Mr. B. Narayanan. During its inception, each of the promoters brought in equity of Rs. 5 Million each. Svasti Foundation started microfinance operations in October 2008. In October 2010, Svasti Foundation transitioned to a NBFC called Svasti Microfinance Private Limited by acquiring existing NBFC called Easy Housing and Finance Limited. In March 2011, SMPL received its second round of equity infusion from Bamboo Finance – the equity arm of Blue Orchard of Rs. 45 Million (USD 1.01 million). Entity received its NBFC-MFI on 19th April 2017.

- SMPL’s core management team and second line of management has an adequate understanding of MFI ecosystem with rich experience in banking and financial sector. Mr. P. Arunkumar, Executive Director and CEO of the organization has more than seven years of experience at ICICI Bank as legal advisor to the corporate banking, project finance, structured finance, private banking and treasury operations. Mr. B. Narayanan Executive Director, CFO and CIO of the organization was a system auditor, he has been involved in conducting central audits of Oriental Bank of Commerce and Andhra Bank. As a banking technology consultant he has been involved in projects for providing technology solutions to banking operations of ICICI Bank, ING Vysya Bank and Lord Krishna Bank.
- SMPL has four-member on its board as on Dec 31, 2018 having extensive experience in the banking and finance segment. The board has 2 promoter directors and 3 directors including 2 nominee directors with banking & finance/microfinance expertise.

Diversified Resource Profile

- As on December 31, 2018, SMPL has developed funding relationships with 23 lenders (Two Banks & 21 NBFCs/FIs) however their resources profile continues to remain concentrated towards borrowings from NBFCs/FIs which stood at ~ 92% of total borrowings (outstanding debt) as on Dec 31, 2018. SMPL has been able to raise Tier-II capital (Subordinated Debt) from IDFC First Bank Limited (formerly known as Capital First Limited).
- SMPL is presently working as a business correspondent of Edelweiss Financial Services Limited. The managed loan portfolio of the company stood at Rs.55.54 crore as on December 31, 2018. SMPL also has securitization of its portfolio through IFMR Capital Finance Private Limited. The securitized portfolio stood at Rs. 9.37 crore as on December 31, 2018.
- The overall cost of funds (COF) for SMPL is stood at 13.28% as on March 31, 2018 as against 13.87% as on March 31, 2017. The loans availed from NBFCs/FIs carry higher interest rate in the range of 11.35%-16% and hence the company has to explore its funding base majorly towards PSU Banks/Private Banks for reducing its cost of borrowing.

OWNED PORTFOLIO				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Dec/2018
Total loan disbursements during the year (in crore)	50.44	78.63	229.36	115.14
Total portfolio outstanding (in crore)	48.18	78.88	203.91	191.67
BC PORTFOLIO				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Dec/2018
Total loan disbursements during the year (in crore)	38.51	35.92	10.00	54.34
Total portfolio outstanding (in crore)	30.02	29.72	10.77	55.54
Securitized Portfolio				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/Dec/2018
Total loan disbursements during the year (in crore)	0	9.25	15.16	11.77
Total portfolio outstanding (in crore)	2.83	1.57	11.99	9.37

Adequate capitalisation and comfortable liquidity profile

- SMPL has an adequate capitalisation marked by CRAR of 17.09% as on March 31, 2018 as against the regulatory requirement of 15%. However, CRAR has declined from 24.60% as on March 31, 2017 due to the scale up in loan portfolio by ~105% in FY 2018.
- Gearing of SMPL stood at 6.18 times as on March 31, 2018 compared to 5.11 times as on March 31, 2017 on account of increased fresh borrowings availed from the lenders.
- SMPL 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. The company has Fixed Deposit of Rs. 2.84 crore and Cash and Bank Balances of Rs. 12.48 crore as on March 31, 2018. However regular flow of funds is critical to maintain the projected growth and the same would have a key bearing on its liquidity profile.

Sound Asset Quality

- SMPL has a sound asset quality marked by on-time repayment rate of 98.78% as on 31st December, 2018. The companies' on-time repayment stood stable as compared to 98.68% in FY2018.

Period	FY 2016	FY 2017	FY 2018	31/Dec/2018
	Portfolio o/s (in crore)	Portfolio o/s (in crore)	Portfolio o/s (in crore)	Portfolio o/s (in crore)
On-time	80.95	105.5	223.69	253.44
1-30 days	0.00	0.74	0.45	0.32
31-60 days	0.00	0.84	0.29	0.42
61-90 days	0.00	1.25	0.49	0.33
91-180 days	0.03	1.71	0.92	0.73
181-360 days	0.03	0.05	0.68	0.99
> 360 days	0.02	0.09	0.15	0.34
Write-off	0.00	0.00	0.00	0.00
Total	81.03	110.18	226.67	256.58

- The PAR 0-30 days stood at 0.12% as on 31st December, 2018 as compared to 0.198% as on 31st March, 2018. The PAR >30 days stood at 1.09% as on 31st December, 2018 as compared to 1.12% as on 31st March, 2018.
- Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.

Diversified Geographical Reach

- SMPL's operations are spread in four states i.e. Maharashtra, Gujarat, Madhya Pradesh and Uttar Pradesh.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Maharashtra	27	1,13,482	214.71	1.09	83.68
Gujarat	4	13,808	20.34	0.00	7.93
Madhya Pradesh	4	13,900	21.42	0.00	8.35
Uttar Pradesh	1	50	0.11	0.00	0.04
Total	36	1,41,240	256.58	1.09	100.00

NOTE: The table of geographical reach of Loan Portfolio includes the BC portfolio and securitized portfolio along with the Own Portfolio as on 31st December, 2018.

- However, it would also be key grading sensitivity factor for the company to replicate its systems, processes and sound asset quality in the newer geographies while improving portfolio diversity.

Improvement in operational performance in FY2018

- SMPL has reported net profit of Rs. 97.24 Lakh on operating income of Rs. 38.34 crore in FY2018. In FY2017, SMPL had reported net profit of Rs. 15.42 Lakh on operating income of Rs.20.49 crore in the previous year.
- As on December 31 2018, the SMPL has an outstanding loan portfolio of Rs.256.58 crore spread over 36 branches of 4 states with about 141,240 borrowers. The companies' portfolio outstanding witnessed a growth of ~12% as on 31st December, 2018 over FY 2018.
- Yield on Portfolio of SMPL stood at 23.90% in FY 2018 as compared to 25.52% in FY 2017.
- The operational self-sufficiency (OSS) of the company stood moderately low at 94.41% in FY2018 as compared to 96.28% in the previous year. The company's operating expense stood comfortable at 9.03% in FY2018.

Adequate MIS & IT infrastructure

- SMPL's management information system (MIS) and Information Technology (IT) infrastructure is adequate for its current scale of operations. It has dedicated MIS and IT team at Head Office to ensure smooth flow of operational data between Head Office and branches. It uses customized in-house software "MERP" to ensure smooth flow of operational data between Head Office and branches. The company also has an internal audit team which undertakes branch and borrower at regular interval.

Inherent risk prevalent in the microfinance sector

- SMPL'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 2016	FY 2017	FY 2018
Months	12	12	12
Financial revenue from operations	1,27,619	2,04,994	3,83,414
Less - Financial expenses from operations	58,658	93,086	1,95,270
Gross financial margin	68,961	1,11,908	1,88,144
Provision for Loan Loss / Write off	1,744	3,079	12,542
Net financial margin	67,217	1,08,829	1,75,602
Less - Operating Expenses			
Personnel Expense	49,284	83,250	1,23,006
Depreciation and Amortization Expense	4,065	5,516	8,385
Other Administrative Expense	12,210	20,000	33,397
Non-Operating Revenue	1,600	2,116	2,357
Income Tax	0	829	6,342
Deffered Tax	1,446	(192)	(2,895)
Net Income	1,812	1,542	9,724

Note: Above financials are taken from audited accounts provided by the management.

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2016	31/Mar/2017	31/Mar/2018
SOURCES OF FUNDS			
Capital			
Equity Capital	19,237	19,237	23,270
Reserves & Surplus	1,71,488	1,73,030	2,95,657
Total Equity	1,90,725	1,92,268	3,18,927
Liabilities			
Short-Term Liabilities			
Commercial Loans from banks/FI	3,61,643	4,88,503	10,34,877
Interest payable on funding liabilities	1,607	2,350	6,841
Account payable & Other short-term liabilities	21,957	16,065	45,463
Total Short-Term Liabilities	3,85,207	5,06,918	10,87,181
Long-Term Liabilities			
Long-Term Borrowings			
Commercial Loans from banks/FI	1,32,201	4,43,620	8,85,471
Subordinated Debt	0	50,000	50,000
Total Long-Term Borrowings	1,32,201	4,93,620	9,35,471
Gains from Securitization	0	0	3,778
Total Other Liabilities	5,17,408	10,00,538	23,45,357
Provisions	1,630	3,284	4,376
Deferred Tax Liability	1,209	1,016	0
TOTAL LIABILITIES	7,10,972	11,97,106	23,49,733

As on date	31/Mar/2016	31/Mar/2017	31/Mar/2018
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	42,789	60,834	75,688
Less: Accumulated Depreciation	10,935	16,757	25,143
Net Block	31,854	44,077	50,545
Other Long term Investments	2,500	2,500	1,500
Cash and Bank Balances	1,23,252	2,38,463	1,24,848
Security Deposits	3,578	3,552	3,852
Loan Portfolio			
Net Loan Portfolio	4,77,021	7,83,489	20,26,966
Loans & Advances to Related Parties	9,162	6,256	23,282
Accounts Receivable And Other Assets	63,605	1,18,768	1,17,380
Deferred Tax Asset	0	0	1,360
TOTAL ASSETS	7,10,972	11,97,105	23,49,733

Financial Ratios

Financial Ratios	31/Mar/2016	31/Mar/2017	31/Mar/2018
Capital Adequacy Ratio (CAR)			
Capital Adequacy Ratio (%)	30.90	24.60	17.09
Productivity / Efficiency Ratios			
No. of Active Borrowers Per Staff Member	197	194	291
No. of Active Borrowers per field executives	407	361	587
Gross Portfolio o/s per field executive (Rs in thousands)	6,697	5,481	1,11,11
Average Outstanding Balance Per borrower (In Rs)	16,457	15,195	18,913
Cost Per Active borrower (In Rs)	1,332	1,500	1,375
Asset / Liability Management			
Yield on Portfolio (%)	26.56	25.52	23.90
Cost of Fund (COF) (%)	15.43	13.87	13.28
Profitability / Sustainability Ratios			
Operational Self Sufficiency (%)	94.54	96.28	94.41
Operating Expense Ratio (OER) (%)	10.74	10.28	9.03
Return on Assets (RoA) (%)	0.27	0.16	0.55
Portfolio at Risk (>30 days) (%)	0.10	3.57	1.12
Return on Equity (RoE) (%)	0.95	0.80	3.05
Leverage Ratios			
Total Outside Liabilities to Tangible Network Ratio (Times)	2.71	5.20	6.35
Debt/Equity Ratio (Times)	2.59	5.11	6.18

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

SMERA is a division of Acuité Ratings & Research Limited dedicated to providing SME Ratings & Grading services to MSMEs. SMERA began its operations in year 2005 as SME Rating Agency of India Limited, a joint initiative of Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector Banks in India. SMERA is empanelled for 'Performance & Credit Rating Scheme for Micro & Small Enterprises' of the Ministry of MSME, Government of India, administered by the National Small Industries Corporation (NSIC).

Acuité Ratings & Research Limited is registered with the Securities and Exchange Board of India (SEBI) as a Credit Rating Agency and is accredited by Reserve Bank of India (RBI) as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings.

Corporate Office

102, Sumer Plaza
Marol Maroshi Road,
Marol Andheri (East)
Mumbai - 400 059
Tel: +91 22 6714 1111
E-mail: info@smera.in

Website:

www.smera.in