



This is to certify that

Svasti Microfinance Private Limited

has been assigned
a SMERA MFI Grading of

SMERA M1

This rating indicates Highest 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 Jun 15, 2021 to Jun 14, 2022



To verify this certificate click:

www.smeraonline.com/verify-certificate-859558903

or scan the QR Code

For SMERA Gradings & Ratings Private Limited

Sankar Chakraborti
Chief Executive Officer

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SMERA MFI Grading

M1

*(Highest 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:

15th June, 2021

Valid Till:

14th June, 2022

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.

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Historical Rating Grades

Date	Rating Agency	Rating/Grading
March-2020	ICRA	M2
Nov-2019	ICRA	C2
March-2020	Acuite Ratings and Research	BBB+ (Stable)
January-2019	SMERA	M2
December-2017	SMERA	M2

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	:	Svasti Microfinance Private Limited	
Operational Head – Microfinance Business	:	Name	Mr. Bhagavathi Subramaniam Narayanan
	:	Designation	Promoter and Whole time Director
	:	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 lending to Joint Liability Groups (JLG) Model	
Correspondence Address	:	New No.187 (Old No.107) Peters Road, Chennai, Tamil Nadu – 600 086	
Geographical Reach (As on 31/Dec/2020)	:	No. of States	4
	:	No. of Districts	34
	:	No. of Branches	63
	:	No. of Active Borrowers	1,88,242
	:	No. of Total Employees	809
	:	No. of Field/Credit Officers	466
No. of Lenders	:	31 lenders (including Banks and institutional lenders)	
Statutory Auditors	:	PKF Sridhar & Santhanam LLP	

Background:

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.

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)
Income Generating Loan	JLG Loan	20,000 – 80,000	21.00	1.00	22.00
LAP Loans/Business Loan	Individual Loan	10,000 – 5,00,000	24.00	2.00	26.00
Commercial Loan	Individual Loan	3,000 – 10,590	21.00 – 25.00	1.00	22.00 – 26.00

Capital Structure as of 31/Dec/2020

Authorized Capital	Rs. 6.23 crore
Paid Up Capital	Rs. 64.40 crore

Shareholding Pattern (as on December 31, 2020)

Equity Shares	
Shareholders	% Holding
Promoters	7.25
Nordic Microfinance Initiative Fund III KS	7.25
Poonawala Group	0.34
Other Corporate	8.58
Other HUF/Individuals/LLP	15.68
Total	100.00

Board of Director's/Promoter's Profile

Director Details		Profile
Name:	Mr. P. Arunkumar	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.
Designation:	Promoter and Whole time Director	
Qualification:	B. Sc. ,LLB	
Name:	Bhagavathi Subramaniam Narayanan	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.
Designation:	Promoter and Whole time Director	
Qualification:	B.Com, FCA, CISA	
Name:	Mr. M. N. Venkatesan	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.
Designation:	Chairman and Independent Director	
Qualification:	B.Com, FCA	
Name:	Ms. Smriti Chandra	She is an experienced Investment Professional with a history of working in the investment Banking industry. Skilled in Financial Modeling and Structuring, Pitch documents, Valuation, Corporate Finance, Strategy and Corporate Advisory, Investment Banking, Due diligence and Deal Negotiation.
Designation:	Investor Representative – Nordic Microfinance Initiative	
Qualification:	CA	

Name:	Mr. A Ramanathan	He has headed the financial inclusion department of NABARD and has been associated with it for almost 10 years. He currently holds directorships in various MFIs including Village Financial Services, Hindustan Microfinance and Asirvad Microfinance .
Designation:	Independent Director	
Qualification:	B.A (Economics), MBA	

SMERA Observations:

- SMPL 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. P. Arunkumar	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.
Designation:	Promoter and Whole time Director	
Qualification:	B. Sc. ,LLB	
Name:	Bhagavathi Subramaniam Narayanan	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.
Designation:	Promoter and Whole time Director	
Qualification:	B.Com, FCA, CISA	
Name:	Mr. Sojanya Bum	He has more than 12 years of experience in the audit and accounting areas. Prior to joining the Company, he was a part of IDFC FIRST Bank for around five years and with HDFC Bank for a similar tenure prior to that. His experience includes working on Indian GAAP, Ind-AS and US GAAP accounting principles. He has also been associated with Price Waterhouse Coopers where he was involved in the audit of financial sector including Goldman Sachs and Franklin Templeton group.
Designation:	Head- Finance and Accounts	
Qualification:	CA	
Name:	Mr. Ravikumar Nagaram	He has 18 years of experience in the microfinance business sector. Prior to joining SMPL, he has worked with Spandana Sphoorthy Microfinance Private Limited.
Designation:	Business Head, JLG Business	
Qualification:	B.Com	
Name:	Mr. Peevush Dubey	

Designation:	Business Head, Loan Against Property (LAP)	He has around nine years of experience in microfinance sector. Prior to joining SMPL he has worked with NEED Microfinance Pvt. Ltd.
Qualification:	B.Sc. (Agriculture) and MBA (Rural Management)	
Name:	Mr. Sudhakar Seetha	He has an overall experience of 16 years in microfinance sector. Prior to joining SMPL, he worked with Share Microfinance.
Designation:	Business Head, Services Business	
Qualification:	B.A	
Name:	Mr. Nitesh Kumar Sinha	He has an overall experience of 12 years in microfinance sector. Prior to joining SMPL he has worked with NEED Microfinance, Ujjivan SFB and BASIX.
Designation:	Head- Operations Risk Management	
Qualification:	B.Com. and MBA (Rural Management)	
Name:	Mr. Narayan Bhaskar	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.
Designation:	Head – HR and Admin	
Qualification:	B.Com, Post-Graduation, Diploma in HRD, LLB, LLM	

SMERA Observations:

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

Financial Snapshot (In Rs. Crores)

Particulars	31/03/2018	31/03/2019	31/03/2020
Total AUM (in Crores)	226.67	326.15	425.22
On Balance Sheet Portfolio Outstanding (in Crores)	203.91	199.60	301.27
Off Balance Sheet/Managed Portfolio Outstanding (in Crores)	10.77	31.63	113.11
Securitized Portfolio Outstanding (in Crores)	11.99	94.92	10.84
Total Net Worth (in Crores)	31.89	55.51	104.29
Total External Borrowings (in Crores)	197.03	191.10	260.28

Particulars	31/03/2018	31/03/2019	31/03/2020
Financial Revenue from Operations (in Crores)	38.58	55.80	73.84
Finance Expenses (in Crores)	19.53	27.75	29.06
Operating Expenses (in Crores)	16.48	22.91	30.33
Net Operating Income (in Crores)	1.32	5.18	12.13
Net Income (in Crores)	0.97	3.62	8.77

Particulars	31/03/2019	31/03/2019	31/03/2020
Cost of funds ratios (%)	13.28	14.52	11.17
Capital Adequacy Ratio (%)	17.09	25.10	27.40
Operational Self Sufficiency (%)	103.53	110.23	119.66
Operating Expense Ratio (OER) (%)	9.79	8.29	8.07
Portfolio at Risk (>30 days) (%)	1.12	0.97	1.06
Debt to Equity ratio (in times)	6.29	3.44	2.50

Highlights of Microfinance Operations

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
No. of States	3	4	4	4
No. of Districts	13	19	32	32
No. of Branches	30	47	62	63
No. of Active Members	1,19,852	1,61,166	2,00,325	1,88,242
No. of Active Borrowers	1,19,852	1,61,166	2,00,325	1,88,242
No. of Total Employees	412	552	861	809
No. of Field/Credit Officers	226	325	508	466
No. of SHGs	0	0	0	0
No. of JLGS	119,852	157,248	200,325	187,510
No. of Individual Loans	121	253	721	732
Owned Portfolio				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
Total loan disbursements during the year (in crore)	254.52	308.10	390.07	67.16
Total portfolio outstanding (in crore)	203.91	199.60	301.27	313.9
Securitised Portfolio				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
Total portfolio outstanding (in crore)	11.99	94.92	10.84	3.85
BC/Managed Portfolio				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
Total portfolio outstanding (in crore)	10.77	31.63	113.11	82.06

SMERA Comments:

SMPL's disbursement for FY 2021 was contributed significantly by disbursement in Q3 and Q4. The MFI had a relatively muted Q1, Q2 but the disbursement levels had picked up in Q3 and headed for a strong Q4 performance.

Loan utilisation schedule:

Loan Utilisation	31/Mar/2018 (%)	31/Mar/2019 (%)	31/Mar/2020 (%)	31/Dec/2020 (%)
Production	9.00	7.00	7.00	6.40
Trade	30.00	27.00	25.20	25.00
Services	57.00	59.00	63.00	64.00
Other	4.00	6.00	4.80	4.60
Total	100.00	100.00	100.00	100.00

Observations:

More than 94% of disbursed loan have been utilised for income generating purpose throughout the period under study.

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. However, significant asset quality pressures across all time buckets was observed during Q3FY21 on account of delinquency created in prior two quarters. Overall PAR>30 and PAR>90 stood at 13.6% and 9.59% accordingly as on December, 2020.
- The nationwide surge in Covid cases in second wave of the pandemic might create further stress in the asset quality. Disbursement to borrowers might also be impacted due to increased restrictions in several parts of the country. Also complete weekend lockdown might impact small businesses creating further stress on credit offtake. However, SMERA estimates the impact might not be the same as the first wave if further nationwide lockdown is not imposed.
- In the context of the re-emergence of asset quality stress in the microfinance sector, RBI's measures to provide better funding access to the sector has come in a timely manner. Small Finance Banks (SFBs) which are primarily erstwhile larger MFI-NBFCs, have started to play an important role in providing credit to the informal sector including microfinance borrowers in both urban and rural areas. 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. This is meant to be deployed for fresh disbursements to its traditional clients i.e. microfinance borrowers as well as micro and small businesses with an exposure upto Rs 10 lakhs. The SLTRO programme will be available till October 2021 and will enable SFBs to provide additional credit to individual and self employed borrowers impacted by the latest Covid disruption. Acuité believes that the SLTRO for SFBs should make a larger quantum of funds available for disbursements in the microfinance sector over the next few months which will provide relief to the borrowers whose livelihood may have been impacted due to Covid 2.0.
- The other measure announced for SFBs will have a significant positive impact on the funding position of smaller MFIs with asset size upto Rs 500 Cr who had not benefitted adequately from the TLTRO and other measures announced earlier in FY21. While SFBs do undertake on lending to such smaller MFIs to channelise credit to the sector, such exposures to MFIs had not been considered as priority sector lending (PSL) earlier. RBI has now permitted the categorisation of

such lending as PSL up to March 2022. In our opinion, this will enhance the financial flexibility for smaller MFIs as SFBs will be incentivised to take a larger exposure to the former without breaching their stringent PSL requirements which stand at 75% of adjusted net bank credit as compared to only 40% for scheduled commercial banks.

- Going forward, it is expected that the revival of agricultural related activities would be faster and would gradually start putting MFI back to the track ahead of other asset class. Further, high degree of self-regulations through enhanced process and controls, strong technological adoption and continuous innovation in the industry are the strong pillars which might help the industry to overcome the tough times. However, SMERA would keep close watch on the developments and reforms measures pertaining to the industry.

Long Track Record of Operations and 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. Recently it received equity infusion of Rs. 11 Crore from Poonawala Group in May 2017. The 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.
- SMPL has five-member on its board as on December 31, 2020 having extensive experience in the Banking and finance segment. The board has two promoter directors, two independent directors and one nominee director with Banking & Finance/Microfinance expertise.

Diversified resource profile

Resource Profile	% (as on 31/Mar/2020)
Banks	21
FIs	27
NBFCs	52
Total	100.00

- SMPL has developed funding relationships with 31 lenders (including 5 Banks and 26 NBFCs/Financial Institutes) for on-lending its microfinance operations. The borrowings drawn from Banks and Financial Institutes (SIDBI and NABARD) constitute ~48 of the total debt outstanding as on 31st March, 2020. The cost of funds (COF) of SMPL has improved to 11.17% in

FY 2020 as compared to 14.52% recorded in the previous year on account of increased borrowing from Banks and Financial Institutes at relatively lower cost.

- In FY2021, SMPL has added three lenders in its resource profile i.e. NABARD, SIDBI and SBI. As informed by the management, SMPL is in touch with Canara Bank, Indian Bank and Bank of Maharashtra for term loans in FY2022.
- Apart from owned portfolio, SMPL has BC portfolio. The total BC portfolio outstanding is of Rs. 82.06 crore as on March 31, 2020. SMPL is presently working as a business correspondent with Federal Bank, Northern Arc Capital and Mas Financial Services.
- Leverage of the company stood low at 2.50 times in FY2020, compared to 3.44 times in FY2019 on account of equity infusion and retained earnings.

Adequate capitalisation and comfortable liquidity profile

Capital Adequacy	% (as on 31/Mar/2020)
Tier -I Capital (A)%	25.68
Tier -II Capital (B)%	1.72
Capital to risk adjusted ratio (CRAR) (%) (A+B)	27.40

- SMPL has adequate capitalization marked by capital adequacy ratio (CRAR) of 27.40% as on March 31, 2020. CRAR is more comfortable than the RBI stipulated CRAR for NBFC-MFI of 15 per cent. SMPL's total equity capital has increase to Rs. 104.29 crore as on March 31, 2020 as compared to 55.51 crore in the previous year on account of equity infusion and retained earnings.
- Further, the company has infused equity capital in a tune of Rs. 30.97 crore in December, 2020. The equity was raised from the existing investors, Nordic Microfinance Initiative, Poonawala Group and a set of new HNI investors.
- As informed by the management, Marquee investors has demonstrated further ability to raise equity of Rs. 121.36 crore by the promoters of SMPL.
- 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. SMPL has Cash and Bank Balances of Rs. 47.28 crore as on March 31, 2020.
- However regular flow of funds is critical to maintain the projected growth and the same would have a key bearing on its liquidity profile.

Improvement in operational performance in FY2020

Particulars	FY 2018	FY 2019	FY 2020
Net financial margin (In thousands)	1,77,959	2,80,912	4,24,659
Operating expenses (In thousands)	1,64,788	2,29,137	3,03,318
Operational Self Sufficiency (%)	103.53	110.23	119.66
Operating Expense Ratio (OER) (%)	9.79	8.29	8.07

- SMPL has reported net profit of Rs. 8.77 crore on operating income of Rs. 73.84 crore in FY2020. In FY2019, SMPL had reported net profit of Rs. 3.62 crore on operating income of Rs. 55.80 crore.
- Net Profit of SMPL has significantly improved by ~142% in FY 2020 as compared to the previous year; operating income has improved by ~32% in the same period.
- The operational self-sufficiency (OSS) of the company stood stable at 119.66% in FY2020 as compared to 110.23% in the previous year. The company's operating expense has improved to 8.07% in FY2020 as compared to 8.29% in the previous year.
- Yield on portfolio has decreased to 24.44 % as on 31st March, 2020 as compared to 27.96% in the previous year.
- As informed by the management, SMPL had targeted to reach around 100 branches by FY 2021 but had to scale back plans because of COVID19 and its impact. To achieve the target they had to beef up their staffing at both branch and H.O. levels in Q4 of FY 2021, which has resulted in higher operating costs per borrower.

Future Projections:

As informed by the management, the company is in talks with Mr. Adar Poonawalla, the CEO of Serum Institute of India, to raise Rs. 150 crore as equity capital in the current financial year. The process of fund raising is likely to be concluded by the third quarter of FY 2022.

Backed by the strong equity infusion in the current financial year, the company has projected to double its branches to 125 and raise the total AUM to Rs. 800 crore.

The company has also planned to double its total number of employees to 1600.

Moderate geographical concentration

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
No. of States	3	4	4	4
No. of Districts	13	19	32	32
No. of Branches	30	47	62	63

- SMPL has moved its operations to 4 states over the years and has increased no. of branches to 63 in 32 districts of 4 different states as on 31st December, 2020.
- However, single state and two-state concentration remained high at ~ 76% and 85% as on 31st December, 2020. Further, no district has accounted for greater than 5% of the company's total loan book.
- In order to mitigate any potential risk arising out of geographical concentration, SMPL has to diversify its presence across states.
- As informed by the management, the company will be diversifying its presence by opening new branches in the state of Madhya Pradesh, Uttar Pradesh and Gujarat in the current financial year.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Maharashtra	36	133080	302.96	1.87	75.78

Madhya Pradesh	9	17653	37.86	0.21	9.47
Gujarat	7	15782	24.52	0.49	6.13
Uttar Pradesh	11	21727	34.47	0.06	8.62
Total	63	1,88,242	399.81	1.48	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.

Productivity and efficiency of employees

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/Dec/2020
No. of States	3	4	4	4
No. of Districts	13	19	32	32
No. of Branches	30	47	62	63
No. of Active Members	1,19,852	1,61,166	2,00,325	1,88,242
No. of Active Borrowers	1,19,852	1,61,166	2,00,325	1,88,242
No. of Total Employees	412	552	861	809
No. of Field/Credit Officers	226	325	508	466
No. of JLGs	0	0	0	0
No. of SHGs	119,852	157,248	200,325	187,510
No. of Individual Loans	121	253	721	732

Financial Ratios	31/Mar/2018	31/Mar/2019	31/Mar/2020
No. of Active Borrowers Per Staff Member	291	285	233
No. of Active Borrowers per field executives	530	484	394
No. of members per Branch	3,995	3,429	3,231
Gross Portfolio o/s per field executive (in thousands)	10,030	10,035	8,370
Average Outstanding Balance per client (in Rs)	17,897	14,248	16,565
Cost per Active client	1,375	1,422	1,514

- The company is currently operating in 63 branches servicing over 1,88,242 borrowers as on December 2020.
- SMPL'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.

Moderate asset quality

- SMPL has maintained moderate asset quality with on-time repayment rate of 89.28% as on December 31, 2020 as compared to 98.66% as on March 31, 2020.
- However, asset quality of the company has improved post the ease of lockdown and collection efficiency stood at 89.28% in December,2020 as compared to the industry average of 86% in the same period.

Period	FY 2018 Portfolio o/s (crore)	FY 2019 Portfolio o/s(crore)	FY 2020 Portfolio o/s (crore)	31-Dec-2020 Portfolio o/s (crore)
On-time (in crore)	223.69	320.83	419.54	356.94
1-30 days (in crore)	0.45	0.66	1.18	36.97
31-60 days (in crore)	0.29	0.63	1.16	0.16
61-90 days (in crore)	0.49	0.42	0.94	0.17
91-180 days (in crore)	0.92	0.56	1.2	2.29
181-360 days (in crore)	0.83	1.52	0.7	1.54
> 360 days (in crore)	0	0	0.49	1.74
Write-off (in crore)	0	1.53	0.41	0
Total	226.67	321.04	425.22	399.81
On-time (in %)	98.69	99.93	98.66	89.28
PAR 0-30 days (in %)	0.20	0.21	0.28	9.25
PAR >30 days (in %)	1.12	0.97	1.06	1.48
PAR >90 days (in %)	0.77	0.65	0.56	1.39

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

- The PAR 0-30 days has increased to 9.25% as on December 31, 2020 as compared to 0.28% as on March 31, 2020. The PAR >30 days has increased to 1.48% as on December 31, 2020 as compared to 1.06% as on March 31, 2020.
- 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

- 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.

- **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

- 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 2018	FY 2019	FY 2020
Months	12	12	12
Financial revenue from operations	3,85,771	5,58,006	7,38,400
Less - Financial expenses from operations	1,95,270	2,77,507	2,90,613
Gross financial margin	1,90,501	2,80,499	4,47,787
Provisions	12,542	(413)	23,128
Net financial margin	1,77,959	2,80,912	4,24,659
<u>Less - Operating Expenses</u>			
Personnel Expense	1,23,006	1,54,427	2,29,914
Depreciation and Amortization Expense	8,385	10,027	13,584
Other Administrative Expense	33,397	64,683	59,820
Net Operating Income	13,171	51,775	1,21,341
Current Tax	6,342	17,755	38,749
Deferred Tax	(2,377)	(2,752)	(5,135)
Tax of Previous year	(518)	585	0
Net Income	9,724	36,187	87,727

Note: Above financials are audited.

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2018	31/Mar/2019	31/Mar/2020
SOURCES OF FUNDS			
<u>Capital</u>			
Equity Capital	23,270	29,769	38,658
Reserve & Surplus	2,95,657	5,25,347	10,04,250
Total Capital	3,18,927	5,55,116	10,42,908
<u>Liabilities</u>			
<u>Short-Term Liabilities</u>			
Commercial Term Loans from Banks/FI	10,71,023	9,56,794	8,69,360
Account payable & Other short-term liabilities	19,909	1,41,558	1,31,588
Total Short-Term Liabilities	10,90,932	10,98,352	10,00,948
<u>Long-Term Liabilities</u>			
<u>Long-Term Borrowings</u>			
Commercial Loans from Banks/FI	8,85,471	8,54,254	16,33,477
Subordinated Debt	50,000	1,00,000	1,00,000
Total Long-Term Borrowings	9,35,471	9,54,254	17,33,477
Total Other Liabilities	20,26,403	20,52,606	27,34,425
Provision for Loan Loss	16,022	13,873	25,496
Other Provisions	10,011	17,758	33,049
TOTAL LIABILITIES	23,71,363	26,39,353	38,35,878

As on date	31/Mar/2018	31/Mar/2019	31/Mar/2020
APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Net Block	9,913	11,735	15,173
Investments	2,500	1,500	1,500
Cash and Bank Balances	1,24,848	3,34,478	4,72,818
Security Deposits	25,621	45,396	34,730
Fixed Deposit	21,757	55,941	34,322
<u>Loan Portfolio</u>			
Net Loan Portfolio	20,47,404	19,96,048	30,21,155
Loans & Advances to Related Parties	20,000	20,000	20,000
Accounts Receivable And Other Assets	77,327	1,34,121	1,85,361
Intangible Assets	33,440	36,021	32,379
Intangible Assets – Work in progress	7,193	0	9,192
Deferred Tax Asset	1,360	4,113	9,248
TOTAL ASSETS	23,71,363	26,39,353	38,35,878

Financial Ratios

Financial Ratios	31/Mar/2018	31/Mar/2019	31/Mar/2020
<u>Capital Adequacy Ratio (CAR)</u>			
Capital Adequacy Ratio (%)	17.09	25.10	27.40
<u>Productivity / Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	291	285	233
No. of Active Borrowers per field executives	530	484	394
No. of active borrowers per branch	3995	3429	3231
Gross Portfolio o/s per field executive (Rs in thousands)	10,030	10,035	8,370
Average Outstanding Balance Per borrower (In Rs)	17,897	14,248	16,565
Cost Per Active borrower (In Rs)	1375	1422	1514
<u>Asset / Liability Management</u>			
Yield on Portfolio (%)	23.90	27.96	24.44
Cost of Fund (COF) (%)	13.28	14.52	11.17
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	103.53	110.23	119.66
Operating Expense Ratio (OER) (%)	9.79	8.29	8.07
Return on Assets (RoA) (%)	0.69	1.83	3.51
Portfolio at Risk (>30 days) (%)	1.12	0.97	1.06
Return on Equity (RoE) (%)	3.80	8.46	11.03
<u>Leverage Ratios</u>			
Total Outside Liabilities to Tangible Network Ratio (Times)	6.35	3.70	2.62
Debt/Equity Ratio (Times)	6.29	3.44	2.50

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 Gradings & Ratings

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

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