



## **SMERA MFI Grading**

**M3**

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

## **SMERA MFI Grading**

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**Save Microfinance Private Limited**



To verify the grading, please scan the QR code

***Date of Report:***

***30<sup>th</sup> May, 2020***

***Valid till:***

***29<sup>th</sup> May, 2021***

## **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**

*The entity has not been graded by any CRA's or SMERA in the past.*

## SMERA's MFI Grading Scale

Grading Scale	Definitions
M1	<b>Highest</b> capacity of the MFI to manage its operations in a sustainable manner.
M2	<b>High</b> capacity of the MFI to manage its operations in a sustainable manner.
M3	<b>Above average</b> capacity of the MFI to manage its operations in a sustainable manner
M4	<b>Average</b> capacity of the MFI to manage its operations in a sustainable manner
M5	<b>Inadequate</b> capacity of the MFI to manage its operations in a sustainable manner
M6	<b>Low</b> capacity of the MFI to manage its operations in a sustainable manner.
M7	<b>Very low</b> capacity of the MFI to manage its operations in a sustainable manner
M8	<b>Lowest</b> 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	: Save Microfinance Private Limited	
Group CFO – Microfinance Business	: Name	Mr. Gourav Sirohi
	: Designation	Group CFO
	: Mobile No.	(91) –(9899871702)
	: Email ID	cfo@saveind.in
	: Date of Joining	September 10 ,2018
Date of Incorporation/Establishment	: August 24,2016	
Date of commencement of microfinance business	: November 28,2018	
Legal Status	: NBFC-MFI	
Business of the company	: Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	: 601-608, DLF Towers, Shivaji Enclave, Moti Nagar, New Delhi- 10015 India	
Geographical Reach (As on 30/April/2020)	: No. of States	04
	: No. of Districts	14
	: No. of Branches	28
	: No. of Active Borrowers	57,421
	: No. of Total Employees	219
	: No. of Field/Credit Officers	133
No. of Lenders	: 11 lenders (Only NBFCs/FIs)	
Statutory Auditors	: S.R. Batliboi & Co. LLP, Kolkata	

### Background:

Save Microfinance Private Limited (SMPL) started operation in the month of November 2018, in the state of Bihar with its head office at Gaya. The Company was formed with the objective of providing microfinance services to urban and rural poor, as well as micro and small business in the underserved geographies of India starting from Bihar. As on April 30, 2020 SMPL has own portfolio of Rs.70.60 Cr. and operation spreads over 4 States, however majority of the portfolio concentrated in Bihar (91%) and rest of the portfolio caters into 3 states, Chhattisgarh (0.50%), Jharkhand (4%) and Uttar Pradesh (4.5%).

*Further Maj Invest, Denmark based asset management company has bought 18% equity for Rs.120 Cr. in SAVE Solutions, parent company of SMPL, Business correspondent for SBI, Bank of Baroda and*

Bank of India, intends to use this capital to expand its direct lending through subsidiaries, Save Microfinance and Save financial services.

## 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	Loan for Income generating activity	10,000 – 30,000	24.00 – 25.25	1.00	25.00 to 26.25
	Income generating loan dedicatedly for Agricultural and Allied activity	10,000 – 50,000			
	Business Loan	10,000 – 50,000			

Loan for Agricultural and Allied activity is dedicatedly for purchase of agricultural products like seed, manure, medicines, Agriculture equipment, cattle/animals like cows, buffalos, goats, sheep, poultry, etc. and Business loan dedicated for the self-employed women for financing diverse business needs such as capital equipment expenditure, working capital for business like sewing machine, Beauticians, Fruit vendors/ vegetable vendors/ Petty shop owners, tailors etc.

## Capital Structure (as on May 31, 2020)

Authorized Capital	Rs. 30.00 crore
Paid Up Capital	Rs. 28.36 crore

## Shareholding Pattern (as on March 31, 2020)

Equity Shares	
Shareholders	% Holding
Ajay Kumar Sinha	0.02
Panjak Kumar	0.02
Ajeet Kumar Singh	0.02
Save Solutions Private Limited	99.94
<b>Total</b>	<b>100.00</b>

Save Solutions Private Limited is the business correspondent (KIOSK Banking) of the SBI (State Bank of India), BOI (Bank of India), BOB (Bank of Baroda), JRGB (Jharkhand Rajya Gramin Bank).

## Board of Director's/Promoter's Profile

Director Details		Profile
Name:	Ajeet Kumar Singh	Born in the year 1976 in the state of Bihar in India, graduated in humanities, having 4 years of experience in rural marketing strategy related to farm equipment and 10 years of diverse experience in financial service and banking sector. One of the three founders of SAVE and current CEO of the company, his primary responsibilities are network, business and market development at SAVE. He has been instrumental in establishing alternative banking Channel in 18 States of India for SAVE.
Designation:	MD & CEO	
Qualification:	Graduate	
Name:	Pankaj Kumar	Born in the year 1976 in the state of Bihar in India, graduated in science in the year 1998, having 15 years of comprehensive experience in Financial Service Industry. He is one of the three founders of SAVE and responsible for financial and operational management of alternative banking channels as a director of SAVE. He is also responsible for system design and monitoring.
Designation:	Director & Co-Founder	
Qualification:	Graduate	
Name:	Ajay Kumar Sinha	Having almost 19 years of experience in health-care industry, Non-Government organisations, financial services industry, banking and Insurance industry. He is born & brought up in Bihar which helps him understanding the need of the difference in financial services in rural areas very well.
Designation:	Director & Co-Founder	
Qualification:	Graduate	

## Management Profile

Management Details		Profile
Name:	Gourav Sirohi	A Chartered Accountant with more than 13 years of experience in the field of Direct and Indirect Taxation, Finance, Treasury, Financial Audit, Company law Matters , Information System Audit and Valuation . Prior to this assignment he was associated with Fusion Microfinance Private Limited for around 8 Years. Prior to this he was associated with Grant Thornton in Assurance and Auditing for various clients viz. DLF Ltd, Ranbaxy, Spice jet etc.
Designation:	CFO	
Qualification:	B.Com (Hons.) & CA	
Name:	Rahul Kumar	An International Development Finance professional and Fintech enthusiast with 14+ years of overall experience (4 years of International assignment) in development finance within Central, South-East Asian, European & African markets. Has extensive experience of scaling-up microfinance and MSME portfolio is some of the geographies of the world (Afghanistan, Africa, India). Has expertise in diverse thematic areas related to microfinance, agriculture value-chain finance, digital financial services, MSME finance, renewable energy finance, livelihood development, risk management for MFIs, training and capacity building on responsive finance, advocacy and partnerships within corporates as well as international developmental agencies.
Designation:	Business Head	
Qualification:	Graduate & P.G.D.F.M. (M.B.A.)	
Name:	Zihasham Mufti	Has more than 9 years of experience in Recruitment, Resourcing, Employee Engagement, Employee Management, PMS, Induction, Grievances Handling etc. Prior to Save he worked with companies Like Wipro, ICICI, Indiabulls & CSL Finance Ltd.. He also holds certificate in ISO Audit.
Designation:	Group HR Head	
Qualification:	M.Com, Executive PGDM-Symbiosis	
Name:	Akhilesh Kumar Singh	He has diverse experience of over 11 years. He has exposure across compliances under Companies Act, Listing compliance to the Stock Exchange, SEBI Regulations, Ministry of Company Affairs.
Designation:	Company Secretary	
Qualification:	M.Sc, C.S.	
Name:	Ashwini Kumar Singh	He took various training programs in the field like microfinance, entrepreneurship development, & insurance etc. He holds
Designation:	Group Audit Head	
Qualification:	MBA in finance & Advance	

	Diploma in rural management	experience of over 20 years in different vertical of microfinance like operation, training & education, Risk & Audit etc. Before coming in the Save Group team, his last association was with Satin credit care Network Ltd. as the Asst. Vice President (Audit & Risk). He is directly involved in developing audit & risk Manual, process & quality control of Save group business.
Name:	Rahul Agrawal	Post Graduate in Sustainability and Development Management, Mr. Rahul possess 3 years' experience in working on a donor (World Bank) funded assignments in the field of financial inclusion, livelihood generation, poverty alleviation and fixation of minimum support price. Prior experience of working with TERI, National Rural Livelihood Mission and Gov. of Bihar.
Designation:	Project Manager- Social Performance Management	
Qualification:	B.Tech. and PGDFM (MBA)	



### Financial Snapshot (In Rs. Crores)

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	31/May/2020
Total AUM (in Crores)	-	22.93	106.46	101.50
Securitized Portfolio Outstanding (in Crores)	-	-	31.62	29.95
Total Equity (in Crores)	5.36	15.29	15.69	30.69
Total External Borrowings (in Crores)	-	27.60	69.48	52.40

Particulars	31/Mar/2018	31/ Mar/2019	31/ Mar/2020
Financial Revenue from Operations (in Crores)	0.34	1.40	14.78
Finance Expenses (in Crores)	0	0.13	6.66
Operating Expenses (in Crores)	0.04	1.00	6.27
Net Operating Income (in Crores)	0.21	0.02	0.40

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020
Cost of funds ratios (%)	NA	14.39	14.96
Capital Adequacy Ratio (%)	NA	63.95	19.21
Operational Self Sufficiency (%)	NA	102.82	103.23
Operating Expense Ratio (OER) (%)	NA	10.70	10.17
Portfolio at Risk (>30 days) (%)	NA	0.00	0.02
Debt to Equity ratio (in times)	0	1.81	4.43

DER and CAR stood at 1.74 times and 38% as on May 31,2020

### Highlights of Microfinance Operations

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	30/April/2020
No. of States	-	01	04	04
No. of Districts	-	05	14	14
No. of Branches	-	19	28	28
No. of Active Members	-	9,956	57,459	57,421
No. of Active Borrowers	-	9,956	57,459	57,421
No. of Total Employees	-	96	228	219
No. of Field/Credit Officers	-	67	145	133
No. of JLGs	-	2,368	13,586	13,581
No. of Individual Loans	-	-	-	-
<b>Owned Portfolio</b>				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	30/April/2020
Total loan	-	24.34	129.56	-

disbursements during the year (in crore)				
Total portfolio outstanding (in crore)		22.93	74.85	70.60
<b>Securitized Portfolio</b>				
<b>Particulars</b>	<b>31/Mar/2018</b>	<b>31/Mar/2019</b>	<b>31/Mar/2020</b>	<b>30/April/2020</b>
Total portfolio outstanding (in crore)	-	-	35.13	34.73

- As on March 31, 2019 SMPL had an AUM of Rs.22.93 Cr. Further it has increased to Rs.105.33 Cr. (including own portfolio of Rs.70.60 Cr. & Securitized Portfolio of Rs.34.73Cr.) as on April 30,2020 and Operation spreads over 4 States, however majority of the portfolio concentrated in Bihar (91%) and rest of the portfolio cater to 3 states, Chhattisgarh (0.50%), Jharkhand (4.00%) and Uttar Pradesh (4.5%). SMPL's own portfolio has also gone down by -5.68% in the month of April 2020 compare to the month of March 2020, as the entire country has been under lockdown since March 25, 2020 to prevent the spread of Covid-19 and this has led to the significant curtailment of economic activity. SMPL also has stopped disbursement during lockdown.
- Government of India (GoI) has classified India's 733 districts into three zones – red, orange, and green. This is based on various parameters. The severity of the spread of Covid-19 is highest in the red zone, followed by the orange zone. In the month of May among 733 districts, 69% districts fall under green and orange Zone and 31% classified as a red zone,
- Further in Bihar, where SMPL has 91% portfolio concentration, among 38 districts, 34.21% districts are classified as a Green Zone, 52.63% under Orange Zone and 13.16% of districts are under red zone.
- SMPL has total 28 branches, whereas 13 (46.43%) branches are under green zone, 11(39.29%) branches are under Orange Zone and 4(14.28%) branches are into red zone.

### Loan utilisation schedule:

Loan Utilisation	31/Mar/2019 (%)	31/Mar/2020 (%)	30/April/2020 (%)
Agriculture & Agri Allied	-	47%	47%
Cattle	-	33%	33%
Business & Others	-	20%	20%
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

As on April 30, 2020 SMPL has an AUM of 105.33 which comprises of loan portfolio of Rs.70.60 Cr. as owned and Securitized portfolio of Rs. 34.73 Cr. However, 80% portfolio Diversified into Agriculture, Agri Allied and Cattle, rest 20% portfolio diversified into small Businesses

## Microfinance Capacity Assessment Grading Rationale

### Operating Environment

- MFIs have reported an increase of ~25% in gross loan outstanding as on Q3 FY 19-20 as compared to Q3 FY 18-19, touching the total GLP of 2,11,302 crores as on 31st December, 2019. SMERA believes seasoned customer profile over multiple loan cycles have helped MFIs to increase its loan ticket size. Loans originated after February 2017 (Post Demonetisation) constitute 97% of the total industry gross loan portfolio. However, SMERA believes the COVID lockdown might adversely impact the projected growth of the current players in the sector.
- The fund flow to the sector has improved in FY 2020 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, Financial Institutions, Business Correspondent partners and co-origination financing models in the last few years.
- The outbreak of COVID-19 has 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.
- It is understood that with the micro finance lenders allowing moratorium to its microfinance clients till August 2020, the real impact on delinquencies would only come post the moratorium window is lifted. MFIs might see steep increase in delinquency level as lower income self-employed groups and micro businesses are the severely impacted. It seems it would be difficult for MFIs to recover instalments over next few months even post moratorium. However, rural areas expected to witness lesser delinquencies as compared to urban and semi urban areas. Credit costs on account of higher provisioning and delinquencies may more than double, thereby profitability expected to be impacted severely in FY21
- SMERA believes that industry might require top-up loan to help MFI beneficiaries to mitigate the impact of pandemic and restart their business operations. Given the current liquidity position, most of the MFIs are not in a position for fresh disbursement though ease of lockdown can push demand of fresh loan.
- 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.

### **Limited track record of operations and extensive industry experience of promoters**

- Save Microfinance Private Limited (SMPL) started microfinance operation in the month of November 2018, in the state of Bihar with its head office at Gaya. The Company was formed with the objective of providing microfinance services to urban and rural poor, as well as micro and small business in the underserved geographies of India starting from Bihar. As on April 30, 2020 SMPL has own portfolio of Rs.70.60 Cr. and operation spreads over 4 States, however majority of the portfolio concentrated in Bihar (91%) and rest of the portfolio caters into 3 states, Chhattisgarh (0.50%), Jharkhand (4%) and Uttar Pradesh (4.5%).
- Currently, SMPL has three members in its board with relevant experience in the banking, finance, microfinance and social development space. The company's management teams have relevant experience in the MFI industry and better understanding in banking, microfinance and social development.
- Mr. Ajeet, MD & CEO of SAVE MFI Born in the year 1976 in the state of Bihar in India, graduated in humanities, having 4 years of experience in rural marketing strategy related to farm equipment and 10 years of diverse experience in financial service and banking sector. One of the three founders of SAVE and current CEO of the company, his primary responsibilities are network, business and market development at SAVE. He has been instrumental in establishing alternative banking Channel in 18 States of India for SAVE.
- Mr. Pankaj Kumar, Director and co-founder Save MFI, born in the year 1976 in the state of Bihar in India, graduated in science in the year 1998, having 15 years of comprehensive experience in Financial Service Industry. He is one of the three founders of SAVE and responsible for financial and operational management of alternative banking channels as a director of SAVE. He is also responsible for system design and monitoring.
- Mr. Ajay Kumar Sinha, Director and co-founder Save MFI is having almost 19 years of experience in health-care industry, Non-Government organisations, financial services industry, banking and Insurance industry. He is born & brought up in Bihar which helps him understanding the need of the difference in financial services in rural areas very well.

### **Resource profile concentrated to NBFCs/FIs**

<b>Resource Profile</b>	<b>% (as on 31/March/2020)</b>
Banks	0.00
FIs & NBFC's	100.00
<b>Total</b>	<b>100.00%</b>

- As on 30<sup>th</sup> April 2020 SMPL has developed funding relationships with 11 lenders, however entire lending fully concentrated to NBFC's/FI's.
- The overall cost of funds (COF) for SMPL stood at 14.96% as on 31<sup>st</sup> March, 2020 as compared to 14.39% in the previous year. Borrowing from NBFCs/FIs has been drawn at an interest rate ranging between 14.75%-16.50%. MFI should avail loan from banks to keep COF in the lower side.

### **Adequate capitalisation and comfortable liquidity profile**

<b>Capital Adequacy</b>	<b>% (as on 31/Mar/2020)</b>
Tier -I Capital (A)%	18.06
Tier -II Capital (B)%	1.15
Capital to risk adjusted ratio (CRAR) (%) (A+B)	19.21

- SMPL has adequate capitalization marked by total equity capital of Rs. 15.69 crore as on March 31, 2020 as compared to Rs. 15.29 crore in the previous year on account of internal accruals. Gearing of SMPL stood high at 4.43 times as on 31<sup>st</sup> March 2020, further management has informed that SMPL has infused equity to the tune of Rs.15 Cr. from its holding company SSPL and gearing stood at 1.71 times as on May 2020 indicating adequate room for enhanced borrowing.
- SMPL's capital adequacy ratio (CRAR) stood at 19.21% per cent as on March 31, 2020. CRAR has went down from 63.95% as on March 31,2019 due to increase in the portfolio. Further CRAR stood at 38% in the month of May 2020 due to infusion of equity from its holding company and it stood comfortable than the RBI stipulated CRAR for NBFC-MFI of 15 per cent.
- Maj Invest, Denmark based asset management company has bought 18% equity in SAVE Solutions, parent company of SMPL, Business correspondent for SBI, Bank of Baroda and Bank of India, intends to use this capital to expand its direct lending through subsidiaries Save Microfinance and Save financial services.
- The tenure of microfinance loans is about 12-24 months, whereas the incremental NBFCs/FIs funding is typically with tenure of about 12-36 months.

### Improvement in Income and Profitability

Particulars	FY 2018	FY 2019	FY 2020
Net financial margin (In thousands)	3,426	10,429	67,348
Operating expenses (In thousands)	484	10,044	62,724
Operational Self Sufficiency (%)	NA	102.82%	103.23%
Operating Expense Ratio (OER) (%)	NA	10.70%	9.70%

- SMPL has reported net profit of Rs. 39.81 lakhs on operating income of Rs. 14.78 crore in FY2020. SMPL had reported net profit of Rs. 2.20 lakhs on operating income of Rs.1.40 crore in the previous year.
- Net interest margin has decreased to 10.93% as on 31st March, 2020 as compared to 12.51% in the previous year.
- The operational self-sufficiency (OSS) of the company stood at 103.23% in FY2020 as compared to 102.82% in the previous year. The company's operating expense stood high at 9.70% in FY2020.
- Yield on portfolio stood at 25.89% as on 31st March, 2020 as compared to 26.90% in the previous year.

### High Geographical Concentration

Particulars	31/Mar/2018	31/Mar/2019	30/Mar/2020
No. of States	NA	1	4
No. of Districts	NA	5	14
No. of Branches	NA	19	28

- SMPL is currently operating in 4 states in 14 districts with 28 branches.
- The single state concentration remained high at 91% as on March 31, 2020.
- In order to mitigate any potential risk arising out of geographical concentration, SMPL has to diversify its presence across the states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	% of Total Portfolio o/s
Bihar	21	55,104	96.87	91.00
Chhattisgarh	2	237	0.51	0.50
Jharkhand	3	1,763	4.12	4.00
Uttar Pradesh	2	2,060	4.96	4.50
<b>Total</b>	<b>28</b>	<b>57,421</b>	<b>106.46</b>	<b>100</b>

- The single state concentration remained high at 91% as on March 31, 2020.
- 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
No. of States	-	1	4
No. of Districts	-	5	14
No. of Branches	-	19	28
No. of Active Members	-	9,956	57,459
No. of Active Borrowers	-	9,956	57,459
No. of Total Employees	-	96	228
No. of Field/Credit Officers	-	67	145
No. of JLGS	-	2368	14,153
No. of Individual Loans	-	-	-

Financial Ratios	31/Mar/2018	31/Mar/2019	31/ Mar /2020
No. of Active Borrowers Per Staff Member	NA	104	252
No. of Active Borrowers per field executives	NA	149	396
No. of members per Branch	NA	524	2,052
Gross Portfolio o/s per field executive (in thousands)	NA	3,423	7,585
Average Outstanding Balance per client (in Rs)	NA	23,035	19,140
Cost per Active client	NA	1,009	1,092

- The company is currently operating with 28 branches servicing over 57,459 borrowers as on Mar 31, 2020.
- SMPL's field productivity remains average in comparison to its peers; however, the company has been able 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.

### Healthy asset quality

Period	FY 2018	FY 2019	FY 2020
	Portfolio o/s (crore)	Portfolio o/s(crore)	Portfolio o/s (crore)
On-time (in crore)	NA	22.93	106.54
1-30 days (in crore)	NA	0.00	0.00
31-60 days (in crore)	NA	0.00	0.00
61-90 days (in crore)	NA	0.00	0.00
91-180 days (in crore)	NA	0.00	0.00
181-360 days (in crore)	NA	0.00	0.00
> 360 days (in crore)	NA	0.00	0.00
Write-off (in crore)	NA	0.00	0.00
<b>Total</b>		<b>22.93</b>	<b>106.54</b>
On-time (in %)	NA	100.00	100.00
PAR 0-30 days (in %)	NA	0.00	0.00
PAR >30 days (in %)	NA	0.00	0.00
PAR >90 days (in %)	NA	0.00	0.00

- SMPL has maintained healthy asset quality with on-time repayment rate of 100.00% as on March 31, 2020. As informed by management SMPL has been able to maintain ~100% collection efficiency since inception due to robust collection mechanism and process
- Further during lockdown period SMPL has stopped entire collection process However management has informed that non-collection during national wide lockdown will be rescheduled as prescribed by RBI, so overdue portfolio will be considered as rescheduled accounts. Further company has achieved ~16% CER and ~20% CER in April and May respectively amid nationwide lockdown.



### **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. The company has LMS named "MicroSure" from Volksoft Technologies, further for internal process and control company has implemented SAP ERP, Further, SMPL also has implemented management analytical tool in association with "Tableau" for the stakeholders which work on real time data base.
- **Internal Audit Process**  
The company has a dedicated team of internal auditors who undertakes compulsory branch and borrower audit once in every quarter.

### **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
<b>Financial revenue from operations</b>	<b>3,426</b>	<b>14,020</b>	<b>1,47,802</b>
Less - Financial expenses from operations	0	1,298	66,614
<b>Gross financial margin</b>	<b>3,426</b>	<b>12,722</b>	<b>81,188</b>
Provision for Loan Loss / Write off	0	2,293	13,840
<b>Net financial margin</b>	<b>3,426</b>	<b>10,429</b>	<b>67,348</b>
<b><u>Less - Operating Expenses</u></b>	<b>484</b>	<b>10,044</b>	<b>62,724</b>
Personnel Expense	0	6,104	39,704
Depreciation and Amortization Expense	0	599	2,964
Other Administrative Expense	484	3,341	20,056
<b>Net Operating Income</b>	<b>2,942</b>	<b>385</b>	<b>4,624</b>
Income Tax	758	165	1,351
<b>Net Income</b>	<b>2,184</b>	<b>220</b>	<b>3,981</b>

Note: Above financials are audited except 2020.

## Balance Sheet (Rs in Thousands)

As on date	31/Mar/2018	31/Mar/2019	31/Mar/2020
<b>SOURCES OF FUNDS</b>			
<b>Capital</b>			
Equity Capital	50,900	1,50,000	1,50,000
Reserves & Surplus	2,705	2,926	6,908
<b>Total Equity</b>	<b>53,605</b>	<b>1,52,926</b>	<b>1,56,908</b>
<b>Liabilities</b>			
<b>Short-Term Liabilities</b>			
Commercial Loans from banks/FI	0	23,219	0
Account payable & Other short-term liabilities	1,475	8,164	67,114
<b>Total Short-Term Liabilities</b>	<b>1,475</b>	<b>31,383</b>	<b>67,114</b>
<b>Long-Term Liabilities</b>			
<b>Long-Term Borrowings</b>			
Commercial Loans from banks/FI	0	26,781	3,07,826
Unsecured Loans from Holding Company	0	2,26,034	3,86,984
<b>Total Long-Term Borrowings</b>	<b>0</b>	<b>2,52,815</b>	<b>6,94,810</b>
<b>Total Other Liabilities</b>	<b>1,475</b>	<b>2,84,198</b>	<b>7,61,924</b>
Provision for Standard Assets	0	2,294	16,133
Other Provisions	366	716	7,729
<b>TOTAL LIABILITIES</b>	<b>55,446</b>	<b>4,40,134</b>	<b>9,42,694</b>

As on date	31/Mar/2018	31/Mar/2019	31/Mar/2020
<b>APPLICATION OF FUNDS</b>			
<b><u>Fixed Assets</u></b>			
<b>Net Block</b>	-	3,015	8,406
Cash and Bank Balances	896	1,97,513	70,990
Security Deposits	0	224	0
Investment in Fixed Deposit	53,673	0	69,235
<b><u>Loan Portfolio</u></b>			
<b>Net Loan Portfolio</b>	-	2,29,336	7,48,462
Accounts Receivable And Other Assets	877	8,860	41,061
Intangible Assets	0	614	0
Deferred Tax Asset	0	572	4,540
<b>TOTAL ASSETS</b>	<b>55,446</b>	<b>4,40,134</b>	<b>9,42,694</b>

## Financial Ratios

Financial Ratios	31/Mar/2018	31/Mar/2019	31/Mar/2020
<b><u>Capital Adequacy Ratio (CAR)</u></b>			
Capital Adequacy Ratio (%)	NA	63.95	19.21
<b><u>Productivity / Efficiency Ratios</u></b>			
No. of Active Borrowers Per Staff Member	NA	104	252
No. of Active Borrowers per field executives	NA	149	396
No. of active borrowers per branch	NA	524	2052
Gross Portfolio o/s per field executive (Rs in thousands)	NA	3,423	7,585
Average Outstanding Balance Per borrower (In Rs)	NA	23,035	19,140
Cost Per Active borrower (In Rs)	NA	1,009	1,092
<b><u>Asset / Liability Management</u></b>			
Yield on Portfolio (%)	NA	26.90	25.89
Cost of Fund (COF) (%)	NA	14.39	14.96
<b><u>Profitability / Sustainability Ratios</u></b>			
Operational Self Sufficiency (%)	NA	102.82	103.23
Operating Expense Ratio (OER) (%)	NA	8.57	9.70
Return on Assets (RoA) (%)	NA	0.16	0.84
Portfolio at Risk (>30 days) (%)	NA	0.00	0.02
Return on Equity (RoE) (%)	-	0.19	2.36
<b><u>Leverage Ratios</u></b>			
Total Outside Liabilities to Tangible Network Ratio (Times)	0.03	1.86	4.86
Debt/Equity Ratio (Times)	-	1.81	4.43

## 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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