



SMERA MFI Grading

M3

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

SMERA MFI Grading

RORS Finance Private Limited



To verify the grading, please scan the QR Code

Date of Report:

29 February, 2024

Valid Till:

27 February, 2025

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
January 28, 2023	SMERA	M3C3
January 28, 2022	SMERA	M3

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 Operational Head – Microfinance Business	:	RORS Finance Private Limited	
	:	Name	Mr. V. Sreenivasulu
	:	Designation	Director Operations
	:	Mobile No.	9449852898
	:	Email ID	info@rors.in
	:	Date of Joining	April 01, 2010
Date of Incorporation/Establishment	:	Dec 11,1987	
Date of commencement of microfinance business	:	April 01, 2010	
Legal Status	:	NBFC–MFI	
Business of the company	:	Microfinance operation using JLG (Join Liability Group) model	
Correspondence Address	:	No: 280, Ramakrishna Extension, Srinivaspura, Kolar Karnataka-563135 India	
Geographical Reach (As on 31/Dec/2023)	:	No. of States	02
	:	No. of Districts	10
	:	No. of Branches	16
	:	No. of Active Borrowers	10,592
	:	No. of Total Employees	66
	:	No. of Field/Credit Officers	27
No. of Lenders	:	14	
Statutory Auditors	:	C.N. Jayachandran & Co.	

Background:

RORS Finance Private Limited (RFPL) is a NBFC-MFI based in Srinivasapur taluk of Kolar district, Karnataka, South India. It was incorporated under Indian Companies Act of 1956 and has registration with Reserve Bank of India as Non-Depository Non-Banking Financial Company-Microfinance Institution. To initiate integrated rural development activities the promoter has established an NGO called Re-organisation of Rural Economy and Society (RORES) in the Year 1987. To initiate Micro financing to the rural and urban poor in a sustainable way, they promoted RORES Micro Entrepreneur Development Trust in March, 2005. In August, 2007, it purchased an NBFC called Pace Finance Private Limited and renamed it to RORS Finance Private Limited. On 1st April 2010 the micro finance operations of RORES Micro Entrepreneur Development Trust was transferred to RORS Finance Private Limited with all legal formalities.

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)
Group Loan	Joint Liability	10,000-40,000	25.00	1.00	26.00
Individual Loan	Individual liability	40,000-2,00,000	25.00	1.00	26.00

Capital Structure as of 31/Dec/2023

Authorized Capital	Rs. 8.50 crore
Paid Up Capital	Rs. 4.66 crore

Shareholding Pattern (as on 31/Dec/2023)

Name of Proprietor/ Partner / Shareholders	Shares in %
Mr. P. Sathyanarayana Reddy	8.89
Mrs. Revathi Reddy,	4.59
RORES MED TRUST, Srinivasapur	68.64
Mr. Vijayaragava Reddy,	1.07
Mr. Nithyananda Reddy	1.07
Mrs. Madhavi	2.57
Mr. Bharadwaj S. Reddy	3.63
Mr. Vasudeva Reddy	2.29
Mr. Hari Keerthi	0.00
Mr. Madhusudhan Reddy	0.65
Mrs. Radha Kumari	0.54
RORS Employees	6.06
Total	100.00

Board of Director's/Promoter's Profile

Director Details		Profile
Name:	Mr. P.Sathyanarayana Reddy	Mr. P.Sathyanarayana Reddy (P.S.Reddy) worked with various institutions like AFPRO and MYRADA for over a period of 12 years at different positions in implementing various rural developmental programmes. Promoted an NGO called Re-Organization of Rural Economy and Society (called RORES) during the year 1987 and implemented various developmental programmes. To initiative Micro financing to the rural and urban poor in a sustainable way, he promoted RORES Micro Entrepreneur Development Trust during March 2005. In the year August 2007, they have purchased a NBFC called PACE FINANCE PRIVATE LIMITED and transferred the micro finance operations of RORES MED Trust to this company with all legal formalities on 1 st April 2010. At present he is the Managing director for RORS Finance Private Limited.
Designation:	Promoter Director Cum Managing Director	
Qualification:	MSW	
Name:	Mrs. Revathi Reddy	Mrs. Revathi Reddy is a commerce graduate from Bangalore University. She worked with RORES NGO, RORES MED TRUST since 1987. Now she is heading administrative division in RFPL.
Designation:	Promoter Director Cum Administrator	
Qualification:	B.Com.	
Name:	Mr.Mohandas Kudva	Mr. Mohandas Kudva is a graduate in Science and Law. He worked with Canara bank nearly 30 years. He headed different wings like credit & risk assessment and he retired as DGM, Canara bank.
Designation:	Director	
Qualification:	B.Sc, LLB, CAIIB	
Name:	Mr.Nagaraja V	Mr. V. Nagaraja, retired Chief General Manager after serving Punjab National Bank for over 37 years on attaining superannuation in March 2007. He is appointed as additional director of RORS Finance Private Limited since December 2015. He has immense experience in the fields of Risk Management, credit policy, participation in credit decisions as member of the Credit Committee, Foreign Exchange, Merchant Banking, Inspection and Audit, customer service, Management of Regional Rural Banks and government business
Designation:	Director	
Qualification:	Masters in Commerce – Business Management	

Name:	Mr.V. Sreenivasulu	Mr. V.Sreenivasulu working with RORS Finance Private Limited and its sister concerns since 2001, he done his Diploma in Engineering and post-graduation diploma in computer applications and performed various administrative functions in Indian Rural Reconstruction Movement (IRRM) and Grama Seva Samithi earlier to RORS. He is good in HR Management (selection, recruitment, training and motivation) and field level operations (developing formats, training materials and co-ordination). At present he is looking HR, operations, liaising with Banks, RBI, ROC and Statutory Auditors
Designation:	Director	
Qualification:	DME and PGDCA	

SMERA Observations:

- RFPL has five-member board. Board members have extensive experience in microfinance, finance, Banking and development sectors.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective.
- The board has remained unchanged since the last financial year.

Management Profile

Management Details		Profile
Name:	Mr. P. Sathyanarayana Reddy	He was associated with various institutions like AFPRO and MYRADA for a period of more than 12 years in implementing various rural developmental programmes. He promoted the NGO called Re-Organization of Rural Economy and Society (RORES) in the year 1987. To initiate Micro financing to the rural and urban poor in a sustainable way, he promoted RORES Micro Entrepreneur Development Trust in March, 2005. In August, 2007, it purchased an NBFC called Pace Finance Private Limited and renamed it to RORS Finance Private Limited. On 1st April 2010 the micro finance operations of RORES Micro Entrepreneur Development Trust was transferred to RORS Finance Private Limited with all legal formalities.
Designation:	Managing Director	
Qualification:	MSW	
Name:	Mrs. Revathi Reddy	She worked with RORES NGO since 1987 also with RORES Med Trust since 2005.
Designation:	Director	
Qualification:	B.Com	
Name:	Mr. V. Srinivasulu	He performed various administrative functions in Indian Rural Reconstruction Movement (IRRM) and Grama Seva Samithi earlier to RORS. He is good in HR Management (selection, recruitment, training and motivation) and field level operations (developing formats, training materials and co-ordination). At present he is looking HR, operations, liaising with Banks, RBI, ROC and Statutory Auditors
Designation:	Director – Operations	
Qualification:	DME, PGDCA	
Name:	Mrs. Usha Rani	She is heading finance department since inception. She is looking after accounts supervision, compliances to different banks and audit needs.
Designation:	Finance Officer	
Qualification:	B.Com	
Name:	Mr. Bhardhwaj S Reddy	He has 10 years of Microfinance industry.
Designation:	Software In-Charge	
Qualification:	Bachelor of Business Management	
Name:	Mr. G. Vidyasagar	

Designation:	State Head – Tamil Nadu	He is working with RFPL since inception. He has 12 years of experience in MFI sector.
Qualification:	B. A	
Name:	Mr. N. Pratap	He has 12 years of experience in MFI sector.
Designation:	Regional Coordinator	
Qualification:	B.Com	
Name:	Mr. S. Fakruddin	He has 12 years of experience in MFI sector.
Designation:	Regional Coordinator	
Qualification:	B.Sc.	
Name:	Mr. Chetan Kumar	He has 5 years of experience in MFI sector.
Designation:	Regional Coordinator	
Qualification:	Bachelor of Business Management	
Name:	Mr. Shabbir Ali. A	He has 15 years of experience in MFI sector.
Designation:	Co-ordinator Internal Auditing	
Qualification:	B.Sc.	

SMERA Observations:

- RFPL senior management has adequate experience across sectors such as microfinance, IT and development sector.
- RFPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.
- The senior management reports to the managing director.

Financial Snapshot (In Rs. Crores)

Particulars	31/03/2021	31/03/2022	31/03/2023
Total AUM (in Crores)	37.01	40.48	34.81
On Balance Sheet Portfolio Outstanding (in Crores)	37.01	40.48	34.81
Off Balance Sheet (in Crores)	0.00	0.00	0.00
Total Net Worth (in Crores)	9.58	10.47	11.29
Total External Borrowings (in Crores)	33.60	37.44	28.68
Particulars	31/03/2021	31/03/2022	31/03/2023
Financial Revenue from Operations (in Crores)	9.81	8.22	8.80
Finance Expenses (in Crores)	4.79	3.45	3.56
Operating Expenses (in Crores)	3.35	2.91	3.30
Operating Income (in Crores)	0.99	1.19	1.05
Net Operating Income (in Crores)	0.74	0.89	0.82
Particulars	31/03/2021	31/03/2022	31/03/2023
Cost of funds ratios (%)	13.68	9.14	11.80
Capital Adequacy Ratio (%)	25.17	25.51	31.49
Operational Self Sufficiency (%)	118.00	117.08	113.00
Operating Expense Ratio (OER) (%)	9.24	8.22	8.20
Portfolio at Risk (>30 days) (%)	2.35	3.36	1.98
Debt to Equity ratio (in times)	3.51	3.63	2.66

Highlights of Microfinance Operations

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Dec/2023
No. of States	2	2	2	2
No. of Districts	10	10	10	10
No. of Branches	16	16	16	16
No. of Active Members	18,258	15,000	12,010	12,140
No. of Active Borrowers	17,564	13,473	10,855	10,592
No. of Total Employees	81	67	66	65
No. of Field/Credit Officers	63	50	50	49
No. of SHGs	0	0	0	0
No. of JLGs	3,010	2,504	1,406	1,131
No. of Individual Loans	3,730	4,982	5,230	6,068
Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Dec/2023
Total loan disbursements during the year (in crore)	47.82	48.44	57.21	52.23
Total portfolio outstanding (in crore)	37.01	40.48	34.82	43.70

Loan utilisation schedule:

Loan Utilisation	31/Mar/2021 (%)	31/Mar/2022 (%)	31/Mar/2023 (%)	31/Dec/2023 (%)
Agriculture	15.00	24.65	4.07	26.20
Cattle	0	0	0	0
Business	78.70	73.20	94.23	73.52
Consumption, Health, Education, ceremony	6.30	2.15	1.70	0.28
Total	100.00	100.00	100.00	100.00

Microfinance Capacity Assessment Grading Rationale

Operating Environment

- The outbreak of COVID-19 had significantly impacted the operations of Micro Finance Institutions (MFIs). The MFI sector which has registered the CAGR growth of over 35% in last five years, amidst this pandemic crisis, faces serious challenges on collections, asset quality and cash flow management. Due to the moratorium, the collection level has been severely impacted in turn affecting cash flow and ALM.
- The industry started to gain momentum in Q2-FY2021 with the ease of nationwide lockdown. Broadly, the disbursement was back to pre-covid level as on December, 2020. Disbursements have partly picked up since many players are resorting to lending to existing borrowers so as to help them repay and tide over the stress.
- In the context of the re-emergence of asset quality stress in the second wave of COVID 19, RBI's measures to provide better funding access to the sector came in a timely manner. RBI has announced in its latest relief package on May 5, 2021 that SFBs can tap a Rs 10,000 Cr special long -term repo operations (SLTRO) funding programme which can provide funds at the repo rate of 4.0% for a tenor upto 3 years.
- The sector started showing improvements right from the Q1 of FY 2023 as Y-O-Y growth was almost close to the pre-pandemic level and overall on-time repayment rate surpassed than 95% backed by the revival of demand and improvement in overall business environment. By the end of Q3 of FY 2023 PAR> 30 days and PAR> 60 days improved to 3.43% and 2.60% whereas overall NPA of the sector also improved to 1.76% by the same period of time. Total AUM of the sector stood at Rs. 3.24 Lakh Crore by the end of Q3 of FY 2023 registering a growth of 26.19% on Y-O-Y basis.
- SMERA estimates the industry's PAR>30 days and PAR>90 days to be less than 3% and 1.50% respectively at the end of FY 2023. Further, the asset quality is expected to stabilise in FY2024 and on-time repayment rate expected to be close to the pre-covid level.

Long track record of operations and extensive industry experience of promoters

- RORS Finance Private Limited (RFPL) is a NBFC-MFI based in Srinivasapur taluk of Kolar district, Karnataka, South India. It was incorporated under Indian Companies Act of 1956 and has registration with Reserve Bank of India as Non-Depository Non-Banking Financial Company-Microfinance Institution. To initiate integrated rural development activities the promoter has established an NGO called Re-organization of Rural Economy and Society (RORES) in the Year 1987. To initiate Micro financing to the rural and urban poor in a sustainable way, they promoted RORES Micro Entrepreneur Development Trust in March, 2005. In August, 2007, it purchased an NBFC called Pace Finance Private Limited and renamed it to RORS Finance Private Limited. On 1st April 2010 the micro finance operations of RORES Micro Entrepreneur Development Trust was transferred to RORS Finance Private Limited with all legal formalities.
- RFPL has five-members in its board as on December 31, 2023 having extensive experience in the banking, microfinance and social development space.
- The key member Mr. P. Sathyanarayana Reddy, Managing Director has more than two decades of experience in managing credit cooperatives for providing micro finance.
- RFPL's core management team and second line of management has an adequate understanding of MFI ecosystem with vast experience in banking, finance and microfinance.

Moderate resource profile

Resource Profile	% (as on 31/Dec/2023)
Banks	42.39
FIs/NBFCs	57.61
Total	100.00

- As on 31st Dec, 2023 RFPL has developed funding relationships with 14 lenders (04 Banks & 10 NBFCs/FIs) however their resources profile continues to remain concentrated towards borrowings from NBFCs/FIs which stood at ~ 57.61% of total borrowings (outstanding debt) as on 31st Dec, 2023.
- The overall cost of funds (COF) for RFPL has increased to 11.80% as on 31st March, 2023 as compared to 9.14% in the previous year on account of increased borrowing at higher cost from NBFCs/FIs.
- Further management has informed that they are in conversation with Mass Financial, Moneywise and Incred Capital for term loan facility.

- SMERA feels that RFPL should try to diversify its resource profile by finding new lenders in order to continue its projected growth.

Adequate capitalisation and comfortable liquidity profile

- RFPL has adequate capitalization marked by capital adequacy ratio (CRAR) of 31.49 per cent as on March 31, 2023 as compared to 25.51 per cent recorded in the previous year.
- RFPL's total equity capital has increased to Rs. 11.29 crore as on 31st March 2023 as compared to Rs. 10.47 crore in the previous year. Gearing of RFPL stood stable at 2.66 times as on 31st March, 2023 as compared to 3.63 times in the previous year.
- The tenure of microfinance loans is about 12-24 months, whereas the incremental bank funding is typically with tenure of about 12-36 months. The bank borrowing is revolving in nature which supports the liquidity position of the MFI. However fresh inflow of funds from Bank or NBFC route is critical to maintain the projected growth in the microfinance operations.

Income and Profitability

Particulars	FY 2021	FY 2022	FY 2023
Net financial margin (In thousands)	43,429	41,058	43,498
Operating expenses (In thousands)	33,489	29,073	33,003
Operational Self Sufficiency (%)	118	117.08	113.00
Operating Expense Ratio (OER) (%)	9.24	8.22	8.20

- RFPL has reported net profit of Rs. 0.82 crore on operating income of Rs. 8.80 crore in FY2023. In FY2022, RFPL had reported net profit of Rs. 0.89 crore on operating income of Rs. 8.22 crore.
- Portfolio of the MFI has increased marginally from Rs. 40.48 crore as on 31st March, 2022 to Rs. 43.70 crore as on 31st Dec 2023.
- The operational self-sufficiency (OSS) of the company stood stable at 113.00% in FY2023. The company's operating expense has improved to 8.20% in FY2023 as compared to 9.24% in FY2021.

Moderate geographical presence

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Dec/2023
No. of States	2	2	2	2
No. of Districts	10	10	10	10
No. of Branches	16	16	16	16

- RFPL is currently operating in 2 states in 10 districts with 16 branches with 10,592 borrowers. The single state concentration remained high at 68.00% as on December 31, 2023.
- In order to mitigate any potential risk arising out of geographical concentration, RFPL has to diversify its presence across the states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Karnataka	5	3117	13.66	2.11	31.25
Tamil Nadu	11	7475	30.04	1.53	68.75
Total	16	10,592	43.70	1.72	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/2021	31/Mar/2022	31/Mar/2023	31/Dec/2023
No. of States	2	2	2	2
No. of Districts	10	10	10	10
No. of Branches	16	16	16	16
No. of Active Members	18,258	15,000	12,010	12,140
No. of Active Borrowers	17,564	13,473	10,855	10,592
No. of Total Employees	81	67	66	65
No. of Field/Credit Officers	63	50	50	49
No. of SHGs	0	0	0	0
No. of JLGs	3,010	2,504	1,406	1,131
No. of Individual Loans	3,730	4,982	5,230	6,068
Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Dec/2023
Total loan disbursements during the year (in crore)	47.82	48.44	57.21	52.23
Total portfolio outstanding (in crore)	37.01	40.48	34.82	43.70

Financial Ratios	31/Mar/2021	31/Mar/2022	31/Mar/2023
No. of Active Borrowers Per Staff Member	197	201	165
No. of Active Borrowers per field executives	328	270	388
No. of members per Branch	985	937	751
Gross Portfolio o/s per field executive (in thousands)	7,710	8,097	12,434
Average Outstanding Balance per client (in Rs)	23,477	30,050	32,073
Cost per Active client	2,166	1,864	2,065

- The company's branch network has remained stagnant at 16 branches during the period under study; however, client network has decreased from 18,258 borrowers as on March 2020 to 12,140 borrowers as on December 2023.
- Average Outstanding Balance per client has increased from Rs. 23,477 in FY 2021 to Rs. 32,073 in FY 2023.
- RFPL's field productivity remains average in comparison to its peers; field outreach and asset productivity indicators of the company have been stable over the years.
- The company would be required to register a consistent improvement in productivity whilst diversifying its operations.

Sound asset quality

- RFPL has maintained sound asset quality with on-time repayment rate of 97.64% as on December 31, 2023. On-time repayment rate of RFPL has improved from 96.44% as recorded on 31st March, 2022.

Period	FY 2021	FY 2022	FY 2023	31/Dec/2023
	Portfolio o/s (in crore)	Portfolio o/s (in crore)	Portfolio o/s (in crore)	Portfolio o/s (in crore)
On-time	35.84	39.04	34.02	42.66
1-30 days	0.28	0.08	0.11	0.28
31-60 days	0.22	0.12	0.09	0.29
61-90 days	0.12	0.33	0.05	0.11
91-180 days	0.39	0.73	0.13	0.24
181-360 days	0.14	0.18	0.42	0.11
> 360 days	0	0	0	0
Write-off	0.68	0.61	0.88	0.76
Total	37.01	40.48	34.82	43.70
On-time (in %)	96.89	96.44	97.70	97.64
PAR 0-30 days (in %)	0.76	0.20	0.32	0.64
Total Portfolio PAR >30 days (in %)	2.35	3.36	1.98	1.72
PAR >90 days (in %)	1.43	2.25	1.58	0.80

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

- The PAR 0-30 days stood at 0.64% as on December 31, 2023 as compared to 0.20% as on March 31, 2022. The PAR >30 days has decreased to 1.72% as on December 31, 2023 as compared to 3.36% as on March 31, 2022.
- Adequate credit appraisal processes, monitoring and risk management mechanisms is critical to keep asset quality indicators under control.

Adequate IT Systems Audit Mechanism

- RFPL's management information system (MIS) and Information Technology (IT) infrastructure is adequate for its current scale of operations. It is using customized software "BR.NET" to ensure smooth flow of operational data between Head Office and branches. It is very user-friendly software which enables proper tracking and maintaining of MIS and preparation of reports within a minute.
- **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 weekly basis as per the RBI norms.
- **Helpline Number**
The company has a dedicated helpline number, where calls are recorded automatically and addressed within 15 days.
- **Internal Audit Process**
The company has a dedicated team of internal auditors who undertakes compulsory branch and borrower audit once in bimonthly basis. All audits are surprise audits.

Inherent risk prevalent in the microfinance sector

- RFPL's business risk profile is susceptible to regulatory and legislative risks, along with the inherent risk exist such as unsecured nature of lending, vulnerable customer profile and exposure to vagaries of political situation in the area of operation.

Financials

Profit & Loss Account (Rs. In Thousands)

Period	FY 2021	FY 2022	FY 2023
Months	12	12	12
Financial revenue from operations	98,097	82,158	88,021
Less - Financial expenses from operations	47,869	34,541	35,665
Gross financial margin	50,228	47,617	52,356
Impairment Losses on Loans (d)	6,814	6,559	8,858
Net financial margin	43,429	41,058	43,498
<u>Less - Operating Expenses</u>			
Personnel Expense	23,853	18,925	22,425
Depreciation and Amortization Expense	1,154	1,112	1,315
Other Administrative Expense	8,482	9,036	9,263
Net Operating Income	9,940	11,985	10,495
Current Tax	2,508	3,016	2,309
Deferred Tax	(10)	69	(24)
Net Income	7,442	8,900	8,210

Note: Above financials are audited.

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2021	31/Mar/2022	31/Mar/2023
SOURCES OF FUNDS			
<u>Capital</u>			
Equity Capital	46,604	46,604	46,604
Reserves & Surplus	49,158	58,058	66,268
Total Equity	95,762	1,04,662	1,12,872
<u>Liabilities</u>			
<u>Short-Term Liabilities</u>			
Commercial Loans from banks/FI	1,39,496	1,87,026	1,64,913
Account payable & Other short-term liabilities	6,594	4,666	3,181
Total Short-Term Liabilities	1,46,090	1,91,692	1,68,094
<u>Long-Term Liabilities</u>			
<u>Long-Term Borrowings</u>			
Commercial Loans from banks/FI	1,90,364	1,87,333	1,21,853
Unsecured Loans from directors / friends / relatives	6,150	5,450	13,650
Total Long-Term Borrowings	1,96,514	1,92,783	1,35,503
Total Other Liabilities	3,42,604	3,84,475	3,03,597
Provision for Standard Assets	4,822	5,464	6,345
Other Provisions	1,483	1,655	-
TOTAL LIABILITIES	4,44,671	4,96,256	4,22,814

As on date	31/Mar/2021	31/Mar/2022	31/Mar/2023
APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Net Block	1,660	3,834	3,204
Cash and Bank Balances	1,940	23,459	488
Margin Money	53,105	50,500	55,370
<u>Loan Portfolio</u>			
Net Loan Portfolio	3,70,114	4,04,869	3,48,157
Accounts Receivable And Other Assets	14,508	10,647	12,823
Intangible Assets	836	508	308
Deferred Tax Asset	2,508	2,439	2,464
TOTAL ASSETS	4,44,671	4,96,256	4,22,814

Financial Ratios

Financial Ratios	31/Mar/2021	31/Mar/2022	31/Mar/2023
<u>Capital Adequacy Ratio (CAR)</u>			
Capital Adequacy Ratio (%)	25.17	25.51	31.49
<u>Productivity / Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	197	201	165
No. of Active Borrowers per field executives	328	270	388
No. of active borrowers per branch	985	937	751
Gross Portfolio o/s per field executive (Rs in thousands)	7710	8097	12,434
Average Outstanding Balance Per borrower (In Rs)	23477	30050	32,073
Cost Per Active borrower (In Rs)	2166	1864	2,065
<u>Asset / Liability Management</u>			
Yield on Portfolio (%) (Including BC)	25.84	22.00	22.00
Cost of Fund (COF) (%)	13.68	9.14	11.80
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	118.00	117.00	113.00
Operating Expense Ratio (OER) (%) (including BC)	9.24	8.22	8.20
Return on Assets (RoA) (%)	1.86	1.80	1.94
Portfolio at Risk (>30 days) (%)	2.40	3.37	1.98
Return on Equity (RoE) (%)	16.52	19.10	17.60
<u>Leverage Ratios</u>			
Total Outside Liabilities to Tangible Network Ratio (Times)	2.37	1.95	1.91
Debt/Equity Ratio (Times)	2.34	1.94	1.90

Grading Methodology

A) Operational Track Record

Business Orientation and Outreach of the MFI is an important parameter to gauge the growth strategies of the MFI and to assess its strategies for development. This parameter is analysed using the following sub-parameters.

- Direction & Clarity
- Ability to raise funds
- Degree of association with promoter institution
- Alternate avenues for funds
- Outreach (No. of offices, No. of clients, No. of employees, Portfolio diversification)

B) Promoters & Management Profile

The elements in this parameter helps in assessing the Promoter & management quality evaluated on the basis of the basic educational qualification, professional experience of the entrepreneur; and business attitude that is related to the motivation of carrying out the business and pursuing business strategies. This parameter is analysed using the following sub-parameters.

- Past experience of the management
- Vision and mission of the management
- Profile of the Board Members
- Policies and Processes
- Transparency and corporate governance

C) Financial Performance

SMERA analyses the credit worthiness of the organization through the following financial parameters. Various financial adjustments are done to get more accurate ratios for comparison. Financial analysis helps the MFI to know its financial sustainability. This parameter is analysed using the following sub-parameters.

- Capital adequacy
- Profitability/Sustainability ratios
- Productivity and efficiency ratios
- Gearing and Liquidity ratios

D) Asset Quality

The loan portfolio is the most important asset for any MFI. SMERA analyses the portfolio quality of the MFIs by doing ageing analysis, sectoral analysis, product wise analysis etc. SMERA compares the portfolio management system with organizational guidelines and generally accepted best practices. This parameter is analysed using the following sub-parameters.

- Ageing schedule
- Arrears Rate / Past Due Rate
- Repayment Rate
- Annual Loan Loss Rate

E) System & Processes

SMERA analyses the policies and processes followed by the MFIs, their ability to handle volume of financial transactions, legal issue and disputes, attrition among the employees and client drop out which impact the productivity of the organization. SMERA also analyses asset liability maturity profile of the MFI, liquidity risk and interest rate risk. This parameter is analysed using the following sub-parameters.

- Operational Control
- Management Information System
- Planning & Budgeting
- Asset Liability Mismatch

About SMERA Ratings

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

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