



SMERA MFI Grading

M3

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

SMERA MFI Grading

Belghoria Janakalyan Samity



To verify the grading, please scan the QR Code

Date of Report:

29th August 2020

Valid till:

28th August 2021

Conflict of Interest Declaration

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Historical Rating Grades

Date	Rating Agency	Rating/Grading
June 19, 2019	CARE	MFI 3+
March 09, 2018	CARE	MFI 3+

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	:	Belghoria Janakalyan Samity	
Operational Head – Microfinance Business	:	Name	Mr. Bishwajit Das
	:	Designation	Secretary & CEO
	:	Mobile No.	(91) – (9073950333)
	:	Email ID	ceo@bjsmfindia.com
	:	Date of Joining	April 19, 2006
Date of Incorporation/Establishment	:	April 19, 2006	
Date of commencement of microfinance business	:	June 20, 2006	
Legal Status	:	Society	
Business of the company	:	Microfinance Services Under Self help group model (SHG)	
Correspondence Address	:	AE – 592, Sector I, Salt Lake City, Kolkata – 700064 West Bengal India	
Geographical Reach (As on 30/June/2020)	:	No. of States	01
	:	No. of Districts	06
	:	No. of Branches	27
	:	No. of Active Borrowers	21,304
	:	No. of Total Employees	91
	:	No. of Field/Credit Officers	52
No. of Active Lenders (June 30, 2020)	:	09 lenders (including Banks and institutional lenders)	
Statutory Auditors	:	K.N. Jain & Co., Kolkata	

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	5,000 – 50,000	24.09	1.00	25.09
Education Loan	Loan for Education	10,000 – 50,000	20.00	1.00	21.00
Water & Sanitation Loan	Loan for Water and Sanitation activity	10,000 – 50,000	20.00	1.00	21.00

Capital Structure (as on March 31, 2020)

Authorized Capital	NA
Paid Up Capital	NA

Board of Director's/Promoter's Profile

Director Details		Profile
Name:	Mr. Satyabrata Chakraborty	Mr. Chakraborty has vast banking experience in different responsible positions. He worked as Deputy Manager, Branch Manager, Lead District Manager and Asst. Regional Manager in United Bank of India. Other than Banking services, Mr. Chakraborty worked as a Public Relation officer in Fertilizer Corporation of India and Department of Health, Govt. of India. 25 years of experience in banking sector and 10 years in microfinance sectors.
Designation:	President	
Qualification:	M. Sc. (Agri.)	
Name:	Mr. Sumit Banerjee	Mr. Banerjee is working as an "Assistant Coordinator" under the State Rural Development Agency (an Agency of the Panchayat & Rural Development Department, Govt. of West Bengal). Dedicated social worker and associated with many social development activities. He has 10 years of experience in Microfinance sector.
Designation:	Vice President	
Qualification:	M.Com.	
Name:	Mr. Bishwajit Das	Mr. Bishwajit Das is the Chief Promoter of BJS. He has started the journey of BJS in the 2006 with some other efficient and experienced professionals. Mr. Das has long 30 years of experience in Micro Finance and social development fields. In the early years of his career. Mr. Das received a good number of trainings from world famous organizations/ financial institutions like - UNITUS (Global Microfinance Accelerator), Access Development Services (ADS), ABN AMRO, Planet Finance. He has even acquired training from IIMB, Bangalore in November 2018. He has 31 years of experience.
Designation:	Secretary	
Qualification:	M.Com.	
Name:	Mr. Tapan Kumar Das	Mr. Das has over 36 years of extensive experience in various reputed positions in different organizations.
Designation:	Treasurer	
Qualification:	M. Com.	
Name:	Mr. Ranjit Kumar Datta	Mr. Datta has been rendering his services in the Socio-Economic Development of the poor and underprivileged community through implementation of different projects including Micro Credit Programs. He is associated with this sector of social
Designation:	Member	
Qualification:	M.A.	

		works since 1976 and particularly in microcredit sector since 2005. He has total 44 years of experience, including 15 years of experience in Microfinance.
Name:	Ms. Mary Banerjee	Ms. Banerjee worked as the Coordinator and Councillor of Gandhi Academy of Management Studies. She had worked even in the administrative department of Blue Bell Nursing Home. Presently she is a vocal and brand leader of famous band “Teetas” and working as Relationship Manager with E. F. Insurance Pvt. Ltd. She has total 26 years of experience, including 8 years of experience in microfinance.
Designation:	Member	
Qualification:	B.Com.	
Name:	Ms. Punam Shaw	She joined BJS as Office Executive in 2015. Presently she holds the position of Senior MIS Officer in BJS.
Designation:	Member	
Qualification:	M.A.	

Management Profile

Management Details		Profile
Name:	Mr. Bishwajit Das	30 years’ experience in microfinance and social development sectors. Prior to the working experience in BJS, Mr. Das worked in very renowned microfinance organizations.
Designation:	Chief Executive Officer	
Qualification:	M. Com.	
Name:	Mr. C. Ranjan Barai	23 years in Banking Operation, Client Services, Credit & Asset Risk Management & 6 years in microfinance and social development sectors.
Designation:	Head Business Development and Operations	
Qualification:	M. Pharm	
Name:	Mr. Sanjoy Chandra Das	16 years’ experience in MFI having exposure in field operations. He participated in the workshop of training of trainers (TOT) for capacity enhancement and up-gradation of training professionals in Micro Finance Sector organized by ‘AMFI-WB’.
Designation:	Sr. Program Manager	
Qualification:	B.A.	
Name:	Mr. Subhasish Dam	33 years of Banking experience in various positions at Branch level.
Designation:	Chief Finance Officer	
Qualification:	B. Sc., J.A.I.I.B.	
Name:	Mr. Santanu Sengupta	22 years of working experience in international development as well as microfinance sector. He has vast experience
Designation:	Head Internal Audit	
Qualification:	M.B.A.	

		in financial management including audit and administration in different managerial capacities.
Name:	Mr. Anirban Banerjee	He joined BJS in 2018 as Training Manager. Apart from Training he is also part of the Internal Control and Monitoring team.
Designation:	Training Manager	
Qualification:	B.Com. , M.B.A.	
Name:	Ms. Uttama Chakraborty	She has completed Master's in Business Administration with specialization in Human Resource Management. She is associated with BJS since 2012 as Human Recourse Officer and attended different trainings and seminars related to Human Resource Development.
Designation:	H.R. Officer	
Qualification:	M.B.A.	
Name:	Ms. Punam Shaw	Ms. Shaw is dedicated towards her jobs. She joined BJS as Office Executive in 2015. Presently she holds the position as Senior MIS Officer in BJS.
Designation:	Sr. MIS Officer	
Qualification:	M.A.	

Financial Snapshot (In Rs. Crores)

Particulars	31/03/2018	31/03/2019	31/03/2020
Total AUM (in Crores)	42.26	43.29	37.30
Total Equity (in Crores)	10.26	9.55	8.61
Total External Borrowings (in Crores) (Including loan from related parties)	40.03	41.88	38.21

Particulars	31/03/2018	31/03/2019	31/03/2020
Financial Revenue from Operations (in Crores)	10.26	11.47	10.45
Finance Expenses (in Crores)	4.71	5.88	5.38
Operating Expenses (in Crores)	3.81	3.98	3.71
Net Income (in Crores)	1.21	1.06	0.66

Particulars	31/03/2018	31/03/2019	31/03/2020
Cost of funds ratios (%)	11.74	14.36	13.43
Capital Adequacy Ratio (%)	22.45	23.38	23.34
Operational Self Sufficiency (%)	118.14	115.42	114.06
Operating Expense Ratio (OER) (%)	10.34	9.30	9.22
Portfolio at Risk (>30 days) (%)	0.92	0.42	0.62
Debt to Equity ratio (in times)	3.90	4.38	4.44

Highlights of Microfinance Operations

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	30/June/2020
No. of States	01	01	01	01
No. of Districts	06	06	06	06
No. of Branches	27	27	27	27
No. of Active Members	34,809	28,852	28,721	28,385
No. of Active Borrowers	29,825	24,736	21,674	21,304
No. of Total Employees	143	147	93	91
No. of Field/Credit Officers	93	93	53	52
No. of SHGs	2,347	2,253	2,503	2,503
No. of Individual Loans	-	-	-	-
Owned Portfolio				
Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	30/June/2020
Total loan disbursements during the year (in crore)	79.09	75.69	66.57	-
Total portfolio outstanding (in crore)	42.26	43.29	37.30	36.64

- **Loan utilisation schedule:**

Loan Utilisation	31/Mar/2018 (%)	31/Mar/2019 (%)	31/Mar/2020 (%)	30/June/2020 (%)
Agriculture	23.59	21.54	26.98	26.99
Cattle (animal husbandry)	5.83	5.13	4.88	4.82
Business	58.8	58.71	54.59	54.37
Small Transport	5.16	5.91	6.37	6.32
Small Cott. Industries	0.95	0.6	0.47	0.47
Service	1.19	3.69	2.5	2.51
Small Trading	1.49	1.38	1.18	1.18
Others	2.99	3.04	3.03	3.34
Total	100.00	100.00	100.00	100.00

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.

Long track record of operations and Extensive industry experience of promoters

- BJS began its journey in the year 2006 as a Non-Government, Non- Profitable organization for poverty alleviation and women empowerment, registered under West Bengal Societies Registration Act XXVI of 1961, Entity following SHG model of lending, BJS has been taking various initiatives like need based financial services for the upliftment of poor, BJS uses microfinance as a tool for poverty alleviation and empowerment of women to support poor community, especially women in attaining self-sufficiency.
- BJS is currently operating in Urban, Rural and semi-urban areas across North-24Pargans, Jalpaiguri, Alipurduar, Coochbehar, Murshidabad Districts of West Bengal, however almost ~66.67% branches are in North-Bengal with 27 branches serving 28,385 borrowers.
- BJS is governed by seven board members, the board members have extensive experience in the field of social development, Finance and microfinance segment.
- Mr. Bishwajit Das is the key person of the entity looking after day to day operations. He is also the Chief Promoter of BJS. He has started the journey of BJS in the 2006 with some other efficient and experienced professionals. Mr. Das has 30 years of experience in Micro Finance and social development fields. In the early years of his career. Mr. Das received a good number of trainings from world famous organizations/ financial institutions like - UNITUS (Global Microfinance Accelerator), Access Development Services (ADS), ABN AMRO, Planet Finance. He has even acquired training from IIMB, Bangalore in November 2018. He has 30 years of experience.
- BJS is governed by seven board members having vast experience in various development activities, rural livelihood management and microfinance field.
- Its core management team has an adequate understanding of MFI ecosystem with rich experience in microfinance and social development.

Moderate resource profile

Resource Profile	% (as on June 30, 2020)
Banks	74
FIs/NBFCs	26
Total	100.00

- As on June 30, 2020 BJS has developed funding relationships with 09 lenders, Total loan outstanding stood at Rs. 36.66 Cr. As on June 30,2020, the loan availed from Banks (PSU & Private) stood at Rs.27.13 Cr., which is 74% of the total loan outstanding and fund availed from NBFC's stood at Rs.9.53 Cr. Which is 26% of the total loan outstanding as on June 30,2020.
- The overall cost of funds (COF) stood at 13.43% in FY20 compare to 14.36% in FY19.
- Interest rate charged by NBFC's varies in between 15.25%-15.00%, and interest rate charged by Banks varies in between 14.50%-11.15%. All the loans are secured against ~10% cash collateral and hypothecation of book debt.

Healthy capitalisation and comfortable liquidity profile

- BJS has healthy capitalization marked by total equity capital of Rs. 8.61 crore as on March 31, 2020 as compared to Rs.9.55 crore in the previous year. Total corpus has declined due to offload of funds from Kiva-USA as per term sheet. Kiva USA has given the interest free fund as a sector building initiative, BJS has started repayment since March 2017 and the final installment made during FY20.
- Debt-Equity stood at 4.44 times as on March 31,2020 compare to 4.38 times as on March 31, 2019.
- As informed by management, collection efficiency in June was about ~39.20% and during July collection efficiency improved to 46.39% and in August its near about ~55%.
- BJS's capital adequacy ratio (CRAR) stood at 23.34% per cent as on March 31, 2020 compare to 23.38% as on March 31,2019.

Income and Profitability

Particulars	FY 2018	FY 2019	FY 2020
Net financial margin (In thousands)	53,818	55,105	50,031
Operating expenses (In thousands)	38,068	39,776	37,145
Operational Self Sufficiency (%)	118.14	115.42	114.06
Operating Expense Ratio (OER) (%)	10.34	9.30	9.22

- BJS has reported net profit of Rs. 66.13 lakhs on operating income of Rs. 10.45 Cr. in FY2020. In FY2019, BJS had reported net profit of Rs. 1.06 Cr. on operating income of Rs.11.47 Cr. Net profit has declined compare to the previous year mainly on account of declined in portfolio due conservative growth strategy during FY20 due to CAA, NRC as majority of the branches are in North-Bengal (~66.66%), further the company also has reduced the interest rate from 26% in FY18 to 24% in FY20.
- The operational self-sufficiency (OSS) of the company stood at 114.06% in FY2020 as compared to 115.42% in the previous year.
- The company's operating expense stood at 9.22% in FY2020, compare to 9.30% in FY19. BJS also involve into various social activities like financial literacy training, various programme for hardcore poor, Disaster management, BJS Shikhaniketan. Expenses for social activity expenses stood at Rs.62.84Lakhs in FY20 compare to Rs.47.88 lakhs in FY19.
- Yield on portfolio stood at 24.85% as on March 31, 2020 compare to 25.71% in FY19. Mainly on account of decline in the portfolio due to conservative growth during FY20 further it has reduced the interest from 26% to 24%. BJS has disbursed Rs.66.57 Cr. In FY20 compare to 75.69 Cr. In FY19.

High Geographical Concentration

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	30/June/2020
No. of States	01	01	01	01
No. of Districts	06	06	06	06
No. of Branches	27	27	27	27

- BJS is currently operating in 01 states in 06 districts with 27 branches with 28,721 borrowers.
- The single state concentration remained high at 100.00% as on March 31, 2020.
- In order to mitigate any potential risk arising out of geographical concentration, BJS 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
West Bengal	27	21,304	36.64	0.63	100.00
Total	27	21,304	36.64	0.63	100.00

- As on March 31, 2020, entire portfolio is concentrated in West Bengal accounting for 100.00%.

- 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.

Improved Productivity and efficiency of employees

Particulars	31/Mar/2018	31/Mar/2019	31/Mar/2020	30/June/2020
No. of States	01	01	01	01
No. of Districts	06	06	06	06
No. of Branches	27	27	27	27
No. of Active Members	34,809	28,852	28,721	28,385
No. of Active Borrowers	29,825	24,736	21,674	21,304
No. of Total Employees	143	147	93	91
No. of Field/Credit Officers	93	93	53	52
No. of SHGs	2,347	2,253	2,503	2,503
No. of Individual Loans	-	-	-	-

Financial Ratios	31/Mar/2018	31/Mar/2019	31/Mar/2020
No. of Active Borrowers Per Staff Member	209	168	233
No. of Active Borrowers per field executives	321	266	409
No. of members per Branch	1289	1069	1064
Gross Portfolio o/s per field executive (in thousands)	4544	4655	7037
Average Outstanding Balance per client (in Rs)	14,170	17,501	17,207
Cost per Active client	1276	1458	1601

- The company is currently operating in 27 branches servicing over 28,385 borrowers as on June 30, 2020.
- BJS 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.
- During FY20 many field staffs have been transferred from BJS to “WE GROW”, NBFC promoted by BJS promoters.
- The company would be required to register a consistent improvement in productivity whilst diversifying its operations.

Sound asset quality

- BJS has maintained sound asset quality with on-time repayment rate of 99.38% as on March 31, 2020.

Period	FY 2018	FY 2019	FY 2020
	Portfolio o/s (crore)	Portfolio o/s(crore)	Portfolio o/s (crore)
On-time (in crore)	41.87	43.09	37.07
1-30 days (in crore)	0.00	0.02	0.00
31-60 days (in crore)	0.02	0.03	0.04
61-90 days (in crore)	0.03	0.01	0.04
91-180 days (in crore)	0.13	0.04	0.09
181-360 days (in crore)	0.21	0.05	0.06
> 360 days (in crore)	0.00	0.05	0.00
Write-off (in crore)	6.09	6.61	7.08
Total	42.26	43.29	37.30
On-time (in %)	99.08	99.54	99.38
PAR 0-30 days (in %)	0.00	0.05	0.00
PAR >30 days (in %)	0.92	0.42	0.62
PAR >90 days (in %)	0.80	0.32	0.40

- PAR>30 days stood at 0.62% as on March 31, 2020, compare to 0.42% as on March 31, 2019.
- Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.
- Further management also informed that non-collection during national wide lockdown will be rescheduled as prescribed by RBI, so overdue portfolio will be considered as rescheduled accounts.

Adequate IT Systems Audit Mechanism

- BJS'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.
- **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

- BJS'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	1,02,574	1,14,736	1,04,533
Less - Financial expenses from operations	47,009	58,820	53,769
Gross financial margin	55,565	55,916	50,764
Provision for Loan Loss / Write off	1,747	811	733
Net financial margin	53,818	55,105	50,031
<u>Less - Operating Expenses</u>			
Personnel Expense	24,147	25,621	22,909
Depreciation and Amortization Expense	1,554	1,013	1,103
Other Administrative Expense	12,367	13,142	13,133
Non-Operating Income	77	58	11
Non-Operating Expenses	3,738	4,788	6,284
Net Income	12,089	10,599	6,613

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2018	31/Mar/2019	31/Mar/2020
SOURCES OF FUNDS			
Capital			
Total Equity	1,02,644	95,515	86,075
Liabilities			
Short-Term Liabilities			
Concessional Loan Bank/FI's	24,568	23,156	23,838
Account payable & Other short-term liabilities	2,028	3,258	4,189
Total Short-Term Liabilities	26,596	26,414	28,027
Long-Term Liabilities			
Long-Term Borrowings			
Commercial Loans from banks/FI	3,75,762	3,95,638	3,58,237
Total Long-Term Borrowings	3,75,762	3,95,638	3,58,237
Total Other Liabilities	4,02,358	4,22,052	3,86,264
Total Provisions	4,226	4,329	4,329
TOTAL LIABILITIES	5,09,228	5,21,896	4,76,668

Sub-Debt considered as a equity and declaration has been obtained from the management.

As on date	31/Mar/2018	31/Mar/2019	31/Mar/2020
APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Net Block	3,713	8,999	9,336
Cash and Bank Balances	15,097	7,950	20,799
Investment in FD	64,191	69,176	69,131
<u>Loan Portfolio</u>			
Net Loan Portfolio	4,22,609	4,32,904	3,72,953
Accounts Receivable and Other Assets	2,863	2,516	3,947
Intangible Assets	755	351	502
TOTAL ASSETS	5,09,228	5,21,896	4,76,668

Financial Ratios

Financial Ratios	31/Mar/2018	31/Mar/2019	31/Mar/2020
<u>Capital Adequacy Ratio (CAR)</u>			
Capital Adequacy Ratio (%)	22.45	23.38	23.34
<u>Productivity / Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	209	168	233
No. of Active Borrowers per field executives	321	266	409
No. of active borrowers per branch	1,289	1,069	1,064
Gross Portfolio o/s per field executive (Rs in thousands)	4,544	4,654	7,036
Average Outstanding Balance Per borrower (In Rs)	14,170	17,501	17,207
Cost Per Active borrower (In Rs)	65.00	63.30	57.00
<u>Asset / Liability Management</u>			
Yield on Portfolio (%)	26.77	25.71	24.85
Cost of Fund (COF) (%)	11.74	14.36	13.43
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	118.14	115.42	114.06
Operating Expense Ratio (OER) (%)	10.34	9.30	9.22
Return on Assets (RoA) (%)	3.56	2.97	2.58
Portfolio at Risk (>30 days) (%)	0.92	0.42	0.62
Return on Equity (RoE) (%)	-	15.47	14.19
<u>Leverage Ratios</u>			
Total Outside Liabilities to Tangible Network Ratio (Times)	3.92	4.42	4.49
Debt/Equity Ratio (Times)	3.90	4.38	4.44

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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