



## **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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**Humana Financial Services Private  
Limited**



To verify the grading, please scan the QR Code

***Date of Report:***

***18<sup>th</sup> March, 2024***

***Valid Till:***

***17<sup>th</sup> March, 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.

## Disclaimer

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## Historical Rating Grades

Date	Rating Agency	Rating/Grading
May 24, 2023	Acuite Ratings & Research Limited	BBB- stable
January 05, 2023	M-CRIL	Alpha -
December 24,2019	CRISIL Ratings Limited	BB/Stable
December 19,2018	ICRA Analytics Limited	M3+
August 30,2017	SMERA	M4

## 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.
<b>M3</b>	<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	:	Humana Financial Services Private Limited(HFSPL)	
Operational Head – Microfinance Business	:	Name	Mr. Raj Kumar Singh
	:	Designation	Chief Executive Officer
	:	Mobile No.	9560418119
	:	Email ID	<a href="mailto:rajkumar@humanafinancial.com">rajkumar@humanafinancial.com</a>
	:	Date of Joining	June 01 , 2020
Date of Incorporation/Establishment	:	July 08, 2016	
Date of commencement of microfinance business	:	February 01, 2018	
Legal Status	:	NBFC – MFI	
Business of the company	:	Microfinance Operation using JLG (Joined Liability Group) model	
Correspondence Address	:	Second Floor, 111-9, Near Primary School, Kishangarh, Vasant Kunj, New Delhi, 110070 India	
Geographical Reach (As on 31/Dec/2023)	:	No. of States	3
	:	No. of Districts	20
	:	No. of Branches	33
	:	No. of Active Borrowers	61,237
	:	No. of Total Employees	309
	:	No. of Field/Credit Officers	167
No. of Lenders	:	19 Lenders (5 Banks & 14 NBFCs)	
Statutory Auditors	:	NSB & Associates	

## 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)
JLG Loan	Income Generating Loan	20,000 – 80,000	26.00	1.00	27.00
JLG Loan	Wash Loan	20,000 – 80,000	26.00	1.00	27.00

## Capital Structure as of 31/Dec/2023

Authorized Capital	Rs. 15.00 crore
Paid Up Capital	Rs. 10.08 crore

## Shareholding Pattern (as on 31/Mar/2023)

Name of Proprietor/ Partner / Shareholders	Shares in %
Humana Trust For Financial Inclusion & Development	84.14
Manoj Kumar Singh	0.05
Humana & Planetaid Finance SA	15.81
<b>Total</b>	<b>100.00</b>

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

Director Details		Profile
Name:	Mr. Sanjeev Bhatt	Sanjeev Bhatt serves as a director on the board of Humana People to People India since 2001. He is heading the Grant Administration team. his association with HPPI started in 1998 as a program officer for the first Community Development project in Alwar District, Rajasthan. Sanjeev was part of initiating the microfinance program in HPPI and started the first rural water supply scheme under Sector Reform Project of Rajiv Gandhi National Drinking Water Mission in Alwar Rajasthan. He was commemorated with the Indian Achievers Award for Social Service for his voluntary contributions to social service at the 15th National Seminar on Emerging India.
Designation:	Director	
Qualification:	M.Sc.	
Name:	Mr. Ashish Kumar Gupta	Mr. Ashish Kumar Gupta has got a varied experience in the field of microfinance and livelihoods promotion while working in varying organizational set-ups viz NGO, Government Project, Development Company, Microfinance Institutions, Consultancy set-ups, Self-promoted Enterprise, etc. He presently runs a self-promoted organization called 'Jeevika Livelihoods Support Organisation' along with freelancing as a consultant in the fields of livelihoods promotion and microfinance. Earlier, he co-promoted 'SONATA Finance Private Limited', 'Microfinance Focus' and 'Bihar Development Trust'. He was also the first CFO of SV Creditline Pvt Ltd. Ashish is a graduate from Institute of Rural Management, Anand (IRMA) and has also attended a Program on 'Strategic Leadership in Microfinance' in Harvard Business School.
Designation:	Independent Director	
Qualification:	Graduation	
Name:	Mr. Kailash Khandelwal	Mr. Kailash has 21 years of experience in development sector. Kailash joined Humana People to People India in year 2000 as a Senior Program Officer in Community Development Project and joined the Board of Directors in 2012. One of the four board members of HPPI and a Vice Chairman for Humana People to People Microfinance, Kailash functions as a National Program
Designation:	Managing Director	
Qualification:	B.A.	

		Manager and working on complex projects in rural livelihood and community development with core focus on administration, economy overview, capacity building and partnership liaison with government
Name:	Mr. Ashok Kumar Pahwa	More than 38 Years of experience in a leading Public Sector bank. Retired as Assistant General Manager Indian Overseas Bank with a business mix of more than 4000 crores. Business handled was large corporate ,mid Corporate ,SME & retail banking , Project Finance ,Housing loans ,Loans against property, Mortgages and business loans, Audit, Compliance, Operations , compliance as per RBI and statutory authority guidelines and liaison work as well.
Designation:	Independent Director	
Qualification:	PG(Economics, CAIIB)	

#### SMERA Observations:

- HFSPL has four-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		Profile
Name:	Mr. Kailash Khandelwal	Mr. Kailash has 21 years of experience in development sector. Kailash joined Humana People to People India in year 2000 as a Senior Program Officer in Community Development Project and joined the Board of Directors in 2012. One of the four board members of HPPI and a Vice Chairman for Humana People to People Microfinance, Kailash functions as a National Program Manager and working on complex projects in rural livelihood and community development with core focus on administration, economy overview, capacity building and partnership liaison with government
Designation:	Managing Director	
Qualification:	B.A.	
Name:	Mr. Raj Kumar	Mr. Raj Kumar Singh holds Post Graduate degree in Social Works and degree in Law from Lucknow University. He holds 22 years of experience in the Social Works and Financial inclusion, prior to joining Humana Financial Services Private Limited as Chief Executive Officer. He started his career with Humana People to People India in 2001 and his last position was General Manager. His quest for welfare of marginal women through financial inclusion started in 2007, when HPPI started its microfinance operations. He took overall responsibility of managing the growth of the Microfinance division, organically and inorganically with highest efficiency. He spearheaded the growth of HPPI from single city operations, with limited-service offerings to North India foothold. Under his leadership, HPPI has grown into one of the leading microfinance institutions in the North India and later on moved its business to Humana Financial Services Private Limited, incorporated specially to operate in Microfinance finance business and played important role in evolving of HFSPL as force to reckon with and is poised. He was also associated with HFSPL advisor/guide to senior executives of the company to further expand its operations across the country.
Designation:	CEO	
Qualification:	LLB	
Name:	Aparna Maheshwari	Aparna Maheshwari is an Associate Member of the Institute of Company Secretaries of India. She has several years of experience in the Company Secretarial Compliances and NCLT Matters. She is also a Law graduate and has done Masters in
Designation:	Company Secretary	
Qualification:	CS	



		Commerce. She is always keen on learning new and emerging issues on financial, secretarial and legal matters.
Name:	Mr. Sudhanshu Shekhar	Mr. Sudhanshu has Post Graduation Diploma in Rural management from XIM, Bhubaneswar and degree in Bachelor of Arts from JNU. He has over 18 years microfinance experience, has worked in reputed entities such M-CRIL, BASIX, Intellicap, GE Capital, KAS Foundation and others in areas of operations, consulting and fund raising.
Designation:	Lead (Funding & Corporate Strategy)	
Qualification:	MBA	
Name:	Mr. Krishan Kumar Sharma	Mr. Krishan is MBA-Finance graduate and has 12 years of microfinance operations experience. He has been associated with the company since the inception of the microfinance. He has worked as Branch Manager, Area Manager, Regional Manager and now as Operations Head. He has international exposure of livelihood projects across latin America and Africa
Designation:	COO	
Qualification:	MBA	
Name:	Mrs. Shrashti Gupta	Mrs. Shrashti Gupta has done MBA in the field of Finance & HR, she is having experience in the field of internal audit & supply & compliance chain. She is having experience of over 6 yrs.
Designation:	Senior Partnership-Officer	
Qualification:	MBA (Finance & HR)	
Name:	Mr. Avanish Singh	Post Graduate Diploma in IT & Software development, engaged with HFSPL since inception. Has 6 years of experience in Software & Development sectors. He has recently developed in house software for HFSPL.
Designation:	Chief Manager – IT	
Qualification:	PGDBM-IT	
Name:	Mr. Vikas Chauhan	Degree in M. Com and has 10 Years of in-depth experience at different hierarchy of Account and Finance Field.
Designation:	Accounts Head	
Qualification:	M. Com	
Name	Mr. Suman Yadav	A graduate in Science, Suman has eight years of experience in developing and implementing risk management policies. Proficient at evaluating risk for significant transactions, analyzing business processes to determine business risk appetite, and developing reports. He specializes at conducting audits to determine compliances with risk policies, reports directly to Risk Management Committee and Audit Committee.
Designation	Audit -Head	
Qualification:	BA	
Name	Ms. Shabnam Sheikh	Ms. Shabnam has done BA and she has four years of experience in the field of manpower planning, recruitment& training, payroll preparation, Labour Law compliance. She leads the entire HR
Designation	HR Head	
Qualification:	MBA(HR)	

		process of the company
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#### SMERA Observations:

- HFSPL'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.
- HFSPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.

#### Financial Snapshot (In Rs. Crores)

Particulars	31/03/2021	31/03/2022	31/03/2023
Total AUM (in Crores)	138.05	140.35	148.54
On Balance Sheet Portfolio Outstanding (in Crores)	45.18	48.29	76.58
Managed Balance Sheet (in Crores)	92.87	92.06	71.97
Securitized Portfolio (in Crores)	0.00	0.00	0.00
Total Net Worth (in Crores)	17.60	20.12	23.56
Total External Borrowings (in Crores)	44.19	39.81	68.17

Particulars	31/03/2021	31/03/2022	31/03/2023
Financial Revenue from Operations (in Crores)	16.32	18.47	23.67
Finance Expenses (in Crores)	5.12	5.20	7.34
Operating Expenses (in Crores)	7.91	8.41	9.62
Net Operating Income (in Crores)	1.86	1.27	2.85
Net Income(After Taxes and Extraordinary items) (in Crores)	1.06	0.89	2.15

Particulars	31/03/2021	31/03/2022	31/03/2023
Cost of funds ratios (%)	12.60	10.77	9.58
Capital Adequacy Ratio (%)	37.84	37.10	27.44
Operational Self Sufficiency (%)	125.12	137.03	140.52
Operating Expense Ratio (OER) (%)	6.43	6.04	6.66
Portfolio at Risk (>30 days) (%)	7.74	2.81	0.83
Debt to Equity ratio (in times)	2.51	1.98	2.89

## **Highlights of Microfinance Operations**

<b>Particulars</b>	<b>31/Mar/2021</b>	<b>31/Mar/2022</b>	<b>31/Mar/2023</b>	<b>31/Dec/2023</b>
No. of States	3	3	3	3
No. of Districts	14	14	15	20
No. of Branches	23	23	26	33
No. of Active Members	64,889	58,837	56,656	61,237
No. of Active Borrowers	64,889	58,837	56,656	61,237
No. of Total Employees	237	248	253	309
No. of Field/Credit Officers	124	135	132	167
No. of JLGS	64,889	58,837	56,656	61,237
No. of Individual Loans	0	0		0
<b>Owned Portfolio</b>				
<b>Particulars</b>	<b>31/Mar/2021</b>	<b>31/Mar/2022</b>	<b>31/Mar/2023</b>	<b>31/Dec/2023</b>
Total loan disbursements during the year (in crore)	38.55	42.12	74.87	62.76
Total portfolio outstanding (in crore)	45.18	48.29	76.58	83.51
<b>BC/Managed Portfolio</b>				
<b>Particulars</b>	<b>31/Mar/2021</b>	<b>31/Mar/2022</b>	<b>31/Mar/2023</b>	<b>31/Dec/2023</b>
Total loan disbursements during the year (in crore)	70.18	75.96	58.24	73.77
Total portfolio outstanding (in crore)	92.87	92.06	71.97	93.90

## 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

- Humana Financial Services Pvt. Ltd. (HFSPL) is a private company registered on July 08, 2016 and Reserve Bank of India granted Non-Banking financial company – MFI license on August 04, 2017. The purpose of setting up this entity is to attribute primarily to bring necessary professional and regulatory framework to rapidly scale up microfinance operations. It allows the entity to raise equity from the commercial and impact investors and also assist the Board to raise funds from the commercial loan market. The parent company of HFSPL, Humana People to People India (HPPI) is a development organization established on 21st of May, 1998 and is registered as a Not-for-profit Company under the Companies Act, 1956 – Section 25. Works in partnership with more than 60 partners including government sector (State & Central Governments, private corporations and international funding agencies. HPPI implements various projects in the areas of education, health, livelihood, microfinance and environment ac
- HFSPL has four-member board. Board members have adequate experience in microfinance, Banking and development sectors.
- HFSPL'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.
- HFSPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.

## Diversified resource profile

Resource Profile	% (as on 31/Dec/2023)
Banks	40.97
FIs/NBFCs	59.03
<b>Total</b>	<b>100.00</b>

- As on Dec 31, 2023 HFSPL has developed funding relationships with 19 lenders (including PSU/Private Banks and Financial Institute). The cost of funds (COF) for HFSPL stood low at 9.58% as on 31st March, 2023; it has decreased from 10.77% recorded as on 31st March, 2022. Most of borrowings were drawn at lower cost.
- Leverage of the company stood comfortable at 2.89 times in as on 31st March, 2023; it stood stable at 1.98 times as on 31st March, 2022. Further company has infused equity of Rs.1.00 crore in the form of CCD in the month of February 2024 from M Swasth.

## Adequate capitalisation and comfortable liquidity profile

- HFSPL has adequate capitalization marked by capital adequacy ratio (CRAR) of 27.44% as on March 31, 2023; from 37.10% recorded as on 31<sup>st</sup> March, 2022. CRAR is more comfortable than

the RBI stipulated CRAR for NBFC-MFI of 15 per cent. HFSPL's total equity capital has increase to Rs. 23.56 crore as on March 31, 2023 as compared to Rs. 20.12 crore in the previous year.

- HFSPL's 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.
- However regular flow of funds is critical to maintain the projected growth and the same would have a key bearing on its liquidity profile.

### Improved Income and Profitability

Particulars	FY 2021	FY 2022	FY 2023
Net financial margin (In thousands)	97,739	96,746	1,24,611
Operating expenses (In thousands)	79,148	84,088	96,152
Operational Self Sufficiency (%)	125.12	137.03	140.52
Operating Expense Ratio (OER) (%)	6.43	6.04	6.66

- HFSPL has reported net profit of Rs. 2.15 crore on operating income of Rs. 23.67 crore in FY2023. In FY2022, HFSPL had reported net profit of Rs. 0.88 crore on operating income of Rs. 18.47 crore. However, profit after provision written back stood at Rs.3.45 crore including provision written back of Rs.1.29 crore for FY23 and for FY22 it is stood at Rs.2.52 crore including provision written back amount of Rs.1.63 crore.
- Total AUM of HFSPL has increased from Rs.138.05 crore as on March 31, 2021 to Rs. 177.40 crore as recorded on Dec 31, 2023.
- The operational self-sufficiency (OSS) of the company stood stable at 140.52% in FY2023 as compared to 137.03% in the previous year. The company's operating expense stood at 6.66% in FY 2023.

### Moderate geographical presence

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Dec/2023
No. of States	3	3	3	3
No. of Districts	14	14	15	20
No. of Branches	23	23	26	33

- HFSPL has moved its operations to 3 states over the years and has increased no. of branches to 33 in 20 districts of 3 different states as on December 31, 2023.
- Further as informed by the management HFSPL has a plan to open new branches in Bihar by next financial year.
- More than 40% of the portfolio is concentrated in Rajasthan. However, 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, HFSPL has been diversifying its presence across states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Haryana	7	14,164	39.97	0.53	22.53
Rajasthan	12	26,510	76.36	0.86	43.04
Uttar Pradesh	14	20,563	61.08	0.89	34.43
<b>Total</b>	<b>33</b>	<b>61,237</b>	<b>177.41</b>	<b>2.28</b>	<b>100.00</b>

*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	3	3	3	3
No. of Districts	14	14	15	20
No. of Branches	23	23	26	33
No. of Active Members	64,889	58,837	56,656	61,237
No. of Active Borrowers	64,889	58,837	56,656	61,237
No. of Total Employees	237	248	253	309
No. of Field/Credit Officers	124	135	132	167
No. of JLGS	64,889	58,837	56,656	61,237
No. of Individual Loans	0	0		0

Financial Ratios	31/Mar/2021	31/Mar/2022	31/Mar/2023
No. of Active Borrowers Per Staff Member	274	237	224
No. of Active Borrowers per field executives	523	436	429
No. of members per Branch	2,821	2,558	2,179
Gross Portfolio o/s per field executive (in thousands)	11,133	10,396	11,253
Average Outstanding Balance per client (in Rs)	21,275	23,854	26,218
Cost per Active client	1,236.14	1,484.20	1,634.23

- HFSP's field productivity remains average in comparison to its peers; 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.

### Sound asset quality

- HFSPL has maintained sound asset quality with on-time repayment rate of 97.00% as on Dec 31, 2023 as compared to 96.84% as on March 31, 2022.

Period	FY 2021	FY 2022	FY 2023	Dec 31, 2023
	Portfolio o/s	Portfolio o/s	Portfolio o/s	Portfolio o/s
On-time (in crore)	124.96	135.91	147.16	172.08
1-30 days (in crore)	2.40	0.50	0.14	1.29
31-60 days (in crore)	1.63	0.50	0.10	0.84
61-90 days (in crore)	1.52	1.45	0.09	0.67
91-180 days (in crore)	4.54	1.54	0.41	1.57
181-360 days (in crore)	2.95	0.42	0.64	0.69
> 360 days (in crore)	0.05	0.02	-	0.26
Write-off (in crore)	0.11	2.30	0.94	0.58
<b>Total</b>	<b>138.05</b>	<b>140.34</b>	<b>148.54</b>	<b>177.40</b>
On-time (in %)	90.52	96.84	99.07	97.00
PAR 0-30 days (in %)	1.74	0.36	0.09	0.73
Total Portfolio PAR >30 days (in %)	7.74	2.80	0.83	2.27
PAR >90 days (in %)	5.46	1.41	0.71	1.42

*\*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 0.73% as on Dec 31, 2023 as compared to 0.36% as on March 31, 2022. The PAR >30 days has improved to 2.27% as on Dec 31, 2023 as compared to 2.80% as on March 31, 2022.
- 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**

- HFSPL'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 uses customized software "AVASAM" to maintain its MIS in Head Office and branches.
- **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**

- HFSPL'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)

Particulars	FY 2021	FY 2022	FY 2023
Months	12	12	12
<b>Financial revenue from operations</b>	<b>1,63,220</b>	<b>1,84,739</b>	<b>2,36,727</b>
Less - Financial expenses from operations	51,247	51,988	73,403
<b>Gross financial margin</b>	<b>1,11,973</b>	<b>1,32,751</b>	<b>1,63,324</b>
Provisions	14,234	36,005	38,713
<b>Net financial margin</b>	<b>97,739</b>	<b>96,746</b>	<b>1,24,611</b>
<b><u>Less - Operating Expenses</u></b>			
Personnel Expense	56,291	62,862	67,420
Depreciation and Amortization Expense	1,004	1,264	1,095
Other Administrative Expense	21,853	19,962	27,637
<b>Net Operating Income</b>	<b>18,591</b>	<b>12,658</b>	<b>28,459</b>
Current Tax	7,736	3,962	7,474
Deferred Tax	-129	-172	-44
Extraordinary Items	353	5	-515
<b>Net Income</b>	<b>10,631</b>	<b>8,863</b>	<b>21,544</b>

*Note: Above financials are audited.*

## Balance Sheet (Rs in Thousands)

As on date	31/Mar/2021	31/Mar/2022	31/Mar/2023
<b>Sources of funds</b>			
<b><u>Capital</u></b>			
Total Equity	1,75,957	2,01,154	2,35,637
<b><u>Liabilities</u></b>			
<b><u>Short-Term Liabilities</u></b>			
Commercial Term Loans from Banks/FI	3,28,312	2,65,222	3,96,807
Account payable & Other short-term liabilities	7,952	16,138	23,229
<b>Total Short-Term Liabilities</b>	<b>3,36,264</b>	<b>2,81,360</b>	<b>4,20,036</b>
<b><u>Long-Term Liabilities</u></b>			
<b><u>Long-Term Borrowings</u></b>			
Commercial Loans from Banks/FI	1,13,575	1,32,852	2,84,853
<b>Total Long-Term Borrowings</b>	<b>1,13,575</b>	<b>1,32,852</b>	<b>2,84,853</b>
<b>Total Other Liabilities</b>	<b>4,49,839</b>	<b>4,14,212</b>	<b>7,04,889</b>
Provision for Loan Loss	37,966	21,632	8,693
Other Provisions	7,736	3,962	7,475
<b>TOTAL LIABILITIES</b>	<b>6,71,498</b>	<b>6,40,960</b>	<b>9,56,694</b>

As on date	31/Mar/2021	31/Mar/2022	31/Mar/2023
<b>APPLICATION OF FUNDS</b>			
<b><u>Fixed Assets</u></b>			
<b>Net Block</b>	2,470	1,827	2,636
Investments	0	0	20,000
Cash and Bank Balances	89,758	21,764	40,502
Security Deposits	85,750	81,412	98,606
<b><u>Loan Portfolio</u></b>			
<b>Net Loan Portfolio</b>	<b>4,51,833</b>	<b>4,82,896</b>	<b>7,65,812</b>
Accounts Receivable and Other Assets	41,545	52,746	28,779
Deferred Tax Asset	142	315	359
<b>TOTAL ASSETS</b>	<b>6,71,498</b>	<b>6,40,960</b>	<b>9,56,694</b>

## Financial Ratios

Financial Ratios	31/Mar/2021	31/Mar/2022	31/Mar/2023
<b><u>Capital Adequacy Ratio (CAR)</u></b>			
Capital Adequacy Ratio (%)	37.84	37.10	27.44
<b><u>Productivity / Efficiency Ratios</u></b>			
No. of Active Borrowers Per Staff Member	274	237	224
No. of Active Borrowers per field executives	523	436	429
No. of active borrowers per branch	2,821	2,558	2,179
Gross Portfolio o/s per field executive (Rs in thousands)	11,133	10,396	11,253
Average Outstanding Balance Per borrower (In Rs)	21,275	23,854	26,218
Cost Per Active borrower (In Rs)	1,236.14	1,484.20	1,634.23
<b><u>Asset / Liability Management</u></b>			
Yield on Portfolio (%) (Including BC)	22.87	20.07	22.18
Cost of Fund (COF) (%)	12.60	10.77	9.58
<b><u>Profitability / Sustainability Ratios</u></b>			
Operational Self Sufficiency (%)	125.12	137.03	140.52
Operating Expense Ratio (OER) (%) (including BC)	6.43	6.04	6.66
Return on Assets (RoA) (%)	1.58	3.93	4.26
Portfolio at Risk (>30 days) (%)	7.74	2.80	0.83
Return on Equity (RoE) (%)	6.04	13.36	15.66
<b><u>Leverage Ratios</u></b>			
Total Outside Liabilities to Tangible Networth Ratio (Times)	2.56	2.06	2.99
Debt/Equity Ratio (Times)	2.51	1.98	2.89

## 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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