



## **SMERA Comprehensive Grading**

**M4C3**

*(Average capacity of the  
MFI to manage its  
operations in a  
sustainable manner and  
Average performance  
on code of conduct  
dimensions)*

## **SMERA Comprehensive Grading**

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Humana Financial Services Private Limited



To verify the grading, please scan the QR code

***Date of Report:***

**29/Feb/2020**

***Valid till:***

**27/Feb/2021**

## SMERA's MFI Comprehensive Grading Scale

The grading is done on 8 x 5 matrix. The matrix assesses the entity on two broad parameters:

- Capacity to manage their microfinance operations in a sustainable manner
- Performance on COCA dimensions

Scale	C1	C2	C3	C4	C5
M1					
M2					
M3					
M4			<b>M4C3</b>		
M5					
M6					
M7					
M8					

The MFI obtains comprehensive MFI grading of “**M4C3**”. It signifies **Average** capacity of the MFI to manage its operations in a sustainable manner and **Average** performance on code of conduct dimensions.



To Verify the Grading, please scan the QR code

## Grading Rationale

<b>Microfinance Capacity Assessment Grade</b>	HF SPL Microfinance obtains “ <b>M4</b> ” as its performance grade which signifies “Average capacity of the organization to carry out its activities in a sustainable manner”.
<b>Code of Conduct Assessment Grade</b>	HF SPL Microfinance obtains “ <b>C3</b> ” as its Code of Conduct Assessment Grade which signifies “Average performance on COCA dimensions”.

*Comprehensive MFI Grading provides opinion of the Rating Agency on MFI’s capacity to carry out its microfinance operations in a sustainable manner and its adherence to Industry code of conduct. MFI Capacity Assessment Grading has been done on the dimensions of **Capital Adequacy, Governance, Management Quality and Risk Management Systems**. Assessment on Code of Conduct has been done on the indicators pertaining to **Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing**. Some of these indicators have been categorized as Higher Order indicators consisting of indicators on **Integrity and Ethical Behaviour and Sensitive Indicators**.*

*Disclaimer: MFI grading is not a comment on debt servicing ability, not a buy-sell recommendation and must not be used for raising fund.*

## 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 comprehensive 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

SMERA's Ratings / Gradings / Due Diligence and other credit assessment related services do not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a buyer's or lender's independent assessment. Rating / Grading / Due Diligence are based on the information provided by the rated entity and obtained by SMERA from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true and correct, SMERA makes no representation or warranty, expressed or implied with respect to the accuracy, adequacy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability, whatsoever, for any direct, indirect or consequential loss of any kind arising from the use of its Ratings / Gradings / Assessments.

## Historical Rating Grades

Date	Rating Agency	Rating/Grading
19-Dec-2018	ICRA	M3+
24-Dec-2019	CRISIL	BB/Stable
30-Aug-2017	SMERA	M4

## Microfinance Capacity Assessment Grading Symbols and Definitions

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
<b>M4</b>	<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

## Code of Conduct Assessment Scale and Definitions

Grading Scale	Definitions
C1	<b>Excellent</b> performance of the MFI on Code of Conduct dimensions
C2	<b>Good</b> performance of the MFI on Code of Conduct dimensions
<b>C3</b>	<b>Average</b> performance of the MFI on Code of Conduct dimensions
C4	<b>Weak</b> performance of the MFI on Code of Conduct dimensions
C5	<b>Weakest</b> performance of the MFI on Code of Conduct dimensions

## Company Fact Sheet

Name of the MFI	:	Humana Financial Services Private Limited	
Operational Head – Microfinance Business	:	Name	Mr. Kailash Khandelwal
		Designation	Managing Director
		Mobile No.	(91) (9310939791)
		Email ID	md@humanamicrofinance.org
Date of Incorporation/Establishment	:	July 08, 2016	
Date of commencement of microfinance business	:	Jan 01, 2018	
Legal Status	:	NBFC – MFI	
Business of the company	:	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	:	111/9Z, Kishangarh, Aruna, Asaf Ali Marg, Vasant Kunj, New Delhi, 110070 Delhi	
Geographical Reach (As on 31/Mar/2019)	:	No. of States	03
		No. of Districts	13
		No. of Branches	23
		No. of Active Borrowers	62,635
		No. of Total Employees	217
		No. of Field/Credit Officers	125
No. of Lenders	:	09 lenders (including Banks and Institutional lenders)	
Statutory Auditors	:	NSB & Associates , Delhi	

### Background:

Humana Financial Services Private Limited (HFSPL) is a private limited company has received NBFC-MFI licence on July 08, 2016. Humana people to people India (Section 25 company), the parent company of HFSPL, has been carrying microfinance activities since 2007 Including Microfinance, the parent company is also involved in implementing project in the areas of education, health, livelihood, and environment.

Currently HFSPL is operating in 3 states – Haryana, Rajasthan, and Uttar Pradesh, and the portfolio is well diversified among 3 states, as on Dec 31, 2020 the AUM stood at 120.49 Crs. including own portfolio of Rs. 34.46 Crs and BC portfolio of Rs. 86.03 Crs.

## Product Profile

Product	Description	Loan size (Rs.)	Repayment ( in Months)	Interest Rate (In %) Reducing Balance	Processing Fees (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Income Generation Loan	Loan for Income Generating Activity	20,000 – 40,000	Bi-Weekly	25.35	1.00	26.35

## Capital Structure as of 31/Dec/2019

<b>Authorized Capital</b>	Rs. 15.00 crore
<b>Paid Up Capital</b>	Rs. 8.55 crore

## Shareholding Pattern (as on Dec 31, 2019)

Equity Shares	
Shareholders	% Holding
Humana Trust For Financial Inclusion & Development	81.30
Manoj Kumar Singh	0.06
Humana And Planetaid Finance SA	18.64
<b>Total</b>	<b>100.00</b>

## Promoters/Directors Profile

Director Details		Profile
Name:	Mr. Kailash Khandelwal	He 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:	Ms. 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 outstanding voluntary contributions to social service at the 15th National Seminar on Emerging India.
Designation:	Director	
Qualification:	M.Sc.	
Name:	Ms. Ashok Kumar Pahwa	More than 38 Years of service in a leading Public Sector bank. Retired as Assistant General Manager Indian Overseas Bank. 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:	P.G. (Economics, C.A.I.I.B.)	



### SMERA Observations:

- HFSPL has three-member in the board. Board members have strong experience in microfinance, banking, finance, risk and development sectors.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective.

### Management's Profile

Management Details		Profile
Name:	Mr. Sudhanshu Shekhar	He has over 18 years microfinance experience, has worked in M-CRIL, BASIX, Intellectap, GE Capital, KAS Foundation and others in areas of operations, consulting and fund raising
Designation:	Partnership - Head	
Qualification:	M.B.A.	
Name:	Ms. Krishan Kumar Sharma	He 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, and Regional Manager and now working as an Operations Head. He has international exposure of livelihood projects across latin America and Africa.
Designation:	C.O.O.	
Qualification:	M.B.A.	
Name:	Ms. Shamim Akhter	He has eight years of experience in Microfinance at different entities such as Tarashna, Ujjivan, Share Microfin, Aye Finance and Humana Microfinance. He has worked in different roles such as Branch Manager & Regional Manager under both BC and own portfolio.
Designation:	Partnership – Officer	
Qualification:	M.B.A.	
Name:	Ms. Avanish Singh	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 – I.T.	
Qualification:	P.G.D.B.M.-I.T.	
Name:	Mr. Yogesh Arora	He has 13 Years of experience at different hierarchy of Account and Finance Field. He has a exposure in Taxation (Income Tax & GST), Audit (Statutory and Internal), and other statutory compliances (FCRA, RBI, ECB, etc). Under his leadership, financial statements of the company for last 5 years has been prepared. Presently leading a team of 15 people of Humana Financial Services
Designation:	Assistant Manager - Accounts	
Qualification:	M.Com.	

		Private Limited (NBFC-MFI) and Humana People to People India (Micro Finance Division) collectively and is responsible for the daily, weekly and monthly data analysis, reporting and controlling books of accounts for both the group entities.
Name:	Mr. Suman Yadav	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:	B.A.	
Name:	Mr. Poonam Rawat	HR-MBA Graduate with four years of experience in the field of manpower planning, recruitment & training, payroll preparation, ESIC compliance.
Designation:	H.R Assistant	
Qualification:	M.B.A.	

## Compliance with RBI's Directives for MFIs

RBI's Direction	HFSPLs Status	Compliance
85% of total assets to be in the nature of qualifying assets	"Qualifying Asset" stood at 91.22% as on Sept 30, 2019.	Complied
Net worth to be in excess of Rs 5 Crore	Net worth of HFSPL stood at Rs. 9.43 Crore as on Sept 30, 2019	Complied
Income of borrower not to exceed Rs 100,000 in the rural areas and Rs 160,000 in the urban and semi-urban areas*	HFSPL extends loans to households whose income does not exceed Rs 100,000 in rural and Rs 160,000 in urban areas.	Complied
Loans size not to exceed Rs 60,000 in first cycle and Rs 100,000 in subsequent cycles*	HFSPL offers loan in the range of Rs 30,000 to Rs 50,000 depending on client repayment capacity, type of activity etc.	Complied
Total indebtedness of the borrower not to exceed Rs 100,000 (excl medical and education loans)*	Apart from taking declaration from the client, HFSPL conducts credit check on the loans outstanding through credit bureaus.	Complied
Tenure of loans not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty*	Tenure of loans is not less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty.	Complied
Pricing guidelines are to be followed	Loans are provided at a rate of 25.34% on reducing balance basis which meets the RBI criteria.	Complied
Transparency in interest rates to be maintained	Interest, Processing fees and insurance premium charged are duly mentioned in the loan card provided to the client.	Complied
Not more than two MFIs lend to the same client	HFSPL verifies the same through credit check from credit bureaus.	Complied

<b>RBI's Direction</b>	<b>HFSPLs Status</b>	<b>Compliance</b>
Loan pricing to include processing fee (not exceeding 1% of the loan amount)	HFSPL is charging processing fee of 1.00% on the disbursed loan amount plus applicable service tax.	Complied
Collateral free loans	HFSPL does not accept any Collateral for extending the credit.	Complied
MFIs shall not collect any Security Deposit / Margin from the borrower.	HFSPL does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	HFSPL does not take late payment or prepayment penalties from the clients.	Complied
Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, as per the frequency of data submission prescribed by the CIC.	HFSPL shares its client data with CRIF Highmark, Equifax, Experian and CIBIL.	Complied
Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs	HFSPL provides 100.00% of total loans for income generation activities as on 30/Sept/2019.	Complied
NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 percent of its aggregate risk weighted assets.	CRAR of HFSPL stood at 47.46% as on 31/Mar/2019 which complies with the minimum CRAR requirement of 15% for NBFC-MFIs as prescribed by RBI. HFSPL does not have any exposure in Andhra Pradesh.	Complied
The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more'.	The statutory auditor has certified the appropriate provisions have been made.	Complied

## **HIGHLIGHTS OF MICROFINANCE OPERATIONS**

<b>Particulars</b>	<b>31/Mar/2017</b>	<b>31/Mar/2018</b>	<b>31/Mar/2019</b>	<b>31/Dec/2019</b>
No. of States	-	01	02	03
No. of Districts	-	01	09	13
No. of Branches	-	01	08	23
No. of Active Members	-	280	9,192	62,635
No. of Active Borrowers	-	280	9,192	62,635
No. of Total Employees	-	08	57	217
No. of Field/Credit Officers	-	02	35	125
No. of JLGS	-	39	926	7,873
No. of Individual Loans	-			
<b>Owned Portfolio</b>				
<b>Particulars</b>	<b>31/Mar/2017</b>	<b>31/Mar/2018</b>	<b>31/Mar/2019</b>	<b>31/Dec/2019</b>
Total loan disbursements during the year (in crore)	-	0.83	27.38	43.48
Total portfolio outstanding (in crore)	-	0.81	17.89	34.46
<b>Managed Portfolio/BC Portfolio</b>				
<b>Particulars</b>	<b>31/Mar/2017</b>	<b>31/Mar/2017</b>	<b>31/Mar/2018</b>	<b>31/Dec/2019</b>
Total portfolio outstanding (in crore)	-	-	-	86.03

*FY19 figures are not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSPL.*

### **Loan utilisation schedule:**

<b>Loan Utilisation</b>	<b>31/Mar/2018 (%)</b>	<b>31/Mar/2019 (%)</b>	<b>31/Dec/2019 (%)</b>
Agriculture	9.67%	9.91%	64.53%
Livestock Related Activities	68.16%	67.28%	19.40%
Others	1.37%	9.63%	6.71%
Service Related Activities	1.77%	2.57%	0.16%
Small Scale Business	19.03%	10.62%	9.20%
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

### **SMERA Observations:**

100.00% of the loan amount disbursed by the company in FY 2019 has been used in income generating activities (as per RBI guideline of more 85%).

Humana Financial Services Private Limited (HFSPL) is a private limited company has received NBFC-MFI licence on July 08, 2016. The parent company of HFSPL established on May 21, 1998 and

is registered as a Not-for-profit company under the Companies Act, 1956. HPPI implement projects in the areas of education, health, livelihood, microfinance.

Prior to the formation of HFSPL, the company had its microfinance business under its parent company of HPPI, carrying Microfinance activities since year 2007., HFSPL formed in the year 2016, however microfinance operation was started in the year 2007, later on the entire portfolio of HPPI has been transferred to HFSPL in the month of December 2019.

Currently HFSPL is operating in 3 states – Haryana, Rajasthan, and Uttar Pradesh, and the portfolio is well diversified among 3 states, as on Dec 31, 2020 the AUM stood at 120.49 Crs. including own portfolio of Rs. 34.46 Crs and BC portfolio of Rs. 86.03 Crs. HFSPL has a BC portfolio from Yes Bank.

## Section 1: Microfinance Capacity Assessment Grading

### Operating Environment

- SMERA estimates the MFI sector to grow at a CAGR of 25%-30% and is expected to touch Rs. 2,35,000 – 2,45,000 crore by the end of FY2020.
- MFI industry has reported a robust growth of ~38% in gross loan outstanding in FY2019 as compared to FY2018. Total gross loan outstanding of MFI sector stood ~ Rs.188000 crore by the end of FY2019. SMERA believes seasoned customer profile over multiple loan cycles along with the inclusion of fresh borrowers have helped MFI industry to increase its total loan outstanding.
- The fund flow to the sector has improved 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 and Business Correspondent partners. SMERA believes that the RBI guidelines on co-origination of priority sector loans by NBFCs and banks are significant step towards an efficient framework for micro lending in India. SMERA estimates Rs. 25,000-30,000 crore of potential lending every year under this origination mechanism over the medium term. Further the process of acquisition of smaller MFIs by the larger MFIs and Banks is likely to continue in the current financial year.
- Support systems such as Self-Regulatory Organizations (SRO), Credit Information Bureaus (CIB) among others have been established to ensure credit check and process adherence among MFIs. This regulatory framework has brought more accountability and transparency within the sector.
- On the contrary, the recent NBFC crisis in September 2018 has restrained MFIs' fund mobilization process which has moderated MFI sector growth in the last two quarters of FY2018-19 as compared to the previous year. Asset Quality has improved and Portfolio at Risk (PAR) > 30 stood at 1.73% as on 31st March, 2019. *(Data Source - MFIN)*

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

- Humana Financial Services Private Limited (HFSPL) is a private limited company has received NBFC-MFI license on July 08, 2016. The parent company of HFSPL established on May 21, 1998 and is registered as a Not-for-profit company under the Companies Act, 1956. HPPI implement projects in the areas of education, health, livelihood, microfinance.
- Currently HFSPL is operating in 3 states – Haryana, Rajasthan, and Uttar Pradesh, and the portfolio is well diversified among 3 states, as on Dec 31, 2020 the AUM stood at 120.49 Crs. including own portfolio of Rs. 34.46 Crs and BC portfolio of Rs. 86.03 Crs.
- HFSPL has three-member in the board. Board members have strong experience in microfinance, banking, finance, risk and development sectors.
- HFSPL also has strong senior management team with the expertise in the field of microfinance.

### **Moderate resource profile**

<b>Resource Profile</b>	<b>%(as on 31Dec19)</b>
Banks	24.10
NBFCs	75.90
<b>Total</b>	<b>100.00</b>

- HFSPL has developed funding relationships with 09 lenders, including 2 Bank and 7 NBFC's ) for on-lending its microfinance operations Out of total debt outstanding of Rs. 29.92 crores, the borrowing from Bank contributes 24.10 per cent of external borrowings as on Dec 31, 2019.
- Further in the Segment of NBFC's majority of the funding concentrated with Ananya Finance For Inclusive Growth Private Limited which contributes 30.14 per cent of external borrowings as on Dec 31, 2019.
- HFSPL's borrowing is highly concentrated on NBFC's funding , NBFC contributes ~76% of the total borrowing
- The debt availed from the Private Banks have been drawn at an interest rate in the range between 14.50%-15.00%.
- The debt availed from the NBFC's have been drawn at an interest rate in the range between 12.50%-16.25%.
- The cost of borrowing stood at 15.42% as on Dec 31, 2019. The company should increase its funding mix in order to meet its desire growth in future. Further the company should reduce its dependency from NBFC's and manage its cost of fund in the lower side.



### **Comfortable capitalisation and comfortable liquidity profile**

<b>Capital Adequacy</b>	<b>(as on 31<sup>st</sup> March, 2019)</b>
Tier -I Capital (in %)	46.47
Tier -II Capital (in %)	0.99
<b>Total Capital (in %)</b>	<b>47.46</b>

### **Tie-up of funding sources**

<b>Access to debt</b>	<b>(as on 31<sup>st</sup> Mar, 2019)</b>
Net Worth (in crore)	8.90
Term loan from Bank & FIs (in crore)	15.08
Off Balance Sheet (in crore)	-
<b>Total Borrowings (in crore)</b>	<b>23.98</b>
Gearing (assuming assigned book as debt) (times)	<b>1.69</b>
Cost of Funds (from spreads) (%)	16.27

- HFSPL Microfinance has adequate capitalization marked by total equity capital of Rs.8.90 crore as on March 31, 2019. The company's gearing stood at 1.69 times as on March 31, 2019
- HFSPLs capital adequacy ratio (CRAR) stood at 47.46 per cent as on March 31, 2019 CRAR is more comfortable than the RBI stipulated CRAR for NBFC-MFI of 15 per cent.
- 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 21-36 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.

### **Operational performance in FY2019**

<b>Particulars</b>	<b>FY 2019</b>
Net financial margin (In thousands)	11,475
Operating expenses	10,184
Net Interest Margin (%)	9.89
Operational Self Sufficiency (%)	105.34
Operating Expense Ratio (OER) (%)	10.89

- HFSPL has reported net profit of Rs. 5.13 lakhs on operating income of Rs. 2.55 crore in FY2019. In FY2018, HFSPL had reported net profit of Rs.17.78 lakhs on operating income of Rs.40.89 lakhs. However FY19 is not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSPL.

- As on Mar 31 2019, HFSPL has an outstanding loan portfolio of Rs.120.49 crore spread over 23 branches of 3 states with about 62,635 borrowers.
- Net interest margin (NIM) has been stable at 9.89% as on 31<sup>st</sup> March, 2019.
- The operational self-sufficiency (OSS) of the company stood at 105.34% in FY2019 and The Company's operating expense stood at 10.89 % in FY2019.

### **Diversified Geographical Presence**

Particulars	31/Mar/2018	31/Mar/2019	31/Dec/2019
No. of States	01	02	03
No. of Districts	01	09	13
No. of Branches	01	08	23

*FY19 figures are not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSPL.*

- Currently HFSPL operation caters into 3 states – Haryana, Rajasthan, and Uttar Pradesh, however portfolio is well diversified among three states, 36.47% portfolio is operating in Haryana, 48.98% in Rajasthan and 14.55% is in Uttar Pradesh.
- In order to mitigate any potential risk arising out of geographical concentration, further HFSPL has to diversify 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	07	24,095	43.94	0.03	36.47
Rajasthan	13	31,552	59.01	0.09	48.98
Uttar Pradesh	03	6,988	17.53	0.02	14.55
<b>Total</b>	<b>23</b>	<b>62,635</b>	<b>120.49</b>	<b>0.13</b>	<b>100.00</b>

- Currently HFSPL operation caters into 3 states – Haryana, Rajasthan, and Uttar Pradesh, however portfolio is well diversified among three states, 36.47% portfolio is operating in Haryana, 48.98% in Rajasthan and 14.55% is in Uttar Pradesh.
- In order to mitigate any potential risk arising out of geographical concentration, further HFSPL has to diversify its presence across states.
- 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**

<b>Particulars</b>	<b>31/Mar/2017</b>	<b>31/Mar/2018</b>	<b>31/Mar/2019</b>	<b>31/Dec/2019</b>
No. of States	-	01	02	03
No. of Districts	-	01	09	13
No. of Branches	-	01	08	23
No. of Active Members	-	280	9,192	62,635
No. of Active Borrowers	-	280	9,192	62,635
No. of Total Employees	-	08	57	217
No. of Field/Credit Officers	-	02	35	125
No. of JLGS	-	39	926	7,873
No. of Individual Loans	-			

*FY19 figures are not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSPL.*

<b>Financial Ratios</b>	<b>31/Mar/2017</b>	<b>31/Mar/2018</b>	<b>31/Mar/2019</b>
No. of Active Borrowers Per Staff Member	-	35	161
No. of Active Borrowers per field executives	-	140	263
No. of members per Branch	-	280	1149
Gross Portfolio o/s per field executive (in thousands)	-	-	5112
Average Outstanding Balance per client (in Rs)	-	-	19,463
Cost per Active client	-	25.0	61.40

*FY19 figures are not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSPL.*

### Sound asset quality

- HFSPL has maintained sound asset quality with on-time repayment rate of 99.83% as on March 31, 2019.

Period	FY 2017	FY 2018	FY 2019	31-Dec-2019
	Portfolio o/s	Portfolio o/s	Portfolio o/s	Portfolio o/s
On-time (in crore)	-	0.81	17.82	120.89
1-30 days (in crore)	-	-	0.03	0.04
31-60 days (in crore)	-	-	0.02	0.04
61-90 days (in crore)	-	-	0.01	0.02
91-180 days (in crore)	-	-	0.01	0.03
181-365 days (in crore)	-	-	-	0.06
> 365 days (in crore)	-	-	-	0.02
Write-off (in crore)	-	-	-	-
<b>Total</b>	-	<b>0.81</b>	<b>17.89</b>	<b>120.49</b>
On-time (in %)	-	100	99.61	99.83
PAR 0-30 days (in %)	-	0.00	0.17	0.03
PAR >30 days (in %)	-	0.00	0.22	0.14
PAR >90 days (in %)	-	0.00	0.06	0.09

*FY19 figures are not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSPL.*

- The PAR 0-30 days stood at 0.03% as on Dec 31, 2019 as compared to 0.17% as on March 31, 2019. The PAR >30 days stood at 0.14% as on Dec 31, 2019 as compared to 0.22% as on March 31, 2018.
- 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**

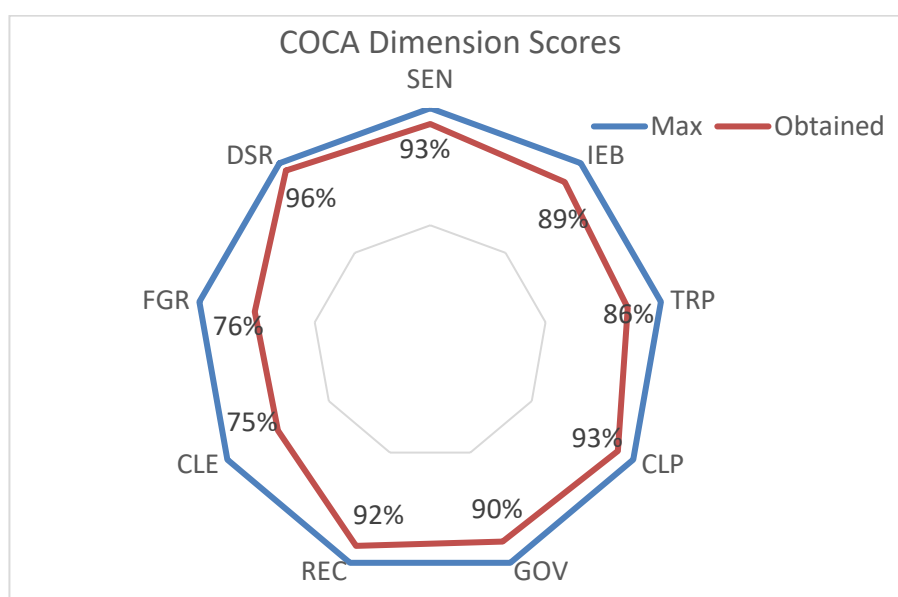
- HFSPL management information system (MIS) and Information Technology (IT) infrastructure is adequate for its current scale of operations. It has dedicated MIS and IT team at Head Office to ensure smooth flow of operational data between Head Office and branches.
- **Internal Audit Process**  
The company 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**

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

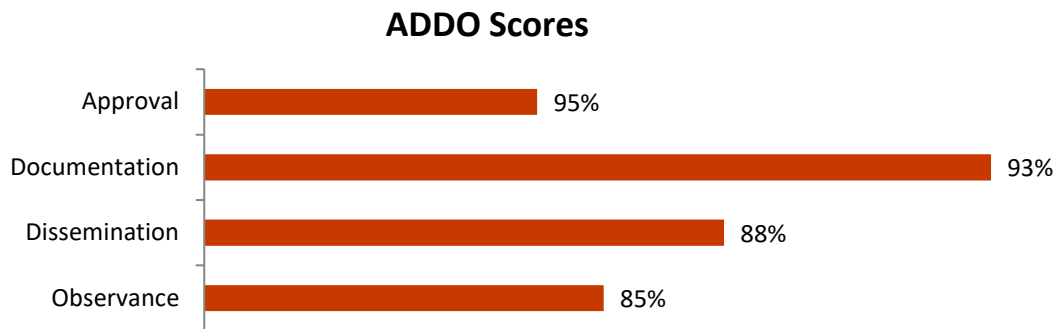
## Section 2: Code of Conduct Assessment

### COCA Grading - C3 (Average Performance on Code of Conduct dimensions)



### SCORES ON PARAMETERS

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	93%
Integrity and Ethical Behavior	IEB	89%
Transparency	TRP	86%
Client Protection	CLP	93%
Governance	GOV	90%
Recruitment	REC	92%
Client Education	CLE	75%
Feedback & Grievance Redressal	FGR	76%
Data Sharing	DSR	96%



HF SPL with an overall grade of “C3”, indicate **Average Performance on Code of Conduct dimensions.**



## Code of Conduct Assessment Summary

The Code of Conduct report for Humana Financial Services Private Limited (HFSPL) evaluates the company's adherence to various code of conduct parameters. The study examines and comments upon the common minimum indicators such as:

- Sensitive Indicators
- Integrity and Ethical Behaviour
- Transparency
- Client Protection
- Governance
- Recruitment
- Client Education
- Feedback and Grievance Redressal
- Data Sharing

SMERA believes that HFSPL exhibits **Average** performance on COCA dimensions. This document details SMERA's approach and methodology for this study and gives observations of its assessment team while conducting the evaluation. The Approval; Documentation; Dissemination and Observance (ADDO) framework has been used for assessment and measuring HFSPLs adherence towards ethical operational practices.

## Strengths and weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Board approved policies, compliant with the RBI guidelines.</li> <li>• Board with rich experience from banking and finance background.</li> <li>• Experienced and qualified management with more than a decade of experience in MFI industry.</li> <li>• Credit policies are well established documented and communicated.</li> <li>• Adequate loan appraisal &amp; monitoring systems.</li> <li>• High standard of governance and integrity by inducting persons with good and sound reputation in the industry and understanding of microfinance industry.</li> <li>• Compulsory training on products terms and conditions to client prior to every loan.</li> <li>• Compulsory check on over indebtedness of every borrower.</li> <li>• Toll Free helpline number for client feedback/grievance.</li> <li>• Data sharing with credit bureau (Equifax, CIBIL, Experian and High Mark).</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness to its clients/members pertaining to interest rate and insurance claim settlements found moderate.</li> <li>• Awareness among the staff on RBI compliance was found to be moderate to weak in the visited branches.</li> <li>• Code of conduct compliance report of last financial year of HFSPL is not available in the company website.</li> <li>• HFSPL does not take written consent from the client for sharing client data for third party disclosure.</li> <li>• Grievance Registered not available in visited branches, and there is no system to record Grievances in the branch level.</li> <li>• Latest Annual report and operational details are not available in the public domain.</li> <li>• HFSPL does not provide any acknowledgement when grievance receive from the client at head office level.</li> <li>• Internal Audit checklist should cover more aspects like awareness regarding Reserve Bank of India (RBI) compliance and Self-Regulatory Organization (SRO) among its staff members.</li> <li>• No declaration has been observed in the loan application form, regarding client data sharing with credit bureaus in each visited branches.</li> <li>• MFI does not have a system of documenting why a loan has not been</li> </ul>

	<p>sanctioned against an accepted loan application.</p> <ul style="list-style-type: none"><li>• Circular files are not properly managed and few branches it's is not even updated.</li><li>• HFSPL does not provide loan agreement, loan acknowledgement and sanction letter to the client.</li></ul>
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## Significant Observations

<b>HIGHER ORDER INDICATORS</b>	
<b>Integrity and Ethical Behaviour</b>	<ul style="list-style-type: none"> <li>• The MFI have the policy to place reports on COC compliance before the board at the end of every financial year.</li> <li>• The audit committee of the Board reviews the adequacy of audit staff strength and scope of Internal Audit.</li> <li>• Board has approved a policy of recovering delinquent loans.</li> <li>• MFI prepares monthly reports about the number, nature and resolution of grievances and feedback received for management review and same is presented to audit committee set up at board level.</li> <li>• The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year end.</li> <li>• In all the branches visited, the contact number and address of MFIN nodal official was properly displayed.</li> <li>• Awareness among client and staff on MFIN grievance redressal mechanism was found to be moderate to Weak.</li> <li>• The MFI have the policy to place reports on COC compliance before the board meeting.</li> <li>• Fixed Component compensation of staff is not impacted in event of overdues. HFSPL, in its fair practices code provides importance for transparency in pricing and clear communication to the clients.</li> </ul>
<b>Sensitive Indicators</b>	<ul style="list-style-type: none"> <li>• Clients interviewed were aware of the charges and price for all services availed.</li> <li>• Awareness among the staff on RBI guidelines was found to be moderate to weak.</li> <li>• There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI.</li> <li>• HFSPL shares accurate data with all credit bureaus on a frequency prescribed by MFIN.</li> <li>• HFSPL does not charge any extra fees from client apart from processing fee and insurance premium. The loans are issued to the clients without any collateral and no security deposit is accepted. Further no penalty is charged for overdue and pre-closure of loans.</li> <li>• The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.</li> </ul>

<b>BUILDING BLOCKS</b>	
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• Awareness among the staff on RBI guidelines was found to be moderate to weak.</li> <li>• HFSPL has documented the pricing of its loan products in its operational manual. In the branches visited loan documents had been maintained in local languages.</li> <li>• Circulars with the most recent directions were not available in the visited branches.</li> <li>• HFSPL's in its fair practices code provides importance for transparency in pricing and clear communication to the clients.</li> <li>• The loan interest rate and processing fees is mentioned on the loan passbook.</li> <li>• Clients interviewed were moderately aware of the charges and price for all services availed.</li> <li>• Audit committee verifies through the audit reports whether all clients have received the necessary loan documents.</li> <li>• HFSPL displays the details of the loan products including their interest rates and client grievance redressal system on its website.</li> <li>• HFSPL does not provide loan agreement to the clients.</li> <li>• Previous financial year annual financial statement and report is not available in the public domain.</li> </ul>
<b>Client Protection</b>	<ul style="list-style-type: none"> <li>• HFSPL has a board-approved policy regarding client data security.</li> <li>• Employees are trained on aspects of appropriate behavior with the clients.</li> <li>• HFSPL has documented policy on client data security which forms part of its fair practice code.</li> <li>• HFSPL has framed a Fair Practice Code and has also adopted the RBI fair practices code.</li> <li>• Employees are trained on aspects of appropriate behavior with the clients.</li> <li>• Staffs were found to be aware of the need to have professional conduct with the clients.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• HFSPL maintains high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body.</li> <li>• HFSPL has 1/3rd of independent persons in its Governing Board, and the Board is actively involved in all policy formulations and other important decisions.</li> <li>• An audit committee of the Board with an independent director as chairperson.</li> <li>• The MFI has got its accounts audited in a timely manner after the end of the most recent financial year.</li> </ul>

	<ul style="list-style-type: none"> <li>• No adverse observations in the Auditor's report regarding accounting standards followed by the MFI.</li> <li>• Action taken report based on the last audit report was available in the branches visited.</li> <li>• Staff satisfaction related to compensation and incentive is not covered under scope of Internal Audit.</li> </ul>
<p style="text-align: center;"><b>Recruitment</b></p>	<ul style="list-style-type: none"> <li>• HFSPL's board has reviewed its recruitment policies at least once annually.</li> <li>• The MFI has a defined and documented process for responding to reference check requests.</li> <li>• There is documentary evidence to suggest that MFI has honored the notice period for all employees who have left it.</li> <li>• MFI obtain NOC or relieving letter from the previous employee, in case employees are recruited from other MFIs.</li> <li>• The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year.</li> </ul>
<p style="text-align: center;"><b>Client Education</b></p>	<ul style="list-style-type: none"> <li>• HFSPL in its fair practices code provides importance for raising clients' awareness of the options, choices and responsibilities regarding financial products and services</li> <li>• HFSPL does not charge clients for the trainings provided to clients by itself or through a related party.</li> <li>• Awareness among client on annualized Interest rate &amp; Insurance claim settlement process was found to be moderate.</li> </ul>
<p style="text-align: center;"><b>Feedback and Grievance Redressal</b></p>	<ul style="list-style-type: none"> <li>• The Board has approved a policy for redressal of its clients' grievances, which requires board to be updated on the functioning of grievance redressal mechanism.</li> <li>• MFI prepares monthly reports about the number, nature and resolution of grievances and feedback received for management review and same is presented to audit committee set up at board level.</li> <li>• HFSPL has a policy on time frame and process for client's complaint resolution.</li> <li>• Clients were found to be moderately aware of the helpline number.</li> <li>• In all the branches visited, the contact number and address of MFIN nodal official was properly displayed.</li> <li>• Complaints lodged through helpline at H.O are documented and resolved.</li> <li>• Awareness among client and staff on MFIN grievance Redressal mechanism was found to be moderate.</li> <li>• Dedicated team at HO level to document and follow up on the client complaints.</li> </ul>

<b>Data Sharing</b>	<ul style="list-style-type: none"><li>• Financial and operational data for FY 2019 is not available on the website of HFSPL</li><li>• MFI has a well-defined process for sharing data with the credit bureaus.</li><li>• MFI has provided data called for by MFIN and RBI as and when required as per compliance.</li><li>• HFSPL performs compulsory credit bureau checks for all its clients.</li></ul>
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# ANNEXURES



## Microfinance 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

#### **F) 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

Thus an evaluation of MFI would be comprehensive assessment based on the financial and non-financial parameters of any MFI.

## COCA Methodology

The Code of Conduct Assessment (COCA) tool was developed as a response to the need expressed in a meeting of stakeholders in Indian microfinance by the Small Industries Development Bank of India (SIDBI) and the World Bank in December 2009. The code of conduct dimensions were identified by reviewing the various norms for ethical finance. These included RBI’s fair practices guidelines for Non-Banking Financial Companies, industry code of conduct (Sadhan-MFIN) and Smart Campaign’s Client Protection Principles (CPP).

In 2016, need was felt to harmonize COCA to the most recent industry code of conduct and to standardize COCA tools of different rating/assessment agencies. This grading is based on the harmonized COCA tool. In the harmonized COCA tool, the dimensions were classified in three categories – highest order, higher order and building blocks. This grading is based on the harmonized COCA tool.

<b>Highest Order</b>	
Sensitive Indicators	
<b>Higher Order</b>	
Integrity & Ethical Behaviour	
<b>Building Blocks</b>	
Governance	Client Protection, Recruitment
Transparency	Feedback/Grievance Redressal
Client Education	Data Sharing

*Chart: COCA Indicators Framework*

Number of indicators in each category is presented below

Higher Order Indicators	Number of Indicators
Integrity and Ethical Behaviour	32
Sensitive indicators	26
Building Blocks	Number of Indicators
Transparency	40
Client Protection	122
Governance	30
Recruitment	13
Client Education	14
Feedback & Grievance Redressal	25
Data Sharing	6
<b>Total</b>	<b>250</b>

## Methodology

The Code of Conduct exercise is spread over four to eight days. The first day is spent at the head office. The assessment team visits the branches over the next three to eight days. Depending upon the size and the operational area of the MFI, eight to fifteen branches and between 120 and 300 clients are sampled for primary survey (except in cases where number of branches in an MFI is less than eight).

## Sampling guidelines

The following is taken as the guideline to determine the sample size for a COCA exercise.

MFI Size	No. of branches to be visited	No. of borrowers to be visited
Small MFI (Less than 8 branches)	All branches	15 clients per branch covering minimum two centers.
Small / Mid-size MFI (up to 2,50,000 borrowers)	8 – 10 branches (geographically distributed)	120-150 clients (15 clients per branch covering minimum two centers).
Large MFI (>2,50,000 borrowers)	12 – 15 branches (geographically distributed)	240-300 clients (20 clients per branch covering minimum two centers).
Large MFI (>2,50,000 borrowers) and having gross loan portfolio (GLP) > Rs 500 crore	18 – 20 branches (geographically distributed)	360-400 clients (20 clients per branch covering minimum two centers).

### Code of Conduct Assessment exercise requires:

1. Discussions with key staff members and the senior management at the head office. particularly the senior operational management team as well as the human resources team. These discussions focus on key issues of the code of conduct identified above.
2. Review of policy documents and manuals at the head office. These are reviewed in order to assess the policy as well as documentation regarding important aspects of the code of conduct. The last audited financial statements will also be required.
3. Sampling of branches at the head office. The assessment team samples branch for review. The branches are chosen in across different states in case the MFI operates in more than one state. Care is exercised to include older branches as well as branches that are distant from the head office or the regional office. The sampling of the branches is performed at the head office of the MFI.
4. Discussions with the branch staff at the branch office. Discussions with branch managers and the field staff is carried out to assess their understanding of the key code of conduct principles.
5. Sampling of respondents in the selected branches. A judgmental sampling is performed on the MFI's clients by the assessment team to draw respondents from the interest group, in order to maximize the likelihood that instances of non-adherence can be detected.
6. Interview with the clients. Information from the clients is collected ideally during the group meetings. If this is not possible, visits are made to the clients' locations for collecting information.
7. Review of loan files at the branch office. This review focuses on loan appraisal performed before disbursing loans as well as the documents collected from the clients.

As part of this assessment, we visited eight branches of the MFI. The details of the branches visited are provided below.

Sr. No	Branch	State	No of clients interviewed
1	Heli Mandi	Haryana	25
2	Rewari	Haryana	24
3	Gandala	Rajasthan	20
4	Neem Ka Thana	Rajasthan	23
5	Ajeetgarh	Rajasthan	22
6	Thangazi	Rajasthan	21
7	Alwar	Rajasthan	20
8	Mundawar	Rajasthan	22
<b>Total</b>			<b>177</b>

## Financials

### Profit & Loss Account (Rs. In Thousands)

Period	FY 2017	FY 2018	FY 2019
Months	12	12	12
<b>Financial revenue from operations</b>	<b>2,183</b>	<b>4,089</b>	<b>25,453</b>
Less - Financial expenses from operations	-	03	12,270
<b>Gross financial margin</b>	<b>2,183</b>	<b>4,086</b>	<b>13,183</b>
Provision for Loan Loss / Write off	0	81	1,708
<b>Net financial margin</b>	<b>2,183</b>	<b>4,005</b>	<b>11,475</b>
<b>Operating expenses</b>	<b>234</b>	<b>1,565</b>	<b>10,184</b>
Personnel Expense	0	868	8,100
Depreciation and Amortization Expense	0	27	114
Other Administrative Expense	234	670	1,970
<b>Net operating income</b>	<b>1,950</b>	<b>2,440</b>	<b>1291</b>
<b>Net operating revenue</b>			86
Current Tax	582	662	873
Deffered Tax charge/(credit)			(9)
<b>Net Profit After Tax</b>	<b>1,367</b>	<b>1,778</b>	<b>513</b>

*FY19 figures are not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSP.*

*Above financials are audited*

## Balance Sheet (Rs in Thousands)

As on date	31/Mar/2017	31/Mar/2018	31/Mar/2019
<b>SOURCES OF FUNDS</b>			
<b>Capital</b>			
Equity Capital	51,000	51,000	66,933
Reserve and Surplus	1,367	3,145	22,094
<b>Total Equity</b>	<b>52,367</b>	<b>54,145</b>	<b>89,027</b>
<b>Liabilities</b>			
<b>Short-Term Liabilities</b>			
Commercial Loans from banks/FI	-	-	85,862
Account payable & Other short-term liabilities	849	1,133	2,716
<b>Total Short-Term Liabilities</b>	<b>849</b>	<b>1,133</b>	<b>88,578</b>
<b>Long-Term Liabilities</b>			
<b>Long-Term Borrowings</b>			
Commercial Loans from banks/FI	-	-	64,938
<b>Total Long-Term Borrowings</b>	<b>-</b>	<b>-</b>	<b>64,938</b>
<b>Total Other Liabilities</b>	<b>849</b>	<b>1,133</b>	<b>153,516</b>
<b>Provisions</b>	582	743	2,671
<b>TOTAL LIABILITIES</b>	<b>53,798</b>	<b>56,021</b>	<b>245,214</b>

*FY19 figures are not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSPL.*

As on date	31/Mar/2017	31/Mar/2018	31/Mar/2019
<b>APPLICATION OF FUNDS</b>			
<b><u>Fixed Assets</u></b>			
<b>Net Block</b>	-	157	189
Cash and Bank Balances	-	10,319	42,955
Security Deposits			10,000
Investment in Fixed Deposit	51,000	32,344	9,896
<b><u>Loan Portfolio</u></b>			
<b>Net Loan Portfolio</b>	-	<b>8,144</b>	<b>178,906</b>
Accounts Receivable And Other Assets	2,798	5,057	3,259
Deferred Tax Asset	-	-	9
<b>TOTAL ASSETS</b>	<b>53,798</b>	<b>56,021</b>	<b>245,214</b>

*FY19 figures are not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSPL.*



## Financial Ratios

Financial Ratios	31/Mar/2017 12	31/Mar/2018 12	31/Mar/2019 12
<b><u>Capital Adequacy Ratio</u></b>			
Capital Adequacy Ratio (%)	-	-	47.46
<b><u>Productivity/Efficiency Ratios</u></b>			
No. of Active Borrowers Per Staff Member	-	35	161
No. of Active Borrowers per field executives	-	140	263
No. of members per Branch	-	280	1,149
Gross Portfolio o/s per field executive (in thousands)	-	4,072	5,112
Average Outstanding Balance per client (in Rs)	-	29,086	19,463
Cost per Active client	-	5,589	1,108
<b><u>Asset/Liability Management</u></b>			
Cost of funds ratio (%)	-	-	16.27
Yield on Portfolio (nominal) (%)	-	5.26	26.16
Net Interest Margin (%)	-	-	9.89
<b><u>Profitability / Sustainability Ratios</u></b>			
Operational Self Sufficiency (%)	-	247.97	105.34
Operating Expense Ratio (OER) (%)	-	38.43	10.89
Return on Assets (RoA) (%)	-	4.44	0.86
Portfolio at Risk (>30 days) (%)	-	-	0.13
Return on Equity (RoE) (%)	-	2.29	0.90
<b><u>Leverage Ratios</u></b>			
Total Outside Liabilities to Tangible Net worth Ratio (Times)	-	0.02	1.72
Debt/Equity Ratio (Times)	-	-	1.69

*FY19 figures are not comparable with FY18 as the company has started transferring portfolio during FY19 and FY20 from HPPI to HFSP.*

## 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.

SMERA is a wholly owned subsidiary of Acuité Ratings & Research Limited. Acuité, a joint initiative of Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India, is registered with SEBI as a credit rating agency.

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