



SMERA MFI Grading

M3

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

SMERA MFI Grading

**Humana Financial Services Private
Limited**



To verify the grading, please scan the QR Code

Date of Report:

24 Feb, 2025

Valid Till:

23 Feb, 2026

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
Aug 21, 2024	Acuite Ratings & Research Limited	BBB- stable
March 18, 2024	SMERA	M3

SMERA's MFI Grading Scale

Grading Scale	Definitions
M1	Highest capacity of the MFI to manage its operations in a sustainable manner.
M2	High capacity of the MFI to manage its operations in a sustainable manner.
M3	Above average capacity of the MFI to manage its operations in a sustainable manner
M4	Average capacity of the MFI to manage its operations in a sustainable manner
M5	Inadequate capacity of the MFI to manage its operations in a sustainable manner
M6	Low capacity of the MFI to manage its operations in a sustainable manner.
M7	Very low capacity of the MFI to manage its operations in a sustainable manner
M8	Lowest capacity of the MFI to manage its operations in a sustainable manner

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



To verify the grading, please scan the QR Code

Company Fact Sheet

Name of the MFI	:	Humana Financial Services Private Limited(HFSPL)	
Operational Head – Microfinance Business	:	Name	Mr. Raj Kumar Singh
	:	Designation	Chief Executive Officer
	:	Mobile No.	9560418119
	:	Email ID	rajkumar@humanafinancial.com
	:	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 30/Sep/2024)	:	No. of States	3
	:	No. of Districts	21
	:	No. of Branches	35
	:	No. of Active Borrowers	64,292
	:	No. of Total Employees	319
	:	No. of Field/Credit Officers	188
No. of Lenders	:	18 Lenders (5 Banks & 13 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	27.00	1.50	28.50
JLG Loan	Wash Loan	20,000 – 80,000	27.00	1.50	28.50

Capital Structure as of 31/Mar/2024

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

Shareholding Pattern (as on 31/Mar/2024)

Name of Proprietor/ Partner / Shareholders	Shares in %
Humana Trust For Financial Inclusion & Development	84.19
Humana & Planetaid Finance SA	15.81
Total	100.00

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 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 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 Organization' 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 over two decades 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
Designation:	Managing Director	
Qualification:	B.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
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:

- HF SPL 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. Raj Kumar Singh	Mr. Raj Kumar Singh holds a postgraduate degree in social work and a law degree from Lucknow University. With 20 years of experience in social work and financial inclusion, he is currently the Chief Executive Officer of Humana Financial Services Private Limited (HFSPL). He began his career in 2001 with Humana People to People India (HPPI), where he led the microfinance division starting in 2007. Under his leadership, HPPI expanded from a single-city operation to a prominent microfinance institution in North India. His strategic vision and operational efficiency played a pivotal role in the establishment and growth of HFSPL, positioning it as a key player in the microfinance sector.
Designation:	CEO	
Qualification:	LLB	
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, Intellectap, GE Capital, KAS Foundation and others in areas of operations, consulting and fund raising.
Designation:	CFO	
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
Designation:	Accounts Head	

Qualification:	M. Com	Finance Field.
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 in 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. Shubnam is an accomplished MBA graduate with a specialization in Human Resources, bringing eight years of extensive experience in HR management. Her expertise covers a broad spectrum of HR functions, including overseeing recruitment and onboarding, managing employee benefits and payroll, implementing performance tracking systems, maintaining accurate HR records, ensuring regulatory compliance, and fostering positive employee relations. With a strong focus on efficiency and compliance, she is dedicated to enhancing organizational effectiveness and supporting a healthy workplace culture.
Designation	HR Head	
Qualification:	MBA	
Name	Ms. 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 a master's in commerce. She is always keen on learning about new and emerging issues on financial, secretarial and legal matters.
Designation	Company Secretary	
Qualification:	CS	

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	31/03/2022	31/03/2023	31/03/2024
Total AUM (in Crores)	140.35	148.54	204.23
On Balance Sheet Portfolio Outstanding (in Crores)	48.29	76.58	94.40
Managed Balance Sheet (in Crores)	92.06	71.97	109.83
Securitized Portfolio (in Crores)	0.00	0.00	0.00
Total Net Worth (in Crores)	20.12	23.56	27.51
Total External Borrowings (in Crores)	39.81	68.17	88.71

Particulars	31/03/2022	31/03/2023	31/03/2024
Financial Revenue from Operations (in Crores)	18.47	23.67	32.21
Finance Expenses (in Crores)	5.20	7.34	11.43
Operating Expenses (in Crores)	8.41	9.62	12.55
Net Operating Income (in Crores)	1.27	2.85	5.76
Net Income (After Taxes and before extraordinary items) (in Crores)	0.89	2.15	3.94

Particulars	31/03/2022	31/03/2023	31/03/2024
Cost of funds ratios (%)	11.12	11.73	13.38
Capital Adequacy Ratio (%)	37.10	27.44	28.53
Operational Self Sufficiency (%)	137.03	140.52	127.63
Operating Expense Ratio (OER) (%)	6.04	6.66	7.00
Portfolio at Risk (>30 days) (%)	2.81	0.83	2.60
Debt to Equity ratio (in times)	1.98	2.89	3.23

Highlights of Microfinance Operations

Particulars	31/Mar/2022	31/Mar/2023	31/Mar/2024	30/Sep/2024
No. of States	3	3	3	3
No. of Districts	14	15	21	21
No. of Branches	23	26	35	35
No. of Active Members	58,837	56,656	64,744	64,292
No. of Active Borrowers	58,837	56,656	64,744	64,292
No. of Total Employees	248	253	303	319
No. of Field/Credit Officers	135	132	178	188
No. of JLGS	14,201	12,817	15,536	17,171
Owned Portfolio				
Particulars	31/Mar/2022	31/Mar/2023	31/Mar/2024	30/Sep/2024
Total loan disbursements during the year (in crore)	42.12	74.87	94.90	32.12
Total portfolio outstanding (in crore)	48.29	76.58	94.40	82.50
BC/Managed Portfolio				
Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2024	30/Sep/2024
Total loan disbursements during the year (in crore)	58.24	73.77	109.65	44.34
Total portfolio outstanding (in crore)	71.97	93.90	109.83	111.20

Microfinance Capacity Assessment Grading Rationale

Operating Environment

- As of March 31, 2024, the combined microcredit portfolio of all the microlenders is ₹4,08,507 Cr, registered a Y-o-Y growth of 16.21%. Among the microlenders, NBFC-MFIs continue to lead with ₹1,63,275 Cr, holding a market share of 39.97%, followed by Banks with ₹1,32,887 Cr, holding a market share of 32.53%.
- As of March 31, 2024, the number of Loan Accounts served by microlenders is at 1,409 lakhs, registered a Y-o-Y growth of 6.02%. Among the microlenders, NBFC-MFIs continue to lead with 579.78 lakhs, holding a market share of 41.14%, followed by Banks with 477.56 lakhs, holding a market share of 33.89%.
- Amount disbursed during FY 23-24 through 803 lakh loans is at ₹3,74,345 Cr, posted a Y-o-Y growth of 18.05%. Among the microlenders, NBFC-MFIs are leading with ₹1,49,721 Cr, holding a market share of 40%, followed by Banks with ₹1,31,165 Cr, holding a market share of 35.04%. NBFCs have registered the highest growth in disbursement (24.04%), followed by Banks (20.16%), NBFC-MFIs (16.01%), SFBs (15.55%) respectively, while Non-Profit MFIs have registered a negative growth of (-10.01%) where Industry has grown by 18.05%. Amount disbursed during Q4 (Jan'24 – Mar'24) through 214 lakh loans is at ₹1,04,546 Cr, posted a Q-o-Q growth of 7.95%.
- In Y-o-Y comparison, ATS (Average Ticket Size) for all lenders has increased. There is a significant increase in ATS for Banks (20%), followed by NBFCs (17%), NBFC-MFIs (9%), NFPs (8%) and SFBs (6%) respectively.
- PAR 31-180 DPD deteriorated from 2% as of Dec'23 to 2.1% as of March'24. PAR 180+ DPD increased to 9.6% as of March'24. Maharashtra, West Bengal, Madhya Pradesh and Odisha have the highest PAR 180+ DPD. Borrowers with higher lender exposure have higher delinquency in all buckets (1-30, 31-180 and 91-180). Borrowers with a higher number of active loans have higher delinquency in all buckets (1-30, 31-180 and 91-180).
- The microfinance sector is seeing an increase in delinquencies, as noted in a recent report. This is expected to drive up NBFC-MFI credit costs in FY2025. The sectoral growth and income profile in the current fiscal year will be moderated by an increase in the risks associated with asset quality.
- The strong expansion observed in the past two years has intensified apprehensions regarding possible borrower overleveraging in some areas. Additionally, the asset quality and collections have been harmed in some regions, particularly Punjab and Haryana, by the Karz Mukti Abhiyan and farmer protests. Climate-related factors and operational difficulties, such as staff turnover, would also put pressure on asset quality in the near future.

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/Mar/2024)
Banks	36.88
FIs/NBFCs	61.99
Compulsory Convertible Debenture (CCD)	1.13
Total	100.00

- As on Mar 31, 2024, HFSPL has developed funding relationships with 18 lenders (including PSU/Private Banks and Financial Institute). The cost of funds (COF) for HFSPL has increased and stood at 13.38% as on 31st March 2024 as compared to 11.73% in the previous financial year.
- The leverage of the company stood comfortable at 3.23 times as on 31st March 2024; as compared to 2.89 times in the previous financial year. Their gearing increased as their borrowings from NBFC increased. Further, the Company has borrowed Rs. 1 crore in the form of CCD 12% in FY 2024.

Adequate capitalisation and comfortable liquidity profile

Capital Adequacy	% (as on 31/Mar/2024)	% (as on 30/Sep/2024)
Tier -I Capital (A)%	26.31	28.64
Tier -II Capital (B)%	2.24	5.50
Capital to risk adjusted ratio (CRAR) (%) (A+B)	28.54	34.15

- HFSPL has adequate capitalization marked by capital adequacy ratio (CRAR) of 28.54% as on March 31, 2024; as compared to 27.44% in the previous year. Further, their CRAR stood at 34.15% as on Sep 30,2024. 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 the 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, the 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 2022	FY 2023	FY 2024
Net financial margin (In thousands)	96,746	1,24,611	1,83,092
Operating expenses (In thousands)	84,088	96,152	1,25,541
Operational Self Sufficiency (%)	137.03	140.52	127.63
Operating Expense Ratio (OER) (%)	6.04	6.66	7.00

- HFSPL has reported net profit of Rs. 3.94 crore on operating income of Rs. 32.21 crore in FY2024. In FY2023, HFSPL had reported net profit of Rs. 2.15 crore on operating income of Rs. 23.67 crore. However, profit after provision written back stood at Rs.3.45 crore including provision written back of Rs.1.29 crore for FY 2023.
- As per management, the Company has already recorded total income of Rs.18.45 crore and profit of Rs.0.58 crore as on September 30,2024.
- HFSPL has charged provision on loan portfolio of Rs. 1.47 crore and written off the asset of Rs. 1.00 crore in FY 2024.
- Total AUM of HFSPL has increased from Rs.148.55 crore as on March 31, 2023, to Rs. 204.23 crore as recorded on March 31, 2024. Further their total AUM stood at Rs. 193.70 crore as on September 30,2024.
- As per management, total AUM of the Company stood at Rs. 185.63 crore as on 31st December,2024.
- The operational self-sufficiency (OSS) of the company stood stable at 127.63% in FY 2024 as compared to 140.52% in FY2023 The company's operating expense stood at 7.00% in FY 2024.

Moderate geographical presence

Particulars	31/Mar/2022	31/Mar/2023	31/Mar/2024	30/Sep/2024
No. of States	3	3	3	3
No. of Districts	14	15	21	21
No. of Branches	23	26	35	35

- HFSPL has moved its operations to 3 states over the years and has increased no. of branches to 35 in 31 districts of 3 different states as on September 30, 2024.
- 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	13,226	41.26	0.95	21.30
Rajasthan	12	25,680	78.78	2.94	40.67
Uttar Pradesh	16	25,386	73.67	3.46	38.03
Total	35	64,292	193.70	7.35	100.00

Note: Above details given as on 30th September, 2024.

- It would also be a 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/2022	31/Mar/2023	31/Mar/2024	30/Sep/2024
No. of States	3	3	3	3
No. of Districts	14	15	21	21
No. of Branches	23	26	35	35
No. of Active Members	58,837	56,656	64,744	64,292
No. of Active Borrowers	58,837	56,656	64,744	64,292
No. of Total Employees	248	253	303	319
No. of Field/Credit Officers	135	132	178	188
No. of JLGS	14,201	12,817	15,536	17,171

Financial Ratios	31/Mar/2022	31/Mar/2023	31/Mar/2024
No. of Active Borrowers Per Staff Member	237	224	214
No. of Active Borrowers per field executives	436	429	374
No. of members per Branch	2,558	2,179	1850
Gross Portfolio o/s per field executive (in thousands)	10,396	11,253	11,805
Average Outstanding Balance per client (in Rs)	23,854	26,218	27,243
Cost per Active client	1,484.20	1,634.23	1905.00

- No. of active borrowers increased to 64,744 in FY 2024 from 56,656 in FY 2023. Furthermore, their no. of active borrowers stood at 64,292 as on September 30,2024.
- No. of branches increased to 35 in FY 2024 from 26 in FY 2023.
- Total disbursements in own portfolio increased from Rs.74.87 crore in FY 2023 to Rs. 94.90 crore in FY 2024. Further, they have disbursed of Rs.32.12 crore as on September 30,2024.
- HFSPL'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

- Their on-time repayment rate has declined to 96.80% as on Mar 31, 2024, as compared to 99.07% as on March 31, 2023. Furthermore, their on-time repayment rate declined to 90.25% as on September 30, 2024.

Period	FY 2022	FY 2023	FY 2024	30 Sep, 2024
	Portfolio o/s	Portfolio o/s	Portfolio o/s	Portfolio o/s
On-time (in crore)	135.91	147.16	197.70	174.82
1-30 days (in crore)	0.50	0.14	1.21	4.65
31-60 days (in crore)	0.50	0.10	1.15	3.14
61-90 days (in crore)	1.45	0.09	0.94	2.46
91-180 days (in crore)	1.54	0.41	1.60	4.80
181-360 days (in crore)	0.42	0.64	1.62	3.00
> 360 days (in crore)	0.02	-	0.01	0.84
Write-off (in crore)	2.30	0.94	1.00	0.76
Total	140.34	148.54	204.23	193.70
On-time (in %)	96.84	99.07	96.80	90.25
PAR 0-30 days (in %)	0.36	0.09	0.59	2.40
Total Portfolio PAR >30 days (in %)	2.80	0.83	2.60	7.35
PAR >90 days (in %)	1.41	0.71	1.58	4.46

- The PAR 0-30 days stood at 0.59% as on Mar 31, 2024, as compared to 0.09% as on March 31, 2023. The PAR >30 days has increased to 2.60% as on Mar 31, 2024, as compared to 0.83% as on March 31, 2023.
- 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

- HFSP'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 checks 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 a fortnight 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 every quarter. All audits are surprise audits.

Inherent risk prevalent in the microfinance sector

- HFSP'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 2022	FY 2023	FY 2024
Months	12	12	12
Financial revenue from operations	1,84,739	2,36,727	3,22,160
Less - Financial expenses from operations	51,988	73,403	1,14,351
Gross financial margin	1,32,751	1,63,324	2,07,809
Provisions	36,005	38,713	24,717
Net financial margin	96,746	1,24,611	1,83,092
<u>Less - Operating Expenses</u>			
Personnel Expense	62,862	67,420	71,906
Depreciation and Amortization Expense	1,264	1,095	2,148
Other Administrative Expense	19,962	27,637	51,487
Net Operating Income	12,658	28,459	57,551
Current Tax	3,962	7,474	18,355
Deferred Tax	-172	-44	-174
Extraordinary Items	5	-515	-55
Net Income	8,863	21,544	39,425
Provision written back	16,334	12,939	
Net profit after provision written back	25,197	34,483	39,425

Note:

- The above financials are audited.
- Financial revenue also includes Interest on FD, interest from short term capital gain on Mutual fund, interest on income tax refund etc.

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2022	31/Mar/2023	31/Mar/2024
Sources of funds			
Capital			
Total Equity	2,01,154	2,35,637	2,75,063
Liabilities			
Short-Term Liabilities			
Commercial Term Loans from Banks/FI	2,65,222	3,96,807	2,90,294
Account payable & Other short-term liabilities	16,138	23,229	18,854
Total Short-Term Liabilities	2,81,360	4,20,036	3,09,148
Long-Term Liabilities			
Long-Term Borrowings			
Commercial Loans from Banks/FI	1,32,852	2,84,853	5,96,814
Total Long-Term Borrowings	1,32,852	2,84,853	5,96,814
Total Other Liabilities	4,14,212	7,04,889	9,05,962
Provision for Loan Loss	21,632	8,693	23,373
Other Provisions	3,962	7,475	18,355
TOTAL LIABILITIES	6,40,960	9,56,694	12,22,753

As on date	31/Mar/2022	31/Mar/2023	31/Mar/2024
APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Net Block	1,827	2,636	4,581
Investments	0	20,000	20,000
Cash and Bank Balances	21,764	40,502	92,844
Security Deposits	81,412	98,606	1,09,237
<u>Loan Portfolio</u>			
Net Loan Portfolio	4,82,896	7,65,812	9,44,021
Accounts Receivable and Other Assets	52,746	28,779	51,537
Deferred Tax Asset	315	359	533
TOTAL ASSETS	6,40,960	9,56,694	12,22,753

Note: Security Deposit comprises Security deposit against term loan, FLDG.

Financial Ratios

Financial Ratios	31/Mar/2022	31/Mar/2023	31/Mar/2024
<u>Capital Adequacy Ratio (CAR)</u>			
Capital Adequacy Ratio (%)	37.10	27.44	28.53
<u>Productivity / Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	237	224	214
No. of Active Borrowers per field executives	436	429	374
No. of active borrowers per branch	2,558	2,179	1850
Gross Portfolio o/s per field executive (Rs in thousands)	10,396	11,253	11,805
Average Outstanding Balance Per borrower (In Rs)	23,854	26,218	27,243
Cost Per Active borrower (In Rs)	1,484.20	1,634.23	1,905.00
<u>Asset / Liability Management</u>			
Yield on Portfolio (%) (Including BC)	20.07	22.18	25.19
Cost of Fund (COF) (%)	11.12	11.73	13.38
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	137.03	140.52	127.63
Operating Expense Ratio (OER) (%) (including BC)	6.04	6.66	7.00
Return on Assets (RoA) (%)	3.93	4.26	3.62
Portfolio at Risk (>30 days) (%)	2.80	0.83	2.60
Return on Equity (RoE) (%)	13.36	15.66	15.44
<u>Leverage Ratios</u>			
Total Outside Liabilities to Tangible Network Ratio (Times)	2.06	2.99	3.29
Debt/Equity Ratio (Times)	1.98	2.89	3.23

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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Registered Office
905, Lodha Supremus, Lodha
iThink Techno Campus, Near
Kanjurmarg Railway Station,
Kanjurmarg (East)
Mumbai - 400 042
Tel: +91 22 6714 1111
Email - info@acuite.in

Website: www.smeraonline.com