SMERA Comprehensive Grading

M3C2

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

SMERA Comprehensive Grading

IDF Financial Services Private Limited

To verify the grading, please scan the QR Code

Date of Report:

November 30, 2021

Valid Till:

November 29, 2022

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		M3C2			
M4					
M5					
M6					
M7					
M8					

The MFI obtains comprehensive MFI grading of "**M3C2"**. It signifies **Above average** capacity of the MFI to manage its operations in a sustainable manner and **Good** performance on code of conduct dimensions.

Grading Rationale

Microfinance Capacity Assessment Grade	IDF obtains **"M3"** as its performance grade which signifies "**Above average** capacity of the organization to carry out its activities in a sustainable manner".
Code of Conduct Assessment Grade	IDF obtains "**C2"** as its Code of Conduct Assessment Grade which signifies ''**Good** 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.

To verify the grading, please scan the QR Code

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
January 28, 2021	SMERA	M3
Sept 30, 2020	SMERA	C2
August 31, 2019	SMERA	C2
Feb 18, 2019	Brickwork	BBB-
Dec 29, 2018	SMERA	M3

Microfinance Capacity Assessment Grading Symbols and Definitions

Grading Scale	Definitions
M1	**Highest** capacity of the MFI to manage its operations in a sustainable manner.
M2	**High** capacity of 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

Code of Conduct Assessment Scale and Definitions

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

Company Fact Sheet

Name of the MFI	:	IDF Financial Services Private Limited	
Operational Head – Microfinance Business	:	Name	Mr. Naganagouda M Patil
	:	Designation	Managing Director
	:	Mobile No.	(91) – (7760970001)
	:	Email ID	idffspl.md@gmail.com
	:	Date of Joining	April 01, 2009
Date of Incorporation/Establishment	:	October 27, 1994	
Date of commencement of microfinance business	:	April 01, 2009	
Legal Status	:	NBFC-MFI	
Business of the company	:	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	:	IDF Financial Services Pvt Ltd No 31/1, Girija, II Floor, Patalamma Temple Street, South End Basavangudi, Bangalore 560004.	
Geographical Reach (As on 31/Aug/2021)	:	No. of States	03
	:	No. of Districts	20
	:	No. of Branches	59
	:	No. of Active Borrowers	63,724
	:	No. of Total Employees	264
	:	No. of Field/Credit Officers	149
No. of Lenders (As on August 31, 2021)	:	13	
Statutory Auditors	:	Chetan Padaki & 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)
Income Generating Loan	Loan for income generating activity	25,000 – 60,000	22.00	1.00	23.00
Individual Loan	Individual Loan	50,000 – 1,00,000	23.00	1.00	24.00

Capital Structure as of 31/Mar/2021

Authorized Capital	Rs. 30.00 crore
Paid Up Capital	Rs. 23.10 crore

Shareholding Pattern (as on March 31, 2021)

Equity Shares	
Shareholders	**% Holding**
Mr. Vivekanand. N. Salimath	6.01
Mr. Naganagouda M Patil	6.01
Mr. T V Srikantha Shenoy	5.77
Mr. Shrikant M Hebbal	5.77
Mr. Gururaj M Deshpande	6.48
Mrs. Lalita N Patil	1.00
Mrs. Shobha Salimath	2.39
IDF FSPL balaga welfare trust	8.34
IDF SHG Federation Dharwad	58.24
Total	**100.00**

Promoters/Directors Profile

Director Details		Profile
Name:	Mr. Vivekanand N Salimath	Has experience of 23 years in Syndicate Bank in various capacities. Served the Executive Director of RUDSETI, Ujire for 8 years, Founder/Managing Trustee of IDF, Promoter/Director of Gramya TS Pvt Ltd (Company for marketing SHG products), Chairman of IDFFSPL since inception. Member-MFI Standing Committee of RBI, Bangalore, Ex-President, Association of Karnataka Microfinance Institutions (AKMI), Ex-Board Member-NABARD-RECARD Member Board of Directors Sa-Dhan. Treasurer Has considerable experience in rural enterprise development and banking
Designation:	Chairman	
Qualification:	Master of Science (Agriculture), CAIIB	
Name:	Mr. Naganagouda M Patil	Has experience of 20 years in Syndicate Bank as Rural Development Officer, Lead District Manager Director, RUDSETI (5 years) on deputation. With IDF since 2004, has implemented Watershed Development and livelihood programme. In-charge of MF operations of IDF since its inception in 2005 and Managing Director of IDF FSPL since inception. Has considerable experience in rural enterprise development and banking.
Designation:	Managing Director	
Qualification:	Masters of Science (Agriculture), CAIIB	
Name:	Mr. T V Srikantha Shenoy	He has experience of over 19 years in Syndicate Bank, including as Founder Secretary of Syndicate Institute of Rural Development (SIRD) for 1 year and as Director of RUDSETI for 5 years on deputation. He Has served as a Chief Mentor at Karnataka Farmers Resource Centre – an SLBC initiative. He is also the director of, Agricultural Skill Council of India, Delhi, a sector specific council for creating an end to end approach on skilling and linking all the stakeholders of Agriculture Value Chain and Synergy to Solutions.
Designation:	Independent Director	
Qualification:	Master of Science (Agriculture), CAIIB	

		Indian representative Member in the Knowledge Program on Small Producers Agency with HIVOS- IIED, London Chief promoter of sustainable farm livelihood and green technologies
Name:	Mr. Gururaj M Deshpande	He has served in Syndicate bank for nearly 3 decades in various capacities. He was the Director of Women self-employment counselling cell. (WSECC) sponsored by the Government of Karnataka, department of Women and Child welfare. He is an excellent trainer and has conducted several programs under Udyogini and other entrepreneurship activities. He has been very instrumental in coordinating the activities of the IDF Trust in the preliminary activities of Mahila Kisaan Swashakthikaran Program. Currently he is serving as the Chairperson of IDF SHG Federation Dharwad.
Designation:	Independent Director	
Qualification:	B.Sc.	
Name:	Mrs. Kasturi D Sambal	Mrs. Sambal is the Representative Director appointed by the Company on behalf SHG Federation, Dharwad. She is an SHG member who has worked up to the level of Board of Directors. She has been an active member in the SHG community and has the field level expertise in organizing and leading the SHG
Designation:	Director	
Qualification:	Secondary	
Name:	Mr. Sahadev Gangappa	Mr. Gangappa is in empanelment with RBI for Audit of Nationalized banks since more than 20 years. At present he is Statutory Auditors for Canara Bank Branches. Appointed as statutory auditors for Sri Sathya Sai Sadhana Trust, Puttaparthi, A.P & Handling Sathya Sai central trust etc., Statutory Auditor for National Insurance Co., Ltd., He has also served as internal auditor for many private sector undertakings and Co-operative Banks & Co-Operative Institutions Served on the Board many private Companies for more than 10 years.
Designation:	Director	
Qualification:	Bachelor of Commerce, Fellow Chartered Accountant	
Name:	Mr. Rudrayya Mallayya Kummur	Dr. Kummur is a M.Sc (Agri) from University of Agriculture Sciences Bengaluru and PhD from Indian Agriculture Research Institute New Delhi.
Designation:	Independent Director	
Qualification:	Masters of Science in Agriculture	

Designation:	Nominee Director	Joined NABARD through campus recruitment in 1985 one higher grade. Starting his service from NABARD HQ Mumbai, he worked at different places like Port Blair, Bengaluru, Lucknow, Chandigarh, Raipur and Mumbai again, reaching up to the position of Chief General Manager. His major contributions were in the areas of microfinance, FPOs, Agriculture Policy, Watershed Development, Wadi, Climate change, organic production, tribal development, NFS development, skill development, etc. He also served as Director on the Board of A&N SCB Port Blair (1998-2000) and NCDEX Mumbai (2014-2017). After super annuation, he is settled in Bengaluru and working as President, Agrico's Foundation for New India, a nonprofit organization, to harness the energy of retiring Agri Sciences Graduates for nation building.
Qualification:	Bachelor of Commerce (Honors) ICWAI (Inter), CAIIB, Diploma in Micro Finance	

SMERA Observations:

- IDF has seven-member board. Board members have strong experience in microfinance, banking 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. A B Magadum	He has worked in Vijaya Bank as Rural Development Officer, Lead Bank Manager, MSME (Micro Small & Medium enterprises) Cell Head at Vijaya Bank's Head Office. He has an experience of 35 years in the banking sector. He has got good experience in the field of rural development and MSME sector. After his superannuation he joined the organization as Consultant for Administration, Finance and Risk Management departments.
Designation:	Head- Administration, Finance & Risk Management	
Qualification:	Master of Science (Agriculture)	

Name:	Mr. N. A. Hoskatte	He has nearly 25 years working experience with a nationalized bank. He holds a Master's degree in Arts with CAIIB and has been taking care of IDF FSPL accounts for the last 10 years.
Designation:	Head H.R.	
Qualification:	Masters of Arts, CAIIB	
Name:	Mr. S G Kolkar	He is currently heading the credit disbursement process of the Company. He brings with him 30 years of rich experience from Karnataka Grameen Vikas Bank in the field of administration and inspection. He has been associated with IDF FSPL since 2010.
Designation:	Head Disbursement	
Qualification:	Bachelor of Commerce	
Name:	Mr. Shambu C. Sangapur	He is IT Head in charge of all technological functions including systems management, software adoption, normalization and backup among a host of other. Mr. Sangapur is a Post Graduate in Computer Applications and has rich experience in teaching, from his 8 years spent lecturing.
Designation:	Head – IT	
Qualification:	Masters of Computer Applications	
Name:	Mr. Chandrashekhar S Yellur	He is currently Head-Audit & IR and he is a Graduate in agriculture Sciences and He has served in Erstwhile Krishna Grameena Bank & Vijaya Bank. He has a Total Banking service of 36 years in various capacities as Agriculture officer, Branch Head, Lead Bank Manager, and Regional Head. He joined our organization during 2019.
Designation:	Head - Audit	
Qualification:	Bachelor of Science (Agriculture)	
Name:	Mr. Basavaraj Alagawadi	He has 36 Years of Banking service in 3 different Banks i.e. Union Bank of India, Vijaya Bank & Bank of Baroda. Served in various capacities having exposure in various aspects of banking and ex-DGM (Recovery) from Bank of Baroda.
Designation:	Head Accounts	
Qualification:	Bachelor of Science (Agriculture)	
Name:	Mr. Raghavendra H. Harapanahalli	He is presently the Head of Operations Credit and business development. He is a graduate in Agricultural sciences and worked earlier as a Field Investigator in the University of Agricultural Sciences, Dharwad. He joined IDF as a training coordinator and soon diversified into its microfinance activities.
Designation	Head -Operations	
Qualification	Bachelor of Science (Agriculture), Master of Administration	
Name:	Mr. C S Prashant Hegde	He is an associate member of Institute of Company Secretaries of India (ICSI). He is
Designation	Company Secretary	

Qualification	Bachelor of Commerce, bachelor's in legal law, ACS	also a commerce graduate from Karnataka University, Law graduate from Karnataka State Law University and pursuing master under Karnataka open university. He has an experience of 4 years in compliance and secretarial field.

SMERA Observations:

- IDF's senior management has adequate experience across sectors such as Microfinance, Banking and development sector.
- IDF has dedicated department wise / function wise heads and no major functional overlaps have been observed. The senior management including internal audit team reports directly to the BoD.

Compliance with RBI's Directives for MFIs

RBI's Direction	IDF Status	Compliance
85% of total assets to be in the nature of qualifying assets	Qualifying assets forms more than 85% of total assets as on 31/Mar/2021.	Complied
Net worth to be in excess of Rs 5 Crore	Net worth of IDF stood more than 5 Crore as on March 31, 2021.	Complied
Income of borrower not to exceed Rs 125,000 in the rural areas and Rs 200,000 in the urban and semi-urban areas*	IDF extends loans to households whose income does not exceed Rs 125,000 in rural and Rs 200,000 in urban areas.	Complied
Loans size not to exceed Rs 75,000 in first cycle and Rs 125,000 in subsequent cycles*	IDF offers loan in the range of Rs 10,000 to Rs 30,000 in fist cycle and 30,000 – 1,00,000 in subsequent cycles depending on client repayment capacity, type of activity etc.	Complied
Total indebtedness of the borrower not to exceed Rs 125,000 (excl medical and education loans)*	Apart from taking declaration from the client, IDF 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 21.95% 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	IDF verifies the same though credit check from credit bureaus.	Complied

RBI's Direction	IDF's Status	Compliance
Loan pricing to include processing fee (not exceeding 1% of the loan amount)	IDF is charging processing fee of 1.00% on the disbursed loan amount plus applicable service tax.	Complied
Collateral free loans	IDF does not accept any Collateral for extending the credit.	Complied
MFIs shall not collect any Security Deposit / Margin from the borrower.	IDF does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	IDF 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.	IDF 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	IDF provides more than 50% of total loans for income generation activities as on 31/Mar/2021.	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 IDF stood at 21.08% as on 31/Mar/2021 which complies with the minimum CRAR requirement of 15% for NBFC-MFIs as prescribed by RBI. IDF 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

Financial Snapshot (In Rs. Crores)

Particulars	31/03/2019	31/03/2020	31/03/2021
Total AUM (in Crores)	116.97	149.89	155.92
On Balance Sheet Portfolio Outstanding (in Crores)	116.96	128.25	128.02
Off Balance Sheet (in Crores)	-	21.64	27.90
Total Equity/Corpus (in Crores)	26.63	27.18	29.20
Total External Borrowings (in Crores)	116.31	127.20	122.36

As on 31/03/2020 Rs. 21.64 crores portfolio comes under securitization (direct assignment) and same is liquidated before closure of FY 2020-21. The managed portfolio as on 31/03/2021 of Rs. 27.90 is completely comes under business correspondence model and same on 31/08/2021. The company has BC business with Jana small finance Bank.

Particulars	31/03/2019	31/03/2020	31/03/2021
Financial Revenue from Operations (in Crores)	20.79	27.66	29.59
Finance Expenses (in Crores)	10.53	16.44	16.35
Operating Expenses (in Crores)	7.24	8.03	7.97
Operating Income (in Crores)	1.86	1.91	2.66
Net Income (in Crores)	1.57	2.00	3.56

Particulars	31/03/2019	31/03/2020	31/03/2021
Cost of funds ratios (%)	11.50	13.50	13.10
Capital Adequacy Ratio (%)	22.21	20.19	21.08
Operational Self Sufficiency (%)	109.82	110.68	109.89
Operating Expense Ratio (OER) (%) (Including BC)	7.35	6.02	5.21
Portfolio at Risk (>30 days) (%)	1.36	1.34	1.92
Debt to Equity ratio (in times)	4.37	4.68	4.19

HIGHLIGHTS OF MICROFINANCE OPERATIONS

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	31/Aug/2021
No. of States	03	03	03	03
No. of Districts	18	19	20	20
No. of Branches	51	58	59	59
No. of Active Members	58,083	69,453	68,559	63,724
No. of Active Borrowers	58,083	69,453	68,559	63,724
No. of Total Employees	262	279	266	264
No. of Field/Credit Officers	139	157	149	149
No. of JLGs	15,800	18,961	19,351	19,582
Owned Portfolio				
Particulars	**31/Mar/2019**	**31/Mar/2020**	**31/Mar/2021**	**31/Aug/2021**
Total loan disbursements during the year (in crore)	110.47	140.05	51.91	16.32
Total portfolio outstanding (in crore)	116.97	128.25	128.02	113.69
Managed Portfolio/Off Balance Sheet				
Particulars	**31/Mar/2019**	**31/Mar/2020**	**31/Mar/2021**	**31/Aug/2021**
Total portfolio outstanding (in crore)	-	21.64	27.90	36.11

As on 31/03/2020 Rs. 21.64 crores portfolio comes under securitization (direct assignment) and same is liquidated before closure of FY 2020-21. The managed portfolio as on 31/03/2021 of Rs. 27.90 is completely comes under business correspondence model and same on 31/08/2021. The company has BC business with Jana small finance Bank.

Loan utilisation schedule:

Loan Utilisation	31/Mar/2019 (%)	31/Mar/2020 (%)	31/Mar/2021 (%)	31/Aug/2021 (%)
Agriculture & Agri allied	60.32	52.13	54.49	54.79
Business/Trading	27.97	32.17	29.23	28.40
Housing Repairs	3.33	3.72	4.65	5.10
Consumption	0.14	0.21	0.21	0.22
Services	6.74	9.40	8.91	8.86
Other purpose	1.50	2.37	2.51	2.62
Total	**100.00**	**100.00**	**100.00**	**100.00**

SMERA Observations:

- More than 80% of disbursed loan have been used for Agriculture, Allied and Trading/Small business activity during FY21.

Section 1: Microfinance Capacity Assessment Grading

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. However, significant asset quality pressures across all time buckets was observed during Q3FY21 on account of delinquency created in prior two quarters. Overall PAR>30 and PAR>90 stood at 13.6% and 9.59% accordingly as on December, 2020.
- The nationwide surge in Covid cases in second wave of the pandemic might create further stress in the asset quality. Disbursement to borrowers might also be impacted due to increased restrictions in several parts of the country. Also complete weekend lockdown might impact small businesses creating further stress on credit offtake. However, SMERA estimates the impact might not be the same as the first wave if further nationwide lockdown is not imposed.

- In the context of the re-emergence of asset quality stress in the microfinance sector, RBI's measures to provide better funding access to the sector has come in a timely manner. Small Finance Banks (SFBs) which are primarily erstwhile larger MFI-NBFCs, have started to play an important role in providing credit to the informal sector including microfinance borrowers in both urban and rural areas. 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. This is meant to be deployed for fresh disbursements to its traditional clients i.e. microfinance borrowers as well as micro and small businesses with an exposure upto Rs 10 lakhs. The SLTRO programme will be available till October 2021 and will enable SFBs to provide additional credit to individual and self employed borrowers impacted by the latest Covid disruption. Acuité believes that the SLTRO for SFBs should make a larger quantum of funds available for disbursements in the microfinance sector over the next few months which will provide relief to the borrowers whose livelihood may have been impacted due to Covid 2.0.
- The other measure announced for SFBs will have a significant positive impact on the funding position of smaller MFIs with asset size upto Rs 500 Cr who had not benefitted adequately from the TLTRO and other measures announced earlier in FY21. While SFBs do undertake on lending to such smaller MFIs to channelise credit to the sector, such exposures to MFIs had not been considered as priority sector lending (PSL) earlier. RBI has now permitted the categorisation of such lending as PSL up to March 2022. In our opinion, this will enhance the financial flexibility for smaller MFIs as SFBs will be incentivised to take a larger exposure to the former without breaching their stringent PSL requirements which stand at 75% of adjusted net bank credit as compared to only 40% for scheduled commercial banks.

- Going forward, it is expected that the revival of agricultural related activities would be faster and would gradually start putting MFI back to the track ahead of other asset class. Further, high degree of self-regulations through enhanced process and controls, strong technological adoption and continuous innovation in the industry are the strong pillars which might help the industry to overcome the tough times. However, SMERA would keep close watch on the developments and reforms measures pertaining to the industry.

Reasonable track record of operations and satisfactory industry experience of promoters

- Initiatives for Development Foundation (IDF) is a non-profit organization founded by Developmental Bankers and Administrators who have expertise in micro credit, micro enterprise development, sustainable agriculture, rural development, transfer of technology, entrepreneurship promotion, corporate planning, communication and administration, social research, NGO constitution and Institutional development of grass root organizations. Initiatives for Development Foundation (IDF) was set up as a Registered Public Charitable Trust during November 2001.
- IDF Financial Services Private Limited (IDF FSPL) was carved out of IDF and is dedicated to provide Microfinance and allied financial services. In order to scale and promote microfinance operations and generate adequate capital, microfinance division of IDF was delineated from its parent organization and registered as IDF, a Non-Banking Financial Company in April 2009 with its Registered Office in Bangalore & Administrative office in Dharwad. IDF is run by a dedicated team with technical, organizational and banking experience.
- The company is working on Joint Liability Group (JLG) lending model for providing collateral free, small ticket-size loans amounting to Rs. 25,000 to 60,000 to group of economically active poor women for a period of 12 to 36 months. Women Customers who are involved in income generation activities like agriculture, agriculture allied activities like animal husbandry, fishing, poultry, bee keeping etc. and running small businesses like Vegetable stall, Kirana Store, Tailoring, Tuitions, Imitation Jewelry, etc. They generally use these funds for Working Capital, Business Expansion, and Educational.
- IDF is governed by seven board members having satisfactory experience in Banking and MFI sector. IDF's senior management has adequate experience across sectors such as Microfinance, Banking and development sector.

Diversified resource profile

Resource Profile	% (as on 31/August /2021)
Banks	84.97
FIs/NBFCs	15.03
Total	**100.00**

- As on March 31, 2021 IDF has developed funding relationships with 13 lenders (10 Banks & 3 NBFCs/FIs) and their resources profile is focused towards bank borrowings with 84.97% as on August 31, 2021.
- The overall cost of funds (COF) for IDF stood at 13.10% as on 31st March 2021 as compared to 13.50% in the previous year. Major share of borrowings from banks provide the lower average cost of borrowings.

Comfortable capitalisation and comfortable liquidity profile

- IDF has adequate capitalization marked by total equity capital of Rs. 29.20 crore as on March 31, 2021 as compared to Rs.27.18 crore in the previous year due to internal accruals. Gearing of IDF stood at 4.19 times as on March 31, 2021.
- IDF's capital adequacy ratio (CRAR) stood at 21.08% per cent as on March 31, 2021. Compare to 20.19% as on March 31, 2020. CRAR is comfortable than the RBI stipulated CRAR for NBFC-MFI of 15 per cent.
- The tenure of microfinance loans is about 12-24 months, whereas the incremental bank funding is typically with tenure of about 12-36 months. The bank borrowing is revolving in nature which supports the liquidity position of the MFI. However fresh inflow of funds from Bank or NBFC route is critical to maintain the projected growth in the microfinance operations.

Income and Profitability

Particulars	FY 2019	FY 2020	FY2021
Net financial margin (In thousands)	91,018	99,439	1,06,355
Operating expenses (In thousands)	72,431	80,321	79,719
Operational Self Sufficiency (%)	109.82	110.68	109.89
Operating Expense Ratio (OER) (%)	7.35	6.02	5.21

- IDF has reported net profit of Rs. 3.56 crore on operating income of Rs.29.59 crore in FY2021. In FY2020, IDF had reported net profit of Rs.2.00 crore on operating income of Rs.27.66 crore in the previous year.
- The operational self-sufficiency (OSS) of the company stood at 109.89% in FY2021 as compared to 110.68% in the previous year. The company's operating expense stood comfortable at 5.21% in FY2021.

Geographical Concentration

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	31/Aug/2021
No. of States	03	03	03	03
No. of Districts	18	19	20	20
No. of Branches	51	58	59	59

- IDF is currently operating in 03 states in 20 districts with 59 branches with 63,724 borrowers.

- In order to mitigate any potential risk arising out of geographical concentration, IDF has to diversify its presence across the states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	% of Total Portfolio o/s
Karnataka	36	42,278	111.54	74.46
Maharashtra	21	18,844	33.09	22.09
GOA	02	2,602	5.17	3.45
Total	**59**	**63,724**	**149.80**	**100.00**

- More than ~96% of the total portfolio is concentrated in Maharashtra (~22.09%) and Karnataka (~74.46%).
- 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/2019	31/Mar/2020	31/Mar/2021	31/Aug/2021
No. of States	03	03	03	03
No. of Districts	18	19	20	20
No. of Branches	51	58	59	59
No. of Active Members	58,083	69,453	68,559	63,724
No. of Active Borrowers	58,083	69,453	68,559	63,724
No. of Total Employees	262	279	266	264
No. of Field/Credit Officers	139	157	149	149
No. of JLGs	15,800	18,961	19,351	19,582

Financial Ratios	31/Mar/2019	31/Mar/2020	31/Mar/2021
No. of Active Borrowers Per Staff Member	222	249	258
No. of Active Borrowers per field executives	418	442	460
No. of members per Branch	1139	1,197	1,162
Gross Portfolio o/s per field executive (in thousands)	8,414	9,547	10,465
Average Outstanding Balance per client (in Rs)	20,136	21,581	22,743
Cost per Active client	1,247	1,156	1,163

- IDF's field productivity remains average in comparison to its peers during the pandemic situation; field outreach loan outstanding per client was worth Rs. 20,136 as on Mar 2019 and Rs. 22,743 as on Mar 2021.
- The company would be required to register a consistent improvement in productivity whilst diversifying its operations.

Sound asset quality

- IDF has maintained sound asset quality with on-time repayment rate of 97.77% as on August 31, 2021. Further management has informed that collection efficiency on the own portfolio stood at 98.36% as on August 31,2021.

Period	FY 2019	FY 2020	FY 2021	31/Aug/2021
	Portfolio o/s(crore)	Portfolio o/s (crore)	Portfolio o/s (crore)	Portfolio o/s (crore)
On-time (in crore)	115.24	147.33	152.42	146.46
1-30 days (in crore)	0.11	0.55	0.52	1.29
31-60 days (in crore)	0.15	0.42	0.52	0.71
61-90 days (in crore)	0.24	0.42	0.35	0.57
91-180 days (in crore)	0.17	0.79	0.35	0.60
181-360 days (in crore)	0.72	0.28	1.38	0.15
> 360 days (in crore)	0.31	0.10	0.34	0.02
Write-off (in crore)	0.79	0.14	2.02	0.00
Total	**116.94**	**149.89**	**155.92**	**149.80**
On-time (in %)	98.55	98.29	97.75	97.77
PAR 0-30 days (in %)	0.09	0.37	0.33	0.86
PAR >30 days (in %)	1.36	1.34	1.92	1.37
PAR >90 days (in %)	1.03	0.78	1.33	0.51

- Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.

Adequate IT systems and audit mechanism

- IDFs management information system (MIS) and Information Technology (IT) infrastructure is adequate level 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 current MIS system deployed in IDF is 'Bijli' customized software which seems to be moderate to handle the current and projected growth. The MIS has real time tracking of micro finance activities in Head office.

- **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 bi-weekly basis as per the RBI norms.

- **Helpline Number**
  The company has a dedicated toll-free helpline number, where calls are received and addressed within 24 hours.

- **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

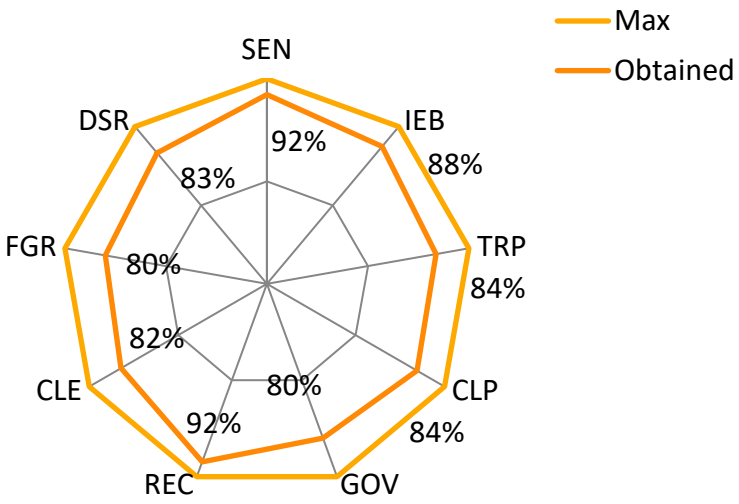
- IDF's business risk profile remains susceptible to socio-political risk, regulatory and legislative risks, along with the inherent risks existing such as unsecured nature of lending, vulnerable customer profile and exposure to vagaries of political situation in the area of operation.

Section 2: Code of Conduct Assessment

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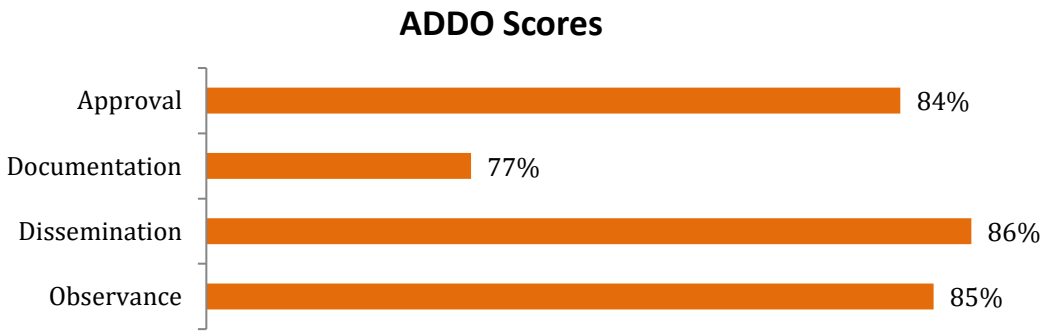
COCA Grading – C2 (Good performance on code of conduct dimensions)

COCA Dimension Scores



SCORES ON PARAMETERS

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	92%
Integrity and Ethical Behavior	IEB	88%
Transparency	TRP	84%
Client Protection	CLP	84%
Governance	GOV	80%
Recruitment	REC	92%
Client Education	CLE	82%
Feedback & Grievance Redressal	FGR	80%
Data Sharing	DSR	83%



IDF with an overall grade of "**C2**", indicate **Good** Performance on Code of Conduct dimensions.

Code of Conduct Assessment Summary

The Code of Conduct report for IDF Financial Services Private Limited (IDF) 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 IDF exhibits **Good** 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 IDF's adherence towards ethical operational practices.

Strengths and weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
• Experienced and qualified management who have considerable experience in microfinance industry are instrumental in growth of IDF till date. • Transparency in loan pricing and policies. • Adequate software-based MIS to handle current scale of operations. • Compulsory training on products terms and conditions to client prior to every loan. • Compulsory check on over indebtedness of every borrower. IDF manual mandates CB checks for capturing overall indebtedness. The checks are automated and done centrally. • Board approved policies, compliant with the RBI guidelines. • Code of Conduct framed as per the IDF's mission, vision, values and displayed in all branch offices & HO. • IDF communicates with borrowers in a transparent and professional manner, uses single effective interest rates and marks entries in their passbooks while making disbursement. Additionally, it communicates with its clients in the vernacular language. Credit policies are well established documented and communicated. • IDF obtains an external CA certification for compliance with the criteria regarding qualifying assets, aggregate amount of loans for income generating activity and the pricing. • Adequate loan appraisal & monitoring systems. • Data sharing with credit bureau (Equifax and High Mark). • IDF is committed to the best practices which will help in building deeper relations with its customer and thus focusing on the same, • IDF's recruitment policy is well-defined with the applicant required to appear for an interview and provide a relieving letter from the previous employer. IDF also performs a reference check for all its employees and responds to the reference checks sought by any other entities for its employees.	• Code of conduct compliance report of last financial year of IDF is not available in the company website. • The MFI does not have any policy to provide acknowledgement against the grievance received at branch level.

Significant Observations

HIGHER ORDER INDICATORS	
Integrity and Ethical Behavior	• The MFI has the policy to place reports on COC compliance before the board at the end of every financial year. • The audit committee of the Board reviews the adequacy of audit staff strength and scope of Internal Audit. • Board has approved a policy of recovering delinquent loans. • 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. • 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 and the same is not mentioned in the operational manual. • In all the branches, the contact number and address of nodal official was properly displayed. • Awareness among client and staff on grievance Redressal mechanism was found to be moderate to high. • Fixed Component compensation of staff is not impacted in event of overdues. in its fair practices code provides importance for transparency in pricing and clear communication to the clients.
Sensitive Indicators	• Clients interviewed were aware of the charges and price for all services availed. • Awareness among the staff on RBI guidelines was found to be moderately high. • There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • IDF shares accurate data with all credit bureaus on a frequency prescribed by Sa-dhan. • IDF 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. The organization also has a well-documented policy on pre-payments. • The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.

BUILDING BLOCKS	
Transparency	• Awareness among the staff on RBI guidelines was found to be moderate to high. • IDF has documented the pricing of its loan products in its operational manual. In the branches visited loan documents had been maintained in local languages. • Circulars with the most recent directions were available in the branches. • IDF in its fair practices code provides importance for transparency in pricing and clear communication to the clients. • The loan interest rate and processing fees is mentioned on the loan passbook. • Clients interviewed were aware of the charges and price for all services availed. • Audit committee verifies through the audit reports whether all clients have received the necessary loan documents. • IDF displays the details of the loan products including their interest rates and client grievance redressal system on its website. • IDF issues loan agreement to the clients with all terms and conditions of the loan including annualized interest rates.
Client Protection	• IDF has a board-approved policy regarding client data security. • Employees are trained on aspects of appropriate behavior with the clients. • IDF has documented policy on client data security which forms part of its fair practice code. • IDF has framed a Fair Practice Code and has also adopted the RBI fair practices code. • Employees are trained on aspects of appropriate behavior with the clients. • Staffs were found to be aware of the need to have professional conduct with the clients.
Governance	• IDF maintains high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body. • IDF has 1/3rd of independent persons in its Governing Board, and the Board is actively involved in all policy formulations and other important decisions. • The MFI has documented guidelines regarding debt-restructuring for clients facing repayment stress • An audit committee of the Board with an independent director as chairperson. • The MFI has got its accounts audited in a timely manner after the end of the most recent financial year.

	• No adverse observations in the Auditor's report regarding accounting standards followed by the MFI.
Recruitment	• IDF board has reviewed its recruitment policies at least once annually. • The MFI has a defined and documented process for responding to reference check requests. • There is documentary evidence to suggest that MFI has honored the notice period for all employees who have left it. • MFI obtain NOC or relieving letter from the previous employee, in case employees are recruited from other MFIs. • 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 and the same is not documented in Operational Manual.
Client Education	• IDF in its fair practices code provides importance for raising clients' awareness of the options, choices and responsibilities regarding financial products and services • IDF does not charge clients for the trainings provided to clients by itself or through a related party. • Awareness among client on annualized Interest rate & Insurance claim settlement process was found to be moderate.
Feedback and Grievance Redressal	• 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. • Clients were found to be aware of the helpline number. • Feedback mechanisms are regularly tracked and monitored. • In all the branches, the contact number and address of Sa-dhan nodal official was properly displayed. • Complaints lodged through helpline at H.O and branches were found documented.
Data Sharing	• Operational data for FY 2021 is available on the website of IDF. • MFI has a well-defined process for sharing data with the credit bureaus. • MFI has provided data called for by Sa-dhan and RBI as and when required as per compliance. • IDF shares accurate data with all credit bureaus on a frequency prescribed by Regulators/SRO's. • IDF performs compulsory credit bureau checks for all its clients.

ANNEXURES

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 polices 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.

Highest Order	
Sensitive Indicators	
Higher Order	
Integrity & Ethical Behaviour	
Building Blocks	
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
Total	**250**

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 have interacted with eight branches of the MFI. The details of the branches are provided below.

Sr No	Branch	State	No of clients interviewed
1	Gokak	Karnataka	23
2	Hukkeri		24
3	Yaragatti		17
4	MK Hubli		21
5	Dharwad		25
6	Ranebennur		16
7	Anavathi		18
8	Sanquelim	GOA	22
Total			**166**

Note: SMERA has conducted branch and borrower interaction in Video Conference/call due to COVID-19 Pandemic.

Financials

Profit & Loss Account (Rs. In Thousands)

Period	FY 2019	FY 2020	FY2021
Months	**12**	**12**	**12**
Financial revenue from operations	**2,07,907**	**2,76,626**	**2,95,920**
Less - Financial expenses from operations	1,05,269	1,64,399	1,63,521
Gross financial margin	**1,02,638**	**1,12,227**	**1,32,399**
Provision for Loan Loss / Write off	11,620	12,788	26,044
Net financial margin	**91,018**	**99,439**	**1,06,355**
Less - Operating Expenses	**72,431**	**80,321**	**79,719**
Personnel Expense	54,150	58,984	61,614
Depreciation and Amortization Expense	4,945	934	674
Other Administrative Expense	13,336	20,403	17,431
Net Operating Income	**18,587**	**19,118**	**26,636**
Non-Operating Revenue	1,188	8,843	18,342
Income Tax	4,041	7,930	9,353
Net Income	**15,734**	**20,031**	**35,625**

Above financials are audited.

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2019	31/Mar/2020	31/Mar/2021
SOURCES OF FUNDS			
Capital			
Equity Capital	2,30,537	2,31,037	2,31,037
Reserves & Surplus	35,811	40,804	61,011
Total Equity	**2,66,348**	**2,71,841**	**2,92,048**
Liabilities			
Short-Term Liabilities			
Commercial Loans from banks/FI	6,52,202	8,58,806	7,21,285
Account payable & Other short-term liabilities	11,301	35,261	10,618
Total Short-Term Liabilities	**6,63,503**	**8,94,067**	**7,31,903**
Long-Term Liabilities			
Long-Term Borrowings			
Commercial Loans from banks/FI	5,10,937	4,13,221	5,02,339
Total Long-Term Borrowings	**5,10,937**	**4,13,221**	**5,02,339**
Total Other Liabilities	**11,74,440**	**13,07,288**	**12,34,242**
Total Provision for Standard Assets	17,063	33,208	53,139
Deferred Tax Liability			
TOTAL LIABILITIES	**14,57,851**	**16,12,337**	**15,79,429**

As on date	31/Mar/2019	31/Mar/2020	31/Mar/2021
APPLICATION OF FUNDS			
Fixed Assets			
Net Block	**1,996**	**1,471**	**1,451**
Cash and Bank Balances	1,58,867	1,06,355	63,388
Cash Collateral (Margin Money)	93,795	1,48,378	1,79,364
Investment in Fixed Deposit/Mutual Fund (Lien Free)	500	1,000	500
Loan Portfolio			
Net Loan Portfolio	**11,69,552**	**12,82,453**	**12,80,248**
Accounts Receivable and Other Assets	32,852	71,366	48,972
Deferred Tax Asset	289	1314	5,506
TOTAL ASSETS	**14,57,851**	**16,12,337**	**15,79,429**

Financial Ratios

Financial Ratios	31/Mar/2019	31/Mar/2020	31/Mar/2021
Capital Adequacy Ratio (CAR)			
Capital Adequacy Ratio (%)	22.21	20.19	21.08
Productivity / Efficiency Ratios			
No. of Active Borrowers Per Staff Member	222	249	258
No. of Active Borrowers per field executives	418	442	460
No. of active borrowers per branch	1139	1,197	1,162
Gross Portfolio o/s per field executive (Rs in thousands)	8,414	9,547	10,465
Average Outstanding Balance Per borrower (In Rs)	20,136	21,581	22,743
Cost Per Active borrower (In Rs)	1,247	1,156	1,163
Asset / Liability Management			
Yield on Portfolio (%)	19.13	21.04	21.01
Cost of Fund (COF) (%)	11.50	13.50	13.10
Profitability / Sustainability Ratios			
Operational Self Sufficiency (%)	109.82	110.68	109.89
Operating Expense Ratio (OER) (%)	7.35	6.02	5.21
Return on Assets (RoA) (%)	1.55	1.79	1.67
Portfolio at Risk (>30 days) (%)	1.36	1.34	1.92
Return on Equity (RoE) (%)	7.12	10.22	9.45
Leverage Ratios			
Total Outside Liabilities to Tangible Networth Ratio (Times)	4.41	4.81	4.23
Debt/Equity Ratio (Times)	4.37	4.68	4.19

About SMERA Gradings & Ratings

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

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