



SMERA MFI Grading

M3

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

SMERA MFI Grading

Vector Finance Private Limited



To verify the grading, please scan the QR Code

Date of Report:

June 07, 2024

Valid Till:

March 29, 2025

Conflict of Interest Declaration

SMERA (including its holding company and wholly owned subsidiaries) has not been involved in any assignment of advisory nature for a period of 12 months preceding the date of the MFI grading. None of the employees or the Board members of the SMERA have been a member of the Board of Directors of the MFI for a period of 12 months preceding the date of the comprehensive grading.

Disclaimer

SMERA's Ratings / Gradings / Trust Seal 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
December 22, 2022	Acuité Ratings & Research Limited	ACUITE BB/Upgraded
December 24, 2021	Infomerics Ratings	IVR BB-/Assigned
March 22, 2021	Acuité Ratings & Research Limited	ACUITE BB- /Downgraded
December 30, 2019	Acuité Ratings & Research Limited	ACUITE BB /Assigned

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	: Vector Finance Private Limited	
Operational Head – Microfinance Business	: Name	Prasanta Kumar Sahu
	: Designation	COO
	: Mobile No.	9820114138
	: Email ID	prasanta.sahu@vectorfinance.in
	: Date of Joining	November 21, 2018
Date of Incorporation/Establishment	: November 21, 2018	
Date of commencement of microfinance business	: January 07, 2019	
Legal Status	: NBFC – MFI	
Business of the company	: Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	: Registered Office- K7/110, Ground Floor, Kalinga Vihar, Ghatikia BDA Plotted Scheme, P.S Khandagiri, Bhubaneswar, Odisha 751029 Corporate Office- ASO-606, 6thFloor, South Wing, Astra Towers,2C/1, Action Area II C, Rajarhat, Kolkata-700156, West Bengal	
Geographical Reach (As on 31/March/2024)	: No. of States	6
	: No. of Districts	79
	: No. of Branches	173
	: No. of Active Borrowers	2,22,295
	: No. of Total Employees	1,005
	: No. of Field/Credit Officers	647
No. of Lenders	: 05 (External Lenders)	
Statutory Auditors	: Vinod Agarwal and Associates	

Background:

Vector Finance Private Limited (Vector), herein referred as VFPL is registered as a Private Limited Company under Companies Act 2013, on November 21, 2018. The company obtained approval from RBI to operate as NBFC – MFI on June 28, 2019. It is involved in providing small ticket loans to women borrowers for income generating purposes under Joint Liability Group (JLG) model. The company focuses mainly in semi urban and rural area.

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)
MFI	Loan Income Generating Activity	10,000-50,000	27.00	1.50	28.50
		10,000-1,00,000			28.50

Capital Structure as of 31/Mar/2024

Authorized Capital	Rs. 38.29 crore
Paid Up Capital	Rs. 16.92 crore

Shareholding Pattern (as on 31/Mar/2024)

Name of Proprietor/ Partner / Shareholders	Shares in %
Rahul Johri	38.64
Sumit Sharma	18.49
Prasanta Kumar Sahu	5.28
VT Capital Market Private Limited	16.30
Parshuram Dave	4.14
Sudhir Murthy Nemali	2.46
Sameer Sawhney	0.98
Other Individuals	13.71
Total	100.00

Board of Director's/Promoter's Profile

Director Details		Profile
Name:	Mr. Rahul Johri	<p>The Co-Promoter and Director of VFPL, Rahul Johri, has vast experience in the financial sector. He is a seasoned Banker with more than 26 years of Banking experience in multinational banks (Standard Chartered Bank, ANZ Grindlays, Barclays Bank, DBS Bank) and 2.5 years at Bandhan Bank. He has worked in various facets of Banking like strategic business planning, management of retail business, distribution planning and management, operations and customer service. During his last assignment of 2 years and 7 months with Bandhan Bank, as Executive President, he was directly responsible for the entire Business of the Bank including the microfinance business. He was an integral part of the Senior Management for deciding the Bank's future strategy. He was involved in the process to transition to a Universal Bank. Rahul is an alumnus of IIT Kharagpur & XLRI Jamshedpur where he completed his MBA.</p>
Designation:	Chairman	
Qualification:	MBA	
Name:	Mr. Prasanta Kumar Sahu	<p>The Co-Promoter & Director of VFPL, Mr. Prasanta Kumar Sahu has 16+ years of exposure to microfinance operations. He started his career with Asmitha Microfin Ltd as an Area Manager for 1.5 years and SIDBI as young professional for 2 years, wherein he was involved in extending loans to MFIs as well as identifying Capacity Building Need Assessment of such entities grant support. He was pioneer in starting the microfinance business of Axis Bank & was elevated up to Head Microfinance for the Bank in a span of 9 years wherein he worked on appraisal of MFIs across the country for extending loans to them, due diligence for equity investments in MFIs and also foliating the process and strategies for rollout of retail microfinance of the Bank. His last assignment was with Bandhan Bank as the Head of SME and Corporate business of the Bank for 3.5 years.</p>
Designation:	COO	
Qualification:	MBA	
Name:	Ms. Ruchira Parshad	<p>Ruchira is a third-generation entrepreneur. She is involved in the tea business and runs her own cultivations in Assam. She has core competencies in handling large-scale labor-</p>
Designation:	Non-Executive Director	
Qualification:	B. Com	

		intensive business wherein non-skilled / semi-skilled man powers are involved. Her expertise can be effectively used to manage large businesses, like microfinance, wherein large number of manpower is involved.
Name:	Mr. Dhiraj Bhutoria	He is having seasoned experience in capital and securities market of more than 20 years. He is CA, CS by field of education.
Designation:	Non-Executive Director	
Qualification:	CA	

SMERA Observations:

- VFPL has four-member board. Board members have satisfactory experience in Banking and MFI sector.
- 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. Rahul Johri	<p>The Co-Promoter and Director of VFPL, Rahul Johri, has vast experience in the financial sector. He is a seasoned Banker with more than 26 years of Banking experience in multinational banks (Standard Chartered Bank, ANZ Grindlays, Barclays Bank, DBS Bank) and 2.5 years at Bandhan Bank. He has worked in various facets of Banking like strategic business planning, management of retail business, distribution planning and management, operations and customer service. During his last assignment of 2 years and 7 months with Bandhan Bank, as Executive President, he was directly responsible for the entire Business of the Bank including the microfinance business. He was an integral part of the Senior Management for deciding the Bank's future strategy. He was involved in the process to transition to a Universal Bank. Rahul is an alumnus of IIT Kharagpur & XLRI Jamshedpur where he completed his MBA.</p>
Designation:	Chairman	
Qualification:	MBA	
Name:	Mr. Prasanta Kumar Sahu	<p>The Co-Promoter & Director of VFPL, Mr. Prasanta Kumar Sahu has 16+ years of exposure to microfinance operations. He started his career with Asmitha Microfin Ltd as an Area Manager for 1.5 years and SIDBI as young professional for 2 years, wherein he was involved in extending loans to MFIs as well as identifying Capacity Building Need Assessment of such entities grant support. He was pioneer in starting the microfinance business of Axis Bank & was elevated up to Head Microfinance for the Bank in a span of 9 years wherein he worked on appraisal of MFIs across the country for extending loans to them, due diligence for equity investments in MFIs and also foliating the process and strategies for rollout of retail microfinance of the Bank. His last assignment was with Bandhan Bank as the Head of SME and Corporate business of the Bank for 3.5 years.</p>
Designation:	COO	
Qualification:	MBA	
Name:	Mr. Ranjan Gangopadhyay	<p>Ranjan has worked as Zonal Branch Banking Head (Senior Vice President) at Bandhan Bank. He also worked at HDFC Bank, Axis</p>
Designation:	Chef Business Officer	

Qualification:	MBA	Bank, GTB, and Federal Bank. He has 26 years of experience in the banking sector with proven expertise in retail distribution and strategy
Name:	Mr. Codangudi Krishnamurthy Srinivasan	he was Senior Vice President at Grip Investments UAE. He also worked at HSBC Bank, Standard Chartered Bank, Barclays Bank, DBS Bank, National Bank of Abu Dhabi, HDFC Bank, and Karvy Private Wealth of Abu Dhabi. He has 34 years of experience in the Banking and Finance Sector. He completed his Masters from Bharatidasan University.
Designation:	Head- Strategic Initiatives	
Qualification:	MBA	
Name:	Ms. Gargi Sen	She has been working in Jagaran Microfin Pvt Ltd as Chief Coordinator- Operations. She has also worked in organizations like ASA International India Microfinance Ltd, Karvy Fintech and UTI-ITSL. She has 16 years of experience in banking and Finance and has completed her graduation from Calcutta university, MBA from IMT Ghaziabad and PGDBL from WBNUJS.
Designation:	General Manager – Operations	
Qualification:	MBA	
Name:	Mr. Ravana Murty	He has almost 10 years of experience in the field.
Designation:	Head – IT	
Qualification:	-	
Name:	Mr. Mahendra Jangid	Mr. Mahendra Jangid did his graduation from Jodhpur JNVU University. In his current role in handling internal audit, He is responsible for monitoring process adherence, ensuring compliance to statutory requirements and reviewing the adequacy of existing systems and controls from time to time. He has previously worked at HDFC Bank, Sahayata, Swadhar, Basix and Asirvad Micro Finance. He has 14 years of experience in banking and micro finance, Integrity, transparency, and fairness are key elements of his work ethos. Mahendra expertise is in the areas of internal audit, risk assessment and fraud risk management with in-depth knowledge of the risk and internal control framework for business processes, manufacturing and service and micro-finance industries.
Designation:	Head- Internal Audit	
Qualification:	-	
Name:	Mr. Sumanta Bandyopadhyay	Mr. Sumanta Bandyopadhyay, Head – Quality Control: A postgraduate in Business Administration (MBA) from the University of
Designation:	Head- Quality Control	

Qualification:	MBA	Kalyani in Finance. He has over 12+ years of experience in Microfinance - Operations, Monitoring & Control; Institutional Borrowings (Banks/NBFCs/FIs, NCDs, Sub-Debts, DA/Securitization); Grading & Rating; Banking Treasury; Wholesale Lending to Priority Sector, Credit Appraisal & Relationship Management for Small Corporates. He started his career at Bandhan Financial as an Associate Divisional Manager in 2010 & was handling a retail portfolio of over Rs 100 crore and wholesale lending portfolio of over Rs 2,600 crore.
Name:	Mr. Prasenjit Banik	Mr. Prasenjit Banik, Head institutional Finance: He has completed his CA from the institute of Chartered Accounts of India, Kolkata. He was Assistant Vice President (Finance Head) at Adi Chitragupta Finance Ltd. He also worked at Uttrayan Financial services Pvt. Ltd., ICICI Bank Ltd and a few renowned CA Firms. He has 16 years of experience in the Finance Sector.
Designation:	Head institutional Finance	
Qualification:	CA	

SMERA Observations:

- VFPL's senior management has adequate experience across sectors such as Microfinance, Banking and development sector.
- VFPL 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)	414.28	529.15	524.15
On Balance Sheet Portfolio Outstanding (in Crores)	14.72	20.87	40.52
Managed Balance Sheet (in Crores)	399.56	508.28	483.63
Securitized Portfolio (in Crores)	0.00	0.00	0.00
Total Equity (in Crores)	18.23	24.24	36.23
Total External Borrowings (in Crores)- Bank Borrowing	0.00	3.90	9.31
Debtenture from related parties	7.91	28.52	31.71
Unsecured Loan	9.01	4.89	4.89

Particulars	31/03/2022	31/03/2023	31/03/2024
Total Financial Revenue (in Crores)	25.76	42.65	49.88
Finance Expenses (in Crores)	2.98	3.99	5.97
Operating Expenses (in Crores)	20.89	30.88	34.72
Operating Income (in Crores)	1.02	5.85	6.20
Net Operating Income (in Crores)	0.83	5.99	6.09

Particulars	31/03/2022	31/03/2023	31/03/2024
Cost of funds ratios (%)	11.78	12.19	12.41
Capital Adequacy Ratio (%)	70.75	53.57	50.29
Operational Self Sufficiency (%)	102.99	116.00	114.00
Operating Expense Ratio (OER) (%)	7.35	6.55	6.61
Portfolio at Risk (>30 days) (%)	2.36	8.33	4.75
Debt to Equity ratio (in times)	0.93	1.69	1.31

Highlights of Microfinance Operations

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Mar/2024
No. of States	6	6	6	6
No. of Districts	70	72	77	79
No. of Branches	134	144	162	173
No. of Active Members	71,813	1,61,274	2,21,192	2,22,295
No. of Active Borrowers	71,813	1,61,274	2,21,192	2,22,295
No. of Total Employees	583	798	932	1,005
No. of Field/Credit Officers	332	574	592	647
No. of JLG/SHG	11,969	26,879	36,865	35,289
No. of Individual Loans	0	0	0	0
Owned Portfolio (Amount in Rs Crores)				
Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Mar/2024
Total loan disbursements during the year (in crore)	5.09	10.34	10.18	31.46
Total portfolio outstanding (in crore)	10.27	14.72	20.87	40.52
Managed Portfolio (Amount in Rs Crores)				
Total portfolio outstanding (in crore)	143.79	399.56	508.28	483.63

Microfinance Capacity Assessment Grading Rationale

Operating Environment

- The outbreak of COVID-19 had significantly impacted the operations of Micro Finance Institutions (MFIs). The MFI sector which has registered the CAGR growth of over 35% in last five years, amidst this pandemic crisis, faces serious challenges on collections, asset quality and cash flow management. Due to the moratorium, the collection level has been severely impacted in turn affecting cash flow and ALM.
- The industry started to gain momentum in Q2-FY2021 with the ease of nationwide lockdown. Broadly, the disbursement was back to pre-covid level as on December, 2020. Disbursements have partly picked up since many players are resorting to lending to existing borrowers so as to help them repay and tide over the stress.
- In the context of the re-emergence of asset quality stress in the second wave of COVID 19, RBI's measures to provide better funding access to the sector came in a timely manner. RBI has announced in its latest relief package on May 5, 2021 that SFBs can tap a Rs 10,000 Cr special long -term repo operations (SLTRO) funding programme which can provide funds at the repo rate of 4.0% for a tenor upto 3 years.
- The sector started showing improvements right from the Q1 of FY 2023 as Y-O-Y growth was almost close to the pre-pandemic level and overall on-time repayment rate surpassed than 95% backed by the revival of demand and improvement in overall business environment. By the end of Q3 of FY 2023 PAR> 30 days and PAR> 60 days improved to 3.43% and 2.60% whereas overall NPA of the sector also improved to 1.76% by the same period of time. Total AUM of the sector stood at Rs. 3.24 Lakh Crore by the end of Q3 of FY 2023 registering a growth of 26.19% on Y-O-Y basis.
- SMERA estimates the industry's PAR>30 days and PAR>90 days to be less than 3% and 1.50% respectively at the end of FY 2023. Further, the asset quality is expected to stabilise in FY2024 and on-time repayment rate expected to be close to the pre-covid level.

Long Track Record of Operations and Extensive Industry Experience of Promoters

- Vector Finance Private Limited (Vector) is registered as a Private Limited Company under Companies Act 2013, on November 21, 2018. The company obtained approval from RBI to operate as NBFC – MFI on June 28, 2019. It is involved in providing small ticket loans to women borrowers for income generating purposes under Joint Liability Group (JLG) model. The company focuses mainly in semi urban and rural locations to build the business.
- The board has extensive experience in the banking and finance sector. Board member also has related experience in the micro finance sector.
- The Co-Promoter and Director of VFPL, Rahul Johri, has vast experience in the financial sector. He is a seasoned Banker with more than 26 years of Banking experience in multinational banks (Standard Chartered Bank, ANZ Grindlays, Barclays Bank, DBS Bank) and 2.5 years at Bandhan Bank. He has worked in various facets of Banking like strategic business planning, management of retail business, distribution planning and management, operations and customer service. During his last assignment of 2 years and 7 months with Bandhan Bank, as Executive President, he was directly responsible for the entire Business of the Bank including the microfinance business. He was an integral part of the Senior Management for deciding the Bank's future strategy. He was involved in the process to transition to a Universal Bank. Rahul is an alumnus of IIT Kharagpur & XLRI Jamshedpur where he completed his MBA.
- Mr. Prasanta Kumar Sahu is the Chief Operating Officer and looks after the operations of the MFI. has about 16 years of exposure to the microfinance operations in the country.

Moderate resource profile

Resource Profile (External)	% (as on 31/March/2024)
SFBs	22.66
FIs/NBFCs	77.34
Total	100.00

- As on March 31st, 2024 VFPL has an external borrowing from 05 lenders (NBFCs/FIs). As on March 31st, 2024 the external borrowing stood at Rs.9.31 crore and out of that funding from Bank stood at 22.66% and their resources profile concentrated towards NBFCs with contribution of 77.34% as on March 31st 2024.
- Further VFPL has availed unsecured loan from Bargach Finance Pvt. Ltd, B.C. Jain. Jewellers Pvt Ltd., Parakh Projects Pvt. Ltd. and the outstanding amount stood at Rs.6.27 Cr. as on March 31st, 2024.
- The MFI also have BC arrangements with Avanti Finance, Jana Small Finance bank, CSB Bank India P2P, Fincare, Belstar . The commission is received in the range between 9% to 10%.
- Major share of borrowings from NBFCs provide the higher average cost of borrowings. Borrowings from NBFCs has been drawn at an interest rate ranging between 14.00%-16.75%. hence the company has to explore its funding base majorly towards PSU Banks/Private Banks for reducing its cost of borrowing.

Adequate capitalisation and comfortable liquidity profile

- VFPL has adequate capitalization marked by total equity capital of Rs. 36.23 crore as on March 31, 2024, compared to Rs.24.14 Cr in the previous year.
- VFPL capital adequacy ratio (CRAR) stood at 50.29% per cent as on March 31, 2024. CRAR is comfortable than the RBI stipulated CRAR for NBFC-MFI of 15 per cent.
- The tenure of microfinance loans is about 12 months, whereas the incremental bank funding is typically with tenure of about 12-24 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 2021	FY 2022	FY 2023	FY 2024
Net financial margin (In thousands)	69,423	2,19,228	3,67,322	4,09,175
Operating expenses (In thousands)	1,61,250	2,08,995	3,08,777	3,47,153
Operational Self Sufficiency (%)	53.00	102.99	116.00	114.00
Operating Expense Ratio (OER) (%)	8.20	7.35	6.55	6.61

- VFPL has reported net profit of Rs. 6.09 crore on operating income of Rs. 49.88 crore in FY2024. Increased from the previous year supported majorly by the BC operation.
- The operational self-sufficiency (OSS) of the company stood comfortable at 114.00% in FY2024.

Moderate geographical presence

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Mar/2024
No. of States	6	6	6	6
No. of Districts	70	72	77	79
No. of Branches	134	144	162	173

- VFPL is currently operating in 6 states in 79 districts with 173 branches with 2,22,295 borrowers as on March 31st 2024.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Assam	10	4,131	7.50	27.81	1.43
Chhattisgarh	18	22,223	52.43	8.92	10.00
Madhya Pradesh	45	49,221	128.92	4.85	24.60
Odisha	56	89,904	196.50	4.16	37.49
Tripura	21	34,764	86.58	2.08	16.52
West Bengal	23	22,052	52.23	3.67	9.96

Total	173	2,22,295	524.15	4.75	100.00
--------------	-----	----------	--------	------	--------

Note: Above table includes own branches alongwith the branches of managed portfolio.

- VFPL's operations are spread across in 6 states i.e. Odisha, Assam, West Bengal, Madhya Pradesh, Chhattisgarh and Tripura.
- More than ~35% of the portfolio is concentrated in Odisha.
- 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.

Average Productivity and efficiency of employees

Particulars	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Mar/2024
No. of States	6	6	6	6
No. of Districts	70	72	77	79
No. of Branches	134	144	162	173
No. of Active Members	71,813	1,61,274	2,21,192	2,22,295
No. of Active Borrowers	71,813	1,61,274	2,21,192	2,22,295
No. of Total Employees	583	798	932	1,005
No. of Field/Credit Officers	332	574	592	647
No. of JLG/SHG	11,969	26,879	36,865	35,289
No. of Individual Loans	0	0	0	0

Financial Ratios	31/Mar/2021	31/Mar/2022	31/Mar/2023	31/Mar/2024
No. of Active Borrowers Per Staff Member	123	202	237	210
No. of Active Borrowers per field executives	216	281	374	337
No. of members per Branch	536	1,120	1,365	1,285
Gross Portfolio o/s per field executive (in thousands)	4,640	7,217	8,938	7,900
Average Outstanding Balance per client (in Rs)	21,453	25,688	23,923	23,579
Cost per Active client	2,245	1,296	1,396	1,562

- The company is currently operating in 173 branches servicing over 2,22,295 borrowers as on March 31, 2024.
- The company would be required to register a consistent improvement in productivity whilst diversifying its operations.

Moderate asset quality

- VFPL has maintained Moderate asset quality with on-time repayment rate of 93.46% as on March 31, 2024.

Period	FY 2021	FY 2022	FY 2023	FY 2024
	Portfolio o/s	Portfolio o/s	Portfolio o/s	Portfolio o/s
On-time (in crore)	149.89	391.97	466.73	489.87
1-30 days (in crore)	0.88	12.51	18.34	9.38
31-90 days (in crore)	1.15	4.43	14.01	13.7
91-180 days (in crore)	1.45	2.62	13.10	1.09
181-360 days (in crore)	0.70	2.75	16.97	10.12
> 360 days (in crore)	0.00	0.00	0.00	0.00
Write-off (in crore)	0.00	0.00	0.00	0.00
Total	154.06	414.28	529.15	524.16
On-time (in %)	97.29	93.38	88.20	93.46
PAR 0-30 days (in %)	0.58	3.66	3.47	1.79
Total Portfolio PAR >30 days (in %)	2.13	2.36	8.33	4.75
PAR >90 days (in %)	1.39	1.29	5.69	1.93

*Note: As provided by the management, SMERA analytical team has not verified the asset quality of the all branches.

- The PAR 0-30 days stood at 1.79% as on March 31, 2024 as compared to 3.47% as on March 31, 2023. The PAR >30 days stood at 4.75% as on March 31, 2024 as compared to 8.33% as on March 31, 2023.

Adequate IT Systems Audit Mechanism

- The company has hired the services of Volksoft Consulting Private Limited and uses MicroSure application for its LOS, LMS and CBS. The front end is made user friendly and works on both online and offline mode.
- All the field staff are provided with tablets for paperless sourcing and collections activities.

Internal Audit Process

- The Company has a dedicated Internal Audit team commensurate with the size of business. The Audit team comprises of 8 professionals with relevant MFI experience. Each Branch is planned to be audited at least 3 times in a year. Based on the criticality of audit observation, management may decide to increase the frequency of audit of the branches on case to case basis. Audit team also uses tool for grading of branches.

Inherent risk prevalent in the microfinance sector

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

Financials

Profit & Loss Account (Rs. In Thousands)

Period	FY 2022	FY 2023	FY 2024
Months	12	12	12
Financial revenue from operations	2,57,563	4,26,533	4,98,940
Less - Financial expenses from operations	29,832	39,908	59,665
Gross financial margin	2,27,731	3,86,625	4,39,175
Provisions	8,503	19,303	30,000
Net financial margin	2,19,228	3,67,322	4,09,175
<u>Less - Operating Expenses</u>			
Personnel Expense	1,64,056	2,18,256	2,83,860
Depreciation and Amortization Expense	4,943	6,199	5,417
Other Administrative Expense	39,996	84,322	57,876
Net income before taxes and extraordinary items	10,233	58,545	62,022
Current Tax	1,710	0	0
Deferred Tax	70	-55	-83
Extraordinary Items	82	-1,323	1,191
Net Income	8,371	59,923	60,914

Note: Above financials are audited.

Balance Sheet (Rs in Thousands)

As on date	31-Mar-22	31-Mar-23	31-Mar-24
Sources of funds			
Capital			
Equity Capital	1,61,958	1,59,707	1,69,250
Share Application Money			400
Reserve & Surplus	20,316	82,688	1,92,612
Total Capital	1,82,274	2,42,395	3,62,262
Liabilities			
Short-Term Liabilities			
Commercial Term Loans from Banks/FI	79,100	1,98,900	
Unsecured Loan	57,180	48,895	48,907
Account payable & Other short-term liabilities	20,645	28,309	44,293
Total Short-Term Liabilities	1,56,925	2,76,104	93,200
Long-Term Liabilities			
Long-Term Borrowings			
Commercial Loans from Banks/FI	0	1,25,368	93,080
Subordinated Debt	0	0	3,17,100
Unsecured Loan from Directors	32,996	36,154	13,847
Total Long-Term Borrowings	32,996	1,61,522	4,24,027
Total Other Liabilities	1,89,921	4,37,626	5,17,227
Provision for Loan Loss	15,740	35,043	65,043
Other Provisions	418	21,861	21,861
Deferred Tax Liability	0	0	0
TOTAL LIABILITIES	3,88,353	7,36,925	9,66,393

As on date	31-Mar-22	31-Mar-23	31-Mar-24
APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Net Block	13,418	12,240	10,635
Other Long-term Investments	50	4,387	55,506
Cash and Bank Balances	22,820	62,710	10,418
Security Deposits	1,12,328	2,72,269	3,06,274
<u>Loan Portfolio</u>			
Net Loan Portfolio	1,47,270	2,08,697	4,05,247
Loans & Advances to Related Parties	0	0	0
Accounts Receivable and Other Assets	90,992	1,75,228	1,76,973
Intangible Assets	536	400	263
Deferred Tax Asset	939	994	1,077
TOTAL ASSETS	3,88,353	7,36,925	9,66,393

Note: Above financials are audited

Financial Ratios

Financial Ratios	31-Mar-22	31-Mar-23	31-Mar-24
Capital Adequacy Ratio (%)	70.75	53.57	50.29
Productivity / Efficiency Ratios			
No. of Active Borrowers Per Staff Member	202	237	210
No. of Active Borrowers per field executives	281	374	337
No. of active borrowers per branch	1,120	1,365	1,285
Gross Portfolio o/s per field executive (Rs in thousands)	7,217	8,938	7,900
Average Outstanding Balance Per borrower (In Rs)	25,688	23,923	23,579
Cost Per Active borrower (In Rs)	1,296	1,396	1,562
Asset / Liability Management			
Yield on Portfolio (%)	9.06	9.04	15.91
Cost of Fund (COF) (%)	11.78	12.19	12.41
Profitability / Sustainability Ratios			
Operational Self Sufficiency (%)	102.99	116.00	114.00
Operating Expense Ratio (OER) (%)	7.35	6.55	6.61
Return on Assets (RoA) (%)	2.16	8.13	7.15
Portfolio at Risk (>30 days) (%)	2.65	1.15	4.75
Return on Equity (RoE) (%)	15.00	28.00	37.00
Leverage Ratios			
Total Outside Liabilities to Tangible Networth Ratio (Times)	1.04	1.81	1.43
Debt/Equity Ratio (Times)	0.93	1.69	1.31

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.

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.

© 2024 SMERA Ratings Private Limited

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