



## **SMERA MFI Grading**

**M2**

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

## **SMERA MFI Grading**

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**Vedika Credit Capital Limited**



To verify the grading, please scan the QR Code

***Date of Report:***

***17<sup>th</sup> February, 2022***

***Valid Till:***

***16<sup>th</sup> February, 2023***

## 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.

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## Historical Rating Grades

Date	Rating Agency	Rating/Grading
03-January-2022	Acuite Ratings & Research	BBB+
15-March-2021	Brickwork Ratings India Pvt. Ltd.	BBB (Stable)
15-Feb-2021	Brickworks Analytics Pvt. L td.	MF2

## SMERA's MFI Grading Scale

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

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



To verify the grading, please scan the QR Code

## Company Fact Sheet

Name of the MFI	:	Vedika Credit Capital Limited	
Operational Head – Microfinance Business	:	Name	Mr. Pradeep Sharma
	:	Designation	COO
	:	Mobile No.	9570395182
	:	Email ID	<a href="mailto:pradeep.sharma@teamvedika.com">pradeep.sharma@teamvedika.com</a>
	:	Date of Joining	1 <sup>st</sup> March, 2020
Date of Incorporation/Establishment	:	15 <sup>th</sup> March, 1995	
Date of commencement of microfinance business	:	2007	
Legal Status	:	NBFC-MFI	
Business of the company	:	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	:	406, Shrilok Complex, 4th Floor, H.B. Road, Ranchi-834 001 Jharkhand	
Geographical Reach (As on 30/Nov/2021)	:	No. of States	7
	:	No. of Districts	94
	:	No. of Branches	192
	:	No. of Active Borrowers	2,01,060
	:	No. of Total Employees	1,181
	:	No. of Field/Credit Officers	1,079
No. of Lenders	:	28 lenders (including Banks and institutional lenders)	
Statutory Auditors	:	N.K. Kejriwal & Co.	

### Background:

Vedika Credit Capital Limited, herein referred as VCCL was incorporated in 1995 at Ranchi and is engaged in microfinance operations since 2007 (more than a decade). VCCL was registered as an NBFC-MFI with RBI in June 2015. The company is managed by Jain family. The majority stake of the company is held with Mr. Gautam Jain, Mr. Ummed Mal Jain, Mr. Vikram Jain and Mrs. Kanta Devi Jain. The remaining equity shares are held by other members of Jain family.

## Product Profile

Product	Description	Loan size (Rs.)	Repayment Frequency	Interest Rate (In %) Reducing Balance	Processing Fees (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
JLG Loan	Income Generating Loan	3,000 - 50,000	12 - 24	21.63	1.00	22.63
Individual Loan	Business Loan, House repairing Loan	50,000 - 2,00,000	24			
Consumer Durable Loan	Consumer Durable loan to existing clients	600 - 30,000	12			

## Capital Structure (as on March 31, 2021)

<b>Authorized Capital</b>	Rs. 40.00 crore
<b>Paid Up Capital</b>	Rs. 29.46 crore

## Shareholding Pattern (as on March 31, 2021)

Name of Proprietor/ Partner / Shareholders	Shares in %
Gautam Jain	15.12
Ummed Mal Jain	5.11
Vikram Jain	5.47
Kanta Devi Jain	4.25
Anita Jain	2.71
Vinita Jain	2.78
Sidharth Jain	0.10
Aditya Jain	0.05
Vikram Jain Huf	1.00
Gautam Jain Huf	2.84
Ummed Mal Jain Huf	1.82
Linkline Marketing Pvt Ltd	8.75
Vedika Fincorp Pvt Ltd	1.30

Vedika It Solution Pvt Ltd	1.24
Vedika Sales & Services Pvt Ltd	7.46
Vedika Agro Mart Pvt Ltd	12.11
Digit	2.43
Gautam Jain Family Welfare Trust	0.40
Vikram Jain Family Welfare Trust	0.42
Vedika Financial Services Pvt. Ltd.	11.65
Insight Merchants Pvt. Ltd.	5.02
Vedika Irrigation And Energy Solution Pvt. Ltd.	7.97
<b>Total</b>	<b>100.00</b>

**OPTIONALLY CONVERTIBLE PREFERENCE SHARES (OCPS)**

<b>Shareholders</b>	<b>Holding</b>
SIDBI	100.00
<b>Total</b>	<b>100.00</b>

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

Director Details		Profile
Name:	Mr. Ummed Mal Jain	He started his career as an Advocate in Patna High Court. Later on, he drifted into business out of choice and started a food grain business. Thereafter, he ran a flourmill for several years. In order to diversify his business, he promoted VCCL in the year 1995.
Designation:	Chairman	
Qualification:	LLB	
Name:	Mr. Gautam Jain	He is the managing director of the company. He has over a decade of experience in the financial domain.
Designation:	Managing Director	
Qualification:	MBA (Marketing)	
Name:	Mr. Vikram Jain	He used to manage a Food Grain business (a family business) before joining VCCL. He is a Fund Management Specialist.
Designation:	Director	
Qualification:	B.Com (H)	
Name:	Mr. Deep Kumar Hessa	He is associated with NGOs and has knowledge of Rural Tribal area in Jharkhand.
Designation:	Independent Director	
Qualification:	LLB, LLM	
Name:	Mr. Maqsoodul Hasan Ansari	He has 34 years of experience in skill development of the marginalized sections of the society in India. He served as Head of the Department of Rural Management at XISS, Ranchi for a period of 14 years. He is having a Lifetime membership of the International Institute of Adult and Lifelong Education, New Delhi since the Year 1990. He has written and published small books and produced Audio-visual aids, which helped in creating awareness in the rural masses for developmental interventions. He received "Mahatma Gandhi Peace Award-2015" in the field of Education on 2nd of October 2015.
Designation:	Independent Director	
Qualification:	MBA with Specialization in Marketing Management & Doctorate of Philosophy (Ph.D.)	
Name:	Mr. Siba Prasad Nayak	He is Nominee Director from SIDBI. He has 17 years of experience in Banking and Financial Institutions like SIDBI. He is experienced in MSME Lending. He is presently working as Assistant General Manager in SIDBI, Ranchi, looking after
Designation:	Nominee Director	
Qualification:	B. Com and Masters in Industrial Relations and Personnel Management	

		MSME lending in the state of Jharkhand.
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**SMERA Observations:**

- RFPL has six-member board. Board members have extensive experience in microfinance, finance, Banking and development sectors.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective.
- The company has one-third of its board members as Independent directors.

## Management Profile

Management Details		Profile
Name:	Mr. Pradeep Sharma	He has over 18 years of experience in microfinance sector. He looks after the day to day operations of the company.
Designation:	COO	
Qualification:	Graduate	
Name:	Mr. Abhishek Agarwal	He is Chief Financial Officer of the Company. ACS and MBA (Finance) by qualification, he is managing the financial actions of a company including tracking cash flow and financial planning as well as analyzing the company's financial strengths and weaknesses and proposing corrective actions, all strategic and tactical matters as they relate to budget management, cost benefit analysis, forecasting needs and the securing of new funding. He has over 10 years' experience in micro finance sector.
Designation:	CFO	
Qualification:	ACS & MBA (Finance)	
Name:	Mr. Chandan Kumar Malviya	He has 9 years of experience in Banking Audit, Accounting and Micro finance. He has handled account creation, transactions and Audit at various industries of Microfinance, Telecom and other private organizations.
Designation:	Audit Head	
Qualification:	Graduate	
Name:	Mr. Biplob Sen Gupta	He has more than 11 years of experience in HR in various industries like Steel and Power, Microfinance and Telecom industry.
Designation:	HR	
Qualification:	MBA	
Name:	Mr. Gaurav Kumar Vohra	He is the Company Secretary of the company. ACS and Law graduate by qualification, he looks after the corporate and other statutory compliances of the Company & he is responsible for the efficient administration of a company, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the board of directors are implemented.
Designation:	Company Secretary	
Qualification:	ACS & LL.B	

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**SMERA Observations:**

- RFPL senior management has adequate experience across sectors such as microfinance, IT and development sector.
- RFPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.
- The senior management reports to the managing director.

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

Particulars	31/03/2019	31/03/2020	31/03/2021
Total AUM (in Crores)	562.92	615.22	517.99
On Balance Sheet Portfolio Outstanding (in Crores)	348.24	422.32	347.02
Managed Portfolio Outstanding (in Crores)	147.17	146.13	120.99
Securitized Portfolio (in Crores)	67.51	46.77	49.98
Total Net Worth (in Crores)	70.37	52.54	88.11
Total External Borrowings (in Crores)	442.53	434.95	347.62

Particulars	31/03/2019	31/03/2020	31/03/2021
Financial Revenue from Operations (in Crores)	110.88	123.48	104.09
Finance Expenses (in Crores)	61.24	65.95	55.99
Operating Expenses (in Crores)	36.23	46.07	39.56
Operating Income (in Crores)	9.81	(21.60)	8.53
Net Operating Income (in Crores)	6.89	(17.16)	6.42

Particulars	31/03/2019	31/03/2020	31/03/2021
Cost of funds ratios (%)	15.42	15.01	13.93
Capital Adequacy Ratio (%)	22.00	18.89	31.62
Operational Self Sufficiency (%)	109.71	106.44	109.72
Operating Expense Ratio (OER) (%)	6.33	7.84	6.83
Portfolio at Risk (>30 days) (%)	0.90	2.83	6.97
Debt to Equity ratio (in times)	6.29	8.28	3.95

### Highlights of Microfinance Operations

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	30/Nov/2021
No. of States	7	7	7	7
No. of Districts	85	101	94	94
No. of Branches	178	212	192	192
No. of Active Members	2,10,860	2,22,105	1,77,281	2,01,060
No. of Active Borrowers	2,10,860	2,22,105	1,77,281	2,01,060
No. of Total Employees	1,198	1,410	1,177	1,181
No. of Field/Credit Officers	1,062	1,262	1,073	1,079
No. of SHGs	0	0	0	0
No. of JLGs	54,682	56,942	39,256	45,905
No. of Individual Loans	0	0	0	0

#### **Owned Portfolio**

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	30/Nov/2021
Total loan disbursements during the year (in crore)	353.18	474.71	137.22	217.06
Total portfolio outstanding (in crore)	348.24	422.32	347.02	421.92

#### **Securitized Portfolio**

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	30/Nov/2021
Total loan disbursements during the year (in crore)	88.83	50.00	36.62	0.00
Total portfolio outstanding (in crore)	67.51	46.77	49.98	2.19

#### **Managed Portfolio/Off Balance Sheet**

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	30/Nov/2021
Total portfolio outstanding (in crore)	147.17	146.13	120.99	118.09

### Loan utilisation schedule:

Loan Utilisation	31/Mar/2019 (%)	31/Mar/2020 (%)	31/Mar/2021 (%)	30/Nov/2021 (%)
Agriculture & Agri Allied	31.12	34.05	50.71	34.66
Business	68.88	65.95	49.29	65.34
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## 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. 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.

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

- Vedika Credit Capital Limited, herein referred as VCCL was incorporated in 1995 at Ranchi and is engaged in microfinance operations since 2007 (more than a decade). VCCL was registered as an NBFC-MFI with RBI in June 2015. The company is managed by Jain family. The majority stake of the company is held with Mr. Gautam Jain, Mr. Ummed Mal Jain, Mr. Vikram Jain and Mrs. Kanta Devi Jain. The remaining equity shares are held by other members of Jain family.
- VCCL has six-member board as on November 2021 having extensive experience in the banking and finance segment. The board has three promoter directors, one professional director, two independent directors and one nominee director.
- Mr. Gautam Jain, managing director of the company is an MBA in marketing by qualification. He has over a decade of experience in the financial domain. Mr. Ummed Mal Jain, chairman of the company was an advocate in Patna High Court.
- The top level management of VCCL has adequate experience in the financial and microfinance sector.

### **Diversified resource profile**

<b>Resource Profile</b>	<b>% (as on 31/Mar/2021)</b>
Banks	27.71
FIs	29.37
NBFCs	42.92
<b>Total</b>	<b>100.00</b>

- VCCL has developed funding relationships with a large number of lenders i.e. 28 lenders (including PSU Banks/Private Bank/Financial Institutions). Out of total debt outstanding of Rs. 347.62 crores, the borrowings from PSU/Private Banks/State Owned Financial Institutes contribute ~40 per cent of external borrowings and the rest from NBFCs as on 31<sup>st</sup> March, 2021.
- These relationships have helped VCCL in meeting its funding requirements to meet the projected growth. Apart from owned portfolio, VCCL also has BC portfolio. VCCL is presently working as a business correspondent with Mas Financial Services Ltd, IDFC First Bank, SIDBI, IDBI and Fincare Small Finance Bank. The managed loan portfolio of the company stood at Rs.120.99 crore as on 31st March, 2021.
- The cost of borrowing has decreased to 13.93% in FY 2021 as compared to 15.01% in FY 2020 on account of availing debt at relatively lower cost. VCCL has been able to raise Tier-II capital (Subordinated Debt) from Capital First Limited and MAS Financial Services Ltd in a tune of Rs. 20 crore and Rs. 10 crore respectively.

### Adequate capitalisation and comfortable liquidity profile

Capital Adequacy	% (as on 31/Mar/2021)
Tier -I Capital (A)%	20.41
Tier -II Capital (B)%	11.21
<b>Capital to risk adjusted ratio (CRAR) (%) (A+B)</b>	<b>31.62</b>

- VCCL has adequate capitalization marked by capital adequacy ratio (CRAR) of 31.62 per cent as on March 31, 2021. CRAR has significantly improved from 18.89 percent as on March 31, 2020 on account of equity infusion and internal accruals.
- VCCL's total equity capital has increased to Rs. 88.11 crore as on 31<sup>st</sup> March 2021 as compared to Rs. 52.54 crore in the previous year. Gearing of VCCL has improved to 3.95 times as on 31<sup>st</sup> March, 2021 as compared to 8.28 times recorded as on 31<sup>st</sup> March, 2020.
- 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	FY 2021
Net financial margin (In thousands)	4,60,373	2,44,660	4,80,907
Operating expenses (In thousands)	3,62,272	4,60,710	3,95,565
Operational Self Sufficiency (%)	109.71	85.11	109.72
Operating Expense Ratio (OER) (%)	6.33	7.84	6.83

- VCCL has reported net profit of Rs. 6.42 crore on operating income of Rs. 104.09 crore in FY2021. In FY2020, VCCL had reported net loss of Rs. 17.16 crore on operating income of Rs. 123.48 crore in FY2020 on account of special provision due to COVID 19 of Rs. 23.00 crore.
- As on 30<sup>th</sup> November, 2021, VCCL has owned outstanding loan portfolio of Rs.421.92 crore spread over 192 branches of 7 states with about 2,01,060 borrowers.
- The operational self-sufficiency (OSS) of the company has improved to 109.72% in FY2021 as compared to 85.11% in the previous year. The company's operating expense stood comfortable at 6.83% in FY2021.

### Geographical Diversification

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	30/Nov/2021
No. of States	7	7	7	7
No. of Districts	85	101	94	94
No. of Branches	178	212	192	192

- VCCL is currently operating in 7 states in 94 districts with 192 branches with 2,01,060 borrowers.
- The single state and two-state concentration remained comfortable at 33.85% and 53.38% respectively as on November 30, 2021.
- In order to mitigate any potential risk arising out of geographical concentration, VCCL has diversified its presence across the states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Assam	17	11,155	20.66	34.87	4.90
Bihar	40	38,589	82.41	4.05	19.53
Jharkhand	22	25,376	58.40	4.53	13.84
Odisha	15	17,277	41.80	2.11	9.91
Tripura	20	20,918	38.52	2.28	9.13
UP	20	18,201	37.31	2.94	8.84
West Bengal	58	69,544	142.83	4.85	33.85
<b>Total</b>	<b>192</b>	<b>2,01,060</b>	<b>421.92</b>	<b>5.44</b>	<b>100.00</b>

- VCCL's operations are diversified in seven states i.e. West Bengal, Bihar, Assam, Jharkhand, Odisha, Uttar Pradesh and Tripura.
- However, 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	30/Nov/2021
No. of States	7	7	7	7
No. of Districts	85	101	94	94
No. of Branches	178	212	192	192
No. of Active Members	2,10,860	2,22,105	1,77,281	2,01,060
No. of Active Borrowers	2,10,860	2,22,105	1,77,281	2,01,060
No. of Total Employees	1,198	1,410	1,177	994
No. of Field/Credit Officers	1,062	1,262	1,073	850
No. of SHGs	0	0	0	0
No. of JLGs	54,682	56,942	39,256	45,905
No. of Individual Loans	0	0	0	0

Financial Ratios	31/Mar/2019	31/Mar/2020	31/Mar/2021
No. of Active Borrowers Per Staff Member	176	158	151

No. of Active Borrowers per field executives	199	176	165
No. of members per Branch	1,198	1,048	923
Gross Portfolio o/s per field executive (in thousands)	3,279	3,346	3,234
Average Outstanding Balance per client (in Rs)	16,515	19,014	19,575
Cost per Active client	4,793	5,005	5,334

- The company's branch network has increased from 178 in FY 2019 to 192 in FY 2022; however, Client network has decreased from 2,10,860 borrowers as on March 2019 to 2,01,060 borrowers as on December 2021.
- VCCL's field productivity remains average in comparison to its peers; field outreach and asset productivity indicators of the company have been stable over the years.
- The company would be required to register a consistent improvement in productivity whilst diversifying its operations.

### **Moderate asset quality**

- VCCL has maintained moderate asset quality with on-time repayment rate of 90.14% as on March 31, 2021. On-time repayment rate of VCCL stood at par with the industry average of 91% as on 31<sup>st</sup> March, 2021.
- The asset quality of VCCL has further improved while on time repayment rate increased to 94.83% as 30<sup>th</sup> November, 2021.

Period	FY 2019	FY 2020	FY 2021	30/Nov/2021
	Portfolio o/s (crore)	Portfolio o/s (crore)	Portfolio o/s (crore)	Portfolio o/s (crore)
On-time (in crore)	343.98	406.01	312.80	386.09
1-30 days (in crore)	1.14	4.36	10.03	12.87
31-60 days (in crore)	0.43	2.07	6.11	7.47
61-90 days (in crore)	0.29	2.25	4.96	6.54
91-180 days (in crore)	0.75	3.56	5.86	6.79
> 180 days (in crore)	1.65	4.07	7.25	2.16
Write-off (in crore)	1.75	3.09	5.57	0.00
<b>Total</b>	<b>348.24</b>	<b>422.32</b>	<b>347.02</b>	<b>421.92</b>
On-time (in %)	98.78	96.14	90.14	91.51
PAR 0-30 days (in %)	0.33	1.03	2.89	3.05
PAR >30 days (in %)	0.90	2.83	6.97	5.44
PAR >90 days (in %)	0.69	1.81	3.78	2.12

- The PAR 0-30 days has increased to 2.89% as on 31st March, 2021 as compared to 1.03% as on 31st March, 2020. The PAR >30 days has increased to 6.97% as on 31st March, 2021 as compared to 2.83% as on 31st March, 2020.
- Adequate credit appraisal processes, monitoring and risk management mechanisms is critical to keep asset quality indicators under control.

### **Adequate IT Systems Audit Mechanism**

- VCCL'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 customised in-house software to maintain its MIS in Head Office and branches.
- **Credit Bureau Checks**  
The company conducts compulsory credit bureau check of its borrowers from High Mark. The company shares the credit data with three credit bureaus i.e. Experian, CRIF High Mark and Equifax on monthly basis as per the RBI norms.
- **Helpline Number**  
The company has a dedicated helpline number, where calls are recorded automatically and addressed within 7 days.
- **Internal Audit Process**  
The company has a dedicated team of internal auditors who undertakes compulsory branch and borrower audit once in every month. All audits are surprise audits.

### **Inherent risk prevalent in the microfinance sector**

- VCCL'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 2019	FY 2020	FY 2021
Months	12	12	12
<b>Financial revenue from operations</b>	<b>11,08,759</b>	<b>12,34,836</b>	<b>10,40,884</b>
Less - Financial expenses from operations	6,12,379	6,59,495	5,59,977
<b>Gross financial margin</b>	<b>4,96,380</b>	<b>5,75,341</b>	<b>4,80,907</b>
Provision for Loan Loss	36,007	1,00,681	0
Provision Due to Covid 19	0	2,30,000	0
<b>Net financial margin</b>	<b>4,60,373</b>	<b>2,44,660</b>	<b>4,80,907</b>
<b><u>Less - Operating Expenses</u></b>			
Personnel Expense	2,46,301	3,23,988	2,78,445
Depreciation and Amortization Expense	5,749	8,519	7,383
Other Administrative Expense	1,10,222	1,28,203	1,09,737
<b>Net Operating Income</b>	<b>98,101</b>	<b>(2,16,050)</b>	<b>85,342</b>
Income Tax	29,156	(44,408)	21,111
<b>Net Income</b>	<b>68,945</b>	<b>(1,71,642)</b>	<b>64,231</b>

Note: Above financials are audited.

## Balance Sheet (Rs in Thousands)

As on date	31/Mar/2019	31/Mar/2020	31/Mar/2021
<b>SOURCES OF FUNDS</b>			
<b>Capital</b>			
Equity Capital	2,70,899	2,70,899	2,94,637
Reserves & Surplus	4,32,773	2,54,481	5,86,443
<b>Total Equity</b>	<b>7,03,672</b>	<b>5,25,380</b>	<b>8,81,080</b>
<b>Liabilities</b>			
<b>Short-Term Liabilities</b>			
Commercial Loans from banks/FI	23,80,000	22,85,661	18,40,939
Account payable & Other short-term liabilities	1,05,257	62,760	27,974
<b>Total Short-Term Liabilities</b>	<b>24,85,257</b>	<b>23,48,421</b>	<b>18,68,913</b>
<b>Long-Term Liabilities</b>			
<b>Long-Term Borrowings</b>			
Commercial Loans from banks/FI	17,45,266	17,63,850	13,35,278
Subordinated Debt	3,00,000	3,00,000	3,00,000
<b>Total Long-Term Borrowings</b>	<b>20,45,266</b>	<b>20,63,850</b>	<b>16,35,278</b>
<b>Total Other Liabilities</b>	<b>45,30,523</b>	<b>44,12,271</b>	<b>35,04,191</b>
Provision for Standard Assets	50,973	3,50,973	2,95,241
Other Provisions	25,089	13,756	11,183
<b>TOTAL LIABILITIES</b>	<b>53,10,257</b>	<b>53,02,380</b>	<b>46,91,695</b>

As on date	31/Mar/2019	31/Mar/2020	31/Mar/2021
<b>APPLICATION OF FUNDS</b>			
<b><u>Fixed Assets</u></b>			
<b>Net Block</b>	<b>26,405</b>	<b>26,659</b>	<b>21,137</b>
Investments	2,66,775	0	0
Cash and Bank Balances	4,91,317	2,68,304	3,11,155
Security Deposits	6,44,360	4,93,722	3,55,995
Investment in Fixed Deposit	2,04,800	84,052	1,89,587
<b><u>Loan Portfolio</u></b>			
<b>Net Loan Portfolio</b>	<b>34,67,356</b>	<b>42,23,212</b>	<b>36,68,634</b>
Accounts Receivable And Other Assets	1,91,773	1,22,071	62,251
Intangible Assets	1,891	2,303	14,722
Deferred Tax Asset	15,580	82,057	68,214
<b>TOTAL ASSETS</b>	<b>53,10,257</b>	<b>53,02,380</b>	<b>46,91,695</b>

## Financial Ratios

Financial Ratios	31/Mar/2019	31/Mar/2020	31/Mar/2021
<b><u>Capital Adequacy Ratio (CAR)</u></b>			
Capital Adequacy Ratio (%)	22.00	18.89	31.62
<b><u>Productivity / Efficiency Ratios</u></b>			
No. of Active Borrowers Per Staff Member	176	158	151
No. of Active Borrowers per field executives	199	176	165
No. of active borrowers per branch	1,198	1,048	923
Gross Portfolio o/s per field executive (Rs in thousands)	3,279	3,346	3,234
Average Outstanding Balance Per borrower (In Rs)	16,515	19,014	19,575
Cost Per Active borrower (In Rs)	4,793	5,005	5,334
<b><u>Asset / Liability Management</u></b>			
Yield on Portfolio (%)	31.98	29.24	26.38
Cost of Fund (COF) (%)	15.42	15.01	13.93
<b><u>Profitability / Sustainability Ratios</u></b>			
Operational Self Sufficiency (%)	109.71	85.11	109.72
Operating Expense Ratio (OER) (%)	6.33	7.84	6.83
Return on Assets (RoA) (%)	1.99	1.52	1.82
Portfolio at Risk (>30 days) (%)	0.90	2.83	6.97
Return on Equity (RoE) (%)	10.23	11.87	10.41
<b><u>Leverage Ratios</u></b>			
Total Outside Liabilities to Tangible Network Ratio (Times)	6.44	8.40	3.98
Debt/Equity Ratio (Times)	6.29	8.28	3.95

## 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 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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