



SMERA MFI Grading

M2

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

SMERA MFI Grading

Vedika Credit Capital Limited (VCCL)



To verify the grading, please scan the QR Code

Date of Report:

29th September, 2018

Valid Till:

28th September, 2019



Conflict of Interest Declaration

The Rating Agency (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 Rating agency have been a member of the Board of Directors of the MFI during 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
29 th Aug, 2018	Brickwork Ratings	BBB+
07 th May, 2018	Brickwork Ratings	MF 3
31 st Mar, 2017	SMERA Ratings	M3C3
19 th Jan, 2017	Brickwork Ratings	MFI 3
01 st Aug, 2016	Brickwork Ratings	BBB-

SMERA's MFI Grading Scale

Grading Scale	Definitions
M1	MFI's with this grade are considered to have highest capacity to manage their microfinance operations in a sustainable manner.
M2	MFI's with this grade are considered to have high capacity to manage their microfinance operations in a sustainable manner.
M3	MFI's with this grade are considered to have above average capacity to manage their microfinance operations in a sustainable manner
M4	MFI's with this grade are considered to have average capacity to manage their microfinance operations in a sustainable manner.
M5	MFI's with this grade are considered to have inadequate capacity to manage their microfinance operations in a sustainable manner.
M6	MFI's with this grade are considered to have low capacity to manage their microfinance operations in a sustainable manner.
M7	MFI's with this grade are considered to have very low capacity to manage their microfinance operations in a sustainable manner.
M8	MFI's with this grade are considered to have lowest capacity to manage their microfinance operations in a sustainable manner.



To verify the grading, please scan the QR Code

Company Profile

Name of the MFI	Vedika Credit Capital Limited	
Operational Head – Microfinance Business	Name	Mr. Balwant Kumar
	Designation	Chief Operating Officer
	Mobile No.	9534188888
	Email ID	Coo@teamvedika.com
Date of Incorporation/Establishment	15 th 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 31/July/2018)	No. of States	7
	No. of Districts	69
	No. of Branches	130
	No. of Active Borrowers	2,20,244
	No. of Total Employees	913
	No. of Field/Credit Officers	800

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)
Samuh Shayata RIN	Income Generating Loan	21,500	25.00	1.00	26.00
Samridhi	Income Generating Loan	35,000	24.60	1.00	25.60
Vikas Sahayata RIN	Income Generating Loan	24,800	25.00	1.00	26.00
Unnati	Income Generating Loan	31,800	24.60	1.00	25.60
Sampati	Income Generating Loan	72,800	24.60	1.00	25.60
Vridhhi	Income Generating Loan	41,300	24.60	1.00	25.60
Cross Sale	Product Loan	2,500	24.60	1.00	25.60

CAPITAL STRUCTURE (as on July 31, 2018)

Authorized Capital	In Rs.	27.00	Crore
Paid-up Capital	In Rs.	20.84	Crore



SHAREHOLDING PATTERN (as on July 31, 2018)

EQUITY SHARES	
Shareholders	% Holding
Gautam Jain	17.07
Ummed Mal Jain	9.10
Vikram Jain	9.32
Kanta Devi Jain	8.55
Anita Jain	5.41
Vinita Jain	5.64
Sidharth Jain	0.15
Aditya Jain	0.09
Vikram Jain Huf	0.59
Gautam Jain Huf	3.36
Ummed Mal Jain Huf	2.54
Linkline Marketing Pvt Ltd	5.54
Jatinder Finance Pvt Ltd	2.65
Vedika It Solution Pvt Ltd	2.51
Dps Computers & Allied Products Pvt Ltd	1.73
Vedika Agro Mart Pvt Ltd	0.61
Digit	4.93
Gautam Jain Family Welfare Trust	0.82
Vikram Jain Family Welfare Trust	0.85
Vedika Financial Services Private Limited	18.53
Total	100.00

Optionally Convertible Preference Shares (OCPS)	
Shareholders	% Holding
Gautam Jain	10.24
Ummed Mal Jain	8.57
Vikram Jain	0.45
Kanta Devi Jain	0.64
Anita Jain	0.64
Sidharth Jain	0.32
Sidbi	38.39
Nirmal Kumar Pradeep Kumar Huf	6.40
Harsh Vardhan Jain	12.80
Rita Jain	12.80
Vedika Financial Services Private Limited	8.77
Total	100.00

Board of Director's/Promoter's Profile

Name	Position	Qualification	Brief Profile
Mr. Gautam Jain	Managing Director	MBA (Marketing)	He is the managing director of the company. He has over a decade of experience in the financial domain.
Mr. Ummed Mal Jain	Director	LLB	He is a chairman of the company. He was an advocate in Patna High Court.
Mr. Vikram Jain	Director	B.Com (H)	He is a director of the company. He had a Food Grain business (a family business) before joining VCCL.
Mr. Praveen Kumar Chaturvedi	Professional Director	MSc, LLB and MBA (IIM Ahmedabad)	He is the professional director of the company. He is MSc, LLB and MBA (IIM Ahmedabad) by qualification. He has 36 years of experience in the banking industry. He retired as a General Manager from Indian Overseas Bank.
Mr. Vinod Kumar Gupta	Independent Director	M.Sc. (Physics) and CAIIB	He has over 35 years of experience in the banking industry. He retired as a General Manager from Bank of Maharashtra.

Management Profile

Name	Position	Qualification	Brief Profile
Mr. Balwant Kumar Singh	COO	MBA (Finance)	He has over 15 years of experience in microfinance sector. He has expertise in Microfinance sector.
Mr. Abhishek Agarwal	CFO	ACS & MBA (Finance)	He has over 6 years of experience in microfinance sector.
Mr. Gaurav Kumar Vohra	Company Secretary	ACS & LL.B	He looks after the corporate and other statutory compliances of the company.
Mr. Pradeep Kumar Sharma	Audit Head	Graduate	He is experienced in the field of Internal Audit in the organization.
Mr. Biplob Sen Gupta	HR	MBA	He has more than 8 years of experience in HR in various industries like Steel and Power, Microfinance and Telecom industry.

HIGHLIGHTS OF MICROFINANCE OPERATIONS

Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/July/2018
No. of States	4	4	5	7
No. of Districts	26	32	48	69
No. of Branches	44	65	96	130
No. of Active Members	74,346	1,19,147	2,04,678	2,20,244
No. of Active Borrowers	74,346	1,19,147	2,04,678	2,20,244
No. of Total Employees	286	417	660	913
No. of Field/Credit Officers	242	355	565	800
No. of JLGs	19,063	30,550	52,481	59,214
No. of Individual Loans	0	0	0	0
OWNED PORTFOLIO				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/July/2018
Total loan disbursements during the year (in crore)	149.76	201.16	288.96	114.16
Total portfolio outstanding (in crore)	138.82	210.95	320.67	358.89
Managed/BC PORTFOLIO				
Particulars	31/Mar/2016	31/Mar/2017	31/Mar/2018	31/July/2018
Total loan disbursements during the year (in crore)	0	122.08	189.57	78.67
Total portfolio outstanding (in crore)	0	74.24	125.52	151.44

Microfinance Capacity Assessment Grading Rationale

- MFIs have reported an increase of ~15% in average loan amount disbursed per account during Q2 FY 17-18 as compared to Q2 FY 16-17. SMERA believes seasoned customer profile over multiple loan cycles have helped MFIs to increase its loan ticket size.
- The fund flow to the sector has improved on account of increased confidence on MFI sector coupled with reduction in interest rate (100-150 bps). Further large MFIs are exploring the route of Non-convertible debentures (NCDs) and Pass through Certificates (PTCs); whereas small –mid size MFIs have an increased access to funds from banks and financial institutions.
- Support systems such as Self-Regulatory Organizations (SRO), Credit Information Bureaus (CIB) among others have been established to ensure credit check and process adherence among MFIs. This regulatory framework has brought more accountability and transparency within the sector.
- On the contrary, recent demonetization drive restrained MFIs disbursement and collection process which has moderated microfinance sector growth in FY2016-17 as compared to the previous year. Post demonetization Asset Quality has declined, however it has improved and Portfolio at Risk (PAR) > 30 stood at 1.73% in Q3 FY 17-18.

Long track record of microfinance operations and extensive industry experience of promoters

- VCCL was incorporated in 1995 at Kolkata and is engaged in microfinance operations since 2007 (more than a decade). Vedika 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 five-member board as on July 2018 having extensive experience in the banking and finance segment. The board has three promoter directors, one professional director and one independent 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

- VCCL has developed funding relationships with a large number of lenders i.e. 38 lenders (including PSU Banks/Private Bank/Financial Institutions). Out of total debt outstanding of Rs. 367.51 crores, the borrowing from banks contributes ~30 per cent of external borrowings and the rest from NBFCs as on July 31, 2018. VCCL has been able to raise Tier-II capital (Subordinated Debt) from Capital First Limited and MAS Financial Services Ltd.
- 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 and Reliance Capital Limited. The managed loan portfolio of the company stood at Rs.151.44 crore as on July 31, 2018.
- The cost of borrowing has increased to 15.22% in FY 2018 as compared to 14.07% in FY 2017 due to increased borrowing from NBFCs. The loans availed from NBFCs/FIs carry higher interest rate in the range of 13.5%-16% and hence the company has to explore its funding base majorly towards PSU Banks/Private Banks for reducing its cost of borrowing.

Particulars	31-Mar-2016	31-Mar-2017	31-Mar-2018	31-Jul-2018
Total Disbursement during the FY (in crore)	149.76	201.16	288.96	114.16
Total Portfolio (in crore)	138.82	210.95	320.67	358.89
BC PORTFOLIO				
Particulars	31-Mar-2016	31-Mar-2017	31-Mar-2018	31-Jul-2018
Total loan disbursements during the year (in crore)	0	122.08	189.57	78.67
Total portfolio outstanding (in crore)	0	74.24	125.52	151.44

Adequate capitalisation and comfortable liquidity profile

- VCCL has an adequate capitalisation marked by CRAR of 24.90% as on March 31, 2018 compared to 22.37% as on March 31, 2017. Gearing of VCCL stood at 6.49 times as on March 31, 2018 compared to 3.17 times as on March 31, 2017 due to scale up in loan portfolio by ~57% in FY 2018.
- As discussed with the management, the company has already infused equity of Rs. 5 crore in July, 2018 and another fresh equity of Rs. 15 crore to be infused within the current financial year.
- VCCL has a comfortable liquidity position due to well matched maturity of assets and liabilities. The tenure of loans is about 12-24 months, whereas the incremental bank funding is typically with tenure of about 12-36 months. The company has Fixed Deposit of Rs. 67.75 lakh and Cash and Bank Balances of Rs. 35.18 crore as on March 31, 2018. However regular flow of funds is critical to maintain the projected growth and the same would have a key bearing on its liquidity profile.

Sound Asset Quality

- VCCL has a sound asset quality marked by on-time repayment rate of 98.34% as on 31st July, 2018. The companies' on-time repayment has improved compared to 96.40% in FY2018.

Period	FY 2016	FY 2017	FY 2018	31/Jul/2018
	Portfolio o/s (in crore)	Portfolio o/s (in crore)	Portfolio o/s (in crore)	Portfolio o/s (in crore)
On-time	137.43	205.53	312.90	352.94
1-30 days	0.43	3.50	1.64	2.43
31-60 days	0.38	0.73	0.55	0.73
61-90 days	0.20	0.59	0.42	0.47
91-180 days	0.16	0.44	1.06	1.08

> 180 days	0.22	0.17	4.10	1.24
Write-off	0.31	1.29	3.89	0
Total	139.13	212.25	324.56	358.89

- The PAR 0-30 days stood at 0.068% as on 31st July, 2018 as compared to 0.50% as on 31st March, 2018. The PAR >30 days stood at 0.98% as on 31st July, 2018 as compared to 3.09% as on 31st March, 2018.
- Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.

Diversified Geographical Reach

- VCCL's operations are spread in seven states i.e. West Bengal, Bihar, Assam, Jharkhand, Odisha, Uttar Pradesh and Tripura.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Jharkhand	17	31,382	47.7	0.74	13.29
West Bengal	31	77,409	125.03	1.15	34.84
Bihar	42	67,779	115.36	1.08	32.14
Uttar Pradesh	18	21,820	35.16	0.49	9.80
Odisha	7	649	1.64	0	0.46
Assam	13	21,190	33.96	0.04	9.46
Tripura	2	15	0.04	0	0.01
Total	130	2,20,244	510.33	0.98	100.00

NOTE: The table of geographical reach of Loan Portfolio includes the BC portfolio along with the Own Portfolio.

- 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.

Improvement in operational performance in FY2018

- VCCL has reported net profit of Rs. 5.52 crore on operating income of Rs. 84.79 crore in FY2018. In FY2017, VCCL had reported net profit of Rs. 3.41 crore on operating income of Rs.45.59 crore in the previous year.
- As on July 31 2018, the VCCL has an outstanding loan portfolio of Rs.510.33 crore spread over 130 branches of 7 states with about 2,20,244 borrowers. The companies' portfolio outstanding witnessed a growth of ~79% in as on 31st July, 2018 over the previous year.
- Yield on Portfolio of VCCL has improved to 26.71% in FY 2018 as compared to 25.44% in FY 2017.

- The operational self-sufficiency (OSS) of the company stood stable at 111.03% in FY2018 as compared to 109.83% in the previous year. The company's operating expense stood comfortable at 6.94% in FY2018.

Adequate MIS & IT infrastructure considering the current scale of operations

- VCCL's management information system (MIS) and Information Technology (IT) infrastructure is adequate for its current scale of operations. 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 software "BIJLI" to maintain its MIS in Head Office and branches.
- As discussed with the management the company is in process of implementing new ERP solution 'Nelito'. The use of new software would lead to reduction in the operating expenditure, better tracking system, field-force automation, elimination of paperwork, enhanced operational controls and overall increase in the efficiency in the operations.
- The company also has an internal audit team which undertakes branch and borrower audit once in every month.

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 2016	FY 2017	FY 2018
Months	12	12	12
Financial revenue from operations	3,06,844	4,85,848	8,47,922
Less - Financial expenses from operations	2,01,292	2,96,905	4,88,099
Gross financial margin	1,05,552	1,88,943	3,59,823
Provision for Loan Loss / Write off	5,687	7,214	10,986
Net financial margin	99,865	1,81,729	3,48,837
Less - Operating Expenses			
Personnel Expense	40,836	81,420	1,29,745
Depreciation and Amortization Expense	1480	2,435	3,277
Other Administrative Expense	34,777	54,381	1,31,605
Income Tax	8,515	16,736	32,633
Deffered Tax	780	(6910)	(3,631)
Exceptional items	0	501	0
Net Income	13,477	34,168	55,208

Note: Above financials are taken from audited accounts provided by the management.

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2016	31/Mar/2017	31/Mar/2018
SOURCES OF FUNDS			
Capital			
Equity Capital	1,39,643	1,77,227	2,08,434
Reserves & Surplus	1,28,347	1,80,769	2,84,587
Total Equity	2,67,990	3,57,996	4,93,021
Liabilities			
Short-Term Liabilities			
Account payable & Other short-term liabilities	7,38,737	13,52,642	18,96,800
Total Short-Term Liabilities	7,38,737	13,52,642	18,96,800
Long-Term Liabilities			
Long-Term Borrowings			
Commercial Loans from banks/FI	7,61,604	7,36,360	13,33,728
Subordinated Debt	0	1,00,000	3,00,000
Total Long-Term Borrowings	7,61,604	8,36,360	16,33,728
Total Other Liabilities	15,00,341	21,89,002	35,30,528
Provisions	23,501	21,095	74,748
TOTAL LIABILITIES	17,91,832	25,68,094	40,98,297

As on date	31/Mar/2016	31/Mar/2017	31/Mar/2018
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	17,076	21,511	35,269
Less: Accumulated Depreciation	8,910	11,345	14,622
Net Block	8,166	10,166	20,647
Cash and Bank Balances	3,87,132	4,18,580	3,51,848
Investment in Fixed Deposit	1,034	0	6,775
Loan Portfolio			
Net Loan Portfolio	13,88,185	21,09,545	32,06,732
Accounts Receivable And Other Assets	7,637	23,213	5,02,074
Deferred Tax Asset	(321)	6,591	10,221
TOTAL ASSETS	17,91,832	25,68,094	40,98,297

Financial Ratios

Financial Ratios	31/Mar/2016	31/Mar/2017	31/Mar/2018
<u>Capital Adequacy Ratio (CAR)</u>			
Capital Adequacy Ratio (%)	19.97	22.37	24.90
<u>Productivity / Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	260	286	310
No. of Active Borrowers per field executives	307	336	362
Gross Portfolio o/s per field executive (Rs in thousands)	5,736	8,034	7,897
Average Outstanding Balance Per borrower (In Rs)	18,672	23,936	21,800
Cost Per Active borrower (In Rs)	1037	1164	1293
<u>Asset / Liability Management</u>			
Yield on Portfolio (%)	20.09	25.44	26.71
Cost of Fund (COF) (%)	14.50	14.07	15.22
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	108.02	109.83	111.03
Operating Expense Ratio (OER) (%)	5.22	5.83	6.94
Return on Assets (RoA) (%)	1.22	1.95	2.08
Portfolio at Risk (>30 days) (%)	0.91	1.52	3.09
Return on Equity (RoE) (%)	6.42	12.21	13.31
<u>Leverage Ratios</u>			
Total Outside Liabilities to Tangible Networth Ratio (Times)	5.60	5.77	6.55
Debt/Equity Ratio (Times)	5.59	3.17	6.49

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

SMERA is a division of Acuité Ratings & Research Limited dedicated to providing SME Ratings & Grading services to MSMEs. SMERA began its operations in year 2005 as SME Rating Agency of India Limited, 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. SMERA is empanelled for 'Performance & Credit Rating Scheme for Micro & Small Enterprises' of the Ministry of MSME, Government of India, administered by the National Small Industries Corporation (NSIC).

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