

Unnati Microfin Private Limited (UMPL) Mumbai, Maharashtra

Grading Assigned: BWA MF4 (Reaffirmed)

Grading Date: 31st August 2020

MFI Grading	
BWA MF 1	<p>MFI Grading Scale at Brickworks Analytics</p> <p>The MFI Grading Scale at Brickworks Analytics is on an 8 point scale from BWA MF 1 to BWA MF 8 with BWA MF 1 corresponding to the highest grade while BWA MF 8 is the lowest grade.</p> <p>The MFI grades assigned refer to the ability of the MFI to manage its operations in a sustainable manner; they do not refer to the credit quality of the MFI and should not be used as a proxy for the creditworthiness of the company.</p>
BWA MF 2	
BWA MF 3	
BWA MF 4	
BWA MF 5	
BWA MF 6	
BWA MF 7	
BWA MF 8	

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Grading Rationale

Brickworks Analytics has reaffirmed the 'MF 4' (Pronounced as MF Four) grading to Unnati Microfin Private Limited ('UMPL' or the 'Company').

The grading reaffirmation continues to factor the availability of adequate processes & systems for microfinance services, diversified resource profile and comfortable asset quality. The grading however continues to remain constrained by the geographic concentration, small scale of operations and other inherent risks associated with the microfinance sector.

Unnati Microfinance Private Limited (UMPL) is a Mumbai based RBI registered NBFC-MFI which commenced microfinance operations in April 2012. It received its NBFC-MFI license from RBI in Jan 2016. It was promoted by Mr. Hanumant Ranjane & his wife Mrs. Sonali Ranjane by acquiring a RBI registered NBFC, Temperate Finance Private Limited and changed its name to Shree Om Credit Company Private Limited. Subsequently in April 2015, its name was changed to Unnati Microfinance Private Limited.

Mr. Hanumant Ranjane along with its family members own majority stake (76.7%) in UMPL as on Mar 31, 2020. Rest 23.3% is held by Nihalani Investment LLP. Mr. Hanumant Ranjane is currently the Chairman and Managing Director of UMPL

UMPL is engaged primarily in providing microfinance loans to its women borrowers. The loan disbursed is used for the purpose of small businesses and is also utilized towards the education of children, repairing/renovation of the house, etc. The minimum loan ticket size is Rs 20,000 and maximum is capped at Rs 50,000.

UMPL follows Joint Liability Group (JLG) model for lending to micro borrowers. UMPL currently operates in Thane, Mumbai, Palghar, Nashik, Dhule, Pune and Raigad districts of Maharashtra and in Valsad district of Gujarat. It has a total active borrower base of around 39,184 as on March 31, 2020 with total outstanding portfolio of Rs 77.64 Crs. Going forward, the ability of the company to significantly increase its scale of operations, achieve further regional diversification, improve its earning profile and maintain the asset quality of the portfolio would be the key grading sensitivities.

Profile

Name of the Company	Unnati Microfin Private Limited (UNNATI)
Legal Status	Non-Banking Finance Company - Micro Finance Institution (NBFC-MFI)
CIN	U65923MH1996PTC203439
Year of Incorporation	18/12/1996
Date of Commencement of Microfinance Business	1st April 2012
Business	Engaged in business of providing microfinance loans under JLG model
Lending Model	JLG Model
Location	Maharashtra
Geographical Reach as on 30.06.2020	No of States : 02 No of Districts : 8 No of Branches : 25
Total Employees (As on 31/March/2020)	267
Active Borrowers (As on 31/March/2020)	39184
Chairman & Managing Director	Mr. Hanumant Ranjane
Previous Grading	BWR M4 assigned in Feb 2019
Registered Address	2302, 23rd Floor, Plot No. 25 & 26, G Square Business Park, Sector 30, Vashi, Navi Mumbai - 400705

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Mission of the company

The Mission of UMPL is “To mark presence in whole nation by expanding the business and reaching out to more than 1 lac household customers and businesses with an effort to diminish the financial gap between rural and urban communities by 2021.

Vision of the Company

To enhance the socio-economic status of the society in large by providing range of financial services and to be a premier institution in the field of micro financing

Shareholding Pattern

Equity Share holding Pattern as on 31st March 2020

Sr. No.	Name of Equity Shareholder	Individual / FI / Corporate	No. of Shares	Amount	% of holding
1	Mr. Hanumant Balwant Ranjane	Individual	259730	25973000	36.31%
2	Mrs. Sonali Hanumant Ranjane	Individual	259730	25973000	36.31%
3	Mr Abhijit Hanumant Ranjane	Individual	29168	2916800	4.08%
4	Nihalani Investment LLP	LLP	166667	16666700	23.30%
Total			715295	71529500	100%

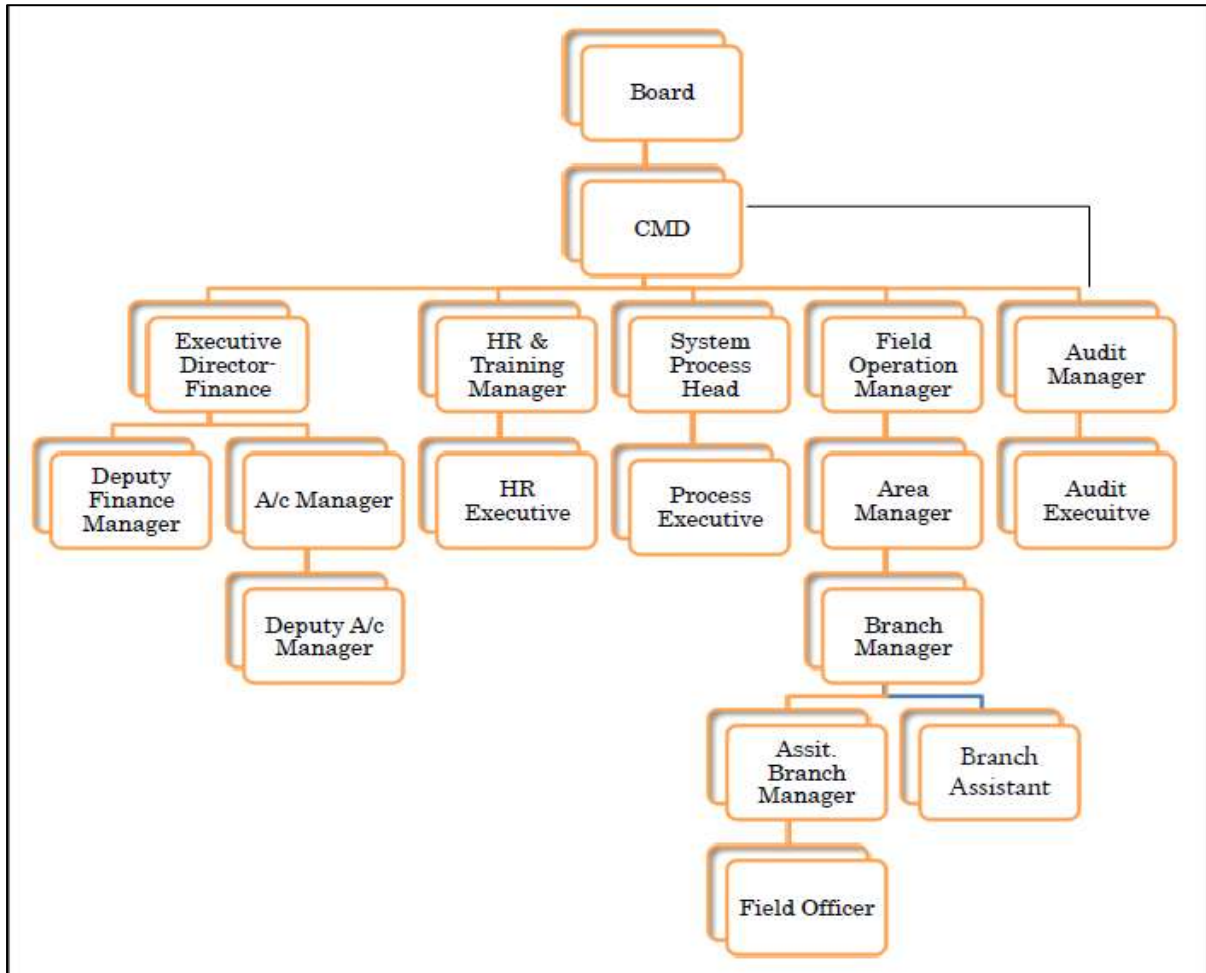
Board of Directors

Name	Designation	Experience	Qualification
Mr. Hanumant Ranjane	Chairman & Managing Director	25+ years	An ex-banker having 17 years of work experience in a leading Bank in Mumbai along with 8 years of work experience in the field of Microfinance. He has vast experience in the field of Credit Processing & Credit Verification along with other banking operations. He is a Commerce Graduate from Mumbai University, has completed his Diploma in Banking & Finance (JAIIB) and also has a Diploma in Microfinance from IIBF Mumbai. He is a competent team builder having effective communication & leadership qualities, and has proven his ability in critical situations. His expertise lies in Financing operations, team management, Human Resource and motivation.
Mrs. Sonali Ranjane	Director	15+ years	She is an Arts Graduate. She has varied work experience in the field of women Self Help Groups (SHGs) & social activities. She is actively involved in daily operations and constantly interacting with customers at branch level to develop & assess the financial products offered by the company.
Mr. Nagaraja V.	Independent Director	40+years	He is a Post Graduate in Commerce and Business Management. He has vast experience in the field of Credit Administration, Credit and Operational Risk Management, Foreign Exchange, Inspection and Audit, Management of Regional Rural Banks and Merchant Banking.
Mr. Abhijit Ranjane	Executive Director	5 years	He has completed MBA from S P Jain Institute of Management & Research, Diploma in Microfinance from IIBF, Mumbai. He looks after corporate finance, fund raising, taxation & corporate affairs of the organization.
Mr. A. Ramanathan	Additional Director	40+years	He has extensive experience of banking in agriculture and rural sectors. He was Chief General Manager in the Micro Credit Innovations Department of NABARD. He managed the SHG Bank Linkage program, the largest microfinance program in the world.

Key Management Team

Name	Designation	Experience	Qualification
Ms. Manjusha Mane	HR Manager	7 years	She has joined Unnati in the month of Oct 2016. She has total 7 years of experience in Microfinance Industry as HR professional. She handles HR policy set up, implementation, recruitments, staff training, salary, Statutory compliance, Staff Grievance, engagement activities etc. She is expert in MFI recruitment & Training.
Ms. Shilpa Kale	System Process Head	6 years	She is responsible for handling the system processes of sanctioning the loan files. She has almost 6 years of experience in Microfinance Industry and was previously associated with Agora Micro-finance India Ltd. as Branch Manager. She has done her Graduation from Mumbai University. Her keen effort and eye on perfection makes her distinct as an important and also vital for the organization.
Mr. Nishant Gupta	Business Head	13 years	He has been actively involved in the Financial Inclusion space since 2007. He has more than a decade years of experience in Microfinance sector where he was responsible for managing different States for Business development functions including Sales, Channel management, Expansion, Process development, Client relationships as well as human capital management along with training. He spearheads Lead generation, Process Setup, Business Development, handling external Parties who are directly or indirectly associated with the company and facilitating employee engagement and training functions. He is a Bachelor of Commerce and MBA in Finance.
Mr. Ashish Waghmare	Operations Manager	13 years	He has vast business and microfinance industry experience in a career spanning more than thirteen years, with experience in the Credit Co-operative societies and Microfinance Industry. For the past ten years, he is actively involved in microfinance industry and handling the verticals of field and systems operations.

Organisation Structure



No. of operational staff in the organization – 267 as on 31.03.2020

Borrowing Details

Bank / FI Name	Facility	O/s as on 30.06.20 (Rs in Crs)
MAS Financial Services Ltd.	Term Loan	1.83
MAS Financial Services Ltd.	Subordinated Debt	3.00
Reliance Capital Ltd.	Term Loan	0.29
Electronica Finance LTD.	Term Loan	3.82
IntelleGrow	Term Loan	1.11
Ananya	Term Loan	6.38
NABFIN	Term Loan	1.55
UCO Bank	Term Loan	1.69
IDFC Bank Ltd	Term Loan	6.05
Dhanlaxmi Bank Ltd	Term Loan	2.50
Incred	Term Loan	1.71
Shriram City Union Finance	Term Loan	0.47
Profectus Capital Pvt Ltd	Term Loan	0.85
Alwar General Finance Co Pvt Ltd	Term Loan	1.38
Poonawalla Finance Pvt Ltd	Term Loan	0.18
Annapurna Finance Pvt Ltd	Term Loan	3.13
Ambit Finvest Pvt Ltd	Term Loan	0.70
Hinduja Leyland Finance Ltd	Term Loan	3.30
Vivriti Capital Pvt Ltd	Term Loan	1.42
Eclear Leasing & Finance	Term Loan	1.28
Samunnati Financial	Term Loan	0.44
Total		43.08

Lending Model & Products

UMPL follows the Joint Liability Group (JLG) lending model. . The loans are provided on the basis of a joint liability accepted by the members for their respective groups. The loan products offered are as follows:

Loan Products	Tenure	Loan size	Interest rate	Repayment policy	Processing Fee	Portfolio O/S 30-06-20 (Rs.In Crs.)	% of Total Portfolio
JLG	24 months	30,000 to 50,000	24% to 25.99%	Monthly	1%	73.64	98.32%
IBL	24 months	35,000 to 150,000	25% to 27%	Monthly	1% to 3%	1.26	1.68%
						74.90	100%

Approximately 98% of the total portfolio as on June 30, 2020 comprised of JLG loans. Loans are covered by Kotak Life/ HDFC Life for member and nominee for loan amount. No collateral is taken from the clients. Insurance cover is equal to the loan amount insuring both the borrower and co-borrower for a period of 24 months.

Business Correspondent Arrangement details

Name of the lender/ Bank	Type of facility (Term Loan/CC/Bank Guarantee)	O/s as on 31.3.2020 In Crs.	O/s as on 30.06.2020 In Crs.
MAS Finance- TL 1 (DD)	BC	22.02	21.96
Bharat Finlease BC 1	BC	5.93	5.93
MOSEC PETTA	DA	0.43	0.43
BELSTAR Direct Assignment	DA	11.11	10.43
MVTV BC	BC	2.89	2.87
Total		42.38	41.62

Operational Process

The process as per the company's operational manual is as under:

- **Area Survey:** To set up operations in a new area, a physical survey is initially conducted. The senior management considers certain parameters while deciding on a particular region, viz. Municipal corporation report on population, Equifax report on profile of customers, number of MFIs/ Banks present in that particular region and feedback from competitors.
- **Promotion of the loan:** Once the new region is selected, the field officer (FO) along with Assistant Branch Manager (ABM) or Branch Manager (BM) visits the area, gives the prospectus to the customers, explains the products offered by the company and asks the potential borrowers to bring the KYC documents in the next meeting.
- **Selection of Members:** The FO visits the prospective member's house and collects all the necessary documents for Credit Bureau check, feeds the data in the mobile application and communicates the response from credit bureau to the members, if favorable, the customers proceed to next step of training. After the instruction from BM, the concerned FO starts with the group formation and training process of the accepted members.

Unnati follows certain criteria for selection of members, as given below:

- Potential member should not be relative of the staff and no blood relative should be existing member of organization
- Member should not have any criminal record, illegal business
- Member should not belong to any political party
- Member or any of the family members should not be a lawyer or associated with police
- Member should be married and/or living with her/his family

UMPL has tied up with Kotak Old life Insurance/ HDFC Life Insurance. Insurance cover is equal to the loan amount insuring both the borrower and co-borrower for a period of 24 months. FO explains the procedure of claim in case of death of borrower or co-borrower. In case of incidence, the member has to submit the original death certificate to FO along with nominee's bank pass book photocopy. FO sends the documents to BM who further sends them to HO. The documents are further sent to "Kotak or HDFC" who settles the claim. Loan Outstanding as on the death certificate date is settled from the insurance amount and remaining amount is transferred to nominee's bank account.

- **Group Formation & Training:** The members in a group are jointly responsible for every one's loan and are expected to keep a close watch, if the loan amount is not used for illegal use or handed over to group leader for commission. The members elect the group leader. The role of the group leader is to facilitate the communication between other members and Unnati. Group leader also facilitates training to the members. Group leader reminds to all group members about instalment date and time and collects the amount as per demand register in the meeting and hands it over

to FO. FO enters the time and duration of the CGT and takes the signature of members on the CGT Record Form.

- **Group Recognition Test:** ABM/BM reaches the venue on the time communicated to conduct the GRT. If the score is not good, ABM/ BM asks the FO to conduct the training once again on another day.
- **Loan Application:** FO fills up the loan application form and attaches KYC documents and photographs of member and family. FO also attaches nominee's identity proof. FO completes the household visit and meets husbands /nominees for signature on the form. ABM/ BM checks the loan application form and prepares the Loan Committee Register for the loan committee.
- **Loan Sanction Process:** Loan Committee consists of BM, ABM and FO. BM is the chairperson of the loan committee. BM takes final call. Decision can be sanction, rejection or pending for any reasons. ABM updates the loan committee register. All members present in the committee put their signature. BM sends the sanctioned application to HO for verification. Post Branch Sanction, the file in the system is transferred to CPU's bucket, wherein all the scanned copies are verified. KYC check is done at CPU. The CPU team does pre disbursement telephonic verification with the members of the JLG, if the response is favorable; the CPU sanctions the file and file falls in branch bucket in the system.
- **Loan Disbursement:** The Branch team generates the agreements and communicates the date and time for disbursement to Group and asks them to come to Branch on specified day for disbursement. Also asks them to bring Loan processing fees and insurance premium on the day of disbursement. ABM collects the processing fee and insurance premium and gives separate receipts. ABM takes the signature on promissory note, Mutual agreement, Disbursement register and insurance register. ABM passes all the documents to BM and BM once again checks all the documents and hand over the Cheques to members. ABM feeds the data in MIS related to disbursement. Processing Fees and Insurance amount is deposited in respective branch's bank account. The Branch Team then scans the documents, uploads it in the system, CPU verifies and provides the confirmation to Accounts. Accounts team at HO, releases the fund through online banking within 24 hours of physical disbursement at branch.

Loan Repayment / Collection: ABM/BM takes the demand sheet for a particular day and hands over them to FOs in the morning on the day of collection. FO collects the cash from the Group Leader as per the demand sheet. Group Leader collects the cash as per the schedule from the members in the meeting only. If any member is absent or not able to give repayments as per the total demand then other members have to arrange remaining cash immediately. Attendance of 80% is must in the collection meetings and it is noted down in the collection sheet. If cash is less than the demand then Delinquency Management Process is followed.

If cash is as per the demand sheet then FO takes the signature of the leader on the receipt, puts his signature and gives the original copy to the borrower. Second copy is

with Branch. FO records the attendance in in Attendance Sheet. Simultaneously, the FO makes entry in the mobile application.

FO completes the collection as per the demand for that day and then comes to branch office. ABM/BM checks the receipt book to ensure that cash collected is as per the demand and asks FO to deposit the cash in Bank. ABM updates the cash book

Delinquency Management

When FO does not get the amount as per the demand register from the leader in the meeting, delinquency management process is followed. FO immediately calls the ABM and informs about the delinquent group. FO does a follow-up with the delinquent group on daily basis to collect the amount as early as possible and submits a report to ABM on daily basis. BM with ABM and FO visits the Group ask them to pay loan Instalment. If the amount is not received, BM explains them the adverse effects of not paying the Loan Instalment. If still the money is not recovered, BM issues a Loan Recovery Notice to all members of Group and asks them to pay the overdue loan instalment within 7 days from the receipt of the Notice. If the amount is still not recovered, BM sends 2nd notice and communicates the matter to AM. AM with BM visit the group with 3rd Notice and ask them to pay due amount immediately. AM communicates the whole matter to MD. MD scrutinizes all papers and then gives permission for filling the case in civil and /or criminal case. Organization waits for the decision of the court and settles the account as per the direction of the court.

Provisioning Policy

The aggregate loan provision which is 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.

NPA Movement - Rs. In Crs					
NPA Details (Rs in Crs)	31.3.17	31.3.18	31.3.19	31.3.20	30.06.20
Gross NPA	0.21	0.61	0.89	0.94	1.02
Provisions done	0.20	0.41	0.46	0.46	0.46
Net NPA	0.01	0.21	0.44	0.49	0.57
Provision coverage ratio	1%	1%	1%	1%	1%

Write Off Policy

Loans that are past due and determined by the Board of Directors to have become worthless, may be written off against allowance for probable losses immediately. Accounts in the PAR over 365 days list are all included automatically in the list of accounts for write off. Those accounts with PAR 91 to 180 days, are reviewed and validated by the BM to make sure that the steps in the Delinquency Management have been followed. If all the steps above have been completed or the client cannot be found, the loan is recommended for write off. Prior to writing off, AM, BM, and/or Assistant BM ensures that the following steps to collect from the borrower have been taken, in accordance with those outlined in the Company's "Operational Manual" viz. Send reminder/demand letters, collect from fellow group members and Send notices as outlined in "Delinquency Management" of Operational Manual.

Portfolio Quality Details

PAR Details as on 31.03.2020

Quarterly details (Rs. In Crs.)	PAR Current (no overdue)	1 to 30 day overdue	31 to 90 day overdue	91 to 180 day overdue	Above 180 day overdue	Total
31.3.17	35.41	0.30	0.28	0.29	0.21	36.49
31.3.18	63.97	0.10	0.11	0.11	0.61	64.90
30.6.18	63.55	0.20	0.17	0.12	0.83	64.87
30.9.18	63.19	0.18	0.09	0.08	1.07	64.61
31.12.18	64.90	0.10	0.05	0.08	1.19	66.33
31.3.19	70.69	0.03	0.04	0.06	0.89	71.72
30.6.19	66.45	0.19	0.04	0.03	0.96	67.67
30.9.19	68.86	0.09	0.05	0.03	1.08	70.11
31.12.19	73.92	0.10	0.05	0.03	1.15	75.26
31.3.20	73.50	3.13	0.04	0.03	0.94	77.64

The above PAR figures are before implementing the moratorium for the month of March 2020.

Off Book Portfolio

BC Portfolio Details		
Name of Bank/ FI	O/s as on 31.03.20 (Rs in Crs)	O/s as on 30.06.20 (Rs in Crs)
MAS Financial Services Ltd	22.03	21.96
Bharat Finlease Ltd	5.93	5.93
MVTV	2.88	2.86
Total	30.84	30.75

Name of Bank/ FI (Rs in Crs)	Securitization / Direct Assignment	O/s as on 31.03.20 (Rs in Crs)	O/s as on 30.06.20 (Rs in Crs)
MOSEC PETTA	Direct Assignment	0.43	0.43
BELSTAR	Direct Assignment	11.12	10.43
Total		11.54	10.86

Transparency

a. Management Quality

Constitution, Ownership and Maturity of the MFI	<p>UMPL is a Mumbai based RBI registered NBFC-MFI which commenced microfinance operations in April 2012. It received its NBFC-MFI license from RBI in Jan 2016. It was promoted by Mr. Hanumant Ranjane & his wife Mrs. Sonali Ranjane by acquiring a RBI registered NBFC, Temperate Finance Private Limited and changed its name to Shree Om Credit Company Private Limited. Subsequently in April 2015, its name was changed to Unnati Microfinance Private Limited .</p> <p>Mr. Hanumant Ranjane along with his family members own majority stake (76.7%) in Unnati as on Mar 31, 2020. Rest 23.3% is held by Nihalani Investment.</p>
Experience of the promoters in this segment	Promoter, Mr. Hanumant Ranjane has vast experience in the field of Credit Processing & Credit Verification along with other banking operations.
The management's stability and inclusion/exit of key management personnel	Board consists of 5 directors including 2 independent directors
Business Strategies	UMPL plans to increase its scale of operations in Maharashtra and Gujarat and reach a loan portfolio of ~ Rs 100 Crs by March 2021.
Vision and Social Impact expected to be achieved through operations.	UMPL's vision is to enhance socio-economic status of the society in large, by providing range of financial services, and to be a premier institution in the field of micro financing.

b. Social Impact

The segments of borrowers financed and the reason for financing	UMPL targets poor women who do not have access to formal banking and financial services. Loans are mostly given for income generating activities.
Tie ups with corporate houses for Corporate Social Responsibility Programs etc.	Partner with private & public sector banks, governmental & local institutions involved in financial inclusion, health, education and livelihood development.

c. Business Model

<p>Loan tracking system and process-control mechanism for present scale of operations</p>	<p>UMPL's Loan Sanctioning is adequate for present scale of operations. The loan application is sent to HO for verification. The forms are sent to CPU for checking and telephonic verification and data entry in software. KYC check is done at CPU. CPU fills up the database in the MIS and creates an ID of the client in the MIS.</p>
<p>Adequate HR practices</p>	<p>Brickworks Analytics opines that UMPL has adequate HR policies in place for its present scale of operations. UMPL has a HR department who oversees staff recruitment and training of its staff.</p>
<p>Adequate Collection process</p>	<p>UMPL has reasonable loan collection systems in place. The members are informed beforehand about the amount of monthly installment towards loan repayment. The Branch team facilitates the deposit of daily cash in the company's bank a/c through its duly appointed CMS Vendors. ABM updates the cash book and enters the collection data in MIS, the MIS gets updated in real time.</p>
<p>Adequate Recovery process</p>	<p>UMPL has an adequate recovery process for delinquent loans. On event of any default by the members FO informs the ABM about the delinquent group. FO does a follow-up with the delinquent group on daily basis to collect the amount as early as possible and submits a report to ABM on daily basis. BM with ABM and FO visits the Group ask them to pay loan Instalment.</p>
<p>Good management information system (MIS) and process control mechanism</p>	<p>UMPL is currently using e-FIMO product developed by Jayam Solutions Private Limited, Hyderabad. The product provides MIS information and Accounts information which helps the management to monitor operational and financial performance and facilitates faster and effective decision making. The have launched a mobile application to decrease TAT and smooth streamlining of the operations and updation in MIS.</p>
<p>Moderate cash management system</p>	<p>UMPL's loan disbursement is made through issue of cheque or electronic mode, i.e. RTGS or NEFT. The collection happens in cash which is collected by FO and deposited in the bank account. A receipt is given to borrower mentioning their payments towards loan instalment at the end of the meeting.</p>

d. Operational Efficiency

Use of technology	UMPL uses relatively moderate levels of technology for day to day operations. They have adopted Mobile technology for efficacious management of their operations. They are working extensively on upgrading the technological usage in the company. The introduction of mobile application in operations has enabled them to reduce the TAT from ten days to four days .
Small scale of operations	Brickworks Analytics believes that UMPL has a small scale of operations and needs to have a diversified geographical presence.
Diversified Resource Profile	The company has a diversified resource profile and has availed term loans from ~20 lenders. Though most of the lenders are NBFCs, resulting in high cost of borrowings. Company has to reduce the dependence on NBFCs and avail loans from banks to reduce its cost of borrowings.
Gross Loan Portfolio	UMPL's portfolio has increased to Rs. 71.72 Crs. as on March 31,2019 as compared to Rs 64.90 Crs. as on March 31, 2018, mainly due to infusion of equity.
Policy and operational manual in place	UMPL has an operational manual for area survey, loan application, sanction, disbursement, collection, products, organisational structure, etc. which provides guidelines to the management and field staff at the head office and branches.

e. Enterprise Risk Management

Independent risk management division and independent internal audit with Monitoring and supervision	UMPL has a separate audit team who audits the branches at least once a month and submits the report to the HO. Brickworks Analytics believes that UMPL's internal audit process is adequate enough to control all routine accounting matters, taxation matters and relevant financial matters as it is headed by an Audit Manager who reports to MD.
Loan sanction and disbursal policies	Credit policies are clearly defined and documented. Credit policies are strictly adhered to for formation of groups, field Verification and credit appraisal.
Management of credit, market and operational risks	The company is a member of CRIF High Mark, Equifax, CIBIL and Experian and reports the data to all the credit bureaus on a weekly basis. UMPL checks the credit history from Equifax and CIBIL. This minimizes the credit risk.

Management of legal and compliance risk	The Organization Structure of UMPL is divided into 5 verticals viz. “Finance”, “Operations”, “HR & Training”, “System Process” and “Audit”. The CMD monitors all the verticals regularly.
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f. Financial Performance

Adequate capitalization	As on 31st March 2019, UMPL had a tangible net worth of Rs.12.76 Crs. and CRAR of 22.89%. Promoters have infused equity of Rs 1.66 Crs. during FY2018-19 by diluting the 23.30% equity to Nihalani Investment LLP
Asset Quality	UMPL’s GNPA and NNPA stood at 1.25% and 0.61% respectively as on March 31, 2019.
Funding profile	The company mainly avails term loans from banks and NBFC/ FIs. The company has availed term loans from ~ 20 lenders, most of which are NBFCs, resulting in high cost of borrowings.
Earning Profile	Total income from operations has increased from Rs 9.47 Crs. in FY18 to Rs 11.96 Crs. in FY19. Company has reported income from operations of Rs 14.65 Crs. during FY20 with profit after tax of 0.35 Crs..
Liquidity Profile	The company has enough liquidity for both short and long term requirements.

Financial Statements

Profit & Loss Summary

P & L Summary (Rs in Crs)	FY17	FY18	FY19	FY20
	Audited	Audited	Audited	Provisional
Interest Income	4.18	7.39	9.54	10.27
Other operating income	0.51	2.08	2.42	4.38
Total Income from Operations	4.69	9.47	11.96	14.65
Operating Expenses	2.48	4.14	5.36	7.67
OPBDIT	2.21	5.33	6.60	6.98
Depreciation/Amortization/Impairment	0.06	0.08	0.03	0.09
OPBIT	2.14	5.25	6.56	6.89
Interest and Finance Charges	2.31	5.69	6.71	7.57
OPBT	-0.17	-0.43	-0.15	-0.68
Non-Operating Income(Expenses)	0.25	0.79	0.71	1.03
PBT	0.08	0.36	0.57	0.35
Provision for Taxes	0.05	0.09	0.15	0.00
PAT	0.03	0.27	0.42	0.35

- Total income from operations has increased more than 26% to Rs 11.96 Crs. in FY2018-19 as compared to Rs 9.47 Crs. in FY 2017-18. This was on account of increase in disbursements during the year.
- Interest and employee cost are the major expenses incurred by the company.
- Higher operating income resulted in increase in PAT during FY2018-19.

Balance Sheet Summary

Liabilities (Rs in Crs)	FY17	FY18	FY19	FY20
	Audited	Audited	Audited	Provisional
Shareholders' Fund	5.60	6.87	11.29	11.64
Share Capital	4.65	5.49	7.15	7.15
Reserves & Surplus	0.95	1.39	4.14	4.49
Non-Current Liabilities	10.48	23.01	15.96	12.45
Long Term Borrowings	10.48	23.01	15.96	12.45
Deferred Tax Liabilities (Net)	0.01	--	--	--
Current Liabilities	16.96	26.12	27.82	33.08
CPLTD	16.39	22.11	24.72	30.68
Other Current Liabilities	0.51	3.82	2.84	1.33
Short-Term Provisions	0.06	0.19	0.26	0.22
Total Liabilities	33.04	56.01	55.07	57.17
Assets (Rs in Crs)				
Non-Current Assets	11.33	19.79	17.09	16.09
Tangible Assets (Net)	0.14	0.10	0.13	0.49
Non-Current Investments	5.54	4.40	4.71	4.29
Long Term Loans and Advances	5.55	15.17	12.09	10.99
Other Non-current assets	0.10	0.12	0.12	0.18
Current Assets	21.72	36.21	37.99	41.09
Current Investments	0.99	6.05	4.94	4.84
Cash and Bank balances	4.05	5.69	2.74	5.95
Short Term Loans and Advances	15.75	22.44	27.43	24.95
Other Current Assets	0.93	2.04	2.88	5.18
Total	33.04	56.01	55.07	57.17

- Promoters have infused equity of Rs 1 .66 Crs. during FY2018-19 by diluting the 23.30% equity to Nihalani Investment LLP.
- Total borrowings decreased from Rs 45.12 Crs as of March 31, 2018 to Rs.40.68 Crs. as of March 31, 2019. Decrease in borrowings was in line with management plan to reduce their debt.
- Company maintained liquidity in the form of cash & bank balance of Rs 2.74 Crs. and margin money of Rs 9.71 Crs with lenders.

Key Financial Ratios

Key Ratios	Units	FY17	FY18	FY19	FY20
Results		Audited	Audited	Audited	Provisional
Tangible Net Worth	Crores	5.60	8.37	12.76	13.01
Capital Employed	Crores	32.48	51.99	51.94	54.63
Total Debt/TNW	Times	4.80	5.21	3.07	3.20
Long Term Debt/TNW	Times	1.87	3.35	1.42	1.08
TOL/TNW	Times	4.90	6.71	3.62	3.70
DSCR	Times	1.04	0.63	0.62	0.71
Net Cash Accruals/Total Debt	Times	0.00	0.01	0.01	0.01
Net Cash Accruals/Long Term Debt	Times	0.01	0.02	0.03	0.04
Net Profit Margin	%	0.73	2.85	3.48	2.39
Operating Profit Margin	%	47.08	56.26	55.17	47.63
ROCE	%	6.60	12.44	12.63	12.93
Current Ratio	Times	1.28	1.39	1.37	1.24

- Tangible net worth has increased to Rs.12.76 Crs. in FY 2018-19 from Rs. 8.37 Crs. in FY 2017-18
- ROCE has improved YOY basis

Business Indicators

	FY17	FY 18	FY 19	FY 20
No. of States	1	1	2	2
No. of Branches	10	10	15	25
No. of active borrowers	18,893	29159	36348	39184
No. of staff	89	106	145	267
Loans disbursed during the year (Rs in Crs)	38.21	63.29	58.45	65.68
Assigned / Securitised Portfolio	0.00	2.20	3.77	10.67
BC portfolio	16.60	25.16	28.49	31.12
On-book portfolio	19.89	37.54	39.46	35.85
Total portfolio	36.49	64.90	71.72	77.64
Gross NPA %	0.59%	0.94%	1.25%	1.21%
Net NPA %	0.04%	0.32%	0.61%	0.63%
Total CRAR %	20.04%	14.48%	22.89%	33.74%
Tier I CRAR %	0.71%	7.17%	7.01%	25.58%

Conclusion

UMPL has experienced and professional management team with adequate systems and processes. The directors are well versed with the intricacies of the microfinance operations which are adequate to support future growth expansion and help to maintain asset quality.

The Borrower base has increased to 39184 and Total portfolio has increased to Rs. 77.64 Crs in FY 2019-20. UMPL's portfolio has remained almost stagnant in the last 18-24 months with limited growth due to challenges faced by the company in raising additional funds as the company is dependent on external borrowings raised by banks and financial institutions.

Liquidity position of UMPL, as on March 31, 2020 consists of Rs. 5.95 Crs. as cash and bank balance and undrawn sanctions of Rs. 2.56 Crs. . This has been comfortable with positive cumulative mismatches in the short term (up to 1 year) bucket.

The company has achieved 65% collection efficiency till Aug 20 and hopeful of achieving 80% in Sep. 20. As per the management, the disbursement is also going to start from Sep20 onwards. Though the company remains exposed to risks associated with the MFI business it has to maintain a stable asset quality backed by its strong loan monitoring and adequate credit appraisal process. The company's ability to maintain the asset quality in the new originations, and to maintain field discipline will be important from a credit perspective.

1. Annexure I: Index of Abbreviations

Abbreviation	Interpretation
BM	Branch Manager
AM	Area Manager
LO	Loan Officer
HO	Head Office
CGT	Compulsory Group Training
GRT	Group Recognition Test
KYC	Know Your Customer
MFI	Microfinance Institution
MIS	Management Information System
LMS	Loan Management System
CBS	Core Banking Solution
NBFC	Non-Banking Finance Company
NBFC-MFI	Non-Banking Finance Company – Microfinance Institution
PBDTA	Profit Before Depreciation, Tax and Amortisation
PBT	Profit Before Tax
GNPA	Gross Non-performing Assets
NNPA	Net Non-performing Assets
CPLTD	Current Portion of Long Term Debt
RBI	Reserve Bank of India
JLG	Joint Liability Group
HR	Human Resource
PAR	Portfolio at Risk



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