



SME RATING AGENCY OF INDIA

This is to certify that

Midland Microfin Limited

has been assigned
a SMERA MFI Grading of

SMERA M1

This rating indicates Highest capacity of the MFI to manage its operations in a sustainable manner

Location: Jalandhar

Entity Type: NBFC MFI

This Rating is valid from Dec 14, 2022 to Dec 13, 2023



To verify this certificate click:
www.smeraonline.com/verify-certificate
or scan the QR Code

For SMERA Ratings Private Limited

Nikunj Dube
Head of Operations

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SMERA MFI Grading

M1

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

SMERA MFI Grading

Midland Microfin Limited



To verify the grading, please scan the QR Code

Date of Report:

14th December 2022

Valid Till:

13th December 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.

Disclaimer

SMERA's Ratings / Gradings / Due Diligence and other credit assessment related services do not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a buyer's or lender's independent assessment. Rating / Grading / Due Diligence are based on the information provided by the rated entity and obtained by SMERA from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true and correct, SMERA makes no representation or warranty, expressed or implied with respect to the accuracy, adequacy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability, whatsoever, for any direct, indirect or consequential loss of any kind arising from the use of its Ratings / Gradings / Assessments.

Historical Rating Grades

Date	Rating Agency	Rating/Grading
05-Sept-2022	Brickwork Ratings	BBB+
05-Aug-2022	Acuite Ratings & Research	BBB+
08- Aug -2022	Care Ratings	BBB
30-Nov-2021	SMERA	M2C1

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	:	Midland Microfin Limited	
Operational Head – Microfinance Business	:	Name	Mr. Amitesh Kumar
		Designation	CFO, COO
		Mobile No.	7837218817
		Email ID	amitesh@midlandmicrofin.com
Date of Incorporation/Establishment	:	24-Jan-2011	
Date of commencement of microfinance business	:	January,2011	
Legal Status	:	Public Company	
Business of the company	:	Microfinance Services Under Joint Liability Group (JLG) Model	
Correspondence Address	:	The AXIS, Plot No.1, R.B. Badri Dass, Colony, G.T Road, Jalandhar – 144001, Punjab India.	
Geographical Reach (As on 30/Sept/2022)	:	No. of States	12
		No. of Districts	161
		No. of Branches	316
		No. of Active Borrowers	6,12,564
		No. of Total Employees	3,124
		No. of Field/Credit Officers	1,842
No. of Lenders	:	34 lenders (including Banks and Institutional lenders)	
Feedback from Lenders	:	Positive	
Statutory Auditors	:	SCV & Co. LLP	

Background:

- Midland Microfin Limited (MML) was originally incorporated as 'Sajan Hire Purchase Private Limited (SHPPL) in 1988. MML started microfinance operations in the year 2011 and therefore it has short track record of operations. MML is registered as an 'NBFC-MFI' in the year 2015, its head Office at Jalandhar, Punjab.

Product Profile

Product	Description	Loan size (Rs.)	Repayment (in Months)	Interest Rate (In %) Reducing Balance	Processing Fees (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Business Loan	Income Generating Loan	11,000 – 60,000	12- 24	25.00	1.00	26.00
IEL – Udaan	Income Generating Loan	60,000 – 1,50,000		28.00	1.00	29.00
IEL - Udaan Dairy Loan	Cattle Loan	60,000 – 1,50,000		28.00	1.00	29.00
Water Purifier Loan	Sanitation Loan	9,600		26.00	1.00	27.00
PM Svanidhi Loan	Business Loan	15,000		25.00	1.00	26.00
Fan Loan	Cross Sale Loan	2,300 / 3,699		26.00	1.00	27.00
Ricco Iron	Cross Sale Loan	1,399		26.00	1.00	27.00
Wash Loan	Sanitation Loan	11,000 – 30,000		26.00	1.50	27.50
Education Loan	Education Loan	11,000 – 20,000		26.00	1.50	27.50

Capital Structure as of 30/Sept/2022

Authorized Capital	Rs. 75.00 crore
Paid Up Capital	Rs. 45.57 crore

Shareholding Pattern (as on September 30, 2022)

EQUITY SHARES	
Shareholders	% Holding
a) Promoters	
Resident	12.16
Non-Resident	17.25
Body Corporate	0.70

Total(a)	30.11
b) Promoter Group Member	
Resident	16.39
Non-Resident	2.29
Body Corporate	7.29
HUF	0.22
Total(b)	26.19
c) Non-Promoter	
Ajitsinh Gokaldas Khimji (Non-Resident)	1.10
Body Corporate (NRI) KITARA	32.71
Body Corporate ICICI Bank	9.89
Total(c)	43.70
Total(a+b+c)	100.00

OPTIONALLY CONVERTIBLE PREFERENCE SHARES (OCPS)	
Shareholders	% Holding
a) Promoter Group Member Resident	100.00
Total	100.00

Promoters/Directors Profile

Director Details		Profile
Name:	Mr. Vijay Kumar Bhandari	<ul style="list-style-type: none"> Fellow member of Institute of Chartered Accountants of India. Former General Manager of Central Bank of India, with more than three decades of experience in various capacities as Senior Internal Auditor, Branch Manager, Regional Manager and Zonal manager. He held his last position as general manager-in-charge of credit, credit monitoring, treasury, investment, fund management, merchant banking and international banking division of Central bank of India. Also on the Board of various companies as an Independent Director.
Designation:	Chairman, Non -Executive Director	
Qualification:	C.A.	
Name:	Mr. Amardeep Singh Samra	<ul style="list-style-type: none"> Specialization in Finance, Marketing and Administration. Co-ordinator of Punjab & Haryana Finance Co's Association. He is also a Director in Microfinance Institutions Network (MFIN), the premier industry association and Self-Regulatory Organization (SRO) for the microfinance industry in India as regulated under RBI.
Designation:	Promoter and Managing Director	
Qualification:	B.Com.	
Name:	Mr. Shant Kumar Gupta	<ul style="list-style-type: none"> Chairman and Promoter of 'HAMCO GROUP'. He is a Director of S.R. Impex Ltd., Vill Dhogri, Jalandhar (mfg. of power cables). He is also very active on the social front and is Founder Chairman of 'Hamco Charitable Trust', an NGO involved in imparting free computer education to poor and needy students with an objective to bring them at par with their counterparts.
Designation:	Independent Director	
Qualification:	L.L.B.	
Name:	Mr. Santokh Singh Chokar	<ul style="list-style-type: none"> Post Graduate Diploma in Law and passed the Law Society's Finals with honours in 1992. He has been Senior Partner in Chokar & Co Solicitors based in the United
Designation:	Non- Executive Director	
Qualification:	B.Sc. (Honours), PGD (Law)	

		<p>Kingdom with associate offices in the United Arab Emirates.</p> <ul style="list-style-type: none"> • He has a long track record of involvement in local government, having served as Chairman of South Bucks District Council for two years. • He serves as a Councilor in Buckinghamshire Council and as Chairman of Denham, Gerrards Cross and Chalfonts Community Board.
Name:	Mr. Parveen Kumar Gupta	<ul style="list-style-type: none"> • He has vast experience in the banking sector of over 37 years • He retired as managing director, retail and digital banking, from State Bank of India (“SBI”) and held various positions in the “SBI Group” including managing director, compliance and risk, SBI, whole-time director, SBI, managing director and chief executive officer, SBI Capital Markets Ltd, deputy managing director and chief financial officer, global markets, SBI, deputy chief executive officer, SBI-MACQUARIE Infra. Mgmt. (P) LTD., and chief general manager, global markets, SBI. • He was a member of the expert committee on Micro, Small & Medium Enterprises, headed by Mr. U.K. Sinha, former Chairman of the SEBI, constituted by RBI.
Designation:	Independent Director	
Qualification:	CS, B.com	
Name:	Mr. Sachin Nithyanand Kamath	<ul style="list-style-type: none"> • Chartered Accountant by profession and one of the founder members of Kitara Capital International Limited. • Worked in various positions in the field of investments for Paradigm Investments Pvt. Ltd; BOI Mutual Fund and JV Gokal Group in India. • Chief Investment Officer at Ajit Khimji Group of Companies in Oman.
Designation:	Nominee Director	
Qualification:	C.A.	
Name:	Ms. Kamna Raj Aggarwalla	<ul style="list-style-type: none"> • Member of the Advisory Board to Government of Punjab for Small Scale Industries. • Regional Chairperson of Northern Region Engineering Export Promotion Council of India.
Designation:	Independent Woman Director	
Qualification:	B.A.	

		<ul style="list-style-type: none"> Former chairperson of the Confederation of Indian Industry (CII), Punjab and also the Member of the board of CII Northern Region.
Name:	Mr. Ashwani Kumar Jindal	<ul style="list-style-type: none"> He is a recognized member of the Institute of Chartered Accountants of India. He has an immense knowledge and experience in NBFC Audits, RBI matters, Income Tax & GST and Auditing He is also General Secretary of Income Tax & GST Bar Jalandhar. He is Co-opted Member of Internal Audit Standard Board of ICAI for the year 2020-21 and remained co-opted member of Committee of Members in Industry & Business of ICAI for the year 2019-20.
Designation:	Independent Director	
Qualification:	CA	

SMERA Observations:

- Midland has eight-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 board composition has remained same since the last financial year.
- The company has more one-third of its board members as Independent directors.

Management's Profile

Management Details		Profile
Name:	Mr. Amitesh Kumar	<ul style="list-style-type: none"> • He has experience of almost a decade in various segments like fund raising, brand development, positioning and promotion, leading and managing client relationships, strategic planning & Operations etc. • He had worked as an Area Manager in SKS Microfinance for three years. Where he initiated operations in western U.P, Delhi-NCR, Punjab and Haryana State based on the Grameen Model and trained & developed workforce at middle level management. • More than 10 years of quantifiable achievement with direct financial management, company development and achieving desired levels of growth as key responsibilities. He has been instrumental in building the organization from grass roots and played an anchor role in taking the corporate to one of the most successful NBFC-MFI. • He is having very rich experience in measuring performance potential of the company along with end-to-end view of the company's full value chain—from clients' needs to back-office operations to competitors' positioning. • He is an expert negotiator & analyst with strong team building skills by employing an energized and participative management style. He focuses on key business drivers that convey a broad understanding of the value proposition and how the company fulfills it.
Designation:	CFO, COO	
Qualification:	B.Sc. (Horticulture), MBA (Agri-Business and Rural Management)	
Name:	Mr. Gagandeep Sharma	<ul style="list-style-type: none"> • He has 22 years of experience as an Income Tax consultant.
Designation:	DVP – Legal	
Qualification:	B.Com. C.A. Inter, LLB	

		<ul style="list-style-type: none"> • He has over 16 years of experience in the audit of various NBFCs along with income tax consultant. • He is associated with MML since 2010. • He carries extensive experience in contracts, dispute resolution, regulatory compliance & documentation, corporate advisory, anti-trust etc. along with proficiently working with business teams and lawyers in India. • With his wide knowledge of regulatory compliance and risk management in the financial sector, he spearheads the legal team at the company.
Name:	Mr. Gopesh Gupta	<ul style="list-style-type: none"> • He has more than 8 years of experience in the MFI industry as head of Accounts & Finance Department Experience in developing SOPs and managing the team. • He has expertise in Indirect & Direct Taxation along with Accounting Standards.
Designation:	DVP – Accounts and Finance	
Qualification:	C.A	
Name:	Mr. Maninder Kumar	<ul style="list-style-type: none"> • He has 12 years of experience in Microfinance industry. • He drives backend Business operations, process, credit, compliance, analytics tasks.
Designation:	Associate Vice President – I	
Qualification:	Bachelor of Arts	
Name:	Mr. Sumit Bhojwani	<ul style="list-style-type: none"> • He has more than 6 years of experience in the company secretary's profession and was earlier rendering his services as a Practicing Company Secretary in Ludhiana.
Designation:	Company Secretary	
Qualification:	M.Com, ACS, LL.M., DIPR, DIA	
Name:	Ms. Saachi Sachdev	<ul style="list-style-type: none"> • She has 5 years of experience in the field for Human Resource Management. • She is responsible for designing HR processes and policies, Implementing Human resource systems and bringing new innovations as well as ideas to enhance the efficiency for the overall impact of the Human Resource Department.
Designation:	AVP-Human Resources	
Qualification:	MBA -University of St. Andrews, Scotland, United Kingdom	

Name:	Mr. Gagandeep Sharma	<ul style="list-style-type: none"> • He has overall 16 years of experience in various role. • He is overseeing all technology operations and evaluating them according to established goals. • He is responsible for devising and establishing IT policies and systems to support the implementation of strategies set by upper management pertaining to budget control, strategic thinking, business analysis, and vendor management.
Designation	Chief Technology Officer (CTO)	
Qualification	Post-Graduation - MCA	
Name:	Mr. Sanjeev Kumar Mishra	<ul style="list-style-type: none"> • He has overall 15 years of experience Across Internal audit, Risk Management, Internal Control, Assessment, Investigation/Fraud, Controls, Business & Regulatory Support. • He has been delivering across various sectors like Real Estate, Media, Manufacturing, Infra & MFIs.
Designation	Deputy Vice President II-Head Internal Audit and Control	
Qualification	M. Com, CA PE- (Intermediate)	
Name:	Mr. Priyanshu Jaiswal	<ul style="list-style-type: none"> • He will be managing business development & sales strategy, operations monitoring, portfolio quality assessment and reporting and other special projects and new initiatives for business development and MIS team.
Designation	DVP_ Strategy Planning & New initiatives	
Qualification	Post graduate diploma in management(PGDM)	
Name:	Mr. Debdeep Mukherjee	<ul style="list-style-type: none"> • He will be responsible for new product development, policy and product design & roll out, process excellence, monitoring of third-party applications and efficiency indicators, call center outcome monitoring, disciplinary actions and operational risk management and assessment of risk identifiers.
Designation	AVP- Product, Portfolio & Risk	
Qualification	MBA	
Name:	Mr. Pallav Majumdar	<ul style="list-style-type: none"> • He will be leading the training team for promotions, process and non- process operations training, refresher trainings, ToTs, behavioral training, employee upskilling. • Additionally, will lead the administration department for the organization.
Designation	AVP- Training & Admin lead	
Qualification	MBA	

SMERA Observations:

- Midland senior management has adequate experience across sectors such as microfinance, Banking, finance, and development sector.
- A majority of the senior management members have been associated with it for long tenure and have risen from ranks.
- Midland has dedicated department wise / function wise heads and no major functional overlaps have been observed.
- The senior management reports to the CEO.

Financial Snapshot (In Rs. Crores)

Particulars	31/03/2020	31/03/2021	31/03/2022
Total AUM (in Crores)	777.71	799.16	1,242.41
On Balance Sheet Portfolio Outstanding (in Crores)	683.10	764.58	1,137.41
Off Balance Sheet (in Crores)	94.60	34.58	105.00
Total Net Worth (in Crores)	118.59	176.81	270.85
Total External Borrowings (in Crores)	801.42	850.06	1245.65

Particulars	31/03/2020	31/03/2021	31/03/2022
Financial Revenue from Operations (in Crores)	184.15	192.34	219.78
Finance Expenses (in Crores)	98.96	103.64	104.02
Operating Expenses (in Crores)	55.83	57.30	77.25
Operating Income (in Crores)	25.08	19.01	29.32
Net Operating Income (in Crores)	16.53	15.28	22.77

Particulars	31/03/2020	31/03/2021	31/03/2022
Cost of funds ratios (%)	15.18	13.06	12.08
Capital Adequacy Ratio (%)	24.57	33.96	33.72
Operational Self Sufficiency (%)	115.77	110.97	115.40
Operating Expense Ratio (OER) (%)	8.42	7.27	7.98
Portfolio at Risk (>30 days) (%)	0.61	2.05	4.74
Debt to Equity ratio (in times)	6.76	4.81	4.45

HIGHLIGHTS OF MICROFINANCE OPERATIONS

Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
No. of States	8	9	12	12
No. of Districts	101	112	140	161
No. of Branches	197	217	274	316
No. of Active Members	7,90,006	9,22,512	11,48,706	13,26,441
No. of Active Borrowers	3,90,577	4,13,964	4,97,495	6,12,564
No. of Total Employees	1,763	2,105	2,436	3,124
No. of Field/Credit Officers	813	1,143	1,424	1,842
No. of SHGs	0	0	0	0
No. of JLGS	77,206	81,867	98,658	1,21,557
No. of Individual Loans	4,543	4,628	4,203	4,775
Owned Portfolio				
Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
Total loan disbursements during the year (in crore)	1,034.6	688.82	1,338.50	1,054.38
Total portfolio outstanding (in crore)	683.10	764.58	1,032.41	1,529.11
Securitized Portfolio				
Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
Total portfolio outstanding (in crore)	94.60	34.58	105.00	125.26

Loan utilisation schedule:

Loan Utilisation	31/Mar/2020 (%)	31/Mar/2021 (%)	31/Mar/2022 (%)	30/Sept/2022 (%)
Agriculture	5.17	5.69	6.19	6.00
House Repair	23.68	27.77	28.67	31.24
Business	70.76	66.45	64.94	62.62
Consumption	0.39	0.09	0.16	0.15
Total	100.00	100.00	100.00	100.00

Section 1: Microfinance Capacity Assessment Grading

Operating Environment

- The outbreak of COVID-19 had significantly impacted the operations of Micro Finance Institutions (MFIs). The MFI sector which has registered the CAGR growth of over 35% in last five years, amidst this pandemic crisis, faces serious challenges on collections, asset quality and cash flow management. Due to the moratorium, the collection level has been severely impacted in turn affecting cash flow and ALM.
- The industry started to gain momentum in Q2-FY2021 with the ease of nationwide lockdown. Broadly, the disbursement was back to pre-covid level as on December, 2020. Disbursements have partly picked up since many players are resorting to lending to existing borrowers so as to help them repay and tide over the stress.
- 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 industry has shown signs of recovery in the last Quarter of FY 2022, while the overall AUM of the sector has registered a growth of 13.13% over the previous Quarter of the same financial year. Overall AUM of the sector has grown to Rs. 2.6 lakh crore registering Y-O-Y growth 4.69% in FY 2022. Improvement in asset quality across all time buckets was observed during Q4FY22 on account of improvement in overall livelihood activities of the borrowers. Overall PAR>30 and PAR>90 stood at 5.27% and 2.43% accordingly as on March 2022.
- Going forward, it is expected that the revival of overall industry scenario would gradually start putting MFI back to the track. 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 extensive industry experience of promoters

- Midland Microfin Limited (MML) was originally incorporated as 'Sajan Hire Purchase Private Limited (SHPPL) in 1988. MML started microfinance operations in the year 2011 and therefore it has short track record of operations. MML is registered as an 'NBFC-MFI' in the year 2015, its head Office at Jalandhar, Punjab.
- MML provides loans to joint liability group consisting of five members who comes together for the purpose of availing loan through group mechanism against mutual guarantee. As on September 30, 2022 MML is currently operating in 11 states and one UT with 1,21,557 groups covering around 6,12,564 active members with a total outstanding portfolio of Rs. 1779.63 crore.

- As on September 2022, MML has eight members on board having extensive experience in the field of asset finance and Banking business. Out of the 8 members on board, 4 members are independent directors. MML's top management team also has extensive experience in the financial sector.

Diversified resource profile

Resource Profile	%(as on 30Sept22)
Banks	56.57
NBFCs	21.73
NCDs	17.88
Foreign Portfolio Investors	3.83
Total	100.00

- As on September 30, 2022 MML has developed funding relationships with 34 lenders (including PSU/Private Banks and NBFCs/Financial Institutes). The cost of funds (COF) for MML stood at 12.08% as compared to 11.60% recorded in the previous year.
- Out of the total outstanding debt of Rs. 1564.73 crore as on 30th September, 2022 Rs. 279.74 crore has been raised in the form of non-convertible debentures.
- Leverage of the company has improved to 4.60 times in FY2022, compared to 4.81 times in FY2021 on account of increased capitalisation.

Adequate capitalisation and comfortable liquidity profile

Capital Adequacy	% (as on 31/Mar/2022)
Tier -I Capital (A)%	24.48
Tier -II Capital (B)%	9.24
Capital to risk adjusted ratio (CRAR) (%) (A+B)	33.72

- MML has adequate capitalization marked by total equity capital of Rs. 270.85 crore as on March 31, 2022 as compared to Rs. 176.81 crore in the previous year on account of equity infusion and internal accruals. MML's capital adequacy ratio (CRAR) stood comfortable at 33.72 per cent as on March 31, 2022. CRAR is more comfortable than the RBI stipulated CRAR for NBFC-MFI of 15 per cent.
- MML 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.
- However regular flow of funds is critical to maintain the projected growth and the same would have a key bearing on its liquidity profile.

Operational improvement in FY 2022

Particulars	FY 2020	FY 2021	FY 2022
Net financial margin (In thousands)	8,09,099	7,63,050	10,65,690
Operating expenses	5,58,317	5,72,950	7,72,500
Operational Self Sufficiency (%)	115.77	110.97	115.40
Operating Expense Ratio (OER) (%)	8.42	7.27	7.98

- MML has reported net profit of Rs. 22.28 crore on operating income of Rs. 219.78 crore in FY2022. In FY2021, MML had reported net profit Rs. 14.63 crore on operating income of Rs. 192.34 crore.
- Total income of MML has improved by ~14% in FY 2022 as compared to the previous year; however, net profit has significantly increased by ~49% in the same period due reporting of comparatively lower provisions in FY 2022 and operational improvement.
- The operational self-sufficiency (OSS) of the company stood stable at 115.40% in FY2022 as compared to 110.97% in the previous year. The company's operating expense stood at 7.98% in FY2022.

Diversified geographical reach

Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
No. of States/UTs	8	9	12	12
No. of Districts	101	112	140	161
No. of Branches	197	217	274	316

- MML has moved its operations to 11 states and one Union Territory over the years and has increased no. of branches to 316 in 161 districts as on 30th September, 2022.
- Single state and two-state concentration remained comfortable at ~36% and ~54% as on 30th September, 2022. However, no district has accounted for greater than 5% of the company's total loan book.
- In order to mitigate any potential risk arising out of geographical concentration, MML has been diversifying its presence across states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR in Rs. Crore (>30 days)	% of Total Portfolio o/s
Bihar	76	202241	590.27	26.22	35.68
Gujarat	17	21151	50.55	0.21	3.06
Haryana	20	34411	86.81	9.29	5.25

Himachal Pradesh	2	3077	7.63	0.02	0.46
Jharkhand	22	41648	111.48	2.60	6.74
Madhya Pradesh	16	12650	37.86	0.48	2.29
Punjab	32	100171	234.62	49.90	14.18
Rajasthan	49	78727	205.44	13.43	12.42
Uttar Pradesh	75	111128	310.26	7.15	18.75
Uttarakhand	1	2256	5.58	0.00	0.34
West Bengal	6	5104	13.86	0.00	0.84
Total	316	6,12,564	1,654.38	109.30	100.00

- MML's operation is diversified in 11 states i.e Punjab, Rajasthan, Bihar, Gujarat, Haryana, Jharkhand, Uttar Pradesh, Himachal Pradesh, Madhya Pradesh, Uttarakhand, West Bengal and one Union Territory Chandigarh.
- 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/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
No. of States/UTs	8	9	12	12
No. of Districts	101	112	140	161
No. of Branches	197	217	274	316
No. of Active Members	7,90,006	9,22,512	11,48,706	13,26,441
No. of Active Borrowers	3,90,577	4,13,964	4,97,495	6,12,564
No. of Total Employees	1,763	2,105	2,436	3,124
No. of Field/Credit Officers	813	1,143	1,424	1,842
No. of SHGs	0	0	0	0
No. of JLGS	77,206	81,867	98,658	1,21,557
No. of Individual Loans	4,543	4,628	4,203	4,775

Financial Ratios	31/Mar/2020	31/Mar/2021	31/Mar/2022
No. of Active Borrowers Per Staff Member	222	197	205
No. of Active Borrowers per field executives	480	362	350
No. of members per Branch	1,983	4,251	4,193
Gross Portfolio o/s per field executive (in thousands)	9,566	6,992	7,988
Average Outstanding Balance per client (in Rs)	19,912	19,305	22,863
Cost per Active client	4,072	4,187	3,828

- The company's branch network has increased from 197 branches in FY 2019 to 316 branches in FY 2023. Client network has expanded from 3,90,577 borrowers as on March 2019 to 6,12,564 borrowers as on September 2022.
- MML's field productivity remains above 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.

Sound asset quality

- MML has maintained sound asset quality with on-time repayment rate of 94.18% as on March 31, 2022.

Period	FY 2020	FY 2021	FY 2022	30-Sept-2022
	Portfolio o/s	Portfolio o/s	Portfolio o/s	Portfolio o/s
On-time (in crore)	767.82	765.89	1071.20	1526.64
1-30 days (in crore)	5.17	16.88	12.29	18.44
31-60 days (in crore)	0.25	5.37	8.19	23.85
61-90 days (in crore)	0.24	3.31	12.84	36.45
91-180 days (in crore)	0.7	3.37	23.96	21.51
181-360 days (in crore)	0.86	1.87	6.24	18.72
> 360 days (in crore)	2.67	2.48	2.70	8.78
Write-off (in crore)	0.00	0.00	0.00	0.00
Total	777.71	799.17	1137.41	1654.38
On-time (in %)	98.73	95.84	94.18	92.28
PAR 0-30 days (in %)	0.66	2.11	1.08	1.11
PAR >30 days (in %)	0.61	2.05	4.74	6.61
PAR >90 days (in %)	0.54	0.97	2.89	2.96

- The PAR >30 days has increased to 4.74% as on March 31, 2022 as compared to 2.05% as on March 31, 2021.
- Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.

Adequate IT Systems Audit Mechanism

- MML has robust MIS and IT infrastructure to cater to the current and future needs of the Company. The company is using the software, i.e., E-FIMO by Jayam Solutions Pvt Ltd., Hyderabad which has specifically designed to enhance the productivity, business intelligence and to get complete solutions for its processes and risk management. This software is a complete ERP based Core Micro finance solution with automated Credit Bureau Check, Automated Credit and Risk Check, De-Duplication Check, Matrix Based Loan Sanction, Strong BRS System, Hierarchy wise Dash-board; Event based SMS and Email Alerts and other functionalities which would ease down operational processes to large extent.
- MML has also implemented various other applications for monitoring, HRMS and smooth running of data i.e. Tableau Software, HR One, OTP Based Login, M-fimo, Awaaz de etc.
- **Credit Bureau Checks**
The company conducts compulsory credit bureau check of its borrowers from Equifax and CRIF 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 24 hours.
- **Internal Audit Process**
The company has a dedicated team of internal auditors who undertakes compulsory branch and borrower audit once in every quarter. All audits are surprise audits.

Inherent risk prevalent in the microfinance sector

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

Financials

Profit & Loss Account (Rs. In Thousands)

Period	FY 2020	FY 2021	FY 2022
Months	12	12	12
Financial revenue from operations	18,41,461	19,23,440	21,97,760
Less - Financial expenses from operations	9,89,635	10,36,360	10,40,250
Gross financial margin	8,51,826	8,87,080	11,57,510
Provision for Loan Loss / Write off	42,727	1,24,030	91,820
Net financial margin	8,09,099	7,63,050	10,65,690
Operating expenses			
Personnel Expense	3,61,150	3,85,890	5,20,110
Depreciation and Amortization Expense	36,410	37,620	30,090
Other Administrative Expense	1,60,757	1,49,440	2,22,300
Net operating income	2,50,782	1,90,100	2,93,190
Income Tax	59,521	72,670	83,020
Deferred Tax	3,965	(28,830)	(12,630)
Other Comprehensive Income	(22,030)	6,560	4,860
Net Income	1,65,260	1,52,820	2,27,660

Note: Above financials are audited.

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2020	31/Mar/2021	31/Mar/2022
SOURCES OF FUNDS			
<u>Capital</u>			
Equity Capital	3,33,250	3,91,700	4,55,700
Reserve & Surplus	8,52,680	13,76,400	22,52,840
Total Equity	11,85,930	17,68,100	27,08,540
<u>Liabilities</u>			
<u>Short-Term Liabilities</u>			
Account payable & Other short-term liabilities	1,89,590	2,81,350	5,07,830
Total Short-Term Liabilities	1,89,590	2,81,350	5,07,830
<u>Long-Term Liabilities</u>			
<u>Long-Term Borrowings</u>			
Commercial Loans from banks/FI	76,25,450	78,77,700	1,12,95,680
Subordinated Debt	7,79,940	10,53,440	11,60,850
Total Long-Term Borrowings	84,05,390	89,31,140	1,24,56,530
Total Other Liabilities	85,94,980	92,12,490	1,29,64,360
Provisions	14,140	17,510	20,580
TOTAL LIABILITIES	97,95,050	1,09,98,100	1,56,93,480

As on date	31/Mar/2020	31/Mar/2021	31/Mar/2022
APPLICATION OF FUNDS			
Fixed Assets			
Net Block	1,32,466	1,15,710	1,06,440
Investments	0	0	0
Cash and Bank Balances	17,72,920	23,63,467	37,58,586
Security Deposits	4,61,910	7,69,330	10,60,061
Loan Portfolio			
Net Loan Portfolio	72,64,598	75,57,370	1,03,45,950
Accounts Receivable And Other Assets	1,25,711	1,36,100	2,06,510
Intangible Assets	11,254	10,554	13,350
Deferred Tax Asset	14,963	41,587	52,583
TOTAL ASSETS	97,95,050	1,09,98,100	1,56,93,480

Financial Ratios

Financial Ratios	31/Mar/2020	31/Mar/2021	31/Mar/2022
	12	12	12
<u>Capital Adequacy Ratio</u>			
Capital Adequacy Ratio (%)	24.57	33.96	33.72
<u>Productivity/Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	222	197	205
No. of Active Borrowers per field executives	480	362	350
No. of members per Branch	1,983	4,251	4,193
Gross Portfolio o/s per field executive (in thousands)	9,566	6,992	7,988
Average Outstanding Balance per client (in Rs)	19,912	19,305	22,863
Cost per Active client	4,072	4,187	3,828
<u>Asset/Liability Management</u>			
Cost of funds ratio (%)	15.18	13.06	12.08
Yield on Portfolio (nominal) (%)	25.79	23.33	20.99
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	115.77	110.97	115.40
Operating Expense Ratio (OER) (%)	8.42	7.27	7.98
Return on Assets (RoA) (%)	2.13	1.41	1.67
Portfolio at Risk (>30 days) (%)	0.61	2.05	4.74
Return on Equity (RoE) (%)	18.55	9.90	9.95
<u>Leverage Ratios</u>			
Total Outside Liabilities to Tangible Networth Ratio (Times)	7.24	5.21	4.79
Debt/Equity Ratio (Times)	6.76	4.81	4.45

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.

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