



SMERA RATINGS LIMITED

SMERA MFI Grading

M3

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

SMERA MFI Grading

Nightingale Finvest Private Limited

Date of Report:

25th February, 2017

Valid Till:

24th February, 2018



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 comprehensive 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.

Disclaimer

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SMERA's MFI Grading Scale

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

The MFI obtains comprehensive MFI grading of “**M3**”. It signifies above average capacity of the MFI to manage its operations in a sustainable manner.

Company Profile

Name of the MFI	Nightingale Finvest Private Limited
Year of Establishment	1997
Year of Commencement of Microfinance Operations	2004
Legal Status	Non-Banking Finance Company (NBFC-MFI)
Business of the Company	Engaged in business of microfinance under JLG model
Correspondence address	First Floor, Chakradhar Villa, R.G. Baruah Road, Opp. All India Radio, Krishna Nagar Chandmari Guwahati – 781 003 Assam
Telephone	(91)(361)(265 5401)
Geographical Reach (As on 31/Dec/2016)	No of States : 04 No of Branches : 21
Total Employees (As on 31/Dec/2016)	92
Active Borrowers (As on 31/Dec/2016)	28,237
Total Portfolio Outstanding (in crores) (As on 31/Dec/2016)	Owned Portfolio – 31.61
Operational Head	Mr. Mantu Nath Sarma, Managing Director Email ID: nightingale20006@gmail.com
Statutory Auditor & Address	M/s Surendra K. Jain & Associates 14, Satya Bora lane, 2 nd Floor Dighalipukhuri East Guwahati – 781 001 Assam India Tel: 0361 – 2510947 Mob: (91) (9678009014)

Background

Nightingale (formerly known as Nightingale Charitable Society which was registered in the year 1998 under Societies Registration Act 1860) commenced its microfinance operations in the year 2004 in the state of Assam. Later in 2013, the promoters obtained a Non-Banking Finance Company (NBFC) license from Reserve Bank of India to carry out microfinance business in the name of Nightingale Finvest Private Limited (hereinafter referred to as Nightingale).

Nightingale provides loans to joint liability group (JLG) members, who come together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee. Nightingale offers loans in the range of Rs.15,000 to Rs.35,000 depending on the clients repayment capacity, type of business activity, etc. with tenure varying from 12 months to 24 months at an effective interest rate of 20% to 25% (on a reducing balance).

Shareholder's –Equity Shares as on 31/Mar/2016

Name of Shareholders	Shares in %
Mantu Nath Sarma	16.96
Pratap Chakravarty	12.83
Rukunuddin Ahmed	10.35
Jiten Bhagabati	07.50
Dipmani Sharma	05.70
North Eastern Development Finance Corporation Ltd. (NEDFI)	16.18
Others	30.48
Total	100.00

Optionally Convertible Preference Shares as on 31/Mar/2016

Shareholder	Amount (in lacs)
Small Industries Development Bank of India (SIDBI)	50.00
Total	50.00

Highlights of Microfinance Operations

Particulars	31-03-14	31-03-15	31-03-16	31-12-16
No. of States	1	3	4	4
No. of Districts Covered	7	9	10	13
No. of Branches	10	13	18	21
No. of Villages	100	257	352	458
No. of JLGs	3887	4135	5282	5648
No. of Active Borrowers	19,345	20,675	26,407	28,237
No. of Loan Officers (LO)	23	27	34	43
No. of Employees	50	60	75	92
Loan disbursements during the period (Rs. in thousands)	184,060	242,731	261,456	308,260
Portfolio outstanding (Rs. in thousands)	154,630	195,382	253,565	316,074

SMERA Comments

As on Dec 31, 2016, the company had an outstanding portfolio of Rs. 30.82 crores spread over 21 branches of 13 districts with about 28,237 borrowers. The disbursement has increased over the years on account of inflow of funds from banks and financial institutions. Further Nightingale's Assets under Management (AUM) in FY2016 witnessed robust growth of 29.78% over FY2015 (26.35% growth seen in FY2015).

In FY2016, the company expanded its borrower base by adding five new branches in FY2016 and three new branches in current financial year till Dec 31, 2016.

As on Dec 31, 2016, Nightingale's portfolio is concentrated in the state of Assam accounting for ~ 93 percent, and ~ 07 percent in the states of Shillong, Arunachal Pradesh and Mizoram respectively

Product Profile

Product	Description	Loan size (Rs)	Repayment (in Months)	Interest Rate (In %) Reducing Balance	Processing Fees (In %)	Insurance (In %)
JLG Loan	Income Generation Loan	10,000 to 35,000	12 months to 24 months	25.00	1.00	As per insurance company policy
JLG Loan				20.00*	1.00	
JLG Loan				04.00*	1.00	

*Funding availed from NEDFI for OBC category, and unbanked and under-served areas of North Eastern region.

Promoters Profile

Name of Director	Designation	Profile
Mr. Mantu Nath Sarma (Co-Founder)	Managing Director & Chief Executive Officer	<ul style="list-style-type: none"> Mr. Mantu Nath Sarma, a postgraduate in commerce, possesses over 16 years of experience in the field of MSME and Microfinance.
Mr. Pratap Chakravarty (Co-Founder)	Director	<ul style="list-style-type: none"> Mr. Pratap Chakravarty is a graduate in Arts and an NGO activist with more than 14 Years of experience in microfinance. He has been working for empowerment of the less privileged women in rural and urban areas.
Mr. Rukunuddin Ahmed	Director	<ul style="list-style-type: none"> Mr. Rukunuddin Ahmed has a diploma in engineering, with over 16 years of experience in micro credit, financial structuring and administration.
Ms. Olee Bora	Nominee Director (North Eastern Development Finance Corporation Limited)	<ul style="list-style-type: none"> Ms. Olee Bora is a graduate from the University of Allahabad and an MBA from the University of Guwahati. She is the General Manager (MSE, MF, HRD & Administration) in North Eastern Development Finance Corporation Ltd Guwahati.
Mr. Kanchan Dutta	Independent Director	<ul style="list-style-type: none"> Mr. Kanchan Dutta is a practicing Chartered Accountant at Kolkata. He is associated with a number of leading microfinance institutions in India as an advisor and auditor. Mr. Dutta is an expert in governance, fund management, accounting and administration.
A.Ramanathan	Independent Director	<ul style="list-style-type: none"> He is ex-Chief General Manager retired from NABARD. He is presently Director of another five NBFC-MFIs and have a good knowledge of microfinance and have worked at Faculty in different Training Institutes in India.

SMERA Comments

- Nightingale has six-member on its board as on Dec 31, 2016 having extensive experience in the banking and finance segment. The board has three promoter directors, one nominee director (representatives from Investors) and two independent directors with banking & finance/microfinance expertise.
- The board meets on a quarterly basis and if required frequency of the meeting increases. The board is actively involved in strategy formulation, developing & approving business plans, fund mobilization. The board meetings also cover the overall performance, recruitment, updating policy, to ensure the use of resources, approve annual work plan and budgets, implement programmes that are in line with the mission and vision, monitor MFI's performance and review monthly reports. The management team updates the board regularly on operations and key developments in each department.

Senior Management Profile

Name	Designation
Gopal Chandra Kalita	Advisor (Internal Control)
Rajibur Rahman Choudhury	Assistant Manager (Internal Control)
A.Ramanathan	Advisor (Finance)
Atanu Bhattacharjee	Manager (Accounts)
Mrinmoy Das	Assistant Manager (MIS & IT)
Kabita Das	Assistant Manager (Operations)
Rabin Goswami	Assistant Manager (Operations)

Compliance with RBI's Directives

RBI's Direction	NIGHTINGALE Status	Compliance
85% of total assets to be in the nature of qualifying assets	Qualifying assets forms 87.50 % of total assets as on 31/Dec/2016	Complied
Net worth to be in excess of Rs 5 Crore	Net Owned Funds stood at Rs 5.96 cr as on 31/Dec/2016	Complied
Income of borrower not to exceed Rs 100,000 in the rural areas and Rs 160,000 in the urban and semi-urban areas*	Nightingale extends loans to households whose income does not exceed Rs 100,000 in rural and Rs 160,000 in urban areas	Complied
Loans size not to exceed Rs 60,000 in first cycle and Rs 100,000 in subsequent cycles*	Nightingale offers loan in the range of Rs 10,000 to Rs 35,000 depending on client repayment capacity, type of activity etc	Complied
Total indebtedness of the borrower not to exceed Rs 100,000 (excl medical and education loans)*	Apart from taking declaration from the client, Nightingale conducts credit check on the loans outstanding through credit bureaus	Complied
Tenure of loans not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty*	Nightingale offers loans of Rs 15,000 for a tenure of 12 months and loans of Rs 20,000 to Rs 30,000 for a period of 18 months and loans above Rs 30,000 for 24 months	Complied
Pricing guidelines are to be followed	Loans are provided in range of 20% to 25.00% reducing balance basis which meets the RBI criteria.	Complied
Transparency in interest rates to be maintained	Interest, Processing fees and insurance premium charged are duly mentioned in the loan card provided to the client	Complied
Not more than two MFIs lend to the same client	Nightingale verifies the same though credit check from credit bureaus	Complied

RBI's Direction	Nightingale Status	Compliance
Loan pricing to include processing fee (not exceeding 1% of the loan amount)	Nightingale is charging processing fee of 1.00% on the disbursed loan amount plus applicable service tax	Complied
Collateral free loans	Nightingale does not accept any Collateral for extending the credit.	Complied
MFIs shall not collect any Security Deposit / Margin from the borrower.	Nightingale does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	Nightingale does not take late payment or prepayment penalties from the clients.	Complied
Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, as per the frequency of data submission prescribed by the CIC.	Nightingale shares its client data with Crif Highmark, Equifax, Xperian and CIBIL.	Complied
Aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs	Nightingale provides more than 90 % of total loans for income generation activities as on 31/Dec/2016.	Complied
NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 percent of its aggregate risk weighted assets.	As per provisionals CRAR of Nightingale stood at 18.33 % as of 31st Dec 2016 which complies with the minimum CRAR requirement of 15% for NBFC-MFIs as prescribed by RBI. Nightingale does not have any exposure in Andhra Pradesh.	Complied
The aggregate loan provision to be 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'.	The statutory auditor has certified the appropriate provisions have been made	Complied

Grading Rationale

Operating Environment

- SMERA estimates the MFI sector to grow at a CAGR of 20%-25% and is expected to touch Rs.100000 crore by the end of FY2019.
- MFIs have reported an increase of ~58% in average loan per borrower in FY2016 as compared to FY2014. 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
- SMERA expects licensing of small finance banks to MFIs to fuel competition for deposits and bring innovative banking solutions to customers
- Support systems such as Self Regulatory Organisations (SRO), Credit Information Bureaus (CIB) among others have been established to ensure credit check and process adherence among MFIs. This regulatory framework will bring more accountability and transparency within the sector.
- Despite all developments in the sector the inherent risk exist such as unsecured nature of lending, vulnerable customer profile, exposure to vagaries of political situation in states, and cash handling (though which is expected to reduce with demonetization step taken by Government), and so on.
- On the contrary, recent demonetization drive restrained MFIs disbursement and collection process which is expected to moderate microfinance sector growth in FY2016-17 as compared to the previous year.

Reasonable track record of operations and extensive industry experience of promoters

- Nightingale (formerly known as Nightingale Charitable Society which was registered in the year 1998 under Societies Registration Act 1860) commenced its microfinance operations in the year 2004 in the state of Assam. Later in 2013, the promoters obtained a Non-Banking Finance Company (NBFC) license from Reserve Bank of India to carry out microfinance business in the name of Nightingale Finvest Private Limited (hereinafter referred to as Nightingale).
- Nightingale has six-member on its board as on Dec 31, 2016 having extensive experience in the banking and finance segment. The board has three promoter directors, one nominee director (representatives from Investors) and two independent directors with banking & finance/microfinance expertise.
- Mr. Mantu Nath Sarma (Managing Director and CEO), a postgraduate in commerce, possesses over 16 years of experience in the field of MSME and Microfinance.

Diversified resource profile

- As on Dec 31, 2016 Nightingale has developed funding relationships with 10 lenders (two Banks & eight NBFCs) however their resources profile continues to remain concentrated towards borrowings from NBFCs which stood at ~ 94% of total borrowings (outstanding debt) as on Dec 31, 2016.
- The overall cost of funds (COF) for Nightingale is relatively lower at 9.11% in FY 2016 on account of majority of borrowings at economical rate from North Eastern Development Finance Corporation Limited (NEDFI) which stood at ~ 60% of total borrowings (outstanding debt) as on Dec 31, 2016. However, the loans availed from NBFCs like Electronica Finance Limited and MAS Financial Service Private Limited carry higher interest rate and hence the company has to explore its funding base to Banks.

Moderate capitalisation and comfortable liquidity profile

- The company's capitalisation stands moderate with capital adequacy ratio (CAR) of 19.37 per cent as on Mar 31, 2016 as against CAR of 17.88 per cent as on March 31, 2014. The NBFC-MFI capitalisation in relation to managed asset base has been comfortable on account of equity infusion and internal accruals at regular interval. In order to support the projected growth Nightingale's infused additional equity through issue of Optionally convertible preference shares of Rs. 50 lacs during the financial year (FY 2015-16), subsequent to which the networth of the company has increased to Rs. 5.05 crore as on March 31, 2016.
- Nightingale 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.
- Nightingale intends to grow its portfolio in the range of 30% to 40% over the medium term and hence the company requires an equity infusion to support its growth plans.

Profitability

- The company reported a profit after tax of Rs. 0.85 Crore (ROA of 4.1%) on total income of Rs.5.58 crore in FY2016 and Rs.0.69 crores (ROA 4.6%) on Rs 4.24 crore in FY2015 compared to Rs.0.19 crores (ROA 2.7%) on Rs 0.95 crore in FY2014. The marginal reduction in ROA during FY2016 and FY2015 was largely increase in the size of assets towards end of the year supported by increase in disbursements. Further the Company's operating expense stood at 7.10% for FY2016 as compared to 4.4% for FY2014.
- Improvement in operational efficiency indicated by high Operational Self Sufficiency (%) which stood relatively better in relation to other MFIs rated by SMERA in the past.
- Return of Equity (ROE) increased in FY2016 over the previous year was largely due to rise in profits driven by increase in portfolio with marginal increase in capital base.

Profitability / Sustainability Ratios	2014	2015	2016
Operational Self Sufficiency (%)	143.4%	132.9%	132.0%
Operating Expense Ratio (OER)	4.4%	8.8%	7.1%
Funding Expense Ratio (FER)	1.68%	8.36%	9.11%
Return on Assets (RoA)	2.7%	4.6%	4.1%
Portfolio at Risk (>30 days)	0.0%	0.0%	0.00%
Return on Equity (RoE)	7.92%	21.25%	19.34%

Geographical Concentration

- The company is exposed to geographical concentration risk. As on Dec 31, 2016, Nightingale's portfolio is concentrated in the state of Assam accounting for ~ 93 percent, and ~ 07 percent in the states of Shillong, Arunachal Pradesh and Mizoram respectively.
- It would 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.

Sound asset quality*

Period	FY 2014	FY 2015	FY 2016	31-Dec-16
	Value of Portfolio o/s (in thousands)	Value of Portfolio o/s (in thousands)	Value of Portfolio o/s (in thousands)	Value of Portfolio o/s (in thousands)
On time	154,629	195,382	253,564	316,074*
1-30 days	0	0	0	0
31-60 days	0	0	0	0
61-90 days	0	0	0	0
91-180 days	0	0	0	0
181-360 days	0	0	0	0
> 360 days	0	0	0	0
Total	154,629	195,382	253,564	316,074*

*provided by the management. The rating assessment team has not independently verified the entire portfolio outstanding of Rs.31.06 crore as on 31/Dec/2016.

- The NBFC-MFI has maintained sound asset quality with 100% on time repayment over the years. Adequate credit appraisal processes, monitoring and risk management mechanisms have supported the company to keep asset quality indicators under control.

Adequate IT Systems and Audit Mechanism

- Nightingale has adequate IT systems in HO and across all branch offices. The company also has an internal audit team which undertakes branch and borrower audit once in three months.

Inherent risk prevalent in the microfinance sector

- Nightingale'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, exposure to vagaries of political situation in states, and cash handling associated with the NBFC-MFI sector. However, Nightingale has an experienced team of professionals that monitors regulatory, compliances and frame policies to mitigate the probability of such risks.

Financials

Profit & Loss Account (Rs. In Thousands)

Financial Year	FY 2014	FY 2015	FY 2016
Months Covered By P/L	12	12	12
Income			
Financial revenue from operations	9,478	42,419	55,887
Other Operating Revenue	583	3,629	4,827
Less: Financial expenses from operations	1,340	16,055	25,742
Gross financial profit	8,138	26,364	30,145
Less: Provision for Loan Loss	1,449	408	582
Net financial profit	6,689	25,956	29,563
Less: Operating expenses			
Depreciation and Amortization Expense	57	808	742
Personnel Expense	2,242	8,058	9,655
Administration Expense	1,523	6,581	5,604
Net income Before Tax	2,867	10,509	13,562
Less: Income Tax	909	3,565	5,085
Net income After Tax	1,958	6,944	8,477

Above financials are audited

Balance Sheet (Rs in Thousands)

Date	31/Mar/2014	31/Mar/2015	31/Mar/2016
SOURCES OF FUNDS			
Paid up Capital	28,900	30,900	35,900
Reserves & Surplus	(1,694)	3,761	10,278
Provision for Loan Loss	388	489	634
Statutory Reserves	612	2,001	3,697
TOTAL EQUITY(A)	28,206	37,151	50,509
LIABILITIES			
SHORT-TERM LIABILITIES			
Short-term borrowings			
Commercial Loans from banks/FI for microfinance	0	136,989	184,977
Account payable & Other short-term liabilities	1,060	1,536	860
TOTAL SHORT TERM LIABILITIES(B)	1,060	138,525	185,837
LONG-TERM LIABILITIES			
Long-term borrowings			
Commercial Loans from banks/FI for microfinance	157,201	89,957	153,519
TOTAL LONG TERM LIABILITIES(C)	157,201	89,957	153,519
TOTAL OTHER LIABILITIES(D)	158,261	228,482	339,356
Provision for Loan Loss (E)	1,547	1,954	2,536
Other Provisions (F)	1,336	3,644	5,118
TOTAL LIABILITIES (A+B+C+D+E +F)	189,350	271,231	397,519



APPLICATION OF FUNDS	31/Mar/2014	31/Mar/2015	31/Mar/2016
Fixed Assets			
Fixed Assets	2,760	2,885	4,292
Less: Depreciation	116	922	1,663
Net Fixed Assets(A)	2,644	1,963	2,629
Cash and Bank Balances(B)	29,897	70,416	135,044
Investments in Shares (C)	0	01	01
Loan Portfolio			
Gross Loan Portfolio	154,710	195,382	253,565
Less: Impairment Loss Allowance	-	-	
Net Loan Portfolio(D)	154,710	195,382	253,565
Accounts Receivable and Other Assets(E)	1,658	2,895	5,653
Deferred Tax (F)	441	574	627
TOTAL ASSETS (A+B+C+D+E+F)	189,350	271,231	397,519

Financial Ratios

Financial Ratios	31/Mar/2014	31/Mar/2015	31/Mar/2016
<u>Capital Adequacy Ratio (CAR)</u>			
Capital Adequacy Ratio (%)	17.88%	18.58%	19.37%
<u>Productivity / Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	387	345	352
No. of Active Borrowers per field executives	841	766	777
Gross Portfolio o/s per field executive (Rs in thousands)	6,727	7,236	7,458
Average Outstanding Balance Per borrower (In Rs)	7,993	9,450	9,602
Cost Per Active borrower (In Rs)	198	747	606
<u>Asset / Liability Management</u>			
Yield on Portfolio (%)	10.2%	22.2%	22.7%
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	143.4%	132.9%	132.0%
Operating Expense Ratio (OER)	4.4%	8.8%	7.1%
Funding Expense Ratio (FER)	1.68%	8.36%	9.11%
Return on Assets (RoA)	2.7%	4.6%	4.1%
Portfolio at Risk (>30 days)	0.0%	0.0%	0.00%
Return on Equity (RoE)	7.92%	21.25%	19.34%

Grading Methodology

Annexure: Methodologies

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

F) 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

Thus an evaluation of MFI would be comprehensive assessment based on the financial and non-financial parameters of any MFI.

About SMERA

SMERA Ratings Limited is 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 commenced its operations in 2005 and is empanelled as an approved rating agency by the National Small Industries Corporation Ltd. (NSIC) under the 'Performance & Credit Rating Scheme for Micro & Small Enterprise' of the Ministry of MSME, Government of India. SMERA is registered with the securities and Exchange Board of India (SEBI) as a Credit Rating Agency and is accredited by Reserve Bank of India (RBI) as an External Credit Assessment Institution (ECAI), under BASEL- II norms for undertaking Bank Loan Ratings.

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