



SMERA MFI Grading

M2

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

SMERA MFI Grading

**New Opportunity Consultancy Private
Limited**



To verify the grading, please scan the QR Code

Date of Report:

7th September, 2021

Valid Till :

6th September, 2022

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

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Historical Rating Grades

Date	Rating Agency	Rating/Grading
12-Jul-2019	ICRA	M2
12-Jul-2019	ICRA	BB (Stable)
18-Jun-2018	ICRA	M3+
Aug-2018	ICRA	BB

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	:	New Opportunity Consultancy Private Limited	
Operational Head – Microfinance Business	:	Name	Mr. Loganathan R/Mr. Chandra Mohan. V
	:	Designation	Vice President
	:	Mobile No.	(91) – (9843022007)/(9626212220)
	:	Email ID	chandramohan.v@nocpl.in loganathan.r@nocpl.in
	:	Date of Joining	1 st February, 2016
Date of Incorporation/Establishment	:	15 th January, 2014	
Date of commencement of microfinance business	:	June, 2014	
Legal Status	:	Private Limited Company	
Business of the company	:	Microfinance services under Banking Correspondent Model	
Correspondence Address	:	7th floor, No.707/708, Cyber One, Plot No 4 & 6, Sector No. 30A, Vashi, Navi Mumbai Thane 400703 India	
Geographical Reach (As on 30/Jun/2021)	:	No. of States	13
	:	No. of Districts	200
	:	No. of Branches	576
	:	No. of Active Borrowers	10,74,274
	:	No. of Total Employees	4,386
	:	No. of Field/Credit Officers	3,106
No. of Lenders	:	5 (including group companies and institutional lenders)	
Statutory Auditors	:	Haribhakti & Co LLP	

Background:

- New Opportunity Consultancy Private Limited herein referred, as NOCPL is a Business Correspondent (BC) to multiple Banks/Financial Institutions. NOCPL was founded by the promoters of Suryoday Small Finance Bank, Mr. Ganesh Rao and Mrs. Meenakshi Rao, on January 2014. It acquired a section 8 company, Indian Association for Savings and Credit (IASC), which was promoted by HDFC Ltd. and PWDS (NGO) in 1998 and was engaged in Microfinance and Business Correspondent business.

Product Profile

Products	Description	Loan Size (Rs)	Interest Rate (A) (In %)	Processing Fee (B) (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Group Loan	Business Correspondent Loan	10,000 – 50,000	24.00 – 26.00	1.00	25.00 - 27.00

Capital Structure as of 30/Jun/2021

Authorized Capital	Rs. 6.60 crore
Paid Up Capital	Rs. 5.35 crore

Shareholding Pattern (as on June 30, 2021)

Equity Shares	
Shareholders	% Holding
Mr. Ganesh Rao	49.93
Mrs. Meenakshi Rao	43.40
Mr. Jasbinder Singh Toor	6.67
Total	100.00

Promoters/Directors Profile

Director Details		Profile
Name:	Shri Ganesh Ramanand Rao	He has more than two decades of experience in the banking and financial sector. He has worked with Chola mandalam, GE Capital and DCB Bank in the past. In 2009, he co-founded Suryoday Microfinance, a leading MFI institute in India. Post his successful exit from his first entrepreneurial venture, he has ventured into a credit driven Business Correspondent company with primary focus on financial inclusion.
Designation:	Managing Director and CEO	
Qualification:	BCOM, MEP(IIM Calcutta)	
Name:	Mrs. Meenakshi Ganesh Rao	She is a certified yoga coach. Her keen interest in human development for an inclusive society has motivated her to co found this venture.
Designation:	Executive Director and Head- HR	
Qualification:	Graduate (Management)	
Name:	Dr Ambadas Mukundrao Pedgaonkar	He is retired as Principal Adviser of Reserve Bank of India and has served as the Chief Advisor in Indian Banks' Association in the past. He has extensive experience in the Banking and financial services sector, having worked with Reserve Bank of India for over three decades. His speciality is in Project Management, Setting-up Data Centre, Payment and Settlement Systems, Real-Time Gross Settlement (RTGS) Systems, Cheque Truncation System, Information and Communications Technology, Information Security, Payment Systems Infrastructure.
Designation:	Independent Director	
Qualification:	Post Graduate	
Name:	Mohan Vasant Tanksale	He is a Fellow member of the Institute of Cost & Management Accountants of India (FCMA), Company Secretary (Inter) of the Institute of Company Secretaries of India, CAIIB and also holds Bachelor degree of Science and a Master degree in English Literature. He has been conferred with several awards like "GOLDEN PEACOCK HR EXCELLENCE AWARD 2012", "PERSON OF THE YEAR" for his contribution to Financial
Designation:	Independent Director	
Qualification:	CMA, B. Sc., PG (English Literature)	

		Inclusion by 'SKOCH Foundation'. As a Chief Executive of IBA, he is on several Committees and Governing Councils like Member on the Board of International Banking Federation (IBFed), Member of the Governing Council of Institute of Banking & Personnel Selection Member, RBI Standing Advisory Committee for Urban Co-op Banks. He has also served as a director on the boards of Life Insurance Corporation of India, Indo Zambia Bank Ltd., Zambia, Africa and Subsidiaries of Punjab National Bank of India and Central Bank of India.
Name:	Ramachandra Kasargod Kamath	He has been a chairman of Indian Banks' Association, Institute of Banking Personnel Selection and PNB Housing Finance Limited and has also served as a Managing director on the boards of Punjab National Bank and Allahabad Bank. He has been conferred with Lifetime Achievement Award under India Pride Awards. He has 38 years of vast experience in banking sector facilitating development of sound and progressive banking policies, broad based exposure to other areas of financial sector through Board positions. He is consistently figured in the Top 100 India Inc's as a CMD of PNB and has been a most powerful CEOs as per the survey by Economic Times since 2010.
Designation:	Chairman & Non- Executive Director	
Qualification:	Graduate (B.com)	

SMERA Observations:

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

Management's Profile

Management Details		Profile
Name:	Mr. Ganesh Rao	He has more than two decades of experience in the banking and financial sector. He has worked with Chola mandalam, GE Capital and DCB Bank in the past. In 2009, he co-founded Suryoday Small Finance Bank. Post his successful exit from his first entrepreneurial venture, he has ventured into a credit driven Business Correspondent company with primary focus on financial inclusion.
Designation:	Managing Director and CEO	
Qualification:	BCOM, MEP(IIM Calcutta)	
Name:	Mr. Sivakumar J.R	He has more than 15 years of experience in the Financial Sector. Prior to joining NOCPL, he was the Business Head – BC operations in Indian Association for Savings and Credit (IASC), a fully owned subsidiary of New Opportunity and a not for profit company.
Designation:	Chief Operating Officer – South	
Qualification:	Post Graduate (Economics)	
Name:	Mr. Pradeepta Kishore Dash	He is a Banking and finance professional with 20 years of exceptional Technical, Managerial and Administrative abilities in Asset department. Prior to joining NOCPL, he has worked with reputed organizations like, TATA Finance Ltd., ICICI Bank, HDFC Bank and Suryoday Small Finance Bank Limited at leadership positions.
Designation:	Chief Operating Officer – East	
Qualification:	Post Graduate (MBA)	
Name:	Mr. Bhuvnesh Kumar Tiwari	He has completed executive program in sales and marketing from IIM Calcutta. Prior to joining NOCPL, he has worked with Fino Micro-Finance, HDFC bank and in BFIL. He has 11 years of work experience in the microfinance and Banking Industry.
Designation:	Chief Operating Officer – North	
Qualification:	PGDBM (IRM Jaipur)	
Name:	Mr. R. Loganathan	He has more than 15 years of experience in the Financial Sector. Prior to joining
Designation:	Chief Financial Officer	

Qualification:	M.Sc.-IT	NOPCL, he was the CFO in Indian Association for Savings and Credit (IASC), a fully owned subsidiary of NOCPL and a not for profit company.
Name:	Mr. Ravi K. Tuli	He has 22 years of experience in Automobile, Insurance and Financial Sector. Prior to joining New Opportunity, he has worked with Cholamandalam, DCB Bank, Bharti Axa & Suryoday SFB.
Designation:	Chief Audit Head	
Qualification:	Management Graduate (Marketing)	
Name:	Mr. Payodhi Mishra	Prior to joining NOCPL, she has worked with Larsen & Toubro Limited(EBG) and FINO Paytech Ltd and he has more than 15 years of experience in project life cycle from successful initiation, planning, execution as well as delivery of projects in diverse range of technologies. He is skilled with Agile software development methodologies like scrum iterative process and ITIL.
Designation:	Chief Technology Officer	
Qualification:	MBA -IT & Systems (ICFAI), B.E. - Electronics and Instrumentation (University of Burdwan)	
Name:	Mrs. Meenakshi Rao	She is a certified yoga coach. Her keen interest in human development for an inclusive society has motivated her to co found this venture.
Designation:	Executive Director and Head- HR	
Qualification:	Graduate (Management)	
Name:	Mr. Chandra Mohan V.	She has 15 Years of experience in NBFCs. Prior to joining NOCPL he has worked with Bajaj Auto Finance Ltd. and Fullerton India Ltd. in various departments.
Designation:	Head - Quality & Operations	
Qualification:	Graduate (Science)	
Name:	Ms. Mona Thakkar	She has over 5 years in various organizations. She is a specialist in Company Law and holds a position of Key Managerial Personnel in the company.
Designation:	Company Secretary	
Qualification:	Professional – CS	
Name:	Mr. Pradip Kundu	He has an experience of around 36 years with Industrial Development Bank of India (IDBI) and IDBI Bank Ltd. in various capacities. In his last 10 years of service in IDBI, he was involved in servicing and handling customer grievances, Bond Issuances and also instrumental in
Designation:	Head - Risk & Policy	
Qualification:	Honors Graduate (Economics)	

		implementing BC/BF Model for augmenting Bank's Priority Sector business.
Name:	Mr. Nikhil Pai	He has more than 14 years of experience in the financial services Industry. Prior to joining NOCPL, he has worked with various financial institutions like ICICI Bank, Shriram City Union in various business functions.
Designation:	Head - Product & Business Relations	
Qualification:	Graduate	
Name:	Mr. Sunil Chavan	He is a Certified Associate of Indian Institute of Banking & Finance (IIBF). He also holds a Certificate in Financing to MSMEs from IIBF. With 37 years of experience in Banking Sector at various levels including branch Banking and internal audit, he worked as General Manager in MSME Vertical and Fintech Division of Central Bank of India.
Designation:	Head - Liabilities	
Qualification:	Graduate (B.Com)	

SMERA Observations:

- NOCPL senior management has extensive senior management team has extensive experience across sectors such as microfinance, Banking, finance, audit, risk and development sector.
- A majority of the senior management members have been associated with it for long tenure and have risen from ranks.
- NOCPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.
- The senior management reports to the CEO & MD, except in areas of internal audit, in which they report directly to the board of directors.

Financial Snapshot (In Rs. Crores)

Particulars	31/03/2019	31/03/2020	31/03/2021
Total AUM (in Crores)	1,412.60	1,926.15	2,196.96
On Balance Sheet Portfolio Outstanding (in Crores)	0.00	0.00	0.00
Off Balance Sheet (in Crores)	1,412.60	1,926.15	2,196.96
Total Net Worth (in Crores)	56.24	92.52	77.45
Total External Borrowings (in Crores)	0.00	15.09	29.99

Particulars	31/03/2019	31/03/2020	31/03/2021
Financial Revenue from Operations (in Crores)	138.02	172.56	177.83
Finance Expenses (in Crores)	2.73	5.27	4.89
Operating Expenses (in Crores)	92.66	115.38	135.26
Operating Income (in Crores)	41.65	48.50	(14.32)
Net Operating Income (in Crores)	29.18	36.06	(15.43)

Particulars	31/03/2019	31/03/2020	31/03/2021
Cost of funds ratios (%)	NA	NA	NA
Capital Adequacy Ratio (%)	NA	NA	NA
Operational Self Sufficiency (%)	143.22	139.09	92.55
Operating Expense Ratio (OER) (%)	6.56	5.99	6.16
Portfolio at Risk (>30 days) (%)	0.48	0.26	6.10
Debt to Equity ratio (in times)	0.47	0.34	0.54

Highlights of Microfinance Operations

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	30/Jun/2021
No. of States	8	12	13	13
No. of Districts	95	165	200	200
No. of Branches	277	446	566	576
No. of Active Members	7,50,355	9,37,123	10,79,415	10,74,274
No. of Active Borrowers	7,50,355	9,37,123	10,79,415	10,74,274
No. of Total Employees	2,387	3,305	4,614	4,386
No. of Field/Credit Officers	1,470	2,176	3,005	3,106
No. of SHGS	12,266	12,020	11,045	10,984
No. of JLGS	75,152	1,01,982	1,42,166	1,38,596
No. of Individual Loans	0	0	0	0
Managed/BC Portfolio				
Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	30/Jun/2021
Total loan disbursements during the year (in crore)	1,563.25	1,936.09	1,340.60	131.51
Total portfolio outstanding (in crore)	1,412.60	1,926.15	2,196.96	1,975.25

Loan utilisation schedule:

Loan Utilisation	31/Mar/2019 (%)	31/Mar/2020 (%)	31/Mar/2021 (%)	30/Jun/21 (%)
Agriculture	77	78	76	77
Cattle	0	0	0	0
Business	23	22	24	23
Consumption	0	0	0	0
Total	100.00	100.00	100.00	100.00

Observations:

- 100% of the loan has been disbursed for income generating purpose only.
- The company does not issue any asset generating loan.

Microfinance Capacity Assessment Grading Rationale

Operating Environment

- The outbreak of COVID-19 had significantly impacted the operations of Micro Finance Institutions (MFIs). The MFI sector which has registered the CAGR growth of over 35% in last five years, amidst this pandemic crisis, faces serious challenges on collections, asset quality and cash flow management. Due to the moratorium, the collection level has been severely impacted in turn affecting cash flow and ALM.
- The industry started to gain momentum in Q2-FY2021 with the ease of nationwide lockdown. Broadly, the disbursement was back to pre-covid level as on December, 2020. Disbursements have partly picked up since many players are resorting to lending to existing borrowers so as to help them repay and tide over the stress. However, significant asset quality pressures across all time buckets was observed during Q3FY21 on account of delinquency created in prior two quarters. Overall PAR>30 and PAR>90 stood at 13.6% and 9.59% accordingly as on December, 2020.
- The nationwide surge in Covid cases in second wave of the pandemic might create further stress in the asset quality. Disbursement to borrowers might also be impacted due to increased restrictions in several parts of the country. Also complete weekend lockdown might impact small businesses creating further stress on credit offtake. However, SMERA estimates the impact might not be the same as the first wave if further nationwide lockdown is not imposed.
- In the context of the re-emergence of asset quality stress in the microfinance sector, RBI's measures to provide better funding access to the sector has come in a timely manner. Small Finance Banks (SFBs) which are primarily erstwhile larger MFI-NBFCs, have started to play an important role in providing credit to the informal sector including microfinance borrowers in both urban and rural areas. RBI has announced in its latest relief package on May 5, 2021 that SFBs can tap a Rs 10,000 Cr special long term repo operations (SLTRO) funding programme which can provide funds at the repo rate of 4.0% for a tenor upto 3 years. This is meant to be deployed for fresh disbursements to its traditional clients i.e. microfinance borrowers as well as micro and small businesses with an exposure upto Rs 10 lakhs. The SLTRO programme will be available till October 2021 and will enable SFBs to provide additional credit to individual and self employed borrowers impacted by the latest Covid disruption. Acuité believes that the SLTRO for SFBs should make a larger quantum of funds available for disbursements in the microfinance sector over the next few months which will provide relief to the borrowers whose livelihood may have been impacted due to Covid 2.0.
- The other measure announced for SFBs will have a significant positive impact on the funding position of smaller MFIs with asset size upto Rs 500 Cr who had not benefitted adequately from the TLTRO and other measures announced earlier in FY21. While SFBs do undertake on lending to such smaller MFIs to channelise credit to the sector, such exposures to MFIs had not been considered as priority sector lending (PSL) earlier. RBI has now permitted the categorisation of such lending as PSL up to March 2022. In our opinion, this will enhance the financial flexibility for smaller MFIs as SFBs will be incentivised to take a larger exposure to the former without

breaching their stringent PSL requirements which stand at 75% of adjusted net bank credit as compared to only 40% for scheduled commercial banks.

- Going forward, it is expected that the revival of agricultural related activities would be faster and would gradually start putting MFI back to the track ahead of other asset class. Further, high degree of self-regulations through enhanced process and controls, strong technological adoption and continuous innovation in the industry are the strong pillars which might help the industry to overcome the tough times. However, SMERA would keep close watch on the developments and reforms measures pertaining to the industry.

Moderate track record of operations and adequate industry experience of promoters

- New Opportunity Consultancy Private Limited herein referred as NOCPL is a Business Correspondent (BC) to multiple Banks/Financial Institutions. NOCPL was founded by the promoters of Suryoday Small Finance Bank, Mr. Ganesh Rao and Mrs. Meenakshi Rao, on January 2014. It acquired a section 8 company, Indian Association for Savings and Credit (IASC), which was promoted by HDFC Ltd. and PWDS (NGO) in 1998 and was engaged in Microfinance and Business Correspondent business.
- On June, 2014 NOCPL entered into its first BC agreement with RBL Bank Ltd. Currently NOCPL is engaged as a Business Correspondent partner to 12 Banks/NBFCs managing a total AUM of Rs. 1,975.25 crore as on June, 2021.
- NOCPL is currently governed by five board members. The board members and topline management of NOCPL have extensive experience in the financial services industry. Mr. Ganesh Rao, MD and CEO of NOCPL has more than two decades of experience in the banking and financial sector. He has worked with Chola mandalam, GE Capital and DCB Bank in the past. In 2009, he co-founded Suryoday Small Finance Bank. Post his successful exit from his first entrepreneurial venture, he has ventured into a credit driven Business Correspondent company with primary focus on financial inclusion.

Diversified resource profile

- As on June 30, 2021 the company has been working as Banking Correspondent for 12 Banks and NBFCs. The company is earning commission in a range of 8.84% - 12.00% from interest income on total outstanding loan portfolio.
- The details of BC partners are mentioned in the following table:

Serial No.	BC Partner	Date of Appointment	Processing fee	Interest Charged to Borrowers	Interest Share to BC
1.	Yes Bank	Jan-15	0.50%	24.00%	9.50%
2.	RBL Bank	Aug-14	0.50%	26.00%	9.50%

3.	DCB Bank	Jun-16	0.00%	26.00%	10.00%
4.	IDBI Bank	Sep-15	0.00%	24.00%	11.00%
5.	Kotak Mahindra Bank	Apr-19	0.50%	26.00%	11.00%
6.	Utkarsh SFB	Aug-18	0.50%	24.00%	12.00%
7.	Axis Bank	Jul-19	0.50%	24.50%	10.00%
8.	Fincare SFB	Aug-19	0.50%	26.00%	9.25%
9.	Fedfin Financial Services Ltd	Aug-19	0.50%	26.00%	8.84%
10.	Equitas SFB	Aug-19	0.50%	26.00%	9.50%
11.	Northern Arc	Oct-19	0.50%	26.00%	9.40%
12.	IDFC Bank	Oct-20	0.25%	23.00%	10.12%

- As on June, 2021 NOCPL has built lending relationship with 5 lenders (Including Banks and NBFCs). Total outstanding debt stood at Rs. 30 crore as on 31st March, 2021. The debt is being used as working capital in its day-to-day operation.
- NOCPL has also raised subordinate debt from its subsidiary company IISC on which it pays annual interest 10.00%. Total outstanding sub-debt stood at Rs. 11.49 crore as on 31st March, 2021.

Income and Profitability

Particulars	FY 2019	FY 2020	FY 2021
Net financial margin (In thousands)	13,43,050	16,38,838	12,09,388
Operating expenses	9,26,557	11,53,846	13,52,557
Operational Self Sufficiency (%)	143.22	139.09	92.55
Operating Expense Ratio (OER) (%)	6.56	5.99	6.16

- NOCPL has reported net loss of Rs. 15.43 crore on operating income of Rs. 177.83 crore in FY2021 on account of higher provisions created due to COVID 19. In FY2020, NOCPL had reported net profit of Rs. 36.06 crore on operating income of Rs.172.56 crore in the previous year. Provision of the MFI has surged to Rs. 52.00 crore as compared to Rs. 3.41 crore in the previous year due to impact of COVID 19.
- As on Mar 31, 2021, the company's outstanding loan portfolio has increased by ~14% to Rs. 2,196.96 crore as compared to Rs. 1926.15 crore in the previous year.
- The operational self-sufficiency (OSS) of the company has decreased to 92.55% in FY2021 as compared to 139.09% in the previous year. The company's operating expense stood comfortable at 6.16% in FY2021 as compared to 5.99% in the previous year.

Diversified geographical reach

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	30/Jun/2021
No. of States	8	12	13	13
No. of Districts	95	165	200	200
No. of Branches	277	446	566	576

- NOCPL has moved its operations to 13 states over the years and has increased no. of branches to 576 in 200 districts of 13 different states as on 30th June, 2021.
- However, single state and two-state concentration remained moderately high at ~55% and 66% as on 30th June, 2021. Moreover, 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, NOCPL has been diversifying its presence across states.

Name of the State	No. of Branches	No. of Borrowers	Portfolio o/s (in crore)	PAR % (>30 days)	% of Total Portfolio o/s
Tamil Nadu	178	5,58,287	1085.15	21.96	54.94
Karnataka	75	1,31,340	222.98	17.24	11.29
Kerala	37	86,428	157.12	45.14	7.95
Odisha	68	69,328	139.61	3.09	7.07
Madhya Pradesh	40	57,087	89.87	19.38	4.55
Maharashtra	56	60,918	85.89	31.74	4.35
Uttar Pradesh	42	34,823	74.60	3.17	3.78
Gujarat	24	27,991	34.11	18.79	1.73
Chhattisgarh	16	19,695	27.50	16.84	1.39
Rajasthan	15	10,531	25.32	0.37	1.28
Pondicherry	3	10,885	21.17	21.52	1.07
Assam	18	6,933	11.86	22.36	0.60
Bihar	4	28	0.08	0.00	0.00
TOTAL	200	10,74,274	1,975.25	21.13	100.00

- It would also be key grading sensitivity factor for the company to replicate its systems, processes and sound asset quality in the newer geographies while improving portfolio diversity.

Productivity and efficiency of employees

Particulars	31/Mar/2019	31/Mar/2020	31/Mar/2021	30/Jun/2021
No. of States	8	12	13	13
No. of Districts	95	165	200	200

No. of Branches	277	446	566	576
No. of Active Members	7,50,355	9,37,123	10,79,415	10,74,274
No. of Active Borrowers	7,50,355	9,37,123	10,79,415	10,74,274
No. of Total Employees	2,387	3,305	4,614	4,386
No. of Field/Credit Officers	1,470	2,176	3,005	3,106
No. of SHGS	12,266	12,020	11,045	10,984
No. of JLGS	75,152	1,01,982	1,42,166	1,38,596
No. of Individual Loans	0	0	0	0

Financial Ratios	31/Mar/2019	31/Mar/2020	31/Mar/2021
No. of Active Borrowers Per Staff Member	314	284	234
No. of Active Borrowers per field executives	510	431	359
No. of members per Branch	2,709	2,101	1,907
Gross Portfolio o/s per field executive (in thousands)	9,610	8,852	7,311
Average Outstanding Balance per client (in Rs)	18,826	20,554	20,353
Cost per Active client	3,565	2,662	3,552

- The entity's branch network has increased from 90 branches as on 31st March, 2019 to 200 branches as on 31st March, 2021 serving more than 10.79 lakh borrowers.
- NOCPL'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.

Moderate asset quality

- NOCPL has maintained moderate asset quality with on-time repayment rate of 91.83% as on March 31, 2021. On-time repayment rate of NOCPL stood at par with the industry average of 91% as on 31st March, 2021.
- However, the asset quality was impacted by second wave of COVID 19 and on time repayment rate decreased to 57.59% as 30th June, 2021.

Period	FY 2019	FY 2020	FY 2021	30-Jun-2021
	Portfolio o/s	Portfolio o/s	Portfolio o/s	Portfolio o/s
On-time (in crore)	1398.96	1921.10	2017.44	1137.48
1-30 days (in crore)	6.88	0.00	45.40	420.41
31-60 days (in crore)	3.54	1.27	37.62	256.95

61-90 days (in crore)	1.49	1.16	21.90	33.40
91-180 days (in crore)	1.31	1.67	48.32	59.83
181-360 days (in crore)	0.39	0.90	24.68	64.83
> 360 days (in crore)	0.02	0.05	1.60	2.34
Write-off (in crore)	0.00	0.00	0.00	0.00
Total	1,412.60	1,926.15	2,196.96	1,975.25
On-time (in %)	99.03	99.74	91.83	57.59
PAR 0-30 days (in %)	0.49	0.00	2.07	21.28
PAR >30 days (in %)	0.48	0.26	6.10	21.13
PAR >90 days (in %)	0.12	0.14	3.40	6.43

- The PAR 0-30 days has increased to 2.07% as on March 31, 2021 as compared to 0.00% as on March 31, 2020. The PAR >30 days has increased to 6.10% as on March 31, 2021 as compared to 0.26% as on March 31, 2020 on account of impact of COVID 19.
- Adequate credit appraisal processes, monitoring and risk management mechanisms would be critical for the company to keep asset quality indicators under control.

Adequate IT Systems Audit Mechanism

- NOCPL has robust MIS and IT infrastructure to cater to the current and future needs of the Company. The company has recently migrated to new software, i.e. BR.NET 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 Dashboard; Event based SMS and Email Alerts and other functionalities which would ease down operational processes to large extent.
- **Credit Bureau Checks**
The entity conducts compulsory credit bureau check of its borrowers from Equifax and High Mark.
- **Helpline Number**
The company has a dedicated helpline number, where calls are recorded automatically and addressed within 7 working days.
- **Internal Audit Process**
The company has a dedicated team of internal auditors who undertakes compulsory branch and borrower audit on quarterly basis. All audits are surprise audits.

Inherent risk prevalent in the microfinance sector

- NOCPL'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 2019	FY 2020	FY 2021
Months	12	12	12
Financial revenue from operations	13,80,165	17,25,656	17,78,286
Less - Financial expenses from operations	27,270	52,688	48,898
Gross financial margin	13,52,895	16,72,968	17,29,388
Provision for Loan Loss	9,845	34,130	5,20,000
Net financial margin	13,43,050	16,38,838	12,09,388
<u>Less - Operating Expenses</u>			
Personnel Expense	6,03,142	9,11,507	10,78,961
Depreciation and Amortization Expense	11,966	21,663	17,544
Other Administrative Expense	3,11,449	2,20,676	2,56,052
Net Operating Income	4,16,493	4,84,992	(1,43,169)
Income Tax	1,10,669	1,22,200	0
Deffered Tax charge	7,044	3,918	11,089
Taxation for Previous Years	6,993	(1,700)	0
Net Income	2,91,787	3,60,574	(1,54,258)

Note: Above financials are audited.

Balance Sheet (Rs. in Thousands)

As on date	31/Mar/2019	31/Mar/2020	31/Mar/2021
SOURCES OF FUNDS			
<u>Capital</u>			
Share Capital	53,575	53,575	53,575
Reserve & Surplus	5,08,777	8,71,652	7,20,902
Total Capital	5,62,352	9,25,227	7,74,477
<u>Liabilities</u>			
<u>Short-Term Liabilities</u>			
Commercial Loans from banks/FI	0	82,633	2,30,083
Account payable & Other short-term liabilities	1,77,790	99,551	4,59,142
Total Short-Term Liabilities	1,77,790	1,82,184	6,89,225
<u>Long-Term Liabilities</u>			
<u>Long-Term Borrowings</u>			
Commercial Loans from banks/FI	0	82,859	69,863
Unsecured Loans from directors	2,63,405	1,68,000	1,14,908
Total Long-Term Borrowings	2,63,405	2,50,859	1,84,771
Total Other Liabilities	4,41,195	4,33,043	8,73,996
Provision for Standard Assets	52,892	30,561	1,59,961
Other Provisions	22,737	4,494	13,171
TOTAL LIABILITIES	10,79,176	13,93,325	18,21,605

As on date	31/Mar/2019	31/Mar/2020	31/Mar/2021
APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Net Block	47,407	64,014	68,268
Investment	18,050	18,050	18,050
Cash and Bank Balances	1,35,714	61,374	2,25,220
Cash Collateral (Margin Money)	6,62,543	9,83,227	11,65,248
Loans & Advances to Related Parties	6,234	3,910	1,473
Accounts Receivable And Other Assets	1,90,181	2,48,831	3,42,493
Intangible Assets	2,085	1,649	853
Deferred Tax Asset	16,962	12,270	0
TOTAL ASSETS	10,79,176	13,93,325	18,21,605

Financial Ratios

Financial Ratios	31/Mar/2019 12	31/Mar/2020 12	31/Mar/2021 12
<u>Capital Adequacy Ratio</u>			
Capital Adequacy Ratio (%)	NA	NA	NA
<u>Productivity/Efficiency Ratios</u>			
No. of Active Borrowers Per Staff Member	314	284	234
No. of Active Borrowers per field executives	510	431	359
No. of members per Branch	2,709	2,101	1,907
Gross Portfolio o/s per field executive (in thousands)	9,610	8,852	7,311
Average Outstanding Balance per client (in Rs)	18,826	20,554	20,353
Cost per Active client	3,565	2,662	3,552
<u>Asset/Liability Management</u>			
Cost of funds ratio (%)	NA	NA	NA
Yield on Portfolio (%)	NA	NA	NA
<u>Profitability / Sustainability Ratios</u>			
Operational Self Sufficiency (%)	143.22	139.09	92.55
Operating Expense Ratio (OER) (%)	6.56	5.99	6.16
Return on Assets (RoA) (%)	NA	NA	NA
Portfolio at Risk (>30 days) (%)	0.48	0.26	6.10
Return on Equity (RoE) (%)	NA	NA	NA
<u>Leverage Ratios</u>			
Total Outside Liabilities to Tangible Networth Ratio (Times)	0.78	0.47	1.13
Debt/Equity Ratio (Times)	0.47	0.34	0.54

Grading Methodology

A) Operational Track Record

Business Orientation and Outreach of the MFI is an important parameter to gauge the growth strategies of the MFI and to assess its strategies for development. This parameter is analysed using the following sub-parameters.

- Direction & Clarity
- Ability to raise funds
- Degree of association with promoter institution
- Alternate avenues for funds
- Outreach (No. of offices, No. of clients, No. of employees, Portfolio diversification)

B) Promoters & Management Profile

The elements in this parameter helps in assessing the Promoter & management quality evaluated on the basis of the basic educational qualification, professional experience of the entrepreneur; and business attitude that is related to the motivation of carrying out the business and pursuing business strategies. This parameter is analysed using the following sub-parameters.

- Past experience of the management
- Vision and mission of the management
- Profile of the Board Members
- Policies and Processes
- Transparency and corporate governance

C) Financial Performance

SMERA analyses the credit worthiness of the organization through the following financial parameters. Various financial adjustments are done to get more accurate ratios for comparison. Financial analysis helps the MFI to know its financial sustainability. This parameter is analysed using the following sub-parameters.

- Capital adequacy
- Profitability/Sustainability ratios
- Productivity and efficiency ratios
- Gearing and Liquidity ratios

D) Asset Quality

The loan portfolio is the most important asset for any MFI. SMERA analyses the portfolio quality of the MFIs by doing ageing analysis, sectoral analysis, product wise analysis etc. SMERA compares the portfolio management system with organizational guidelines and generally accepted best practices. This parameter is analysed using the following sub-parameters.

- Ageing schedule
- Arrears Rate / Past Due Rate
- Repayment Rate
- Annual Loan Loss Rate

E) System & Processes

SMERA analyses the policies and processes followed by the MFIs, their ability to handle volume of financial transactions, legal issue and disputes, attrition among the employees and client drop out which impact the productivity of the organization. SMERA also analyses asset liability maturity profile of the MFI, liquidity risk and interest rate risk. This parameter is analysed using the following sub-parameters.

- Operational Control
- Management Information System
- Planning & Budgeting
- Asset Liability Mismatch

About SMERA Gradings & Ratings

SMERA, widely known as ‘The SME Rating Agency’, was conceptualised by Ministry of Finance, Govt. of India and the Reserve Bank of India to help Indian MSMEs grow and get access to credit through independent and unbiased credit opinion that banks can rely on. Thus, SMERA became world’s first MSME focused rating agency and introduced the concept of SME Ratings in India. SMERA offers SME Ratings, New Enterprise Credibility Scores, SME Credit Due Diligence and SME Trust Seal to Indian MSMEs to help lenders take informed decisions.

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