



**Uttrayan Financial Services  
Private Limited  
(UFSPL)**

**Grading Reaffirmed : MF 3**

**Grading Date : 17th April, 2019**

MFI Grading	
BWR MF 1	<p><b>MFI Grading Scale at Brickwork Ratings</b></p> <p>The MFI Grading Scale at Brickwork Ratings is on an 8 point scale from BWR MF 1 to BWR MF8 with BWR MF 1 corresponding to the highest grade while BWR MF 8 is the lowest grade.</p> <p>The MFI grades assigned refer to the ability of the MFI to manage its operations in a sustainable manner; they do not refer to the credit quality of the MFI and should not be used as a proxy for the creditworthiness of the company.</p>
BWR MF 2	
BWR MF 3	
BWR MF 4	
BWR MF 5	
BWR MF 6	
BWR MF 7	
BWR MF 8	

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## Grading Rationale

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Brickwork Ratings has reaffirmed 'MF 3' grading to Uttrayan Financial Services Private Limited ('UFSPL' or the 'MFI').

The grading has factored the experience of the Promoters and Management in the Microfinance industry, adequate control on operational risk by following well-defined processes and IT systems in place, comfortable CRAR, track record of good recovery rate and above average asset quality marked by nil NNPA's. It is, however, constrained by the small scale of operations, high level of gearing, concentration of operations in just two states with almost 80% of portfolio concentrated in West Bengal and Assam, competition from other players and inherent risks associated with the microfinance industry.

Uttrayan Financial Services Private Limited (UFSPL) is a Non Banking Finance Company – Microfinance Institution (NBFC-MFI) incorporated in April 1995. In October 2008, UFSPL was taken over by the current promoters, Mr. Kartick Biswas and Mr. Apu Dhar, with the objective of transferring its microfinance loan portfolio from an NGO [Sahara Uttarayan (SU)] to a NBFC. Subsequently, the entire loan portfolio of SU was transferred to UFSPL in Feb 2009. Its registered and administrative office is located in Kolkata, West Bengal.

UFSPL is engaged in microfinance activities and provides financial services to poor women for income generation activities. It operates on Joint Liability Group (JLG) lending model with each group comprising in between 5 to 10 female members. It operates in Eight states (West Bengal, Assam, Bihar, Meghalaya, Odisha, Sikkim, Punjab, Uttarakhand) through a network of eighty seven branches spread across thirty eight districts as on 31st December 2018. It is providing financial services to a total active borrower base of 1,43,388 as of 31st December 2018 with total loan outstanding of Rs. 215.90 Crores (It includes Own and managed portfolio).

Operating in the semi urban and rural areas of East and North East region in Assam, Bihar, Meghalaya, Odisha, Sikkim and West Bengal as well as in Punjab and Uttarakhand which are largely unserved by formal financial institutions provides plenty of opportunity to UFSPL to establish their presence as an MFI. The experience of the management, coupled with well-established practices, implies that UFSPL will have a stable year of progress ahead. Going forward, keeping up and sustaining the progress and improving its borrower base, Gearing Ratio, scale of its operations and geographical outreach without compromising on its assets quality and profitability would be the key grading sensitivities.

## Profile

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<b>Uttrayan Financial Services Private Limited ('UFSPL') - MFI Grading Report</b>	
<b>Year of incorporation</b>	It was established in 1995.
<b>Year of commencement of microfinance operations</b>	2009
<b>Legal status</b>	Registered as a NBFC-MFI under RBI Act.
<b>Lending model</b>	Joint Liability Group (JLG)
<b>Managing Director</b>	Mr Kartick Biswas
<b>Geographical areas of operation</b>	Presence in eight states and spread across in thirty eight districts as on December 2018.
<b>Branches</b>	87 (Eighty Seven)

Uttrayan Financial Services Private Limited (UFSPL) is an 'NBFC-MFI' registered with the Reserve Bank of India and its registered and corporate office is located in Kolkata, West Bengal. UFSPL was incorporated in April 1995. In October 2008, UFSPL was taken over by the current promoters, Mr. Kartick Biswas and Mr. Apu Dhar, with the objective of transferring its microfinance loan portfolio from an NGO [Sahara Uttarayan (SU)] to a NBFC. Subsequently, the entire loan portfolio of SU was transferred to UFSPL in Feb 2009.

It provides livelihood promotion services mainly to low-income rural and semi-urban households, comprising of livelihood and other micro financial services to those population segments which are mostly unreachable by formal banking systems with the principal purpose of promoting sustainable livelihood. The Company follows the guidelines applicable to NBFC-MFI, as issued from time to time by the Reserve Bank of India, in respect of income recognition and provisioning requirements for non-performing assets.

UFSPL is engaged in microfinance activities and provides financial services to poor women for income generation activities. It was established with the main objective to improve and fulfill the need for economic empowerment of distressed people of the society. It was felt that economic independence is simultaneously needed to reach to social empowerment. And poor people (the landless and the assetless), particularly women, do not have access to formal financial services. These women are under the clutch of money-lenders and other non-formal source of finance where cost of fund is very high and other requirements to be fulfilled are also very oppressive. Considering all these, UFSPL has decided to take the initiative of ensuring easy access and availability of cost-effective fund to the poor women.

It currently operates on Joint Liability Group (JLG) lending model with each group comprising in between 5 to 10 female members. It operates through a network of eighty seven branches spread across thirty eight districts of East and North East region in Assam, Bihar, Meghalaya, Odisha, Sikkim and West Bengal as well as in Punjab and Uttarakhand. At this juncture, it is providing financial services to a total active borrower base of 1,43,388 as of 31st December 2018 with total loan outstanding of Rs. 215.90 Crores.

UFSPL has a five member board with extensive experience in the fields of Banking, Education, Microfinance etc. Mr Kartick Biswas is the Founder and Managing Director of UFSPL. Apart from the Board members, the management team comprises of professionals experienced in the fields of finance, administration, microfinance and social development.

## **Mission & Vision of UFSPL**

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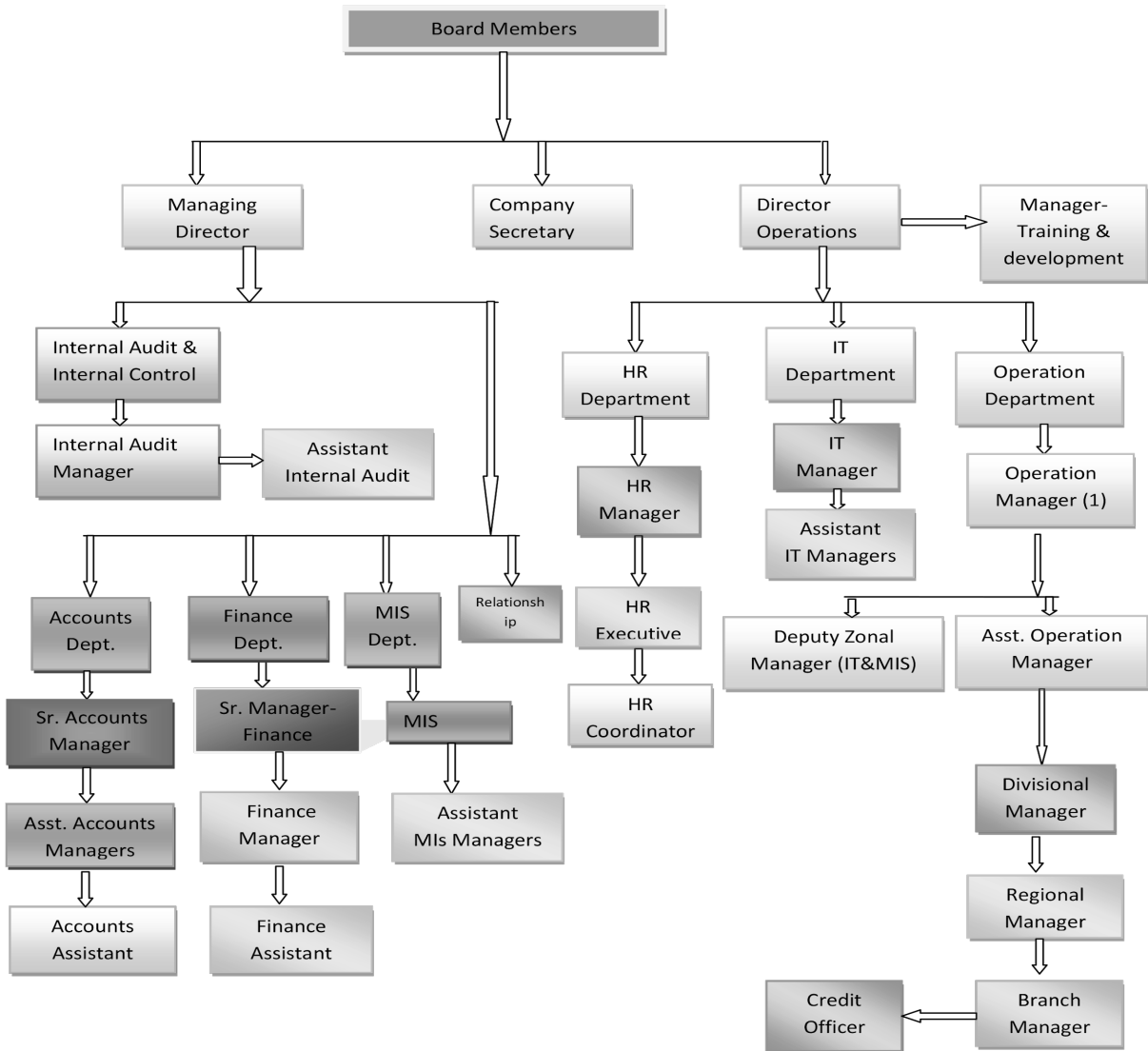
The **Mission Statement of Uttrayan Financial Services Private Limited** is

- “To generate Livelihood solutions across the length and breadth of the country;
- To complement world-class delivery practices with IT enabled services for sustainable growth;
- To offer a supportive and rewarding environment for employees;
- To execute the role of a responsible corporate citizen.”

The **Vision Statement of Uttrayan Financial Services Private Limited** is “ To provide access of financial services to more than 3,00,000 under served customers by 2021 and in the process unleash maximum value to the stakeholders of the Company.”

The **Objective of Uttrayan Financial Services Private Limited** is “To improve the standard and quality of life of poor women by providing them with micro-credit at affordable price. Such credit will enhance their earnings and they can spend on nutrition of children, education of children, shelter and food for themselves”.

# Organisation Structure



Source:UFSPL

## Management Details

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Board of Directors				
Name	Age	Designation	Qualification	Years of Experience
Mr Kartick Biswas	40	Founder & Managing Director	B.Sc	18 Years in MFI
Mr Apu Dhar	51	Director	BA	18 Years in MFI
Mr Bijon Kanti Choudhury	69	Non Executive Director	M.Sc,CAIIB,CFA (Prelims)	35 Years in Banking
Mr Anindya Sen	64	Non Executive Director	B.Sc , BA , CAIIB	41 Years in Banking
Mr Arata Kumar Sahoo	58	Nominee Director from SIDBI	PG in Economics	27 Years in SIDBI

**Mr Kartick Biswas** is the Founder & Managing Director, has 17 years of experience in Microfinance industry. He is having hands on experience in finance, fund raising, ground level operations and other allied activities. At this juncture, he is personally responsible for Finance, Administration and Audit.

**Mr Apu Dhar** is a one of a Director and has work experience in the same line of business for more than a decade. He has skill set in field operations to strategy formulation. He is a team leader and have the traits of leading his team from the front and is phenomenal in team building and imparting operational training.

**Mr Bijon Kanti Choudhury** and **Mr Anindya Sen** are Non-executive Directors; both the directors are retired bankers. Both have hands-on experience in Credit and Credit Management.

**Mr Arata Kumar Sahoo** is the nominee director from Small Industries Development Bank of India (SIDBI).

<b>Senior Management</b>				
<b>Name</b>	<b>Age</b>	<b>Qualification</b>	<b>Designation</b>	<b>Experience</b>
Mr Prasenjit Banik	31	CA	Senior Finance Manager	10 Years
Mr Prasanta Chakraborty	41	BSC	Operation Manager	15 Years
Mr Ranjit Kr. Biswas	56	BSC	Internal Audit Manager	40 Years
Mr Deepak Mahalanabish	51	Graduate	Sr. HR. Manager	26 Years
Mr Bejoya Shaw (Roy)	39	M.Com	M.I.S. Manager	9 Years
Mr Raj Gupta	33	B.Com(H)	Sr. Accounts Manager	6 Years
Mr Subhashis Banerjee	42	B.Com	Asst. I.T. Manager	11 Years
Mr Chandan Singhania	29	Company Secretary	Company Secretary	5 Years

## Shareholding Pattern

<b>Equity Shareholders as on 30th Sep 2018</b>	<b>% of Share</b>
Kartick Biswas	30.12
Apu Dhar	29.61
Soma Biswas	20.51
Others	19.76
<b>Total</b>	<b>100.00%</b>

<b>Preference Share</b>	<b>No of Shares in FY18</b>	<b>% of Share</b>
M/s Small Industrial Development Bank of India	35,00,000	100.00%
<b>Total</b>	<b>35,00,000</b>	<b>100.00%</b>



## Lending Model & Products

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- UFSPL offers small loans to women in between Rs. 8,000 to Rs. 75,000 to support for income generation as per RBI Guidelines. It operates on Joint Liability Group (JLG) lending model wherein a group of individual women come together to borrow from UFSPL, they share responsibilities and guarantee each other's loans. Each group comprises in between 5 to 10 female members.
- Poor downtrodden women with family income of Rs. 1,00,000 p.a. in rural & Rs. 1,60,000 p.a. in urban areas are the set standards for being eligible for loans.
- The typical JLG customers are economically backward unskilled women in the age group of 18 - 50 years who have no source of regular income/ employment and are deprived of any kind of financial assistance by the Banks. These women are also landless farmers whose employment activities are highly irregular and their means of livelihood, closer to being desperate. The target customers are those who are able and willing to engage themselves in some income generating activities which would bring in some income to sustain their family and also repay the instalments.
- Loans are normally offered for productive purposes and income generating activities such as agriculture and allied activities, small businesses – trading / manufacturing etc. Loans are not usually offered for housing or personal consumption, however, UFSPL has taken steps to offer Micro housing Loan and Education Loan to its clients.
- Under its own portfolio, presently UFSPL offers only four loan products which is ranging from Rs. 8,000 to Rs. 75,000 with tenure upto 36 months, it is either Fortnightly or monthly repayment. Salient details of the loan products are as below:

Loan Product	Loan Tenure	Loan size	Interest Rate (Reducing Balance Rate)	Repayment Frequency	Processing Fee	Insurance Fee
Small Loan	12 Months	8,000 - 30,000	24 %	Fortnightly	1 %	0.70 %
General Loan	24 Months	31,000 - 50,000	24 %	Fortnightly	1 %	0.70 %
Micro Housing Loan	36 Months	20,000 - 75,000	24 %	Monthly	1 %	0.70 %
Education Loan	6 Months	1000 - 7000	22 %	Monthly	1 %	0.70 %

# Operational Model

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A well-defined process is followed by the MFI for area selection, group formation, loan appraisal, disbursement and collection.

## 1. Target Area Selection :

- The selection of an operation area is a process of gathering data and subsequent analysis to start the operations. The data collection process is initiated by the Regional Manager (RM) and executed by the Branch Manager (BM). Primary and Secondary data are gathered through a Branch Identification Survey (BIS) that enables the opportunity and threat analysis of the particular area. Then, the final decision regarding the area selection is made.
- One branch for 20-25 KM radius, where 3-4 Credit & Recovery Officers will handle 50 centres. Approximately 3 groups will be there per centre with members in between 5-10. This model is supporting the Company to maintain and control the credit and recovery without any constraint.

Process to Follow for Area Selection

- Go to the field with the BIS sheet for data collection
- Fill up the BIS with accuracy & Transmit BIS to RM
- Verify if BIS is well-filled up and do opportunity and threat analysis on area (RM & BM)
- Send BIS along with comments to management for approval
- Make the final decision by considering RM's comments and the data collected
- Inform the Board of Directors that area is selected

## 2. Group Formation and Training:

### (I) Preliminary Group Formation

- The pre-group formation is an informative session that helps the Credit & Recovery Officer (CRO) meet with potential members and briefly explain them about UFSPL activities, loan products and processes. It is an important meeting that gives CRO the opportunity to exchange with participants and have a general idea about their household and income generating activities as per UFSPL's selection criteria.
- The preliminary group formation introduces UFSPL to potential members. It provides a brief description of loan details while preparing interested members on various requirements and conditions to satisfy before doing business with UFSPL.

Process to Follow for group formation

- Members should have a Savings Account in any bank with own name, should have the intention to generate income activities and should be a Married woman (aged between 18-50) etc.
- Explain the mission and vision of UFSPL
- There will be a maximum of 3 groups in a center and each group will have a minimum 5 and maximum 10 members.

- Explain all potential members the JLG concept, UFSPL loan terms and conditions, Arrange for Compulsory Group Training and Group Recognition Test, Loan eligibility criteria
- Check if members meet the eligibility criteria
- Communicate the importance of valid ID and Address proofs; and ask members to bring them at the group formation meeting.
- Emphasise punctuality and time management in the group.

## (II) Group Training and Formation

Compulsory Group Training (commonly known as CGT) is a 3 level training programme to make the clients aware of the products, rules and procedures. By the end of the 3 level training, clients will be well versed with all the terms of the products, rules and procedures related to their social and economic development, the loan application and repayment. Through CGT, regular meeting becomes a habit of the clients. Timeliness and discipline are systematically taught to clients through CGT which needs to be maintained throughout the entire programme.

*Objective of CGT is to inform the members about microfinance activities and ensure their effective involvement with this program.*

**Level 1 :** It is about details of organization, eligibility of group membership and borrowing, features of Joint Liability Group and Credit Bureau.

**Level 2 :** It is about UFSPL's product description, dangers due to excess borrowing and other relevant discussion.

**Level 3 :** It is the final level, it is about financial education, confidentiality of information and Grievance Redressal.

After completion of CGT, Group Reconciliation Test (GRT) is conducted to check their knowledge about UFSPL's micro finance programme. Their capabilities for availment of credit and the interest in the participation in the JLG are reviewed. After successful completion of GRT, the members are treated as eligible for loan and it establishes long term, stable and mutually beneficial relationship.

### 3. Group Management

In each group there will be a Group Leader who will be nominated by the consent of most members of the group concerned. A three-member executive committee will be formed at the center, where there will be one president, one editor and one cashier. The members of the executive committee are elected from among the group leaders. The members of the Executive Committee will be nominated by the consent of most members of the center. If the number of groups in the center is less than 3, then the remaining posts will be temporarily filled in from ordinary general public. This committee will be changed after one year. It is advisable not to have the same member elected in the same position for more than one year. There will be a resolution register maintained with the group. The decision of group's meeting will be recorded in the resolution register from the first meeting itself.

Each member has to submit three copies of the joint photographs with her husband. One copy each of the photos will be kept with the admission form, pass book and the application form of loan. It is to be noted that extra copies of photographs may be needed if it is deemed necessary looking into the changed circumstances.

#### **4. Group Conduction**

Weekly / fortnightly / monthly meetings will be held in a specific time, with the participation of members and facilitation by working committee members. The President will be responsible for managing the overall management of the group, such as, to ensure attendance, to enroll new members, to arrange loans, to ensure proper use of credit. The secretary, will work for the President and organize meeting, preserve the resolution register with attendance and others. Cashier collects installment according to the group along with everyone's pass book and submits it to CRO. CRO will ensure the signature of members and entry in different places along with pass books.

#### **5. Group Interchange:**

Once in a year, the "CROs" will interchange their groups in the month of April. On the basis of emergence, the same can be done in the middle or any time of the year with the intimation of RM and DM. The group of one "CRO" will conduct the group of other "CRO". If any irregularities are found, then it will be informed to the authorities. It is to be noted that the branch is about one year old.

#### **6. Loan Process:**

##### **Loan Application**

Loan Application is a process of getting information about the potential clients of UFSPL. This also endorses the eligibility of the members who have the possibility of becoming the potential clients. Loan application process also requires the necessary documents to be collected from the clients and a visit by the CRO to the houses and business of the group members. These documents serve dual purpose of getting client information & verification on one hand and following the KYC norms of the Reserve Bank of India on the other.

##### **Loan Appraisal**

Loan appraisal is a process of assessing the potential of group to take credit. It is done in order to ensure that the group as an entity has understood the program's objectives, policies and procedures properly and is willing to repay the loan on time. Only the Branch Manager or staff above her/him can conduct this appraisal.

##### **Loan Sanction**

The loan sanction is a key process between the loan application and disbursement processes. It helps UFSPL to further examine clients' eligibility to loan and determine the amount that may be allocated to them. This is done at the office or Field by strongly taking into

consideration the loan application and appraisal reports, loan criteria and the loan funds availability with UFSPL at the moment.

### **Loan Disbursement**

This step consists of providing to clients the amount of cash that has been sanctioned. To satisfy its clients, UFSPL honours this process by transferring money to the bank account of JLG members.

This is done while taking careful consideration of the legal documents that witness the transfer of cash from UFSPL to members. It happens at the Branch Office under the lead of the BM and CRO.

### **7. Loan Risk Management / Loan Collection Process**

- It is mandatory for the Credit & Recovery Officer to attend the weekly meetings on time and collect loan repayments from the members. Further solutions for their various problems are also provided for the smooth functioning of the group.
- Attendance at weekly meetings is a compulsory requirement for receiving all types of assistance. Although president of the JLG leads the meeting, the presence of field staff is critical in providing oversight and shaping the context for fair governance.
- The weekly meeting fulfills the following functions: like collection and monitoring of loan repayments, ensuring effective utilization of funds and developing leadership through democratic participation.

### **8. Delinquency Management**

- In case of Delinquency, immediate follow up is initiated against the delinquent members by CROs through personal meetings and group meetings.
- Notices are issued to potential defaulting members where continuous follow up is ineffective.
- In case of escalation, DM and RM of their respective regions assess the situation and take final calls.
- In special circumstances, partial recoveries may be accepted.

## Internal Control System

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- UFSPL has a strong Internal Control System to monitor its operations. The reporting chain is as below



- At the branch level, a reporting structure has been created for effective monitoring of operations.
- The CRO does the field verification and then reports to the BM. The BM conducts the appraisal but cannot take the decision whether to grant or reject a loan application. After grading has been done by BM, next level of screening is done by the Regional Manager. After his consent, the proposal goes to the Operations Manager for final approval based on the recommendation of the BM, RM and the past repayment history of the groups.
- The operations are centralised with Head Office (HO) having the final authority for loan sanction & disbursement. However, BM is responsible for loan collection and delinquency management.

## MIS & Reporting

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- UFSPL maintains its MIS through a software called “**BIJLI Software**”.
- It is a desktop based application.
- All Branches are computerized and branch level can update the customer details. It is real time updation which helps day end processing is collected in Head Office level to review details the following day. Further, UFSPL has launched mobile base application.
- Most of the operations from member creation to loan application, sanction, repayment tracking, report generation, etc. can be performed through the software.
- All types of report can be generated through the software.

## Transparency

### 1-Management Quality

Constitution, Ownership and Maturity of the MFI	UFSPL is a registered NBFC-MFI under Reserve Bank of India.
Experience of the management in this segment	UFSPL has a five member board with extensive experience in the fields of MFI and banking industry. Mr Kartick Biswas is the Founder and Managing Director of UFSPL. Apart from the Board members, the management team comprises of professionals experienced in the fields of finance, administration, microfinance and social development. The Board has well experienced qualified professional not only from MFI but also from banking industry.
The management's stability and inclusion/exit of key management personnel	The senior management have been with the Company for more than three years.
Business Strategies	UFSPL has a well-defined business strategy for the next couple of years. Over the next year, the Company has plans to increase the number of the JLGs from 14,218 as on 31st December 2018 to 19,167 in FY20 and members to 3,30,169. It has targeted to disburse own portfolio to Rs. 270 Crs in FY20. To achieve the same, the Company already proposed to infuse capital and additional loans from banks/ financial institutions during FY20.
Vision and Social Impact expected to be achieved through operations.	The Vision of UFSPL is "Provide access of financial services to more than 3,00,000 under served customers by 2021 and in the process unleash maximum value to the stakeholder of the Company."

### 2-Social Impact

The segments of borrowers financed and the reason for financing	UFSPL targets poor downtrodden women with family income of Rs. 1,00,000 p.a. in rural & Rs. 1,60,000 p.a. in urban areas. The typical JLG customers are economically backward unskilled women in the age group of 18 - 50 years who have no source of regular income/ employment and are deprived of any kind of financial assistance by the Banks. These women are also landless farmers whose employment activities are highly irregular and their means of livelihood being desperate.
Tie ups with corporate houses for Corporate Social Responsibility Programs etc.	UFSPL has created a positive socio economic impact in its operational areas through the livelihood support it provides to low-income borrowers, as well as the development interventions it conducts every year in the fields of health, environment and education. The Company does not have CSR. However, it is exploring opportunities.



### 3-Business Model

Loan tracking system and process-control mechanism for present scale of operations	BM issues demand collection sheet to CRO. Repayment collection is done at the JLG meeting by the CRO on a weekly basis. CRO has the receipt book in their custody and every time the repayment is collected from the JLG, a money receipt is issued.
Adequate HR practices	Brickwork Ratings opines that UFSPL has satisfactory HR policies in place for its present scale of operations. UFSPL has appointed the head who oversees staff recruitment, incentive planning, annual performance appraisal and training of its staff.
Adequate Recovery and collections process	Well defined process has been laid out for follow-up and collection of delinquent loans. CRO follows up all the overdue loans and reports the same to BM. Well defined process is laid out for follow-up and collection of delinquent loans based on overdue bucket. No penalty charges are levied. Also, Board members are meeting on a monthly basis to monitor loan recovery.
Good management information system (MIS) and process control mechanism	UFSPL is using the BIJILI developed by Force Pen Technologies. The software provides various features such as Web Based Centralised solution, Maker-Checker concept for all modules, Group & Individual Client registration workflow module, Batch processing of group transactions etc. Daily transactions are updated in the MIS and verified. UFSPL also prepares a separate MIS for Cash management.
Moderate cash management system	Everyday collection of cash is deposited in the nearest bank and a detailed cash report is prepared. Further, the MFI has availed cash-in-transit and safe insurance with New India Assurance to prevent risk of theft and misappropriation.

#### 4-Operational Efficiency

Use of technology	Use of technology is adequate for the current level of operations.
Management has adequate experience to upscale and sustain operations	Brickwork Ratings believes that the senior management team's experience in microfinance will help UFSPL expand and sustain operations if it raises capital and resources on time.
Cost Management	Operating expense as a % of gross loan portfolio has marginally decreased from 7.44% in FY17 to 7.09% in FY18.
Assets per Credit Officer	UFSPL's average Total Loan Portfolio (include Managed Portfolio) per Credit & Recovery Officer was Rs. 75,46,748 and Own Loan Portfolio per Credit & Recovery Officer was Rs. 59,94,309 as of March 31, 2018.
Profit per Credit Officer	EBIDTA per Credit & Recovery Officer has increased from Rs. 6,82,525 in FY17 to Rs. 10,05,682 in FY18.
Profit per branch	EBIDTA per Branch has significantly improved from Rs. 19,60,906 in FY17 to Rs. 32,55,237 in FY18.

#### 5-Enterprise Risk Management

Independent risk management division and independent internal audit with Monitoring and supervision	UFSPL has a dedicated internal audit team. The team functions unbiased and the report is completely objective. Internal audit is performed on a quarterly basis. The audit report is presented to the GM Operations. The report and its findings are discussed in the Operations Meetings as well as in the Audit Meetings. Audit reports are also shared with the respective Branches, so that they are aware of their shortcomings and improve them accordingly. The GM and the respective Branch takes responsibility to ensure that relevant actions are taken on the Audit findings. The auditors in their subsequent visits to the Branch ensure that the findings are addressed.
Loan sanction and disbursal policies	Credit policies are clearly defined and documented. Credit policies are strictly adhered to for formation of groups, field verification and credit appraisal. Credit policy communication is done verbally through group meetings and training sessions to the group members.
Management of credit, market and operational risks	Adequate policies for management of credit and operational risks are in place. UFSPL has tie up four credit bureau as follows HIGH MARK, Experian , Equifax and CIBIL to check the indebtedness level of the borrowers before loan disbursal.
Management of legal and compliance risk	UFSPL has heads of various departments vis. Operations, MIS and Technology, HR/Administration, Accounts and Finance report to the Executive Director.

## 6 - Financial Performance

Capitalization	As on 31st March 2018, UFSPL had a CRAR of about 18.01% which is above the minimum requirement of 15%.
Asset Quality	UFSPL has been able to maintain good asset quality with 99.77% collection efficiency and 0.68% GNPA's.
Funding profile	As of 31 March 2018, UFSPL has availed term loans, cash credit facilities and subordinated debt amounting to Rs. 156.34 Crs from Maanaveeya Development & Finance P Ltd, Reliance Commercial Finance Ltd, MAS Financial Services Ltd, Small Industrial Development Bank of India, UCO Bank, IDBI Bank, Bandhan Bank, Union Bank Of India, Bank Of Baroda, Habitat Microbuild India Housing Finance Company P Ltd, Ananya Finance Pvt Ltd, Capital First Ltd, The South Indian Bank, Avanse Financial Services Limited, Laxmi Vilas Bank, Dhanlaxmi Bank, Yes Bank, Bangiya Gramin Vikash Bank, AROHAN, Au Small Finance Bank, and Fincare. As a result, UFSPL has a high adjusted gearing level of 9.24x.
Earning Profile	UFSPL registered profitability of 29.74% and 3.82% of Return on Equity and Return on Average Assets respectively in FY18.
Liquidity Profile	UFSPL has a comfortable cash flow position in both short and medium term.

## Financial Statements

### Statement of Profit & Loss

Rs. Crs	FY16 (A)	FY17 (A)	FY18 (A)
Interest Income	9.46	12.85	27.60
Interest Expense	5.66	7.09	15.25
<b>Net Interest Income</b>	<b>3.80</b>	<b>5.76</b>	<b>12.36</b>
Other Income	5.07	8.06	9.11
<b>Net Income</b>	<b>8.87</b>	<b>13.82</b>	<b>21.47</b>
Employee Benefit Expenses	3.41	4.51	5.29
Financial Charges	0.44	0.91	1.45
Other Expenses	2.39	4.04	6.68
<b>Total Expenses</b>	<b>6.24</b>	<b>9.46</b>	<b>13.42</b>
<b>PBDTA</b>	<b>2.63</b>	<b>4.36</b>	<b>8.05</b>
Depreciation	0.21	0.27	0.24
<b>PBT</b>	<b>2.42</b>	<b>4.09</b>	<b>7.81</b>
<b>PAT</b>	<b>1.65</b>	<b>2.65</b>	<b>5.53</b>

### Balance Sheet Summary

Rs. Crs	FY16 (A)	FY17 (A)	FY18 (A)
<b>Liabilities</b>			
<b>Shareholders Funds</b>			
Shareholders Funds	9.36	16.39	20.79
<b>Non-current liabilities</b>			
Long-Term Borrowings	11.82	29.73	66.59
Other Long Term Liabilities	-	-	-
<b>Current liabilities</b>			
Other Current Liabilities	30.18	58.95	96.77
<b>Total Liabilities</b>	<b>51.38</b>	<b>105.07</b>	<b>184.15</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible Assets	9.27	13.56	19.88
<b>Current assets</b>			
Cash and Cash Equivalentents	2.49	16.12	13.81
Short-Term Loans and Advances	38.65	74.99	149.69
Other Current Assets	0.21	0.40	0.75
<b>Total Assets</b>	<b>51.38</b>	<b>105.07</b>	<b>184.13</b>

## Key Financial Ratios

Financial Ratios	FY16 (A)	FY17 (A)	FY18 (A)
PAR < 30 days	0.01	1.35	0.54
PAR 31-60 days	0.01	0.31	0.17
PAR 61-90 days	0.01	0.21	0.15
PAR > 180 days	0.07	0.02	0.71
Capital to Risk (Weighted) Assets Ratio (CRAR)	24.62%	22.45%	18.01%
Leverage (Total Assets/ Tangible Net Worth)	4.05	5.08	7.53
Adjusted Leverage	6.43	6.05	9.24
Average cost of borrowings	15.87%	15.76%	14.25%
Net Interest Margin	8.25%	7.19%	9.23%
Interest Income / Gross Loan Outstanding	25.28%	17.57%	18.72%
Operating Expense as a % of Gross Loan Outstanding	8.42%	7.44%	7.09%
Employee Expenses / Total Income	23.50%	21.59%	14.40%
Return on Assets	3.44%	3.40%	3.82%
Return on Equity	20.79%	20.55%	29.74%
On-Time Repayment	99.91%	99.89%	99.77%
Provision / Loan Outstanding	1.00%	1.00%	1.00%
Operational Self-Sufficiency (OSS)	113%	114%	118%

- NPA for an MFI is recognized for Portfolio at Risk (PAR) greater than 90 days. NNPA of the total loan portfolio outstanding has been NIL for the past three years.
- Provisioning has been done as there are RBI guidelines at 1% of loan outstanding.
- Capital to Risk (Weighted) Assets Ratio (CRAR) of 18.01% for FY18, down from 22.45% in FY17 is above the RBI requirement of 15% and hence, the Company can leverage its balance sheet to meet its future loan portfolio growth
- NIM has maintained in same level for last two years.
- Adjusted Gearing Levels has increased from 6.05x in FY17 to 9.24x in FY18

## Productivity Indicators

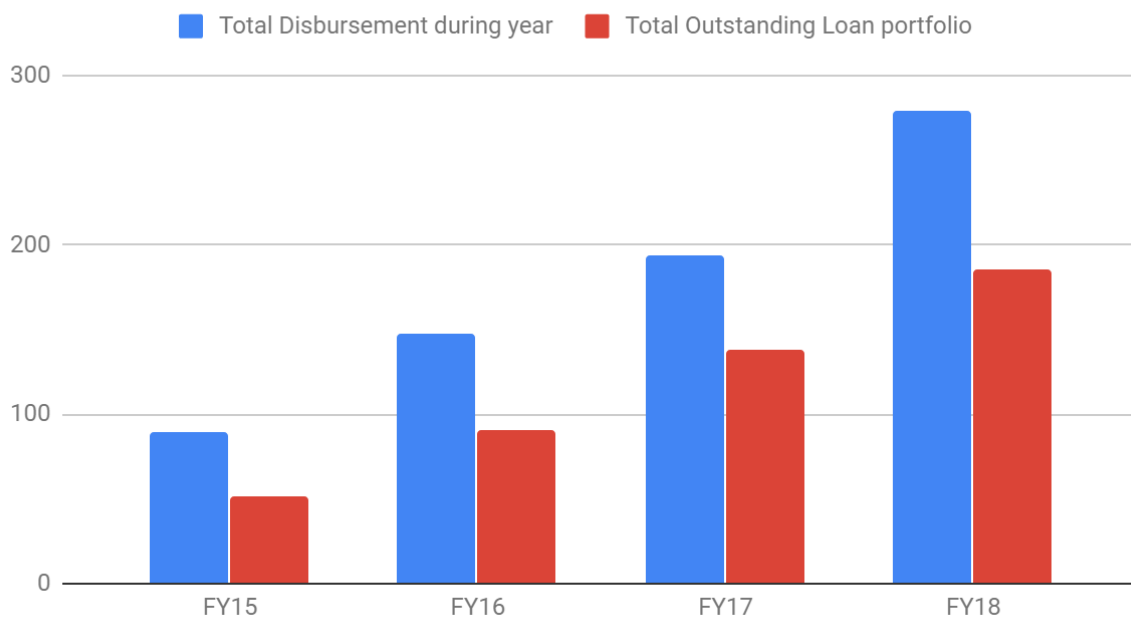
Productivity Ratios	Unit	FY16 (A)	FY17 (A)	FY18 (A)
Income/Borrowers	Rs.	2,021	2,022	2,810
Total Loan Outstanding/Borrower	Rs.	12,540	13,327	14,210
Employee productivity				
Number of groups/ Credit Officer	No.	35	51	530
Number of members/ Credit Officer	No.	466	690	675
Number of borrowers/ Credit Officer	No.	402	572	531
Total Loan Outstanding/Credit Officer	Rs.	50,33,246	76,12,094	75,46,748
Income/Credit Officer	Rs.	8,11,527	11,55,284	14,92,126
EBITDA/Credit Officer	Rs.	4,87,384	6,82,525	10,05,683
Branch productivity				
Number of members/ Branch	No.	1,517	1,982	2,182
Number of borrowers/ Branch	No.	1,307	1,641	1,719
Total Loan Outstanding/Branch	Rs.	1,63,80,927	2,18,69,667	2,44,27,632
Income/Branch	Rs.	26,41,152	33,19,148	48,29,776
EBITDA/Branch	Rs.	15,86,212	19,60,906	32,55,237

## Business Indicators

### Operational Outreach

		FY16	FY17	FY18	9MFY18
Number of states	No.	3	4	5	8
Number of districts	No.	12	15	28	38
Number of Branches	No.	55	63	76	87
Number of active groups	No.	6,255	9,111	12,939	14218
Number of members	No.	83,427	1,24,839	1,65,830	1,84,764
Number of borrowers	No.	71,844	1,03,387	1,30,644	1,43,388
Number of Credit Officers	No.	179	191	246	270
Disbursement – Own	Rs. Crs	83.78	117.89	236.63	227.88
Disbursement – Managed	Rs. Crs	64.20	75.68	42.17	24.77
Total Disbursement during year	Rs. Crs	147.98	193.57	278.8	252.65
Loan outstanding – Own	Rs. Crs	37.40	73.15	147.46	178.86
Loan outstanding – Managed	Rs. Crs	52.69	64.63	38.19	37.04
Total Outstanding Loan portfolio	Rs. Crs	90.09	137.78	185.65	215.90

## Loan Portfolio Information ( in Crores)



### State Wise Data

Name of the State	Portfolio Outstanding as on 31.12.2018 (Rs. in Crores)	% of Total Portfolio Outstanding
West Bengal	149.99	69%
Assam	24.51	11%
Bihar	26.08	12%
Meghalaya	2.39	1%
Odisha	8.89	4%
Sikkim	2.40	1%
Punjab	1.31	1%
Uttarakhand	0.34	0%
<b>Total</b>	<b>215.90</b>	<b>100%</b>

- Approximately 80% of Total Portfolio comes from West Bengal and Assam

### **Conclusion:**

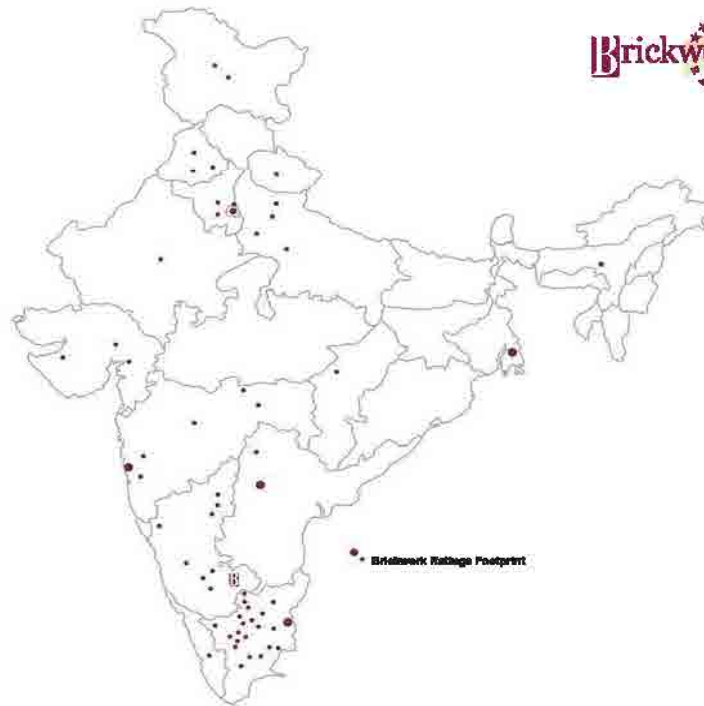
UFSPL has been in the Microfinance business for more than a decade now and has reached rural & semi urban livelihoods in eight states as of December FY18. However, 80% of the portfolio comes from just two states ie. West Bengal and Assam. The Management is well qualified and has hands-on experience in microfinance operations. Risk Management and Credit policies are in place, well documented and communicated. Overall disclosures are good. Operating in the relatively rural area of Assam, Bihar, Meghalaya, Odisha, Sikkim and West Bengal as well as in Punjab and Uttarakhand which is largely unserved by formal financial institutions provides plenty of opportunity to UFSPL to establish presence as an MFI. The experience of the management, coupled with well-established practices, imply that the Company will have a stable year of progress ahead. Going forward, keeping up and sustaining the progress and improving its borrower base, Gearing Ratio, scale of operations and geographical outreach without compromising on its assets quality and profitability would be the key grading sensitivities.



## Annexure I: Index of Abbreviations

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<b>Abbreviation</b>	<b>Interpretation</b>
AGM	Assistant General Manager
BM	Branch Manager
CGT	Compulsory Group Training
CRAR	Capital to Risk (Weighted) Assets Ratio
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
FO	Field Officer
HO	Head Office
JLG	joint Liabilities Group
MFI	Microfinance Institution
MIS	Management Information System
MSW	Master Degree in Social Work
NBFC-MFI	Non-Banking Finance Company – Microfinance Institution
NGO	Non-Governmental Organizations
OSS	Operational Self-Sufficiency
PAR	Portfolio At Risk
PAT	Profit After Tax
PBDTA	Profit Before Depreciation, Tax and Amortisation
PBT	Profit Before Tax
RBI	Reserve Bank of India
SHG	Self Help Group
WBAMFI	West Bengal Association of Micro Finance Institutions



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