

December 4, 2020

Mr. Jayendra Patel
Chairman & Managing Director
Namra Finance Limited
502-503, Sakar III, Opp. Old High Court,
Ashram road, Ahmedabad – 380014

CONFIDENTIAL

Dear Sir,

Grading of Micro Financing Institution (MFI)

Please refer to your request for grading of your organization.

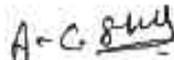
1. Our Grading Committee has assigned a grading of '**MFI 2+' (MFI Two Plus)** to your organization. The grading is assigned on an eight point scale with "MFI 1" being the highest and "MFI 5" being the lowest. A brief detail of CARE's grading framework of Micro Financing Institution (MFI) along with MFI grading scale is given as Annexure I.
2. This is a one-time assessment of the MFI which can be reviewed by CARE only upon specific request from your organization and shall not be subject to any surveillance.
3. MFI grading is specific to your organization and not specific to any debt instrument or borrowing programme.
4. MFI grading is meant for specific use of institutional investors/lenders and shall not be used for raising funds from the public.
5. CARE's grading is an opinion of CARE Advisory Research and Training Limited on the relative capability of the organisation to undertake micro-financing activity and does not constitute a recommendation to buy, hold or sell any financial instrument issued by the organisation or to make loans/ donations/ grants to the said organisation.
6. If you need any clarification, you are welcome to approach us in this regard.

Thanking you.

Yours faithfully,



(Dharmish Shah)
Sr. Analyst



(Amitkumar Shah)
Sr. Manager



Enclosure: As Above.

WHOLLY OWNED SUBSIDIARY OF CARE RATINGS LTD.

Annexure I

Namra Finance Limited

Grading of Micro Finance Institution (MFI)

Date of Incorporation	March 27, 2012	<table border="1"> <thead> <tr> <th colspan="2" style="text-align: center;">MFI Grading</th> </tr> <tr> <th style="text-align: left;">Rating</th> <td></td> </tr> </thead> <tbody> <tr> <td>MFI 1</td> <td></td> </tr> <tr> <td>MFI 2+</td> <td></td> </tr> <tr> <td>MFI 2</td> <td></td> </tr> <tr> <td>MFI 3+</td> <td></td> </tr> <tr> <td>MFI 3</td> <td></td> </tr> <tr> <td>MFI 4+</td> <td></td> </tr> <tr> <td>MFI 4</td> <td></td> </tr> <tr> <td>MFI 5</td> <td></td> </tr> </tbody> </table>	MFI Grading		Rating		MFI 1		MFI 2+		MFI 2		MFI 3+		MFI 3		MFI 4+		MFI 4		MFI 5	
MFI Grading																						
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Year of Commencement of MFI Business	Micro-finance operations were commenced in 2009 by Arman Financial Services Ltd. (AFSL) along-with its vehicle financing business. However, subsequent to RBI guidelines, from May 2013 micro-finance operations have been transferred by AFSL to its wholly owned subsidiary i.e. NFL																					
Managing Director	Mr. Jayendra Patel																					
Legal Status	NBFC – MFI																					
Lending Model	JLG																					
Geographical Area of Operation	6 States																					
Branches	170 as on 31.3.2020																					
Employees	1227 as on 31.3.2020																					

CART has assigned grading of '**MFI 2 Plus**' (**MFI Two Plus**) to **Namra Finance Ltd.** Grading is assigned on an eight-point scale with MFI 1 being the highest and MFI 5 being the lowest. There is no individual definition for each grading. CARE's MFI grading is a measure of overall performance of the MFI on the following broad range of parameters.

TOSS FRAMEWORK

Transparency	
	Above Average
<ul style="list-style-type: none"> • Registered as NBFC- MFI. Legal form is subjected to greater regulatory norms and reporting. • NBFC-MFI license received from RBI on February 14, 2013 • Experienced board with four board members including one independent director. Board meeting takes places on a quarterly basis. • Credit and HR policies are well established, documented and communicated • Transparency in lending process is adequate with loan card provided to the borrowers and all disbursements are done directly to bank account of borrowers (i.e. cashless disbursements) • Transparency in usage of funds is adequate • Availability of information about the MFI in public domain is adequate. • Has a separate internal audit team for conformance of various operational processes, which reports directly to the Board of Directors. Branches are audited on quarterly basis. • Overall disclosures are adequate 	
Operational Setup	
	Strong
<ul style="list-style-type: none"> • NFL is wholly owned subsidiary of Arman Financial Services Limited. As on March 31, 2020, 100% of equity shares of NFL are held by Arman Financial Services Limited. • Professional and experienced management with around a decade of experience in MFI lending • Adequate level of decentralization of branches • Separate departments and hierarchy with clearly demarcated roles and responsibilities • Training systems are adequate • Adequate loan appraisal & monitoring systems at current level of operations • Adequate system for tracking over-dues, but absence of separate team for collection of delinquent loans • MIS is fairly adequate for current level of operations • Risk management systems are adequate at present level of operations • Attrition rate is high. 	
Scale of Operations	
	Medium
<ul style="list-style-type: none"> • Moderate track record of more than 7 years in microfinance lending • Operates in 78 districts spread across six states, viz., Gujarat, Madhya Pradesh, Maharashtra, Uttar Pradesh, Uttarakhand, and Rajasthan as on March 31, 2020 • As on March 31, 2020 had 24,872 active joint liability group (JLG) borrowers • In terms of gross loan portfolio, NFL has total outstanding portfolio of Rs. 619.80 crore as on March 31, 2020 (out of which own books portfolio comprised of Rs.578.96 crore) • Total Disbursement was Rs. 653.12 crore in FY 20 	

Sustainability	
	Above Average
<ul style="list-style-type: none"> • Legal form allows equity infusion from investors • NFL has a good second line of leadership by inducting personnel who have earlier worked in private sector banks, insurance companies, other MFIs & in consulting role. • Limited product offerings • Comfortable asset-liability maturity profile 	

Organizational profile

Chairman & Managing Director	Mr. Jayendra Patel (Chairman and Managing Director) Mr. Aalok Prasad (Joint Managing Director)
Date of incorporation	March 27, 2012
Current legal status	NBFC – MFI
Year of commencement of microfinance operations	Micro-finance operations were commenced in 2009 by Arman Financial Services Ltd. (AFSL) along-with its vehicle financing business. However, subsequent to RBI guidelines, from May 2013 micro-finance operations have been transferred by AFSL to its wholly owned subsidiary i.e. NFL.
Lending model	Joint Liability Group (JLG) Model
Geographical areas of operation	6 States
Branches	170 as on 31.3.2020
Employees	1227 as on 31.3.2020
Registered Office	502-503, Sakar III, Opp. Old High Court, Ashram road, Ahmedabad – 380014
Outstanding ratings	BBB+, Stable (BBB Plus, Stable) by Care Ratings as on October 7, 2020
Wilful Defaulters as per CIBIL	NIL
Status of delays	NIL
Auditors	J T Shah & Co.
Tangible Networth (Rs.Crore)	Rs.113.69 Crore as on 31.3.2020

GRADING RATIONALE

Brief profile of the organization

NFL is a Non Deposit taking Non-Banking Finance Company – Micro Finance Institution (NBFC-MFI). NFL was incorporated in March 2012 and NBFC-MFI license was granted by RBI on February 14, 2013. NFL is a 100% subsidiary of Arman Financial Services Ltd. (AFSL). Before incorporation of NFL, entire microfinance business was carried out by AFSL. AFSL had commenced microfinance business from 2009. NFL operates in Gujarat, Madhya Pradesh, Maharashtra, Uttar Pradesh, Uttarakhand and Rajasthan through its network of 170 branches as on March 31, 2020. NFL is focused towards its micro-credit business and follows the Joint Liability Group (JLG) model for risk mitigation. Each centre has typically 1-2 groups consisting of 5-6 members.

TRANSPARENCY

<p>Governance</p>	<ul style="list-style-type: none"> • NFL was incorporated in March 2012 and got registered with the Reserve Bank of India as a non-deposit accepting non-banking finance company microfinance institution (NBFC-MFI) on February 14, 2013. The advantage of this legal form is that it can attract equity infusion from individual/institutional investors. NFL is a 100% subsidiary of AFSL. New MFI loan origination is now being done in NFL from May 1, 2013. • NFL is a wholly owned subsidiary of AFSL which is promoted by Mr. Jayendrabhai B. Patel (MD & CEO) and Mr. Aalok Patel (Director). NFL is governed by a 4 member board. Currently, there are 2 Executive directors, 1 Non-executive director and 1 independent director on the board. All the Board members are experienced with 2 members having more than 15 years of industry experience. • The board meetings are conducted on a quarterly basis to monitor the activities of the organization. For effective monitoring and to increase transparency, NFL has also formed sub-committees relating to audit, remuneration and shareholders’/investors’ grievances.
<p>Internal Controls</p>	<ul style="list-style-type: none"> • Audit activities are carried out by a separate internal audit department which reports to the Board of Directors (BoD). Internal audit team is led by Head - Internal Audit. Internal Audit Executives (IAEs) report to Internal Audit Managers (IAM) and IAMs report to Internal Audit Head. • At branch level, a comprehensive audit is done by an IAE on a quarterly basis. Each IAE covers 3-4 branches in a quarter. IAEs are advised to check 3 centers while Field Officers (FOs) are conducting regular centre meetings and he/she may verify 7 additional centers in the forenoon and afternoon. • Internal Audit is divided into 3 phases which includes pre-study

	<p>preparation (1 day), field study, branch visit and discussion with staff (4 days) and report writing (1 day). Audit at Head office (HO) is conducted by an IAM. HO audit is conducted on a quarterly basis. Also, timely reporting to HO is done through various reports on fixed frequency such as weekly and monthly overdue report and monthly outstanding portfolio of branch to maintain effective control at various levels of the company.</p> <ul style="list-style-type: none"> • Internal audit system of NFL is adequate to ensure strong internal controls on the operations of the company.
Policies	<ul style="list-style-type: none"> ▪ Clearly defined and documented credit and HR policies.
Transparency in lending process	<ul style="list-style-type: none"> ▪ Informs lending policies to the borrowers through its Group Training (GT). GT is provided to develop a good understanding among the borrowers about NFL, its product, processes and guidelines to avail the loan.
Transparency in utilization of funds	<ul style="list-style-type: none"> ▪ Submits information as per the requirement of the lender. ▪ Submits utilization report of disbursement to the concerned lenders on monthly basis. Also submits collection and delinquency details to the lenders.
Overall disclosures	<ul style="list-style-type: none"> ▪ Information is shared with Equifax and High mark. ▪ Displays information on products and services on its website. <p>Thus, NFL’s information disclosure in the public domain is adequate.</p>
Grievance redressal mechanism	<ul style="list-style-type: none"> • The company has well documented grievances mechanism in place. Proper process and hierarchy is followed for escalations.

OPERATIONAL SETUP

Ownership	<ul style="list-style-type: none"> ▪ NFL is promoted as a wholly owned subsidiary of AFSL in order to comply with RBI regulations for separation of micro finance business from other finance businesses. ▪ Mr. Jayendra Patel, MD, has around 2 decades of experience in diverse fields such as pharmaceutical, real estate development and finance. Other board members, Mr. Aalok J. Patel and Mr. Ramakant Nagpal also have vast experience in their respective fields.
Organizational Structure	<ul style="list-style-type: none"> ▪ NFL has an elaborate organization structure with the required hierarchical levels. It has different divisions for undertaking various functions pertaining to day-to-day functioning of the organization. <p>NFL has created separate departments with clearly demarcated roles and responsibilities for handling the micro-finance business.</p>

<p>Level of decentralization of branches</p>	<ul style="list-style-type: none"> ▪ Branch Manager (BM) is supported by FO to carry out the field level operations. BM reports to District Manager (DM) and DM reports to Lead Manager Microfinance (LMM). <p>NFL has well defined reporting structure at various levels for effective monitoring of the operations to ensure any defaults or mismanagement can be dealt with effectively.</p>
<p>Second line of leadership</p>	<ul style="list-style-type: none"> ▪ Majority of the senior management has equal to or more than a decade of experience in their respective fields. Senior management understands the issues involved in the day-to-day functioning and has the required competency to take strategic decisions. Mr. Aalok Patel, son of Mr. Jayendra Patel, is expected to take the company forward.
<p>Human resources management:</p>	<ul style="list-style-type: none"> • Total staff strength of NFL, including loan officers, was 1227 as on March 31, 2020 • <u>Recruitment</u>: It is done by NFL through outsourcing to third parties for senior position, press advertisement, references from internal staff and job portals. Decentralized recruitment process is followed. Recruitment procedure contains four stages (written test, group discussion, personal interview and background verification). • <u>Training</u>: NFL has a standard training module and training manual for induction training. New recruits undergo induction training for 17 days (2 days of classroom training and 15 days of on the job training) with the help of consultants for training. Refresher training is also provided from time to time depending upon the need of the existing staff. • Clearly defined compensation system encompassing basic salary and other allowances. There is also a well-defined incentive structure for various grades which is based on the disbursement target, new client addition, repayment rate, audit grade etc.
<p>Operational methodology</p>	<p>NFL has adopted JLG model in the rural areas and urban areas. The process followed by NFL in JLG model is explained below.</p> <ul style="list-style-type: none"> ▪ Loan is provided only to women in the age group of 18 to 60, who are a part of a center. Each center consists of 1-2 groups and each group consists of 5-6 members. ▪ A group is formed after submission of KYC documents and verifying it with High Mark to check whether the applicant already has a loan from NFL or other microfinance institutions, whether she is in the defaulter list or any other loan about which she has

	<p>not informed.</p> <ul style="list-style-type: none"> ▪ After the verification with the credit bureau, home verification (HV) is done by FO and upon successful completion of HV, loan application is filled up by FO on behalf of the members. ▪ After being organized in a group, minimum 3 days of Group Training (GT) is provided to newly formed group to train them on the objective, rules, regulations, procedures and products of the credit program. ▪ After completion of GT, 100% HV is again done by BM. After completion of HV, Group Test is conducted by an officer of rank of BM/DM or higher rank officer to check the income level, eligibility of the group and its members and the quality of client training during GT.
<p>Appraisal process</p>	<ul style="list-style-type: none"> ▪ The loan application form consists of amount applied for, details of the activity for which loan is sought, details of dependents and earners in the family etc. ▪ Members also sign a mutual guarantee form as guarantors of other members' loans. ▪ Along with the above, members submit ID proof, residence proof, and two joint photographs of the borrower with her husband/ family member. ▪ The loan application is couriered to back-office for data entry in MIS and after its review and approval by the credit committee at HO, the sanction letter is sent to the group which contains all the details of the loan. <p>NFL has in place a proper appraisal system with the centralized loan appraisal and sanction at the HO level.</p>
<p>Disbursement process</p>	<ul style="list-style-type: none"> ▪ Prior to approving a disbursement, all relevant documents regarding applicants are sent to HO and are checked for completeness as well as accuracy and data entry is completed. Details are again verified with Highmark for the second time to ensure the applicant has not over-borrowed or defaulted. ▪ Presence of all the members of the group at the branch is compulsory for the disbursement process. In the event of absence of some members, DM has the authority to cancel the disbursement or go ahead without the member. ▪ A demand promissory note is signed by the members which is a contract where one party (the maker or issuer) makes an unconditional promise in writing to pay a sum of money to the

	<p>other (the payee).</p> <ul style="list-style-type: none"> ▪ Members individually sign on the loan disbursement register. ▪ Group members visit the branch wherein the FO collects the processing fees and insurance premium and issues the receipt for the same to the members. ▪ For disbursement purpose, DM sends the disbursement requirement for each branch at HO on the previous day. The disbursement request carries the bank account no., IFSC code & mobile number of the borrowers. These details are verified by the MIS team with the documents submitted and available on cloud. Post verification the NEFT transfers are made to the borrower accounts. ▪ Namra makes 100% disbursements to the bank account of the borrowers and there are no cash disbursements. After disbursement, loan utilization check (LUC) is done by the internal audit team through random sampling method during regular branch and centre visits. <p>NFL has in place proper disbursement policies with shift towards 100% cashless disbursement wherein the loan amount is transferred directly from HO to borrower’s account.</p>
<p>Loan collection process</p>	<ul style="list-style-type: none"> ▪ Demand Collection Sheet (DCS) is generated by MIS team and sent to FO one day before the loan repayment date. ▪ Collection of the installment takes place at the weekly center meeting. FO notes the attendance of each member, collects the installment from the center leader who in turn collects the cash from all the members and gets the signature of the centre leader in the DCS with the centre name and village. ▪ FO after checking the collection of each group and verifying the total collection with the total demand for the day, issues the consolidated receipt for the centre and updates the loan card of the respective members. ▪ After completion of collection, BM sends intimation to the MIS team, collects receipt from all the FOs and maintains them at the Branch office. ▪ Cash is deposited into the branch bank account on the same day. MIS report is then generated from HO summarizing the day's deposits. Cash is then transferred from the Branch bank account to HO bank account electronically by the end of day. <p>Overall, NFL’s loan collection process is adequate. However,</p>

	<p>integrated MIS system, connecting HO and the branches needs to be improved further which will help in faster access of information for monitoring.</p>
<p>Overdue management process</p>	<ul style="list-style-type: none"> ▪ If delinquency arises in a center, FO is not allowed to collect the payment of the rest of the members without the permission of BM, until all the members or other members are ready to pay on behalf of the delinquent member. ▪ In case center members do not agree to pay on behalf of the delinquent member, BM steps in and makes efforts for recovery. ▪ Follow up is done on a regular basis on all overdue loans by FO and BM to recover the payment by talking to the group members, family members etc. Reports of reason of delinquency and the action plan are sent to DM. ▪ In case of delinquency for more than 180 days, there is a separate team of 20-25 members (recovery officers) to make efforts for recovery. They report directly to the director. <p>Overall, NFL’s overdue monitoring system is adequate with the presence of separate team for collection of delinquent loans after escalation.</p>
<p>Management Information Systems</p>	<ul style="list-style-type: none"> ▪ NFL has fully computerized branch network well connected to HO. NFL uses the software which is in-house developed through a team of software experts as per NFL’s requirements. Branches have limited access to software for their part of data entry pertaining to collection of dues and sending the list of prospective customers for further process. ▪ NFL has implemented various software packages at HO for automation of MIS reports. Various MIS reports for analysis and decision making are prepared such as branch wise loan disbursement report, branch wise loan collection report, centre wise loan outstanding report, field officer productivity report and purpose wise disbursement report. However, accounting software is not integrated with the MIS software. Also, NFL has backup system in place. <p>MIS and accounting system of NFL is fairly adequate at the current level of operations. However, a fully integrated software solution needs to be implemented at HO for faster and dynamic update and</p>

<p>Cash management systems</p>	<p>retrieval of data.</p> <ul style="list-style-type: none"> ▪ NFL has adequate cash management system in place at all branches and has the policy of little or no cash in the branches overnight. ▪ For collection purpose - after the daily collection is completed, FOs bring the cash collected to the branch office, where it is counted and reconciled and paperwork is completed. By mid-afternoon, cash is deposited into the branch bank account. Later in the evening, a MIS report is generated from HO summarizing the day's deposits and the cash is transferred from Branch bank account to HO bank account. ▪ The bank account at the branch level is used for deposition of collected cash only. The disbursement to the members are made into their respective bank accounts through NEFTs, the cashless disbursement process is managed at the HO level. NFL ensures that the collection amount is not used for disbursement purpose, so a daily transfer of collection amount from the branch account to HO is done at the end of the day. A lock box is provided to the branch manager for his motorcycle for cash deposits. Also, a strong metal cabinet is provided at the branch in case the cash is required to be kept at the branch overnight.
<p>Insurance</p>	<ul style="list-style-type: none"> ▪ NFL has a credit life insurance policy with Bajaj Allianz Life Insurance and DHFL Pramerica Life Insurance Co Ltd. Life insurance is for the total amount of loan availed by the member from NFL for risk mitigation to cover the loan in the event of the death of the borrower or her husband. ▪ From the claim amount, outstanding loan amount is kept by the company while the rest is returned to the member. It also has an insurance policy for covering cash in transit and cash in safe. <p>Thus, NFL has an adequate risk mitigation strategy in place to cover the loan in the event of the death of the borrower.</p>

SCALE OF OPERATIONS

In 2009, micro-finance business was initially started in AFSL. However, upon RBI regulations for creation of separate category of NBFC for microfinance business, AFSL incorporated NFL, its wholly owned subsidiary, as NBFC-MFI to take over the micro finance business of the group. NFL's operations are currently spread across 6 states with 170 branches as on March 31, 2020.

Key Factors	As on 31.3.2020
Client base (Number)	Number of active SHG/JLG – 24872 Number of active SHG/JLG individual members – 373104
Assets under management	619.80 Crore
Geographical diversification	6 States
Total income	148.41 crore

SUSTAINABILITY

Particulars	Unit	FY 18 (A)	FY 19 (A)	FY 20 (A)
Net worth	Rs. Crore	39.13	78.50	113.86
Total income	Rs. Crore	52.72	93.98	148.41
Total operating expenses	Rs. Crore	47.13	71.46	114.87
Financial Cost	Rs. Crore	25.41	43.82	67.02
Depreciation	Rs. Crore	0.27	0.37	0.69
Provisions & write off	Rs. Crore	0.00	3.71	13.32
Profit/(Loss) after tax	Rs. Crore	4.09	15.68	25.20
Loan outstanding – Own	Rs. Crore	317.02	483.74	578.96
Loan outstanding – Managed	Rs. Crore	-	-	40.84
Key ratios				
Yield on loan portfolio	%	22.21%	22.33%	24.73%
Other income to average portfolio	%	1.81%	1.15%	2.17%
Total income % total assets	%	21.04%	21.14%	24.61%
Other income % of total assets	%	0.00%	0.11%	0.42%
Operating expenses % of total assets (OCR)	%	8.67%	6.22%	7.94%
Operational Self- Sufficiency	%	111.23%	130.84%	128.43%
Financial Self Sufficiency	%	111.86%	130.81%	126.97%
Financial Cost ratio on AUM	%	11.58%	10.94%	12.15%
NIM	%	10.63%	11.38%	12.58%
DER	Times	7.67	5.73	4.65
TOL/TNW	Times	7.93	5.91	4.84
Interest costs % of total assets	%	10.14%	9.86%	11.12%
Provisions % of total assets	%	0.00%	0.83%	2.21%
ROTA	%	1.63%	3.53%	4.18%

Capital adequacy ratio (Reported)	%	15.33%	18.57%	21.61%
PAR > 30 days	%	1.75%	0.87%	1.88%
PAR > 90 days	%	1.14%	0.55%	0.94%
Gross NPA/ Gross Advances	%	1.14%	0.55%	0.94%
Net NPA / Net Advances	%	0.09%	0.07%	0.06%
Cost of Borrowing	%	12.24%	11.69%	13.69%

Financial Sustainability	
Profitability	<p>Yield on Loan portfolio has increased from 22.33% in FY19 to 24.73% in FY20.</p> <p>Interest Income has increased by ~ 57.92% on YOY basis from FY19 to FY20.</p> <p>NIM for FY 20 is 12.58% as compared to 11.38% in FY19.</p> <p>ROTA has increased to 4.18% in FY 20 from 3.53% in FY19.</p>
Operating Expense Ratio	<p>Operating cost ratio is high vis-a-vis the size of the operation. Operating expenses to Average Total Assets at 7.94% in FY20 (as against 6.22% in FY19).</p>
Asset quality	<p>Gross NPA increased from 0.55% as on March 31, 2019 to 0.94% as on March 31, 2020. The overall PAR>30 days as on March 31, 2020 was 1.88% (0.87% as on March 31, 2019).</p>
Self Sufficiency Ratio	<p>Operational Self Sufficiency Ratio was 128.43% in FY 20 (previously in FY 19 130.84%)</p> <p>Financial Self Sufficiency Ratio was 126.97% in FY 20 (previously in FY 19 130.8%)</p> <p>Both the ratios have decreased compared to previous year however are moderate.</p>
Capital adequacy ratio	<p>CAR at 21.61% as on March 31, 2020 vis-a-vis 18.57% as on Mar.31, 2019.</p>
Industry Outlook and Competition	<ul style="list-style-type: none"> As per RBI's September Bulletin, COVID-19 could be the biggest tail-risk event in a long time for the microfinance industry. Owing to the disruptions in supply chain and business operations, the likelihood of loss of livelihoods and consequent drop in household incomes is high. NBFC-MFIs, being specialised institutions extending collateral-free loans to low-income groups, are particularly exposed to credit risks in this scenario, Going forward, building capital buffers and managing liquidity would be crucial for MFIs in fortifying their balance sheets against COVID-

	<p>19 led disruptions.</p> <ul style="list-style-type: none"> • Even as Covid-19 is expected to afflict the microfinance sector with financial risks in near term, it may also incentivise digitisation in this market segment. Efforts to migrate loan collections to digital platforms may greatly improve operational efficiency and help minimise event-based disruptions. • NFL enjoys the economies of large scale operations. Further, banks are also trying to increase their direct presence in rural areas to meet the priority sector lending requirement. The sector has evolved with the advent of credit bureaus in the sector and subsequent control over asset quality. Further, other models of microfinance including nongovernmental organizations (NGOs), co-operatives and trusts have also grown significantly in recent years, adding to the competition in the sector, its growth potential notwithstanding. This apart, Micro-finance players also face competition from unorganized sector lending, which still has prevalence in large parts of the country.
Loan Products	<ul style="list-style-type: none"> ▪ NFL offers loans for various purposes like agriculture, animal husbandry and trading. As on March 31, 2020, purpose wise loan outstanding was as follows: 81.38% of loans for Agri and allied businesses, 11.93% for services and 6.69% for other small businesses.
Access to funds and ability to raise funds	<ul style="list-style-type: none"> ▪ NFL has raised funds from various financial institutions and banks. Currently, it has raised funds from banks like NABARD, IDBI Bank, State Bank of India, Oriental Bank of Commerce, Bank of Baroda, DCB Bank, Federal Bank and financial institutions like MAS Financial Services Ltd., Tata Capital Financial Services Ltd., AU Financier Ltd. and Capital First Ltd. NFL has also raised funds by way of issue of NCDs.
	<ul style="list-style-type: none"> ▪ In the coming years, it strives to become one of the country's best managed microfinance companies in terms of scale, quality and transparency. It has plans to extend its operation by introducing new products and tapping new markets in future.
Efforts to increase outreach and coverage	<ul style="list-style-type: none"> ▪ NFL plans to further increase its penetration across the five states it has presence in as well as expand to other states over the coming years. ▪ Detailed projected financial performance of NFL is provided in Annexure.

Annexures

Annexure 1: Profile of governing body members of NFL

Name	Qualification	Brief
Jayendra bhai B. Patel (Chairman & Managing Director)	B. Sc. B.S.	Shri Jayendra B. Patel is the founder director of the company and he has more than 21 years of Senior Managerial and board level experience in the corporate sector. Mr. Patel was in U.S.A. for a decade where he completed his education. After completing his education he joined business firm in USA namely KAPPS PHARMACEUTICALS INC. as Company Executive. During his stay in USA he successfully turned around two sick units into profitable position. Later he returned to India to concentrate and expand in the field of finance, he devoted fulltime attention to erstwhile Arman Lease And Finance Limited. Mr. Patel is a founder member of the Gujarat Finance companies Association and presently secretary of the Association.
Aalok J. Patel (Joint Managing Director)	Master of Accountancy C.P.A (USA)	Shri Aalok J. Patel brings a vast array of new and innovative knowledge to the Company. In India, he completed his schooling in Lawrence School, Sanawar and continued his higher education in the U.S. at Dake University. At Drake, Mr. Patel graduated with High Honors with a Bachelors and a Masters Degree in Accountancy & Finance. He is a licensed Certified Public Accountant (CPA) in the U.S. Mr. Patel worked as an independent auditor for KPMG for 3 years, where his clients were included in the Fortune 100 list. He also brings experience from John Deere & Co. Furthermore, Mr. Patel excels to equity analysis and valuation as well; his research has been quoted in reputable business journals in the U.S. His comprehension of Financial and Accounting concepts are invaluable to the Company. He currently works for Arman full-time as an Executive Director.
Ritaben J. Patel (Non-Executive Director)	B.A. (Economics)	Mrs. Ritaben J. Patel, Non-Executive Director, aged about 66 yrs. She is a wife of Mr. Jayendra bhai Patel, Vice chairman and Managing Director of the company. She has been taken on board on 14/11/2016 as a Non-Executive Director. She possesses the degree in Economic subject. She is also on the Board of Arman Financial Services Ltd. since inception and holding the position in audit committees at there.

<p>Ramakant Dinanath Nagpal (Independent Director)</p>	<p>Chartered Accountant</p>	<p>Mr. Ramakant Dinanath Nagpal, aged about 67 years, is a chartered accountant. He has experience of (a) over 30 Years in Banking – both PSU (Central Bank of India -1973-1994 Last position held - AGM) & Private Sector Bank (7 years as Vice President Gujarat 1997-2004), (b) over 6 years’ experience in Housing Finance as GM-CEO/MD (3 Years at Cent Bank Home Fin Ltd & 3 Years at GLFL Housing Finance), (c) 6 Years Assignment (2007 to 2013) with Government owned pharmaceutical company. He has handled Accounting, Finance & Company Law Matters. He was having active involvement in preparation of Rehabilitation Package -by leading consulting firm M/s ICRA & E&Y.</p>
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Annexure 2: Projected Financial Statements

Income Statement

Rs. Crore

Particular	FY21	FY22	FY23
Income from Operation(A)	117.07	155.53	231.13
Other Income(B)	2.13	2.90	4.66
Total Income(A+B)	119.20	158.43	235.80
Financial Expenses	47.65	76.21	112.91
Personnel Expenses	23.69	24.87	29.85
Other Expenses	11.86	12.45	14.86
Expenditure	83.20	113.54	157.62
Profit before Depreciation and Write off	35.99	44.89	78.18
Depreciation	0.47	0.52	0.55
Bad Debt Provisions & Write Off	12.56	11.13	11.62
Profit before Tax	22.97	33.24	66.01
Income Tax / (Deferred Tax)	6.33	9.16	18.18
Profit after Tax	16.64	24.08	47.82

Balance Sheet

Particulars	FY21	FY22	FY23
Liabilities			
Equity Share capital	27.18	27.18	27.18
Reserves & Surplus	103.32	127.40	175.22
Networth	130.49	154.57	202.39
Borrowings	402.53	787.79	996.24
Other Current Liabilities	14.39	19.00	24.15
Total Outside liabilities	416.92	806.80	1,020.39
Total liabilities & equity	547.41	961.37	1,222.78
Assets			
Total fixed assets	2.67	2.53	2.20
Loans and Advances	540.64	954.34	1,215.63
Other Assets	4.09	4.50	4.95
Total Assets	547.41	961.37	1,222.78

Annexure 3: Details on donations/grants

Name of the organization	Purpose	Period of Use	Total Amount Received (INR)
NIL	NIL	NIL	NIL

Annexure 4: Borrowing Details (Rs. Crore)

Financial Institution	Type of Loan	Amount Sanctioned	Amount Disbursed	o/s as on 30.9.2020
Federal Bank	CC	1.00	1.00	0.92
Sbi Bank - Ashram Road – Cc	CC	3.86	4.00	1.55
IDFC FIRST BANK IIV ECB TXN	ECB	41.30	41.30	41.30
Arman Financial Services Ltd	ICD			1.63
DCB NORTHERN ARC 2019 MFI ENGELS	Mosec	18.45	18.45	5.49
ICICI - VIVRITI CABSEC 009 SEPTEMBER 2019	Mosec	34.09	34.09	9.02
Kotak Mosec Percival 2019 Northern Arc	Mosec	10.23	10.23	3.91
Aav S.A.R.L.- 2	NCD	20.75	20.75	20.75
Masala Investments S.A.R.L.	NCD	20.75	20.75	20.75
Capital First Limited-TL-10cr	Sub Debt	10.00	10.00	10.00
Au Small Finance Bank Ltd - TL-3	Term Loan	10.00	10.00	0.83
Axis Bank – TL	Term Loan	15.00	15.00	5.63

Bank Of Baroda – TL	Term Loan	5.00	5.00	1.29
Bank of Maharashtra (TL)	Term Loan	25.00	25.00	23.49
Capital First Limited-TL	Term Loan	60.00	60.00	25.63
DCB	Term Loan	17.50	17.50	5.79
Federal Bank Term	Term Loan	9.00	9.00	3.90
Hero fincorp Ltd	Term Loan	7.00	7.00	3.01
Hinduja Leyland Finance -	Term Loan	46.00	46.00	21.33
ICICI BANK TERM LOAN	Term Loan	20.00	20.00	3.64
Maanaveeya Development Fin Pvt Ltd – TL	Term Loan	35.00	35.00	9.58
Mas Financial Ser. Ltd	Term Loan	109.50	109.50	29.32
MUDRA LOAN	Term Loan	25.00	25.00	21.00
NABARD	Term Loan	65.00	65.00	44.00
Northern Arc (TL-1 -10)	Term Loan	53.00	50.00	22.00
OBC	Term Loan	40.00	20.00	18.65
SBI	Term Loan	100.00	100.00	41.62
SIDBI	Term Loan	35.00	35.00	27.22
UBI	Term Loan	15.00	15.00	9.75
VIVRITI CAPITAL PVT LTD - (TL-1 -4)	Term Loan	22.00	22.00	11.65
Yes Bank - Car Loan	Term Loan	10.00	0.20	0.14
Yes Bank – TL	Term Loan	10.00	10.00	2.53
Total		894.43	861.77	447.32

Annexure 5: Information on capital infusion till date (Rs. In crore)

Date of Infusion	Name of the Investor	Individual / Institutional Investor	Amount Infused
FY14-15	Arman Financial Services Ltd.	Corporate	10.00
FY15-16	Arman Financial Services Ltd.	Corporate	0.42
FY 16-17	Arman Financial Services Ltd.	Corporate	5.00
FY 17-18	Arman Financial Services Ltd.	Corporate	7.00
FY18-19	Arman Financial Services Ltd.	Corporate	25.80
FY 19-20	Arman Financial Services Ltd.	Corporate	9.90
	Total		58.12

Annexure 6: Information of Securitization/Managed portfolio (Rs. Crore)

Name of the lending institution	Type (Assignment / BC)	POS Amount	Transaction Amount	Credit Enhancement Provided/ Collateral	Off balance sheet outstanding portfolio as on September 30, 2020
KOTAK - Northern Arc - Mosec- YANTRA -NAMRA	PTC	16.44	14.79	0.99	-
AU-NorthernARC 2019 Mocec -ELBRUS -NAMRA	PTC	21.46	19.75	1.50	-
INDUSIND - Northern Arc 2019 Mosec KREE-NAMRA	PTC	14.26	13.26	0.86	-
ICICI BANK -VIVRITI-CABSEC-NAMRA	PTC	12.37	34.09	0.99	-
IDFC FIRST - VIVRITI (DA) - FEB 20	D/A	29.56	26.61	-	10.53
DCB MOSEC -N_ARC _ ENGELS -NAMRA	PTC	18.45	16.70	1.48	-
Kotak_ PERCIVAL_ NOV-19-NAMRA	PTC	11.57	10.23	0.67	-
JANA SFB - N Arc (DA) Feb 20	D/A	19.77	17.80	-	13.6
IDFC FIRST - VIVRITI (DA) - FEB 20	D/A	14.96	13.47	-	7.74
Total		158.85	166.69	6.48	31.87

Annexure 7: Information on loan products

Particulars	Product 1
	JLG loans
Loan Tenor*	30 fortnightly instalments for 14 Months product 18 Monthly Instalments for 18 Months Products 52 fortnightly instalments for two-year product
Repayment frequency	Fortnightly / Monthly
Loan size range	Rs. 20,000, Rs. 25000 & Rs. 29,950 (14 Months Product) Rs.20,000, Rs. 25,000 & Rs. 30,000 (18 Months Product) Rs. 27,000, 35,000, Rs. 40,000 & Rs.45,000 (Two Year Product)
Average Ticket Size*	28000
Loan Purpose	Income generating activities
Interest rate (%)*	25.11-25.23% p.a. (on reducing balance)

Loan Processing fees (%)/ Any other fees (%)	1%
Security	No Collateral, Joint liability for repayment of each individual loan
Targeted customers	Small Business, Milk & Milk Product, Cattle & other Agri-allied activities in Rural & Semi urban areas

Annexure 8: Information on other products

Insurance	Frequency	Amount paid	Sum insured	Other features
NIL	NIL	NIL	NIL	NIL

Annexure 9: Purpose wise loan outstanding (Rs. In crore)

Own AUM	FY18	FY19	FY20
Agri & Allied	114.74	243.10	471.18
Services	162.05	200.88	69.06
Small Business	9.67	3.04	33.87
Others	30.56	36.72	4.85
Total	317.02	483.74	578.96
Managed AUM	FY18	FY19	FY20
Agri & Allied	-	-	33.24
Services	-	-	4.87
Small Business	-	-	2.39
others	-	-	0.34
Total	-	-	40.84

Annexure 10: Ticket size wise loan distribution (Rs. In crore)

Owned Aum	FY18	FY19	FY20
<=20000	102.30	24.26	3.97
20001 - 30000	137.66	353.76	349.60
30001- 40000	42.83	100.38	207.42
40001 - 50000	34.23	5.33	17.97
50001-100000	-	-	-
>=100000	-	-	-
Total	317.02	483.74	578.96

Managed Aum	FY18	FY19	FY20
<=20000	-	-	0.28
20001 - 30000	-	-	24.66
30001- 40000	-	-	14.63

40001 - 50000	-	-	1.27
50000-100000	-	-	-
>=100000	-	-	-
Total	-	-	40.84

Annexure 11: Loan Cycle wise loan outstanding (Rs. Crore)

Own Aum	FY18	FY19	FY20
Loan Cycle 1	258.27	311.74	425.61
Loan Cycle 2	33.17	136.23	112.15
Loan Cycle 3	12.25	18.87	26.68
Loan Cycle 4	5.87	8.49	7.74
Loan Cycle 5 & Above	7.46	8.42	6.78
Others	-	-	-
Total	317.02	483.74	578.96

Managed AUM	FY18	FY19	FY20
Loan Cycle 1	-	-	30.02
Loan Cycle 2	-	-	7.91
Loan Cycle 3	-	-	1.88
Loan Cycle 4	-	-	0.55
Loan Cycle 5 & Above	-	-	0.48
Others	-	-	-
Total	-	-	40.84

Annexure 12: State wise loan outstanding (Rs. In crore)

Own AUM	FY18	FY19	FY20
Gujarat	139.31	150.13	156.64
Madhya Pradesh	65.44	128.97	147.56
Maharashtra	40.34	99.60	123.67
Uttar Pradesh	65.82	95.35	107.44
Uttarakhand	6.11	5.81	6.22
Rajasthan	-	3.88	37.43
Total	317.02	483.74	578.96

Managed AUM	FY18	FY19	FY20
Gujarat	-	-	11.05
Madhya Pradesh	-	-	10.41
Maharashtra	-	-	8.72

Uttar Pradesh	-	-	7.58
Uttarakhand	-	-	0.44
Rajasthan	-	-	2.64
Total	-	-	40.84

Annexure 13: Product wise loan outstanding (Rs. Crore)

Own Book	FY18	FY19	FY20
JLG	317	483.75	578.96
Managed Book	FY18	FY19	FY20
JLG	-	-	40.84

Annexure 14: Interest Rate wise loan distribution (Rs. In crore)

Own Aum	FY18	FY19	FY20
<=15.0%	-	-	-
15.01-20%	-	-	-
20.01-24%	1.24	1.88	1.53
24.01-30%	315.79	481.86	577.43
>=30.01%	-	-	-
Total	317.02	483.74	578.96

Managed AUM	FY18	FY19	FY20
<=15.0%	-	-	-
15.01-20%	-	-	-
20.01-24%	-	-	0.11
24.01-30%	-	-	40.73
>=30.01%	-	-	-
Total	-	-	40.84

Annexure 15: Asset Quality

As on March 31	FY18	FY19	FY20
Opening NPA	2.55	3.60	2.66
Add: Additions during the year	7.03	3.40	10.09
Less:			
Write-off during the year	5.14	4.21	5.38
Recoveries during the year	0.83	0.12	1.56
Upgrade during the year	0.01	0.01	0.01
Closing Gross NPAs	3.60	2.66	5.80
Total Advances	317.02	483.74	619.81
Provision on Standard Asset	2.12	2.89	7.95
Provision on NPA	3.32	2.34	5.45

Net NPAs	0.28	0.32	0.35
Net Advances	311.57	478.51	606.41
Gross NPA/ Gross Advances (%)	1.14%	0.55%	0.94%
Net NPA / Net Advances (%)	0.09%	0.07%	0.06%

Annexure 16: Ageing - Portfolio daywise (Rs. In crore)

Own Portfolio

As on March 31	FY18		FY19		FY20	
Total loan outstanding that are	No. of loans	Value of Portfolio	No. of loans	Value of Portfolio	No. of loans	Value of Portfolio
On time	194114	310.43	266,297	478.05	358,987	604.15
Late (At least one payment)						
1-30 days	1342	1.04	1547	1.46	3,694	4.00
31-60 days	756	0.98	795	0.74	2,929	3.15
61-90 days	1014	0.97	1026	0.84	2,390	2.72
91-180 days	3246	0.82	1136	0.77	2,755	3.33
181-360 days	5406	2.78	2271	1.88	2,349	2.47
> 361 days			-	-	-	-
Total portfolio	205,878	317.02	273,072	483.74	373,104	619.81

Annexure 17: Demand Collection for the past three years (Rs. Crore)

Sr. No	Total Demand	Total Collection	Collection efficiency
FY18	253.68	248.16	97.82%
FY19	471.58	466.76	98.98%
FY20	621.15	610.15	98.23%

Annexure 18: ALM as on Latest Audited Results (Rs. In crores)

Particulars	Up to 30/31Days	Over 1 month upto 2 Month	over 2 month upto 3 month	over 3 month & up to 6 month	Over 6 Month & Upto 1 Year	Over 1 Year & upto 2 Year	Over 3 year & upto 5 Year	Over 5 year	Total
Fixed assets	-	-	-	-	-	0.97	1.62	1.02	3.61
Deposits /FI	0.19	0.32	0.16	0.38	0.84	1.15	0.31	-	3.35
Advances	0.71	6.38	39.42	124.84	189.98	209.94	-	-	571.26
Cash & Bank	45.69	22.81	0.99	2.91	9.73	8.75	-	-	90.88
Investments	-	-	-	-	3.26	-	-	-	3.26
others	0.68	0.99	0.05	0.24	-	-	-	-	1.96
Deferred Tax	-	-	-	-	-	3.72	-	-	3.72
Total	47.26	30.49	40.62	128.38	203.82	224.54	1.92	1.02	678.05
Particulars	Up to 30/31Days	Over 1 month upto 2 Month	over 2 month upto 3 month	over 3 month & up to 6 month	Over 6 Month& Upto 1 Year	Over 1 Year & upto 2 Year	Over 3 year & upto 5 Year	Over 5 year	Total
Share Holders fund	-	-	-	-	-	-	-	113.86	113.86
Borrowings	17.89	16.24	33.95	73.71	100.64	210.69	76.45	-	529.55
s.cre/payable	10.60	4.55	4.09	0.03	0.86	0.29	0.38	-	20.80
provision	1.30	0.97	0.92	3.38	3.73	3.54	-	-	13.85
Total	29.78	21.77	38.96	77.11	105.23	214.51	76.83	113.86	678.05
Excess / (Short)	17.48	8.72	1.67	51.27	98.59	10.02	-74.91	-112.83	
Cumm Excess/ Short	17.48	26.20	27.86	79.13	177.71	187.74	112.83	-	

Annexure 19: Disbursement and repayment for the past three years (Rs. Crore)

FY18-19	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Opening Portfolio Outstanding	317.00	318.61	330.47	321.14	338.58	356.27	378.51	389.14	410.79	433.90	456.10	475.61
Disbursements during the month	28.37	42.85	44.88	48.84	51.42	53.28	55.33	44.61	54.35	52.46	52.28	60.92
Repayments during the month	26.76	31.00	54.20	31.41	33.72	31.04	44.70	22.95	31.24	30.26	32.78	52.79
Closing Portfolio outstanding	318.61	330.47	321.14	338.58	356.27	378.51	389.14	410.79	433.90	456.10	475.61	483.74
FY19-20	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Opening Portfolio Outstanding	483.74	469.99	480.05	496.21	511.83	524.56	535.62	540.99	541.54	564.19	587.76	616.88
Disbursements during the month	27.48	52.85	59.20	59.84	56.03	57.06	46.30	46.27	67.93	67.86	74.62	37.69
Repayments during the month	41.23	42.79	43.03	44.23	43.30	45.99	40.93	45.72	45.28	44.28	45.50	34.77
Closing Portfolio outstanding	469.99	480.05	496.21	511.83	524.56	535.62	540.99	541.54	564.19	587.76	616.88	619.80
FY20-21	April	May	June	July	Aug	Sep						
Opening Portfolio Outstanding	619.80	618.35	615.18	605.08	571.41	549.67						
Disbursements during the month	-	-	-	0.95	11.95	27.58						
Repayments during the month	1.45	3.17	10.10	34.62	33.69	38.71						
Closing Portfolio outstanding	618.35	615.18	605.08	571.41	549.67	538.54						

Annexure 20 Repayment Schedule (Rs. Crore)

Repayment	O/s as on Sept 20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Total Repayment	444.83	37.41	25.23	23.14	30.04	18.68	24.91

CARE's Grading Scale/Symbols:

MFI's operational & financial capability to undertake and sustain the targeted level of operation is graded on an eight point scale as below:

Grading Symbol*	Definition
MFI 1	Highest
MFI 2+	
MFI 2	
MFI 3+	
MFI 3	
MFI 4+	
MFI 4	
MFI 5	Lowest

* There is no individual definition for each grading

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CART's MFI grading is not a recommendation to buy, sell or hold any financial instrument issued by the MFI or to make loans/ donations/ grants to the MFI. It is not an assessment of the debt servicing ability of the MFI. The grading assigned by CARE cannot be used by the MFI in any form for mobilizing deposits/savings/thrift from its members or general public.

Due to ongoing lockdown in the Country due to Covid -19, we were unable to visit the Company HO or its branches or centers. However, we had conducted the meeting with company officials at head office, branch office and with customers through zoom calls and conference calls.

CART's MFI grading also does not indicate compliance/violation of various statutory requirements. CART shall not be liable for any losses incurred by users from any use of the microfinance grading.