

Hindustan Micro Finance Private Ltd

705/B, Sagar Tech Plaza, Andheri Kurla Road,
Sakinaka Junction, Andheri (East), Mumbai – 400 072.

Code of Conduct Assessment IAR – C2

Which indicates GOOD Performance of the MFI on Code of Conduct dimensions

Date: December 13th, 2023

Infomerics Analytics and Research Private Limited

(CIN: U74999DL2020PTC369018)

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Infomerics Code of Conduct Assessment Grading Scale

Grading Scale	Definitions
C1	Excellent performance of the MFI on Code of Conduct dimensions
C2	Good performance of the MFI on Code of Conduct dimensions
C3	Average performance of the MFI on Code of Conduct dimensions
C4	Weak performance of the MFI on Code of Conduct dimensions
C5	Weakest performance of the MFI on Code of Conduct dimensions

Grading Rationale

Code of Conduct Assessment Grade	HMPL obtains “C2” as its Code of Conduct Assessment Grade which signifies ‘Good’ performance of the COCA dimensions
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Comprehensive MFI Grading provides opinion of the Rating Agency on MFI’s capacity to carry out its microfinance operations in a sustainable manner and its adherence to Industry code of conduct. MFI Capacity Assessment Grading has been done on the dimensions of Capital Adequacy, Governance, Management Quality and Risk Management Systems. Assessment on Code of Conduct has been done on the indicators pertaining to Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing. Some of these indicators have been categorized as Higher Order indicators consisting of indicators on Integrity and Ethical Behaviour and Sensitive Indicators

Conflict of Interest Declaration

The Grading Agency (including its holding company and wholly owned subsidiaries) has not been involved in any assignment of advisory nature for a period of 12 months preceding the date of the comprehensive grading. None of the employees or the Board members of the Grading Agency have been a member of the Board of Directors of the MFI during a period of 12 months preceding the date of the comprehensive grading.

Disclaimer

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

Historical Rating Grades (COCA)

Year	Name of the Agency	Grade
September 30 st , 2022	SMERA	SMERA COCA3

Historical Rating Grades (MFI Gradings)

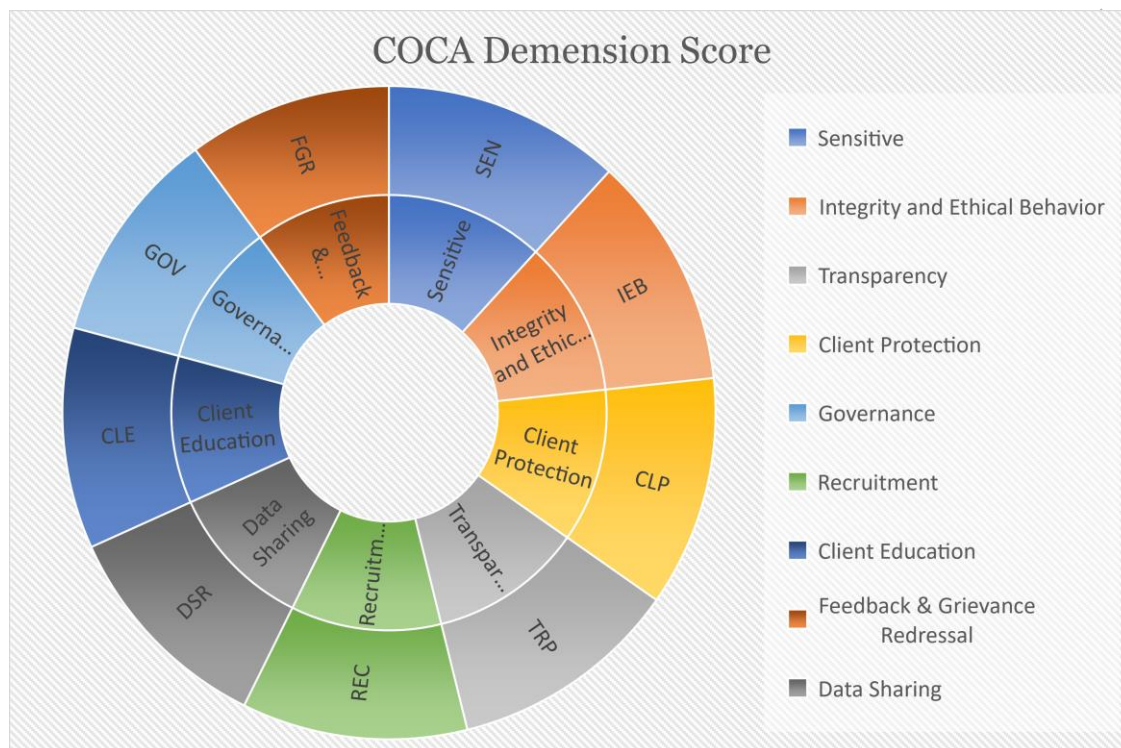
Year	Name of the Agency	Grade
November 23 rd , 2023	Infomerics Analytics & Research	IAR MFI 2
September 29 th , 2022	SMERA	SMERA MFI3

Historical Rating (Bank Loan Ratings)

Date	Rating Assigned	
	Long Term	Short Term
May 30 th , 2022	CRISIL BBB + Stable	-

Code of Conduct Assessment Score

COCA Grading – ‘C2’ (‘GOOD’ performance of the MFI on Code of Conduct dimensions)



Scores on Parameters

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	99%
Integrity and Ethical Behaviour	IEB	85%
Transparency	TRP	88%
Client Protection	CLP	85%
Governance	GOV	85%
Recruitment	REC	85%
Client Education	CLE	86%
Feedback & Grievance Redressal	FGR	87%
Data Sharing	DSR	100%

Code of Conduct Assessment Summary

The Code of Conduct report for '**Hindustan Micro Finance Private Ltd**' evaluates the entity's adherence to various code of conduct parameters. The study examines and comments upon the common minimum indicators such as:

- Sensitive Indicators
- Integrity and Ethical Behavior
- Transparency
- Client Protection
- Governance
- Recruitment
- Client Education
- Feedback and Grievance Redressal
- Data Sharing

Infomerics believes that '**Hindustan Micro Finance Private Ltd**' exhibits '**C2**' performance on COCA dimensions.

This document details Infomerics approach and methodology for this study and gives observations of its assessment team while conducting the evaluation. The Approval; Documentation; Dissemination and Observance (ADDO) framework has been used for assessment and measuring HMPL's adherence towards ethical operational practices.

Company Profile

Sr. No.	Particulars	Details	
1	Managing Director	Mr. Anil L. Jadhav	
2	Year of Incorporation	27-07-1996	
3	Commencement of MFI operations	2004	
4	Legal Status	Private Limited	
5	CIN	U99999MH1996PTC101376	
6	Group	NBFC	
7	RBI Classification	NBFC-MFI	
8	Registered Office/ Corporate Office	705/B, Sagar Tech Plaza, Andheri Kurla Road, Sakinaka Junction, Andheri (East), Mumbai - 400072	
9	Lending Model	JLG, MSME	
10	Tangible Net Worth (Rs.in lakhs)	1300.00	
11	Geographical reach as on April 30, 2023	No. of States	7
		No. of Districts	82
		No. of Branches	154
		No. of Active Borrowers	128794
		No. of Total Employees	1317
		No. of Field/Credit Officers	754
12	Auditors	CA Manish Sharma, Manish Sharma & Associates, Firm Membership No: 114959W. Manish Sharma - Membership No - 45037	
13	No of Lenders	5	
14	Software use	CoPASS Technology & Services Private Limited	

Background:

Brief Profile of the organization

- Hindustan Micro Finance Private Ltd (HMPL) is an NBFC incorporated in the year 1996 by its promoters under the Companies Act 2013 and was registered with RBI (NBFC) on March 25th, 2015, Bearing COR No. B-13.01761.
- HMPL is a NBFC also engaged in microfinance activities and mainly focus on providing financial and non-financial services to poor inhabitants. The areas where HMPL operates are regions where some of the poorest people in India live and are largely unserved by formal and informal banking facilities. The regions were identified after conducting a market research survey.
- HMPL started its microfinance operations in the year 2008. Its registered office is located at 705/B, Sagar Tech Plaza, Andheri Kurla Road, Sakinaka Junction, Andheri (East), Mumbai - 400072.
- HMPL works in JLG model, MSME secured and Unsecured. The company will strengthen its Board and Senior Management by including more experienced professionals with experience in banking and financial services.
- Currently, the operations of the company are managed by Mr. Anil L. Jadhav, (Managing Director), Satishkumar Gopalkrishnan Rao (Execute Director) and Mr. Ramanathan Annamalai (Non-Executive Director) and a team of experienced personnel.
- HMPL is now working with 129 branches spread over 68 districts in seven states, Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Rajasthan, Telangana and Maharashtra where they are providing services to more than 132337 clients.
- As on March 31, 2023, HMPL is managing a total outstanding loan portfolio of Rs. 354.74 crore (it includes owned and managed portfolio).

Product Profile

S No.	Loan Product Name	Type Of Product	Age Limit	Tenure	Collecti on Freque ncy	Min & Max Loan Ticket Size	P.F.	ROI
1	Joint Liability Loan	JLG	18-58	up to 36 Months	Monthly	0.25 – 0.70 Lakhs	2%+ GST	19.30 % to 27.99 %
2	MSME - Secured	MSME	18-58	up to 84 Months	Monthly	1.5 Lakhs - 15 Lakhs	0.50 %+G ST	22%-25%
3	MSME - Unsecured	MSME	18-58	up to 36 Months	Monthly	1-5 Lakh	3%+ GST	15%-24%

Capital Structure as on March 31, 2023

(Rs in crore)

Authorized Capital	
- Equity Share Capital	16.00
- Preference Share Capital	2.00
Equity - Paid Up Capital	11.01
Preference Share Capital	1.00

PROFILE OF GOVERNING BODY MEMBERS/DIRECTORS OF HMPL

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
Mr. Anil Laxman Rao Jadhav	57 Years	Chairman & Managing Director	Graduate	He has vast exclusive experience of more than three decades in managing credit cooperatives Societies for providing micro finance (credit and savings services) to the urban poor in Maharashtra.	40+	20+
Mr. Satishkumar Gopalkrishnan Rao	53 years	Executive Director	Postgraduate	He has vast experience in the banking sector for more than two decades. He has worked in higher positions in Bank of Baroda, HDFC Bank, Yes Bank and United Overseas Bank, Singapore having an illustrious career.	30+	10+
Mr. Ramanathan	76 years	Non-Executive - Independent	Postgraduate	He is the former Chief General Manager of Micro Credit	50+	15+

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
Annamalai		Independent Director		Innovations Department, NABARD. He has vast experience of more than three decades in Management of Rural Financial Institutions/Micro Finance Institutions.		
Mr. Biswa Bandhu Mohanty	74 years	Non-Executive - Independent Director	Postgraduate	He is the former Chief General Manager of Micro Credit Innovations Department, NABARD. He has vast experience of more than Four decades in Management of Rural Financial Institutions/Micro Finance Institutions. Banking Officer: Reserve Bank of India (RBI), Odisha (1976-1982)	50+	15+

Comments:

- HMPL has 4-member board. Board members have strong experience in microfinance, banking, finance, risk, and development sectors.

MANAGEMENT'S PROFILE

Name	Designation	Qualification	Total years of experience
Mr. Shubham Anil Jadhav	Associates Director	Graduated	Highly motivated, Self-Driven, resourceful, and detail-oriented Professional with a master's degree in finance from the US. Shubham is involved in the Family Business right after completing his 10th Education. He always had a keen interest in adopting strategies for the business. Currently he is managing the Technology part in all the projects and optimizing operational activities.
Mr. Ganesh H. Hankare	Vice President (Finance & Accounts)	Post-Graduated	Prior to joining HMPL, he had worked for Five years in Finance and Accounts. He shouldered the responsibility successfully as manager Finance and Accounts for last 6 years and at present is Vice President (Finance & Accounts)
Mr. Robinson Mathew	State Head: Gujarat	Post-Graduated	A Top-ranked sales manager recognized for contributions to record-setting sales figures. A result-oriented professional with exposure in strategic planning, business development, client servicing as well as people management in NBFC & banking sector.
Mr. Rameshwar Chhaudhari	State Head: Maharashtra and Karnataka	Post-Graduated	Rameshwar comes with an overall experience of 12 Years A. Rameshwar is an MCOM having 12 years of experience in the Microfinance Industry. He was previously associated with Ujjawan Microfinance, RBL Bank
Mr. Anirudha Gholap	Zonal Manager – Maharashtra – (North-Eastern	Graduated	Anirudha comes with an overall experience of 07 Years. Vishal has started his career with MFI industry.

Name	Designation	Qualification	Total years of experience
	Region Region)		He has joined HMPL at a BM position and grown to a Zonal Head which is an outcome of his well-deserved effort & hard work.
Mr. Srikanth Bandola	Audit & Credit Head – JLG	Graduated	Srikant is a seasoned professional who has worked in varied areas of MFI like Sales, Credit, Backend & Audit. He has a total of 11 years of in MFI Industry. His association of 7 years with HMPL has proved his abilities to lead the position of Audit & Credit
Ms. Sudha Maurya	Head - Human Resources	Post-Graduated	A Master's in HR from Mumbai University, Sudha has also done a diploma in Labor Laws. A seasoned HR Professional, Sudha brings along a varied experience of 10 years in HR domain handling all aspects of employee lifecycle. Sudha is proficient in implementing the complex HR Strategies
Mr. Vivek Hirlekar	JLG Collection Head	Graduated	Vivek comes with an overall experience of 13 Years. Vivek started his career with MFI industry. He has joined HMPL at a Audit Manager position and grown to a Zonal Head which is an outcome of his well-deserved effort & hard work.
Mr. Kommaraju Rammohan	Business Head - MSME		Masters in commerce, Rammohan is having rich and extensive experience of over 15 plus years in various industries like, financial services, Life Insurance, Accounts and Operations across multiple products including both Secured and Un-Secured, Mortgage Loans, Micro Loans and Gold Loans. At HMPL he is successfully built at Portfolio of 100 cr. within a span of just 2 years

Name	Designation	Qualification	Total years of experience
Ms. Bhagyashree Jadhav	Associates Director	Masters	Known for partnering at all levels and effecting change at all levels as a business strategist. Excel at designing, integrating, and monitoring quality & operation improvement plans. From working with a field staff in her start till managing the HR & other Operations team she is successfully adding in the growth of the Irganisation.
Mr. Rajendra Jadhav	Head - CPU	Graduate	Raj comes with an overall experience of 15 Years. Raj Jadhav has started his career with NBFC industry. He has joined HMPL at a CPU Manager position and grown to a CPU- Head (PAN India) which is an outcome of his well-deserved effort & hard work.
Mr. Aman Soni	State Head - MP	MBA	Diligent & result oriented professional with 13 years of comprehensive experience in Microfinance. Recognized as a proactive individual who can rapidly identify business problems, formulate tactical plans, initiate change and implement effective business strategies. A strong Team leader/ player guiding the team of professionals towards maximum productivity. Aman has been given the challenging tasks of managing the entire Business Operations of MP & Chhattisgarh
Mr. Sharan Reddy	Zonal Manager - Karnataka I	Graduate	Results-oriented sales professional with 12 years of experience in Microfinance & Banking with a proven track record of exceeding monthly sales quotas. Highly skilled at creating new relationships and maintaining strong customer relations to generate

Name	Designation	Qualification	Total years of experience
			repeat business. In-depth knowledge of effective sales strategies and exceptional presentation skills. Currently he is taking care of 2 Regions of Karnataka.
Mr. Shivakumar Sajjan	Zonal Manager - Karnataka II	Law Graduate	A graduate from Gulbarga university with a special interest in working in the rural finance & social development sector. Has successfully managed the operations of assigned branches. Highly skilled in streamlining operations, identifying & mitigating risk and increasing branch productivity through flawless execution of strategies. Goal- and team-oriented with strong leadership. Currently he is taking care of 2 Regions of Karnataka.
Mr. Lakhmichand Goyal	Zonal Manager - Rajasthan	Graduate	A Seasoned Sales personnel with eighteen years of experience, specializing in sales management, team leadership, territory management, and pipeline development. Highly accomplished in driving revenue growth, market share expansion, and customer satisfaction. Proven ability to develop and execute sales strategies, manage high-performing teams, and establish strong relationships with key customers.

Comments:

- HMPL 's senior management has adequate experience across sectors such as Microfinance, space and development sector.
- HMPL has dedicated department wise / function wise heads and no major functional overlaps have been observed.

HIGHLIGHTS OF MICROFINANCE OPERATIONS

For the period ended / As on,	FY21	FY22	FY23
Number of states	6	7	7
Number of districts	44	63	68
Branches	89	109	129
Number of active SHG groups	0	0	0
Number of active JLG groups	16569	21388	21983
Number of active SHG members	0	0	0
Number of active JLG members	104551	132177	132337
Number of active SHG borrowers	0	0	0
Number of active JLG borrowers	104551	132177	132337
Loan Portfolio			
No. of loan disbursed during the year	37933	58452	59147
Amount of loan disbursed during the year (Rs. Cr)	124.95	210.41	276.43
Average Loan size disbursed during the year (Rs.)	32,940	35,997	46,736
Overdue at the beginning of the year (Rs. Lakh)	2.93	13.92	2.20
Principal due during the year (Rs. crore)	154.08	241.81	330.39
Principal recovered during the year (Rs. crore)	151.15	227.89	328.19
Overdue at the end of the year (Rs. Lakh)	2.93	13.92	2.20
Recovery rate (%)	98.10%	94.24%	99.33%
Total outstanding loan portfolio (Rs. crore)	232.71	285.90	354.74
Portfolio at risk (PAR) >30 days (%)	3.38%	11.12%	2.06%
Portfolio at risk (PAR) >90 days (%)	2.63%	9.69%	1.53%
CAR (Tier 1) %	50.22%	29.48%	31.09%
CAR (Tier 2) %	31.21%	18.44%	15.83%
CAR (Overall) %	81.43%	47.92%	46.92%

Details on Human Resources

	FY21	FY22	FY23
Active Borrower – (HMPL+BC)	104551	132177	132337
No. of branches end of the period	89	109	129
Branch Manger	87	108	126
Credit Officer	89	109	126
Field Staff - Customer Service Providers (CSP)	391	436	588
Head Office Staff (HOD or Backend Team)	135	218	218
Total Staff	702	871	1058
Employee productivity			
Number of members per Field Staff (CSP)	267	303	225
Number of members per credit officer	1175	1213	1050
Amount of loan outstanding per credit officer (Rs. crore)	2.61	2.62	2.82
Branch productivity			
Number of members per branch	1175	1213	1026
Number of individual borrowers per branch	1175	1213	1026
Amount of loan outstanding per branch (Rs. crore)	2.61	2.62	2.75

Bifurcation of AUM

(Rs. Crore)

Period ended	Mar 31, 2021	Mar 31, 2022	Mar 31, 2023
Managed portfolio (BC etc.)	217.54	255.33	324.62
Own loan portfolio	15.17	30.57	30.12
AUM (Rs.cr.)	232.71	285.90	354.74

During FY23, our own portfolio has increased with significant increase in disbursement during FY23.

Compliance with RBI's Directives for MFIs

RBI's Direction	HMPL Status	Compliance
75% of total assets to be in the nature of qualifying assets	Qualifying assets forms more than 92.71% of total assets	Complied
Net worth to be in excess of Rs 5 Crore	The net worth of HMPL stood at Rs. 13.00 crore as on March 31, 2023	Complied
A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.	HMPL here by complies with it, as per latest RBI circular. Firstly, it is informed at every level starting from sourcing, loan officers, branch manager have been given proper training and thoroughly informed with specific format for calculation is shared and further the same is being verified at every level by the qualified audit team.	Complied
Transparency in interest rates to be maintained	Interest, Processing fees and insurance premium charged are duly mentioned in the loan card provided to the client.	Complied
Not more than two MFIs lend to the same client	HMPL verifies the same though credit check from credit bureaus.	Complied
The REs shall have a board-approved policy to provide the flexibility of repayment periodicity on microfinance loans as per borrowers' requirement.	HMPL has provided a board approved policy that enables the REs to extend flexibility with respect to the repayment periodicity and it is circulated at every level and closely monitored that the same is extended as approved.	Complied
Collateral free loans	HMPL does not accept any Collateral for extending the credit.	Complied
MFIs shall not collect any Security Deposit / Margin from the borrower.	HMPL does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	HMPL does not take late payment or prepayment penalties from the clients.	Complied
Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, as per the frequency of data submission prescribed by the CIC.	Share complete client data with at least one Credit Information Company (CIC) established under the CIC Regulation Act 2005, HMPL shares its client's data with CIBIL, Equifax, CRIF Highmark.	Complied
Each RE shall have a board-approved policy regarding the limit on the outflows on account of repayment of	HMPL complies with it and towards the same REs are provided with proper training as per latest RBI circular. There is a specific format as	Complied

<p>monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income.</p>	<p>approved by the board and it is ensured that the same is followed.</p>	
<p>The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50 per cent of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.</p>	<p>HMPL complies with it. As mentioned, it is calculated as per the format shared to them and it is pre-approved by the board. Further it is ensured by the audit team that it is compiled properly.</p>	<p>Complied</p>
<p>The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more’.</p>	<p>The statutory auditor has certified that appropriate provisions have been made.</p>	<p>Complied</p>

Pricing of Loans

- Each RE shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, cover the following:
 - o A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate.
 - o Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters.
 - o The range of spread of each component for a given category of borrowers; and
 - o A ceiling on the interest rate and all other charges applicable to the microfinance loans.

- There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

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Strengths and Weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> • Board approved policies, compliant with the RBI guidelines. • Membership with Sa- Dhan. • Board with rich experience from banking and finance background. • Experienced and qualified management with more than a decade of experience in MFI industry. • Standardized operating procedures in place with documented policies with respect to loan sanctions, conduct of the staff, field operations, credit appraisal and systems. • Compulsory training on products terms and conditions to client prior to every loan. • Compulsory check on over indebtedness of every borrower. • Awareness among client on SRO Grievance Redressal mechanism was found to be moderate to high in the visited branches. • Efficient systems and strong internal audit team to check misappropriations and regular monitoring of compliance. • Adequate software-based MIS to handle current scale of operations. • Code of Conduct framed as per the HMPL 's mission, vision, values are displayed in all branch offices & HO. • High focus on client relationship and empathetic behavior towards borrowers. • The loan documents were available in the regional language in every branches. 	<ul style="list-style-type: none"> • Awareness among the staff on RBI compliance was found to be moderate to high in the sample branches.

Significant Observations

HIGHER ORDER INDICATORS	
Integrity and Ethical Behaviour	<ul style="list-style-type: none"> • Standard operating process and policies are in place with strong degree of adherence and the staff is appropriately trained to abide by the code of conduct. • Fair degree of transparency observed while dealing with borrowers and the staff was found ethical and the management treats borrowers and staff members with dignity. • The Board and board level committees in place which help good oversight in observations with Code of Conduct. • The audit committee of the Board reviews the adequacy of audit staff strength and scope of Internal Audit. • Board has approved a policy of recovering delinquent loans. • Awareness among client and staff on Sa- Dhan grievance redressal mechanism was found to be moderate to high. • Fixed Component compensation of staff is not impacted in event of over dues. HMPL, in its fair practices code provides importance for transparency in pricing and clear communication to the clients. • In all the branches, the contact number and address of Sa- Dhan nodal official was properly displayed. • MFI prepares monthly reports about the number, nature and resolution of grievances and feedback received for management review and same is presented to audit committee set up at board level.
Sensitive Indicators	<ul style="list-style-type: none"> • Clients interviewed were aware of the charges and price for all services availed. • Awareness among the staff on RBI guidelines was found to be adequate. • There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • HMPL shares accurate data with all credit bureaus on a frequency prescribed by Sa- Dhan. • HMPL does not charge any extra fees from client apart from processing fee and insurance premium. The loans are issued to the clients without any collateral and no security deposit is accepted. Further no penalty is charged for overdue and pre-closure of loans. The

	<p>organization also has a well-documented policy on pre-payments.</p> <ul style="list-style-type: none"> The MFI gets an external CA agency to certify its compliance with RBI's directions for NBFC-MFIs.
BUILDING BLOCKS	
Transparency	<ul style="list-style-type: none"> The policies of the MFI are in place and documented in its operational manual and HR manual. The MFI has complied with RBI's NBFC-MFI directions and no security deposit has been collected from the borrowers. HMPL has documented the pricing of its loan products in its operational manual. In the branches visited loan documents had been maintained in local languages. Circulars with the most recent directions were available in the visited branches. The loan interest rate and processing fees is mentioned on the loan passbook and sanction letter provided to the client. The MFI has a system to review the prevailing base rates of the five largest banks and the same are presented to the board and recorded in the board minutes. Clients interviewed were moderately aware of the charges and price for all services availed. Audit committee verifies through the audit reports whether all clients have received the necessary loan documents. HMPL issues loan agreement to the clients with all terms and conditions of the loan including annualized interest rates, processing fee and insurance premium.
Client Protection	<ul style="list-style-type: none"> HMPL has a board-approved policy regarding client data security. Employees are trained on aspects of appropriate behaviour with the clients. HMPL has documented policy on client data security which forms part of its fair practice code. HMPL has framed a Fair Practice Code and has also adopted the RBI fair practices code. Staffs were found to be aware of the need to have professional conduct with the clients. Insurance is provided through IRDA approved insurance agency.

	<ul style="list-style-type: none"> • The loan cards given to the clients have documented repayment schedule and the charges and interest rates printed on them. • The borrowers will receive manual receipt for every payment made by them. • The field staff is trained for not using any coercive or abusive language or provide any threat in case of non-payment by the borrowers. • The sample of borrowers surveyed were satisfied with the behaviour of the field staff.
<p>Governance</p>	<ul style="list-style-type: none"> • Good governance with reputed people comprising the Board and presence of board level subcommittees. • Out of 4 directors, 1 is managing director and 3 are directors. • HMPL has several board level committees which deal with various aspects of the microfinance operations. • The key operational and key financial metrics are apprised to the board on a daily basis. The detailed operational and financial performance is updated to the Board in the quarterly Board Meetings. • The MFI places regular reports on compliance with COC, Sa-Dhan and RBI Guidelines before the board. • The MFI has a dedicated internal audit team and the head of internal audit reports directly to the Board Committee. Internal audit is done on an interval of 45-60 days basis and the report is submitted directly to the audit committee and Board of Director. • The MFI has got its accounts audited in a timely manner after the end of the most recent financial year. • The statutory auditor M/s. Manish Sharma & Associates has given favourable feedback on the accounting practices and systems followed by the organization. Also, there are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI.
<p>Recruitment</p>	<ul style="list-style-type: none"> • HMPL's board has reviewed its recruitment policies at least once annually. • The MFI has a defined and documented process for responding to reference check requests. • There is documentary evidence to suggest that MFI has honoured the notice period for all employees who have left it.

	<ul style="list-style-type: none"> • MFI obtain NOC or relieving letter from the previous employee, in case employees are recruited from other MFIs. • The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year and the same is not documented in Operational Manual. • All new recruits shall be on probation for a period of 3-6 months and be confirmed in the post on completion of probation period only after he/she is found to be suitable for confirmation by competent authority. In case one is not found suitable, the probation period may be extended for another 6 months.
<p>Client Education</p>	<ul style="list-style-type: none"> • The MFI has trained staff for the purpose of increasing clients' awareness and periodic financial literacy trainings are given to borrowers by the MFI staff. • The surveyed borrowers indicated that they were informed about the organization's policies and procedures when they joined the MFI
<p>Feedback and Grievance Redressal</p>	<ul style="list-style-type: none"> • HMPL has a grievance redressals mechanism in place with a helpline number, email id printed in the loan card/passbook and there is one designated redressal officer. • However, if the issue is not resolved, the escalations should be forwarded to HO. The Credit Monitoring Officers of HO would specifically review the grievance handling procedure during their periodic monitoring visits.
<p>Data Sharing</p>	<ul style="list-style-type: none"> • Financial and operational data for FY 2023 is not available on the website of HMPL. • MFI has a well-defined process for sharing data with the credit bureaus. • MFI has provided data called by Sa-Dhan and other state level SROs and RBI as and when required as per compliance. • HMPL shares accurate data with all credit bureaus on a frequency prescribed by Sa- Dhan. • HMPL performs compulsory credit bureau checks for all its clients.

COCA Methodology

The Code of Conduct Assessment (COCA) tool was developed as a response to the need expressed in a meeting of stakeholders in Indian microfinance by the Small Industries Development Bank of India (SIDBI) and the World Bank in December 2009. The code of conduct dimensions was identified by reviewing the various norms for ethical finance. These included RBI's fair practices guidelines for Non-Banking Financial Companies, industry code of conduct (Sadhan-MFIN) and Smart Campaign's Client Protection Principles (CPP).

In 2016, the need was felt to harmonize COCA to the most recent industry code of conduct and to standardize COCA tools of different rating/assessment agencies. This grading is based on the harmonized COCA tool. In the harmonized COCA tool, the dimensions were classified in three categories – highest order, higher order and building blocks. This grading is based on the harmonized COCA tool.

Highest Order	
Sensitive Indicators	
Higher Order	
Integrity & Ethical Behaviour	
Building Blocks	
Governance	Client Protection, Recruitment
Transparency	Feedback/Grievance Redressal
Client Education	Data Sharing

Methodology

The Code of Conduct exercise is spread over four to eight days. The first day is spent at the head office. The assessment team visits the branches over the next three to eight days. Depending upon the size and the operational area of the MFI, eight to fifteen branches and between 120 and 300 clients are sampled for primary survey (except in cases where number of branches in an MFI is less than eight).

Sampling guidelines

The following is taken as the guideline to determine the sample size for a COCA exercise.

MFI Size	No. of branches to be visited	No. of borrowers to be visited
Small MFI (Less than 8 branches)	8 – 10 branches (geographically distributed)	120-150 clients (15 clients per branch covering minimum two centers)
Small / Mid-size MFI (up to 2,50,000 borrowers)	8 – 10 branches (geographically distributed)	120-150 clients (15 clients per branch covering minimum two centers)
Large MFI (>2,50,000 borrowers)	12 – 15 branches (geographically distributed)	240-300 clients (20 clients per branch covering minimum two centers).
Large MFI (>2,50,000 borrowers) and having gross loan portfolio (GLP)> Rs 500 crore	18 – 20 branches (geographically distributed)	360-400 clients (20 clients per branch covering minimum two centers).

Code of Conduct Assessment exercise requires:

1. Discussions with key staff members and the senior management at the head office, particularly the senior operational management team as well as the human resources team. These discussions focus on key issues of the code of conduct identified above.
2. Review of policy documents and manuals at the head office. These are reviewed in order to assess the policy as well as documentation regarding important aspects of the code of conduct. The last audited financial statements will also be required.
3. Sampling of branches at the head office. The assessment team samples branch for review. The branches are chosen across different states in case the MFI operates in more than one state. Care is exercised to include older branches as well as branches that are distant from the head office or the regional office. The sampling of the branches is performed at the head office of the MFI.
4. Discussions with the branch staff at the branch office. Discussions with branch managers and the field staff is carried out to assess their understanding of the key code of conduct principles.
5. Sampling of respondents in the selected branches. A judgmental sampling is performed on the MFI's clients by the assessment team to draw respondents from the interest group, in order to maximize the likelihood that instances of non-adherence can be detected.
6. Interview with the clients. Information from the clients is collected ideally during the group meetings. If this is not possible, visits are made to the clients' locations to collect information.
7. Review of loan files at the branch office. This review focuses on loan appraisal performed before disbursing loans as well as the documents collected from the clients.

As part of this assessment, we observed all branches and interacted with Branch Staff and Borrowers of the MFI in person and through branch visits. The details of the branches are provided below.

SL. No.	Branch	State	No of Groups interviewed
1	Pune 1	Mumbai and Pune	1
2	Pune 2		2
3	Bandur		1
4	Kalyan Nagar branch		0
5	Dharavi branch		1
6	Boisur branch		2
7	Palghar branch		0
8	Virar		1
TOTAL			9

About Infomerics Analytics and Research:

Infomerics Analytics and Research Private Limited a subsidiary of Infomerics Valuation and Rating Pvt Ltd., a SEBI Registered and RBI Accredited credit grading company was established in the year 2021 exclusively for rendering services in the field of grading, scoring, analysis, evaluation, certification, appraisal etc. to business entities which include Government agencies & regulators, Overseas Corporate Bodies (OCB's) including FPI's and FII's etc. The company was formed consequent to the guidelines of SEBI restricting the operations of credit rating agencies only to the assigning of rating of Bank Loans, commercial papers, NCD etc.

Infomerics Valuation and Rating Pvt Ltd is a Registered Credit Rating Agency with Securities and Exchange Board of India (SEBI) and a recognized external credit assessment agency (ECAI) by Reserve Bank of India (RBI) to carry out Credit Ratings in India.

Infomerics Analytics and Research covers a wide spectrum of services and solutions to offer through a rationale and prudent approach which leads to a robust analysis and deliverance. We have a team of experienced and knowledgeable analysts and experts who conduct in-depth study of various aspects of an entity before assigning the Rating / Grading which is accepted by various Banks and Financial Institutions. The immaculate approach covering all the nuances is adopted for preparing the study reports which covers every aspect of the business entity.