

Hindustan Micro Finance Private Ltd

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

Valid from: Nov 23rd, 2023

Valid to: Nov 22nd, 2024

Grading Type	Amount	Grading Assigned
MFI Grading	Not Applicable	MFI 2

IAR MFI Grading	Definition
MFI 1	Highest capacity of the MFI to manage its operations in a sustainable manner.
MFI 2	High capacity of the MFI to manage its operations in a sustainable manner.
MFI 3	Good capacity of the MFI to manage its operations in a sustainable manner.
MFI 4	Above Average capacity of the MFI to manage its operations in a sustainable manner.
MFI 5	Average capacity of the MFI to manage its operations in a sustainable manner.
MFI 6	Below Average capacity of the MFI to manage its operations in a sustainable manner.
MFI 7	Weak capacity of the MFI to manage its operations in a sustainable manner.
MFI 8	Poor capacity of the MFI to manage its operations in a sustainable manner.

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General Information

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	

GRADING RATIONALE

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).

Mission & Vision of HMPL

The **Mission Statement** of HMPL is “To provide financial services to 1 million low-income clients by 2025, through innovation driven cutting edge financial solutions”.

The **Vision Statement** of HMPL is “To become the best financial service provider in India by providing financial services in a sustainable and socially responsible manner to the low-income sections of the society.”

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 Annamalai	76 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 three decades in Management of Rural Financial Institutions/Micro Finance Institutions.	50+	15+

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
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+

Profile of Senior Management HMPL

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 Region Region)	Graduated	Anirudha comes with an overall experience of 07 Years. Vishal has started his career with MFI industry. He has joined HMPL at a BM position and grown to a Zonal Head which is an outcome of his well-deserved effort & hard

Name	Designation	Qualification	Total years of experience
			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
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

Name	Designation	Qualification	Total years of experience
			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 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

Name	Designation	Qualification	Total years of experience
			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.

TOSS FRAMEWORK

Transparency		Above Average
<ul style="list-style-type: none"> ○ 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 in that region. 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). ○ Experienced founder group and reasonably experienced governing body members, which meets on a quarterly basis. ○ The existence of monitoring committees like HR & staff grievance committee, audit compliance corporate governance committee, risk, and grievance redressals committee. ○ Credit policies are well-established, documented and communicated. ○ Transparency in the lending process and monitoring of end use of funds is adequate. The borrowers are aware of the lending policies of the company. ○ The auditor has submitted an unqualified audit report and satisfactory feedback about the company. ○ Overall disclosures are moderate. 		
Operational Setup		Strong
<ul style="list-style-type: none"> ○ Long experience of management in microfinance, banking, financial, audit, risk, and social developmental activities. ○ Supported by a nine-members board with experience in microfinance, social services, and banking. ○ HMPL has a well-defined organization structure with a 4-tier reporting hierarchy and the existence of separate departments with clearly defined roles and responsibilities. ○ The company follows JLG, MSME (secured and Unsecured) approaches to extend the loans to individual and small enterprises through MSME lending operations. ○ The company uses “CoPASS Technology” developed by CoPASS Technology & Services Private Limited to ensure smooth flow of operational data between Head Office and branches. It is very 		

user-friendly software which enables proper tracking and maintenance of MIS and preparation of reports within a minute.

- An adequate risk management system for tracking overdue and collection of delinquent loans is in place.
- Risk management systems are in place & commensurate with the size of the operation. Takes insurance cover for employees for infidelity, cash in transit and cash in safe. Insurance cover is also taken for borrowers & their spouses.
- Loan disbursements are made by the Head Office between 9am - 12.00pm through Bank Accounts of the borrowers after proper verification by the Head Office officials.
- The Company also conducts various internal and external training for their employees

Scale of Operations

Modest

- Operates in 68 districts of 7 states through a network of 129 branches as on March 31st, 2023.
- HMPL is a modest sized MFI player with a loan portfolio stood at Rs.354.74 crore as on March 31, 2023 (Rs.285.90 crore as on March 31, 2022).
- Adequate borrower base, covering 132337 active borrowers as on March 31, 2023 (132177 as on March 31, 2022)
- HMPL has Three loan products.

Sustainability

Average

- Strong second line of leadership; most of the senior management have adequate experience to manage the growing scale of operations.
- Legal form allows equity infusion from investors.
- Moderate operating risk profile where OSS stood at 103.02% in FY23. ROTA marginally improved at 2.28% in FY23.
- The asset quality stood at comfortable levels in the past year.
- The CAR remained satisfactory at 46.92% as on March 31, 2023 (47.92% as on March 31, 2022)
- PAR > 30 days has significantly improved from 11.12% as on March 31, 2022, to 2.06% as on March 31, 2023. Similarly, PAR > 90 days was also significantly improved from 9.69% as on March 31, 2022, to 1.53% as on March 31, 2023.

Industry outlook: Post the AP crisis and regulatory intervention by RBI, the microfinance sector has seen growth in loan portfolio on account of improving funding profile, control in operating expenses, improving margins and moderate leverage levels. The current focus of the microfinance sector is mainly on micro-credit with other products still evolving. Going forward, MFIs are likely to expand their client base and reach out to more underserved areas of the country. HMPL has presence in areas with moderate penetration of other MFIs. However, the short-term outlook of MFI industry looks grim due to nationwide impact of lockdown attributable to Covid-19 outbreak.

Operational outreach

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

Financial Sustainability

(Rs. crore)

Financial Performance	FY21	FY22	FY23
Interest on Loans (Inclusive of Indirect Taxes)	3.86	7.92	12.20
Other Interest Income	0.07	0.11	0.23
Other Operating Income	-	0.14	0.11
Income from Business Correspondent services	14.47	18.98	21.90
Dividend / Profit on sale of investments	-	-	-
Bad debts Recovered	-	-	-
Total income	18.41	27.17	34.49
Financial cost	1.10	1.62	2.62
Net interest income	17.30	25.39	31.71
Total operating expenses (incl. depreciation)	16.90	25.04	31.26
Income Tax	0.01	0.10	0.07
PAT	0.23	0.32	0.36
Financial Position	FY21	FY22	FY23
Net worth	13.53	13.67	13.00
Total Debt	7.86	25.14	29.58
Loan outstanding – own	15.17	30.56	30.12
Assets under management	232.71	285.90	354.74
Total Assets	24.68	43.56	45.61
Key ratios (%)	FY21	FY22	FY23
Growth Ratios			
Total Assets	2.15%	79.66%	5.23%
Tangible Net Worth	0.15%	1.06%	(4.88) %
Total Capital Employed	(3.55) %	81.60%	9.17%
Total Income	58.60%	47.56%	26.95%
PAT	(111.47) %	43.50%	12.13%
Solvency Ratios	FY21	FY22	FY23
Overall Gearing (times)	0.58%	1.84%	2.27%
Interest coverage (times)–before provision & write offs	2.47%	1.58%	1.48%
CAR %	81.43%	47.92%	46.92%
Profitability & Operating Efficiency Ratios (%)	FY21	FY22	FY23
Interest income/Avg. Interest earning assets (A)	127.46%	117.64%	112.39%
Interest / Avg. borrowed funds (B)	13.24%	9.81%	9.58%
Interest spread (A-B)	114.22%	107.82%	102.81%
Net Interest Margin (NIM)	120.31%	111.02%	104.52%
ROCE	6.89%	7.02%	7.91%

Financial Performance	FY21	FY22	FY23
Interest / Avg. capital employed	5.00%	5.34%	6.41%
Expenses / Avg. capital employed	71.61%	81.13%	74.81%
Cost of capital	5.00	5.34	6.41
Net spread	1.90%	1.69%	1.50%
Return on total assets (PAT / Avg. Total Assets)	0.92%	0.95%	0.81%
Cost to Income ratio	90.71%	96.29%	96.02%
Operational Self- Sufficiency	102.31%	101.92%	101.82%
Operating expense/Total Operating Income	85.31%	90.56%	88.72%
PAT (after deferred tax)/ Total Income	1.22%	1.19%	1.05%
RONW	2.97%	3.05%	4.11%
PAR > 30 days (%)	3.38%	11.12%	2.06%
PAR > 90 days (%)	2.63%	9.69%	1.53%

Earnings profile

- HMPL witnessed continuous growth in its total income over the past three fiscals. With high loan disbursements year-on-year, the company reported a net profit of Rs. 0.36 crore on total operating income of Rs. 34.49 crore in FY2023.
- The profitability of HMPL remained healthy over the past two years. The company has posted a PAT margin of 1.05% (1.19% in FY2022) and ROTA of 0.81% (0.95% in FY2022) respectively in FY2023.
- HMPL's capital adequacy ratio (CRAR) has marginally deteriorated to 46.92% as on March 31, 2023, as compared to 47.92% as on March 31, 2022. However, CRAR remains comfortably above the RBI stipulated 15% for NBFC-MFIs.
- The operational self-sufficiency (OSS) of HMPL stood at 101.82% in FY2023, compared to 101.92% in the previous fiscal.
- The company had a gearing of 2.27x as on March 31, 2023, which was higher than 1.84x in the previous year due to additional debt taken during FY2023.

Asset Quality (NPA Profile):
(Rs. Cr.)

Particulars	FY21	FY22	FY23
Gross NPAs	0.49	0.00	0.16
Net NPAs	0.34	0.00	0.04
Gross NPA/ Gross Advances (%)	3.18%	0.00%	0.53%
Net NPA / Net Advances (%)	2.20%	0.00%	0.13%
Net NPA / Net worth (%)	2.51%	0.00%	0.31%

HMPL has maintained healthy asset quality with low gross and net NPAs of 0.16% and 0.04% respectively in FY2023. The net NPA/net worth ratio was also comfortable at 0.31% for FY2023.

HMPL 's position with new RBI's guidelines 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

<p>Each RE shall have a board-approved policy regarding the limit on the outflows on account of repayment of 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>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 approved by the board and it is ensured that the same is followed.</p>	<p>Complied</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 microfinance loans.
 - o 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.

Borrowing Details as on April 30, 2022

(Rs Crores)

Bankers	Bank facility	Sanctioned Amount	Amount Outstanding	Interest rate (%)
State Bank of India	Cash Credit	1.00	0.99	10.25%
State Bank of India	Term Loan	12.00	11.08	10.30%
Union Bank of India	Term Loan	9.00	5.00	9.25%
Bank of Baroda	Term Loan	12.00	6.67	9.30%
Vivrti Capital Ltd	Term Loan	1.50	0.84	14.50%
IDFC First Bank LTD	Subordinate Fund (Tier-2 Capital)	5.00	5.00	16.50%
Term Loan		41.00	29.58	

Note: As per our discussion with the bankers, the firm is maintaining its facilities adequately and their code of conduct is also appropriate.

Due Diligence done on June 08, 2023, by Rahul Chinnam, Analyst

Stake holder		Feedback	Remarks
State Bank of India	Mr. Muzahir Qureshi M.no – 91-9004371753 Email Id - sbi.04832@sbi.co.in	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Union Bank of India	Mr. Dhirakkumar M.no – +99108 33918 Email Id - cbssantacruz@ unionbankofindia.com	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Bank of Baroda	Mr. Samir Shah M.no – 91-91370 22702 Email Id - chanda@bankof baroda.com	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Vivrti Capital Ltd	Mr. Bhabesh Kanhar M.no – 91-9163897509 Email Id - bhabesh.kanhar @vivriticapital.com	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
IDFC First Bank LTD	Mr. Aditya Upadhyay M.no – 91+ 84468 25684 Email Id - Aditya. upadhyay1@ idfcfirstbank.com	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.

No Default Statement

Latest Statement Date	Details of Delays, if any	Remarks
September 10 th , 2023	No Delays	-

MANAGEMENT DISCUSSION & ANALYSIS

Management Personnel Met	Mr. Ganesh (Vice President)
Date of Meeting	10 th November 2023
Issues raised by INFOMERICS	Management's Response
Growth plans	The company is planning to avail additional term debt from banks for its growth purpose. Further to maintain its CAR, the promoters are planning to infuse around Rs 1.00 crore for own portfolio till Q3FY24.
Current year performance	During the current year i.e., from April 01, 2023, to September 31 st , 2023; the company has total income of Rs. 21.30 crore with PAT of Rs 0.28 crore. Further the total loan portfolio 400.78 outstanding was Rs. crore (owned and managed portfolio) in 7 MFY24.
Moderation in profit margin	The company is in the process to avail itself of term debt from various financial Institutions where cost of borrowing is lower compared to FIs.

Senior Management Profile

TRANSPARENCY

<p>Governance</p>	<ul style="list-style-type: none"> • HMPL is registered as a NBFC- MFI. The advantage of this legal form is that it allows equity infusion from individual/institutional investors. • HMPL is headed by a 4-member board having experience across banking, finance, law, administration, and social developmental services. • 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. • The Board of Directors periodically assesses strategic, operational, technology and financial matters besides laying down policies and procedures for operational management of the company. • The board meets at least on quarterly basis to monitor the progress and discuss financial & operational performance. • HMPL Finance Limited has formed various monitoring committees like HR, audit, grievance redressals committee etc. • The monitoring committee meets on a quarterly basis to monitor the progress and discuss the financial and operational performance of the organization.
<p>Transparency in lending process</p>	<ul style="list-style-type: none"> • Credit policies are well-established, documented and communicated. • The lending policies (including interest rate, processing fees and other charges) are clearly communicated to the borrowers at group meetings through training programs & orientations. • Borrowers are made to sign a loan agreement clearly stating the terms & conditions and the covenants, thereof. Most borrowers are aware of the credit policies. The set of rules and regulations in relation to the lending policies are also displayed at the branches of the company on boards. • Following points are also communicated through written documents: <ul style="list-style-type: none"> • Interest rate • Processing fees • Loan tenure and payment schedule
<p>Audit Quality</p>	<ul style="list-style-type: none"> • The auditor has given an unqualified report and satisfactory feedback.
<p>Internal Controls</p>	<p>Internal Audit</p> <ul style="list-style-type: none"> • HMPL internal audit covers operations processes both in the field and back office. The audit of field operations includes pre-inspection checks of all the forms with respect to KYC details provided by the members, ratings (high mark check) done by the Credit Officer (CO) /Branch Manager (BM), random utilization check post disbursement, tele verification of pre and post-disbursement, cross checking of area surveys, credit initiation process such as group homogeneity, CGT, GRT, loan disbursement, etc. Daily/ weekly demand projection is generated by “Shakti Software” that is shared with the accounts department and the operations team. Collection entries are updated in the software once the collection is done. The

	<p>MIS monitors the daily collection reports and ensures that daily collection matches the entry in the projection report. The accounts team ensures that the amount deposited in the bank matches with that of the collection amount in the daily collection report. HMPL has also adopted fair practices code issued by RBI for client protection.</p> <ul style="list-style-type: none"> • Audit of branches are conducted on quarterly basis. • Once the audit is completed, the report is prepared in a predefined format and a copy of it is report is submitted directly to the audit committee and board of directors.
Policies	<ul style="list-style-type: none"> • Credit policies are clearly defined and documented (embedded in the operation manual) • 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. • HR policies are clearly defined and documented. • HR policies encompass recruitment and selection, induction and training, performance management and compensation management.
Transparency in utilization of funds	<ul style="list-style-type: none"> • Submits information/ book debt statements as per the requirement of the lender. • Report is submitted to banks and financial institutions on a quarterly basis as per the stipulation of the lender. • Reporting to lenders on collection and delinquency is also provided on regular basis.
Grievance redressals mechanism	<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. • The helpline will remain opened during the office hours only in all working days from 9AM to 6 PM.

OPERATIONAL SETUP

Management	<ul style="list-style-type: none"> • The board is headed by Mr. Anil Laxman rao Jadhav, Managing Director. He has more than 40 years of experience in the financial and Microfinance sector and has been associated with the company for last 20 years. • HMPL Finance Limited have nine governing body members with strong academic and managerial expertise in finance, microfinance, banking and social developmental services. • The MFI has other director- Mr. Satishkumar Gopalkrishnan Rao, who holds more than 30 years of experience in the same sector.
Organizational Structure	<ul style="list-style-type: none"> • HMPL Finance Limited has a well-defined organization structure with a 4-tier reporting hierarchy whereby it has, Field/Credit officers (FO/CO), Branch Managers (BM), Regional Manager (RM), Chief Executive Officer (CEO), Various Departmental Heads, Managing Director (MD), and the Board Members. The company has been able to engage professionals in different

	<p>departments, all having considerable experience in their area of expertise.</p> <ul style="list-style-type: none"> • It has created separate departments with clearly demarcated roles and responsibilities for handling different functions. The detail organization structure is presented in Annexures 2.
Level of decentralization of branches	<ul style="list-style-type: none"> • At Branch Level the Branch Manager and Credit Officer should look after the Branch administration and decorum. • Branch Manager will visit and interact with staff to find out their awareness level of the organization and product for recommendation and cross verification. After the recommendation, the loan committee will approve the loan amount then the loan will be transferred to the borrower account.
Second line of leadership	<ul style="list-style-type: none"> • Senior members have strong and diversified experience in the fields of microfinance, banking, financial, audit, risk and social developmental activities. • The majority of the senior members understand the issues involved in day-to-day functioning and are involved in strategic decision making of the organization. Thus, at present HMPL Finance Limited has a reasonable second line of leadership. Brief profile of the senior management is provided above.
Human resources management	<ul style="list-style-type: none"> • Recruitment is done through employee referrals, a company website, advertisement etc. followed by a series of interviews with senior management. • The HR team visits respective branches and arranges interviews of local candidates. • Compulsory induction training is given to all new recruits on joining for about 1 day at respectively Branches, followed by on-the-job training. • Training is given to fresh employees by the senior management members and an experienced trainer. Apart from this, periodic training programs are also conducted for staffs on a regular basis. The senior management members participate in external training programs, workshops, and conferences. • The compensation structure of the employees contains the following components: <ul style="list-style-type: none"> • Fixed Pay: The fixed pay includes Basic and a fixed amount as allowance. • Other Expenses: The employees are provided with reimbursement for their travel expenses as per the organization's policy. • All the statutory employee benefits such as PF, gratuity, ESI, etc. are being provided to all the employees. • Performance appraisal is conducted once each year.

	<ul style="list-style-type: none"> The recruitment process is centralized at Head Office (HO) and is mainly handled by the HR manager under the guidance of the senior management. Total staff strength of 1317 employees of which 904 are Field/Credit officers as on March 31, 2023. <table border="1" data-bbox="485 398 1385 790"> <thead> <tr> <th>Particulars</th> <th>No. of employees</th> </tr> </thead> <tbody> <tr> <td>Senior Management</td> <td>15</td> </tr> <tr> <td>Field Staff</td> <td>754</td> </tr> <tr> <td>Credit Officer (CO)</td> <td>153</td> </tr> <tr> <td>Branch Manager (BM)</td> <td>154</td> </tr> <tr> <td>Regional Manager (RM)</td> <td>26</td> </tr> <tr> <td>Divisional Manager (DM)</td> <td>0</td> </tr> <tr> <td>Others (HO & Branch staff)</td> <td>215</td> </tr> <tr> <td>Total</td> <td>1317</td> </tr> </tbody> </table> <ul style="list-style-type: none"> There is a well-defined promotion policy for the employees. Promotion of the employees depends upon the performance, skills, and written exam. The exam for the same is conducted on a half yearly basis. Encourages active participation in workshops and external training programs conducted by banks, financial institutions, etc. 	Particulars	No. of employees	Senior Management	15	Field Staff	754	Credit Officer (CO)	153	Branch Manager (BM)	154	Regional Manager (RM)	26	Divisional Manager (DM)	0	Others (HO & Branch staff)	215	Total	1317
Particulars	No. of employees																		
Senior Management	15																		
Field Staff	754																		
Credit Officer (CO)	153																		
Branch Manager (BM)	154																		
Regional Manager (RM)	26																		
Divisional Manager (DM)	0																		
Others (HO & Branch staff)	215																		
Total	1317																		
<p>Operational methodology</p>	<p>HMPL provides loans to the individual members of groups for undertaking various income generating activities.</p> <p>JLG Lending/MSME (Secured and Unsecured)</p> <ul style="list-style-type: none"> A dedicated team along with people from operations selects potential areas based on demographic and socio-economic profile. The CO visits the local areas & villages, interacts with potential customers regarding HMPL'S retail lending activity and their financial requirements. HMPL follows a model of joint liability of the group as well as self-help group model wherein the group members undertake the responsibility of forming a group undertaking joint liability to ensure timely repayment of loans. JLG should have 5 to 10 members. Widows and destitute groups should have a minimum of 10 members. After identification of target groups, Compulsory Group Training (CGT) of 3 days duration is arranged by CO in which intending loanee members are invited to participate. In this training programmed, participants are imparted a thorough idea about the loan procedures, interest rate, processing fees and other charges, repayment schedule, insurance benefits and other loan related information etc. 																		

	<ul style="list-style-type: none"> • Compulsory Group Training (commonly known as CGT) is a 3-level training programmed to make the clients aware of the products, rules and procedures. By the end of the 3-level training, clients must be well versed in all the terms of the product, rules and procedures related to their social and economic development, the loan application and repayment. Through CGT regular meetings have become a habit of the clients. Timeliness and disciplines are systematically taught to clients through CGT which needs to be maintained through the entire programmed. • Intending loanee members shall apply for loan, which shall contain purpose of the loan, loan amount. The CO shall ensure that the loan applications have been properly filled in along with KYC documents and confirm the loan policy of the organization. • Group Recognition Test (GRT) is kind of final test for the centre GRT can be carried out only by BM. They are to be carried out at the time and venue that is convenient for the prospective clients. The BM shall refer to the GRT Form which contains details of all activities. The GRT should be completed within day after completion of days 3 of CGT. <p><u>Rationale of the GRT</u></p> <ul style="list-style-type: none"> ✓ To verify the customer profile (should fit into target segment) ✓ To determine whether the prospective clients meet the conditions of group formation, and that they know and trust each other well, by questioning them. ✓ To determine the prospective clients' knowledge and understanding of agreement with the objectives and important rules of the micro finance program, particularly the verbal contract, by testing them verbally (each member must pass before the Group can be passed). <p>The GRT can be used as a tool to get useful feedback from the prospective clients and their husbands about the attractiveness of the micro finance program and how it could be made more attractive.</p> <ul style="list-style-type: none"> • The BM ascertains if all the members know each other and whether they are aware of their family details, income levels and repayment capability in case a particular member avails a loan. • Once the members answer the questions satisfactorily, and group solidarity is ascertained, the group is passed, and BM informs them of the tentative disbursement date & the EMI date. This is fixed based on the slot availability of the time and date of CO. • The BM then briefs the group on the importance of Joint Liability in availing a loan and takes verbal confirmation from the client. • Very important: If the members do not pass the GRT the BM shall in a polite manner convey his decision of not approving the
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	<p>loan. Further the BM shall communicate to members as to when the GRT shall be held.</p> <ul style="list-style-type: none"> • For every group there is a group leader selected by the group to manage the operations of the group.
<p>Appraisal process</p>	<p>Appraisal Process:</p> <ul style="list-style-type: none"> • Loan application is collected by CO, who then makes a visit to the prospective member's household and/or business place and examines the credit history, business prospects and other aspects. • CO verifies borrower's repayment capacity through household visit and visit to the business entity or activity. • During appraisal, the documents that are collected from the borrower are photo, id proof, and address proof. The documentation is adequate. • Borrower's repayment capacity is further corroborated by group members. • Then CO submits the loan application to BM along with KYC documents. Branch Manager conducts the appraisal and frames his comments on the loan application. From Branch Manager, the next level of screening is done by the respective Area Manager. After his consent, the proposal goes to the HO credit committee, which includes Chief Operating Officer (Operations) and the Finance & Accounts Departmental Heads for final approval based on the recommendation of the Branch Manager and the past repayment history of the groups. • The operations are centralized with Head Office (HO) having the final authority for loan sanction & disbursement. However, the Branch Manager is responsible for loan collection and delinquency management. <p>Credit Risk:</p> <p>To avoid credit risk, HMPL has adopted the following procedures:</p> <ul style="list-style-type: none"> • Stringent Know Your Customer (KYC) policy is manifested and maintained. • The Audit Executive is responsible for the accuracy of all data entries, documentation, and audit compliance. • Field investigations are done by Credit Officers and Branch Manager. • The software automatically prepares enquiry format in the backend for each customer and sends to CIC (through partner's credentials) and obtains a credit bureau report (CBR). RBI guidelines on multiple lending and client over-indebtedness frame the base criteria for any loan approval. Stringent appraisal system to assess the genuine need of the customer. • Centralized connect with each customer for ensuring righteous and timely credit.

	<ul style="list-style-type: none"> • Effective loan end use verification and loan monitoring mechanism for credit risk management. • Constant contact with customer by field functionaries and end use verification. • Adoption of UID for all loan disbursed to make the Credit Bureaus Information more reliable and reduce the systemic risk significantly. • Credit and HR policies are clearly defined and documented. • Credit policies are largely adhered to formation of groups, field verification and credit appraisal. • Regular checks in System for better monitoring.
<p>Disbursement process</p>	<ul style="list-style-type: none"> • Sanctioning and disbursements of loans are made to the borrowers from Head Office through Bank Accounts of the borrowers after proper verification by the Head Office officials. Once the disbursement is made, a message is delivered to the borrower regarding the same. • Loans are disbursed only for viable projects, such as- agriculture, animal husbandry, small transport, small cottage, small business, small trading, service, and sanitation. • At the time of disbursement, loan agreements are executed from the borrowers. • All disbursements are made at the branch in the presence of CO and BM and one witness from the respective group/center other than the center leader. The witnesses cannot be borrowers. If the disbursement is cancelled in full or part, the same has to be informed to the Area Manager, Finance and the Operations department immediately via email. Any cancellation of a loan, at the time of disbursement, must be informed to Operations and Finance to avoid future reconciliation issues. • Borrowers sign their name on the Loan Disbursement Sheet acknowledging the receipt of the loan. • Loan books are provided to borrowers and the loan register is maintained at group level. • One copy of loan agreement is provided to the customer as per their request.
<p>Loan collection process</p>	<ul style="list-style-type: none"> • All of the loans of HMPL are under monthly instalment method. Every credit officer has a collection register where he notes the daily demand details from the software before going to field for collections. • The collection of loan is done by mode cash and bank transfer. • The collections are made at the group meetings where the credit officer signs the loan card while collecting the amount and

	<p>separate receipt is issued. The loan card also has the amount to be collected on that particular date.</p> <ul style="list-style-type: none"> • The credit officer also ensures the maintenance of group register where the attendance of all the group members for the meeting and the resolution passed during the meeting where noted. Resolutions passed also capture addition of new members to the group and minutes any other agenda points. • Daily Repayments are collected at the pre-decided place and time by the CO and handed over to the BM by 1:00 PM - 6:00PM.
<p>Overdue management process</p>	<ul style="list-style-type: none"> • Adequate risk management system for tracking over-dues and collection of delinquent loans is in place. • In the initial stages of over-due, CO does the follow up and if the overdue period is elongated then the BM steps in to make recovery. There is a well-defined process laid out for follow-up and collection of delinquent loans based on overdue bucket. In case of other cases, intervention of HO is done.
<p>Management Information Systems</p>	<ul style="list-style-type: none"> • The Company has the web based on-line software “Shakti Software” to ensure smooth flow of operational data between Head Office and branches. • This is used for maintaining MIS which will help the company better to manage the customer loan lifecycle. • It is very user-friendly software which enables proper tracking and maintaining of MIS and preparation of reports within a minute • The company has also implemented a technology enabled inbound and outbound service and also to redress their grievances. • In addition, the company has commenced digitization of all documents and records for easy storage and retrieval. • All the branches are being computerized. The loan documentation process is maintained as individual basis. • The types of reports is being generated like – Branch Summary, Demand vs Collection, PAR Report, Disbursement and Repayment Report, Outstanding Report, Route Plan, Insurance Report, Performance Report etc.
<p>Cash management systems</p>	<ul style="list-style-type: none"> • HMPL has reasonable cash management systems in place at all branches. • HMPL has opened separate bank accounts for each of the branches. • Branches deposits cash in the branch bank account on the same day or next day of collection. Cash vaults/Almirah is present at every branch for safe keeping of cash. • Funds that need to be transferred from HO to branches are done through RTGS. Salaries of the employees and reimbursement of expenses are paid in respective bank account.

	<ul style="list-style-type: none"> The details of transactions for the day are updated in the MIS daily.
Insurance	<ul style="list-style-type: none"> HMPL provides insurance services with ICICI Insurance to its clients. The loan amount is covered in the case of client's death.

SCALE OF OPERATIONS

Key Factors	As on March 31, 2023	
Client base (Number)	<ul style="list-style-type: none"> HMPL extends loans to JLG , MSME The JLG groups associated with HMPL have all women members. Number of active JLG groups as on March 31, 2023 was 21983 and 132337 active borrowers respectively. 	
Assets management under	<ul style="list-style-type: none"> Loan disbursed during FY2023 was Rs. 276.43 crore Total outstanding loan portfolio stood at Rs. 354.74 crore as on March 31, 2023 	
Geographical diversification	<ul style="list-style-type: none"> Presence in 68 districts of 7 states with 129 branches as on March 31, 2023. 	
Total income	<ul style="list-style-type: none"> Total income stood at Rs 34.49 crore with a PAT of Rs. 0.36 in FY23 	
Current performance during 7 MFY24	Particulars	Rs in crore
	Total Income	21.30
	PAT	0.28
	Tangible Net worth	13.78
	Total loan portfolio outstanding (owned and managed)	400.78
	Total debt	24.32

Operational Sustainability

Operational Sustainability	
Second line of leadership	<ul style="list-style-type: none"> Majority of the senior members understand the issues involved in day-to-day functioning. Involved in strategic decisions as they have developed a good understanding of the microfinance sector. Senior members are experienced in fields like microfinance, banking, financial, and social developmental activities.
Competition	<ul style="list-style-type: none"> HMPL is operating in the 7 states i.e., Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Rajasthan, Telangana and Maharashtra and the state has high penetration of MFIs given the limited reach of the formal banking system. However, the company is mostly targeting areas which still have limited competition. As on March 31, 2023, HMPL portfolio is concentrated in the state of Maharashtra accounting ~32 percent and ~68 percent in other 6 states. To mitigate any potential risk arising out of geographical concentration, HMPL has been diversifying its presence across states.
Industry Outlook	<p style="text-align: center;"><u>Industry Risk Analysis</u></p> <ul style="list-style-type: none"> Credit risk is the most common risk for MFI. The risk is of greater significance for MFIs as it must deal with many clients with limited literacy. Further, MFI provides unsecured loans, i.e., loans without any collateral. Transaction risk is related to the individual borrower with which the MFI is transacting. A borrower may not be trustworthy and capable of repaying loans which will result in loss of loan. All loss of loan related to the delinquency of individual clients which can be because the client's migration, wilful defaulting, business failure, etc. Portfolio risk is related to factors, which can result in a loss in a particular class or segment of the portfolio. For example, an MFI may lose a portfolio with a particular community, locality, or a particular trade due to some external reasons. These reasons could be political, communal, failure of an industry /trade, etc. Delinquencies can also happen as an aftermath of a natural disaster such as floods, drought, earthquakes, or epidemic. <p style="text-align: center;"><u>Industry Outlook:</u></p> <ul style="list-style-type: none"> During the first COVID wave, the rural portfolio was impacted to a lesser extent than the urban portfolio and thus saw a faster recovery as disbursements also recovered especially in the second half (2H) of FY2021-22. The incidence of most of the relevant provisions will also fall in FY2022, given that the bulk of the second wave portfolio deterioration would happen at the beginning of FY2022.

	<ul style="list-style-type: none"> • The impact of the credit costs on account of the second wave, would be higher in the annual financials for FY2022 than FY2021 and possibly even the demonetization crisis where credit costs were spread over three years as the event occurred at end-third quarter (3Q) of FY2016-17. • Smooth access to funding and liquidity would be critical for the MFI sector. For most large MFIs with assets under management (AUM) above Rs50 billion or MFIs that are part of large groups, bank funding lines could continue and hence they may not face immediate liquidity stress. Mid and small MFIs shall continue to face challenges in fund raising and or borrowing costs. • The microfinance industry is likely to face asset quality pressures in the near term due to the recent surge in COVID-19 infections and localized restrictions. However, a majority of micro finance institutions (MFIs) will be able to withstand any stress due to their improving collection efficiency and good on-balance sheet liquidity. • Improvement in collection efficiency and pickup in growth in AUM in H2 FY2021 has helped the industry witness marginal improvement in the overdue portfolio (0+ days past due (dpd)) to 16.7 per cent as on December 31, 2020, which had earlier increased to 18.1 per cent as on September 30, 2020, after the lifting of the moratorium. • The industry also witnessed a reduction in the overall cost of funds during this period. However, despite this, the industry is expected to witness a reduction in net interest margins (NIMs). This is owing to reduced interest income with portfolio growth happening only towards H2 FY2021 and negative carry because of excess on-book liquidity. • Nevertheless, the pick-up in AUM growth in FY2022, along with the increase in provision cover in FY2021, is expected to drive profitability upwards in FY2022, though the same is likely to remain below pre-Covid profitability level.
Loan Products	<p>HMPL offers two loan products as on March 31, 2023. Details on the loan product are provided in Annexure 3.</p> <p>The company provides loans to the JLG members and LAP loan based on their requirements.</p>
Access to funds and ability to raise funds	<p>HMPL has access to funds from bank and financial institution, on the back of its satisfactory operational and repayment track record.</p>
Vision	<p>In coming years, HMPL plans to expand its branch network in and around the above-mentioned states.</p>
Efforts to increase outreach and coverage	<p>HMPL is expecting significant increase in its income from micro financing activities with proposed scaling up of its operations in other districts of the existing states.</p> <p>The microfinance business has been in a subdued state since last few years as the financial institutions have reduced lending to microfinance sector due to occurrence of some chit fund activities and covid impact on the rural economy.</p>

ANNEXURES

Annexure 1: Past and Projected Financials (Rs. crore)

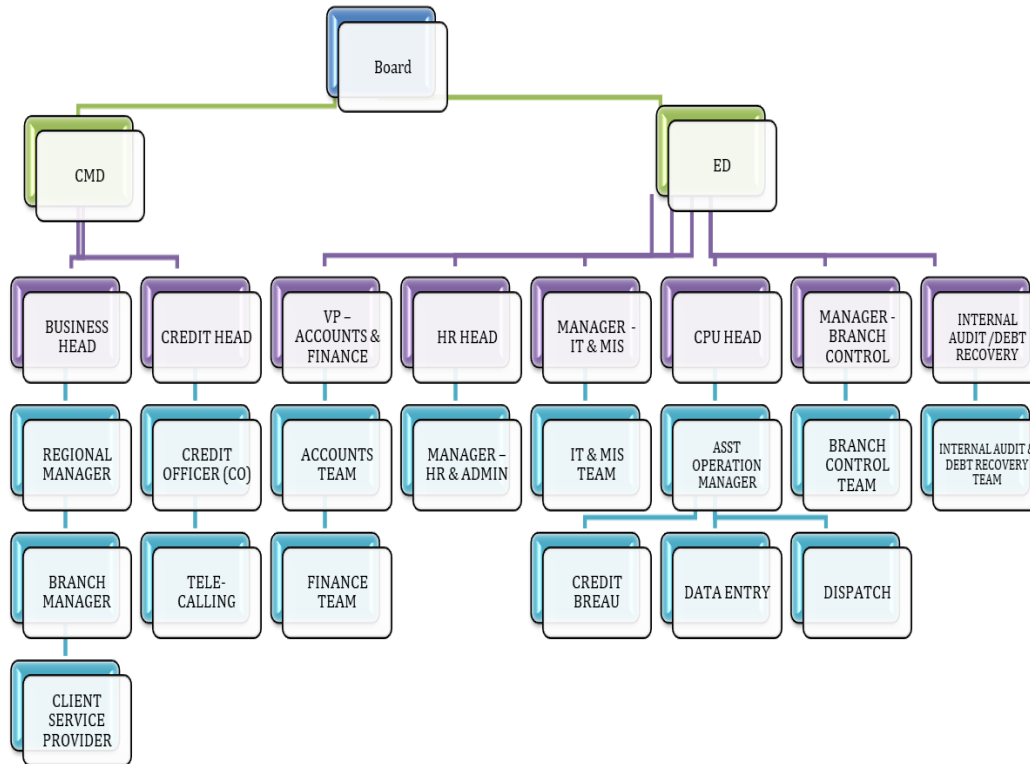
For the year ended	31-Mar-22	31-Mar-23	31-Mar-24
	Audited	Audited	Projection
Interest income from Loan Portfolio	7.92	12.20	4.72
Commission Income	-	-	0.32
Processing fee on Loan Portfolio	-	-	8.37
Income from Business Correspondent services	18.98	21.90	31.48
Other Interest Income	0.11	0.23	-
Other Operating Income	0.14	0.11	0.46
Total Income	27.17	34.49	45.35
Depreciation on owned assets	0.44	0.49	0.53
Provision for Std. Assets & NPA/ Write-off	-	-	0.04
Bad debts & prov. for debts	0.44	0.66	-
Employee Benefit Expenses	19.93	23.96	31.08
Other Expenses	4.24	6.15	8.91
Total Expenditure	25.04	31.26	40.56
PBIT	2.13	3.24	4.79
Interest	1.62	2.62	3.46
Total Operating profit	0.51	0.61	1.33
Other Income	0.02	0.05	-
PBT	0.51	0.61	1.33
Income Tax	0.10	0.07	0.40
Income Tax adjustment for earlier years	-0.01	-	-
PAT (before deferred taxation)	0.41	0.55	0.93
Deferred taxation	0.09	0.19	-
PAT (after deferred taxation)	0.32	0.36	0.93

Balance Sheet (Rs. Crore)

Particulars	31-Mar-22	31-Mar-23	31-Mar-24
	Audited	Audited	Projection
Equity and liabilities			
Shareholders' funds			
Share capital	13.01	12.01	13.01
Reserves and surplus	0.66	0.99	1.35
Total	13.67	13.00	14.36
Non-current liabilities			
Long-term borrowings	11.67	12.58	16.40
Long term provisions	0.31	0.12	0.12
Other non-current liabilities	5.00	5.00	-
Total	16.97	17.70	16.56
Total short-term funds	8.47	12.00	12.24
Current Liabilities	4.44	2.91	3.35
TOTAL LIABILITIES	43.56	45.61	46.51
Assets			
Non-current assets			
Fixed Assets	0.83	0.91	1.24
Loan Portfolio	7.09	8.92	10.88
Other non-current assets	2.39	3.15	3.27
Intangible assets	-	-	-
Current assets			
Cash and bank balances	0.98	3.94	2.63
Loan Portfolio	23.47	21.20	20.21
Short term loans & advances	1.09	1.09	1.09
Other current assets	0.15	6.03	6.03
Fixed deposits with bank			1.51
TOTAL ASSETS	43.56	45.61	46.51

ANNEXURE 2: Organisational Structure

HMPL Finance Limited has a well-defined organization structure, with clear departmental demarcation. All major departments are controlled from head office.



ANNEXURE 3: Loan Products

S No.	Loan Product Name	Type Of Product	Age Limit	Tenure	Collection Frequency	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 %+GST	22%-25%
3	MSME - Unsecured	MSME	18-58	up to 36 Months	Monthly	1-5 Lakh	3%+ GST	15%-24%

Annexure 4: Asset Profile
(Rs crore)

Particulars	March 31, 2021		March 31, 2022		March 31, 2023	
	Amount	%	Amount	%	Amount	%
Loan portfolio Actual	15.17	61.49%	31.24	71.32%	30.12	66.04 %
BC Fees (Debtors)	4.35	17.63%	4.13	9.43%	3.53	7.74%
Investments	0.00	0.00%	0.00	0.00%	0.00	0.00%
Fixed Assets	0.74	3.00%	0.98	2.24%	0.91	2.00%
Deferred Tax Assets	0.86	3.49%	0.77	1.76%	0.58	1.27%
Other non-current assets	0.00	0.00%	0.00	0.00%	3.15	6.91%
Cash & Bank Balances	1.48	6.00%	0.98	2.24%	3.94	8.64%
Other current assets	2.07	8.39%	5.70	13.01%	3.38	7.41%
Total Assets	24.67	100%	43.80	100%	45.61	100%

Annexure 5: Diversified resource profile
(Rs. crore)

	FY21	FY22	FY23
Net worth	13.52	13.67	13.00
Term Loans banks and financial institutions	1.28	18.68	22.75
Bank borrowing (CC)	1.34	1.46	0.99
Unsecured Loans	5.00	5.00	5.84
NCD	-	-	-
Preference share capital	2.00	1.00	1.00

Annexure 6: Portfolio Details

6.1 State-wise portfolio concentration

(Rs. crore)

State	FY21		FY22		FY23	
	Rs.	%	Rs.	%	Rs.	%
Andhra Pradesh	-	0.00%	8.46	2.94%	23.07	6.50%
Gujarat	45.60	19.62%	65.65	22.83%	79.95	22.52%
Karnataka	42.12	18.12%	47.44	16.49%	59.15	16.66%
Madhya Pradesh	36.51	15.71%	42.02	14.61%	42.83	12.06%
Maharashtra	108.05	46.50%	114.07	39.66%	114.20	32.17%
Rajasthan	0.11	0.05%	7.65	2.66%	11.54	3.25%
Telangana	-	0.00%	2.32	0.81%	24.26	6.83%
Total	232.39	100%	287.60	100%	354.99	100%

6.2 Purpose wise loan outstanding

(Rs crore)

Purpose of loan	31-03-2021		31-03-2022		31-03-2023	
	No of loans	Outstanding	No of loans	Outstanding	No of loans	Outstanding
Agriculture & Allied Activities	58537	138.24	85792	191.32	88628	220.09
Manufacturing Activity	2413	4.61	2899	6.53	2293	4.91
Other	175	0.27	91	0.17	121	0.32
Retail & Trading Activity	40109	81.70	39670	81.42	37979	120.23
Service Activity	3317	7.57	3725	8.14	3399	8.82
Total	104551	232.39	132177	287.58	132420	354.37

6.3 Loan cycle wise loan outstanding (Rs. crore)

Particulars	FY21	FY22	FY23
	Amount	Amount	Amount
1st Cycle	230.14	269.84	302.21
2nd Cycle	1.74	15.56	50.69
3rd Cycle	0.51	2.18	1.46
4th Cycle	-	-	0.01
Total:	232.39	287.58	354.37

6.4 Loan amount wise loan outstanding (Rs. Crore)

Amount	FY21	FY22	FY23
	Amount	Amount	Amount
0-10000			
10001-20000			
20001-30000	130.66	92.66	48.88
30001-40000	100.14	175.07	201.89
40001-50000	1.56	9.04	44.36
50001-60000	0.03	0.02	2.32
60001-70000	-	0.01	0.66
70001-80000	-	-	0.08
80001-90000	-	-	-
90001-100000	-	-	-
100000 above	-	10.78	56.18
Total	232.39	287.58	354.37

6.5 Asset Liability Maturity Profile as on September 30th, 2023
(Rs. In Crores)

Asset/Liability buckets	1 month	1-2 month	2-3 month	3-6 month	6m - 1 year	1-3 year	3-5 year	Over 5 year	Total
Liabilities									
Capital and Reserves	-	-	-	-	-	-	-	12.51	12.51
Bank Borrowings	0.99	0.99	0.99	0.02	0.00	19.00	-	-	21.99
Unsecured Loan	-	-	-	-	5.30	-	-	-	5.30
Interest on Bank Loan	0.00	0.00	0.00	0.01	0.02	0.03	-	-	0.06
Current Liabilities & Provisions	2.45	-	-	-	-	0.14	-	-	2.58
Total Liabilities	3.44	0.99	0.99	0.03	5.32	19.17	-	12.51	42.44
Assets									
Loans	1.47	1.46	1.44	4.33	5.04	9.17	-	-	22.91
Interest on Loan to Customer	0.49	0.45	0.42	1.18	1.81	2.72	-	-	7.07
Investments	1.25	-	-	-	0.01	3.76	-	-	5.02
Income from Investment	0.01	0.01	0.01	0.02	0.03	0.39	-	-	0.47
Fixed Assets	-	-	-	-	-	-	-	1.08	1.08
cash & bank balances	0.61	-	-	-	-	-	-	-	0.61
other assets	3.43	1.22	-	-	5.84	-	-	0.58	11.07
Total assets	7.26	3.14	1.87	5.53	12.73	16.04	-	1.66	48.23
Mismatch	3.82	2.15	0.88	5.51	7.42	-3.13	-	-10.85	5.79
Cumulative Mismatches	3.82	5.97	6.85	12.36	19.78	16.64	16.64	5.79	

6.6 Maturity profile of portfolio

(Rs. crore)

As on March 31	FY21			FY22			FY23		
	No. of loans	Value of Portfolio	%	No. of loans	Value of Portfolio	%	No. of loans	Value of Portfolio	%
1-30 DAYS	752	0.75	0.74%	773	1.02	0.51%	461	0.94	0.24%
31-60 DAYS	499	0.58	0.57%	899	0.85	0.43%	540	0.85	0.22%
61-90 DAYS	346	0.38	0.38%	415	0.50	0.25%	389	0.73	0.19%
91-120 DAYS	273	0.36	0.35%	198	0.26	0.13%	250	0.48	0.12%
121-180 DAYS	453	0.62	0.61%	379	0.52	0.26%	438	0.78	0.20%
181-365 DAYS	461	0.67	0.66%	594	0.65	0.33%	2591	5.36	1.38%
MORE THAN 365 DAYS	108	0.25	0.25%	537	0.85	0.43%	1099	1.78	0.46%
ONTIME	42765	97.93	96.45%	65687	193.58	97.66%	105260	377.85	97.19%
Total portfolio	45657	101.54	100.00%	69482	198.23	100.00%	111028	388.79	100.00%

6.7 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

6.8 Repayment and Collection (projected)

(Rs Crore)

	FY23	FY24	FY25	FY26
	Past	Projections		
Repayment per month	0.80	0.90	1.20	1.56
Average Collection per month	1.65	1.57	2.33	3.54