



## UTKARSH MICRO FINANCE PRIVATE LIMITED

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### GRADING

ICRA has upgraded the MFI grading of Utkarsh Microfinance Private Limited at M1 (pronounced M 1) from M2+ (pronounced M 2 plus). The grading indicates that in ICRA's current opinion, the Graded MFI's ability to manage its microfinance activities in a sustainable manner is the highest. The grading is valid till July 2016.

### Website:

[www.icra.in](http://www.icra.in)

## Grading Rationale

The highest MFI grading for Utkarsh is supported by its good loan origination, internal audit, MIS, risk management and collection mechanisms, its experienced board, management team and strong investor profile which have been strengthened further over the last one year. These positives, coupled with Utkarsh's good financial flexibility arising out of relationships with a large number of lenders as well as its ability to raise equity in a timely manner have helped the company to scale up operations (Portfolio of Rs 810 crore as on June 30, 2015 CAGR of 107% FY12 onwards) while expanding and diversifying across 8 states and reduce its concentration in the state of Uttar Pradesh from 58% as on March 31, 2015 to 44% as on March 31, 2015 and is likely to come down to around 35% by the end of the current financial year and maintaining good asset quality (0+ delinquencies of 0.23% as on March 31, 2015) and profitability indicators (ROE of 11.4% in 2014-15). Nevertheless, ICRA has noted Utkarsh's high pace of growth, and relatively high attrition rates for the industry and ability of the company to diversifying into newer geographies as well as newer products (housing loans and microenterprise loans) while maintaining the asset quality indicators would be important from a grading perspective

The Reserve Bank of India (RBI) has granted in principal approval to Utkarsh to set up Small Finance Bank; the development is expected to be positive in medium-long run for Utkarsh as it will strengthen its funding profile as well widen the scope of its activities. However, challenges could emerge in short term in terms of raising additional funds for maintaining regulatory reserve requirements (cash reserve ratio and statutory liquidity ratio), grandfathering of existing bank lines, reducing foreign shareholding below 50%, and maintaining profitability in light of negative carry on regulatory reserve requirements as well as other costs related to transition to small finance bank.

**Table 1: Rationale Table**

	Mar-13	Mar-14	Mar-15	Sept-15
Equity Capital	24.11	25.86	41.15	41.23
Net Worth (Reported)	64.30	74.28	222.24	229.38
Net Hire Purchase/ Loan/ Lease Assets	139.48	284.59	628.93	873.03
Total Assets	257.47	471.24	942.82	1,076.36
Managed Assets (incl. off balance sheet receivables)	298.16	542.25	1,047.48	1,137.51
Total Income	31.30	70.32	134.96	108.19
Net Interest Income (Net of BO Costs & Profits from Securitization)	14.00	28.76	55.89	49.01
Profit Before Tax (PBT)	5.98	13.58	26.48	27.08
Profit After Tax (PAT)	3.88	8.22	16.02	16.23
Yield on Average Earning Assets (%)	16.43%	18.57	17.68	19.85%
Cost of average interest bearing funds (%)	10.86%	12.49%	12.05%	12.60%
Gross Interest Spread (%)	5.57%	6.08%	5.63%	7.24%
Net Interest Margin (%)	7.96%	7.89%	7.91%	9.71%
Operating Expenses /Average Managed Assets	5.65%	4.66%	4.94%	5.44%
Provisions & Write offs / Average Managed Assets (%)	0.26%	0.52%	0.52%	0.65%
Cost to Income Ratio (%)	66.50%	55.85%	56.23%	49.20%
PBT (excluding extraordinary items) / Average Total Assets	3.40%	3.73%	3.75%	5.36%
PAT / Average Total Assets (%)	2.21%	2.26%	2.27%	3.22%
Return on Average Net worth(%)	8.01%	11.86%	11.14%	14.67%
Equity Dividend / Profit After Tax	0.00%	0.00%	0.00%	0.00%
Equity Dividend rate(%)	0.00%	0.00%	0.00%	0.00%
Total Debt / Net worth	281.33%	510.60%	328.57%	356.62%
Capital / Risk Weighted Assets	42.36%	22.45%	35.06%	26.01%
Tier I Capital / Risk Assets	41.75%	22.22%	22.17%	17.48%

### Company Background

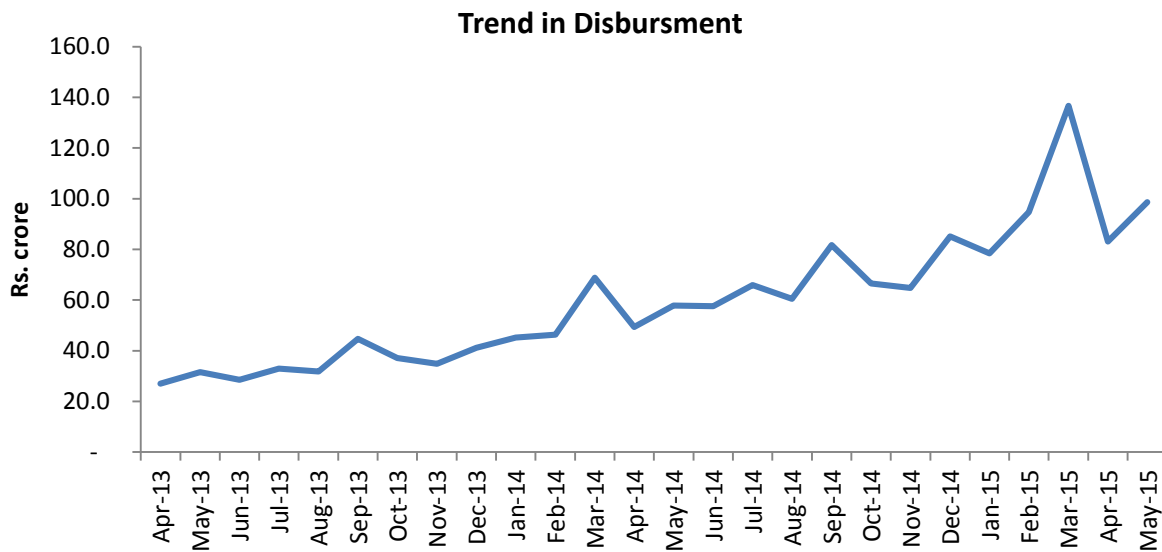
Utkarsh Micro Finance Pvt. Ltd is registered with the Reserve Bank of India as an NBFC as Non Banking Finance Company (NBFC-MFI) with its registered and Corporate office in Varanasi (Uttar Pradesh). The Company is promoted by Mr. Govind Singh, the former Business Head for Micro banking at ICICI Bank. The company is presently operating in 9 states, namely UP (39% of portfolio on September 30, 2015), Bihar (31%), Maharashtra (13%), Uttarakhand (5%), Madhya Pradesh (4%), Delhi/NCR (3%), Haryana (3%), Himachal Pradesh 0% and Jharkhand (0%). Utkarsh reported a Profit After Tax of Rs 16.02 crore on a managed asset base of 1048 crore in 2014-15 vis-à-vis PAT of Rs 8.22 crore on a managed asset base of Rs 543 crore in 2013-14. Utkarsh reported a Profit after Tax of Rs 16.23 crore on a managed asset base of 1041 Crore in H 1 2015-16

**Table 2: Shareholding Pattern as on March 31, 2015**

Promoters	6.8%
CDC Group PLC	20.3%
NMI (NMI Frontier Fund KS)	17.5%
Aavishkaar Goodwill	17.4%
International Finance Corporation (IFC)	14.4%
Lok Capital II LLC	12.5%
Individual Shareholders	8.4%
Utkarsh ESOP Welfare Trust	2.6%
Intellcash Micro Fin. Network Co. Pvt. Ltd.	0.1%
<b>Total</b>	<b>100.0%</b>

**Table 3: Highlights of Operations**

	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Sept-15
No of States	2	2	5	8	8	9
Total Branches	52	75	102	142	240	277
Total Centers	3902	7826	14369	20476	37752	48197
Total Active Borrowers	55506	106369	197874	317900	601465	776353
Credit Portfolio (Managed)	32	75	178	356	728	979
Growth (%) (Annualised)	402%	136%	137%	100%	105%	69%
No. of Employees	325	408	623	1032	1752	2282
Credit Officers	195	216	341	575	972	1278
Active Borrowers per branch	1067	1418	1940	2239	2506	2803
Active Borrowers per Credit Officer	285	492	580	553	619	607



## Strengths and Challenges

### Strengths

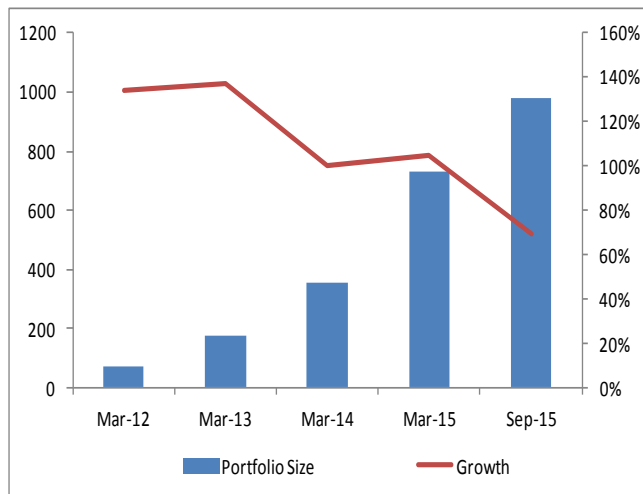
- Good growth prospects for MFI industry, managements' focus on areas of moderate penetration in rural regions of UP, MP, Bihar and Uttarakhand.
- Group Lending Mechanism, where each group member acts as guarantor for the other group members remains the foundation of credit discipline.
- Experienced and professional management team; strong investor profile, Utkarsh has demonstrated strong fund (both equity and debt) raising capability
- Good loan origination, risk management, internal audit and MIS systems, have helped the company to maintain good asset quality indicators
- Good capitalization indicators supported by external capital infusions, however foreign shareholding to be brought down to meet SFB requirements

### Challenges

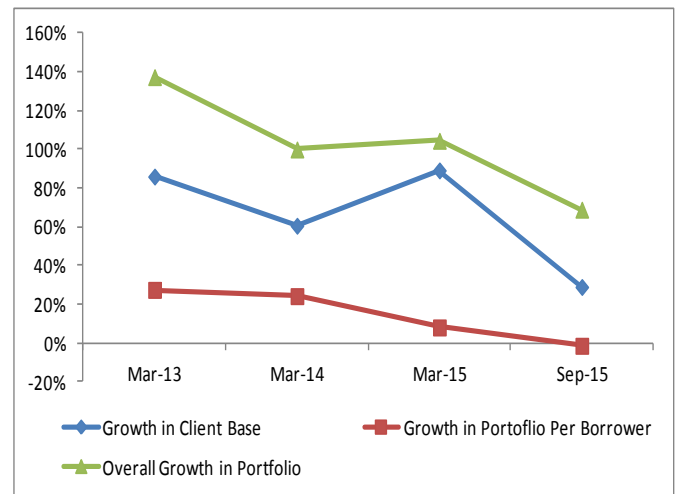
- Ability to maintain the same level of asset quality while growing and diversifying the product profile as well as portfolio geographically.
- Ability to recruit and train personnel to introduce new products /greater compliance as the company converts to an SFB.
- Ability to improve geographical diversification of operations further.
- To manage political, communal and other risks in their portfolio and across new geographies that they expand into.

## Business Mix

**Chart 1: Pace of Growth for Utkarsh**



**Chart 2: Growth Drivers for Utkarsh**



**Table 4: Portfolio Diversification Improves, expected to improve further**

State	Mar-14		Mar-15		Sept-15	
	Portfolio	Share	Portfolio	Share	Portfolio	Share
Uttar Pradesh	207	58%	325	45%	383	39%
Bihar	101	28%	216	30%	306	31%
Uttarakhand	21	6%	43	6%	49	5%
NCR	12	3%	23	3%	27	3%
Madhya Pradesh	14	4%	30	4%	43	4%
Maharashtra	0	0%	76	10%	128	13%
Himachal Pradesh	1.5	1%	2	0%	3	0%
Haryana	0	0%	13	2%	33	3%
Jharkhand	0	0%	0	0%	1	0%
<b>Total</b>	<b>357</b>	<b>100%</b>	<b>728</b>	<b>100%</b>	<b>973</b>	<b>100%</b>

The share of UP on the overall portfolio has come down to 39% with increase in share of the state of Maharashtra in the overall portfolio. Going forward, the share of UP is expected to be in the range of 30-35% and there will be further diversification will be seen in the total portfolio.

### Good growth prospects for MFI industry, however overleveraging concerns increase

MFIs reported over 40% annualized growth during the two years ended March 2015. Growth has been supported by availability of funds, branch expansion as well as increasing ticket sizes.

As for funding, outlook on ease of access to funds is positive, in light of priority sector benefits, attractive rate of interest charged by the lenders and sound asset quality indicators for the MFIs. Branch expansion plans for most MFIs remain very strong. As for ticket size, these are likely to increase in light of greater flexibility on maximum leveraging per borrower introduced by RBI in April 2015. However, such increase in ticket sizes as well as increase in branch expansion and customer base may lead to overleveraging of the end borrowers. However, mandatory use of credit bureaus and adopting lower ticket sizes (than Rs one lakh as directed by MFIN) may lower the overleveraging concerns.

Overall, growth prospects for MFIs remain favourable, supported by better availability of funds, strong branch expansion, and increase in ticket size. However, it would be critical to MFIs to manage political, operational risk while addressing overleveraging related risks in the high growth phase. Strong expansion as well as high employee attrition rate would keep recruitment and training a key determinant to 'maintain pace of expansion while maintaining asset quality under control.

### **Group Lending Mechanism, where each group member acts as guarantor for the other group members remains the foundation for credit discipline**

Utkarsh utilizes a five-member group lending methodology under Joint Liability Group model, wherein the group members undertake the responsibility of forming the group, joint liability, and repayments. The borrowers are primarily women from rural and semi-urban regions, with weak income backgrounds, and no access to organised credit and in most cases do not have a credit history. 2 to 6 groups form a centre. While this makes the lending risky (the loans being unsecured), the group dynamics, which has been historically tested and in varied markets, should be effective in curtailing shortfall in collections from any borrower. The borrowers are typically involved in animal husbandry projects, small trade, cottage industries, agricultural based projects and other textile related projects.

The company also offers Microenterprise loans (higher ticket size loans from Rs 30,000 onwards) as well as loans for affordable housing and has specialised branches for offering these products. The company contributes 2% of its PBT to Samutkarsh Welfare Services for credit plus activities.

### **Experienced and professional management team; strong investor profile**

**Table 5: Board of Directors as of September 30, 2015:**

<b>Name</b>	<b>Designation</b>
Mr. Govind Singh	MD & CEO
Mr. Trilok Nath Shukla	WTD & COO
Mr. Vishal Mehta	Nominee Director from Lok Capital
Ms.Sushma Kaushik	Nominee Director from Aavishkaar Goodwell
Mr. Knut Frigaard	Nominee Director from NMI
Mr.Nagarajan Srinivasan	Nominee Director from CDC
Ms.Ramni Nirula	Independent Director
Ms.Shubhalakshmi A. Panse	Independent Director
Mr. Tantra Narayan Thakur	Independent Director

Utkarsh has expanded the board over the last one year with 9 members. The board members are experienced in their respective area of expertise. The board has three investor directors (Representatives from Aavishkaar, NMI and CDC), three independent directors of which two have finance/Microfinance expertise and two executive directors. The board meets on a quarterly basis and if required it may meet more often. The Utkarsh Board is actively involved in strategy formulation and also approves the company's business plan. The Board is also involved in areas related to HR and Training, Social Performance Initiatives as well as introduction of new products.

Mr. Govind Singh is the promoter of the company and is holding the position of Managing Director and CEO. Mr Govind Singh is assisted by functional Heads (Core Team Members) who have been associated with the company since inception. The company has developed a good second and third line of management for managing the microfinance operations. A hub structure has been created for managing operations. Further, the teams in all functions have been strengthened (treasury, finance, and audit) to achieve the planned growth in the medium term. Field officers who are on the rolls of the company handle entire operations. At the field level, the field officers report to the branch managers who in turn report to the Area Managers. Each area manager handles 3 branches and reports to the divisional manager who handles 3-4 regions. The Divisional manager who in turn reports to the Head of Operations, while the present organisation structure is satisfactory, however the company will have to recruit and train personnel to offer newer products and greater compliance as it converts to a small finance bank.

### **Good IT and internal audit to ensure sustainability of operations**

Utkarsh completely moved to mobile based collections in FY14 and is at present planning to migrate the originations as well through tabs. The company had earlier migrated to a new web based module which can handle larger size of operations implemented by Craft Silicon, with an integrated Accounting and HR module. Collections get automatically updated through the mobile phone in the system, which are validated later after the cash is deposited in the bank. This software is quite comprehensive, capturing all client details, loan purpose, client attendance, loan details and also the track record of the loan repayment and delinquency details, if any is appropriately maintained.

Some of the key features of the MIS systems of the company are

- Attendance Tracking at member level
- Portfolio cuts based on purpose, region, product, IRR, cycle of loan, religion

- Tracking Loan Utilisation Check in Collection and Disbursement Sheet
- The company is now planning to integrate the MIS system with the Credit Bureau as well.

### Credit Bureau Checks

All sanctions take place post processing by credit bureau. The company has put in a system in place wherein in post the Group Recognition Test the credit bureau checks are done at Head office. Earlier the head office used to inform the Branch Managers on the phone. However the company has now put in a programme in place wherein the negative credit bureau reports are sent to the respective branch managers through SMS before the disbursement date.

### Toll Free Number

The company has a toll free number, where in all calls received are recorded automatically and resolved within a period of 24 hours.

### Internal Audit Process

Utkarsh has developed a three tier Internal Audit System where all branches go through atleast one of the following types of audits every month The company has a ten member internal audit team and internal audit plan is prepared in advance and the team of auditors schedule the audits accordingly. All audits are surprise audits

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- Short Audit – lasts for 2-3 days every branch to be covered monthly
- Comprehensive Audit -lasts for 5-6 days, every branch to be covered atleast quarterly

The internal audit plan is prepared in advance and the team of auditors schedule the audits accordingly. The comprehensive audit process for each branch lasts for 6 days. The audit team stays in the respective branches for six days and verifies all the records and documents corresponding to that particular branch. The audit members also accompany the FDO's to the center meetings to verify the collection processes at the field level. Upon completion of audit detailed audit reports are prepared and submitted to the Head Internal Audit who consolidates all the audit reports and submits it to the Managing Director. An Audit report is not complete till the deficiencies observed in the previous audit are complied with. Overall Internal Audit Processes of the company are satisfactory.

### Risk Management Systems

Apart from the regular branch audit, the company has also put in a Branch Risk Rating model in place, wherein apart from the feedback from the branch audit report, the status of credit risk and operational risk in the branches is assessed based on Portfolio concentration, audit score, turnover of field staff, client acquisition and Portfolio at Risk. Scores are assigned in the category of critical, High, Moderate and low and the staff incentives are linked to the branch scores as well.

### Accounting Policies

Utkarsh books interest income on the industry-accepted Internal Rate of Return (IRR) basis. Utkarsh's Provisioning policy is more conservative than the RBI norms. As for the income recognition on assigned/secured portfolio, the company amortises the profit on sale of loan portfolio over the tenure of the loan portfolio assigned /sold.

**Good capitalization indicators supported by external capital infusions, however reducing foreign shareholding going forward could be a challenge**

**Table 6: Capitalisation Trends**

	Mar-13	Mar-14	Mar-15	Sept-15
Net Worth	64.30	74.28	222.24	229.38
Managed Portfolio	178.26	355.61	728.09	1040.15
Net Worth/ Managed Portfolio	36.07%	20.89%	29.29%	22.05%
Gearing (excluding off balance sheet)	2.81	5.11	3.29	3.57
Gearing ( including off balance sheet)	3.45	6.06	3.78	3.83
CRAR				
Tier 1 CRAR	25.94%	22.21%	22.17%	17.48%
Tier 2 CRAR	0.80%	0.23%	12.89%	8.53%



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Total	26.74%	22.45%	35.06%	26.01%
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Despite the high pace of growth, the company has been able to maintain good capitalisation indicators supported by frequent capital infusions as well as improving internal capital generation. However, the company would need additional capital to maintain the pace of growth, as well as reduce foreign shareholding below 50% to meet the SFB guidelines.

**Diversified resource profile, however dependence on wholesale funding high****Table 7: Funding Mix**

	Mar-13	Share	Mar-14	Share	Mar-15	Share	Sept-15	Share
Term Loan from Banks and FIs	180.27	82%	287.35	66%	511.73	65%	561.88	61%
Debentures	0.00	0%	75.80	17%	173.80	22%	212.36	23%
ECBs	0.00	0%	0.00	0%	0.00	0%	31.72	4%
Off Balance Sheet	40.93	18%	71.02	16%	104.70	13%	111.30	12%
<b>Total Borrowings</b>	<b>221.20</b>	<b>100%</b>	<b>434.17</b>	<b>100%</b>	<b>790.19</b>	<b>100%</b>	<b>917.25</b>	<b>100%</b>
Gearing (Assuming Assigned Book as Debt)	3.45		5.85		3.71		4.00	

Utkarsh had a diversified funding profile, with around 33 direct lenders and increasing share of debt market instruments in the overall resource mix. As for Utkarsh's liquidity profile, it is comfortable supported by the well relatively shorter tenor assets vis-a-vis liabilities. However the company would require regular flow of funds for meeting its growth plans. As per ICRA's estimates, based on the unutilised bank lines available as on September 30, 2015 the company will be able to make incremental disbursements for the next 3 months, post which the company would require to tie-up additional funds portfolio growth. As the company converts to a Small Finance Bank, its funding requirements would increase by 20-25%, and the company would need to develop a retail deposit franchise over the medium term to replace the maturing liabilities, maintaining regulatory reserve requirements (cash reserve ratio and statutory liquidity ratio), as well as for growth.

**Financial Performance****Table 8: Profitability Indicators**

	Mar-13	Mar-14	Mar-15	Sept-15
Net Interest Margin /AMA	7.71%	7.41%	7.72%	9.60%
Non Interest Income/AMA	0.80%	0.93%	1.08%	1.44%
Operating expenses AMA	5.65%	4.66%	4.94%	5.44%
Operating Expenses/ Managed advances	9.76%	7.35%	7.22%	7.13%
Operating Profit / AMA	2.59%	3.17%	3.33%	4.96%
Credit Prov. & Write-offs / AMA	0.26%	0.52%	0.52%	0.65%
PBT/ AMA	2.84%	3.23%	3.33%	4.96%
PAT/ AMA	1.84%	1.96%	2.02%	2.97%
PAT (excl. Minority Interest) / Average Net worth	8.01%	11.86%	11.14%	14.67%
Cost Income Ratio	66.50%	55.85%	56.23%	49.20%

AMA- Average Managed Assets

Utkarsh earning profile is good, (ROE of 11.14% in 2014-15 on a higher capital base post infusion) and is supported by moderate operating expenses (7.25% as a percentage of average managed advances) despite the relatively higher pace of growth. However, diversity of earnings continues to be low, as the company is almost entirely dependent on these loan products for income. As for incremental profitability, though portfolio yields are expected to decline owing to the reduction in the interest rate charged to customers by 1% to 24% from July 2015 onwards however a commensurate decline in cost of funds owing to improvement in credit profile and increased funding from banks is likely to help Utkarsh in maintaining the interest spreads. Additionally, some further moderation in operating expenses could help the company to maintain ROE of 13-16%, provided the company is able to keep its asset quality indicators under control.

**Table 9: COMPANY PROFILE—Utkarsh Micro Finance Private Limited**

Date of Incorporation	1990	
Constitution	NBFC-MFI	
Registered office	S-2/639-56, Varuna Vihar colony, J.P Mehta Road, Cantt. Varanasi-221002 (U.P.) India	
Corporate Office	S-2/639-56, Varuna Vihar colony, J.P Mehta Road, Cantt. Varanasi-221002 (U.P.) India	
Net Worth (As on Sept 30, 2015)	Rs 229.38 Crore	
Number of Branches (Sept-15)	277	
No of Active Borrowers (Sept-15)	7.76 Lacs	
No of Credit Officers (Sept-15)	1,278	
Balance Sheet Size (Sept-15) (Including Managed Book)	Rs 1137.51 Crore	
Managing Director	Mr Govind Singh	
Auditors	BSR and CO (KPMG)	
Shareholding Pattern	Promoters	6.8%
	CDC Group PLC	20.3%
	NMI (NMI Frontier Fund KS)	17.5%
	Aavishkaar Goodwell	17.4%
	International Finance Corporation (IFC)	14.4%
	Lok Capital II LLC	12.5%
	Individual Shareholders	8.4%
	Utkarsh ESOP Welfare Trust	2.6%
	Intellcash Micro Fin. Network Co Pvt Ltd	0.1%
	<b>Total</b>	<b>100%</b>
Board of Directors	<b>Name</b>	<b>Designation</b>
	Mr. Govind Singh	MD & CEO
	Mr. Trilok Nath Shukla	WTD & COO
	Mr. Vishal Mehta	Nominee Director from Lok Capital
	Ms.Sushma Kaushik	Nominee Director from Aavishkaar Goodwell
	Mr. Knut Frigaard	Nominee Director from NMI
	Mr.Nagarajan Srinivasan	Nominee Director from CDC
	Ms.Ramni Nirula	Independent Director
	Ms.Shubhalakshmi A. Panse	Independent Director
Mr. Tantra Narayan Thakur	Independent Director	

**Table 10: Profit and Loss Account**

	<b>Mar-13</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Sept-15</b>
Interest Income (Net of Business Origination Costs and Including processing fees)	26.87	63.76	120.97	96.86
Interest Expenses (including Preference Dividend)	12.88	34.99	65.07	47.85
Net Interest Income	14.00	28.76	55.89	49.01
Non Interest Income	1.67	3.90	8.55	7.89
Operating Income	15.67	32.66	64.45	56.90
Operating expenses	11.89	19.58	39.30	29.69
Operating Profits	3.78	13.09	25.15	27.21
Provisions including NPA provisions	0.55	2.17	4.11	3.58
Income from Securitization / Assignment	2.22	2.39	5.44	3.44
Net profit on sale of securities and assets	0.54	0.28	0.00	0.00
Profit Before Tax (before extraordinary items)	5.98	13.58	26.48	27.08
Extraordinary Items	0.00	0.00	0.00	0.00
Profit Before Tax (PBT)	5.98	13.58	26.48	27.08
Tax	2.10	5.36	10.46	10.85
Profit After Tax (PAT)	3.88	8.22	16.02	16.23
PAT (Reported)	3.88	8.22	16.02	16.23
Equity dividend	0.00	0.00	0.00	0.00
Accretion to reserves	3.88	8.22	16.02	16.23
<b>SUMMARY ASSETS</b>				
Net Hire Purchase/ Loan/ Lease Assets	139.48	284.59	628.93	873.03
Investments - Strategic	0.00	0.00	0.00	0.00
Investments - Short Term Surpluses	0.05	0.05	0.10	3.68
Cash & Bank Balances	112.27	161.43	287.45	153.15
Collaterals for Securitization	0.00	0.00	0.00	0.00
Advance Tax paid	0.22	5.49	0.00	0.14
Other Current Assets	4.73	18.12	23.09	40.27
Net Fixed Assets	0.72	1.55	3.25	6.10
Total Assets	257.47	471.24	942.82	1,076.36
Off-balance sheet receivables	40.69	71.02	104.66	61.15
Total Managed Assets	298.16	542.25	1,047.48	1,137.51
<b>SUMMARY LIABILITIES</b>				
Equity Share Capital	24.11	25.86	41.15	41.23
Reserves	40.19	48.41	172.09	188.15
Net Worth	64.30	74.28	213.24	229.38
Total Borrowings (including Preference Shares)	180.89	379.26	694.54	809.72
Interest Accrued but not due	0.00	0.00	6.10	8.30
Provisions for Tax	0.00	5.37	0.12	0.00
Other Current Liabilities & Provisions	12.28	12.36	28.85	28.87
Deferred Tax Liability	0.00	-0.02	-0.04	0.09
<b>Total Liabilities</b>	<b>257.47</b>	<b>471.25</b>	<b>942.82</b>	<b>1,076.36</b>

Amounts in Rs. Crore, Source: Company, ICRA analysis

**Table 11: Growth Ratios**

	<b>Mar-13</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Sept-15</b>
Interest Income (Net of Business Origination Costs and Including processing fees)	169.7%	137.3%	89.7%	60.1%
Interest Expenses (including Preference Dividend)	265.8%	171.8%	86.0%	47.1%
Net Interest Income	117.2%	105.5%	94.3%	75.4%
Non Interest Income	34.8%	133.0%	119.5%	84.5%
Operating Income	103.9%	108.4%	97.3%	76.6%
Operating expenses	69.9%	64.6%	100.7%	51.1%
Operating Profits	451.9%	246.6%	92.2%	116.4%
Provisions including NPA provisions	150.0%	294.5%	89.6%	73.9%
Income from Securitization / Assignment	32.3%	7.7%	128.0%	26.6%
Net profit on sale of securities and assets	-	-48.1%	-100.0%	-
Profit Before Tax (before extraordinary items)	179.6%	127.0%	95.0%	104.5%
Profit Before Tax (PBT)	179.6%	127.0%	95.0%	104.5%
Tax	184.6%	155.0%	95.1%	107.4%
Profit After Tax (PAT)	177.0%	111.9%	94.9%	102.7%
PAT (Reported)	177.0%	111.9%	94.9%	102.7%
Accretion to reserves	177.0%	111.9%	94.9%	102.7%
<b>SUMMARY ASSETS</b>				
Net Hire Purchase/ Loan/ Lease Assets	250.8%	104.0%	121.0%	38.8%
Investments - Short Term Surpluses	-50.0%	0.0%	102.7%	3530.6%
Cash & Bank Balances	113.0%	43.8%	78.1%	-46.7%
Advance Tax paid	214.3%	2395.5%	-100.0%	-
Other Current Assets	277.0%	283.6%	27.4%	74.4%
Net Fixed Assets	56.5%	115.3%	109.4%	87.9%
Total Assets	172.9%	83.0%	100.1%	14.2%
Off-balance sheet receivables	44.5%	74.5%	47.4%	-41.6%
Total Managed Assets	143.4%	81.9%	93.2%	8.6%
<b>SUMMARY LIABILITIES</b>				
Equity Share Capital	136.0%	7.3%	59.1%	0.2%
Reserves	79.5%	20.5%	255.5%	9.3%
Net Worth	97.2%	15.5%	187.1%	7.6%
Total Borrowings (including Preference Shares)	221.8%	109.7%	83.1%	16.6%
Interest Accrued but not due	-	-	-	35.9%
Provisions for Tax	-	-	-97.8%	-100.0%
Other Current Liabilities & Provisions	122.1%	0.7%	133.4%	0.1%
Deferred Tax Liability	-	-	85.6%	-347.8%
<b>Total Liabilities</b>	<b>172.9%</b>	<b>83.0%</b>	<b>100.1%</b>	<b>14.2%</b>

Amounts in Rs Crore, Source: Company, ICRA analysis

**Table 12: Common Size Statements**

	<b>Mar-13</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Sept-15</b>
Net Interest Income	89.3%	88.1%	86.7%	86.1%
Non Interest Income	10.7%	11.9%	13.3%	13.9%
Operating Income	100.0%	100.0%	100.0%	100.0%
Operating expenses	75.9%	59.9%	61.0%	52.2%
Operating Profits	24.1%	40.1%	39.0%	47.8%
Provisions including NPA provisions	3.5%	6.6%	6.4%	6.3%
Income from Securitization / Assignment	14.1%	7.3%	8.4%	6.1%
Net profit on sale of securities and assets	3.4%	0.9%	0.0%	0.0%
Profit Before Tax (before extraordinary items)	38.2%	41.6%	41.1%	47.6%
Extraordinary Items	0.0%	0.0%	0.0%	0.0%
Profit Before Tax (PBT)	38.2%	41.6%	41.1%	47.6%
Tax	13.4%	16.4%	16.2%	19.1%
Profit After Tax (PAT)	24.8%	25.2%	24.9%	28.5%
PAT (Reported)	24.8%	25.2%	24.9%	28.5%
Equity dividend	0.0%	0.0%	0.0%	0.0%
Accretion to reserves	24.8%	25.2%	24.9%	28.5%
<b>SUMMARY ASSETS (% of Total Assets)</b>				
Net Hire Purchase/ Loan/ Lease Assets	54.2%	60.4%	66.7%	81.1%
Investments - Strategic	0.0%	0.0%	0.0%	0.0%
Investments - Short Term Surpluses	0.0%	0.0%	0.0%	0.3%
Cash & Bank Balances	43.6%	34.3%	30.5%	14.2%
Collaterals for Securitization	0.0%	0.0%	0.0%	0.0%
Advance Tax paid	0.1%	1.2%	0.0%	0.0%
Other Current Assets	1.8%	3.8%	2.4%	3.7%
Net Fixed Assets	0.3%	0.3%	0.3%	0.6%
Total Assets	100.0%	100.0%	100.0%	100.0%
Off-balance sheet receivables	15.8%	15.1%	11.1%	5.7%
Total Managed Assets	115.8%	115.1%	111.1%	105.7%
<b>SUMMARY LIABILITIES (% of Total Liabilities)</b>				
Equity Share Capital	9.4%	5.5%	4.4%	3.8%
Reserves	15.6%	10.3%	18.3%	17.5%
Net Worth	25.0%	15.8%	22.6%	21.3%
Total Borrowings (including Preference Shares)	70.3%	80.5%	73.7%	75.2%
Interest Accrued but not due	0.0%	0.0%	0.6%	0.8%
Provisions for Tax	0.0%	1.1%	0.0%	0.0%
Other Current Liabilities & Provisions	4.8%	2.6%	3.1%	2.7%
Deferred Tax Liability	0.0%	0.0%	0.0%	0.0%
Total Liabilities	100.0%	100.0%	100.0%	100.0%

Amounts in Rs Crore, Source: Company, ICRA analysis

**Table 13: Key Financial Ratios**

<b>OPERATING RATIOS</b>	<b>Mar-13</b>	<b>Mar-14</b>	<b>Mar-15</b>	<b>Sept-15</b>
Yield on Average Loans (Net of BO Costs)	27.0%	27.0%	24.4%	23.7%
Yield on Average Investments	3.7%	4.9%	3.9%	6.7%
Yield on Average Earning Assets (Net of BO Costs)	16.4%	18.6%	17.7%	19.8%
Cost of Average Interest Bearing Funds	10.9%	12.5%	12.1%	12.6%
Gross Interest Spread	5.6%	6.1%	5.6%	7.2%
<b>PROFITABILITY RATIOS</b>				
Interest Earned / Average Assets	15.3%	17.5%	17.1%	19.2%
Interest Expenses / Average Assets	7.3%	9.6%	9.2%	9.5%
Net Interest Margin/Average Assets	8.0%	7.9%	7.9%	9.7%
Fee based Income/Average Assets	0.95%	1.07%	1.21%	1.56%
Operating Expenses /Average Managed Assets	5.7%	4.7%	4.9%	5.4%
Operating Profit / Average Assets	3.25%	4.31%	4.17%	5.84%
Write offs & Repo losses (net of recoveries)/Average Managed Assets	0.0%	0.0%	0.0%	0.0%
Provisions /Average Managed Assets	0.3%	0.5%	0.5%	0.7%
Income from securitization & assignment/ Average Assets	1.3%	0.7%	0.8%	0.7%
Net profit on sale of securities and assets / Average Assets	0.3%	0.1%	0.0%	0.0%
Profit Before Tax (before extraordinary items)/ Average Assets	3.4%	3.7%	3.7%	5.4%
Tax / Profit Before Tax	35.2%	39.5%	39.5%	40.1%
Profit After Tax / Average Assets	2.2%	2.3%	2.3%	3.2%
Profit After Tax / Average Managed Assets	1.8%	2.0%	2.0%	3.0%
Equity Dividend / Profit After Tax	0.0%	0.0%	0.0%	0.0%
Profit After Tax / Average Net worth	8.0%	11.9%	11.1%	14.7%
<b>EFFICIENCY RATIOS</b>				
Fee Based Income/Operating Expenses	14.1%	19.9%	21.8%	26.6%
Operating Cost/Operating Income	66.5%	55.9%	56.2%	49.2%
<b>CAPITALISATION RATIOS</b>				
Net Worth/ Total Assets	24.97%	15.76%	22.62%	21.31%
Total Debt / Net worth	2.81	5.11	3.29	3.57
Net NPA/Net worth	0.00%	0.01%	0.03%	0.00%
Capital to Risk Weighted Assets Ratio	42.36%	22.45%	35.06%	-
Tier I Capital to Risk Weighted Assets Ratio	41.75%	22.22%	22.17%	-
<b>ASSET QUALITY</b>				
Gross NPA/Gross Advances	0.00%	0.01%	0.03%	0.00%
Net NPA/Net Advances	0.00%	0.00%	0.01%	0.00%
<b>COVERAGE RATIOS</b>				
PBIT/ Total Interest	146.46%	138.81%	140.69%	156.60%

Amounts in Rs Crore, Source: Company, ICRA analysis

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