

Grameen Shakti Microfinance Services Private Limited (GSMS)

Kolkata, West Bengal, India

Legal form: NBFC-MFI

March 2022

Microfinance Institutional Rating (MIR)

Investment Grade	Above	α	$\alpha+$	Rating		
			α	$\alpha-$	RATING	
			$\beta+$	RATING OUTLOOK*		<i>positive</i>
		β	β	Category		Grade
	Below		$\beta-$	Governance and strategic positioning		$\alpha-$
		γ	$\gamma+$	Organisation and Management		$\alpha-$
			γ	Financial performance		$\alpha-$
						2022

*M-CRIL's viewpoint (positive, neutral or negative) of the future prospects of the organisation

Visit dates: 14-17 February 2022

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Private Limited

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- ▶ Our services were performed and this Report was prepared in accordance with the Engagement Letter dated 3 February 2022 subject to the terms and conditions included therein.
- ▶ The information captured in this Report is based on the documentation and information received from time to time from Grameen Shakti Microfinance Services Private Limited. The findings contained herein are limited to the extent of the procedures conducted by M-CRIL till 17 February 2022, which are described in this document. Accordingly, changes in circumstances or information newly available after this date could affect the findings outlined in this Report.
- ▶ We have relied upon representations of employees of Grameen Shakti Microfinance Services Private Limited that all data and information provided by them are correct to the best of their knowledge. We accept no responsibility for any fact or information that has been intentionally withheld or otherwise omitted which could have had a material bearing on our findings.
- ▶ M-CRIL has relied upon the information supplied in connection with this engagement including management information. M-CRIL did not audit or otherwise verify the information supplied in connection with this engagement, from whatever source obtained, except as may be specified in this Report.
- ▶ In no circumstances shall we be liable, for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by any person to whom we make information requests.
- ▶ The findings contained in this Report are limited to the extent of the procedures performed by M-CRIL, which are described in this Report. The findings, which are hearsay in nature, should not be construed as an opinion, legal or otherwise, on the rights and liabilities of the Company or any other third party that may be, directly or indirectly, concerned with findings in this Report.
- ▶ All the information presented in this Report from our market sources/third parties are the personal perceptions of the sources. Wherever possible, we have corroborated the information provided to us with the information that may be available in the public domain or that which has been provided to the client, however, we have not done so independently.
- ▶ The Report will be furnished by us is solely for the information of the Grameen Shakti Microfinance Services Private Limited which had requested M-CRIL to undertake the engagement. Hence, the Report should not be used, circulated, quoted or otherwise referred either wholly or in part.
- ▶ Grameen Shakti Microfinance Services Private Limited shall be fully and solely responsible for applying independent judgment, with respect to the findings included in this Report, to make appropriate decisions in relation to future course of action, if any. We shall not take responsibility for the consequences resulting from decisions based on information included in the Report.

Microfinance Institution Rating

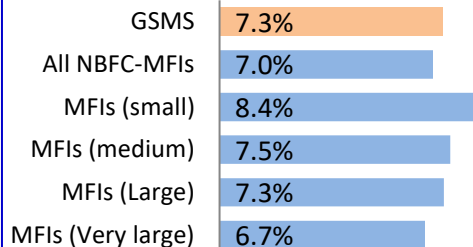
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Rating Rationale

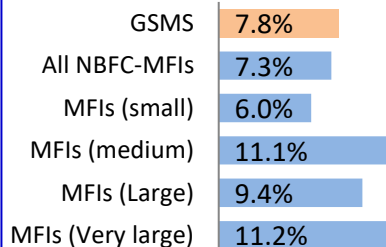
- ↑ **Experienced board and second line management:** Grameen Shakti (GSMS) has a proactive six-member Board of Directors that is dedicated to the company's mission. Moreover, they have a strong and qualified second line of management with long domain experience.
- ↑ **Improved operational efficiency:** For the past few years, the operating expense ratio (OER) has been improving from 8.2% in FY2018-19 to 5.5% in FY2020-21 mainly because of economies of scale coupled with technology interventions with BIJLI Microfinance software.
- ↑ **Geographically diversified operations:** GSMS' operations are spread across 12 districts in 3 states.
- ↑ **Healthy capital adequacy position:** As of 31 March 2021, the company reported a CAR of 30%. The management intends to raise additional capital of ₹10 crore during FY2022-23.
- ↑ **Diversified borrowing profile:** The company's borrowing base is well diversified. GSMS has borrowed from varied public sector banks, DFIs and NBFCs.
- ↑ **Low staff attrition:** For the past three years, GSMS has had a low staff attrition rate. Year to date (YTD), the staff attrition rate is 3.3%.
- ↔ **Profitability moderated due to COVID-19 provisions:** GSMS has generated thin net margins during FY 2020-21 owing to lower disbursements and higher provisions. The impact of rescheduling is expected to reduce as more than 50% of the rescheduled loan had been collected by end Dec-21.
- ↓ **Decreasing number of active clients:** The number of active clients decreased from 24,407 at the end of March 2020 to 19,808 at the end of December 2021. About 3,000 clients paid their final instalments however had not received a new loan till end December 2021.
- ↓ **High Portfolio At Risk (PAR):** Overall portfolio quality in December 2021 improved in comparison with March 2021 owing to improvement in collections. However, PAR₃₀ was high, at 7.8% in Dec-21.

Benchmarking Analysis (Q2 of FY2021-22)

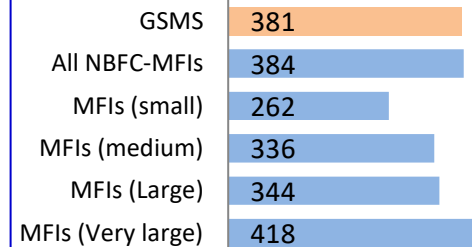
Operating efficiency



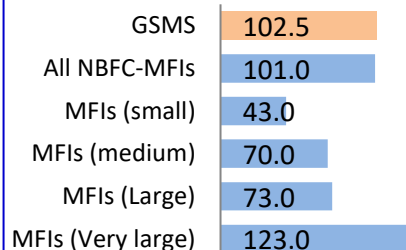
PAR >30days



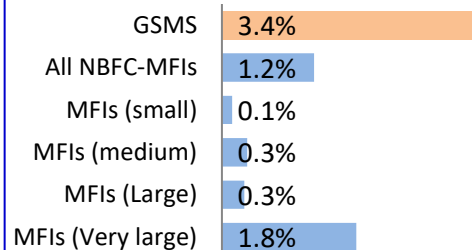
Borrowers per CO



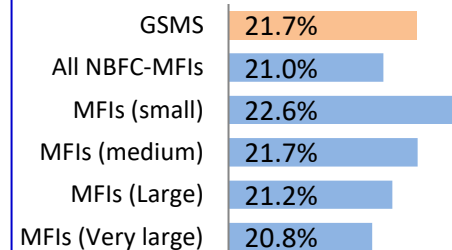
Portfolio per CO (Rs in Lakh)



Return on Assets



Avg. Interest rate



Source: Sa-Dhan report (MF Report Q2 2021-22) <http://www.sa-dhan.net/q-mf-report/>; GSMS figures are Q3 2021-22

Note: Small (portfolio < ₹ 100 crore), Medium (portfolio between ₹ 100 to ₹ 500 crore), Large (portfolio between ₹ 500 to ₹ 2000 crore) and Very large (portfolio > ₹ 2000cr)

Introduction

- ▶ “Society for Model Gram Bikash Kendra”(SMGBK) engaged in microfinance activities for more than 12 years and acquired a NBFC named Srija Chemo Pvt Ltd in 2015 and applied to RBI for a NBFC-MFI License.
- ▶ RBI gave the approval in 2017 reclassifying Srija Chemo Pvt Ltd. as NBFC-MFI. In 2018 the Company changed its name to "Grameen Shakti Microfinance Services Pvt. Ltd."(GSMS)
- ▶ GSMS is currently operating in 3 states, West Bengal, Bihar and Jharkhand with 20 branches across these states and plans to expand to parts of two more states.
- ▶ It wants to empower financially excluded and economically backward underserved women by offering a range of financial services. GSMS has been exclusively engaged in on-lending financial activities involving rural poor women through the joint liability group (JLG) model.
- ▶ As on 31 December 2021, GSMS had a borrower base of 19,808 and an AUM of ₹53.2 crore. GSMS offers mainly three products to its customers – General Loan, Hygienic Latrine Project (HLP) and solar project.
- ▶ GSMS was impacted by COVID 19 during the financial year 2020-21 as the total portfolio declined by more than ₹10 crore but in the following 6 months it recovered and reached the pre covid portfolio value.
- ▶ GSMS currently has 6 members in its Board of Directors, including 3 independent directors. Mr. Ganesh Chandra Modak, Managing Director (MD), leads the organisation with support from COO, CFE, CS, HR & Admin, Accounts and IT manager.

Operational & Financial Performance

Main Performance Indicators

	Mar-19	Mar-20	Mar-21	Dec-21
Total Portfolio (₹ crore)	35.1	55.5	44.4	51.5
Assets under Management	35.1	55.5	44.4	53.3
Number of active borrowers	18,532	24,407	20,652	19,808
Average Loan O/S (₹)	18,950	22,727	21,514	26,903
Average loan disbursement	24,999	31,230	17,271	30,801
Portfolio at Risk (PAR ₃₀), %	0.0%	0.3%	17.6%	7.8%
Borrowers per field staff	403	508	430	381
Yield on Own Portfolio	27.4%	30.5%	21.5%	21.0%
Operating Expense Ratio (OER)	8.2%	4.7%	5.5%	7.3%
Financial Expense Ratio (FER)	9.1%	13.3%	11.3%	8.9%
Operational Self Sufficiency (OSS)	147.0%	167.8%	114.9%	140.8%
Return on Assets (RoA)	3.8%	7.5%	0.3%	3.4%
Capital Adequacy Ratio (CAR)	21.5%	20.7%	30.1%	30.0%
Debt-equity ratio	4.2	4.3	2.9	3.2

A rating update after one year is suggested to ascertain changes in the creditworthiness of the institution. This rating is valid, subject to no other significant changes in the organisational structure and external operating environment.

Credit Methodology

Group formation, Appraisal and disbursement is adequate given the size of operations

- ▶ The group size ranges from 10 to 20 members and 2-4 of such groups form a centre which is then attached to a branch via CO. There is no membership fee charged from the member.
- ▶ A preliminary survey is conducted by the CO of members by assessing their cash flows and repayment capacity. After that, an analysis is done by the Branch Manager (BM) of the applied loan amount.
- ▶ Continuous group training (CGT) is conducted by BM and senior credit officer for 5-7 days. After which a Group Recognition Test (GRT) is taken by the Regional Manager.
- ▶ For the first loan cycle, approval from the Branch Manager (BM) and Regional Manager (RM) is compulsory while for the subsequent loan cycle only approval from the Branch Manager is necessary. KYC verification and credit bureau check is done centrally at the HO.

Collection and other policies

- ▶ Instalments are collected during the group's fortnightly/weekly meetings as per the repayment schedule.
- ▶ Loan utilization check is done after 1st instalment by the BMs and RMs on a sample basis and of all clients by the credit officer
- ▶ Repayment is done mostly in cash and only 15-20% is done digitally by scanning the QR code. This type of digital repayment method is more prevalent in Bihar.

Loan products

- ▶ GSMS provides 3 types of loans – General Loan or Income Generation Loan, Hygienic Latrine Project (HLP) and Solar Project.
- ▶ As on 31 Dec 2021, General Loan had more than 98% of the active borrowers of GSMS with 19,469. HLP and solar project had the remaining borrowers with 311 and 28, respectively. This shows that the primary need of GSMS customers is the income generation loan. HLP and sanitization efforts are already done by the government reducing the requirement for customers to take a loan for it.
- ▶ There is a substantial difference in avg loan outstanding between general loan and the other two loan products. For general loan as on 31 December, average loan outstanding is ₹26,931 whereas for HLP it is ₹15,835 and for solar project it is ₹4,722.
- ▶ For new clients, loan amounts can be up to ₹30,000 which subsequently can increase by ₹5,000-7,000 in each cycle. A customer can only apply for another loan when the first one is completed.
- ▶ No collateral is required for any loan and there is no extra fee for prepayment. The moratorium period is 7 days for weekly, 14 days for fortnightly and 30 days for the monthly product.
- ▶ A borrower can choose fortnightly, weekly or monthly repayment frequency. However, fortnightly (15 day) repayment frequency is the prevalent norm with more than 80% of customers choosing this option.

GSMS has strong governance practices and well-structured growth strategy. GSMS is governed by a strong Board of Directors with a varied range of experience. An efficient second line of management assures that GSMS's vision is implemented across operations. GSMS is exploring the possibility of funds through dilution of equity during FY 2022-23.

Governance and strategy

Governance & Second Line Leadership
Operational Growth & Strategy
Competition
Fund mobilization

Governance and strategy

Governing Board

- ▶ GSMS has a six-member Board, including 3 Independent Directors which is a good blend of experienced and committed bankers with microfinance experience. The Board is chaired by its Managing Director, Mr. Ganesh Chandra Modak. Among the 6 directors, 50% are women including 2 of the elected members.
- ▶ There are four Board level committees, including, Finance Committee, Nomination Committee, Risk Committee and Audit Committee. These committees generally meet every quarter and the discussions concentrate on strategic issues such as growth, sources of funds, performance review, strengthening of controls and regulatory compliance. These meetings are well documented as observed by the M-CRIL team.
- ▶ At the management level there is an asset liability management committee, whistle blower committee, anti-sexual harassment committee and IT committee. While ALM committee meets monthly, other committees meet half yearly.
- ▶ Internal audit committee comprises of four core members who also review risk aspects of the organisation. Reports are channelized through them before being presented to the Board.

Second line of management

- ▶ GSMS has stable and experienced second line of management
- ▶ Operations are managed by the COO with support from the CFE, CS, DGM (Finance and accounts) and GM MIS (IT and MIS).

Operational growth and Strategy

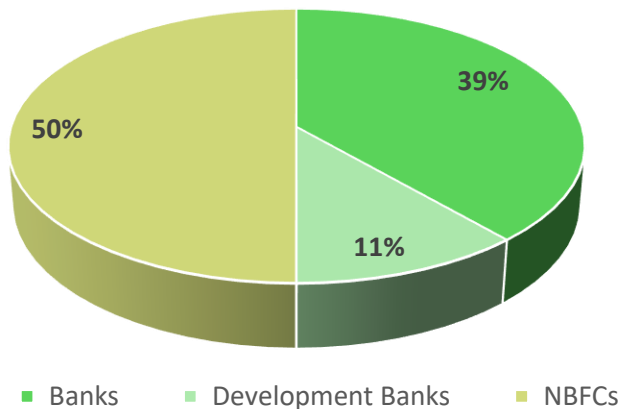
- ▶ GSMS has strategically focused on rural poor women to ensure income generation for them and provide better livelihood opportunities for such marginalized sections of society.
- ▶ GSMS plans to raise additional share capital by diluting the existing shareholding. This dilution can be done up to ₹10 cr depending on investors' terms and conditions. It is expected to be complete by September in FY 22-23.
- ▶ GSMS has increased its focus on BC portfolio through partnership with Ananya Finance (limit of ₹5 crore) in September 2021 and with Monexo (limit of ₹10 crore) in October 2021. Service charge is 10.25% inclusive of taxes in Ananya and 8% plus GST in Monexo.
- ▶ Currently there are 20 branches of GSMS across 3 states – West Bengal, Bihar and Jharkhand. GSMS plans to expand in some parts of western Odisha, eastern UP and Chhattisgarh. By the end of year 2022, GSMS plans to start branches in Odisha or Chhattisgarh.
- ▶ For expansion plans those areas will be targeted which have less than 40% default rate. Focus is also given to whether there is an MFI culture in the area as it can increase the investment. Crime rate, banking facility (minimum 2 banks) and infrastructure connectivity are other aspects looked at while expanding to new areas.
- ▶ GSMS has no plans to offer any new product in the near future, believing that the existing products are sufficient to meet client needs.



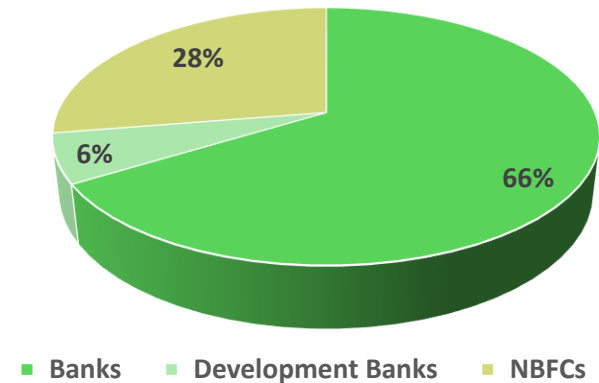
Fund Mobilization

- ▶ During the first nine months of FY 2021-22, GSMS has raised ₹23.5 crore predominantly from Public Sector Banks (₹18 crore) and DFI (₹2 crore) at an average cost of borrowings of 9.3%.
- ▶ Going forward, GSMS plans to increase the contribution of debt funding from public sector banks (PSBs). Funding from PSUs has increased substantially to 66% during April 21-December 21 from 39% during FY 2020-21.

Debt Funding Source - March 2021



Debt Funding Source - December 2021



- ▶ GSMS has strong relationship with mid and large sized NBFCs and has raised funds frequently from these institutions.
- ▶ GSMS has raised ₹9.6 crore through term loans and Common Covid Emergency Credit Line (CCECL) in FY2020-21, despite COVID-19, largely from NBFCs, DFIs and PSU banks. Term loans account for 82.7% of debt funds.
- ▶ The average cost of borrowings was high at about 13% during FY 2020-21, however, it has reduced to 11.7% in FY 2021-22, till December.

GSMS has implemented efficient accounting and management information systems, loan tracking, internal control & audit, monitoring and supervision systems.

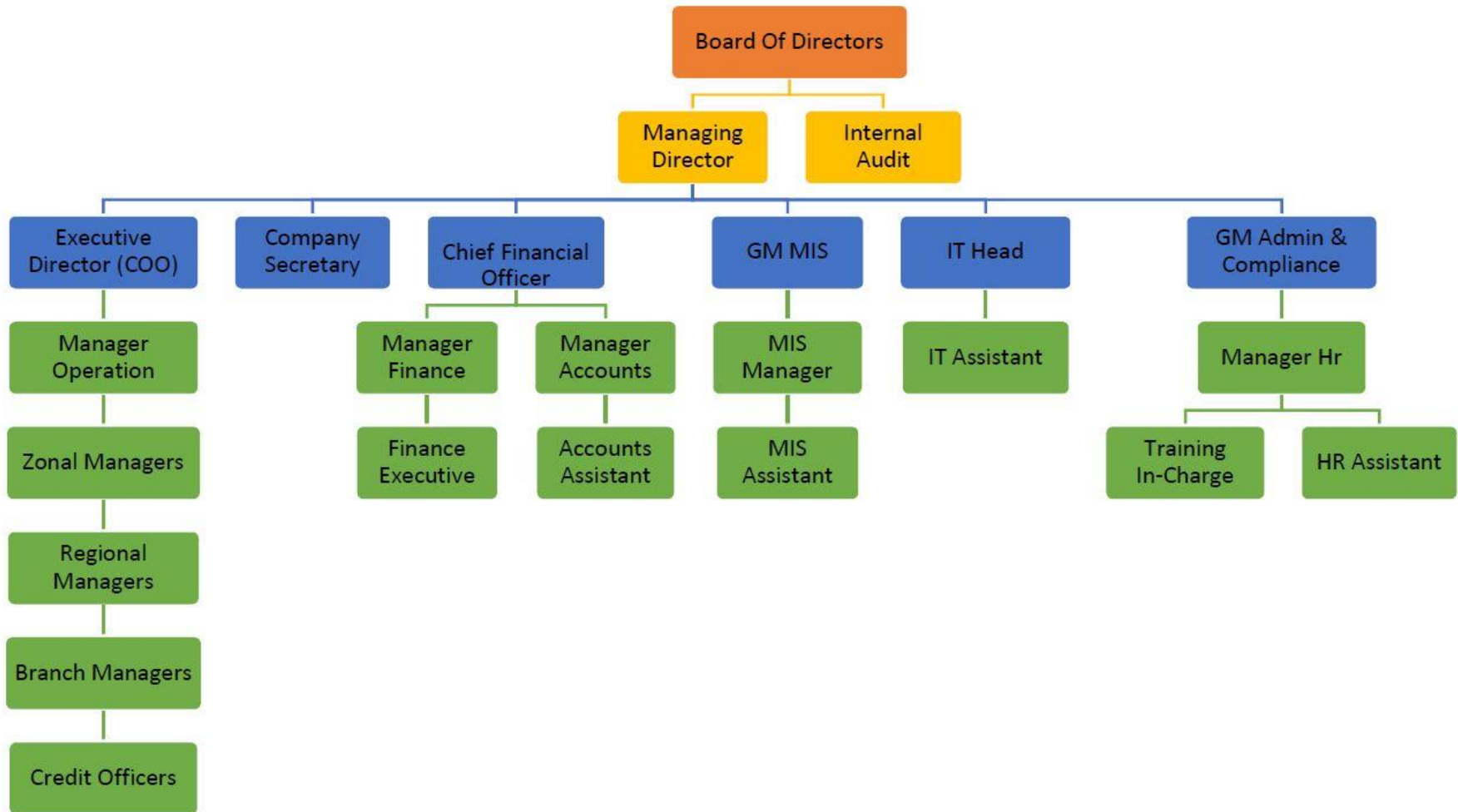
Organisation and Management

Human resource management
MIS and Accounting
Loan tracking system, Monitoring and supervision, and cash management
Internal audit

Human Resource Management

- ▶ Human Resource (HR) policies and procedures are documented and include code of conduct, grievance redressal, whistle blower and sexual harassment policy.
- ▶ Staff are aware of the processes and policies of the organization. They all seem satisfied and motivated to work according to the current policies.
- ▶ The human resource quality and management at GSMS is reasonable considering the present level of operations and low attrition rate.
- ▶ GSMS has separate HR cum Training department, having qualified and experienced personnel under GM - Admin and Compliance. Manager has two assistants and a separate person for training.
- ▶ Recruitment of field level staff is centralised and is done by the COO with the respective RMs. Special preference is given to local people. Every new joinee in field staff starts at CO level and is accompanied by a senior for on-the-job training for 3-5 months depending on his previous experience. A staff member is confirmed after a maximum of 6 months probation and satisfactory performance as reported by BM and RM.
- ▶ Weighted average method is used to rate the performance appraisal indicators. A strategic committee consists of MD, COO and HR who decides on the appraisal numbers. Performance appraisals are done during April-May each year.
- ▶ For the past three years, GSMS has had a low staff attrition rate. Year to date (YTD), the staff attrition rate is 3.3%.

Organisational structure



MIS and Accounting

- ▶ GSMS uses **BIJLI** Microfinance software developed by Force Ten Technologies. It has been implemented since 2018. It provides an end-to-end solution to manage loan documents, information flow and field force. For accounting, GSMS uses Tally prime.
- ▶ **GSMS has centralised MIS.** Data entry is done at the branch level but can be rectified only at the HO. COs collect loan instalments and update members' loan repayment sheets. After this, COs fill daily collection sheets and submit these to BM. CO or BM also enters the same amount on BIJLI through a smartphone. The BM verifies CO wise collection and deposits amount in the bank account.
- ▶ The accounting system is also centralized. Editing rights are only with the DGM and Accounts Manager at the HO. The receipts for expenses at branch level are passed by RM and are kept in physical form at the branch level. At the end of the day, the accounting team reconciles all financial transactions in MIS with accounting figures.
- ▶ Training is given on a regional basis to every branch in that region. Passwords of employees are changed after 45 days, and weekly data backup storage is done. One server is at the HO and another at the MD's residential premises.
- ▶ **GSMS has formulated a policy on loan loss provisioning (LLP) and re-scheduling.** LLP is done based on RBI directives for NBFC-MFIs. The regulations allow for provisioning based on aging of overdues with a minimum provisioning of 1% of own portfolio.

Loan tracking, Monitoring & Cash management systems

Loan tracking system

- ▶ Before disbursements, the CO conducts training for JLG members on the importance of on-time repayment.
- ▶ Any continuous delay in the loan repayment is informed by CO to BM who visits the centre himself and tries to understand the reason behind the delay. If delayed further, it is reported to RM and ultimately to HO. Every field staff is trained to behave in the correct manner with the client even if the loan repayment is delayed.
- ▶ The loan overdue of members is also tracked daily at the HO.

Monitoring and supervision

- ▶ GSMS has put in place reporting and internal control systems that allow the MFI to track performance, strategy, operations, processes, and risk associated with operations.
- ▶ BMs and RMs randomly check the documents of clients, make visits to clients and follows up on internal audit findings.
- ▶ A Credit Information Report (CIR) is generated for all loans. It also ensures that the loan is paid out within 15 days of the report's creation.

Cash Management Systems

- ▶ GSMS has a centralised financial planning and overall fund management system.
- ▶ The finance department conducts variance analysis, which is then presented to the ALM Committee.
- ▶ The BM updates the cash sheet and collection demand sheet in the software on a daily basis. The Finance team checks cash and bank balances on a daily basis.
- ▶ The cash limit at the branch is ₹10,000. If the amount held exceeds the ceiling at the branches, authorization from a superior authority is required.

Internal Audit

- ▶ The internal audit function is robust, given the size of operations.
- ▶ GSMS has a separate Internal Audit (IA) team headed by a qualified and experienced person who reports to the Board. Audit visits are classified into two – branch audit (45 days) and HO audit (2 months).
- ▶ A separate IA manual is there with check list for all the audits. For conducting the audit an audit tool is used.
- ▶ The scope of a branch audit is primarily focused on field processes (*group formation, GRT, center meeting, client/HH visits and verification of KYC*), branch process (*loan process, disbursement, collection, LUC and insurance*), record keeping and reporting, monitoring mechanisms, cash management, and the implementation of the fair practice code. The audit team makes a surprise visit to the centers to check the processes and policies followed while sourcing and loan disbursement.
- ▶ A report is prepared separately for every branch, which is shared with the BM. The branch has to comply within 15 days. The IA's opinion is based on a number of criteria, each of which has a score, and each branch has a composite value and a grade assigned to it.
- ▶ The IA team compiles and provides a summary IA findings report to the Board IA Committee on a quarterly basis. The IA Committee monitors & reviews the effectiveness of the IA function in the context of the overall risk management.

GSMS is able to scale and sustain its operations. Its net margin will be under pressure during short to medium term mainly because of asset quality challenges due to the impact of COVID but its performance has improved constantly over the past few months as the threat of Covid has receded. To strengthen the balance sheet, GSMS has plans to raise capital through the dilution of its existing shares.

Financial performance

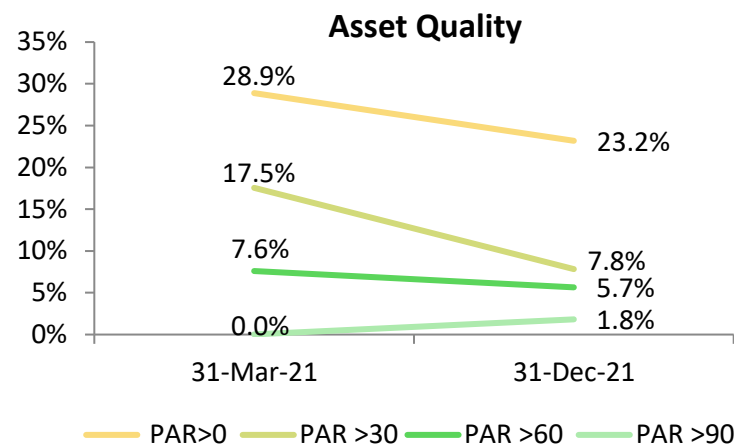
- Credit performance and portfolio quality
- Capital adequacy
- Profitability and sustainability
- Asset & Liability composition

Financial Profile

Financial Ratios	Mar-19	Mar-20	Mar-21	Dec-21
Capital Adequacy				
Risk Weighted Capital Adequacy	21.5%	20.7%	30.1%	30.0%
Asset Quality				
Portfolio at Risk30/ Gross Loan Portfolio	0.0%	0.3%	17.6%	7.8%
Loan Loss Provision/Gross Loan Portfolio	1.6%	0.5%	2.3%	0.0%
Write-offs / Average Gross Portfolio	0.0%	0.0%	1.5%	0.7%
Management				
Operating Expenses/ Average Gross Portfolio	8.2%	4.7%	5.6%	7.3%
Borrowers/CO	403	508	430	381
Portfolio/CO (₹ lakh)	76.3	115.6	92.6	102.5
Earnings				
RoE	14.0%	40.7%	1.6%	14.4%
RoA	3.8%	7.5%	0.3%	3.4%
Portfolio Yield	27.4%	30.5%	21.5%	21.0%
Financial Expense Ratio	9.1%	13.3%	11.3%	8.9%
Liquidity				
Avg. cash and bank balance/Avg. Total Assets	1.8%	4.8%	0.5%	4.4%
Debt Equity Ratio	4.2	4.3	2.9	3.2

Portfolio Quality

- ▶ Overall portfolio quality in December 2021 has improved in comparison with March 2021, owing to improvement in collections.
- ▶ Grameen Shakti has recruited additional staff known as “community volunteers” to collect repayments from defaulting borrowers. Additionally, the COs are given incentives for achieving higher collections.
- ▶ The BMs and RMs have also taken responsibility and regularly meet the defaulting borrowers. This approach has improved the PAR₀ from 29% in March 2021 to 23% in December 2021.
- ▶ Microenterprise loan segment has significantly increased to 70% in December 2021 from 64% in March 2021. The increased exposure to microenterprise loan may pose a risk as 71% of the total default amount greater than PAR₃₀ days is from this segment during December 2021.

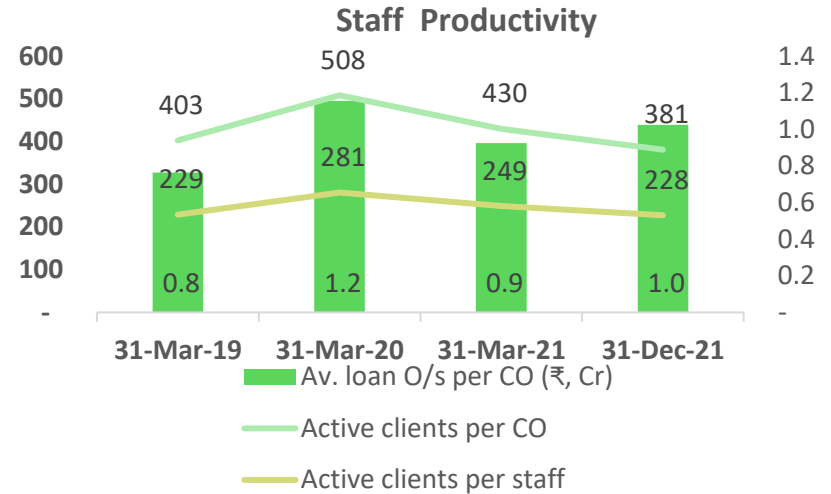


Sector	Mar 2021	Dec 2021
Microenterprise	64.3%	70.1%
Agriculture	27.5%	26.9%
Service	0.9%	0.8%
Other	7.4%	2.2%
Total	100%	100%

Efficiency

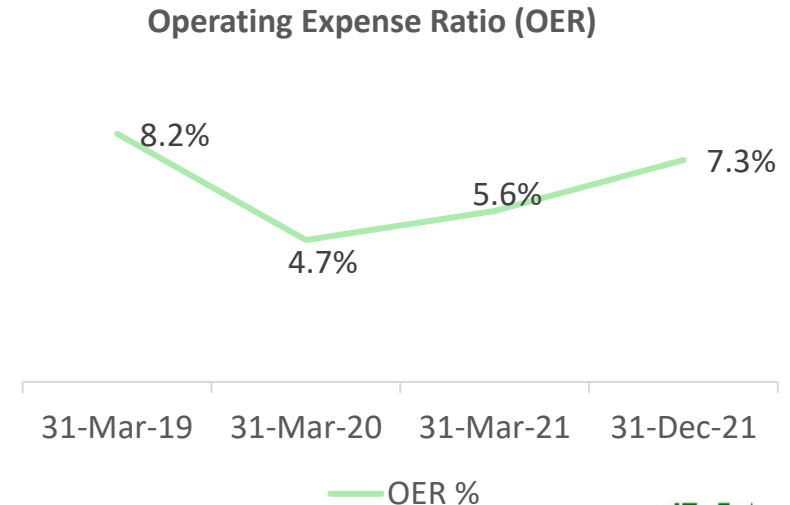
Staff productivity

- ▶ Branch productivity had declined significantly at the end of March 2021 owing to decline in the client base (-15%) in comparison to 32% growth in client base at the end of March 2020.
- ▶ The staff productivity has further declined from 508 at the end of March 2021 levels to 381 during the first nine months of FY2021-22 as the number of active clients continued to decline mainly due to lower sourcing of first time borrowers.



Operating efficiency

- ▶ Operating Expense Ratio (OER) has increased marginally from 4.7% during FY 2019-20 to 5.5% during FY 2020-21. This is mainly because Grameen Shakti was not able to retain its clients due to paucity of funds.
- ▶ OER further increased to 7.3% during the first nine months of FY 2021-22 as GSMS hired additional manpower, “community volunteers”, to focus on higher recovery.



Asset and liability structure and management

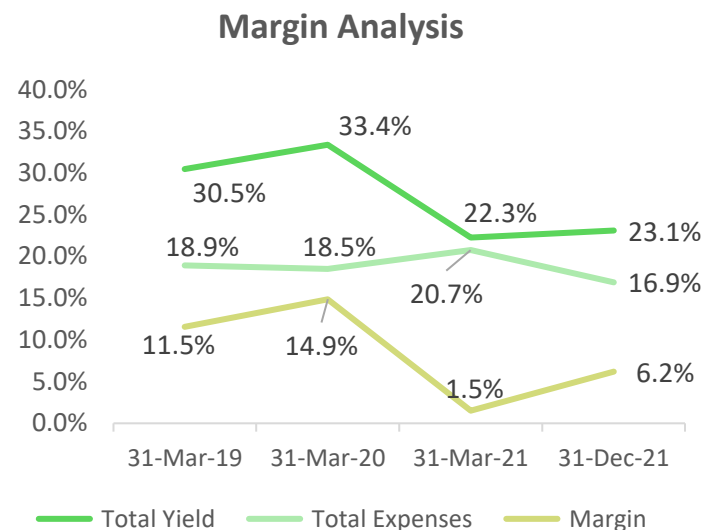
- ▶ ALM of GSMS is comfortable as 82% of the borrowings are of more than 2 years tenor, whereas the loan provided to clients is predominantly for less than 2 years.
- ▶ For the past three years, the net loan portfolio to total assets ratio has been in the range of 88% to 90%. As on 31 December 2021, the 86.4% ratio is reasonable.
- ▶ GSMS has a moderate Cash Position Ratio (cash and bank balances/total assets) at 4.4% as on 31 December 2021.

Capital Adequacy

- ▶ GSMS's risk-weighted Capital Adequacy Ratio (CAR) was healthy at 30% on March 31, 2021. The CAR is, nevertheless, higher than the RBI's requirement (15%) for NBFC-MFIs. The present CAR is comfortable to attract external lenders.
- ▶ GSMS has plans to raise additional equity of ₹10 crore during FY 2022-23 through dilution of existing shares.

Profitability and Sustainability

- ▶ Total yield (portfolio yield and other income) has declined over the last two years. This decline is mainly due to paucity of funds as GSMS was not able to disburse credit regularly. The yield is likely to improve given the recovery of business going forward.
- ▶ GSMS has generated a thin net margin of 1.5% at the end of FY2020-21. This has declined sharply from 14.9% during FY 2019-20. The decline was mainly due to high provisioning and write off in FY2020-21.
- ▶ During the first nine months of FY2021-22, GSMS was able to recover 51% of the amount written-off in FY2020-21. This reflects a strong recovery strategy adopted by the MFI through community volunteers and additional incentives linked with collections from overdue clients.
- ▶ Due to higher provisioning, the company's operational self-sufficiency (OSS) declined from 168% during FY 2019-20 to 115% during FY 2020-21. However, the OSS has improved to 141% during the first nine months of FY2021-22 on account of the recovery of bad debt.





Annexes

Annex 1: Financial Statements of GSMS

Balance Sheet on

amount in ₹ Lakh	31-Mar-19	31-Mar-20	31-Mar-21	31-Dec-21
ASSETS				
<u>Current assets</u>				
Cash and bank balance	90.9	23.4	34.7	110.5
Short term loans & advances	3540.7	2132.9	553.8	1617.2
Other current assets	23.6	272.5	211.9	3588.3
Total current assets	3,655.2	2428.8	800.4	5316.0
<u>Long term assets</u>				
Assets (tangible & intangible)	13.7	25.8	20.8	18.7
Long term loans and advances	226.9	3868.6	4,137.1	631.7
Total long term assets	240.6	3894.4	4,157.9	650.4
Total assets	3,895.7	6,323.2	4,958.3	5,966.4

...Balance Sheet on

amount in ₹ crore	31-Mar-19	31-Mar-20	31-Mar-21	31-Dec-21
LIABILITIES AND NET WORTH				
<u>Current liabilities</u>				
Short term provisions	82.2	199.8	221.0	265.9
Borrowings	800.2	1,496.0	1,050.6	1,079.9
Other payables	18.8	17.0	19.9	47.8
Other liabilities	1,262.7	2,369.1	1,818.2	1,858.9
Total current liabilities	2,163.9	4,081.8	3,109.7	3,252.5
<u>Long term liabilities</u>				
Long term borrowings	996.9	1,092.1	631.1	1,358.6
Deferred tax liabilities	0.8	5.5	9.7	9.7
Total long term liabilities	997.7	1,097.6	640.7	1,368.3
Total liabilities	3,161.6	5,179.4	3,750.4	4,620.8
<u>Net worth</u>				
Share Capital	157.3	164.0	876.3	876.3
Reserves and surplus	576.9	979.8	331.6	469.4
Total net worth	734.2	1,143.8	1,207.9	1,345.7
Total liabilities and net worth	3,895.7	6,323.2	4,958.3	5,966.4

Annex 2: Income Statements for the period...

amount in ₹ lakh	2018-19	2019-20	2020-21	April 21-Dec 21
<u>Income</u>				
Interest income from loans	388.7	1,179.2	1,090.4	645.7
Commission from BC services	-	-	0.3	3.4
Loan processing fee	41.5	97.1	7.9	33.1
Other income	0.7	0.1	1.3	2.0
Interest on term and security deposits	6.4	20.6	25.5	16.0
Provision for gratuity - written back	-	-	4.4	-
Bad debt recovery	-	-	-	39.3
Total income	437.3	1,297.0	1,129.8	739.4
<u>Financial costs</u>				
Interest on borrowings	115.2	482.8	559.7	260.2
Other borrowing costs	28.3	73.7	19.4	29.2
Gross financial margin	293.7	740.5	550.7	450.0

...Income Statement for the period

amount in ₹ Lakh	2018-19	2019-20	2020-21	April 21-Dec 21
Gross financial margin	293.7	740.5	550.7	450.0
Provisions	25.8	21.5	117.3	(1.1)
Write-offs	-	-	76.6	30.6
Net financial margin	267.9	719.0	356.8	420.5
<u>Operating expenses</u>				
Employee benefit expenses	79.7	124.9	167.9	119.9
Administrative & operating expenses	43.0	62.2	108.5	108.5
Depreciation and amortization	5.5	7.6	10.7	8.4
Total operating expenses	128.1	194.7	287.1	236.7
Profit before tax (PBT)	139.9	524.3	69.6	183.7
Tax obligations	46.1	137.4	47.1	46.0
Deferred Tax	(0.8)	4.7	4.2	-
Profit after tax (PAT)	94.5	382.2	18.4	137.8

Annex 3: Profile of the Board (December 2021)

	Board Member	Position on Board	Education	Since
1	Ganesh Chandra Modak	Managing Director	Master in Commerce	5 years
2	Sukriti Mukhopadhyay	Director	Master in Arts & Social Work	5 years
3	Sundari Modak	Director	Bachelor in Arts	5 years
4	Pranab Kumar Saha	Independent Director	B. Pharm	0.5 years
5	Maitrayee Banerjee	Independent Director	Master in Arts	4 Years
6	Gautam Sen	Independent Director	Master in Arts	0.5 Years

Annex 4: Abbreviations

ALM	Asset Liability Management	IT	Information Technology
BC	Banking Correspondent	JLG	Joint Liability Group
BM	Branch Manager	LAF	Loan application Form
CAGR	Compound Annual Growth Rate	LLP	Loan Loss provisioning
CB	Credit Bureau	LPF	Loan Processing Fee
CFE	Chief Finance Executive	LUC	Loan Utilisation Checks
CGM	Chief General Manager	MFI	Micro Finance Institution
CGT	Compulsory Group Training	MIS	Management Information System
CO	Credit Officer	NBFC	Non Banking Finance Company
COO	Chief Operations Officer	OER	Operating Expense Ratio
DFI	Development Finance Institutions	OSS	Operational Self Sufficiency
GLP	Gross loan portfolio	PAR	Portfolio at Risk
HO	Head Office	PSB	Public Sector Bank
HR	Human Resources	RBI	Reserve Bank of India
IA	Internal Audit		

Annex 5: Glossary

- ▶ **Active borrowers per CO (or field staff):** Number of borrower / Number of COs (or field staff)
- ▶ **Active borrower per staff:** Number of borrower / Total staff
- ▶ **Average loan size:** Total loan amount disbursed in the period / Number of disbursed loans
- ▶ **Average outstanding:** Gross portfolio/Number of active borrowers
- ▶ **Assets under management:** Sum of assets managed by the institution including own portfolio and BC portfolio.
- ▶ **Capital Adequacy Ratio:** Total net worth / Total risk weighted assets
- ▶ **Cost per Borrower (active client) :** Operating expenses / Average number of active borrowers
- ▶ **Client drop-out ratio:** Number of clients' dropped during the period / (total clients beginning of period+ number of clients' dropped during period)
- ▶ **Financial expense ratio:** Total interest expense during the period /Average loan portfolio
- ▶ **Debt-equity ratio:** Total liabilities / Total equity
- ▶ **Loan loss provisioning ratio:** Total loan loss provisioning expense during period /Average portfolio
- ▶ **Operational Self-Sufficiency (OSS):** Ratio of total income to total costs for the period
- ▶ **Operating expense ratio:** Total operating expenses (incl. depreciation) during the period / average loan portfolio
- ▶ **Portfolio at risk (PAR (>30days):**The principal balance outstanding on all loans with overdues greater than or equal to 30 days /Total loans outstanding on a given date.
- ▶ **Return on Asset (RoA):** Operational income (or loss) after tax during the period /Average assets
- ▶ **Return on Equity (RoE):** Ratio of operational income (after tax)/(loss) to average net worth
- ▶ **Staff attrition rate:** Number of staff who left the institution during the period / (total staff beginning of period+ number of staff left during period)
- ▶ **Yield on portfolio:** Interest income from managed loans during the period /Average loan portfolio for the year

Annex 6: M-CRIL rating grades

M-CRIL Grade	Description
$\alpha+$	Strong governance, excellent systems and healthy financial position. Without a foreseeable risk ➤ Most highly recommended
α	Good governance, excellent/good systems, healthy financial position ➤ Highly recommended
$\alpha-$	Good governance, good systems and good financial performance; Low risk, can handle large volumes ➤ Recommended
$\beta+$	Reasonable performance, reasonable systems. Reasonable safety but may not be able to bear an adverse external environment and much larger scale ➤ recommended, needs monitoring
β	Moderate systems. Low safety ➤ acceptable only after improvements are made on specified areas
$\beta-$	Weak governance, weak systems. Significant risk ➤ not acceptable but can be considered after significant improvements
$\gamma+$	Weak governance, poor quality systems. High risk ➤ needs considerable improvement
γ	Weak governance, poor systems, weak financial position. Highest risk ➤ not worth considering

In addition, a 'Positive' outlook given by M-CRIL suggests that the institution is expected to improve its rating in one year period to one higher notch, 'Neutral/Stable' suggests that the institution is likely to retain its rating till the end of one year from the rating, and 'Negative' outlook suggests that it is expected that the institution will lower its rating performance by one notch in one year period.