



SMERA RATINGS LIMITED

SMERA MFI Grading

M4

*(Average capacity of the
MFI to manage its
operations in a
sustainable manner)*

SMERA MFI Grading

Agora Microfinance India Limited

Date of Report:

28th February, 2017

Valid Till:

27th February, 2018



Conflict of Interest Declaration

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

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SMERA's MFI Grading Scale

Grading Scale	Definitions
M1	MFIs with this grade are considered to have highest capacity to manage their microfinance operations in a sustainable manner.
M2	MFIs with this grade are considered to have high capacity to manage their microfinance operations in a sustainable manner.
M3	MFIs with this grade are considered to have above average capacity to manage their microfinance operations in a sustainable manner.
M4	MFIs with this grade are considered to have average capacity to manage their microfinance operations in a sustainable manner
M5	MFIs with this grade are considered to have inadequate capacity to manage their microfinance operations in a sustainable manner.
M6	MFIs with this grade are considered to have low capacity to manage their microfinance operations in a sustainable manner.
M7	MFIs with this grade are considered to have very low capacity to manage their microfinance operations in a sustainable manner.
M8	MFIs with this grade are considered to have lowest capacity to manage their microfinance operations in a sustainable manner.

Company Profile

D&B D-U-N-S® Number	65-085-9536
Name of the MFI	AGORA MICROFINANCE INDIA LIMITED
Year of Establishment	31/May/1996
Year of Commencement of Microfinance Operations	01/Aug/2011
Legal Status	NBFC-MFI
Business of the Company	Microfinance services under Individual and Joint Liability Group (JLG) Model
Correspondence address	1st Floor, 4/2, Chandrodaya CHS, Near Swastik Park, CST Road, Chembur (E), Mumbai - 400 071 Maharashtra India
Telephone	(91) (22) (25271552)
Geographical Reach (As on 31/Dec/2016)	No of States : 01 No of Branches : 09
Total Employees (As on 31/Dec/2016)	54
Active Borrowers (As on 31/Dec/2016)	15120
Total Portfolio Outstanding (As on 31/Dec/2016)	Owned Portfolio – Rs.21.82 (in crore)
Operational Head	Ms. Meenal Patole, CEO & Managing Director Email ID: meenalpatole@amil.co.in
Statutory Auditor & Address	S.R. Batliboi & Associates LLP (Chartered Accountants) 14 th Floor, The Ruby, 29, Senapati Bapat Marg, Dadar (West) , Mumbai - 400028 Maharashtra India

Background

Agora Microfinance India Limited (AMIL), an NBFC–MFI registered with RBI, commenced its microfinance operations in 01/Aug/2011. AMIL is promoted by Ms. Meenal Patole (CEO & Managing Director) and Agora Microfinance NV. AMIL was established with an aim to provide affordable, convenient and timely financial services to low income urban clientele in a financially sustainable manner.

AMIL provides loans to joint liability groups, who come together for the purpose of availing loan through group mechanism against mutual guarantee. The company also allows individual clients to avail loans. There is a requirement of a guarantor for an individual loan product. AMIL offers loans in the range of Rs.20,000 to Rs.50,000 depending on client repayment capacity, type of activity, etc. with tenure varying from 12 months to 24 months at an effective interest rate of 25.96% (on a reducing balance).

Product Profile

PRODUCT - BUSINESS LOAN		
Type of Loans	Household	Top Up
Age Group	18 – 60	
Gender	Male as well as Female	
Loan Size (Group)	Upto Rs. 50,000	50% of BL Disbursed
Loan size Individual	Upto Rs. 100,000	
Loan Tenor	12 – 24 Months	
Interest Rate	25.96%	
Processing Fee	01% (Excluding tax)	
Security	None	

PRODUCT - NON BUSINESS LOAN				
Type of Loans	Housing	Education	General Purpose	Medical
Age Group	18 – 60			
Gender	Male as well as Female			
Loan Size (Group)	Upto Rs. 30,000		Upto Rs. 20,000	-
Loan size Individual	Upto Rs. 100,000	Upto Rs. 50,000	N. A.	Upto Rs. 30,000
Loan Tenor	12 – 24 Months			
Interest Rate	25.96%			26.00%
Processing Fee	01% (Excluding tax)			
Security	None			

Shareholding Pattern – Equity Shares as on 31/Mar/2016

Name of the Shareholder	Shares Held	Shareholding (%)
Meenal Patole	332,142	49.06
Agora Microfinance NV	344,876	50.94
Total	677,018	100.00

Board of Director's/Promoter's Profile

Name	Designation	Profile
Meenal Patole	CEO and Managing Director	<ul style="list-style-type: none"> M.A., M. Phil and Certificate course of Financial Institutions for Private Enterprise Development from JFK School of Government, Harvard University. Specialist in Livelihood and Microfinance. She has managed projects with the British Council Division, EDA Rural Systems Ltd, ACTED (France), CARE India.
Tanmay Chetan	Supervisory Board Member, Agora Microfinance NV	<ul style="list-style-type: none"> Master's in Public Administration from the Harvard Kennedy School and management degree from the Indian Institute of Forest Management. Over 15 years of experience in microfinance in various fields like credit ratings, consulting, investing management and implementation. First CEO of AMK Limited (2003-07), a Greenfield microfinance company.
Rebecca McKenzie	Managing Director, Agora Microfinance NV	<ul style="list-style-type: none"> BA from Scripps College, California Worked for investor relations at DEPFA Bank Worked in capital markets sales at UBS, Credit Suisse and Paribas.
Orlanda Ruthven	Independent Consultant	<ul style="list-style-type: none"> Provided consultancy services for UK- and India-based organizations including Impact, ODI, GIZ and Access Development Services.
Asit Mehta	Non-Executive Director	<ul style="list-style-type: none"> Practicing Chartered Accountant with over 30 years of working experience. Director of Phoenix India Strategy Advisors LLP and a professional director in some other companies.

Senior Management Profile

Name	Age	Qualification	Designation	Profile
Meenal Patole	44	M.A.,M. Phil and Certificate course of Financial Institutions for Private Enterprise Development from JFK School of Government, Harvard University	CEO & Managing Director	<ul style="list-style-type: none"> Specialist in Livelihood and Microfinance. She has managed projects with the British Council Division, EDA Rural Systems Ltd, ACTED (France), CARE India
Venkata Subba Reddy	35	B. Sc – Chem Tech, PGDRM (IRMA)	Chief Operating Officer (COO)	<ul style="list-style-type: none"> Over 10 years' experience in Microfinance and Micro-enterprise
Amandeep Singh	34	B. Com. (Hons), PGDBM (IRM), PGDFM (IIFM, Bhopal)	Head – Finance & Internal Audit	<ul style="list-style-type: none"> Over 07 years of experience in Strategy, Financial Analysis and Planning & Operations. Received recognition as “Most Influential CFOs of India” from Chartered Institute of Management Accountants.
Ramakrishna Sahu	38	B. Sc., LLB, MBA(Fin)	Head - Operations	<ul style="list-style-type: none"> Over 14 years' experience in managing microfinance operations

HIGHLIGHTS OF MICROFINANCE OPERATIONS

Particulars	31/03/14	31/03/15	31/03/16	31/12/16
No. of states	01	01	01	01
No. of branches	05	06	07	09
No. of JLGs	676	1,273	2256	3187
No. of active borrowers (both Individual and JLG)	3150	8095	11408	15120
No. of total employees	36	49	43	54
No. of Client Service Officer (CSO)	19	29	28	34
Loan disbursements during the period (Rs. in thousands)	70,151	107,479	187,361	182,537
Net portfolio outstanding (Rs. in thousands)	54,040	82,811	162,468	218,258

BRANCH-WISE DETAILS AS ON 31/DEC/2016

Branches Names	No. of Client Service Officers	No. of Sales Officers	No. of Active Borrowers	Portfolio Outstanding (in Rs. thousands)	Overdue Amount (in Rs. thousands)
Cheetah Camp	2	2	2438	36331	302
Khardev Nagar	2	2	2163	27370	402
Lumbini Baug	2	2	1867	25125	277
Santacruz	1	2	1878	26745	64
Vikhroli Park	3	2	2837	42931	50
Deonar Colony	2	4	2631	37843	168
Vashi Naka	1	2	928	14607	21
Bhandup	1	3	378	7306	0
Mumbra	1	0	0	0	0
Total	15	19	15120	218,258	1284

AGEING SCHEDULE OF THE LOAN PORTFOLIO (AMOUNT IN THOUSANDS)

As on 31 st March	FY 2015		FY 2016		31/Dec/2016	
Total loan outstanding that are	No of active borrowers	Value of Portfolio o/s	No of active borrowers	Value of Portfolio o/s	No of active borrowers	Value of Portfolio o/s
On time	7838	80900	11271	161602	14617	213774
1-30 days	129	1060	38	249	329	3070
31-60 days	43	229	5	36	39	324
61-90 days	23	181	12	77	16	132
91-180 days	54	343	20	134	46	451
181- 360 days	8	98	39	200	38	283
>360 days	0	0	23	170	35	224
Total	8095	82811	11408	162468	15120	218258

Microfinance Capacity Assessment Grading Rationale

Satisfactory track record of microfinance operations and extensive industry experience of promoters

- AMIL is an NBFC–MFI registered with RBI, commenced its microfinance operations in the year 2011. AMIL is promoted by Ms. Meenal Patole (CEO & Managing Director) and Agora Microfinance NV.
- AMIL has experienced & qualified board members. The board of directors of AMIL comprises of members with experience in financial services, social services & microfinance sector.
- Ms. Meenal Patole (CEO & Managing Director) who is also on the board of MFIN is a specialist in Livelihood and Microfinance. She has managed projects with the British Council Division, EDA Rural Systems Limited, Agency for Technical Cooperation and Development (ACTED) France and CARE India.

Concentrated Resource Profile

- As on February 28, 2017, AMIL had availed term loans from 4 lenders. The company's resource profile continues to remain concentrated towards borrowings from NBFC's as on February 28, 2017. The company has availed term loans from Mas Financial Services Ltd, Ananya Finance for Inclusive Growth Pvt Ltd, Reliance Capital Limited and Jain Sons Finlease Ltd. Out of the total borrowings of Rs.16.55 crore, the borrowings from Mas Financial Services Ltd stood at Rs.9.24 crore which is 56% of the total borrowings as on February 28, 2017.
- Recently, AMIL has received the sanction from Axis Bank to the tune of Rs.1.50 crore for on-lending to its microfinance clients on February 16, 2017.
- The relationships with NBFCs have helped AMIL in meeting its funding requirements to meet the projected growth; however the company should increase its funding mix from PSU/Private Banks to bring down the cost of borrowing. The debt availed from above mentioned NBFCs have been drawn at an interest rate in the range between 15%-16%.
- The cost of funds (COF) for AMIL stood at 11.79% as on Mar 31, 2016 as compared to 17.08% in the previous year. In FY2016, around 60% of the borrowing was availed in Q4 of FY2016; therefore COF appears to be low at the yearend date.

Adequate capitalisation and comfortable liquidity profile

- AMIL has an adequate capitalisation marked by comfortable gearing of 1.60 times as on March 31, 2016 as compared to 0.96 times in the previous year. The promoter group has infused

equity capital at a premium in FY2016. The networth of the company has increased to Rs.7.88 crore in FY2016, as compared to Rs.5.10 crore in the previous year.

- To increase the equity base, the promoter group has further infused Rs.1.01 crore in July 2016 and Rs.3.30 crore in January 2017.
- CRAR has declined over the years; however it stood strong at 47.36% as on March 31, 2016.
- AMIL has a comfortable liquidity position due to well matched maturity of assets and liabilities. The tenure of loans is about 12-24 months, whereas the incremental bank funding is typically with tenure of about 12-30 months. However regular flow of funds is critical to maintain the projected growth and the same would have a key bearing on its liquidity profile.

Sound Asset Quality

- AMIL has a sound asset quality marked by on-time repayment rate of 97.95% as on 31st December, 2016. However, the company's on-time repayment has declined to 97.95% in 9MFY2016-17 as compared to 99.47% in FY2016.
- The PAR 0-30 days stood at 1.41% as on 31st December, 2016 as compared to 0.15% as on 31st March, 2016. The PAR >30 days stood at 0.65% as on 31st December, 2016 as compared to 0.38% as on 31st March, 2016. The PAR % has marginally increased due to demonetization in the month of November 2016.

High Geographical Concentration

- The portfolio of the AMIL remains concentrated in Mumbai region. Though area covered for lending purpose is spread in the slums of Mumbai with 09 branches. Therefore, AMIL is susceptible to portfolio/geographical concentration coupled with sociopolitical risk.

Improvement in operational performance in FY2017

- In FY2017 (provisional figures), the company has reported net profit of Rs.3068 thousands as compared to net loss of Rs.3320 thousands in the previous year.
- AMIL had incurred net loss of Rs.3320 thousands on operating income of Rs.30513 thousands in FY2016, as compared to net loss of Rs.12819 thousands on operating income of Rs.17593 thousands in the previous year. However the net losses have reduced in FY2016 over FY2015 because of various cost cutting measures implemented by the company's management.

Moderate MIS & IT infrastructure considering the current scale of operations

- AMIL's management information system (MIS) and Information Technology (IT) infrastructure is moderate for its current scale of operations. It has dedicated MIS and IT team at Head Office to ensure smooth flow of operational data between Head Office and branches.
- AMIL has installed software that can be connected to all branches on real time basis. This software is accessible from all branches. Hence management is now able to extract any type of company report on real time basis.

Inherent risk prevalent in the microfinance sector

- AMIL's business risk profile is susceptible to regulatory and legislative risks, along with the inherent risk exist such as unsecured nature of lending, vulnerable customer profile and exposure to vagaries of political situation in the area of operation.

Operating Environment

- SMERA estimates the MFI sector to grow at a CAGR of 20%-25% and is expected to touch Rs.100000 crore by the end of FY2019.
- MFIs have reported an increase of ~58% in average loan per borrower in FY2016 as compared to FY2014. SMERA believes seasoned customer profile over multiple loan cycles have helped MFIs to increase its loan ticket size.
- The fund flow to the sector has improved on account of increased confidence on MFI sector coupled with reduction in interest rate (100-150 bps). Further large MFIs are exploring the route of Non-convertible debentures (NCDs) and Pass through Certificates (PTCs); whereas small –mid size MFIs have an increased access to funds from banks and financial institutions
- Support systems such as Self-Regulatory Organizations (SRO), Credit Information Bureaus (CIB) among others have been established to ensure credit check and process adherence among MFIs. This regulatory framework has brought more accountability and transparency within the sector.
- On the contrary, recent demonetization drive restrained MFIs disbursement and collection process which has moderated microfinance sector growth in FY2016-17 as compared to the previous year.

Financials

Profit & Loss Account (Rs. In Thousands)

Period	FY 2014	FY 2015	FY 2016
Months	12	12	12
Financial revenue from operations	9,162	17,593	30,513
Less - Financial expenses from operations	(190)	(4,706)	(9,971)
Gross financial margin	9,482	12,887	20,542
Provision for Loan Loss / Write off	(665)	(1,237)	(884)
Net financial margin	8,826	11,650	19,658
Less - Operating Expenses	(20,989)	(24,031)	(22,926)
<i>Personnel Expense</i>	(14,430)	(16,460)	(16,062)
<i>Depreciation and Amortization Expense</i>	(1,088)	(992)	(904)
<i>Other Administrative Expense</i>	(5,471)	(6,579)	(5,960)
Net operating income / (loss)	(12,163)	(12,381)	(3,268)
Net Non-Operating Income / (Expense)	(14)	(438)	(52)
Net Income Before Tax	(12,177)	(12,819)	(3,320)
Less: Deferred Tax Charge / (Credit)	-9,169	0	0
Net income after Tax	(21,346)	(12,819)	(3,320)

Note: Above financials are taken from audited accounts provided by the management.

Balance Sheet (Rs in Thousands)

As on date	31/Mar/2014	31/Mar/2015	31/Mar/2016
SOURCES OF FUNDS			
Equity			
Share Capital	6,720	6,720	6,770
Reserves & Surplus	(43,093)	(55,912)	(59,232)
Share premium	100,238	100,238	131,267
Total Equity	63,865	51,046	78,805
Liabilities			
Short-Term liabilities			
Commercial Loans from banks/FI	7,333	44,424	82,278
Account payable & Other short-term liabilities	1,562	2,364	3,267
Total Short-Term Liabilities	8,895	46,788	85,545
Long-Term Liabilities			
Commercial Loans from banks/FI	1,667	1,667	40,764
Total Long-term liabilities	1,667	1,667	40,764
Provision for Standard Assets	263	520	1,621
Provision for Doubtful Debts / Standard Assets	415	516	05
Other Provisions	503	638	0
Total Provisions	1,181	1,674	1,626
TOTAL LIABILITIES	75,608	101,175	206,740

APPLICATION OF FUNDS			
<u>Fixed Assets</u>			
Gross Block	2,036	2,339	2,265
Less: Depreciation	(712)	(1,308)	(1,748)
Net Block	1,324	1,031	517
<u>Current Assets</u>			
Cash and Bank Balances	17,132	12,969	37,304
Security Deposits	557	1,003	922
<u>Loan Portfolio</u>			
Net Loan Portfolio	54,040	82,810	162,468
Accounts Receivable and Other Assets	2,026	2,456	4,987
Intangible Assets	529	906	542
TOTAL ASSETS	75,608	101,175	206,740

Financial Ratios

Financial Ratios	31/Mar/2015	31/Mar/2016
<u>Capital Adequacy Ratio (CAR)</u>		
Capital Adequacy Ratio (%)	58.91	47.36
<u>Productivity / Efficiency Ratios</u>		
No. of active borrowers per staff member	167	265
No. of active borrowers per field/credit officers	282	407
No. of active borrowers per branch	1362	1630
Average portfolio o/s per field/credit officers (In Rs.)	2855517	5802428
Average outstanding per borrower (In Rs.)	10135	14242
<u>Profitability / Sustainability Ratios</u>		
Yield on Portfolio (%)	24.77	23.79
Operational Self Sufficiency (%)	58.69	90.33
Operating Expense Ratio (OER)	35.12	18.69
Funding Expense Ratio (FER)	17.08	11.79
Return on Assets (RoA)	-14.09	-2.12
Return on Equity (RoE)	-21.55	-6.40
Portfolio at Risk (>30 days)	1.03	0.38
<u>Leverage</u>		
Debt-Equity Ratio (times)	0.96	1.60

Grading Methodology

A) Operational Track Record

Business Orientation and Outreach of the MFI is an important parameter to gauge the growth strategies of the MFI and to assess its strategies for development. This parameter is analysed using the following sub-parameters.

- Direction & Clarity
- Ability to raise funds
- Degree of association with promoter institution
- Alternate avenues for funds
- Outreach (No. of offices, No. of clients, No. of employees, Portfolio diversification)

B) Promoters & Management Profile

The elements in this parameter helps in assessing the Promoter & management quality evaluated on the basis of the basic educational qualification, professional experience of the entrepreneur; and business attitude that is related to the motivation of carrying out the business and pursuing business strategies. This parameter is analysed using the following sub-parameters.

- Past experience of the management
- Vision and mission of the management
- Profile of the Board Members
- Policies and Processes
- Transparency and corporate governance

C) Financial Performance

SMERA analyses the credit worthiness of the organization through the following financial parameters. Various financial adjustments are done to get more accurate ratios for comparison. Financial analysis helps the MFI to know its financial sustainability. This parameter is analysed using the following sub-parameters.

- Capital adequacy
- Profitability/Sustainability ratios
- Productivity and efficiency ratios
- Gearing and Liquidity ratios

D) Asset Quality

The loan portfolio is the most important asset for any MFI. SMERA analyses the portfolio quality of the MFIs by doing ageing analysis, sectoral analysis, product wise analysis etc. SMERA compares the portfolio management system with organizational guidelines and generally accepted best practices. This parameter is analysed using the following sub-parameters.

- Ageing schedule
- Arrears Rate / Past Due Rate
- Repayment Rate
- Annual Loan Loss Rate

E) System & Processes

SMERA analyses the policies and processes followed by the MFIs, their ability to handle volume of financial transactions, legal issue and disputes, attrition among the employees and client drop out which impact the productivity of the organization. SMERA also analyses asset liability maturity profile of the MFI, liquidity risk and interest rate risk. This parameter is analysed using the following sub-parameters.

- Operational Control
- Management Information System
- Planning & Budgeting
- Asset Liability Mismatch

About SMERA

SMERA Ratings Limited is a joint initiative of Small Industries Development Bank of India (SIDBI), Dun & Bradstreet Information services India Private Limited (D&B) and leading public and private sector banks in India. SMERA commenced its operations in 2005 and is empanelled as an approved rating agency by the National Small Industries Corporation Ltd. (NSIC) under the 'Performance & Credit Rating Scheme for Micro & Small Enterprise' of the Ministry of MSME, Government of India. SMERA is registered with the securities and Exchange Board of India (SEBI) as a Credit Rating Agency and is accredited by Reserve Bank of India (RBI) as an External Credit Assessment Institution (ECAI), under BASEL- II norms for undertaking Bank Loan Ratings.

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