

M/s Virutcham Microfinance Limited

Plot No 1, Mullai Tower, Mullai Nagar South,
Thanakkankulam, Thirunagar, Madurai, Tamil Nadu-625006

Valid from: Jan 31st, 2024

Valid to: Jan 30th, 2025

Grading Type	Amount	Grading Assigned
MFI Grading	Not Applicable	MFI 1

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. S. Charles Selvaraj	
2	Year of Incorporation	July 08, 2008	
3	Commencement of MFI operations	November 12, 2008	
4	Legal Status	Non-Banking Finance Company (NBFC-MFI)	
5	CIN	U65929TN2008PLCo68502	
6	Group	NA	
7	RBI Classification	Registered as a NBFC-MFI under RBI Act.	
8	Registered Office/ Corporate Office	Plot No 1, Mullai Tower, Mullai Nagar South, Thanakkankulam, Thirunagar, Madurai, Tamil Nadu-625006	
9	Lending Model	Joint Liability Group (JLG)	
10	Tangible Net Worth	Rs. 19.60 crore as on March 31, 2023	
11	Geographical reach as on Nov 30, 2022	No. of States	4
		No. of Districts	27
		No. of Branches	27
		No. of Active Borrowers	38,421
		No. of Total Employees	240
		No. of Field Officers	133
12	Auditors	CA S. Venkata Subramaniam, A. John Moris & Co.	
13	No of Lenders	22 Lenders (9 Banks & 13 Financial Institutions)	
14	Outstanding Grading	IAR MFI 1 assigned on January 2023	
15	Outstanding Rating	'BBB-' from Brickwork Ratings & 'BB+' from India Ratings. The Company has applied for enhancement & better Rating with India Ratings.	

GRADING RATIONALE

Brief Profile of the organization

- Virutcham has been incorporated as a Non-Banking Finance Company (NBFC) on 8th July 2008 and converted into Non-Banking Finance Company – Microfinance Industry (NBFC-MFI) on 6th June 2014. Virutcham started its Microfinance operations in November 2008. Bearing COR No. N-07-00779.
- VML is a NBFC-MFI engaged in microfinance activities and mainly focus on providing financial and non-financial services to poor inhabitants in that region. The areas where VML 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.
- VML started its microfinance operations in the year 2008. Its corporate and registered office was located at Plot No 1, Mullai Tower, Mullai Nagar South, Thanakkankulam, Thirunagar, Madurai, Tamil Nadu-625006.
- Virutcham Microfinance Limited is working in JLG model only. 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. S. Charles Selvaraj, (Managing Director & CEO) and Mr. Dev Asokan (Chairman) along with two independent director and one non-executive director and a team of experienced personnel.
- Experienced board of directors with two independent directors. Independent directors constitute 40% of the Board of directors.
- VML is now working with 26 branches spread over 26 districts in four states, Tamil Nadu, Kerala, Pondicherry and Karnataka, where they are providing services to more than 33595 clients.
- Beside direct lending, the company also entered into a partnership to work as a Business Correspondence (BC) with M/s Tata Capital Financial Services Limited wherein VML manages the entire micro finance operation for designated areas on behalf of banks/FI's for a certain fee income.
- As on 31st March 2023, VML is managing a total outstanding loan portfolio of Rs.84.27 crore (it includes own Rs. 78.05 Cr and Rs. 6.22 Cr managed portfolio).

Mission & Vision of VML

The **Mission Statement** of Virutcham Microfinance Limited is “To provide appropriate financial products and other support services to improve the social and economic status of the people in economic backwardness across India and Abroad.”

The **Vision Statement** of Virutcham Microfinance Limited is “Act as a catalyst to provide the best financial services to improve the social and economic status of the people.”

Profile of governing body members/directors of Virutcham Microfinance Limited

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
Mr. S. Charles Selvaraj	59	Managing Director & CEO	B. Phil., M. Com., MBA., AICWA	MR. CHARLES SELVARAJ is a qualified finance professional with around 33 years of solid experience (in India for about 7 years and in Abroad such as UAE, Qatar and Saudi Arabia for around 26 years in big Companies as Group Finance Director and as an Advisor to the Board. He has travelled to more than 14 countries and has a very vast banking knowledge.	39 years	6 Years in VML
Mr. Dev Asokan	76	Chairman	B.E	Mr. Devesahayam Ashokan is an Electro Mechanical Engineer and has 35 years of experience in the field. His Experience includes corporate management including Finance and Administration. He is currently engaged as consultant for MEP. He is a partner in Kodai Retreat, Kodaikanal”.	42 Years	7 Years in VML
Mr. R.P. Joshua	81	Independent Director	B.A., CAIB	MR. R.P. Joshua was Chief General Manager of SBI and retired as Chairman of Catholic Syrian Bank Ltd. He occupies the post of director in few other limited companies also.	-	10 Years in VML
Mr. Alex Franchisco Nicholos	49	Non- Executive Director	MD Anesthesiologist	He has completed MD. He is an Anesthesiologist having experience of 6 years. He is settled in Nagercoil. His father is an Ex ISRO Scientist and at present he holds the position of chairman of Loyala Institute of Technology & Science in Thovalai.	-	8 Years in VML

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
Mr. Antony Cruz	63	Independent Director	M.A., D,S,D	Mr. Antony Cruz, a philanthropist and had been in the role of Advisor to the Board, has been inducted as Additional Director, in the capacity of "Non-Executive Independent Director" in the Board Meeting held on 26th February, 2019	-	3 Years in VML

Promoters/Director’s Details:

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Senior Management Profile

Name	Qualification	Designation	Total years of experience
Mr. S. Charles Selvaraj	B. Phil., M. Com., MBA., AICWA.	Managing Director & CEO	39 Years
Mr. P. Stephen,	MBA., M.Com., B.Ed., DMF (Diploma in Microfinance)	General Manager	32 Years
Mr. Barathakrishnan,	M.Sc., CAIIB	Administrative Manager	36 Years
Mr.R.Kanagavel	B.Com., CAIIB	Audit & Risk Head	35 Years

TOSS FRAMEWORK

Transparency	
	Above Average
<ul style="list-style-type: none"> ○ Virutcham has been incorporated as a Non-Banking Finance Company (NBFC) on 8th July 2008 and converted into Non-Banking Finance Company – Microfinance Industry (NBFC-MFI) on 6th June 2014. Virutcham started its Microfinance operations in November 2008. Bearing COR No. N-07-00779. ○ VML is a NBFC-MFI engaged in microfinance activities and mainly focus on providing financial and non-financial services to poor inhabitants in that region. The areas where VML 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. ○ VML started its microfinance operations in the year 2008. Its corporate and registered office was located at Plot No 1, Mullai Tower, Mullai Nagar South, Thanakkankulam, Thirunagar, Madurai, Tamil Nadu-625006. ○ Virutcham Microfinance Limited is working in JLG model only. 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. S. Charles Selvaraj, (Managing Director & CEO) and Mr. Dev Asokan (Chairman) along with two independent director and one non-executive director and a team of experienced personnel. ○ Experienced board of directors with two independent directors. Independent directors constitute 40% of the Board of directors. ○ VML is now working with 26 branches spread over 26 districts in four states, Tamil Nadu, Kerala, Pondicherry and Karnataka, where they are providing services to more than 33595 clients. ○ As on 31st March 2023, VML is managing a total outstanding loan portfolio of Rs.84.27 crore (it includes own Rs. 78.05 Cr and Rs. 6.22 Cr managed portfolio). ○ Experienced founder group and reasonably experienced governing body members, which meets on a quarterly basis. ○ 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 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 the management in microfinance, banking, financial, audit, risk and social developmental activities. ○ Supported by five-members board with experience in the microfinance, social services, and banking. ○ VML Limited has a well-defined organization structure with a 4-tier reporting hierarchy and existence of separate departments with clearly defined roles and responsibilities. 	

- The company follows JLG approach to extend the loans to individual and small enterprises through MSME lending operations.
- The company uses “Jayam” software to ensure smooth flow of operational data between Head Office and branches.
- Adequate risk management system for tracking over-dues 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 2-3pm 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 24 districts of 4 states through a network of 24 branches as on 31st March 2023.
- Virutcham Microfinance Limited is a small sized MFI player with a loan portfolio which stood at Rs.84.27 crore as on 31st March 2023 (Rs.53.14 crore as on March 31, 2022).
- Adequate borrower base, covering 33595 active borrowers on 31st March 2023 (32080 as on March 31, 2022).
- VML has only one loan product.

Sustainability

Average

- Strong second line of leadership; majority of senior management has adequate experience to manage the growing scale of operations.
- Legal form allows equity infusion from investors.
- Moderate operating risk profile where OSS stood at 123.89% in FY23. ROTA marginally declined to 1.73% in FY23.
- The asset quality stood at comfortable levels in the past two years.
- The CAR remained satisfactory at 27.63% as on 31st March, 2023 (38.65% as on March 31, 2022)
- PAR> 30 days has improved from 1.96% as on March 31, 2022 to 0.47% as on March 31st, 2023. Similarly, PAR> 90 days, which had improved from 1.30% as on March 31, 2022 to 0.09% as on March 31st, 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. 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. SMFPL has presence in areas with moderate penetration of other MFIs. However 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,	FY20	FY21	FY22	FY23
Number of states	3	3	3	4
Number of districts	18	18	18	26
Branches	18	18	18	26
Number of active JLG groups	3848	4397	4376	6007
Number of active JLG members	31728	37572	32080	33595
Number of active JLG borrowers	31728	37572	32080	33595
Loan Portfolio				
No. of loan disbursed during the year	20423	8658	10050	16,890
Amount of loan disbursed during the year (Rs. Cr)	66.31	31.34	33.30	72.83
Average Loan size disbursed during the year (Rs.)	32468	36197	33130	25,084
Overdue at the beginning of the year (Rs. Lakh)	7.08	36.88	249.99	79.26
EMI due during the year (Rs. Crore)	73.71	80.92	54.76	48.37
EMI recovered during the year (Rs. Crore)	71.21	48.58	41.79	44.92
Overdue at the end of the year (Rs. Lakh)	36.88	249.99	79.26	14.51
Recovery rate (%)	96.61%	60.03%	85.31%	98%
Total outstanding loan portfolio (Rs. Crore)	60.82	51.11	53.14	84.27
Portfolio at risk (PAR) >30 days (%)	0.69%	4.36%	1.96%	0.47%
Portfolio at risk (PAR) >90 days (%)	0.21%	1.10%	1.30%	0.09%
CAR (Tier 1) %	25.32%	29.31%	30.86%	21.54%
CAR (Tier 2) %	7.31%	7.87%	7.78%	6.08%
CAR (Overall) %	32.63%	37.18%	38.65%	27.63%

Details on Human Resources

	FY20	FY21	FY22	FY23
Credit officers	18	18	18	24
Total employees	166	152	162	202
No. of Branch	18	18	18	26
Employee productivity				
Number of loans per credit officer	1763	2087	1782	1400
Number of members per credit officer	1763	2087	1782	1400
Number of borrowers per credit officer	1763	2087	1782	1400
Amount of loan outstanding per credit officer (Rs. Crore)	3.38	2.84	2.95	3.51
Branch productivity				
Number of members per branch	1763	2087	1782	1292
Number of individual borrowers per branch	1763	2087	1782	1292
Amount of loan outstanding per branch (Rs. Crore)	3.38	2.84	2.95	3.24

Financial Sustainability (Rs. Crore)

Financial Performance	FY20	FY21	FY22	FY23
Interest income from Loan Portfolio	14.19	13.54	10.73	14.61
Processing fee on Loan Portfolio	0.66	0.31	0.43	0.85
Other Interest Income	0.32	0.19	0.15	0.31
Other Operating Income	0.03	0.02	0.00	0.19
Total Income	15.20	14.06	11.31	15.96
Total Expenditure	4.83	5.22	4.50	6.50
PBIT	10.37	8.84	6.81	9.46
Interest	8.73	7.25	5.16	7.40
Total Operating profit	1.64	1.59	1.65	2.06
Other Income	0.00	0.00	0.00	0.00
PBT	1.64	1.59	1.65	2.06
Income Tax	0.55	0.54	0.49	0.65
PAT (before deferred taxation)	1.08	1.05	1.16	1.41
Deferred taxation	-0.03	-0.02	0.00	-
Adjusted PAT	1.12	1.07	1.16	1.41
Financial Position				
Net worth	15.97	17.03	18.19	19.60
Total Debt	49.21	43.35	46.48	76.85
Loan outstanding – own	60.82	51.11	53.14	78.05
Assets under management	60.82	51.11	53.14	78.05
Total Assets	66.84	62.07	66.73	96.69
Key ratios (%)				
Growth Ratios				
Total Assets	5.90	(7.17)	7.53	45.12
Tangible Net Worth	43.88	6.69	6.80	(2.01)
Total Capital Employed	4.45	(7.40)	7.10	46.51
Total Income	63.17	(7.49)	(19.55)	41.05
PAT	140.11	(4.36)	8.54	21.70
Solvency Ratios				
Overall Gearing (times)	3.08	2.54	2.55	4.31
Interest coverage (times)–before provision & write offs	1.21	1.25	1.37	1.31
CAR %	32.63	37.18	38.65	27.63
Profitability & Operating Efficiency Ratios (%)				
Interest income/Avg. Interest earning assets (A)	25.22	24.19	20.59	22.28
Interest / Avg. borrowed funds (B)	17.37	15.67	10.97	12.00

Financial Performance	FY20	FY21	FY22	FY23
Interest spread (A-B)	7.86	8.52	9.62	10.28
Net Interest Margin (NIM)	10.26	11.58	10.97	11.47
ROCE	16.19	14.02	10.86	11.82
Interest / Avg. capital employed	13.64	11.51	8.23	9.25
Expenses / Avg. capital employed	7.25	7.92	6.94	7.81
Cost of capital	13.64	11.51	8.23	9.25
Net spread	2.55	2.52	2.63	2.58
Return on total assets (PAT / Avg. Total Assets)	1.72	1.66	1.80	1.73
Cost to Income ratio	71.78	73.30	70.75	73.02
Operational Self- Sufficiency	112.06	112.72	117.08	114.82
Operating expense/Total Operating Income	30.53	35.50	38.47	39.16
PAT (after deferred tax)/ Total Income	7.35	7.59	10.25	8.84
RONW	8.01	6.37	6.60	7.83
PAR > 30 days (%)	0.69	4.36	1.96%	0.47%
PAR > 90 days (%)	0.21	1.10	1.30%	0.09%

Earnings profile

- VML witnessed a decline trend in its total income during the past three fiscals. The operations of the company were impacted by covid-19 pandemic in FY21 which resulted in dip in its total income attributable to lower loan disbursement during FY2021 to FY22. However, VML witnessed huge growth in its total income compared the past three fiscals. With high loan disbursals year, the company reported a net profit of Rs. 1.14 crore on total operating income of Rs. 15.96 crore in FY2023.
- The profitability of the company has witnessed gradually improved over the past three years and the company has posted a PAT margin of 21.70% in FY23 as compared to (8.54% in FY22) and ROTA of 1.73% (1.80% in FY22) respectively in FY23.
- VML capital adequacy ratio (CRAR) has declined to 27.63% per cent as on March 31, 2023, as compared to 38.65% per cent as on March 31, 2022. CRAR is more comfortable than the RBI stipulated CRAR for NBFC-MFI of 15 per cent.
- The operational self-sufficiency (OSS) of the company marginally declined to 114.82% in FY2022 as compared to 117.08% in the previous year.
- The company had a gearing at 2.55x as on March 31, 2022, which has further moderated to 4.31x as on March 31, 2023, on account of increase in borrowing from banks and FIs to increase the lending operation, which resulted in, the capital structure continued to remain moderated impacting financial flexibility.

VML's position with new RBI's guidelines for MFIs:

RBI's Direction	VML Status	Compliance
75% of total assets to be in the nature of qualifying assets	Qualifying assets forms more than 75% of total assets i.e 79.52% As on December 31, 2023.	Complied
Net worth to be in excess of Rs 5 Crore	Net worth of VML stood at Rs. 23.75 crore as on 31 st March 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.	VML 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
Total indebtedness of the borrower not to exceed Rs 125,000 (excl medical and education loans)*	Apart from taking declaration from the client, VML conducts credit check on the loans outstanding through credit bureaus.	Complied
Tenure of loans not to be less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty*	Tenure of loans is not less than 24 months for loan amount in excess of Rs 30,000, with prepayment without penalty.	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	VML 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.	VML 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	VML does not accept any Collateral for extending the credit.	Complied

MFIs shall not collect any Security Deposit / Margin from the borrower.	VML does not collect any security deposit / margin from the borrower.	Complied
No late payment or prepayment penalties	VML 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, VML shares its clients data with CRIF Highmark.	Complied
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.	VML 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.	Complied
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.	VML 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 .	Complied
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	The statutory auditor has certified that appropriate provisions have been made.	Complied

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’.		
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Pricing of Loans

- Each RE shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, cover the following:
 - o A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate;
 - o Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters;
 - o The range of spread of each component for a given category of borrowers; and
 - o A ceiling on the interest rate and all other charges applicable to the microfinance loans.
 - 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 March 31st,2023

Bankers	Bank facility	Sanctioned Amount (Crs)	Amount Disbursed (Crs)	Amount Outstanding (Crs)	Interest rate (%)
EFL TL -7	Term Loan	1.00	1.00	0.15	14.25%
EFL TL-08	Term Loan	2.00	2.00	1.32	14.50%
EFL TL-09	Term Loan	2.50	2.50	2.50	15.00%
FWWB TL-01	Term Loan	3.00	2.00	0.87	15.00%
			1.00	0.57	
FWWB TL-02	Term Loan	3.00	2.00	1.74	15.50%
			1.00	1.00	
Indian Overseas Bank TL-01	Term Loan	5.00	5.00	3.75	11.55%
Indian Overseas Bank TL-02	Term Loan	5.00	5.00	5.00	12.20%
Nabfin TL – 02	Term Loan	2.00	1.00	0.15	13.50%
			1.00	0.18	
RAR Fincare TL-01	Term Loan	1.00	1.00	0.19	15.25%

RAR Fincare TL-02	Term Loan	1.00	1.00	0.23	15.25%
RAR Fincare TL-03	Term Loan	1.00	1.00	0.58	15.50%
RAR Fincare TL-04	Term Loan	1.00	1.00	0.70	15.50%
SAMUNNATI TL-2	Term Loan	5.00	5.00	0.61	16.00 %
SAMUNNATI TL-3	Term Loan	1.00	1.00	0.19	16.00 %
State Bank of India TL-02	Term Loan	10.00	10.00	4.85	9.45%
State Bank of India TL-03	Term Loan	10.00	10.00	8.48	10.90 %
State Bank of India TL-04	Term Loan	18.00	10.00 8.00	16.91	10.90 %
Tamilnad Mercantile Bank Limited TL-6	Term Loan	3.00	3.00	1.00	10.90 %
Tamilnad Mercantile Bank Limited TL-7	Term Loan	2.50	2.50	1.81	11.35%
UNION BANK OF INDIA TL – 02	Term Loan	2.50	2.50	0.68	9.35%
UNION BANK OF INDIA TL – 03	Term Loan	5.00	5.00	3.18	10.60 %
UNION BANK OF INDIA TL – 04	Term Loan	10.00	10.00	10.00	11.45%
Usha Financial Services Pvt. Ltd	Term Loan	2.00	2.00	0.55	15.25%
Usha Financial Services Pvt. Ltd	Term Loan	2.00	2.00	1.16	15.25%
Bank of Baroda TL-01	Term Loan	2.50	2.50	0.69	9.35%
BOM Loan-757 (3Cr)	Term Loan	3.00	3.00	1.85	10.90 %
Canara Bank	Term Loan	5.00	5.00	1.39	9.20%
Dhanlaxmi Bank	Term Loan	2.00	2.00	1.08	11.45%
Eclear Leasing & Finance Pvt.Ltd	Term Loan	2.00	2.00	1.16	15.25%
Hindhuja Leyland Finance	Term Loan	3.00	3.00	2.45	15.00 %
IDFC First Bank Limited 7	Term Loan	5.00	5.00	0.08	10.80 %
Incred Financial Services	Term Loan	3.00	3.00	1.57	15.25%
Maanaveeya TL-02	Term Loan	6.00	6.00	1.75	15.25%
Nabkisan Finance Limited	Term Loan	2.00	2.00	1.08	15.00 %
Real Touch Finance Limited	Term Loan	2.00	2.00	1.26	15.50%

Shri Ram Finance	Term Loan	1.00	1.00	0.92	15.50%
Term Loan		135.00	135.00	83.63	

Due Diligence done on January, 2023 by Rahul Chinnam , Analyst

Stake holder	Feedback	Remarks
Tamilnad Mercantile Bank Limited Mr. Raja Sankar Chief Manager +91-9842154142	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
State Bank of India Mr. Sundravadivelan Br. Manager +91-9445863071	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
IDFC First Bank Limited Mr. Apurva Shah +91- 7045683737	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Electronica Finance Limited Tanya Malvi +91- 97704 19784	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Incred Financial Services Limited Ms. Rajul Kotadia +91-82919 47327	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Eclear Leasing Finance Pvt Ltd Mr. Saurav Saini +91-93106 87901	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Moneywise Financial Services. Pvt. Ltd. Ms. Nitika Srivastava +91 -1 1 -25754397, 23243959	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Samunnati Financial Intermediation & Services Pvt Ltd Thangamuthu 7867089713	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Union Bank of India Mrs. Bhuvanewari +91-7406932345	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Dhanalakshmi Bank Mr. Ashok +91- 7639373319	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Canara Bank Mrs. Kalarani 6382500526	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.

Stake holder		Feedback	Remarks
Bank of Baroda	Mr. Shanmuga Sundaram +91-9047781745	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Bank of Maharashtra	Mrs. Rooba +91- 97905 31668, 93455 67374	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Oiko (Maanaveeya)	Mr. Jesu Thomas, Mrs.Soujanya +91- 98851 37112, +91-77950 22336	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Nabfins Limited	Mrs. Swathi +91- 88613 08438	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Rar Fincare	Mrs. Anuradha +91- 94433 67120	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Usha Financial Services Pvt. Ltd	Mr. Mohit Kumar +91- 98421 95722	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
FWWB	Mr. Nilanjan Dey Chaudhury 92277 97048	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Indian Overseas Bank	M V Narasimha Rao, Chief Manager +91 96266 24235	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
S. Chenthilkumar & Co	Mr. S. Chenthilkumar Partner +91-9842412891	The auditor has expressed satisfaction on the internal control systems and the accounting principles followed by it.	

No Default Statement

Latest Statement Date	Details of Delays, if any	Remarks
December 23, 2023	No Delays	-

MANAGEMENT DISCUSSION & ANALYSIS

Management Personnel Met	Mr. S. Charles Selvaraj; MD & CEO
Date of Meeting	January 30 th , 2024
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 in order to maintain its CAR, the promoters are planning to infuse around Rs. 5.00 crore during FY23.
Current year performance	During the current year i.e. from April 01, 2023, to December 31, 2023; the company has total income of Rs. 16.14 crore with PAT of Rs.1.14 crore. Further the total loan portfolio outstanding was Rs. 111.67 crore (own portfolio) in 9MFY23.
Moderation in profit margin	After Covid impact the growth in loan disbursements mainly came from H2FY22 on the back of newly opened branches having higher cost of management. Further the cost of fund remained high for the company which affected the margin to a large extent.

TRANSPARENCY

<p>Governance</p>	<ul style="list-style-type: none"> • Virutcham has been incorporated as a Non-Banking Finance Company (NBFC) on 8th July 2008 and converted into Non-Banking Finance Company – Microfinance Industry (NBFC-MFI) on 6th June 2014. Virutcham started its Microfinance operations in November 2008. Bearing COR No. N-07-00779. • VML is a NBFC-MFI engaged in microfinance activities and mainly focus on providing financial and non-financial services to poor inhabitants in that region. The areas where VML 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. • Virutcham Microfinance Limited is governed by a board consisting of 5 (Five) members out of which two are the independent director and one non-executive director. • Majority of the governing body members have adequate experience in their respective areas of specialization. Members meet on a quarterly basis. • Virutcham Microfinance 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. Majority of borrowers are aware about the credit policies. The set of rules and regulations in relation to the lending policies are also displayed at the branches of the company through 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"> • VML’s 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,

	<p>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 “Jayam” that is shared with the accounts department and the operations team. Collection entries are updated in the software once the collection is done. The 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. VML has also adopted Sa-dhan’s code of conduct and implemented the same along with fair practices code issued by RBI for client protection.</p> <ul style="list-style-type: none"> • Time taken for the audit in each branch is 3-4 days. • 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 (consist of 3 members) and Board of Director.
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"> • Members are informed during various interactions like Formation meeting, CGT & GRT that they may directly contact the Company for redressal of any grievance or complaint that they may have in the following manner: <u>LEVEL 1: Customer Care Desk</u> Customers/Members can contact Customer care representative on the customer service help line to register the complaints – Help line number 0452 – 2092109 printed on the Passbook. Timings: 10.00 am to 05.00 pm on weekdays. <u>LEVEL 2: Grievance Redressal Officer</u> If customers/Members are not satisfied with the response received from Customer Care Desk or if response is not received in 3 working days then customers may call or write to Grievance Redressal Officers mentioned

	<p>below. Customers will receive response within one week of Grievance redressal office receiving the complaint.</p> <p style="text-align: center;">The General Manager Virutcham Microfinance Limited, No.C50, Gurudev Nager, Avaniapuram Bye Pass Road, Madurai – 625012. Cell: 9443308315, Email: gm@virutcham.org</p> <p>Customers/members can call on above mentioned numbers to complain without mentioning their name and personal details (anonymously). The company will investigate and take appropriate actions.</p>
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OPERATIONAL SETUP

Management	<ul style="list-style-type: none"> • The board is headed by Mr. S. Charles Selvaraj, Managing Director & CEO. He has more than 39 years of experience in financial and Microfinance sector and has been associated with company for last 6 years. • Virutcham Microfinance Limited have five governing body members with strong academic and managerial expertise in finance, microfinance, banking and social developmental services. • The MFI has two independent director- R.P. Joshua, who holds more than a decade of experience in the same sector and Mr. Antony Cruz, who holds more than 3 years of experience in the micro-finance sector.
Organizational Structure	<ul style="list-style-type: none"> • Virutcham Microfinance Limited has a well-defined organization structure with a 4-tier reporting hierarchy whereby it has, Field officer (FO), Credit officers (RO), Branch Managers (BM), Regional Manager (RM), Area Manager (AM), Audit Manager (AM), Divisional Manager (DM), Chief Executive Officer (CEO), Various Departmental Heads, Managing Director (MD), and the Board Members. The company has been able to engage professionals in different departments, all having considerable experience in their area of expertise. • 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 Field Officer should look after the Branch administration and decorum. • Branch Manager will visit and interact with staff to know their awareness level on 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 fields of microfinance, banking, financial, audit, risk and social developmental activities. • Majority of the senior members understand the issues involved in day-to-day functioning and are involved in strategic decision making of the

	<p>organization. Thus, at present Virutcham Microfinance Limited has reasonable second line of leadership. Brief profile of the senior management is provided above.</p>																
Human resources management	<ul style="list-style-type: none"> • Recruitment is done through employee referrals, company website, advertisement etc. followed by a series of interviews with senior management. • The HR team visits respective branches and arrange interview of local candidates. • After joining, employee will undergo 5 days training programmed which includes 2 days classroom and 3 days field training. Employees also need to take written test and obtain clearance certificate. • 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 reimbursements of 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. • 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 240 employees of which 26 are Field officers as on November 30, 2023. <table border="1" data-bbox="467 1417 1428 1839" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: center;">No. of employees (Nov-23)</th> </tr> </thead> <tbody> <tr> <td>Senior Management</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Credit Officer (CO)</td> <td style="text-align: center;">26</td> </tr> <tr> <td>Branch Manager (BM)</td> <td style="text-align: center;">26</td> </tr> <tr> <td>Regional Manager (RM)</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Divisional Manager (DM)</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Others (HO & Branch staff)</td> <td style="text-align: center;">183</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">240</td> </tr> </tbody> </table>	Particulars	No. of employees (Nov-23)	Senior Management	5	Credit Officer (CO)	26	Branch Manager (BM)	26	Regional Manager (RM)	0	Divisional Manager (DM)	0	Others (HO & Branch staff)	183	Total	240
Particulars	No. of employees (Nov-23)																
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Others (HO & Branch staff)	183																
Total	240																

	<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 the half yearly basis. • Encourages active participation in workshops and external training programs conducted by banks, financial institutions, etc.
<p>Operational methodology</p>	<p>Virutcham Microfinance Limited provides loans to the individual members of groups for undertaking various income generating activities.</p> <p>JLG Lending</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 FO visits the local areas & villages, interacts with potential customers regarding VML’s retail lending activity and their financial requirement. • The company generally tries to form a group of 8-20 people (between the age of 18-58 years). • After identification of target groups, Compulsory Group Training (CGT) of 2 days duration is arranged by FO 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. • 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 with all the terms of the product, rules and procedures related to their socially and economic development the loan application and repayment. Through CGT regular meeting becomes 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 FO shall ensure that the loan applications have been properly filled in along with KYC documents and confirm to 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 3 days after completion of day 2 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.

	<p>✓ 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> <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 are they 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 on the tentative disbursement date & the EMI date. This is fixed based on the slot availability of the time and date of FO. • 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 loan. Further the BM shall communicate to members as to when the GRT shall be held. • 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 FO, 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. • FO 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 FO 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 Area 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, Branch Manager is responsible for loan collection and delinquency management

	<p>Credit Risk:</p> <p>To avoid credit risk, VML 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 Field 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. ▪ 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 the viable projects, such as- agriculture, animal husbandry, small transport, small cottage, small business, small trading, service and sanitation. • At the time of disbursements, loan agreement is 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/centre other than the centre leader. The witnesses cannot be a borrower. 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 loan, at the time of disbursement has to be informed to Operations and Finance to avoid future reconciliation issues.

	<ul style="list-style-type: none"> • Borrowers sign their name in the Loan Disbursement Sheet acknowledging the receipt of the loan. • Loan books are provided to borrowers and 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 VML are under monthly instalment method. Every field 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 field officer signs the loan card while collecting the amount and separate receipt is issued. The loan card also has the amount to be collected on that particular date. • 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 FO and handed over to the CO and BM by 2:00PM.
<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, FO 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 “Jayam” 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.
Cash management systems	<ul style="list-style-type: none"> Virutcham Microfinance Limited has reasonable cash management systems in place at all branches. Virutcham Microfinance Limited 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. The BM and CO will inform the finance department and retain the cash in branch safe with details of currency (like denomination) and seal the same. The lockers have to opened or locked with 2 keys. The BM and CO will retain each of the key and will jointly lock and open the next day during office hours to deposit the same in the bank. 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. The details of transactions for the day are updated in the MIS daily.
Insurance	<ul style="list-style-type: none"> Virutcham Microfinance Limited provides insurance services with Max Life Insurance to its clients. The loan amount is covered in the case of client's death.

SCALE OF OPERATIONS

Key Factors	As on November 30, 2022												
Client base (Number)	<ul style="list-style-type: none"> Virutcham Microfinance Limited extends loans to JLG. The JLG groups associated with VML have all women members. Number of active JLG groups as on March 31st, 2023 was 6007 with 33595 active borrowers. 												
Assets under management	<ul style="list-style-type: none"> Loan disbursed during FY23 was Rs. 72.83 crore Total outstanding loan portfolio stood at Rs. 78.05 crore as on March 31st, 2023 												
Geographical diversification	<ul style="list-style-type: none"> Presence in 21 districts of 4 states with 26 branches as on March 31st, 2023. 												
Total income	<ul style="list-style-type: none"> Total income stood at Rs. 15.96 crore in FY23. 												
Current year performance during 10 MFY23	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Rs in crore</th> </tr> </thead> <tbody> <tr> <td>Total Income</td> <td>16.14</td> </tr> <tr> <td>PAT</td> <td>1.14</td> </tr> <tr> <td>Tangible Net worth</td> <td>23.75</td> </tr> <tr> <td>Total loan portfolio outstanding (owned and managed)</td> <td>111.67</td> </tr> <tr> <td>Total Debt</td> <td>89.83</td> </tr> </tbody> </table>	Particulars	Rs in crore	Total Income	16.14	PAT	1.14	Tangible Net worth	23.75	Total loan portfolio outstanding (owned and managed)	111.67	Total Debt	89.83
	Particulars	Rs in crore											
	Total Income	16.14											
	PAT	1.14											
	Tangible Net worth	23.75											
	Total loan portfolio outstanding (owned and managed)	111.67											
Total Debt	89.83												

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

Particulars	FY20	FY21	FY22	FY23
Gross NPAs	0.13	0.56	0.69	0.07
Net NPAs	0.00	0.00	0.00	0.00
Gross NPA/ Gross Advances (%)	0.21%	1.10%	1.30%	0.09%
Net NPA / Net Advances (%)	0.00%	0.00%	0.00%	0.00%
Net NPA / Net worth (%)	0.00%	0.00%	0.00%	0.00%

Asset quality was improved with the increase in GNPA in FY23. The same have improved marginally in 10MFY23. However, on the back of excess provisioning, there was no NNPA during last three financial years.

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"> VML is operating in the 4 states i.e Tamil Nadu, Kerala, Pondicherry and Karnataka 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 31st, 2023, VML portfolio is concentrated in the state of Tamil Nadu accounting ~84 percent and ~16 percent in other 3 states. To mitigate any potential risk arising out of geographical concentration, VML 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 has to deal with a large number of 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, willful 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. 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 demonetisation 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

	<p>small MFIs shall continue to face challenges in fund raising and or borrowing costs.</p> <ul style="list-style-type: none"> • The microfinance industry is likely to face asset quality pressures in the near term due to the recent surge in COVID-19 infections and localised 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 reduction in the overall cost of funds during this period. However, despite this, the industry is expected to witness 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>Virutcham Microfinance Limited offer single loan products as on November 30, 2022. A detail on the loan product is provided in the Annexure 3. The company provides loans to the JLG members based on their requirements.</p>
Access to funds and ability to raise funds	<p>Virutcham Microfinance Limited 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, Virutcham Microfinance Limited plans to expand its branch network in and around the above-mentioned states.</p>
Efforts to increase outreach and coverage	<p>Virutcham Microfinance Limited 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>Microfinance business was 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: Projected Financials

(Rs. crore)

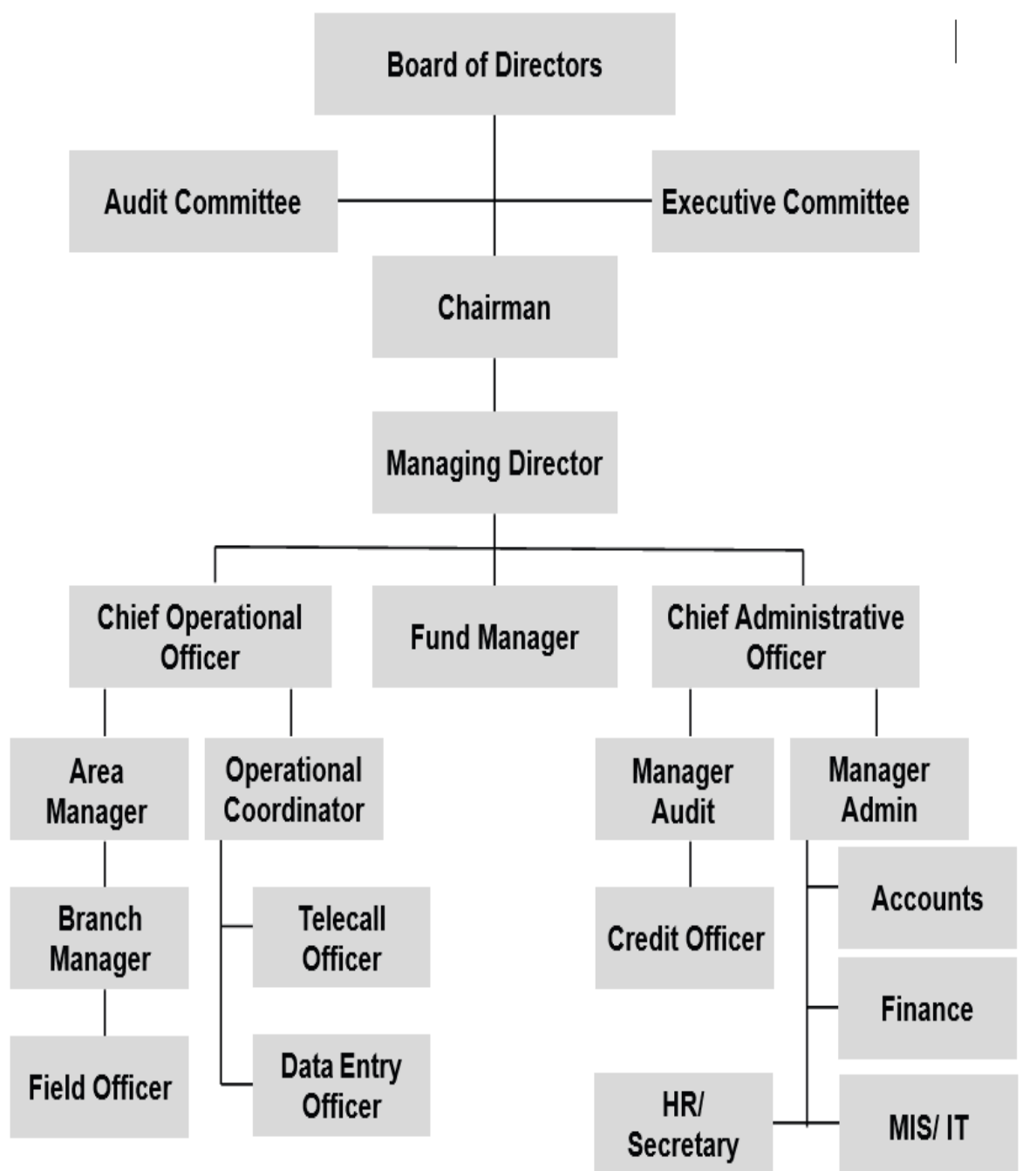
For the year ended	31/03/22	31/03/23	31/03/24
	Audited	Audited	Projections
Interest income from Loan Portfolio	10.73	14.61	23.60
Processing fee on Loan Portfolio	0.43	0.85	1.52
Other Interest Income	0.15	0.31	1.01
Other Operating Income	0.00	0.19	0.36
Total Income	11.31	15.96	26.49
Operating Expenses	1.09	1.60	2.11
Depreciation on owned assets	0.15	0.20	1.58
Provision for Std. Assets & NPA/ Write-off	0.15	0.25	0.52
Employee Benefit Expenses	3.12	4.45	6.36
Total Expenditure	4.50	6.50	10.57
PBIT	6.81	9.46	15.93
Interest	5.16	7.40	10.82
Total Operating profit	1.65	2.06	5.11
PBT	1.65	2.06	5.11
Income Tax	0.49	0.65	1.53
PAT (before deferred taxation)	1.16	1.41	3.58
Deferred taxation	0.00	-	-
PAT (after deferred taxation)	1.16	1.41	3.58

Balance Sheet
(Rs. Crore)

Particulars	31/03/22	31/03/23	31/03/24
	Audited	Audited	Projections
Equity and liabilities			
Shareholders' funds	18.19	19.60	28.18
Share capital	15.02	15.02	17.52
Reserves and surplus	3.17	4.58	10.66
Non-current liabilities			
Long-term borrowings	24.70	34.83	84.38
Long term provisions	0.22	0.29	0.50
Non-Convertible Debentures	-	2.52	-
other term loans & advances	0.34	0.74	-
Deferred tax liabilities	-	0.12	-
Current Liabilities			
Short-term borrowings	21.45	38.76	38.92
Short-term provisions	0.49	0.49	0.50
Other-Current Liabilities	1.17	1.11	1.53
Other provisions	0.17	-	-
TOTAL LIABILITIES	66.73	98.47	154.02
Assets			
Non-current assets			
Fixed Assets	0.89	1.76	3.52
Investments	-	1.05	-
Deferred Tax Asset	0.11	-	-
Loan Portfolio	22.32	29.22	54.50
Other Loans & Advances	0.17	0.20	
Other non-current assets (Fixed Deposit)	2.82	7.93	3.30
less : intangibles (Misc. exp.)	-	1.78	-
Current assets			
Loan Portfolio (Current Portion)	30.82	48.83	75.27
Other Loans & Advances (Current Portion)	0.29	0.27	-
Short Term Deposit	3.25	1.75	14.43
Other Current Assets	4.21	1.78	2.37
Cash & Bank Balances	1.87	3.90	0.64
TOTAL ASSETS	66.73	98.47	154.02

ANNEXURE 2: Organisational Structure

Virutcham Microfinance Limited has a well-defined organisation structure, with clear departmental demarcation. All major departments are controlled from head office.



ANNEXURE 3: Loan Products

Name of the loan product	JLG
Loan term (monthly)	12 months – 24 months
Loan size	Rs. 10,000/- to Rs. 75,000/-
Interest rate (IRR)	25.00% Diminishing rate
Repayment Policy	Monthly
Loan processing fees	1.5% on loan Amount
Any other fees	Insurance premium as applicable
Penalty if any	NA
Types of Interest rate (Reducing)	Reducing balance

Annexure 4: Asset Profile

(Rs crore)

Particulars	March 31, 2021		March 31, 2022		March 31, 2023	
	Amount	%	Amount	%	Amount	%
Loan portfolio Actual	51.11	82.34%	53.14	79.62%	78.05	79.27%
Investments	-	0.00%	-	0.00%	1.05	1.07%
Fixed Assets	0.91	1.47%	0.89	1.34%	3.54	3.59%
Deferred Tax Assets	0.11	0.18%	0.11	0.16%	-	0.00%
Other non-current assets	0.21	0.33%	2.99	4.48%	8.13	8.25%
Cash & Bank Balances	4.38	7.05%	5.12	7.67%	5.65	5.74%
Other current assets	5.36	8.63%	4.50	6.74%	2.05	2.08%
Total Assets	62.07	100.00%	66.73	100.00%	98.47	100.00%

Annexure 5: Diversified resource profile

	FY21	FY22	FY23
Net worth	17.03	18.19	19.60
Term Loans banks and financial institutions	42.95	46.15	34.83
Bank borrowing (CC)	-	-	-
Unsecured Loans	-	-	-
NCD	-	-	2.52
Preference share capital	-	-	-

The company's resources mainly comprise term loans from banks and other financial institutions, apart from the net worth. These are long-term loans and carry floating interest rates with pre-defined maturities.

Annexure 6: Portfolio Details

6.1 State-wise portfolio concentration (Rs. crore)

State	FY20		FY21		FY22		FY23	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Tamil Nadu	45.75	75%	42.52	83%	43.91	83%	71.17	84%
Kerala	11.04	18%	6.61	13%	6.90	13%	5.59	7%
Puducherry	4.03	7%	1.98	4%	2.33	4%	1.30	2%
Karnataka	-	0%	-	0%	-	0%	6.22	7%
Total	60.82	100%	51.11	100%	53.14	100%	84.27	100%

6.2 Purpose wise loan outstanding (Rs crore)

Purpose of loan	31-03-2020		31-03-2021		31-03-2022		31-03-2023	
	No of loans	Outstanding	No of loans	Outstanding	No of loans	Outstanding	No of loans	Outstanding
Agriculture & Agri Allied	11,456	24.46	14,978	20.56	14,000	28.72	22,864	63.26
Manufacture/P production	1,026	0.11	11,918	0.09	8,503	11.60	4,127	5.82
Trading Activities	6,789	0.25	5,376	0.21	4,170	6.50	2,671	5.85
Services	12,405	34.82	4,938	29.27	5,154	6.09	2,375	3.56
Others	54	1.16	362	0.98	253	0.22	733	2.25
Sanitation							825	3.54
Total	31,730	60.82	37,572	51.11	32,080	53.14	33,595	84.27

6.3 Loan cycle wise loan outstanding (Rs. crore)

Particulars	FY20	FY21	FY22	Nov-22
	Amount	Amount	Amount	Amount
1st Cycle	39.89	27.11	11.86	25.11
2nd Cycle	12.56	16.36	28.47	25.07
3rd Cycle	4.27	3.74	8.20	8.64
4th Cycle	4.09	3.84	3.47	2.85
5th Cycle	-	0.05	1.12	1.02
6th Cycle	-	-	0.01	0.01
Total:	60.82	51.10	53.14	62.70

6.4 Loan amount wise loan outstanding

(Rs. Crore)

Particulars	FY20	FY21	FY22	FY23
	Amount	Amount	Amount	Amount
1st Cycle	39.89	27.11	11.86	58.16
2nd Cycle	12.56	16.36	28.47	15.37
3rd Cycle	4.27	3.74	8.20	7.97
4th Cycle	4.09	3.84	3.47	2.00
5th Cycle	-	0.05	1.12	0.77
6th Cycle	-	-	0.01	0.01
Total:	60.82	51.11	53.14	84.27

6.5 Asset Liability Maturity Profile as on September 30, 2022
(Rs. In Crore)

Particulars	1 day to 30/31 days	1 month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year upto 3 years	Over 3 years	Total
<u>Liabilities</u>								
Borrowings from NBFC	2.04	2.14	2.08	4.86	7.26	4.48	-	22.86
Borrowings from Banks	2.16	2.52	2.52	7.57	15.53	34.33	0.14	64.76
Borrowings from NCD	-	-	-	-	-	2.15	-	2.15
Foreign Currency Liabilities							-	-
Total	4.20	4.66	4.60	12.42	22.79	40.97	0.14	89.77
<u>Assets</u>								
Total Advance	5.16	5.03	5.05	13.57	24.76	33.19	-	86.76
Advances-JLG	5.16	5.03	5.05	13.57	24.76	33.19	-	86.76
Advances-Others							-	-
Deposits	-	-	-	-	0.30	13.23	-	13.53
Cash & Bank Balance	9.01	-	-	-	-	-	-	9.01
Investments	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	-	-	-	-	-	-
Total	14.17	5.03	5.05	13.57	25.06	46.42	-	109.30
Assets – Liabilities	9.97	0.37	0.45	1.15	2.27	5.45	-0.14	19.53
Cumulative Mismatch	9.97	10.35	10.80	11.94	14.21	19.66	19.53	96.45

6.6 Maturity profile of portfolio

(Rs. crore)

	FY21			FY22			FY23		
	No. of loans	Value of Portfolio	%	No. of loans	Value of Portfolio	%	No. of loans	Value of Portfolio	%
1-30 DAYS	814	0.89	1.74%	671	0.65	1.23%	280	0.34	0.43%
31-60 DAYS	965	1.19	2.33%	270	0.19	0.36%	239	0.24	0.31%
61-90 DAYS	421	0.48	0.94%	298	0.16	0.30%	49	0.06	0.07%
91-120 DAYS	239	0.21	0.41%	389	0.15	0.28%	49	0.07	0.09%
121-180 DAYS	279	0.24	0.48%	1,430	0.39	0.73%	-	-	0.00%
181-365 DAYS	115	0.10	0.19%	505	0.15	0.28%	3	0.00	0.00%
MORE THAN 365 DAYS	-	-	0.00%	-	-	0.00%	-	-	0.00%
ONTIME	34,739	48.00	93.91%	28,517	51.44	96.81%	31,231	77.35	99.10%
Total portfolio	37,572	51.11	100.00%	32,080	53.14	100.00%	31,851	78.05	100.00%

6.7 Bifurcation of AUM:
(Rs. crore)

Period ended	Mar 31, 2021	Mar 31, 2022	Mar 31, 2023
Managed portfolio (BC etc.)	-	-	6.22
Own loan portfolio	51.11	53.14	78.05
AUM (Rs.cr.)	51.11	53.14	84.27

6.8 Repayment and Collection (projected)
(Rs Crore)

Repayment data	FY23	FY24	FY25	FY26
	Past		Projected	
Repayment per month				
April	2.98	3.90	5.89	4.57
May	2.61	3.90	5.42	4.26
June	2.48	3.83	5.05	3.94
July	2.62	4.27	4.82	3.92
August	2.79	4.41	4.68	3.75
September	2.68	4.47	4.60	3.70
October	2.71	5.22	4.59	3.71
November	2.72	5.13	4.58	3.72
December	2.74	5.94	4.58	3.73
January	3.26	5.90	4.32	3.75
February	3.43	5.93	4.30	4.03
March	3.93	5.97	4.44	4.28
Average Collection per month	3.74	5.60	8.27	9.55
Collection efficiency in %	98.00%	99.00%	99.50%	99.88%