

**M/s. Virutcham Microfinance Limited**

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

**Valid from: 31<sup>st</sup> January 2025**

**Valid to: 30<sup>th</sup> January 2026**

Grading Type	Grading Assigned
MFI Grading	<b>MFI 1</b>

IAR MFI Grading	Definition
MFI 1	<b>Highest</b> capacity of the MFI to manage its operations in a sustainable manner.
MFI 2	<b>High</b> capacity of the MFI to manage its operations in a sustainable manner.
MFI 3	<b>Good</b> capacity of the MFI to manage its operations in a sustainable manner.
MFI 4	<b>Above Average</b> capacity of the MFI to manage its operations in a sustainable manner.
MFI 5	<b>Average</b> capacity of the MFI to manage its operations in a sustainable manner.
MFI 6	<b>Below Average</b> capacity of the MFI to manage its operations in a sustainable manner.
MFI 7	<b>Weak</b> capacity of the MFI to manage its operations in a sustainable manner.
MFI 8	<b>Poor</b> 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	U65929TN2008PLC068502	
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. 2070.32 crore as on March 31, 2023	
11	Geographical reach as on March 31 <sup>st</sup> , 2024	No. of States	4
		No. of Districts	29
		No. of Branches	29
		No. of Active Borrowers	40,103
		No. of Total Employees	204
		No. of Field Officers	102
12	Auditors	CA S. Venkata Subramaniam, A. John Moris & Co.	
13	No of Lenders	19 Lenders (8 Banks & 11 Financial Institutions)	
14	<b>Outstanding Grading</b>	<b>IAR MFI 1 assigned on January 2024</b>	
15	<b>Outstanding Rating</b>	<b>BBB-' from Brickwork Ratings</b>	

## 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 – 625 006.
- 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 29 branches spread over 29 districts in four states, Tamil Nadu, Kerala, Pondicherry and Karnataka, where they are providing services to more than 40103 clients.
- As on 31<sup>st</sup> March 2024, VML is managing a total outstanding loan portfolio of Rs. 120.24 crore (it includes own Rs. 93.83 Cr and Rs. 26.41 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	7 Years in VML
Mr. Dev Asokan	76	Chairman	B. E	Mr. Devesahayam Ashokan is an Electromechanical 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	8 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.	10 years	9 Years in VML
Mr. Antony Cruz	63	Independent Director	M.A., B.th., D, S, D	Mr. Antony Cruz, a philanthropist and had been in the role of Advixor to the Board, has been inducted as Additional Director, in the capacity of "Non-Executive	5 years	4 Years in VML

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
				Independent Director" in the Board Meeting held on 26th February, 2019		
Mr. J. John Ohilvi		Independent Director	M.com, L.L.B, ACS, FCS, Ph D., IP., RV	MR. John Ohilvi was a company secretarial auditor, Insolvency resolution professional and valuer for financial assets and securities. He occupies the post of director in a few other limited companies also.	4 year	1 year in VML

### Senior Management Profile

Name	Qualification	Designation	Total years of experience
Mr. S. Charles Selvaraj	B. Phil., M. Com., MBA., AICWA.	Managing Director & CEO	41 Years
Mr. P. Stephen,	MBA., M.Com., B.Ed., DMF (Diploma in Microfinance)	General Manager	34 Years
Mr. Barathakrishnan,	M.Sc., CAIIB	Administrative Manager	38 Years
Mr. R.Kanagavel	B.Com., CAIIB	Audit & Risk Head	37 Years

## TOSS FRAMEWORK

<b>Transparency</b>	
	Above Average
<ul style="list-style-type: none"> <li>○ 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.</li> <li>○ 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.</li> <li>○ 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.</li> <li>○ 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.</li> <li>○ Currently, the operations of the company are managed by Mr. S. Charles Selvaraj, (Managing Director &amp; CEO) and Mr. Dev Asokan (Chairman) along with two independent director and one non-executive director and a team of experienced personnel.</li> <li>○ Experienced board of directors with two independent directors. Independent directors constitute 40% of the Board of directors.</li> <li>○ VML is now working with 29 branches spread over 29 districts in four states, Tamil Nadu, Kerala, Pondicherry and Karnataka, where they are providing services to more than 40103 clients.</li> <li>○ As on 31<sup>st</sup> March 2024, VML is managing a total outstanding loan portfolio of Rs. 120.24 crore (it includes own Rs. 93.83 Cr and Rs. 26.41 Cr managed portfolio).</li> <li>○ Experienced founder group and reasonably experienced governing body members, which meets on a quarterly basis.</li> <li>○ Existence of monitoring committees like HR &amp; staff grievance committee, audit compliance corporate governance committee, risk and grievance redressals committee.</li> <li>○ Credit policies are well-established, documented and communicated.</li> <li>○ Transparency in lending process and monitoring of end use of funds is adequate. The borrowers are aware of the lending policies of the company.</li> <li>○ The auditor has submitted an unqualified audit report and satisfactory feedback about the company</li> <li>○ Overall disclosures are moderate.</li> </ul>	
<b>Operational Setup</b>	
	Strong
<ul style="list-style-type: none"> <li>○ Long experience of the management in microfinance, banking, financial, audit, risk and social developmental activities.</li> <li>○ Supported by five-members board with experience in the microfinance, social services, and banking.</li> <li>○ 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.</li> <li>○ The company follows JLG approach to extend the loans to individual and small enterprises through MSME lending operations.</li> </ul>	

- 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 29 districts of 4 states through a network of 29 branches as on 31<sup>st</sup> March 2024.
- Virutcham Microfinance Limited is a small sized MFI player with a loan portfolio which stood at Rs. 120.24 crore as on 31<sup>st</sup> March 2024 (Rs. 84.27 crore as on March 31, 2023).
- Adequate borrower base, covering 40103 active borrowers on 31<sup>st</sup> March 2024 (33595 as on March 31, 2023).
- 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 113.19% in FY24. ROTA marginally improved to 1.78% in FY24.
- The asset quality stood at comfortable levels in the past two years.
- The CAR remained satisfactory at 27.76% as on 31<sup>st</sup> March 2024 (27.63% as on March 31, 2023)
- PAR> 30 days has slightly increased from 0.47% as on March 31, 2023, to 0.50% as on March 31<sup>st</sup>, 2024. Similarly, PAR> 90 days, which had also increased from 0.09% as on March 31, 2023, to 0.32% as on March 31<sup>st</sup>, 2024.

**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. VML 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,	FY21	FY22	FY23	FY24
Number of states	3	3	4	4
Number of districts	18	18	26	29
Branches	18	18	26	29
Number of active JLG groups	4397	4376	6007	7182
Number of active JLG members	37572	32080	33595	40103
Number of active JLG borrowers	37572	32080	33595	40103
<b>Loan Portfolio</b>				
No. of loan disbursed during the year	8658	10050	16,890	20942
Amount of loan disbursed during the year (Rs. Cr)	31.34	33.30	72.83	106.12
Average Loan size disbursed during the year (Rs.)	36197	33130	25,084	50675
Overdue at the beginning of the year (Rs. Crs)	36.88	249.99	79.26	0.15
EMI due during the year (Rs. Crore)	80.92	54.76	48.37	64.13
EMI recovered during the year (Rs. Crore)	48.58	41.79	44.92	64.02
Overdue at the end of the year (Rs. Lakh)	249.99	79.26	14.51	0.26
Recovery rate (%)	60.03%	85.31%	98%	98%
Total outstanding loan portfolio (Rs. Crore)	51.11	53.14	84.27	120.24
Portfolio at risk (PAR) >30 days (%)	4.36%	1.96%	0.47%	0.50%
Portfolio at risk (PAR) >90 days (%)	1.10%	1.30%	0.09%	0.32%
CAR (Tier 1) %	29.31%	30.86%	21.54%	22.42%
CAR (Tier 2) %	7.87%	7.78%	6.08%	5.33%
CAR (Overall) %	37.18%	38.65%	27.63%	27.76%

## Details on human resources

	FY21	FY22	FY23	FY24
Credit officers	18	18	24	29
Total employees	152	162	202	204
No. of Branch	18	18	26	29
<b>Employee productivity</b>				
Number of loans per credit officer	2087	1782	1400	1383
Number of members per credit officer	2087	1782	1400	1383
Number of borrowers per credit officer	2087	1782	1400	1383
Amount of loan outstanding per credit officer (Rs. Crore)	2.84	2.95	3.51	4.15
<b>Branch productivity</b>				
Number of members per branch	2087	1782	1292	1383
Number of individual borrowers per branch	2087	1782	1292	1383
Amount of loan outstanding per branch (Rs. Crore)	2.84	2.95	3.24	4.15

## Financial Sustainability

(Rs. Crore)

Financial Performance	FY21	FY22	FY23	FY24
Interest income from Loan Portfolio	13.54	10.73	14.61	20.03
Processing fee on Loan Portfolio	0.31	0.43	0.85	0.89
Other Interest Income	0.19	0.15	0.31	0.96
Other Operating Income	0.02	0.00	0.19	1.53
<b>Total Income</b>	<b>14.06</b>	<b>11.31</b>	<b>15.96</b>	<b>23.40</b>
Total Expenditure	5.22	4.50	6.50	9.21
<b>PBIT</b>	<b>8.84</b>	<b>6.81</b>	<b>9.46</b>	<b>14.19</b>
Interest	7.25	5.16	7.40	11.46
<b>Total Operating profit</b>	<b>1.59</b>	<b>1.65</b>	<b>2.06</b>	<b>2.73</b>
Other Income	0.00	0.00	0.00	0.00
<b>PBT</b>	<b>1.59</b>	<b>1.65</b>	<b>2.06</b>	<b>2.73</b>
Income Tax	0.54	0.49	0.65	0.80
<b>PAT (before deferred taxation)</b>	<b>1.05</b>	<b>1.16</b>	<b>1.41</b>	<b>1.93</b>
Deferred taxation	-0.02	0.00	0.00	0.00
<b>Adjusted PAT</b>	<b>1.07</b>	<b>1.16</b>	<b>1.41</b>	<b>1.93</b>
<b>Financial Position</b>				
Net worth	17.03	18.19	17.83	21.96
Total Debt	43.35	46.48	76.85	96.31
Loan outstanding – own	51.11	53.14	78.05	93.83
Assets under Management	51.11	53.14	84.27	120.24
Total Assets	62.07	66.73	96.69	96.69
<b>Key ratios (%)</b>				
<b>Growth Ratios</b>				
Total Assets	(7.17)	7.53	45.12	24.71
Tangible Net Worth	6.69	6.80	(2.01)	23.16
Total Capital Employed	(7.40)	7.10	46.51	24.90
Total Income	(7.49)	(19.55)	41.05	46.62
PAT	(4.36)	8.54	21.70	36.83
<b>Solvency Ratios</b>				
Overall Gearing (times)	2.54	2.55	4.31	4.39
Interest coverage (times)–before provision & write offs	1.25	1.37	1.31	1.25
CAR %	37.18	38.65	27.63	27.76
<b>Profitability &amp; Operating Efficiency Ratios (%)</b>				
Interest income/Avg. Interest earning assets (A)	24.19	20.59	22.28	23.30
Interest / Avg. borrowed funds (B)	15.67	10.97	12.00	13.24

Financial Performance	FY21	FY22	FY23	FY24
Interest spread (A-B)	8.52	9.62	10.28	10.07
Net Interest Margin (NIM)	11.58	10.97	11.47	11.08
ROCE	14.02	10.86	11.82	13.27
Interest / Avg. capital employed	11.51	8.23	9.25	10.72
Expenses / Avg. capital employed	7.92	6.94	7.81	8.47
Cost of capital	11.51	8.23	9.25	10.72
Net spread	2.52	2.63	2.58	2.55
Return on total assets (PAT / Avg. Total Assets)	1.66	1.80	1.73	1.78
Cost to Income ratio	73.30	70.75	73.02	75.83
Operational Self- Sufficiency	112.72	117.08	114.82	113.19
Operating expense/Total Operating Income	35.50	38.47	39.16	38.69
PAT (after deferred tax)/ Total Income	7.59	10.25	8.84	8.25
RONW	6.37	6.60	7.83	9.70
PAR > 30 days (%)	4.36	1.96%	0.47%	0.50%
PAR > 90 days (%)	1.10	1.30%	0.09%	0.32%

### **Earnings profile**

- VML witnessed a incline trend in its total income during the past two 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 the high loan disbursals year, the company reported a net profit of Rs. 1.93 crore on total operating income of Rs. 23.40 crore in FY2024.
- The profitability of the company has gradually improved over the past three years and the company has posted a PAT margin of 36.83% in FY24 as compared to (21.70% in FY23) and ROTA of 1.78% (1.73% in FY23) respectively in FY24.
- VML capital adequacy ratio (CRAR) has slightly inclined to 27.76% per cent as on March 31, 2024, as compared to 27.63% per cent as on March 31, 2023. 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 113.19% in FY2024 as compared to 114.82% in the previous year.
- The company had a gearing at 4.31x as on March 31, 2023, which has further increased to 4.39x as on March 31, 2024, 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.

### **Asset Quality (NPA Profile):**

**(Rs. Cr.)**

Particulars	FY21	FY22	FY23	FY24
Gross NPAs	0.56	0.69	0.07	0.30
Net NPAs	0.00	0.00	0.00	0.00
Gross NPA/ Gross Advances (%)	1.10%	1.30%	0.09%	0.32%
Net NPA / Net Advances (%)	0.00%	0.00%	0.00%	0.00%
Net NPA / Net worth (%)	0.00%	0.00%	0.00%	0.00%

### 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 76.83% As on 31 <sup>st</sup> March 2024.	Complied
Net worth to be in excess of Rs 5 Crore	Net worth of VML stood at Rs. 24.53 crore as on 31 <sup>st</sup> March 2024	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

<p>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.</p>	<p>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.</p>	<p>Complied</p>
<p>Each RE shall have a board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income. This shall be subject to a limit of maximum 50 per cent of the monthly household income.</p>	<p>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.</p>	<p>Complied</p>
<p>The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50 per cent of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.</p>	<p>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 .</p>	<p>Complied</p>
<p>The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more’.</p>	<p>The statutory auditor has certified that appropriate provisions have been made.</p>	<p>Complied</p>

## Pricing of Loans

- Each RE shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, cover the following:
  - o A well-documented interest rate model/ approach for arriving at the all-inclusive interest rate.
  - o Delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc. in terms of the quantum of each component based on objective parameters.
  - o The range of spread of each component for a given category of borrowers; and
  - o A ceiling on the interest rate and all other charges applicable to microfinance loans.
  - o There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

## Borrowing Details as on March 31<sup>st</sup>,2024

Bankers	Bank facility	Sanctioned Amount (Crs)	Amount Disbursed (Crs)	Amount Outstanding (Crs)	Interest rate (%)
Bank of Baroda TL-01	Term Loan	2.50	2.50	0.42	9.35%
Bank Of Maharashtra TL-03		3.00	3.00	1.50	10.90%
Black soil Capital Finance Limited		6.00	6.00	5.00	15.50%
Canara Bank		5.00	5.00	0.83	9.20%
Dhanlaxmi Bank		2.00	2.00	0.75	11.45%
Dhanlaxmi Bank		3.00	3.00	2.88	12.70%
Eclear Leasing & Finance Pvt.Ltd TL-05		2.00	2.00	0.82	15.25%
Eclear Leasing & Finance Pvt.Ltd TL-06		2.00	2.00	1.93	15.25%
EFL TL-08		2.00	2.00	0.99	14.50%
EFL TL-09		2.50	2.50	2.23	15.00%
FWWB TL-01		3.00	3.00	0.91	15.00%
FWWB TL-02		3.00	3.00	2.22	15.50%
Hindhuja Leyland Finance		3.00	3.00	1.98	15.00%
Incred Financial Services		3.00	3.00	0.98	15.25%
Indian Overseas Bank TL-01		5.00	5.00	3.19	11.55%
Indian Overseas Bank TL-02		5.00	5.00	4.44	12.20%
Maanaveeya Finance TL-02		6.00	6.00	0.75	15.25%
Maanaveeya Finance TL-03		6.00	6.00	6.00	15.00%
Nabkisan Finance Limited		2.00	2.00	0.75	15.00%
RAR Fincare TL-01		1.00	1.00	0.01	15.25%
RAR Fincare TL-02	1.00	1.00	0.05	15.25%	
RAR Fincare TL-03	1.00	1.00	0.41	15.50%	
RAR Fincare TL-04	1.00	1.00	0.54	15.50%	

RAR Fincare TL-05	2.00	2.00	1.83	15.50%
Real Touch Finance Limited TL-01	2.00	2.00	0.86	15.50%
Real Touch Finance Limited TL-02	2.00	2.00	1.82	15.50%
Shri Ram Finance TL-01	1.00	1.00	0.77	15.50%
Shri Ram Finance TL-02	3.00	3.00	2.88	15.50%
State Bank of India TL-02	10.00	10.00	3.64	9.45%
State Bank of India TL-03	10.00	10.00	7.27	10.90%
State Bank of India TL-04	18.00	18.00	14.73	10.90%
Tamilnad Mercantile Bank Limited TL-6	3.00	3.00	0.67	10.90%
Tamilnad Mercantile Bank Limited TL-7	2.50	2.50	1.53	11.35%
Tamilnad Mercantile Bank Limited TL-8	2.00	2.00	1.94	12.05%
Union Bank Of India TL - 02	2.50	2.50	0.38	9.35%
Union Bank Of India TL - 03	5.00	5.00	2.58	10.60%
Union Bank Of India TL - 04	10.00	10.00	8.79	11.45%
Usha Financial Services Pvt. Ltd	2.00	2.00	0.11	15.25%
Usha Financial Services Pvt. Ltd	2.00	2.00	0.76	15.25%
<b>Term Loan</b>	<b>147.00</b>	<b>147.00</b>	<b>90.12</b>	

### Due Diligence done on January, 2025 by Harshith, Analyst

Stake holder		Feedback	Remarks
Bank of Maharashtra	Mr. Sudheer Kumar Manager +91- 94424 87008	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Black soil Capital Private Limited	Mr. Junaid Iqbal Br. Manager +91- 99442 02922	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Canara Bank	Mrs. Priya & Mr. Arun +91- 90037 48100, +91 - 94436 88383	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- 76393 73319	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. Piyush Khandelwal +91- 93106 72031	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Electronica Finance Limited	Ms. 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.
FWWB	Mr. Nilanjan Dey Chaudhury +91 -92277 97048	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Hinduja leyland finance	Mr. Sundaresan 90251 51089	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. Susheel +91- 98413 15698	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Incred Financial Services Limited	Mr. Pritam Barapatre +91- 80820 53354	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Indian Overseas Bank	Mr. M V Narasimha Rao 96266 24235	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Oiko (Maanaveeya)	Mr. Venkata Alekhya Gatupalli	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Rar Fincare	Mr. Sathish +91- 97109 02055	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.

Stake holder		Feedback	Remarks
Real Touch Finance Ltd.	Mr. Ganesh Esakky +91- 98406 25432	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Shri Ram Finance	Mr. K. Muthukumar +91- 97865 69785	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. Sam +91- 88254 12729	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
Tamilnad Mercantile Bank	Mr. Karupaiya +91- 98421 54142	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. Seethal +91- 94801 51844	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	Ms. Manisha Dabral, +91- 8447081479	The FI has expressed satisfaction on the overall conduct of the account.	Internal rating was not shared by the FI.
A. John Moris & Co	CA. S. Venkata Subramaniam Partner +91- 86085 50000	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
January 20 <sup>th</sup> , 2025	No Delays	-

### **MANAGEMENT DISCUSSION & ANALYSIS**

<b>Management Personnel Met</b>	<b>Mr. S. Charles Selvaraj; MD &amp; CEO</b>
<b>Date of Meeting</b>	January 30 <sup>th</sup> , 2025
<b>Issues raised by INFOMERICS</b>	<b>Management's Response</b>
<b>Growth plans</b>	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. 0.50 crore in the upcoming year.
<b>Current year performance</b>	During the current year i.e. from April 01, 2024, to December 31, 2024; the company has total income of Rs. 17.17 crore with PAT of Rs. 1.23 crore. Further the total loan portfolio outstanding was Rs. 103.31 crore in 9MFY25.
<b>Moderation in profit margin</b>	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><b>Governance</b></p>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>Majority of the governing body members have adequate experience in their respective areas of specialization. Members meet on a quarterly basis.</li> <li>Virutcham Microfinance Limited has formed various monitoring committees like HR, audit, grievance redressals committee etc.</li> <li>The monitoring committee meets on a quarterly basis to monitor the progress and discuss the financial and operational performance of the organization.</li> </ul>
<p><b>Transparency in lending process</b></p>	<ul style="list-style-type: none"> <li>Credit policies are well-established, documented and communicated.</li> <li>The lending policies (including interest rate, processing fees and other charges) are clearly communicated to the borrowers at group meetings through training programs &amp; orientations.</li> <li>Borrowers are made to sign a loan agreement clearly stating the terms &amp; 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.</li> <li>Following points are also communicated through written documents: <ul style="list-style-type: none"> <li>Interest rate</li> <li>Processing fees</li> <li>Loan tenure and payment schedule</li> </ul> </li> </ul>
<p><b>Audit Quality</b></p>	<ul style="list-style-type: none"> <li>The auditor has given an unqualified report and satisfactory feedback.</li> </ul>
<p><b>Internal Controls</b></p>	<p><b>Internal Audit</b></p> <ul style="list-style-type: none"> <li>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, tele verification of pre and post-disbursement, cross checking of area</li> </ul>

	<p>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"> <li>• Time taken for the audit in each branch is 3-4 days.</li> <li>• 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.</li> </ul>
<p><b>Policies</b></p>	<ul style="list-style-type: none"> <li>• Credit policies are clearly defined and documented (embedded in the operation manual)</li> <li>• Credit policies are strictly adhered to for formation of groups, field verification and credit appraisal.</li> <li>• Credit policy communication is done verbally through group meetings and training sessions to the group members.</li> <li>• HR policies are clearly defined and documented.</li> <li>• HR policies encompass recruitment and selection, induction and training, performance management and compensation management.</li> </ul>
<p><b>Transparency in utilization of funds</b></p>	<ul style="list-style-type: none"> <li>• Submits information/ book debt statements as per the requirement of the lender.</li> <li>• Report is submitted to banks and financial institutions on a quarterly basis as per the stipulation of the lender.</li> <li>• Reporting to lenders on collection and delinquency is also provided on regular basis.</li> </ul>
<p><b>Grievance redressals mechanism</b></p>	<ul style="list-style-type: none"> <li>• Members are informed during various interactions like Formation meeting, CGT &amp; GRT that they may directly contact the Company for redressal of any grievance or complaint that they may have in the following manner:  <b><u>LEVEL 1: Customer Care Desk</u></b>            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.  <b><u>LEVEL 2: Grievance Redressal Officer</u></b>            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 below. Customers will receive response within one week of Grievance redressal office receiving the complaint.</li> </ul>

	<p><b>The General Manager</b>  <b>Virutcham Microfinance Limited,</b>  <b>No.C50, Gurudev Nager, Avaniapuram Bye Pass Road,</b>  <b>Madurai – 625012. Cell: 9443308315, Email:</b>  <b>gm@virutcham.org</b></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

<b>Management</b>	<ul style="list-style-type: none"> <li>• The board is headed by Mr. S. Charles Selvaraj, Managing Director &amp; CEO. He has more than 39 years of experience in financial and Microfinance sector and has been associated with company for last 6 years.</li> <li>• Virutcham Microfinance Limited have five governing body members with strong academic and managerial expertise in finance, microfinance, banking and social developmental services.</li> <li>• 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 5 years of experience in the micro-finance sector.</li> </ul>
<b>Organizational Structure</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• It has created separate departments with clearly demarcated roles and responsibilities for handling different functions. The detail organization structure is presented in <b>Annexures 2</b>.</li> </ul>
<b>Level of decentralization of branches</b>	<ul style="list-style-type: none"> <li>• At Branch Level the Branch Manager and Field Officer should look after the Branch administration and decorum.</li> <li>• 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.</li> </ul>
<b>Second line of leadership</b>	<ul style="list-style-type: none"> <li>• Senior members have strong and diversified experience in fields of microfinance, banking, financial, audit, risk and social developmental activities.</li> <li>• Majority of the senior members understand the issues involved in day-to-day functioning and are involved in strategic decision making of the organization. Thus, at present Virutcham Microfinance Limited has</li> </ul>

	<p>reasonable second line of leadership. Brief profile of the senior management is provided above.</p>																
<p><b>Human resources management</b></p>	<ul style="list-style-type: none"> <li>• Recruitment is done through employee referrals, company website, advertisement etc. followed by a series of interviews with senior management.</li> <li>• The HR team visits respective branches and arrange interview of local candidates.</li> <li>• 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.</li> <li>• 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.</li> <li>• The compensation structure of the employees contains the following components:</li> <li>• Fixed Pay: The fixed pay includes Basic and a fixed amount as allowance.</li> <li>• Other Expenses: The employees are provided with reimbursements of their travel expenses as per the organization's policy.</li> <li>• All the statutory employee benefits such as PF, gratuity, ESI, etc. are being provided to all the employees.</li> <li>• Performance appraisal is conducted once each year.</li> <li>• The recruitment process is centralized at Head Office (HO) and is mainly handled by the HR manager under the guidance of the senior management.</li> <li>• Total staff strength of 240 employees of which 26 are Field officers as on November 30, 2023.</li> </ul> <table border="1" data-bbox="467 1377 1428 1796"> <thead> <tr> <th style="background-color: #003366; color: white;">Particulars</th> <th style="background-color: #003366; color: white;">No. of employees (January-25)</th> </tr> </thead> <tbody> <tr> <td>Senior Management</td> <td>5</td> </tr> <tr> <td>Credit Officer (CO)</td> <td>29</td> </tr> <tr> <td>Branch Manager (BM)</td> <td>29</td> </tr> <tr> <td>Regional Manager (RM)</td> <td>0</td> </tr> <tr> <td>Divisional Manager (DM)</td> <td>2</td> </tr> <tr> <td>Others (HO &amp; Branch staff)</td> <td>156</td> </tr> <tr> <td><b>Total</b></td> <td><b>221</b></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Encourages active participation in workshops and external training programs conducted by banks, financial institutions, etc.</li> </ul>	Particulars	No. of employees (January-25)	Senior Management	5	Credit Officer (CO)	29	Branch Manager (BM)	29	Regional Manager (RM)	0	Divisional Manager (DM)	2	Others (HO & Branch staff)	156	<b>Total</b>	<b>221</b>
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<p><b>Operational methodology</b></p>	<p>Virutcham Microfinance Limited provides loans to the individual members of groups for undertaking various income generating activities.</p> <p><b>JLG Lending</b></p> <ul style="list-style-type: none"> <li>• A dedicated team along with people from operations selects potential areas based on demographic and socio-economic profile.</li> <li>• The FO visits the local areas &amp; villages, interacts with potential customers regarding VML’s retail lending activity and their financial requirement.</li> <li>• The company generally tries to form a group of 8-20 people (between the age of 18-58 years).</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul> <p><b><u>Rationale of the GRT</u></b></p> <ul style="list-style-type: none"> <li>✓ To verify the customer profile (should fit into target segment)</li> <li>✓ To determine whether the prospective clients meet the conditions of group formation, and that they know and trust each other well, by questioning them.</li> <li>✓ 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).</li> </ul>
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	<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"> <li>• 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.</li> <li>• 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 &amp; the EMI date. This is fixed based on the slot availability of the time and date of FO.</li> <li>• The BM then briefs the group on the importance of Joint Liability in availing a loan and takes verbal confirmation from the client.</li> <li>• <b>Very important:</b> 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.</li> <li>• For every group there is a group leader selected by the group to manage the operations of the group.</li> </ul>
<p><b>Appraisal process</b></p>	<p>Appraisal Process:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• FO verifies borrower's repayment capacity through household visit and visit to the business entity or activity.</li> <li>• During appraisal, the documents that are collected from the borrower are photo, id proof, and address proof. The documentation is adequate.</li> <li>• Borrower's repayment capacity is further corroborated by group members.</li> <li>• 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 &amp; 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.</li> <li>• The operations are centralized with Head Office (HO) having the final authority for loan sanction &amp; disbursement. However, Branch Manager is responsible for loan collection and delinquency management</li> </ul> <p><b>Credit Risk:</b> To avoid credit risk, VML has adopted the following procedures:</p> <ul style="list-style-type: none"> <li>▪ Stringent Know Your Customer (KYC) policy is manifested and maintained.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ The Audit Executive is responsible for the accuracy of all data entries, documentation, and audit compliance.</li> <li>▪ Field investigations are done by Field Officers and Branch Manager.</li> <li>▪ 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.</li> <li>▪ Centralized connect with each customer for ensuring righteous and timely credit.</li> <li>▪ Effective loan end use verification and loan monitoring mechanism for credit risk management.</li> <li>▪ Constant contact with customer by field functionaries and end use verification.</li> <li>▪ Adoption of UID for all loan disbursed to make the Credit Bureaus Information more reliable and reduce the systemic risk significantly.</li> <li>▪ Credit and HR policies are clearly defined and documented.</li> <li>▪ Credit policies are largely adhered to formation of groups, field verification and credit appraisal.</li> <li>▪ Regular checks in System for better monitoring.</li> </ul>
<p><b>Disbursement process</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Loans are disbursed only for the viable projects, such as- agriculture, animal husbandry, small transport, small cottage, small business, small trading, service and sanitation.</li> <li>• At the time of disbursements, loan agreement is executed from the borrowers.</li> <li>• 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.</li> <li>• Borrowers sign their name in the Loan Disbursement Sheet acknowledging the receipt of the loan.</li> <li>• Loan books are provided to borrowers and loan register is maintained at group level.</li> <li>• One copy of loan agreement is provided to the customer as per their request.</li> </ul>

<p><b>Loan collection process</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The collection of loan is done by mode cash and bank transfer.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Overdue management process</b></p>	<ul style="list-style-type: none"> <li>• Adequate risk management system for tracking over-dues and collection of delinquent loans is in place.</li> <li>• 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.</li> </ul>
<p><b>Management Information Systems</b></p>	<ul style="list-style-type: none"> <li>• The Company has the web based on-line software “Jayam” to ensure smooth flow of operational data between Head Office and branches</li> <li>• This is used for maintaining MIS which will help the company better to manage the customer loan lifecycle.</li> <li>• It is very user-friendly software which enables proper tracking and maintaining of MIS and preparation of reports within a minute</li> <li>• The company has also implemented a technology enabled inbound and outbound service and also to redress their grievances.</li> <li>• In addition, the company has commenced digitization of all documents and records for easy storage and retrieval.</li> <li>• All the branches are being computerized. The loan documentation process is maintained as individual basis.</li> <li>• 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.</li> </ul>
<p><b>Cash management systems</b></p>	<ul style="list-style-type: none"> <li>• Virutcham Microfinance Limited has reasonable cash management systems in place at all branches.</li> <li>• Virutcham Microfinance Limited has opened separate bank accounts for each of the branches</li> </ul>

	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 be opened or locked with 2 keys. The BM and CO will retain each of the keys and will jointly lock and open the next day during office hours to deposit the same in the bank.</li> <li>• 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.</li> <li>• The details of transactions for the day are updated in the MIS daily.</li> </ul>
<b>Insurance</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

### SCALE OF OPERATIONS

Key Factors	As on 31 <sup>st</sup> March 2024	
<b>Client base (Number)</b>	<ul style="list-style-type: none"> <li>• Virutcham Microfinance Limited extends loans to JLG.</li> <li>• The JLG groups associated with VML have all women members.</li> <li>• Number of active JLG groups as on March 31<sup>st</sup>, 2024 was 7182 with 40103 active borrowers.</li> </ul>	
<b>Assets under management</b>	<ul style="list-style-type: none"> <li>• Loan disbursed during FY24 was Rs. 106.12 crore.</li> <li>• Total outstanding loan portfolio stood at Rs. 93.83 crore as on March 31<sup>st</sup>, 2024.</li> </ul>	
<b>Geographical diversification</b>	<ul style="list-style-type: none"> <li>• Presence in 29 districts of 4 states with 29 branches as on March 31<sup>st</sup>, 2024.</li> </ul>	
<b>Total income</b>	<ul style="list-style-type: none"> <li>• Total income stood at Rs. 23.40 crore in FY24.</li> </ul>	
<b>Current year performance during 10 MFY25</b>	<b>Particulars</b>	<b>Rs in crore</b>
	Total Income	17.17
	PAT	1.23
	Tangible Net worth	25.76
	Total loan portfolio outstanding (owned and managed)	103.31
	Total debt	71.15

## Operational Sustainability

Operational Sustainability	
<b>Second line of leadership</b>	<ul style="list-style-type: none"> <li>Majority of the senior members understand the issues involved in day-to-day functioning.</li> <li>Involved in strategic decisions as they have developed a good understanding of the microfinance sector.</li> <li>Senior members are experienced in fields like microfinance, banking, financial, and social developmental activities.</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>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.</li> <li>As on March 31<sup>st</sup>, 2024, VML portfolio is concentrated in the state of Tamil Nadu accounting ~86 percent and ~14 percent in other 3 states.</li> <li>To mitigate any potential risk arising out of geographical concentration, VML has been diversifying its presence across states.</li> </ul>
<b>Industry Outlook</b>	<p style="text-align: center;"><b><u>Industry Risk Analysis</u></b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>Delinquencies can also happen as an aftermath of a natural disaster such as floods, drought, earthquakes, or epidemic.</li> </ul> <p style="text-align: center;"><b><u>Industry Outlook:</u></b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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</li> </ul>

	<p>small MFIs shall continue to face challenges in fund raising and or borrowing costs.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<b>Loan Products</b>	<p>Virutcham Microfinance Limited offer single loan products as on November 30, 2022. A detail on the loan product is provided in <b>Annexure 3</b>. The company provides loans to the JLG members based on their requirements.</p>
<b>Access to funds and ability to raise funds</b>	<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>
<b>Vision</b>	<p>In coming years, Virutcham Microfinance Limited plans to expand its branch network in and around the above-mentioned states.</p>
<b>Efforts to increase outreach and coverage</b>	<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. 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	31/03/24	31/03/25	31/03/26
	Audited	Projections	Projections
Interest income from Loan Portfolio	20.03	22.19	25.27
Processing fee on Loan Portfolio	0.89	0.62	0.78
Other Interest Income	0.96	0.49	0.35
Other Operating Income	1.53	2.32	3.08
<b>Total Income</b>	<b>23.40</b>	<b>25.62</b>	<b>29.48</b>
Operating Expenses	2.15	1.99	2.07
Depreciation on owned assets	0.41	0.83	1.65
Provision for Std. Assets & NPA/ Write-off	0.16	0.01	0.30
Employee Benefit Expenses	6.49	5.98	6.33
Total Expenditure	9.21	8.80	10.36
<b>PBIT</b>	<b>14.19</b>	<b>16.82</b>	<b>19.13</b>
Interest	11.46	11.54	11.42
<b>Total Operating profit</b>	<b>2.73</b>	<b>5.28</b>	<b>7.71</b>
<b>PBT</b>	<b>2.73</b>	<b>5.28</b>	<b>7.71</b>
Income Tax	0.80	1.58	2.31
<b>PAT (before deferred taxation)</b>	<b>1.93</b>	<b>3.70</b>	<b>5.40</b>
Deferred taxation	0.00	0.00	0.00
<b>PAT (after deferred taxation)</b>	<b>1.93</b>	<b>3.70</b>	<b>5.40</b>

**Balance Sheet**
**(Rs. Crore)**

Particulars	31/03/24 Audited	31/03/25 Projections	31/03/26 Projections
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>	<b>24.53</b>	<b>30.23</b>	<b>45.63</b>
Share capital	18.02	19.02	24.02
Reserves and surplus	6.51	11.21	21.60
<b>Non-current liabilities</b>			
Long-term borrowings	40.73	57.46	56.69
Long term provisions	0.29	0.40	0.48
Non-Convertible Debentures	1.55	1.55	1.55
other term loans & advances	-	3.00	3.00
<b>Deferred tax liabilities</b>	<b>0.20</b>	<b>0.00</b>	<b>0.00</b>
<b>Current Liabilities</b>			
Short-term borrowings	54.03	28.73	28.34
Short-term provisions	0.64	0.56	0.66
Other-Current Liabilities	1.07	2.45	2.92
Other provisions	0.10	0.00	0.00
<b>TOTAL LIABILITIES</b>	<b>123.16</b>	<b>124.38</b>	<b>139.26</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed Assets	1.68	4.27	4.41
Investments	0.00	0.00	0.00
Deferred Tax Asset	0.00	0.00	0.00
Loan Portfolio	29.35	40.33	47.73
Other Loans & Advances	0.24	0.25	0.27
Other non-current assets (Fixed Deposit)	8.63	5.10	3.63
less : intangibles (Misc. exp.)	2.58	0.00	0.00
<b>Current assets</b>			
Loan Portfolio (Current Portion)	64.48	55.69	65.91
Other Loans & Advances (Current Portion)	3.53	0.00	0.00
Short Term Deposit	6.63	7.05	5.02
Other Current Assets	2.53	6.31	6.81
Cash & Bank Balances	3.52	5.38	5.49
<b>TOTAL ASSETS</b>	<b>123.16</b>	<b>124.38</b>	<b>139.26</b>

## 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 – 30 months
Loan size	Rs. 10,000/- to Rs. 1,00,000/-
Interest rate (IRR)	26.00% 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, 2022		March 31, 2023		March 31, 2024	
	Amount	%	Amount	%	Amount	%
Loan portfolio Actual	53.14	79.62%	78.05	79.27%	93.83	76.18%
Investments	-	0.00%	1.05	1.07%	-	0.00%
Fixed Assets	0.89	1.34%	3.54	3.59%	4.26	3.46%
Deferred Tax Assets	0.11	0.16%	-	0.00%	-	0.00%
Other non-current assets	2.99	4.48%	8.13	8.25%	8.86	7.20%
Cash & Bank Balances	5.12	7.67%	5.65	5.74%	10.15	8.24%
Other current assets	4.50	6.74%	2.05	2.08%	6.07	4.92%
<b>Total Assets</b>	<b>66.73</b>	<b>100.00%</b>	<b>98.47</b>	<b>100.00%</b>	<b>123.16</b>	<b>100.00%</b>

**Annexure 5: Diversified resource profile**

	FY22	FY23	FY24
Net worth	18.19	19.60	24.53
Term Loans banks and financial institutions	46.15	73.59	94.12
Bank borrowing (CC)	-	-	-
Unsecured Loans	-	-	-
NCD	-	2.52	1.55
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 maturity.

## Annexure 6: Portfolio Details

### 6.1 State-wise portfolio concentration

(Rs. crore)

State	FY22		FY23		FY24	
	Rs.	%	Rs.	%	Rs.	%
Tamil Nadu	43.91	82.64%	71.17	84.45%	85.96	71.49%
Kerala	6.90	12.98%	5.59	6.63%	6.76	5.62%
Puducherry	2.33	4.38%	1.30	1.54%	2.75	2.29%
Karnataka	-	0.00%	6.22	7.38%	24.77	20.60%
<b>Total</b>	<b>53.14</b>	<b>100.00%</b>	<b>84.27</b>	<b>100.00%</b>	<b>120.24</b>	<b>100.00%</b>

### 6.2 Purpose wise loan outstanding

(Rs crore)

Purpose of loan	31-03-2022		31-03-2023		31-03-2024	
	No of loans	Outstanding	No of loans	Outstanding	No of loans	Outstanding
Emergency Loan		0.00%		0.00%		0.00%
Individual Loan		0.00%		0.00%		0.00%
Joint Liability Loan	53.14	100.00%	80.73	95.80%	115.43	96.00%
Micro Housing Loan		0.00%		0.00%		0.00%
Micro Loan		0.00%		0.00%		0.00%
Pudhumai SHG Loan		0.00%		0.00%		0.00%
Seasonal & Education Loan		0.00%		0.00%		0.00%
Self Help Group Loan		0.00%		0.00%		0.00%
<b>Total</b>	<b>53.14</b>	<b>100%</b>	<b>84.27</b>	<b>100.00%</b>	<b>120.24</b>	<b>100.00%</b>

### 6.3 Loan cycle wise loan outstanding

(Rs. crore)

Particulars	FY22	FY23	FY24
	Amount	Amount	Amount
1st Cycle	11.86	58.16	92.67
2nd Cycle	28.47	15.37	11.80
3rd Cycle	8.20	7.97	10.71
4th Cycle	3.47	2.00	3.57
5th Cycle	1.12	0.77	0.96
6th Cycle	0.01	0.01	0.53
<b>Total:</b>	<b>53.14</b>	<b>84.27</b>	<b>120.24</b>

#### 6.4 Loan amount wise loan outstanding

(Rs. Crore)

Particulars	FY22	FY23	FY24
	Amount	Amount	Amount
10K to 20K	6.18	0.55	0.53
21K to 30K	14.18	9.89	3.01
31K to 40K	7.30	21.13	20.26
41K to 50K	16.31	34.21	61.89
51K to 60K	9.17	16.79	19.31
Above 60K	-	1.71	15.23
<b>Total:</b>	<b>51.11</b>	<b>53.14</b>	<b>84.27</b>

**6.5 Asset Liability Maturity Profile as on 31<sup>st</sup> March 2024**
**(Rs. In Crore)**

Particulars	31 <sup>st</sup> March 2024	1 month	2 months	3 months	6 months	6 months – 1 year	1 year - 3 year	3 years & above	Total
<b>Liabilities</b>									
Bank Borrowings	94.12	4.74	4.73	5.67	12.07	23.38	43.53		<b>94.12</b>
Customer deposits	-								-
Capital Fund	18.02							18.02	<b>18.02</b>
NCD	1.55						1.55		<b>1.55</b>
Reserve & surplus	6.25							6.25	<b>6.25</b>
Current Liabilities & Provisions	3.54	0.74	0.01	0.03	0.04	0.08	0.43	2.21	<b>3.54</b>
<b>Total Liabilities</b>	<b>123.48</b>	<b>5.48</b>	<b>4.74</b>	<b>5.70</b>	<b>12.11</b>	<b>23.46</b>	<b>45.50</b>	<b>26.48</b>	<b>123.48</b>
<b>Assets</b>									
Advances	93.99	5.65	5.47	5.71	13.91	25.07	38.18		<b>93.99</b>
Fixed Assets	4.27							4.27	<b>4.27</b>
F.D or FLDG	15.25			0.40	1.23	2.20	11.42		<b>15.25</b>
cash & bank balances	3.52	3.52							<b>3.52</b>
other assets	6.45	1.03	0.22	0.22	0.67	2.80	1.02	0.49	<b>6.45</b>
<b>Total assets</b>	<b>123.48</b>	<b>10.20</b>	<b>5.69</b>	<b>6.33</b>	<b>15.81</b>	<b>30.07</b>	<b>50.62</b>	<b>4.76</b>	<b>123.48</b>
<b>Mismatches</b>	-	<b>4.71</b>	<b>0.95</b>	<b>0.63</b>	<b>3.70</b>	<b>6.61</b>	<b>5.11</b>	<b>-21.72</b>	-
<b>Cumulative Mismatches</b>		<b>4.71</b>	<b>5.67</b>	<b>6.30</b>	<b>10.00</b>	<b>16.61</b>	<b>21.72</b>	-	-

## 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	671	0.65	1.23%	280	0.34	0.43%	117	0.24	0.25%
31-60 DAYS	270	0.19	0.36%	239	0.24	0.31%	52	0.10	0.11%
61-90 DAYS	298	0.16	0.30%	49	0.06	0.07%	41	0.07	0.07%
91-120 DAYS	389	0.15	0.28%	49	0.07	0.09%	43	0.07	0.07%
121-180 DAYS	1,430	0.39	0.73%	-	-	0.00%	79	0.13	0.13%
181-365 DAYS	505	0.15	0.28%	3	0.00	0.00%	77	0.11	0.11%
MORE THAN 365 DAYS	-	-	0.00%	-	-	0.00%	-	-	0.00%
ONTIME	28,517	51.44	96.81%	31,231	77.35	99.10%	32,321	93.12	99.25%
<b>Total portfolio</b>	<b>32,080</b>	<b>53.14</b>	<b>100.00%</b>	<b>31,851</b>	<b>78.05</b>	<b>100.00%</b>	<b>32,730</b>	<b>93.83</b>	<b>100.00%</b>

**6.7 Bifurcation of AUM:**
**(Rs. crore)**

Period ended	Mar 31, 2022	Mar 31, 2023	Mar 31, 2024
Managed portfolio (BC etc.)	0.00	6.22	26.41
Own loan portfolio	53.14	78.05	93.83
<b>AUM (Rs.cr.)</b>	<b>53.14</b>	<b>84.27</b>	<b>120.24</b>

**6.8 Repayment and Collection**
**(Rs Crore)**

Month	Current Demand	Overdue Demand (Opening)	Total Demand	Current Collection	Overdue Collection	Total Collection	Collection Efficiency
April	4.51	0.15	4.66	4.42	0.11	4.53	98.00%
May	5.01	0.13	5.14	4.91	0.10	5.01	98.06%
June	4.82	0.13	4.95	4.74	0.10	4.83	98.24%
July	4.76	0.12	4.88	4.69	0.09	4.77	98.40%
August	4.84	0.10	4.95	4.78	0.08	4.87	98.75%
September	4.94	0.08	5.02	4.89	0.06	4.95	99.03%
October	5.30	0.07	5.37	5.26	0.05	5.31	99.22%
November	5.89	0.06	5.95	5.85	0.05	5.90	99.36%
December	5.98	0.05	6.03	5.86	0.04	5.90	97.87%
January	6.27	0.13	6.41	6.09	0.06	6.15	97.02%
February	5.97	0.26	6.23	5.85	0.12	5.97	98.04%
March	5.83	0.26	6.09	5.72	0.11	5.83	98.07%