13th October 2022

The Board of Directors
Fusion Micro Finance Limited
H-1, C Block, Community Centre
Naraina Vihar, New Delhi 110028
("**Company**")

Dear Sir,

Re.: Proposed initial public offering of equity shares of face value of ₹ 10 each ("**Equity Shares**" and such offering, "**Offer**") of the Company

We refer to your e-mail/ request dated 9th September 2022 regarding the content provided to you for your internal use by CRISIL Research as part of your subscription to its Industry Research on the following industry:

- CRISIL Research – Industry Report on Microfinance, October 2022

As requested by you, we accord our no objection and give consent for including our name as an independent research provider, reproducing, extracting or utilizing, the whole or any part or extract thereof of the Report, by the Company or the book running lead managers ("**BRLMs**") (hereinafter referred to as `**Material**') or including references to such Material made from the Report made available to you as part of the above subscription in the red herring prospectus ("**RHP**") and the prospectus ("**Prospectus**") to be filed with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("**RoC**"), Securities and Exchange Board of India ("**SEBI**") and the stock exchanges where the Issue is proposed to be listed (the "**Stock Exchanges**") in India or any other document, any publicity or other materials, presentation(s), press release or report, including any international supplement of the foregoing for distribution to investors outside India, and research reports prepared by the Company or its advisors to be issued or filed in relation to the Offer (the "**Offer Documents**") , subject to the following:

- You are reproducing the Material on an `as is where is basis' clearly mentioning the document source & date of release. Eg. - CRISIL Research on Industry Report on Microfinance, October 2022
- You are ensuring that there is no misrepresentation/modification to our views/opinions and that the Material is not mentioned out of context or misguidingly.
- You are ensuring that the Material consisting of charts/graphs also contains the relevant texts explaining the charts / graphs.
- You are ensuring that the Disclaimer of CRISIL (given below) is also reproduced along with the Report, at the relevant place in the Offer Documents.

This letter does not impose any obligation on the Company or the book running lead managers to the Offer to include in any Offer Documents all or any part of the Report or any information thereof with respect to which consent for disclosure is being granted pursuant to this letter.

We confirm that we have obtained requisite consents that may be required from any governmental authority or other person, if required, in relation to any information used by us in our Report/ Material.

We confirm that we are not and have not been engaged or interested in the formation or promotion or management of the Company and as per our records as on the date of this letter neither the Company, nor its promoters or directors not the BRLMs in relation to the Offer as listed in Annexure A is a related party to us as per the definition of "related party" the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, each as amended.

You agree and undertake not to misrepresent, make any changes to, obliterate or tamper with the Report or present any part thereof out of context or in violation of applicable laws and regulations, if any. Further, you acknowledge and agree that CRISIL does not accept responsibility for the Offer Documents or any part thereof, except for the Report/ Material, subject to inclusion of the disclaimer as mentioned below:

We confirm that we are an independent agency and are not in any manner related to the Company, its promoter, its director or its key managerial personnel.

We also give our unconditional and irrevocable consent to include this letter and the Reports as part of the section titled "Material Contracts and Documents for inspection" of the RHP and Prospectus, as applicable, which will be available to the public for inspection, and have no objection with you sharing the Material with any regulatory or judicial authority as required by law or regulation in relation to the Offer or pursuant to any order passed by any authority. We also authorise you to deliver this letter of consent to the SEBI, the Stock Exchanges, the RoC pursuant to Section 26 and Section 32 of the Companies Act, 2013 or any other legal governmental or regulatory authority as may be required as per applicable law, in relation to the Offer.

We represent that our execution, delivery and performance of this consent have been duly authorised by all necessary action (corporate or otherwise).

Given below is the disclaimer to be used in the Offer Documents.

"CRISIL Market Intelligence & Analytics (MI&A), a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this report (Report) based on the Information obtained by CRISIL from sources which it considers reliable (Data). This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should be construed as an expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. Fusion Micro Finance Limited will be responsible for ensuring compliances and consequences of non-compliances for use of the Report or part thereof outside India. CRISIL MI&A operates independently of and does not have access to information obtained by CRISIL Ratings Limited, which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL MI&A and not of CRISIL Ratings Limited No part of this Report may be published/reproduced in any form without CRISIL's prior written approval."

This letter may be shared by the Company with and relied upon by the BRLMs and advisers concerned in relation to the Offer.

We agree to keep strictly confidential, the non- public information relating to the Offer and consent until such time that: (A) such disclosure by us is approved by the Company; or (B) such disclosure is required by law or regulation; subject to CRISIL intimating the Company in advance if permissible and practicable; or (C) such information is already in public domain or comes into public domain through no fault of ours.

For CRISIL Limited

Suresh Krishnamurthy
Senior Director- CRISIL Research

Annexure A

LIST OF DIRECTORS:

Director Name	Designation	DIN	Address	Date of Appointment
Mr. Devesh Sachdev	Managing Director & CEO	02547111	8, Club Road, Malibu Towne, Sector 47, Gurgaon - 122018	5-Nov-09
Ms. Ratna Dharashree Vishwanathan	Independent Director	07278291	G 702 Central Park 1 Sector 42 Gurgaon 122002 HR IN	24-May-18
Mr. Pankaj Vaish	Independent Director	00367424	008 Embassy Eros, 7 Ulsoor Road, Bangalore Karnataka India, 560042	22-Sep-21
Ms. Namrata Kaul	Independent Director	00994532	B6-401, The World SPA West, Sector-30/41 Gurgaon Haryana India 122001	18-Feb-20
Mr. Narendra Ostawal	Nominee Director	06530414	B, B-4101, Floor 41th, Plot CS No 77, B Wing, One Avighna Park, Mahadeo Palav Marg, Cur Ry Road, Parel Mumbai 400012	05-Dec-18
Mr. Kenneth Dan Vander Weele	Nominee Director	02545813	445 E, North Water Street Apartments, 2101 Chicago Illinois 60611	12-Aug-16

LIST OF PROMOTERS:

S. No.	Name of the Promoters
1	Devesh Sachdev
2	Creation Investments Fusion, LLC
3	Creation Investments Fusion II, LLC
4	Honey Rose Investment Ltd

List of BRLMs:

S. No.	Name of the BRLMs
1	ICICI Securities Limited
2	CLSA India Private Limited
3	IIFL Securities Limited
4	JM Financial Limited

CRISIL Research – Industry Report on Microfinance, October 2022

For Fusion Micro Finance Limited

Macroeconomic Scenario

Inflation Impacts World and Indian Economy

According to the latest provisional estimates released by the National Statistical Office (NSO) in May 2022, India's real GDP growth has been pegged at 8.7% in financial year 2022, lower than the last estimate of 8.9% released as second advance estimate in February 2022. In absolute terms, real GDP for the financial year 2022 is estimated at ₹147.4 trillion, marginally less than ₹147.7 trillion estimated earlier. The downward revision in GDP reflects a minor correction in first to third quarter GDP numbers, and a mild impact of third wave of Covid-19 and impact of Russia-Ukraine war in the fourth quarter. Further, given the large output loss due to the Covid-19 pandemic, the real GDP is only 1.5% above the pre-pandemic level (financial year 2020).

In the near-term, while risks due to the Covid-19 pandemic seem to be waning, high inflation, exacerbated by supply chain challenges as a result of the Russia-Ukraine war, and consequent tightening of interest rates by Central banks globally pose risks to economic growth globally and in India. According to IMF (World Economic Outlook – July 2022), global growth prospects have changed markedly since last year owing to geopolitical issues. In CY2021, global growth rebounded with a robust growth of positive 6.1% from negative 3.1% in the previous year, but it is expected to slowdown in CY2022 to 3.2%, impact of which is expected to be witnessed in Indian economy as well. Further, high inflation and the Russia-Ukraine war may push the world economy to the brink of recession, if unchecked.

India to Remain One of the Fastest Growing Economies amidst the Russia - Ukraine War

According to IMF, the economic damage from the ongoing war in Ukraine has contributed to a slowdown in global growth and rising inflation causing damage to various countries.

CRISIL Research expects growth outlook for FY2023 to be fettered with multiple risks. However, India is expected to remain one of the fastest growing economy in the world with GDP growth of 7.3% projected in the financial year 2023 as per CRISIL Research. The IMF estimates India's GDP to grow by 7.4% in CY 2022 due to its broad range of fiscal, monetary and health responses. However, IMF projects the growth to slow down to 6.1% in CY2023.

Supreme Court Decision on Litigations Related to Loan Repayment During Moratorium Period Positive for the Credit Culture

The RBI permitted lending institutions (banks as well as NBFCs) to offer an effective moratorium of six months on the payment of term loans falling due between March 1, 2020, and August 31, 2020, subject to the accounts being standard accounts as of February 29, 2020. Given the disruptive impact that COVID-19 had on incomes of certain customer segments as well as uncertainty created by the pandemic, a large proportion of NBFC customers availed of the flexibility provided by RBI, and about 50-60% of the micro loans were under moratorium as of August 2020.

Further, the Supreme Court admitted a number of petitions related to repayment of loans, the extension of moratorium period, interest payments during moratorium period and additional relief measures for impacted industries. In response to hearing these cases filed against the Central Government, the Supreme Court had in an interim order dated September 3, 2020, directed lending institutions that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders, pending disposal of the related cases by the Supreme Court. As a result, lending institutions have not been able to classify any borrower account that had not been declared as an NPA as at August 31, 2020 as NPA subsequently, notwithstanding the status on overdue from the account. Consequently, all the data reported by banks to credit information companies (CICs) on individual loan accounts was not truly representative of the status of overdues on the account.

On March 23, 2021, the Supreme Court pronounced its final judgement on the matter. The Supreme Court lifted the standstill on classification of loan accounts and also refused to direct the Government to increase the moratorium period or offer additional relief to impacted sectors over and above the packages already offered. As a result, banks and NBFCs will now be able to classify an account on the basis of its overdue status and the data submitted the CICs will also reflect the true status of an account. The apex court also refused to grant complete waiver of interest on loans during the moratorium period.

To soften the impact of COVID-19 on consumers, on October 23, 2020, the Central Government announced a scheme for the grant of ex-gratia payments to borrowers of certain categories of loans (MSME loans, education loan, housing loans, consumer durable loans, credit card dues, automobile loans, personal loans and consumption loans) where the sanctioned limit and outstanding amount does not exceed ₹20 million irrespective of whether they opted for the moratorium or not (aggregate of all facilities with the lender). The ex-gratia payment was equivalent to the difference between compound interest and simple interest charged on those loans for the period March 1, 2020 to August 31, 2020. The scheme involved the lenders crediting the difference between simple interest and compound interest for the period between March 1, 2020, to August 31, 2020, to the accounts of such borrowers and the Government paying such credited amounts to the lenders. These payments have been credited to the borrower accounts in November 2020.

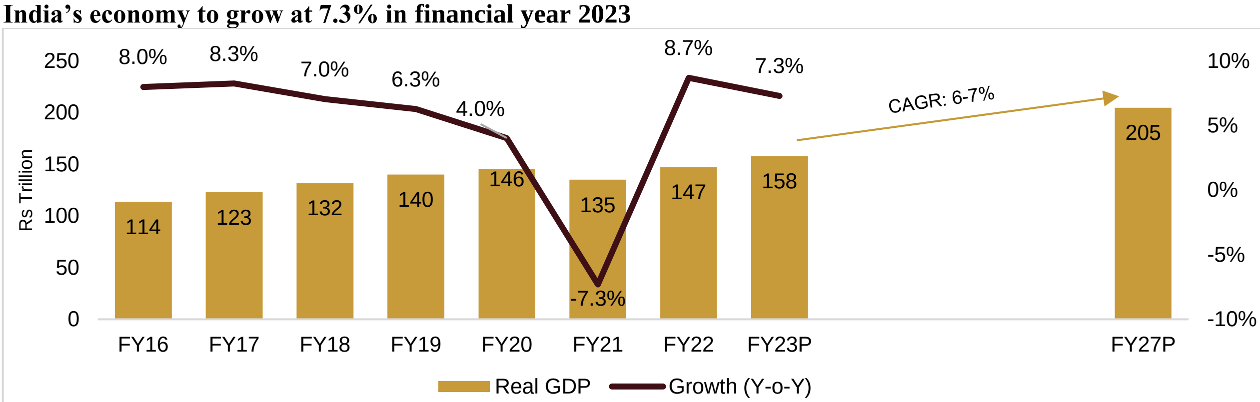
The SC, in its March 2021 judgement, has now asked the banks to extend the benefit of receiving interest on interest for loan repayments made during the moratorium period to accounts where the loan outstanding exceeds ₹20 million as well. This amount should be adjusted by banks against future loan repayments. As of March 2021, it is not very clear whether the Government is going to compensate banks and NBFCs towards the same.

Financial condition begins to tighten with mounting inflation

The RBI's Monetary Policy Committee (MPC) raised policy rates by 40 bps in May 2022. This was followed by another expected rate hike of 50 bps in June 2022, 50 bps in June and another 50 bps in September, thus bringing the repo rate to 5.90%, standing deposit facility (SDF) to 5.65% and marginal standing facility (MSF) to 6.15%. The hike in interest rate was required as inflation, despite some softening was above RBI's limit. Spill over risks from hike in US federal rates and other major central banks is also a factor for the increase in repo rates.

Despite slower global growth, MPC believes India's economic recovery is gaining strength. The latest GDP numbers showed the growth slowing down to 4.1% on-year in the fourth quarter of financial year 2022 compared to 5.4% in the previous quarter. However, the first quarter of financial year 2023 shows broadening recovery. High frequency indicators such as bank credit, railway, freight traffic, GST collections and steel consumption also indicate improvement in economy. Further, MPC expects normal monsoons, rebound in contact-based service and investment activity gains to augur well for the economy.

India's economy to grow at 7.3% in financial year 2023



Note: FY23 is projected based on CRISIL estimates FY24-FY27 is projected based on IMF estimates, Source: CRISIL Research, IMF World Economic Outlook – July 2022

Macroeconomic outlook for Financial Year 2023

Macro variables	FY22	FY23P	Rationale for outlook
GDP (y-o-y)	8.7*%	7.3%^	In financial year 2023 growth is expected to be influenced by inflation and external spillovers. Higher oil prices, slowing global demand for India's exports and higher inflation will act negatively for the Indian economy. Inflation which reduces purchasing power would weigh in the revival of consumption, the largest component of GDP which has been backsliding for a while. However, a normal monsoon forecast and rebound in contact-intensive services are expected to bring some succor.
Consumer price index (CPI) inflation (y-o-y)	5.5%	6.8%	CPI inflation will be inflated due to external factors. This will be due to persistent high international commodity prices and input costs putting pressure on food, fuel and core inflation. The other factor is due to the heatwave's adverse impact on critical food items like wheat and vegetables.
10-year Government security yield (financial year-end)	6.8%	7.5%	Increase in gross market borrowing by the government, rate hikes by the RBI and the Federal Reserve System along with surging crude oil price is expected to cause a surge in government security yields.

CAD (Current account balance)/GDP (%)	(1.2)%	(3)%	India is expected to be vulnerable to external shocks raising current account deficit. Major factors will be elevated commodity prices, slowing global growth and supply chain snarls.
Rs/$ (March average)	76.2	78	The rupee-dollar exchange rate will remain volatile with a depreciation bias in the near term due to widening trade deficit, foreign portfolio investment outflows and strengthening of the US dollar index. US Dollar index will strengthen due to rate hikes by US Federal Reserve and safe-haven demand for the dollar amid the geopolitical risks.

*Note: *NSO estimate, ^ with downside risk, P – Projected, Source: Reserve Bank of India (RBI), National Statistics Office (NSO), CRISIL Research*

Positive government regulations to aid economic growth

CRISIL Research forecasts India's GDP to grow at approximately 7% per annum between financial years 2023 and 2025. This growth is expected to be supported by the following factors:

- focus on investments rather than consumption push the productive capacity of the economy;
- the production linked incentive scheme which aims to incentivise local manufacturing by giving volume-linked incentives to manufacturers in specified sectors; and
- policies aimed towards greater formalisation of the economy, which are bound to lead to an acceleration in per capita income growth.

Rural Economy is Becoming Structurally far More Resilient and Has Been Relatively Less Impacted by COVID-19

The rural economy is far more resilient today due to two consecutive years of good monsoon, increased spends under MNREGA and irrigation programmes, direct benefit transfer (DBT), the PM-Kisan scheme, PM Ujwala Yojana for cooking gas, PM Awas Yojana for housing, and Ayushman Bharat scheme for healthcare. To supplement this, there has been a continuous improvement in rural infrastructure such as electricity and roads. These government initiatives have led to lesser leakages and higher incomes in the hands of the rural populace, thereby enhancing their ability and willingness to spend on discretionary products and services.

The rural economy accounts for almost half of India's GDP and has performed much better than urban India in the aftermath of COVID-19. There are three reasons for this.

First, agricultural activity has continued largely unhindered, normal monsoons and lower spread of COVID-19 in rural areas given the lower population density. Second, the Government has pitched in with support by making available an additional ₹500 billion of funding towards the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) and also disbursing ₹570 billion towards the PM-Kisan scheme. Third, the structure of the non-agriculture rural economy has helped it bear the COVID-induced shock better. Rural economy contributes to 51% of India's manufacturing GDP, but the rural share in services GDP (excluding public administration, defence and utilities) is much lower at around 26%.

In first half of financial year 2023, across rural and urban areas, the poor (bottom 20% income class) continue to face effectively higher inflation as compared to their richer counterparts (top 20%), as inflation on food and fuel items remained high. Rising inflation, coupled with negative rural wage growth has led to subdued rural demand. However, the onset of festival is likely to boost consumer demand in the rural areas.

Financial Inclusion

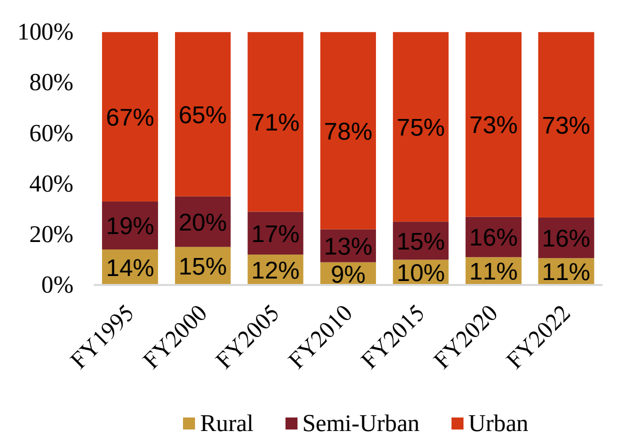
Rural India Accounts for about Half of GDP, but only about 9% of Total Credit and 11% of Total Deposits

As of March 2020, there were about 640,000 villages in India, inhabited by about 893 million people, comprising about 66% of the country's population in CY2020. About 47% of India's GDP comes from rural areas. As of March 31, 2022, their share in banking credit and deposits is abysmally low with just 9% of total credit and 11% of total deposits coming from rural areas. The massive divergence in the rural areas' share of India's GDP and banking credit and deposit services compared with urban areas is as an indicator of the extremely low penetration of the banking sector in rural areas.

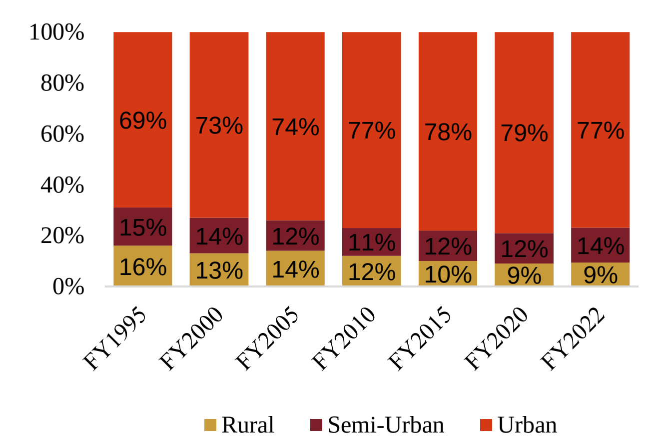
The chart below shows the percentage of GDP contribution and credit outstanding in rural and urban areas:

Low share of banking credit and deposit indicates lower penetration in rural areas (FY22)

Population group wise share of deposits

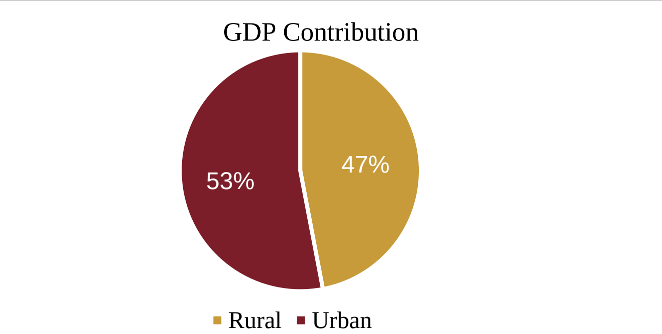


Population group wise share of credit



Source: CSO; RBI

Rural vs urban split of GDP

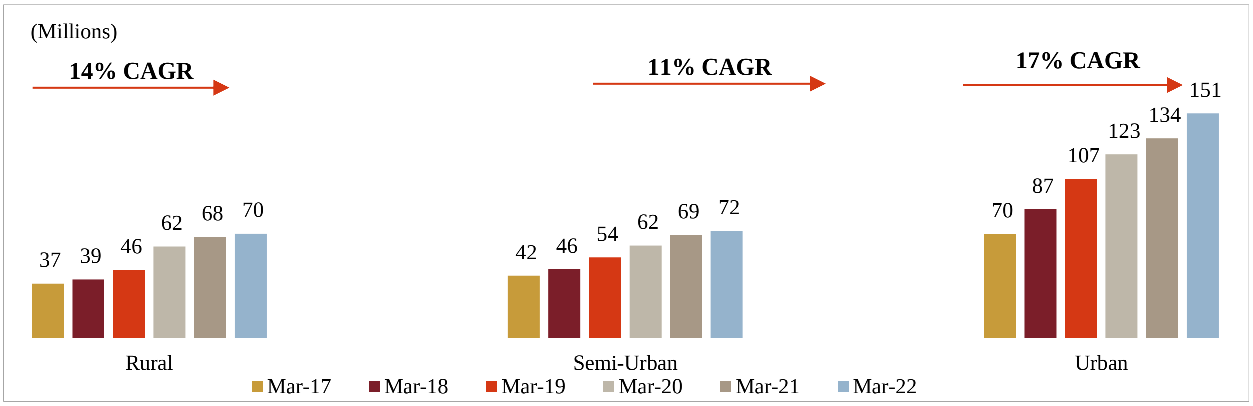


Source: CSO; RBI; CRISIL Research estimates (for GDP contribution as per 2017)

As rural areas in India have lower financial inclusion compared with urban areas and there is less competition for banking services in rural areas compared with urban areas, this presents significant growth opportunities in rural areas.

The number of bank credit accounts in rural areas grew at a CAGR of 14% between the end of the financial year 2017 and the end of the financial year 2022 and the number of bank deposit accounts grew at a CAGR of 5% between the end of the financial year 2017 and the end of the financial year 2022. However, with payments bank increasing their reach and expanding into rural areas and increasing financial awareness, faster growth in rural areas can be expected in the future given the huge untapped potential. Between the end of the financial year 2017 and the end of the financial year 2022, the number of credit accounts in semi-urban areas grew at a CAGR of 11% and between the end of the financial year 2017 and the end of the financial year 2022, the number of deposit accounts grew at a CAGR of 4%. Between the end of the financial year 2017 and the financial year 2022, the number of credit accounts in urban areas grew at a CAGR of 17% and between the end of the financial year 2017 and the end of the financial year 2022, the number of deposit accounts grew at a CAGR of 3%.

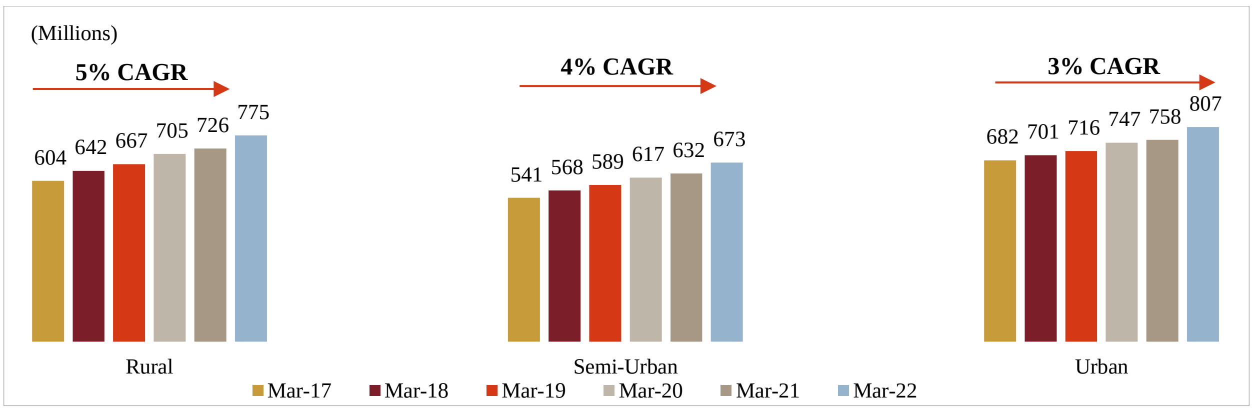
Bank credit accounts in rural, semi-urban and urban areas



Source: RBI; CRISIL Research

Note: Urban includes data for urban and metropolitan areas; amounts are as of the end of the financial year indicated. Data represents only bank credit accounts.

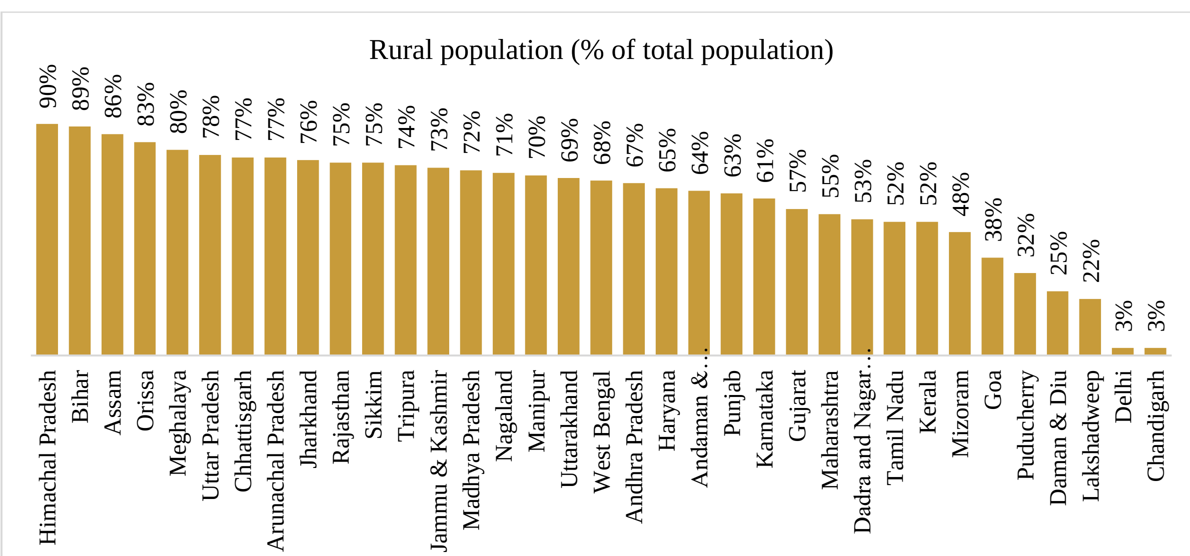
Bank deposit accounts in rural, semi-urban and urban areas



Source: RBI; CRISIL Research

Note: Urban includes data for Urban and Metropolitan areas; amounts are as of the end of the financial year indicated. Data represents only bank deposit accounts.

State-wise share of rural population (CY2011)



Source: Census 2011, CRISIL Research

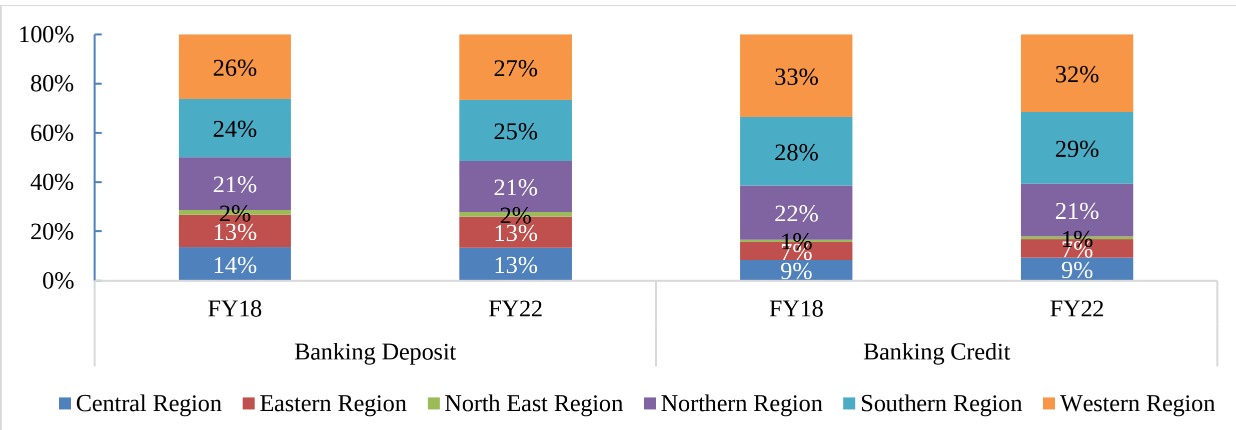
Note: Sequence of states are arranged in descending order of the proportion of rural population.

Although the majority of Indian households are located in the rural region, the banking infrastructure in these regions is relatively inferior and, thus, there is a gap in the supply and demand of financial services in the backward regions of the country, which is a pocket of opportunity for the financial services sector.

Region-Wise Asymmetry: Central and Eastern Regions have a Lower Share in Total Bank Credit and Deposits

Bank credit and deposits are predominantly concentrated in the southern and western regions, whereas they have been especially low in the north-eastern and eastern regions. Deposit penetration in the southern region has increased by 700 bps on-year to 29% in the financial year 2021 and has remained stable in financial year 2022, thereby taking the share of southern region in overall deposit to 25% at end of financial year 2022. Between financial years 2018 and 2022, the share of northern region has remained stable at 21% in terms of banking deposit. In terms of banking credit, the share of northern region has moderated marginally from 22% in financial year 2018 to 21% in financial year 2022.

Region-wise share of banking credit and total deposits



Source: RBI; CRISIL Research

Note: The percentages are as of the end of the financial year indicated.

Bank retail credit per capita in the east is the lowest and is nearly five times lower than in the south and west. Low per-capita retail credit as well as deposits in eastern, central, and north-eastern regions compared with other regions implies low penetration of banks in these areas. This provides an opportunity for all lending and deposit accepting institutions to expand in these regions and also expand their reach in specific areas around them. In terms of deposits, the southern region is moderately penetrated compared with the northern and western regions, leaving a lot of headroom for growth for the players to capitalise on.

The number of branches and ATM facilities in the eastern regions, where credit penetration and deposit-base are low is also below those of the southern and western regions, which CRISIL Research believes is largely due to lower focus from the bigger banks.

Large Variation in Credit Availability Across States and Districts

There is a wide variation across states and within various districts in the same state as well in terms of credit, which indicates latent opportunity for providing banking services to unserved or underserved customers. Uttar Pradesh and Bihar are the most populous states in India, accounting for 17% and 9%, respectively, of overall population in India, but their share in overall credit outstanding are only 5% and 2%, respectively, shows large variation in credit, as compared to other states like Assam, Jharkhand and Odisha with a share of approximately 1%.

Based on bank credit accounts in rural areas, Himachal Pradesh, Odisha, Jharkhand and Bihar have more than 45% of the credit accounts in rural areas compared to Maharashtra, Delhi, Kerala where the share of accounts in rural areas is below 10%. In value terms, bigger states like Maharashtra, Delhi, Gujarat and Kerala have less than 10% of credit outstanding in rural areas compared to Meghalaya, Himachal Pradesh and Jammu & Kashmir with more than 30% of rural credit outstanding Maharashtra and Delhi, among the states with high share in overall credit, have more than 70% of total credit outstanding concentrated in the top five districts as of the financial year 2022.

State-wise rural credit accounts in banks and top five districts concentration (FY2022)

State	No. of districts	% share in overall population in India	Share in overall credit	Credit to Deposit ratio	Concentration of credit in top 5 districts	% of credit in rural areas	Concentration of credit accounts in top 5 districts*	% of credit accounts in rural areas*
Maharashtra	36	9%	26%	91%	90%	2%	77%	9%
NCT of Delhi	1	1%	11%	93%	100%	0%	100%	0%
Tamil Nadu	38	6%	9%	102%	60%	11%	44%	27%
Karnataka	31	5%	7%	61%	75%	11%	50%	34%
Gujarat	33	5%	5%	70%	71%	7%	49%	19%
Telangana	35	NA	5%	97%	78%	9%	48%	30%
Uttar Pradesh	75	17%	5%	44%	39%	22%	23%	45%
Andhra Pradesh	20	7%	4%	139%	64%	18%	49%	36%
West Bengal	24	8%	4%	46%	72%	15%	47%	48%
Rajasthan	33	6%	3%	79%	53%	18%	40%	36%
Kerala	14	3%	3%	62%	67%	3%	52%	4%
Madhya Pradesh	52	6%	3%	67%	54%	13%	33%	30%
Haryana	22	2%	3%	55%	63%	10%	44%	23%
Punjab	23	2%	2%	54%	60%	21%	46%	31%
Bihar	38	9%	2%	42%	48%	27%	36%	51%
Odisha	30	3%	1%	41%	62%	22%	47%	54%
Chhattisgarh	28	2%	1%	66%	75%	10%	52%	25%
Assam	33	3%	1%	49%	52%	26%	37%	49%
Jharkhand	24	3%	1%	31%	68%	20%	53%	50%
Chandigarh	1	0%	1%	89%	100%	0%	100%	1%
Jammu & Kashmir	22	1%	1%	52%	60%	36%	50%	53%
Uttarakhand	13	1%	1%	36%	89%	23%	82%	35%
Himachal Pradesh	12	1%	0%	32%	73%	60%	68%	72%
Goa	2	0%	0%	24%	100%	17%	100%	30%
Puducherry	4	0%	0%	64%	100%	11%	100%	19%
Tripura	8	0%	0%	42%	86%	35%	83%	43%
Meghalaya	12	0%	0%	32%	91%	37%	88%	47%
Manipur	15	0%	0%	60%	83%	30%	82%	32%
Nagaland	9	0%	0%	43%	86%	23%	81%	25%
Mizoram	11	0%	0%	45%	84%	16%	80%	20%
Arunachal Pradesh	18	0%	0%	24%	72%	28%	65%	32%
Sikkim	4	0%	0%	39%	100%	27%	100%	39%
Dadra & Nagar Haveli and Daman & Diu	3	0%	0%	36%	100%	3%	100%	4%
Andaman & Nicobar Island	3	0%	0%	47%	100%	20%	100%	26%
Ladakh	2	NA	0%	36%	100%	36%	100%	45%
Lakshadweep	1	0%	0%	10%	100%	39%	100%	43%

Note: Arranged in descending order of share in overall credit outstanding of banks, (*) As of financial year 2021.

Source: RBI, CRISIL Research

Similarly, in terms of bank deposits, Odisha, Jharkhand, Assam, Himachal Pradesh, Sikkim and Meghalaya have more than 50% of the deposit accounts in rural areas compared to Maharashtra, Delhi and Kerala where the share of accounts in rural areas is below 20%. In value terms, Maharashtra, Delhi, Kerala, Karnataka, Tamil Nadu and Haryana have less than 10% of deposits in rural areas compared to Sikkim, Tripura, Meghalaya, Arunachal Pradesh, Himachal Pradesh and Jammu & Kashmir with more than 25% of rural deposits.

Maharashtra and Karnataka, among the bigger states have more than 75% of total deposits concentrated in the top five districts as of the financial year 2022.

State-wise rural deposit accounts in banks and top five districts concentration (FY2022)

State	No. of districts	% share in overall population in India	% Share in overall deposits	Concentration of deposits in top 5 districts	% of deposits in rural areas	Concentration of deposit accounts in top 5 districts *	% deposit accounts in rural areas*
Maharashtra	36	9%	21%	85%	3%	52%	18%
Nct Of Delhi	1	1%	9%	100%	1%	61%	2%
Uttar Pradesh	75	17%	8%	41%	19%	16%	46%
Karnataka	31	5%	8%	80%	7%	46%	29%
Tamil Nadu	38	6%	7%	63%	8%	33%	24%
West Bengal	24	8%	6%	70%	17%	43%	48%
Gujarat	33	5%	5%	62%	11%	43%	26%
Kerala	14	3%	4%	63%	3%	53%	4%
Telangana	35	NA	4%	84%	6%	49%	25%
Haryana	22	2%	4%	68%	9%	41%	25%
Rajasthan	33	6%	3%	55%	15%	34%	37%
Madhya Pradesh	52	6%	3%	53%	11%	24%	32%
Punjab	23	2%	3%	57%	21%	47%	32%
Bihar	38	9%	3%	49%	22%	30%	50%
Odisha	30	3%	2%	59%	23%	36%	57%
Andhra Pradesh	20	7%	2%	63%	16%	50%	28%
Jharkhand	24	3%	2%	69%	18%	42%	52%
Chhattisgarh	28	2%	1%	65%	17%	38%	44%
Assam	33	3%	1%	60%	21%	32%	54%
Uttarakhand	13	1%	1%	85%	23%	75%	44%
Jammu & Kashmir	22	1%	1%	69%	28%	50%	51%
Himachal Pradesh	12	1%	1%	74%	59%	67%	75%
Goa	2	0%	1%	100%	24%	100%	34%
Chandigarh	1	0%	1%	100%	1%	100%	3%
Tripura	8	0%	0%	91%	28%	81%	48%
Meghalaya	12	0%	0%	92%	25%	82%	56%
Puducherry	4	0%	0%	100%	6%	100%	17%
Arunachal Pradesh	18	0%	0%	75%	27%	62%	44%
Nagaland	9	0%	0%	95%	11%	87%	26%
Manipur	15	0%	0%	89%	25%	74%	40%
Dadra & Nagar Haveli and Daman & Diu	3	0%	0%	100%	5%	100%	15%
Mizoram	11	0%	0%	89%	12%	79%	34%
Sikkim	4	0%	0%	100%	30%	100%	52%
Ladakh	2	NA	0%	100%	23%	100%	34%
Andaman & Nicobar Islands	3	0%	0%	100%	24%	100%	37%
Lakshadweep	1	0%	0%	100%	29%	100%	41%

Source: RBI, CRISIL Research

Note: Arranged in descending order of share in overall deposits. Rural and semi-urban areas have been considered to calculate share of deposits and deposit accounts in rural areas.

States with Low Financial Penetration Present a Strong Case for Growth

Uttar Pradesh, Karnataka and Andhra Pradesh have a strong potential for growth in the coming years

States like Andhra Pradesh, Karnataka and Uttar Pradesh have huge headroom for growth given the credit penetration and economic growth. Similarly, In the West, states such as Maharashtra and Gujarat have showcased good growth in terms of GDP and Gujarat has a relatively lower credit penetration, which provides a huge potential to be addressed.

Uttar Pradesh, Bihar, Madhya Pradesh, Jharkhand and Chhattisgarh have the lowest credit account penetration among all other states in the country. These states also exhibit lower CRISIL Inclusix score indicating low financial inclusion. With lower financial penetration, these states present huge untapped market and potential for growth in future, as their GDP gradually increases.

State-wise GDP and GDP growth

States	GSDP - Constant Prices FY22 In Rs. Billion	Y-o-Y growth	CAGR (FY17-FY22)	Credit Account Penetration as on FY21	Deposit Account Penetration as on FY22	Branch Penetration as on FY22	ATM Penetration as on FY22	CRISIL Inclusix Score (FY2016)
Maharashtra*	18,893	-7.57%	2.69%	44%	179%	109	194	62.7
Tamil Nadu	13,984	7.85%	6.17%	47%	189%	148	296	77.2
Karnataka	12,522	9.47%	5.86%	28%	189%	156	248	82.1
Uttar Pradesh	11,687	7.26%	2.93%	10%	132%	80	82	44.1
Gujarat*	12,443	-1.95%	6.82%	16%	155%	126	182	62.4
West Bengal*	7,927	1.06%	5.40%	17%	163%	93	114	53.7
Rajasthan	7,330	11.04%	4.20%	14%	136%	103	119	50.9
Andhra Pradesh	7,469	11.43%	6.69%	16%	100%	78	104	78.4
Delhi*	5,647	-3.86%	3.49%	33%	296%	195	402	86.1
Haryana	5,888	9.80%	5.21%	22%	205%	179	220	67.7
Madhya Pradesh	6,217	10.12%	5.72%	14%	142%	90	114	48.7
Kerala	5,509	7.10%	2.57%	34%	215%	178	263	90.9
Punjab	4,162	5.12%	3.36%	20%	210%	207	227	70.9
Bihar*	4,199	2.50%	7.21%	11%	127%	65	56	38.5
Odisha	4,276	10.11%	4.86%	19%	152%	114	152	63
Chhattisgarh*	2,455	-1.77%	5.19%	11%	151%	102	110	45.7
Jharkhand*	2,271	NA	5.36%	13%	138%	86	95	48.2
Assam	2,738	9.13%	6.27%	16%	144%	86	112	47.9
Uttarakhand*	1,759	-6.55%	2.87%	14%	187%	191	221	69
Himachal Pradesh	1,244	8.35%	3.84%	14%	192%	217	262	72.3
Jammu & Kashmir*	NA	NA	NA	18%	NA	NA	NA	47.8
Tripura	469	12.16%	8.95%	27%	143%	142	130	66.2
Meghalaya	254	8.89%	3.14%	9%	96%	111	129	34.6

Source: RBI, MOSPI, CRISIL Research

Notes:

(1) (*) – GSDP as of FY21, CAGR Growth rate from financial year 2016-2021.

(2) Credit account penetration is calculated as total number of retail bank credit accounts/population of the state.

(3) Deposit account penetration is calculated as total number of bank deposit accounts/ population of the state.

(4) Branch penetration is calculated as Number of bank branches per million people.

(5) ATM penetration is calculated as Number of ATM per million people.

(6) For credit and deposit account penetration, this does not represent unique borrowers or depositors, total number of accounts have been considered.

(7) Andhra Pradesh and Telangana have been considered as one state. Population as of FY21 according to CRISIL estimates.

CRISIL Inclusix, an index that measures the extent of financial inclusion at a geographical level across all districts in India, reported a score of 58.0 at the end of the financial year 2016 from 50.1 in the financial year 2013 and 35.4 in the financial year 2009. The index scores each district in India on a scale of 0 to 100 with 0 being the worst and 100 being the best. The overall improvement of the score in the financial year 2016 was mostly driven by JAM trinity: Jan Dhan Yojana, Aadhaar and mobile.

Kerala had the highest CRISIL Inclusix score as of 2016 with only one district having a score less than 70. Goa, Karnataka, Andhra Pradesh are other states with higher Inclusix scores and no districts having a score below 50. States such as Uttar Pradesh and Bihar, on the other hand, have an Inclusix score below 45, with a large majority of districts – 50% in case of Uttar Pradesh and 65% for Bihar – having Inclusix scores below 40. North-eastern states like Manipur, Nagaland and Meghalaya have the lowest Inclusix scores with hardly any district having a score more than 50.

State	CRISIL Inclusix Score (2016)	Number of districts with CRISIL Inclusix score in the stated range					
		More than 70	60-70	50-60	40-50	Less than 40	Total number of districts
Kerala	90.9	13	1	0	0	0	14
Goa	88.9	2	0	0	0	0	2

State	CRISIL Inclusix Score (2016)	Number of districts with CRISIL Inclusix score in the stated range					
		More than 70	60-70	50-60	40-50	Less than 40	Total number of districts
Puducherry	87.7	3	1	0	0	0	4
Chandigarh	86.7	1	0	0	0	0	1
Delhi	86.1	1	0	0	0	0	1
Karnataka	82.1	20	5	5	0	0	30
Andhra Pradesh	78.4	10	3	0	0	0	13
Tamil Nadu	77.2	22	8	2	0	0	32
Telangana	72.8	7	3	0	0	0	10
Himachal Pradesh	72.3	9	2	1	0	0	12
Punjab	70.9	9	10	1	2	0	22
Uttarakhand	69.0	3	7	3	0	0	13
Haryana	67.7	7	10	1	2	1	21
Tripura	66.2	2	1	0	5	0	8
Andaman & Nicobar	63.9	1	0	0	0	2	3
Odisha	63.0	6	7	8	7	2	30
Maharashtra	62.7	9	6	8	11	2	36
Gujarat	62.4	10	5	4	7	7	33
Daman and Diu	60.7	0	1	1	0	0	2
Dadra and Nagar Haveli	60.2	0	1	0	0	0	1
Sikkim	60.2	1	0	0	2	1	4
West Bengal	53.7	2	4	5	6	3	20
Lakshadweep	51.3	0	0	1	0	0	1
Rajasthan	50.9	2	3	10	10	8	33
Madhya Pradesh	48.7	3	3	12	15	18	51
Jharkhand	48.2	2	3	2	5	12	24
Assam	47.9	2	4	3	8	10	27
Jammu & Kashmir	47.8	1	2	3	7	9	22
Chhattisgarh	45.7	2	0	5	5	15	27
Uttar Pradesh	44.1	4	4	5	25	37	75
Mizoram	43.2	0	0	1	1	6	8
Bihar	38.5	1	0	0	12	25	38
Arunachal Pradesh	34.7	1	0	2	0	14	17
Meghalaya	34.6	0	0	1	0	10	11
Nagaland	32.4	0	1	0	2	8	11
Manipur	32.0	0	1	0	0	8	9
Total	58.0	156	96	84	132	198	666

Source: CRISIL Inclusix, CRISIL Research

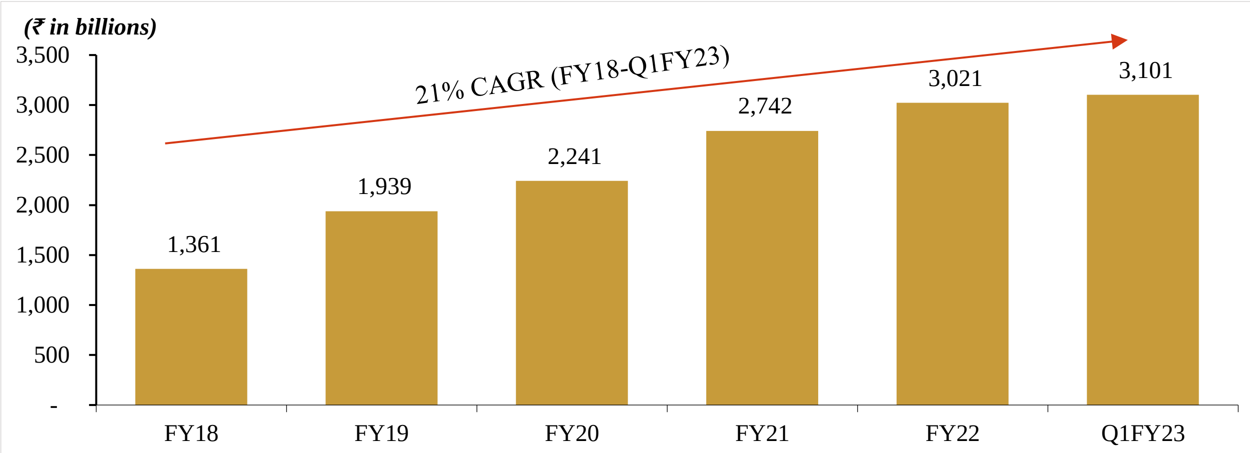
Microfinance

Industry GLP Grew at 21% CAGR Between the Financial Year 2018 to the First Quarter of Financial Year 2023

The microfinance industry (joint-liability group ("**JLG**") portfolio) has recorded healthy growth in the past few years. The industry's gross loan portfolio ("**GLP**") increased at a CAGR of 21% since the financial year 2018 to reach approximately ₹3.1 trillion in the first quarter of financial year 2023. The growth rate for NBFC-MFIs is the fastest as compared to other player groups.

In the financial year 2021, the industry has been adversely impacted due to the onset of the COVID-19 pandemic. While disbursements came to a standstill in the first quarter of the year, they have picked up subsequently. Disbursements have reached to the pre-COVID levels for NBFC-MFI in the third and fourth quarter of the financial year 2021. In financial year 2022, the second wave of Covid-19 led to a slow start in disbursements. However, with decline in the number of Covid cases and faster recovery of the industry, the situation started improving from the second half with gross loan portfolio registering 10% growth on-year at the end of financial year 2022.

GLP clocked 21% CAGR between FY2018 - Q1FY2023

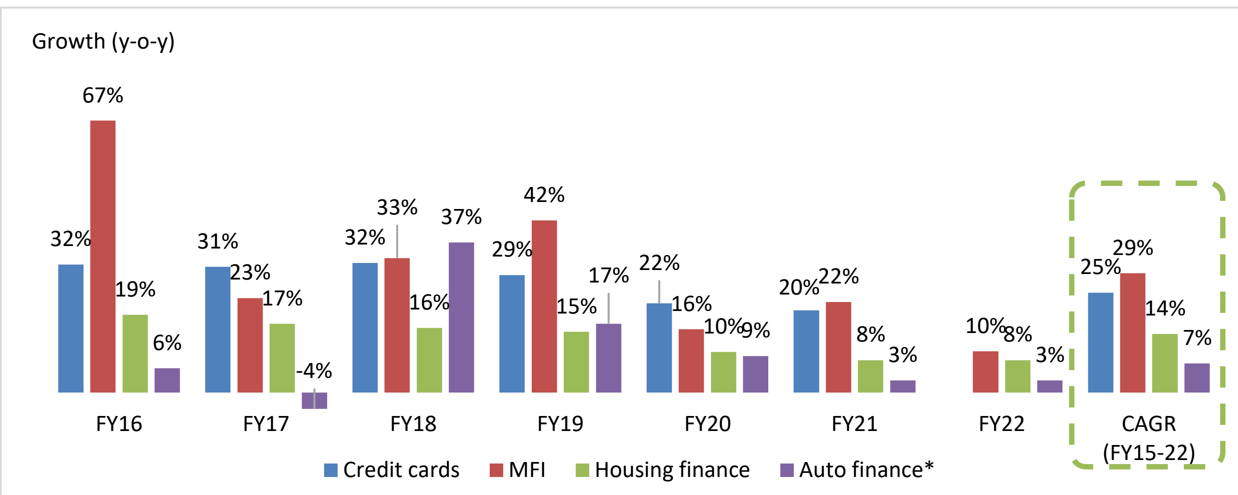


Source: Equifax, Company reports, Industry and CRISIL Research

*Note: Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through self-help groups ("**SHG**"). The amounts are as of the end of the financial year.*

Microfinance industry has grown at a healthy pace over the past few years to reach a GLP (credit outstanding) of ₹3.02 trillion in the financial year 2022 compared to other segments like housing finance and auto finance with credit outstanding of ₹25.5 trillion and ₹8.0 trillion, respectively, in the financial year 2022. The microfinance industry growth has been relatively higher despite the impact of various events like demonetisation, farm loan waivers, natural calamities, IL&FS crisis and outbreak of Covid-19 crisis.

Microfinance industry growing at a faster pace compared to other retail loan segments during the financial years 2015 to 2022



*Note: * Calculated based on annual loan disbursement of passenger vehicle and two-wheeler segment, Data for MFI Industry includes data for banks' lending through JLGs, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts stated are as of the end of the relevant period/year, Source: Company's reports, RBI, SIAM, Equifax, CRISIL Research*

Outlook for Indian Microfinance Industry

CRISIL Research expects MFI Industry to grow at 18-20% CAGR between FY2022-2025. During the same period, NBFC-MFIs are expected to grow at a much faster rate of 20-22% as compared to the MFI industry. Key drivers behind superior growth outlook of the MFI industry include increasing penetration into the hinterland and expansion into newer states, faster growth in rural segment, expansion in average ticket size, and support systems like credit bureaus. The presence of self-regulatory organisations (SRO) like MFIN and Sa-Dhan is also expected to support sustainable growth of the industry going forward. Microfinance sector in India regulated by the RBI. The RBI's new regulatory regime for micro finance loans effective April 2022 has done away with interest rate cap applicable on loans given by NBFC-MFIs, and also supports growth by enabling players to calibrate pricing in line with customer risk.

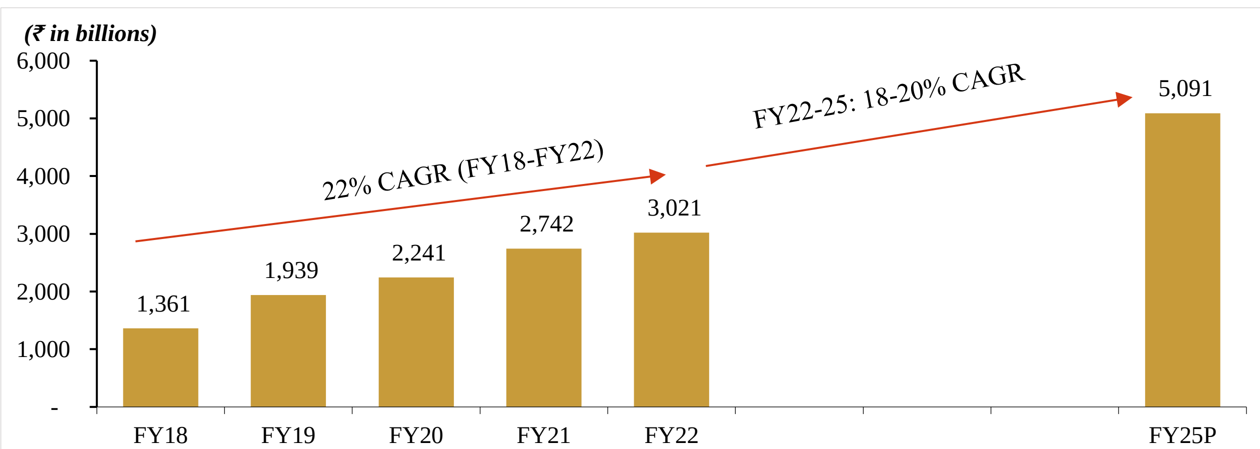
Key enablers behind growth of Microfinance Industry

- Digitalisation to bring down costs, improve collection efficiency and profitability for MFIs. CRISIL Research expects that the lower cost of servicing customers, better productivity and lower credit costs through the use of technology will help MFIs improve their profitability.
- MFIs have built a large distribution network in urban and rural India. Now these MFIs are leveraging this network to distribute financial and non-financial products including insurance and product financing of other institutions to members at a cost lower than competition.

Rising Penetration to Support Continued Growth of the Industry

Although, India's household credit penetration on MFI loan has increased to 33% in the financial year 2020 from 23% in the financial year 2017. The penetration is still on the lower side as only 4 states have penetration higher than 40%. There is huge untapped market available for MFI players. As of the end of March 2022, the microfinance industry had grown at a CAGR of 22% since the financial year 2018. In the financial year 2022, the industry grew by 10% year on year to reach ₹3.02 trillion as of March 2022. Going forward, CRISIL Research expects the overall portfolio size to reach ₹5.0 trillion by end of financial year 2025.

MFI Industry GLP to grow at 18-20% CAGR between FY2022 and FY2025



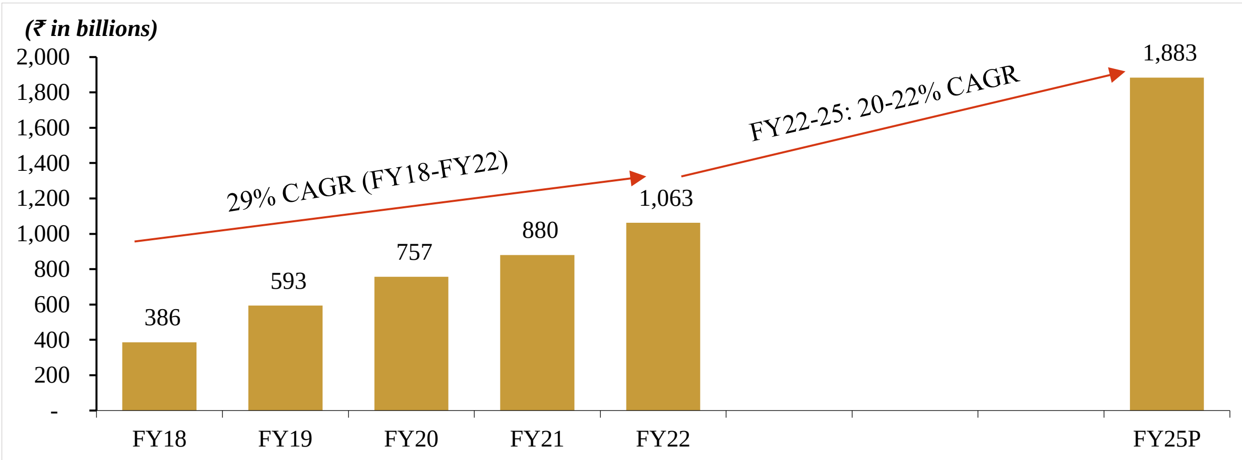
Source: Equifax, Company reports, Industry and CRISIL Research

Notes:

(1) Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year.

(2) P: Projected

NBFC MFI Industry GLP to grow at a faster rate than Industry

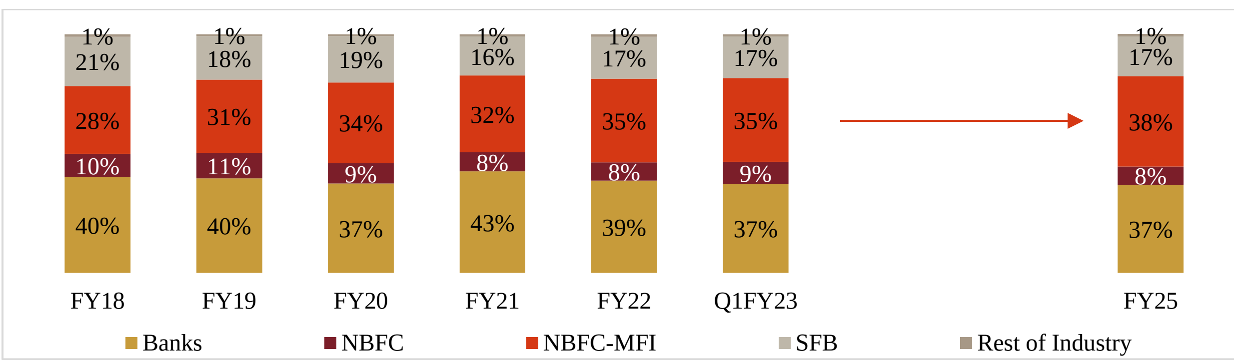


Source: Equifax, Company reports, Industry and CRISIL Research

Note: P: Projected, Data includes NBFC MFI players.

While the MFI industry and NBFC MFI portfolio growth is considerably lower compared with the historical growth, the incremental industry growth would be driven by continuous expansion in the client base of MFIs and increased penetration in rural areas. The share of NBFC-MFIs share is expected to increase to 38% by the financial year 2025.

NBFC-MFIs to gain market share between Q1FY23 and FY25 (GLP)



Source: Equifax, Company reports, Industry and CRISIL Research

Notes:

(1) Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year

(2) P: Projected

Competitive dynamics

CRISIL Research expects NBFC-MFIs to grow at a much faster rate vis-v-a-vis SFBs, on account of increasing focus of SFBs towards other product suite beyond the MFI loan portfolio and improving liquidity for NBFCs in the system.

Comparison of different participants in microfinance lending business

	Scheduled Commercial Banks	Small Finance Bank	MFI
Priority sector lending			

	Scheduled Commercial Banks	Small Finance Bank	MFI
Targeted lending to sectors	• 40% for priority sector lending of their Adjusted Net Bank Credit (ANBC) or equivalent off-balance sheet exposure (whichever is higher) ○ 18% of ANBC to Agriculture ○ 7.5% of ANBC to micro-enterprises ○ 10% of ANBC to weaker sections	• 75% for priority sector lending of their Adjusted Net Bank Credit (ANBC) ○ 18% of ANBC to Agriculture ○ 7.5% of ANBC to micro-enterprises ○ 10% of ANBC to weaker sections • At least 50 per cent of loan portfolio should constitute loans and advances of up to ₹2.5 million	• 75% of loans should be qualifying micro-finance assets ○ Income generation loans > 50% of total loans
Prudential norms			
Capital adequacy framework	• Minimum Tier 1 capital: 7% • Minimum capital adequacy ratio: 9%	• Minimum Tier 1 capital: 7.5% • Minimum capital adequacy ratio: 15%	• Tier 1 capital > Tier 2 capital • Minimum capital adequacy ratio: 15%
Margin cap	• No Margin Cap	• No Margin Cap	• No Margin Cap
CRR / SLR	• Maintenance of CRR/SLR ratio mandatory	• Maintenance of CRR/SLR ratio mandatory	• No such requirement
Leverage ratio	• Minimum leverage ratio of 4%	• Minimum leverage ratio of 4%	• No such requirement
LCR (liquidity coverage ratio)/ NSFR (net stable funding ratio)	• Mandatory requirement to maintain liquidity coverage ratio	• Minimum liquidity coverage ratio of 100% by Jan 1, 2021 • NSFR will be applicable to SFBs on par with scheduled commercial banks as and when finalized	• No such requirement
Funding			
Deposits	• Primarily rely on deposits for funding requirements	• Primarily rely on deposits for funding requirements • Deposit ramp-up will take time	• Cannot accept deposits
Bank loans / market funding	• Access to broader array of market borrowings	• Access to broader array of market borrowings • No access to bank loans	• Diversified funding sources including bank loans, short term and long-term market borrowings. Funding from NABARD, MUDRA loans etc.
Products			
Products offered	• Full spectrum of banking, savings, investment and insurance products	• Can offer savings and investment products apart from credit products / loans • Can act as Corporate Agent to offer insurance products • Cannot act as Business Correspondent to other banks	• Can act as Business Correspondent to another bank and offer savings, deposits, credit and investment products • Can act as Corporate Agent to offer insurance products

Source: RBI, CRISIL Research

Even though the above regulations related to MFIs seem to be less relaxed compared to others, they provide an opportunity to MFIs to have a singular focus on the customers they cater to and the products that they offer. The whole processes and systems can be built more efficiently, be more customised to the requirements of the customers, and deeper local understanding can be developed to handle nuances of different geographical areas. The other major advantage of that is the institution can be more flexible and react and adjust to various events faster. Also, being under the purview of RBI provides separate identity to the institutions and policy measures related to this segment get due focus.

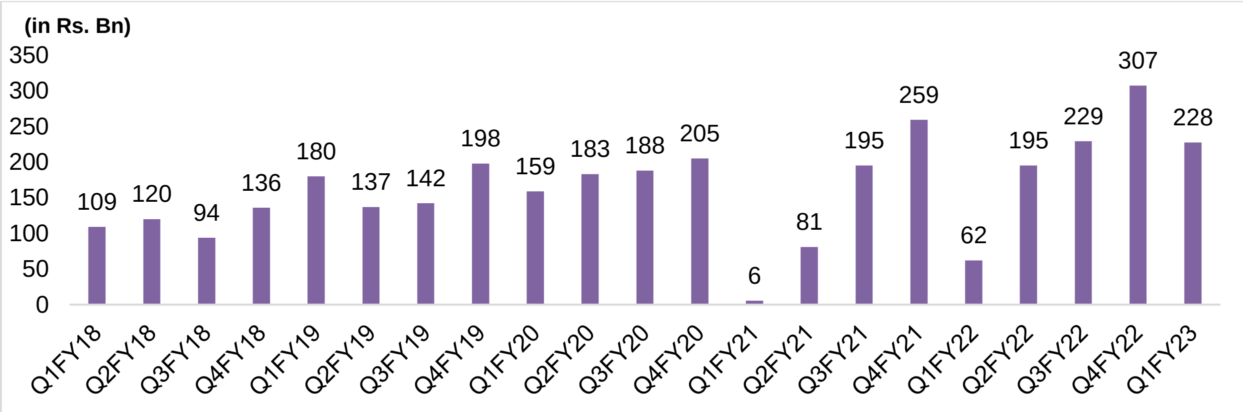
MFI Loan Disbursements Have Surpassed Pre-COVID

MFI loan disbursements dropped significantly in the first quarter of the financial year 2021 on account of negligible collections and focus of players on preserving liquidity. However, as borrowers were made aware about the impact of moratorium on their outflows and as lockdowns were eased, collections started pickup giving the comfort to the lenders towards the sector.

Disbursements started to increase towards the second half of the second quarter of the financial year 2021, and by the third quarter, disbursements were back at pre-COVID levels. Disbursement grew 26% on year in the fourth quarter of the financial year 2021. Though the disbursements declined in financial year 2021, the impact was restricted on account of moratorium provided (in the form of increased tenure) leading to lower the quantum of repayments during the year.

The growth in disbursements was halted by the second wave of Covid-19 and it dropped by approximately 76% over the previous quarter in the first quarter of financial year 2022. However, with a recovery in economy from July 2021, collections started to improve, and disbursements increased by 141% and 17% on-year in the second quarter of financial year 2022 and the third quarter of financial year 2022 respectively. In the fourth quarter of financial year 2022 as well, disbursements continued to remain robust and witnessed a growth of 19% on year. Collection efficiency of most players reached 98-99% in the fourth quarter of financial year 2022. In the first quarter of financial year 2023, the overall MFI disbursement slowed down as lenders took time to adjust to new guidelines.

Disbursements have surpassed the pre-COVID levels



Source: MFIN, CRISIL Research

Note: NBFC-MFI data

Players Tapping Newer States and Districts to Widen Client Base

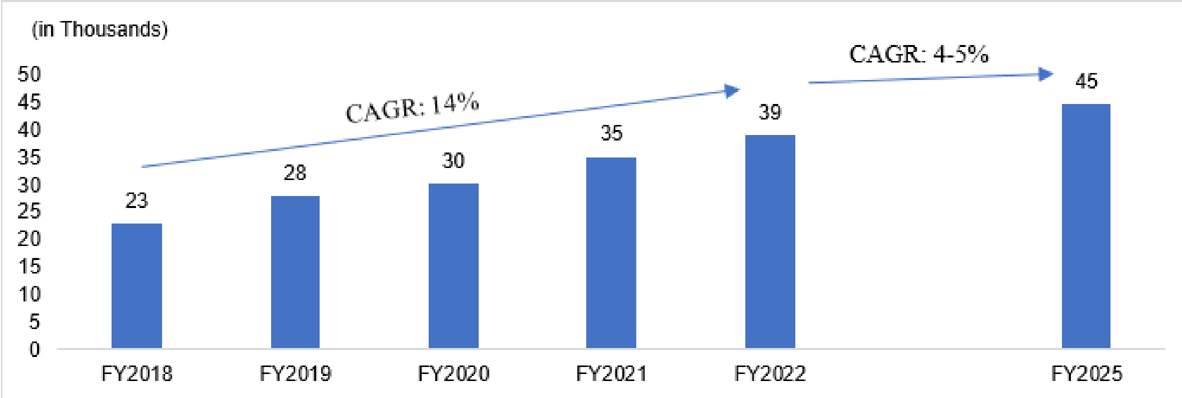
In the last few years, many MFIs have opened branches in untapped districts, thus increasing their penetration in geographies with underserved population. States including Himachal Pradesh, Uttar Pradesh, Gujarat, Maharashtra, Kerala, Punjab and West Bengal have highly penetrated as these states have at least one branch for 90,000 people. In states where the presence of MFIs and banks is strong, CRISIL Research has witnessed an increase in ticket size as well. Going forward, CRISIL Research expects penetration to deepen, which will further drive growth.

Odisha, Madhya Pradesh and Bihar are the few states with the large number of population unserved and, hence, provides an opportunity for existing players to improve their penetration and market share.

Average Ticket Size to Expand, but at Slower Pace

The average ticket size of MFIs has risen to ₹38,716 in the financial year 2022 from ₹23,196 in the financial year 2018, translating into a CAGR of 14%. The ticket size has seen sharp jump in the financial years 2021 and 2022 as disbursements might have happened largely to the existing clients.

Average ticket size of NBFC-MFI players



Source: MFIN, CRISIL Research
Note: Data includes NBFC-MFI players; average ticket size based on Disbursement.

Going forward, CRISIL Research expects MFI ticket size growth would be higher in newer under-penetrated states, but ticket size growth in other states with high penetration is expected to be lower. Further, growth would be faster in rural areas, where ticket sizes are relatively low. Consequently, increase in average ticket size at the industry level is projected to be much lower than in the past.

Rural Segment to Drive MFI Business

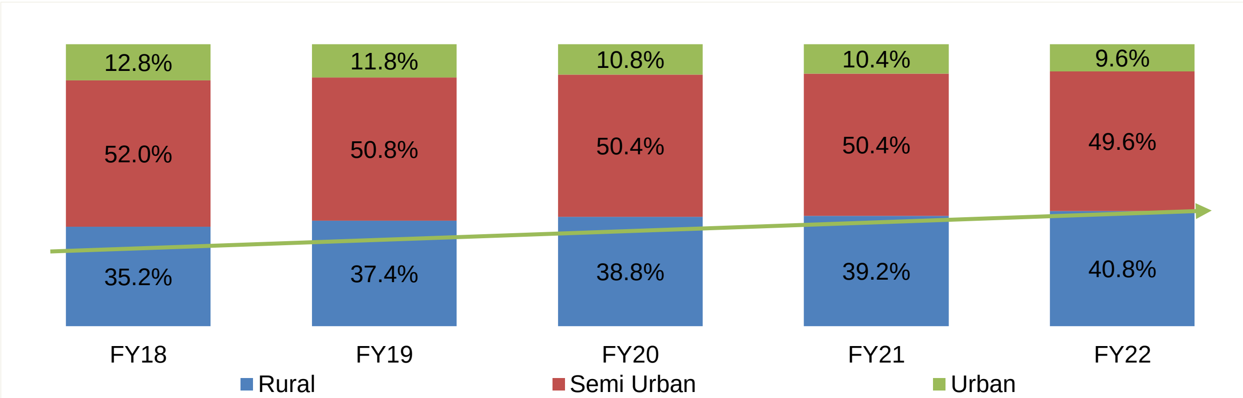
CRISIL Research expects the share of rural segment in MFIs' business to remain higher, with increasing demand expected from this segment. Despite 2/3rd of population, 47% of GDP contribution and 2/3rd of two-wheeler demand; the rural segment's share in credit remains fairly low at 10% of the overall credit outstanding, thereby opening up a huge opportunity for savings and loan products.

Compared to banks, MFIs have higher focus on rural areas. Going forward as well, for MFIs, rural clientele is expected to remain high in the range of 55-60% compared to urban clientele. CRISIL Research believes that establishing a good relationship with rural customers and engaging with them regularly leads to longer and more loyal customer relationship, which can be further leveraged to cross-sell other products.

Although, rural economy has been adversely affected due to the second wave of the COVID-19. Rural economy is structurally far more resilient and expected to bounce back strongly. And, with the Government's focus on financial inclusion, financial institutions opening up branches in the unbanked areas. CRISIL Research has seen that demand for loan is higher in rural areas. In the financial year 2022, the rural share has increased to 40.8% of the GLP from 35.2% in the financial year 2018 due to less competition, lower credit penetration and less migration in rural areas. It also benefitted from overall better credit behaviours and, in turn, lower delinquency rates.

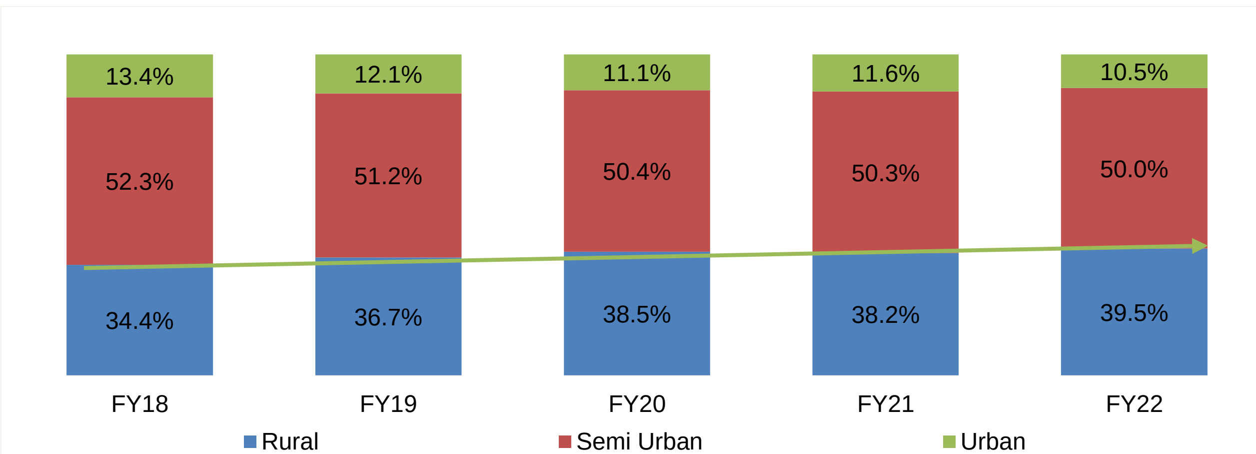
The significant under-penetration of credit in rural areas offers strong potential for improvement and that given the relatively deeper reach, existing client relationships and employee base, microfinance institutions are well placed to address this demand which is currently being met by informal sources such as local money lenders. As of March 31, 2022, rural accounts for approximately 39.5% market share in microfinance lending.

Rural region accounts for approximately 41% share in overall MFI Portfolio Outstanding as of Financial year 2022



Source: Equifax, CRISIL Research

Rural accounts for approximately 39.5% share in overall portfolio outstanding in FY2022



Source: Equifax, CRISIL Research

Advantages in rural focused business

- **Huge market opportunity in the rural segment** – Despite its larger contribution to GDP of 47%, the rural segment's share in credit remains fairly low at 10% of the overall credit outstanding. This provides a huge market opportunity for MFI players present in the segment.
- **Less competition –** In remote areas, informal credit channels have a major presence. In other words, there is a huge section of unbanked population with low competition. MFI players are better placed to tap this market.
- **Geographic diversification –** With increased focus on diversifying their portfolio and expanding their reach, MFI players are expected to log higher growth as they tap newer geographies.
- **Ability to manage local stakeholders –** With their microfinance experience, have the ability to manage local stakeholders and maintain operational efficiency.
- **Lower delinquency rates –** Asset quality of rural region is better than urban and semi urban region since the financial year 2017 due to better risk profile of customer and better credit discipline than the urban and semi-urban region.
- **Loan recovery and control on aging NPAs –** MFI players are experienced in collection and monitoring of default risk. This will help them keep asset quality under check.

Challenges in rural-focused business

The microfinance industry mainly caters to the poorer section of society, because of which there are some inherent challenges faced by the institutions, especially in rural areas:

- **High cost of reaching customer:** Providing microfinance loans in rural India requires reaching people in remote and sparsely populated regions, where deploying manpower and requisite infrastructure for disbursing loans and for recovery can often be expensive. The high cost of reaching out, and the small volume and ticket size of transactions elongates the breakeven period.
- **Lack of financial awareness:** Lack of financial and product awareness is a major challenge for institutions in rural areas. They are faced with the task of educating people about the benefits of financial inclusion, about the product and services offered by them, and establish trust before selling the product.
- **Vulnerability of household's income to local developments:** Uncertainty and unpredictability faced by low income households, and vulnerability of their incomes to local developments can make it difficult for the borrowers to make repayments on time.
- **High proportion of cash collections:** Despite having a large proportion of loans disbursed through the cashless mode, the collection process in unbanked and rural areas is still done through cash. This leads to increased time spent on reconciliation, risk involved in handling cash, and higher TAT from the financier's perspective.

However, the rural economy has been resilient in the last year, amidst the COVID-19 pandemic. India has witnessed above normal, timely and largely well distributed monsoon, benefitting the agriculture industry and rural India. Further, increase in the agriculture credit target and allocation of infrastructure fund for development of Agriculture Produce and Livestock Market Committee reiterates government's commitment to provide a thrust to rural India rural India.

Key Success Factors

Ability to attract funds/raise capital and maintain healthy capital position

The microfinance industry has seen rapid growth over the past few years owing to the small ticket size and doorstep disbursement. Despite the rapid growth, a large portion of the market remains underpenetrated, making it necessary for MFIs to raise funds at regular intervals to sustain growth. This remains a challenge for several MFIs owing to perceived risk of the borrower segment, their susceptibility to socio-political issues, and volatility in asset quality. The ability of MFIs to raise funding from diverse sources and maintain a capital position much higher than the prescribed regulatory minimum is vital for long-term sustainability.

Geographically diversified portfolio helps MFIs mitigate risks

A large, well-diversified portfolio in different geographies enables players to mitigate risks associated with a concentrated portfolio. Apart from this, a wider scale of operation helps them cut down on operating expenses as a percentage of outstanding loans. Rural areas are still under-penetrated in India; hence, players operating in and focused on rural areas would see faster growth in their portfolios.

Ability to control asset quality and ageing of NPAs

The vulnerability of MFIs' portfolios to local issues and events that impact the repayment ability of borrower households make it critical for them to have a strong hold on asset quality and regularly engage with borrowers to control ageing of NPAs. MFIs, thus, need to put in place methods and use analytics to understand and predict the quality of the portfolio, and minimise the frequency and size of asset quality-related risks.

MFIs are focused on technology enablement

MFIs play a crucial role in providing financial access to underserved segments in the country. There is a huge potential for providing products and services to consumers at the bottom of the pyramid. Considering the challenges, and also the latent growth opportunities in meeting consumer needs, it would be beneficial for MFIs to enter into partnerships with fintech companies and tap the digital medium for financial inclusion.

Digitalisation to bring down costs, improve collection efficiency and profitability for MFIs

Digitalisation has impacted almost all aspects of the financial services industry. However, it is far more critical to the MFI industry as lower operating cost can result in higher financial inclusion and increased benefits for customers. The use of technology has helped MFIs grow at a fast pace, improve efficiency, lower cash usage and turnaround times, develop new products, provide better services to customers, and use analytics for portfolio monitoring and credit appraisal. In the first quarter of the financial year 2023, approximately 44 NBFC-MFIs have reported 100% of their disbursement through cashless mode.

CRISIL Research expects that the lower cost of servicing customers, better productivity and lower credit costs through the use of technology will help MFIs improve their profitability.

Credit risk mitigation by credit bureaus

Credit bureaus, such as Equifax and Highmark, collect data from several MFIs and build a comprehensive database that captures the credit history of borrowers. These databases are updated weekly. The presence of credit bureaus ensures that MFIs have access to more data on their borrowers, helping them make informed lending decisions over the long run.

Industry Resilient Despite Major Setbacks and Changing Landscape

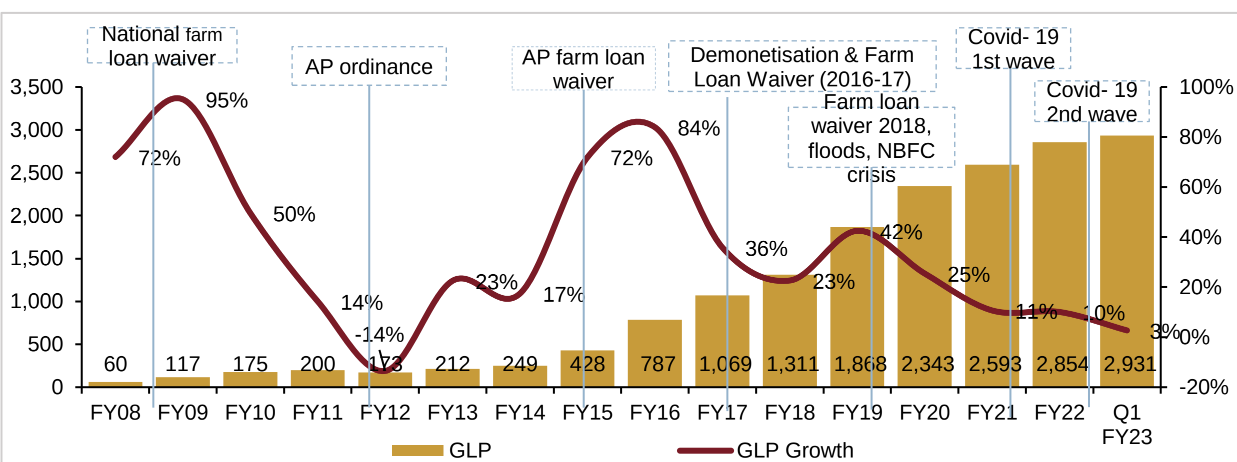
MFI industry gross loan portfolio has increased almost 14 times in the last 12 years or has grown at a robust 26% CAGR between the financial years 2010 and 2022 regardless of various headwinds in the past decade – national farm loan waivers (2008, 2017 and 2018), the Andhra Pradesh crisis (2010), Andhra Pradesh farm loan waiver (2014), demonetisation (2016), NBFC liquidity crisis (FY2019) and COVID-19 pandemic (FY2021).

While demonetisation of ₹500 and ₹1,000 denomination banknotes in November 2016 hurt the industry, the impact was not as serious as the Andhra Pradesh crisis as the industry still reported strong growth of 36% in the financial year 2017. Portfolio at risk (PAR) data as of September 2018 indicates that the industry has recovered fairly strongly from the aftermath of demonetisation.

Liquidity has been one of the biggest challenges faced by financial institutions in India over the last few years. NBFC-MFIs, in particular, have been adversely affected by the demonetization of banknotes in 2016, the ILFS crisis in mid-September 2018, and more recently, the ongoing global COVID-19 pandemic, which adversely affected funding access for various NBFCs.

NBFC-MFIs faced initial hiccups at the start of financial year 2021 due to the Covid-19 pandemic on account of uncertainty over collections and aversion by lenders to extend further funding to them; however, the situation improved gradually and most NBFC-MFIs, with the exception of a few, were able to improve the liquidity buffers during the course of the year by raising funds and support from various government schemes. While the resurgence of Covid-19 pandemic again led to a fresh bout of uncertainty in respect of collections in first quarter of financial year 2022, the impact was not as pronounced as in the early part of the previous financial year. The industry gradually rebounded in financial year 2022 and is expected to grow at healthy pace over the next few years as well, given the low penetration of credit amongst the target population.

MFI industry has shown resilience over the past decade



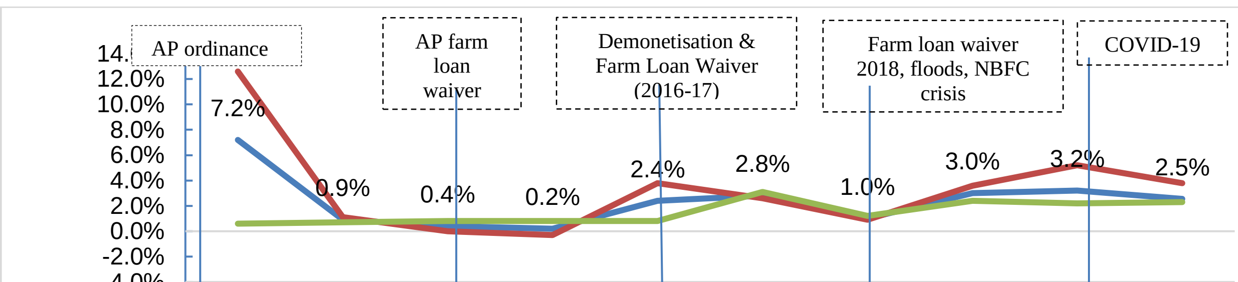
Source: MFIN, CRISIL Research

Note: Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year, (N=211 for Q1FY23, N=202 for FY22, N= 188 for FY21), N= Number of entities

The microfinance industry's GLP grew at 25% CAGR between the financial years 2017 and 2021, despite various setbacks. The demand for microfinance products and services has increased due to improving awareness and reach leading to increased volumes, as well as rise in inflation and higher number of borrowers in higher loan cycles driving higher ticket sizes. In the financial year 2022, the overall GLP of MFI Industry grew by 10% on-year.

Over the years, MFIs have proven their resilience. They have played an important role in promoting inclusive growth by providing credit to borrowers at the bottom of the economic pyramid. Despite catering to a vulnerable audience, the MFIs have historically proven their ability to recover effectively from crisis situations like that of demonetization within a few months and have been able to maintain profitability over a cycle. Amidst the Covid-19 pandemic, MFIs have bolstered their capital position by raising fresh equity capital. The ability of these entities to raise capital, even in such uncertain time, can be attributed to the latent growth potential of the sector, ability of the industry to wade through periods of crisis by taking proactive steps, social impact of MFI lending and healthy profitability over business cycles. Furthermore, MFI lending is closely regulated by RBI and over the years, the regulator has come out various regulations to enable long-term sustainable growth in the sector and reduce systemic risks.

<u>Credit costs for microfinance industry across various events</u>



	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22E
Overall	7.2%	0.9%	0.4%	0.2%	2.4%	2.8%	1.0%	3.0%	3.2%	2.5%
MFIs	12.6%	1.1%	0.0%	-0.3%	3.8%	2.6%	0.9%	3.6%	5.2%	3.8%
SFBs	0.6%	0.7%	0.8%	0.8%	0.8%	3.1%	1.2%	2.4%	2.2%	2.3%

Source: Company Reports, CRISIL Research

Note: E: Estimated, Data includes data for 12 MFIs (includes NBFC MFIs) & 8 SFBs which constitute more than 80% of Industry. Jana SFB, North East SFB and Shivalik SFB has been excluded from analysis

Demonetisation (2016)

On November 8, 2016, the Indian Government announced the demonetisation of ₹500 and ₹1,000 notes. This shook the industry, as approximately 86% of the currency in value terms (₹500 and ₹1,000 notes) was removed from circulation while replacement of currency (with ₹100 and ₹2,000 notes) by the central bank was sluggish. As a consequence, GLP of the MFI industry, which grew at approximately 70% in the first half of the financial year 2017, suddenly slumped to 22% by the end of the year. Disbursements were worst hit, down 29% in the second half compared with 60% growth in the first half.

Demonetisation affected asset quality, as PAR>90 days for the industry jumped to 5.9% as of March 2017 compared with 1.3% as of March 2016. Amongst various states, asset quality worsened especially in Uttar Pradesh, Maharashtra, Karnataka, and Madhya Pradesh. However, in these states as well, the deterioration in asset quality was largely on account of a few districts.

NBFC liquidity crisis (2018)

Liquidity has been one of the biggest challenges faced by finance institutions in India over the last few years. With tight liquidity in debt capital market and lower appetite from mutual funds, bank borrowings are the key fund-raising avenue for non-banks. The lenders who relied on NBFCs for funding slowed down disbursement and started looking at different avenues to raise money. However, the impact of the crisis was not that profound as large NBFC-MFIs had a diversified funding mix and were able to leverage this to their advantage.

For the financial year 2020, the fall in interest rates would be offset by higher spreads for NBFCs. The transmission of rate cut from banks happens with a lag. The cost of borrowing for mid-sized and small players and players with riskier exposure should remain high. However, select large players may witness a slight moderation in their borrowing cost. CRISIL Research expects the cost of funds for NBFC-MFIs to remain high in the financial year 2021 and is expected to come down in the financial year 2022.

Assam's recent bill on micro finance and its impact

Asset quality of the Assam region has been deteriorating since the third quarter of the financial year 2020 owing to the political intervention which affected collection efficiency and recoveries, PAR 90+ had increased to 6% in the financial year 2020 from 1% in the financial year 2019. Within the financial year 2021, PAR 90+ increased to 27% in March 2021 from 6% in March 2020. Similarly, West Bengal asset quality has worsened to 14% in March 2021 from 2% in March 2020 due expected loan waiver promise in the state election.

Subsequently, the Assam Government, in December 30, 2020 unanimously passed The Assam Micro Finance Institutions (Regulation of Money Lending) Act, 2020 to protect borrower interest from micro finance institutions and money lenders. The bill will turn into a law once the Governor signs it. The key points covered in the regulations are:

- The loan outstanding amount per borrower is limited to ₹1.25 lacs. However, for casual/permanent tea plantation workers, the total borrower leverage is capped at between ₹30,000 - ₹50,000 depending on other sources of income of the borrower

- Not more than two lenders are allowed per borrower

- Representative of financial institutions and collection agents are not allowed to visit borrowers' home for collections; however, they are allowed to visit in office and public places

- Moratorium on interest payment may be extended for minimum 3 months during floods/natural calamities

NBFC-MFI - Regulation guidelines

Potential harmonization of regulations for MFI lending

The RBI, in February 2021, outlined that there is a need to harmonise regulations governing the MFI lending industry and therefore, it is relooking at the current regulatory framework. A potential harmonisation of regulations for MFI lending can have a positive impact on NBFC-MFIs as banks and SFBs will also be governed by same regulations hence eliminating the competitive edge they have currently. The key proposals include (i) common definition of microfinance loans for all regulated entities, (ii) a board approved policy for household income assessment, (iii) capping the outflow on account of repayment of loan obligations of a household to 50% of the household income, (iv) greater flexibility of repayment frequency for all microfinance loans, (v) no pre-payment penalty and no requirement of collateral, (vi) introduction of a standard simplified fact sheet on pricing of microfinance loans for better transparency, (vii) alignment of pricing guidelines for NBFC-MFIs with guidelines for NBFCs, and (viii) withdrawal of guidelines presently applicable to only NBFC-MFIs, including withdrawal of two-lender norm for lending by NBFC-MFIs and withdrawal of all pricing related instructions applicable to NBFC-MFIs.

The new regulatory regime for microfinance loans levels the playing field and benefits NBFC-MFIs

The RBI, in its master directions on microfinance loans released in March 2022, has removed the interest rate cap applicable on loans extended by NBFC-MFIs. Entities providing microfinance loans will have to put in place a board-approved policy for the pricing of loans. The policy should include the interest rate model, range of spread of each component for categories of borrowers and a ceiling on the interest rate and all other charges on microfinance loans.

The RBI's move levels the playing field, with both NBFC-MFIs and banks or SFBs providing microfinance loans now being subject to the same rules, which was not the case under the previous regime. This move is expected to positively impact NBFC-MFIs. The increase in the annual household income cap for microfinance borrowers (to ₹300,000 in both urban and rural areas), removal of the two-lender norm for lending by NBFC-MFIs and allowing NBFC-MFIs greater flexibility to offer non-MFI loans (MFI loans are required to account for at least 75% of total assets of NBFC-MFIs under the new regulations) would increase the market opportunity available to MFIs and enable them to create a more balanced portfolio. Conversely, the increase in annual household income threshold could increase the maximum permissible indebtedness limit of borrowers from the previous level of ₹125,000. While the limit on the loan repayment obligation would act as a safeguard against excessive leveraging, the increased permissible debt limit and possibility of divergences in household income assessment criteria across lenders still pose risks. Proper data infrastructure would be required to analyse and estimate household incomes, especially in rural areas. Subsequent to RBI's revised regulations for MFI loans, effective April 1, 2022, some MFIs have increased interest rates for borrowers, especially for those who are credit-untested.

CRISIL Research expects the rates to slowly settle down as MFIs begin to adapt to the new regime and put in place processes for household income, leverage and risk capture, given the new guidelines. Competitive forces would prevent a substantial spurt in rates for MFI customers, especially for those with a good repayment track record and credit behaviour.

<table>
<tr><th rowspan="2">Area of regulation</th><th colspan="2">Existing regulations</th><th>Revised regulations (effective from April 1, 2022)</th></tr>
<tr><th>For NBFC-MFIs</th><th>For Banks and SFBs</th><th>For all Regulated Entities*</th></tr>
<tr><td>Loan pricing</td><td>Margin cap at 10% for large MFIs (loan portfolios > ₹1 billion); 12% for small MFIs (loan portfolios < ₹1 billion)</td><td rowspan="2">No restrictions for Banks and SFBs</td><td rowspan="2">No pricing cap. Underwriting of loans to be done on a risk-based analysis, and a risk premium to be charged based on the borrower.

Board-approved policy for pricing of loans to be put in place. The policy should include the interest rate model, range of spread of each component for categories of borrowers and ceiling on the interest rate and all other charges on MFI loans.</td></tr>
<tr><td>Processing fees</td><td>Not more than 1% of gross loan amount</td></tr>
<tr><td>Qualifying criteria</td><td>85% loans unsecured</td><td>Have to meet the target set for priority sector loans</td><td>The minimum requirement of microfinance loans for NBFC-MFIs has been revised to 75% of an NBFC-MFI's total assets.

The maximum limit on microfinance loans for NBFCs other than NBFC-MFIs has been revised to 25% of the total assets from 10% previously.</td></tr>
<tr><td>Household income</td><td>Rural areas: ₹125,000 per annum
Urban areas: ₹200,000 per annum</td><td rowspan="3">No restrictions for Banks and SFBs</td><td rowspan="3">Annual household income: Up to ₹ 300,000 in urban as well as rural areas (This amount is higher than what was stated in the consultation paper issued in June 2021 – up to ₹ 125,000 for rural areas and ₹ 200,000 for urban and semi-urban areas)

Board-approved policy for assessment of household income</td></tr>
<tr><td>Ticket size of loans</td><td>₹75,000 in the first cycle and ₹125,000 in the subsequent cycles</td></tr>
<tr><td>Tenure of loans</td><td>Not to be less than 24 months for loan amount in excess of Rs. 30,000</td></tr>
<tr><td>Lending to the same borrower</td><td>Not more than 2 lenders allowed per borrower</td><td>More than 2 banks can lend to same borrower</td><td rowspan="2">Limit on maximum loan repayment obligation of a household towards all loans: 50% of monthly household income</td></tr>
<tr><td>Overall borrower indebtedness</td><td>Should not exceed ₹125,000</td><td>No restrictions for banks and SFBs</td></tr>
</table>

Note: regulated entities include all Commercial Banks (including Small Finance Banks, Local Area Banks, and Regional Rural Banks), excluding Payments Banks; all Primary (Urban) Co-operative Banks, State Co-operative Banks and District Central Co-operative Banks; and all NBFCs (including MFIs and Housing Finance Companies)

Source: RBI, CRISIL Research

The revised regulation is likely to level the playing field, with the same set of rules for all industry player categories, including banks and SFBs. The key positives for NBFC-MFIs include:

- Increased market opportunity and retention of more existing customers, resulting from the increase in annual household income threshold for lending by NBFC-MFIs.
- The EMI cap with no lender limit is likely to help in mitigating the risk of client over-indebtedness and realizing full borrowing capacity of the borrower while capping risk, as incremental or small ticket size loans can also be provided to existing MFI borrowers. It will also bring in much-needed balance across the sector and help improve overall portfolio quality serviceability.

- Greater flexibility in terms of pricing due to the removal of the interest rate cap. Removal of pricing caps is especially positive as it is expected to build operating buffers, resulting in lower credit costs. Further, NBFC-MFIs can now adopt risk-based pricing for different categories of customers based on customer vintages and track records.

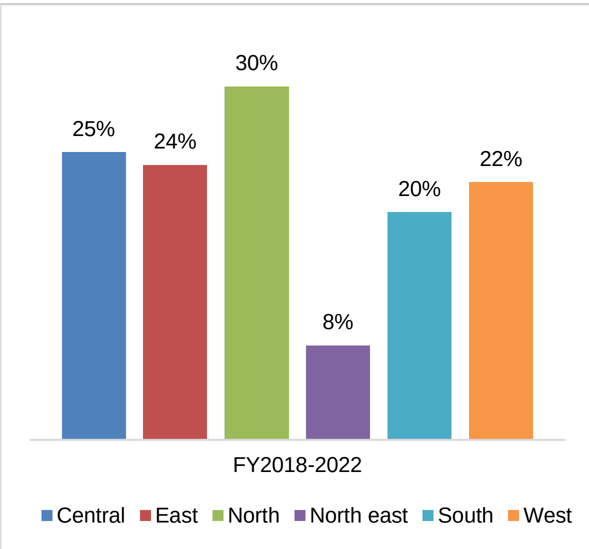
- Reduction in the minimum requirement of microfinance loans as a percentage of total loans to qualify as an NBFC-MFI from 85% to 75% allows NBFC-MFIs to target higher-quality borrowers, develop diversified portfolios and build capabilities in other loan products, which can reduce the cyclicality and volatility in their balance sheet.

Region and State Wise Analysis

North region reported the fastest growth during the financial year 2018-2022

North region reported the highest growth of 30% CAGR during financial year 2018-2022, followed by Central and Eastern Region. The Eastern region market remained highest at 32% in financial year 2022. Western region and central region witnessed a decline in their market share during the same period. Despite the North region reported highest growth at CAGR 30% during financial years 2018-2022, however, its market share in overall GLP remained low at 8% in financial year 2022.

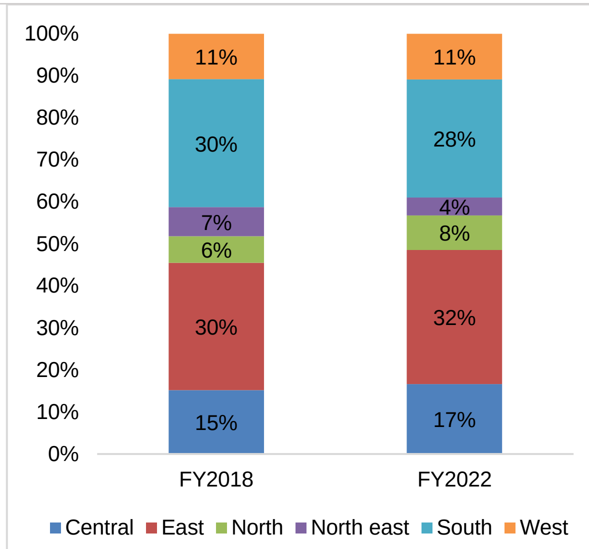
Region-wise CAGR between FY2018 and FY2022



Source: Equifax, CRISIL Research

Note: Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year

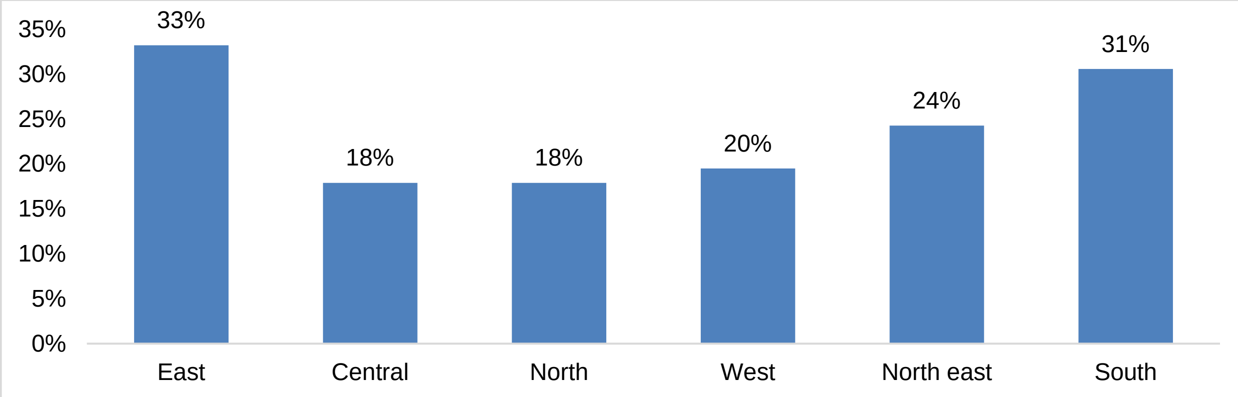
Region-wise distribution of MFI loans portfolio



Source: Equifax, CRISIL Research

Note: Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG.

North, west and central region have huge potential for growth given low penetration (March 2022)

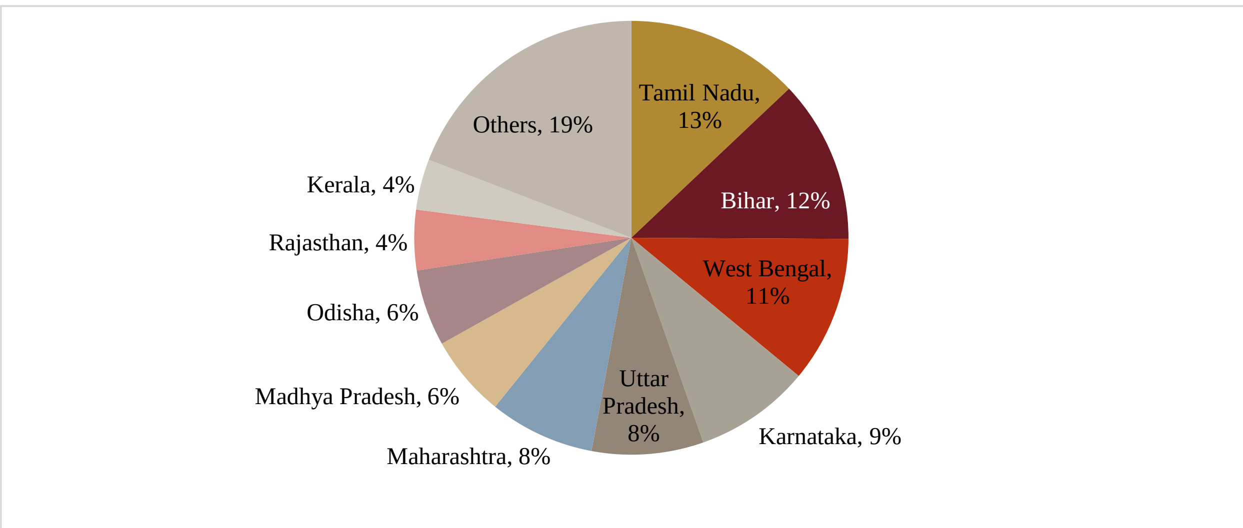


Source: MFIN, CRISIL Research

Note: Penetration has been computed by dividing number of unique active MFI borrowers by estimated number of households in the respective year.

Top 10 States Contribute Over 81% Of MFI Loans

State-wise distribution of MFI loans portfolio o/s (as of June 2022)



Source: Equifax, CRISIL Research

Note: Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG.

State-wise distribution of MFI loans disbursement

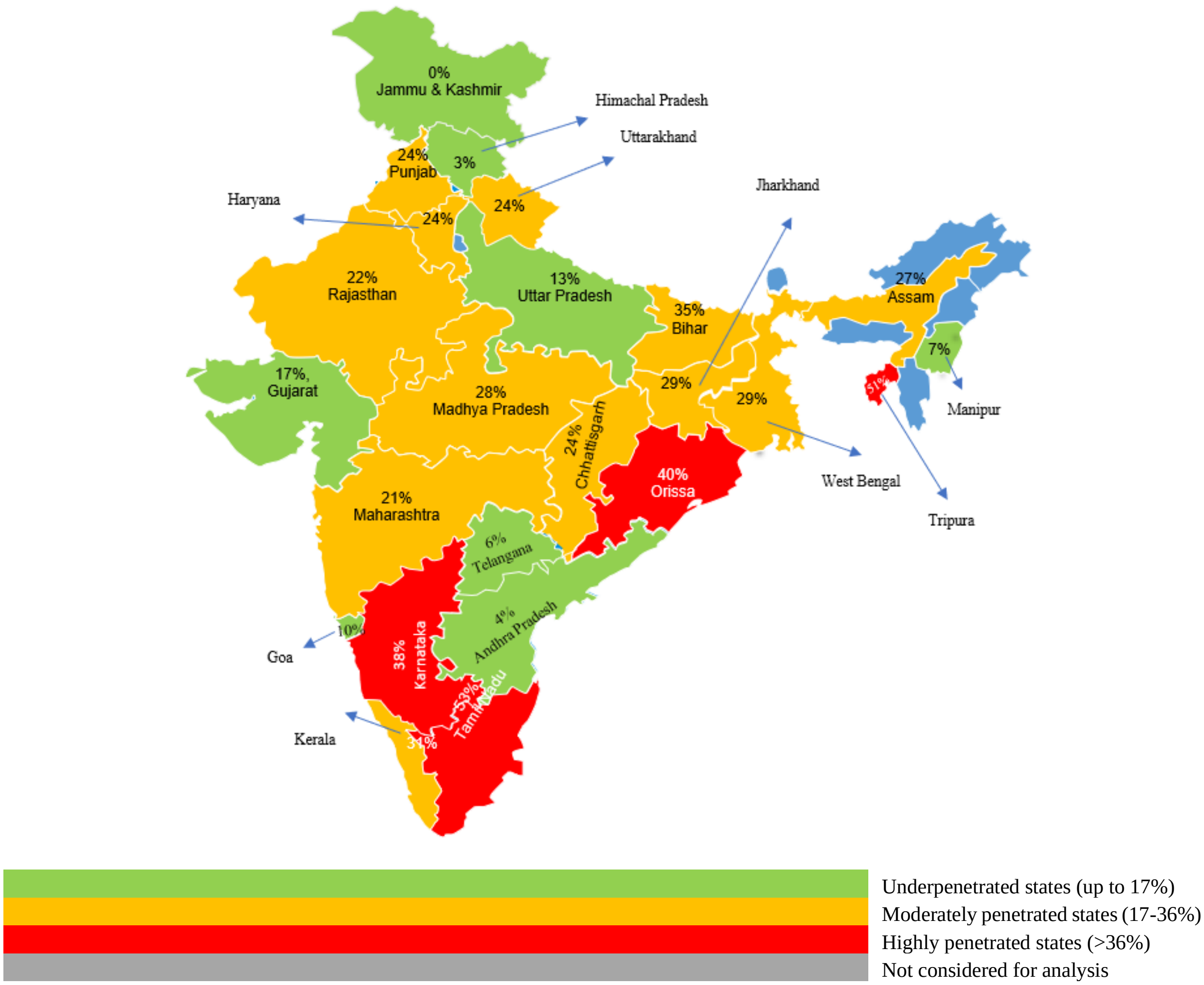
(₹ in billions)	FY18	FY19	FY20	FY21	FY22	Q1FY23	FY22 growth (y-o-y)	CAGR (FY20-22)
Bihar	56	100	95	65	105	35	62%	5%
Odisha	68	89	65	46	67	25	46%	2%
Maharashtra	56	76	72	49	65	13	33%	-5%
Tamil Nadu	29	54	77	59	96	23	63%	12%
West Bengal	38	83	63	36	48	18	33%	-13%
Kerala	24	28	86	13	21	5	62%	-51%
Uttar Pradesh	45	68	60	44	74	25	68%	11%
Madhya Pradesh	39	51	62	53	59	15	11%	-2%
Karnataka	43	102	20	76	91	19	20%	113%
Rajasthan	20	41	30	25	42	12	68%	18%
Chhattisgarh	26	19	21	16	17	4	6%	-10%
Assam	10	28	24	7	5	2	-29%	-54%

(₹ in billions)	FY18	FY19	FY20	FY21	FY22	Q1FY23	FY22 growth (y-o-y)	CAGR (FY20-22)
Jharkhand	18	26	12	10	24	8	140%	41%
Punjab	10	20	22	12	18	5	50%	-10%
Haryana	50	14	1	10	16	4	60%	300%
Gujarat	9	14	16	12	21	7	75%	15%
Uttarakhand	6	3	4	8	6	1	-25%	22%
Meghalaya	0	0	0	0	0	0	NM	NM

Note: NM – Not Meaningful, Source: MFIN, CRISIL Research

Underpenetrated States to Drive Growth for MFI in the Coming Years

CRISIL Research expects growth in the MFI portfolio to come from states that have a relatively lower penetration. Thus, CRISIL Research expects underpenetrated states like Uttar Pradesh, Gujarat Uttarakhand and Manipur to drive future growth along with some of the moderately penetrated states, such as Rajasthan, Maharashtra and Madhya Pradesh.



Source: MFIN, CRISIL Research

Notes:

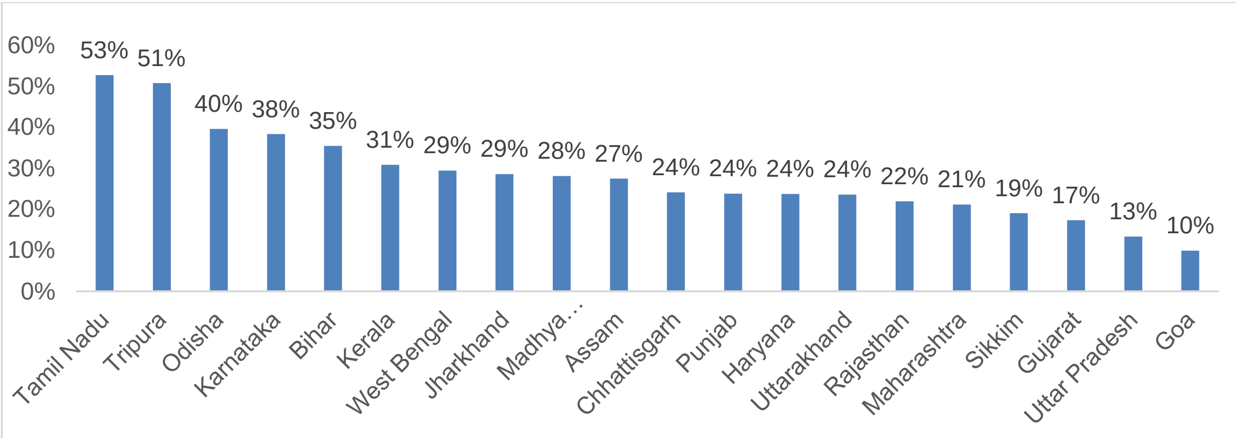
(1) Penetration has been computed by dividing number of unique active MFI borrowers by estimated number of households in March 2022

(2) Pan-India penetration has been determined based on the analysis of 20 states.

(3) Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year.

(4) Jammu & Kashmir includes Jammu & Kashmir and Ladakh

Uttar Pradesh, Uttarakhand, Manipur, Gujarat, Maharashtra and Rajasthan have huge potential for growth and customer expansion



Source: MFIN, CRISIL Research

Note: Penetration has been computed by dividing number of unique active MFI borrowers by estimated number of households in the respective year.

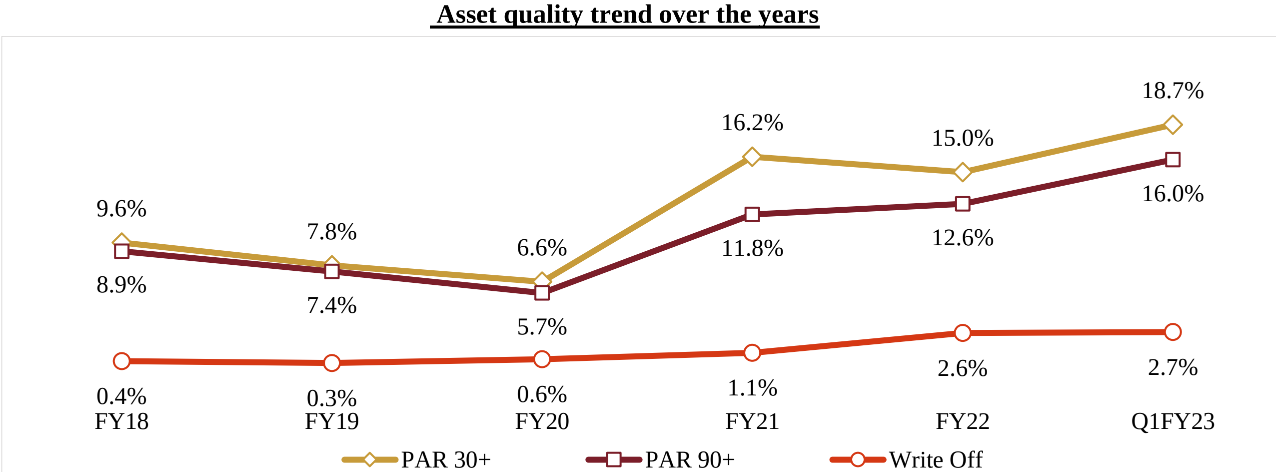
Asset Quality

Portfolio at risk (PAR), the primary indicator of risk for the sector, equals the percentage of loans overdue.

In the financial year 2021, the asset quality of the industry deteriorated quite sharply, reflecting the adverse impact of COVID-19 on the industry. The PAR>30 and PAR>90 for the industry shot up to 16.2% and 11.8%, respectively, as of March 2021. While portfolio quality has deteriorated across the board for rural, semi-urban and urban areas in the financial year 2021, closer analysis of long-term cycles indicates that asset quality tends to be much better in rural areas as compared to urban and semi-urban areas owing to strong farm income, good monsoon and resilience observed in the rural economy. Among peer groups, NBFC-MFIs asset quality has improved to 5.1% in the financial year 2020 from 8.8% in the financial year 2018, but increased to 11.7% in March 2022.

In financial year 2022, the asset quality improved on account of higher collections and opening of economy. In the first quarter of financial year 2023, PAR>30 and PAR>90 for the industry deteriorated to 18.7% and 16.0% respectively, up from 15.0% and 12.6% at end of March 2022. This could be attributed to slippages from the restructured book for various MFI players. CRISIL believes that going forward, timely recoveries and controlling incremental slippages would be critical for the MFIs to keep their asset quality under check.

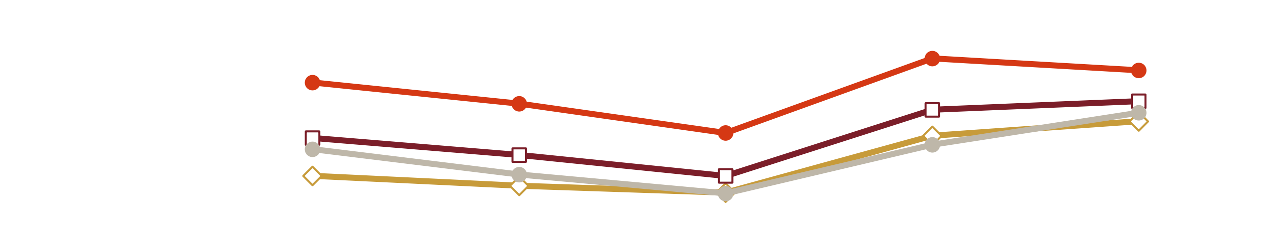
Asset quality trend over the years



Source: Equifax, CRISIL Research

Note: PAR 30+ and PAR 90+ include delinquency beyond 180 days of MFI industry.

Asset quality of rural region is better than urban and semi urban region in financial year 2022 (PAR 90+)

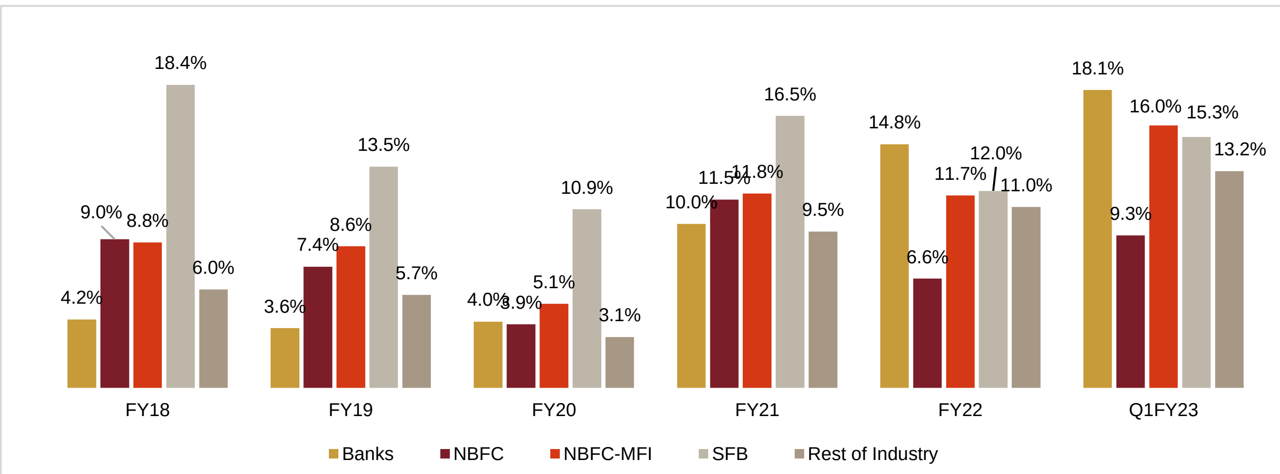


	FY18	FY19	FY20	FY21	FY22
Rural	5.9%	4.9%	4.3%	9.7%	11.2%
Semi Urban	9.5%	7.9%	5.9%	12.3%	13.1%
Urban	14.9%	12.8%	10.0%	17.2%	16.1%
Others	8.5%	6.0%	4.2%	8.9%	12.0%

Source: Equifax, CRISIL Research

Note: PAR 90+ includes delinquency beyond 180 days of MFI industry.

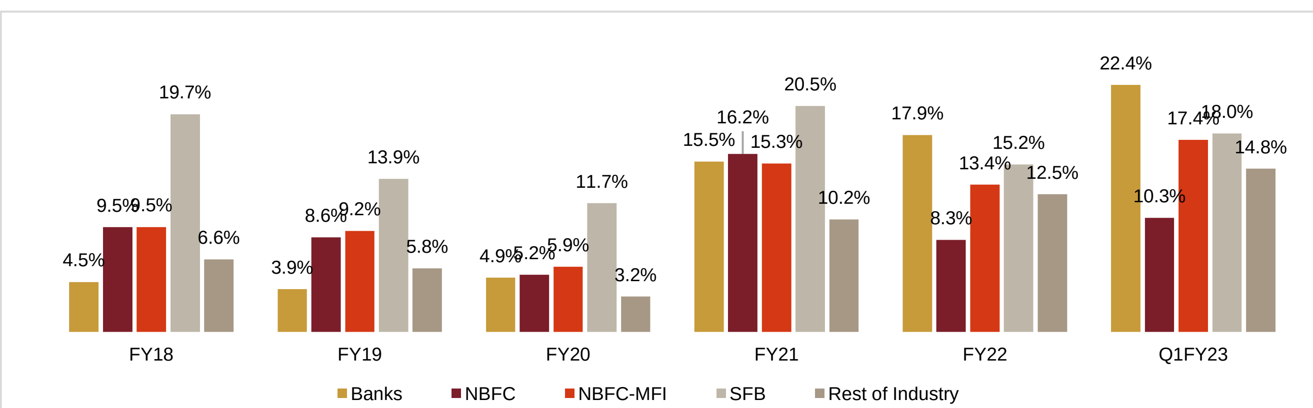
Asset quality of player groups in microfinance industry (PAR 90+ days)



Source: Equifax, CRISIL Research

Note: PAR 90+ includes delinquency beyond 180 days of MFI industry.

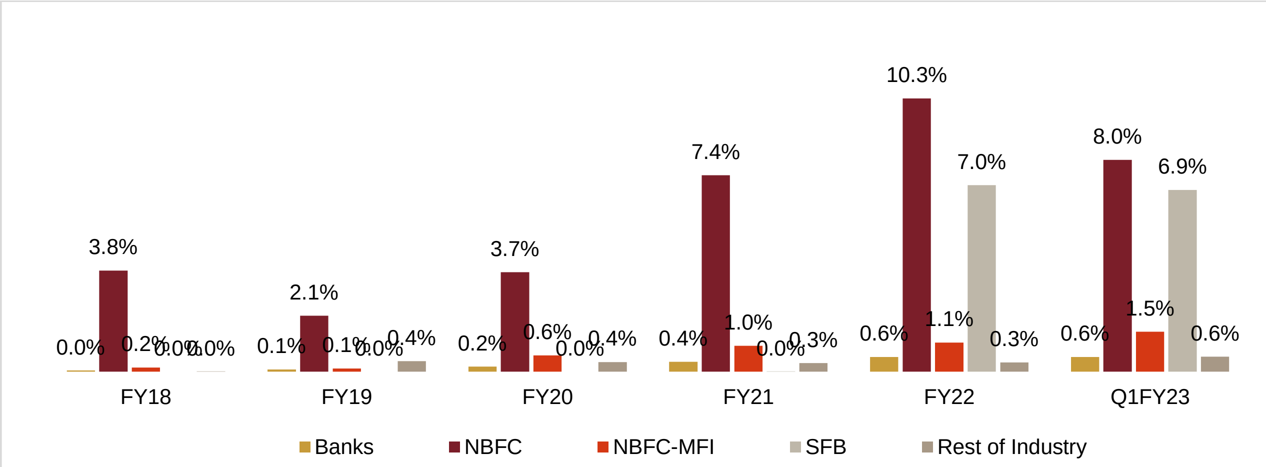
Asset quality of player groups in microfinance industry (PAR 30+ days)



Source: Equifax, CRISIL Research

Note: PAR 30+ includes delinquency beyond 180 days of MFI industry.

NBFC had higher write-off among peer groups



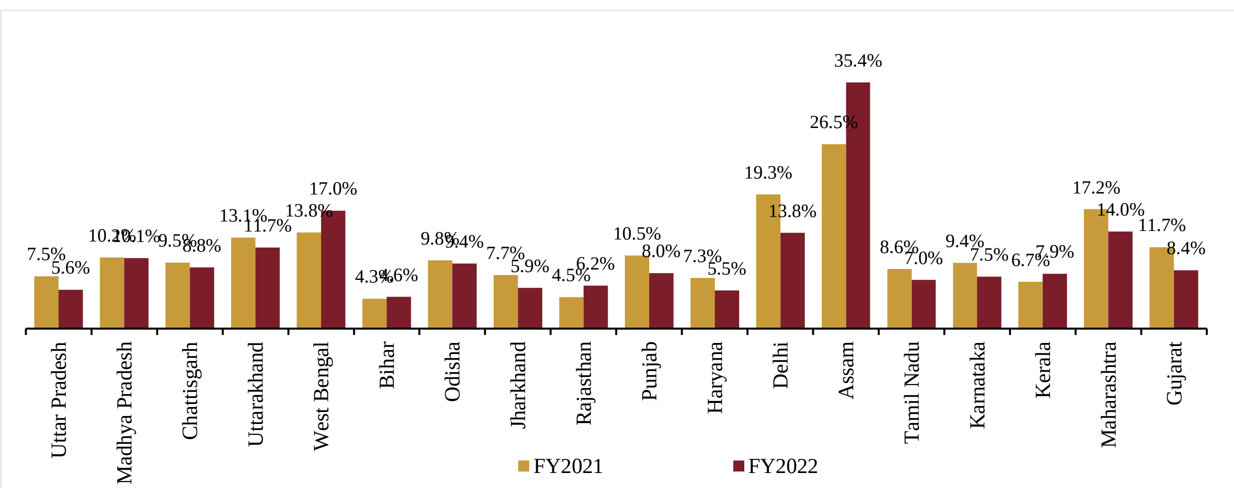
Source: Equifax, CRISIL Research

In the financial year 2022, CRISIL Research expects MFI asset quality to remain weak, on account of strain on MFI borrowers' earning capabilities. Players are expected to closely monitor the book post moratorium; some part of the credit costs will be carried to the financial year 2022.

Asset Quality has Weakened Across States in the Financial Year 2022

Asset quality has worsened across states due to COVID-19 pandemic. Assam has seen a sharp deterioration in asset quality with the PAR 90+ increased by 35.4% in March 2022. West Bengal is another other major state whose PAR 90+ has increased by more than 4-5 percentage points in the last 12 months. Bihar is one of the states which has exhibited best asset quality at end of March 2022. Overall, asset quality is relatively better for the north, central and east region compared to other regions in the financial year 2021.

State-wise asset quality of top states



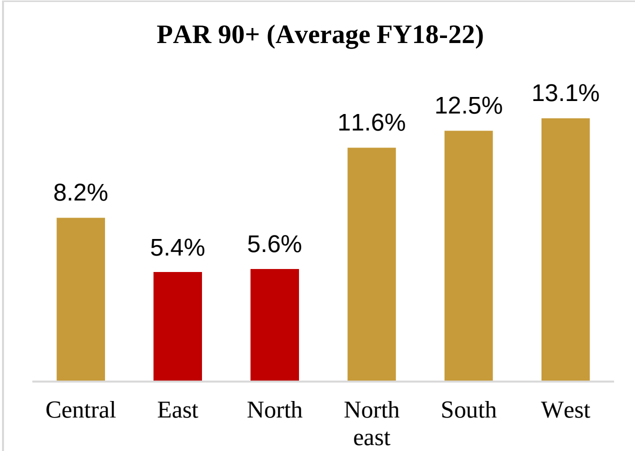
Source: Equifax, CRISIL Research

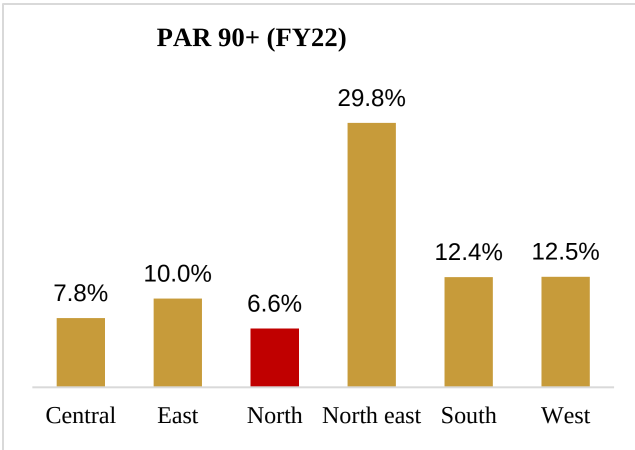
Notes:

(1) *Data includes data for banks lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks lending through SHG. The amounts are as of the end of the financial year.*

(2) *PAR 90+ includes delinquency beyond 180 days.*

Northern region has better asset quality compared to other regions in FY2022





Source: Equifax, CRISIL Research

Notes:

(1) Data includes data for banks lending through JLGs, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks lending through SHG. The amounts are as of the end of the financial year.

(2) PAR 90+ includes delinquency beyond 180 days.

NBFC MFI Collection Efficiency reached 95-98% in the fourth quarter of financial year 2022

Collections of microfinance institutions (MFIs), which had plunged to near zero in April 2020 because of the nationwide lockdown due to the COVID-19 pandemic, rebounded to 80-85% in September 2020, with restrictions being lifted gradually. In December 2020, collection efficiency for the industry as a whole rebounded further to 90-93%, as per CRISIL Research estimates.

The medical impact of the second wave of the pandemic was much worse than the first wave; the impact was seen across rural and urban areas, unlike the first wave impact which was largely urban centric. Southern states witnessed a sharper fall in collections as compared to other states in May 2021, as the lifting of lockdowns was delayed till June, whereas northern states were impacted largely in April. Ground-level infrastructural and operational challenges, as well as restrictions on movement of people, impinged on the MFI sector's collection efficiency

In financial year 2022, NBFC-MFIs saw their disbursements surpass pre-Covid levels in the second half. With decline in cases and collections improved, players saw significant uptick in collection efficiency on sequential basis. As per CRISIL Research, overall collection efficiency witnessed a swift recovery from 80-85% in June 2021 and reached pre-pandemic level of 95-98% in March 2022 as the economic activity picked up pace. With collection efficiency being back to pre-covid levels, asset quality is expected to further improve in financial year 2023.

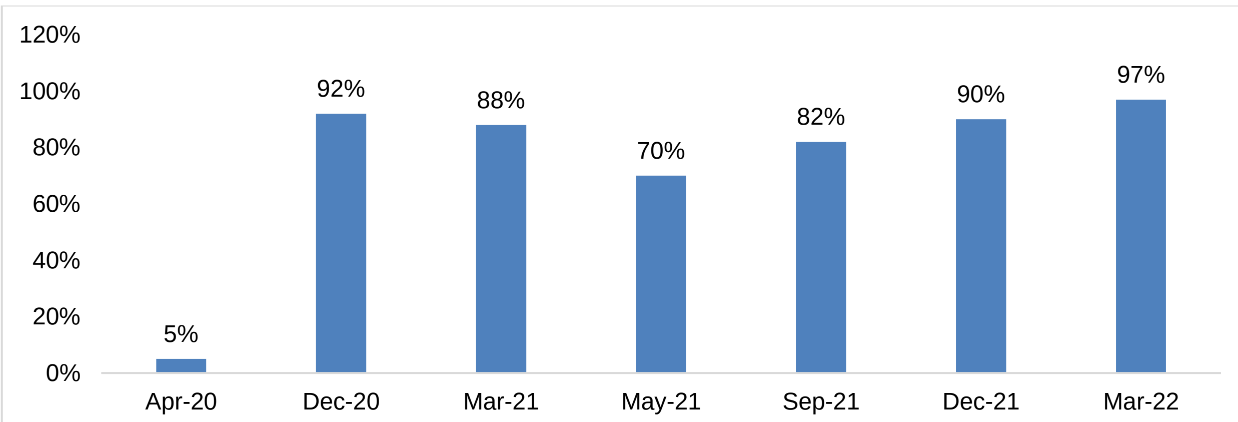
Significant reduction in stressed assets of NBFC MFIs, but still above pre-pandemic levels

Stressed assets of NBFC-MFIs comprising of 30+ portfolio at risk (PAR), and loan book under restructuring are estimated to have declined a significant 800 basis points to approximately 14% as of March 2022, after peaking to approximately 22% in September 2021. However, it remains above the pre-pandemic level of 30+ PAR at approximately 3%.

The reduction in stressed assets, along with improved collection efficiencies mark a recovery in the asset quality of NBFC-MFIs, supported by economic revival, limited impact of the omicron variant, and acclimatisation to the post pandemic environment. The newly originated book (loans disbursed after July 2021) of NBFC-MFIs has demonstrated a steady performance, with 30+ PAR estimated at 1-2%.

Going forward, the trend in the restructured book would need close monitoring to assess incremental slippages. The microfinance sector restructured around 10% of its loan book under the Resolution framework 2.0 announced by the RBI in the wake of the second Covid-19 pandemic wave. As of May 2022, collection efficiency for the restructured book, billing for which began in the fourth quarter of financial year 2022, was in the range of 60-70%.

Collection Efficiency trend of NBFC MFI



Note: The Collection Efficiency numbers are Estimated, Source: CRISIL Research

Monthly collection efficiency trend for MFIs

Book under moratorium (Aug 2020)	Apr-20	May-20	Jun-20	Sep-20	Dec-20	Mar-21	Apr-21	May-21	Sept-21	Dec-21	Mar-22
50-60%	<10%	<45%	45-65%	80-85%	90-93%	87-90%	83-88%	70-80%	~82%	~90%	~97%

Source: CRISIL Research

Notes:

(1) *Collection efficiency numbers are estimated.*

(2) *Monthly collection efficiency = {Current + Overdue collections (excluding prepayments)} / Scheduled billing assuming no moratorium.*

Anticipating the challenges due to COVID-19, in addition to the standard provisioning, many MFIs & SFBs have made special COVID-19 provisions in the financial year 2020 and 2021. The aggregate special provision accounts for 3-4% of the loan book. That is significantly lower than the credit losses seen during demonetisation, which was in the 3-13% range.

Profitability set to see moderation in the medium term

In financial year 2021 and 2022, the cost of borrowings has remained stable despite stress of the pandemic. However, with an increase in repo rates in financial year 2023, the cost of borrowings for MFIs are expected to increase, which is likely to be offset by steeper lending rates, thereby cushioning NIMs. Further, enhanced flexibility to set lending rates will be one of the drivers supporting a revival in the profitability of microfinance institutions in financial year 2023. This emanates from the Reserve Bank of India's (RBI) removal of the interest margin cap on lending rate under its new regulatory framework for microfinanciers.

Over the course of financial year 2021 and financial year 2022, annual credit costs for microfinance industry have shot up to 4-5% because of pandemic-related provisioning However, most MFIs increased provisioning levels to fortify their balance sheets against asset quality risks. Going forward, CRISIL expect the credit costs to decrease gradually in financial years 2023 and 2024, thereby augmenting profitability of the sector. In this context, the new RBI framework augurs well for MFIs owing to higher income eligibility threshold and enhanced flexibility to price loans, which is likely to aid industry.

Profitability of microfinance industry to improve in financial year 2023

RoA tree	FY18	FY19	FY20	FY21	FY22E	FY23P
Interest income	17.7%	19.1%	18.4%	17.5%	17.3%	18.0%
Interest expense	8.6%	8.4%	7.7%	7.7%	7.7%	8.3%
Net interest income	9.1%	10.6%	10.7%	9.8%	9.6%	9.7%
Opex	5.3%	5.5%	5.4%	5.1%	5.1%	5.4%
Other income	1.2%	2.0%	2.5%	1.2%	1.5%	1.9%
PPOP	5.0%	7.1%	7.8%	5.9%	6.0%	6.2%
Credit cost	1.5%	1.0%	2.7%	5.0%	4.2%	3.0%
Tax	1.2%	2.1%	1.6%	0.2%	0.5%	1.0%
RoA	2.3%	4.1%	3.5%	0.7%	1.3%	2.2%

Source: CRISIL Research

Notes:

(1) Figures include data of NBFC-MFIs with market share of approximately 68% in total NBFC-MFI portfolio.

(2) Numbers are based on Ind AS.

(3) E: Estimated; P: Projected.

Peer Comparison

In this chapter, CRISIL Research has analysed operational performance and key financial indicators of top 10 microfinance NBFC players in terms of GLP and some SFBs and Bandhan Bank that have considerable loan portfolio towards microfinance segment.

Fusion Microfinance is the second largest NBFC-MFI at end of June 2022 and the third fastest growing NBFC-MFI among the top 10 NBFC-MFIs over financial year 2019-2022

Fusion Microfinance was the second largest NBFC-MFI in India in terms of GLP as at end of first quarter of financial year 2023. Fusion Microfinance is one of the youngest players (in terms of getting NBFC-MFI licence) to reach amongst the top NBFC-MFIs in India in terms of AUM as of June 30, 2022. Among the considered NBFC-MFIs, Fusion Microfinance reported 3rd fastest GLP growth of 36% between the financial years 2019 and 2022 after Svatantra Microfin and Samasta Microfinance. Fusion Microfinance had the fourth fastest gross loan portfolio CAGR of 53.89% between the financial years 2017 and 2021 among the 10 largest NBFC-MFIs in India.

Among Banks and SFBs, ESAF SFB reported the fastest growth of 36.78% between the financial years 2019 and 2022, it is followed by Fincare SFB and Bandhan Bank with a CAGR of 36.52% and 33%, respectively, over the same period. Among the top NBFC-MFIs, Fusion Microfinance reported 5th highest disbursement growth in the financial year 2022 and 3rd highest disbursement growth between the financial years 2019 and 2022.

<u>Comparison of key players in microfinance industry</u>

GLP (*₹ in billions*)	Market share*	GLP (FY19)	GLP (FY20)	GLP (FY21)	GLP (FY22)	GLP (Q1FY23)	GLP y-o-y growth (FY20)	GLP y-o-y growth (FY21)	GLP y-o-y growth (FY22)	GLP CAGR (FY19-FY22)
Top 10 NBFC-MFIs										
CreditAccess Grameen Ltd.	12.70%	71.60	99.00	113.40	137.30	129.90	38.20%	14.60%	21.10%	24.30%
Fusion Microfinance Pvt. Ltd.	**7.10%**	**26.40**	**36.60**	**46.40**	**66.50**	**72.30**	**38.50%**	**26.80%**	**43.50%**	**36.10%**
Asirvad Microfinance Ltd.	6.80%	38.40	55.00	59.90	70.00	70.10	43.30%	8.80%	17.00%	22.20%
Muthoot Microfin Ltd.	6.70%	43.50	49.30	49.80	65.70	68.60	13.30%	0.90%	32.00%	14.70%

Annapurna Finance Pvt. Ltd.	6.60%	30.20	40.10	48.00	65.50	67.70	32.80%	19.80%	36.30%	29.50%
Samasta Microfinance Ltd.	6.50%	22.90	34.00	47.40	64.80	66.90	48.70%	39.40%	36.90%	41.60%
Satin Creditcare Network Ltd.	6.20%	63.70	72.20	72.80	64.10	63.90	13.30%	0.80%	-11.90%	0.20%
Svatantra Microfin Pvt. Ltd.	5.80%	12.30	26.00	35.60	54.50	59.00	111.20%	37.00%	52.80%	64.10%
Spandana Sphoorty Financial Ltd.	5.40%	43.70	68.30	81.40	61.50	55.20	56.20%	19.20%	-24.40%	12.10%
Belstar Microfinance Ltd.	4.60%	18.41	23.59	32.99	43.65	46.96	28.14%	39.85%	32.31%	33.35%
Banks and SFBs^										
Bandhan Bank	NM	396.43	718.46	870.40	939.75	966.50	60.46%	21.15%	7.97%	33.34%
Equitas SFB	NM	115.95	153.67	179.25	193.74	NA	31.29%	16.65%	8.08%	18.66%
Ujjivan SFB	NM	110.49	141.53	151.40	163.03	194.09	28.09%	6.97%	7.68%	13.85%
Jana SFB	NM	62.17	112.99	116.12	130.07	136.82	73.30%	NM	12.01%	27.90%
ESAF SFB	NM	45.48	68.17	84.18	116.37	NA	48.62%	23.48%	38.24%	36.78%
Utkarsh SFB	NM	46.66	66.60	84.08	102.28	NA	42.74%	26.24%	21.65%	29.90%
Fincare SFB	NM	27.65	53.42	53.01	70.36	NA	51.42%	NM	32.73%	36.52%
Suryoday SFB	NM	27.12	37.10	42.06	47.51	51.32	23.54%	13.37%	12.96%	20.55%

Source: MFIN, Company reports, CRISIL Research

Notes:

(1) NA – Not available; NM – Not meaningful

*(2) *Market share is based on June 2022 GLP of NBFC-MFIs, NBFC MFIs are arranged in order of June 2022 GLP*

(3) ^For SFBs, total loan advances have been considered as GLP

Disbursement *(₹ in billions)*	**FY19**	**FY20**	**FY21**	**FY22**	**Q1FY 23**	**Growth y-o-y (FY19)**	**Growth y-o-y (FY20)**	**Growth y-o-y (FY21)**	**Growth y-o-y (FY22)**
Top 10 NBFC-MFIs									
CreditAccess Grameen Ltd.	82.20	104.00	96.40	128.30	18.61	35.17%	26.51%	-7.30%	33.11%
Fusion Microfinance Pvt. Ltd.	**28.21**	**36.00**	**36.80**	**60.58**	**19.48**	**63.22%**	**27.64%**	**2.11%**	**64.80%**
Asirvad Microfinance Ltd.	42.90	48.00	36.30	85.57	34.33	48.94%	12.02%	-24.33%	135.60%
Muthoot Microfin Ltd.	45.60	41.00	25.80	46.69	13.27	50.10%	-10.03%	-37.05%	80.90%
Annapurna Finance Pvt. Ltd.	31.30	40.00	30.90	53.23	12.57	49.83%	27.67%	-22.85%	72.49%
Samasta Microfinance Ltd.	24.20	31.00	37.00	57.10	14.50	156.96%	28.21%	19.19%	54.53%
Satin Creditcare Network Ltd.	62.50	80.00	44.00	40.31	15.54	31.01%	27.96%	-45.06%	-8.28%
Svatantra Microfin Pvt. Ltd.	11.32	25.00	24.10	47.30	12.86	97.63%	120.77%	-3.44%	95.94%
Spandana Sphoorty Financial Ltd.	49.70	80.00	64.30	31.42	12.20	28.80%	61.00%	-19.68%	-51.10%
Belstar Microfinance Ltd.	17.97	26.19	24.35	35.46	11.10	40.28%	45.74%	-7.03%	45.63%

Source: MFIN, Company reports, CRISIL Research

Note: NA – Not available; NM – Not meaningful

Fusion Microfinance Posted the 3rd Highest Clientele Growth in the Financial Year 2022 Among the top 10 NBFC-MFIs

Fusion Microfinance reported the 3rd fastest clientele growth of 27.36% in the financial year 2022 among the top NBFC-MFIs. Fusion Microfinance posted the 4th fastest clientele growth of 20.32% between the financial years 2019 and 2022 among the top NBFC-MFIs. Svatantra Microfin and Belstar Microfinance witnessed a stronger clientele growth of 42.30% and 38.33% between financial year 2019-2022.

	Clients (in millions)					**Clients' growth**					
Client outreach	**FY19**	**FY20**	**FY21**	**FY22**	**Q1FY23**	**FY19**	**FY20**	**FY21**	**FY22**	**Q1FY23**	**CAGR (FY19-22)**
Top 10 NBFC MFI											
CreditAccess Grameen Ltd.	2.47	2.91	2.87	2.90	2.80	33.51%	17.61%	-1.17%	1.05%	-3.45%	5.50%
Fusion Microfinance Pvt. Ltd.	**1.55**	**1.86**	**2.12**	**2.70**	**2.90**	**51.96%**	**19.77%**	**14.20%**	**27.36%**	**7.41%**	**20.32%**

Asirvad Microfinance Ltd.	1.81	2.37	2.41	2.60	2.60	20.67%	30.94%	1.69%	7.88%	0.00%	12.83%
Muthoot Microfin Ltd.	1.59	1.88	1.86	2.10	2.20	31.40%	18.24%	-1.06%	12.90%	4.76%	9.72%
Annapurna Finance Pvt. Ltd.	1.51	1.75	1.85	2.30	2.40	22.76%	15.89%	5.71%	24.32%	4.35%	15.06%
Samasta Microfinance Ltd.	1.01	1.54	1.62	1.80	2.30	146.34%	52.48%	5.19%	11.11%	27.78%	21.24%
Satin Creditcare Network Ltd.	3.15	3.08	2.66	2.50	2.40	31.25%	-2.22%	-13.64%	-6.02%	-4.00%	-7.41%
Svatantra Microfin Pvt. Ltd.	0.59	1.01	1.29	1.70	1.80	110.71%	71.19%	27.72%	31.78%	5.88%	42.30%
Spandana Sphoorty Financial Ltd.	2.46	2.57	2.45	2.30	2.00	54.72%	4.47%	-4.86%	-6.12%	-13.04%	-2.22%
Belstar Microfinance Ltd.	0.68	1.20	1.38	1.80	1.80	36.00%	76.47%	15.00%	30.43%	0.00%	38.33%
Banks & SFBs											
Bandhan Bank	16.56	20.10	23.00	26.00	26.90	27.29%	21.38%	14.43%	13.04%	3.46%	16.23%
Equitas SFB	NA	2.42	3.90	5.68	NA	NM	NM	61.22%	45.64%	NM	NM
Ujjivan SFB	4.61	5.25	5.92	6.48	NA	19.12%	13.88%	12.76%	9.46%	NM	12.02%
Jana SFB	2.25	3.07	NA	NA	NA	-46.73%	36.37%	NM	NM	NM	NM
ESAF SFB	3.28	4.07	NA	NA	NA	NM	24.40%	NM	NM	NM	NM
Utkarsh SFB	2.00	2.50	NA	3.00	NA	NM	24.99%	NM	NM	NM	14.47%
Fincare SFB	1.55	2.55	NA	3.20	NA	NM	64.52%	NM	NM	NM	27.33%
Suryoday SFB	1.15	1.46	NA	1.92	2.01	42.91%	26.75%	NM	NM	4.69%	18.63%

Source: MFIN, Company reports, CRISIL Research
Notes:
*(1) *For Bandhan Bank, Utkarsh SFB and ESAF SFB, microloan borrowers are considered as clients, for Fincare SFB and Suryoday SFB, overall customer base is considered as clients and for Ujjivan SFB, overall borrower base is considered as clients.*
(2) NA – Not available

Fusion Microfinance Ranks 1st in Clients per Branch Among the Top 10 NBFC-MFIs in the Financial Year 2021

Fusion Microfinance stood 1st among the top NBFC-MFIs in clients per branch in the first quarter of financial year 2023 and the financial year 2022. It ranks 1st in clients per employee in the first quarter of financial year 2023 and financial year 2022. In terms of clients per loan officer, it ranks 3rd in the first quarter of financial year 2023 and financial year 2022. It ranks 4th in number of loans disbursed per loan officer at end of first quarter of financial year 2023.

Reach and efficiency parameters (Q1FY23)	No. of employee	No. of branches	Clients per employee	Clients per branch	Clients per loan officer	No. of loans disbursed per loan officer
Top 10 NBFC-MFIs						
CreditAccess Grameen Ltd.	12,032	1207	237	2,360	353	71
Fusion Microfinance Pvt. Ltd.	**9,351**	**928**	**309**	**3,116**	**479**	**72**
Asirvad Microfinance Ltd.	12,321	1,541	211	1,686	347	85
Muthoot Microfin Ltd.	8,461	957	257	2,271	434	91
Annapurna Finance Pvt. Ltd.	9,169	1076	258	2,198	403	41
Samasta Microfinance Ltd.	11,823	962	193	2,376	329	53
Satin Creditcare Network Ltd.	9,487	1,031	251	2,307	388	62
Svatantra Microfin Pvt. Ltd.	5,947	761	307	2,398	533	105
Spandana Sphoorty Financial Ltd.	7,939	1,046	253	1,920	345	52
Belstar Microfinance Ltd.	6,596	755	279	2,440	510	81

Source: MFIN, Company reports, CRISIL Research

Reach and efficiency parameters (FY22)	No. of employee	No. of branches	Clients per employee	Clients per branch	Clients per loan officer	No. of loans disbursed per loan officer
Top 10 NBFC-MFIs						
CreditAccess Grameen Ltd.	11,951	1164	244	2,510	354	414
Fusion Microfinance Pvt. Ltd.	**8,716**	**900**	**312**	**3,020**	**464**	**202**
Asirvad Microfinance Ltd.	12,581	1,525	205	1,688	343	292
Muthoot Microfin Ltd.	8,003	905	256	2,266	364	242
Annapurna Finance Pvt. Ltd.	8,606	984	269	2,353	399	228

Samasta Microfinance Ltd.	10,730	807	163	2,171	299	248
Satin Creditcare Network Ltd.	10,736	1,029	229	2,385	348	136
Svatantra Microfin Pvt. Ltd.	5,957	692	282	2,431	485	364
Spandana Sphoorty Financial Ltd.	8,379	1,049	271	2,168	366	112
Belstar Microfinance Ltd.	5,939	729	308	2,511	555	307

Source: MFIN, Company reports, CRISIL Research

Reach and efficiency parameters (FY21)	No. of employee	No. of branches	Clients per employee	Clients per branch	Clients per loan officer	No. of loans disbursed per loan officer
Top 10 NBFC-MFIs						
CreditAccess Grameen Ltd.	10,625	964	270	2,978	385	360
Fusion Microfinance Pvt. Ltd.	6,406	710	331	2,986	506	272
Asirvad Microfinance Ltd.	7,233	1,062	333	2,269	537	276
Muthoot Microfin Ltd.	6,961	755	267	2,464	402	164
Annapurna Finance Pvt. Ltd.	7,304	870	253	2,126	412	191
Samasta Microfinance Ltd.	6,835	618	237	2,621	399	268
Satin Creditcare Network Ltd.	10,612	1,011	251	2,631	404	202
Svatantra Microfin Pvt. Ltd.	4,613	512	280	2,520	523	267
Spandana Sphoorty Financial Ltd.	8,644	1,052	283	2,324	364	211
Belstar Microfinance Ltd.	4,562	649	303	2,127	656	336

Source: MFIN, Company reports, CRISIL Research

Reach and efficiency parameters (FY20)	No. of employee	No. of branches	Clients per employee	Clients per branch	Clients per loan officer	No. of loans disbursed per loan officer
Top 10 NBFC-MFIs						
CreditAccess Grameen Ltd.	10,824	929	268	3,127	376	673
Fusion Microfinance Pvt. Ltd.	5,490	591	338	3,141	525	339
Asirvad Microfinance Ltd.	6,206	1,042	382	2,274	710	632
Muthoot Microfin Ltd.	7,265	692	259	2,717	430	281
Annapurna Finance Pvt. Ltd.	5,953	718	294	2,437	493	321
Samasta Microfinance Ltd.	5,865	561	263	2,745	437	321
Satin Creditcare Network Ltd.	11,148	1,140	276	2,702	473	393
Svatantra Microfin Pvt. Ltd.	3,927	446	257	2,265	479	327
Spandana Sphoorty Financial Ltd.	8,224	1,010	313	2,545	421	382
Belstar Microfinance Ltd.	4,425	603	272	1,996	579	410
Banks and SFBs						
Bandhan Bank	39,750	4,559	506	4,409	NM	NM
Equitas SFB	16,104	854	150	2,833	NM	NM
Ujjivan SFB	17,841	575	294	9,130	NM	NM
Jana SFB	16,212	585	189	5,249	NM	NM
ESAF SFB	3,337	454	1,221	8,974	NM	NM
Utkarsh SFB	8,831	507	283	4,931	NM	NM
Fincare SFB	7,363	711	346	3,586	NM	NM
Suryoday SFB	4,695	477	311	3,057	NM	NM

Source: MFIN, Company reports, CRISIL Research

Notes:

(1) For Bandhan Bank, Utkarsh SFB and ESAF SFB, microloan borrowers are considered as clients, for Equitas SFB, Fincare SFB and Suryoday SFB, overall customer base is considered as clients and for Ujjivan SFB, overall borrower base is considered as clients

(2) NM – Not meaningful

Fusion Microfinance has the Highest Share of Rural Clients Among the Top 10 NBFC-MFIs in the Financial Year 2022

Among the top NBFC-MFIs, Fusion Microfinance ranked 1st in terms of share of rural clients at 93% followed by Belstar Microfinance (90%), CreditAccess Grameen (84%) and Spandana Sphoorty (82%). Fusion Microfinance is ranked 4th among select NBFC-MFIs based on the presence in the number of states and 3rd based on the presence in number of districts in the financial year 2022.

Geographical presence of select players (Q1FY23)	No. of states	No. of districts
Top 10 NBFC-MFIs		
CreditAccess Grameen Ltd.	14	312
Fusion Microfinance Pvt. Ltd.	**18**	**368**

Asirvad Microfinance Ltd.	24	410
Muthoot Microfin Ltd.	16	294
Annapurna Finance Pvt. Ltd.	20	360
Samasta Microfinance Ltd.	17	303
Satin Creditcare Network Ltd.	23	373
Svatantra Microfin Pvt. Ltd.	19	326
Spandana Sphoorty Financial Ltd.	18	294
Belstar Microfinance Ltd.	18	187

Geographical presence of select players (FY22)	No. of states	No. of districts	Share of rural clients
Top 10 NBFC-MFIs			
CreditAccess Grameen Ltd.	14	301	84%
Fusion Microfinance Pvt. Ltd.	**18**	**361**	**93%**
Asirvad Microfinance Ltd.	24	408	76%
Muthoot Microfin Ltd.	16	281	70%
Annapurna Finance Pvt. Ltd.	20	346	NA
Samasta Microfinance Ltd.	17	288	NA
Satin Creditcare Network Ltd.	23	374	NA
Svatantra Microfin Pvt. Ltd.	19	303	NA
Spandana Sphoorty Financial Ltd.	18	294	82%
Belstar Microfinance Ltd.	18	186	90%

Banks and SFBs (FY22)	No. of states	No. of districts	Share of rural clients
Bandhan Bank	34	566	35%
Equitas SFB	18	NA	NA
Ujjivan SFB	24	244	NA
Jana SFB	NA	NA	NA
ESAF SFB	NA	NA	NA
Utkarsh SFB	22	224	NA
Fincare SFB	17	246	NA
Suryoday SFB	14	NA	NA

Source: MFIN, Company reports, CRISIL Research

Notes: NA – Not available

Fusion has the 2nd Lowest GLP Per Customer Among the Top 10 NBFC-MFIs in the Financial Year 2022 and First Quarter of Financial Year 2023

Fusion has the lowest GLP per customer among select NBFC-MFIs in the first quarter of financial year 2023 and second lowest in the financial year 2022, showing better diversification and lower risk per customer.

Fusion had diversified across districts and reduced its dependency on few districts as it is visible in its lowest GLP per district among select NBFC-MFIs in the financial year 2021, which has now increased, and it has now become 6th lowest among select NBFC-MFI in first quarter of financial year 2023 and 4th lowest in the financial year 2022. Fusion has 4th highest GLP per employee among the top NBFC-MFIs in the first quarter of financial year 2023 and financial year 2022.

Productivity metrics	GLP per employee (₹ in millions)				GLP per customer (₹)				GLP per loan officer (₹ in millions)			
	FY20	FY21	FY22	Q1FY23	FY20	FY21	FY22	Q1FY23	FY20	FY21	FY22	Q1FY23
Top 10 NBFC-MFIs												
CreditAccess Grameen Ltd.	9.14	10.67	11.50	10.80	34,065	39,502	47,352	46,396	12.83	15.22	16.60	16.10

Fusion Microfinance Pvt. Ltd.	**6.66**	**7.24**	**7.60**	**7.70**	**19,700**	**21,877**	**24,644**	**24,931**	**10.34**	**11.07**	**11.40**	**12.00**
Asirvad Microfinance Ltd.	8.87	8.27	5.60	5.70	23,219	24,832	26,931	26,973	16.49	13.33	9.30	9.40
Muthoot Microfin Ltd.	6.79	7.15	8.20	8.10	26,234	26,758	31,271	31,200	11.27	10.77	11.70	13.70
Annapurna Finance Pvt. Ltd.	6.73	6.58	7.60	7.40	22,909	25,968	28,474	28,213	11.28	10.69	11.30	11.50
Samasta Microfinance Ltd.	5.80	6.93	6.00	5.70	22,078	29,247	36,022	29,065	9.66	11.67	11.10	9.60
Satin Creditcare Network Ltd.	6.48	6.86	6.00	6.70	23,442	27,350	25,636	26,621	11.09	11.04	9.10	10.40
Svatantra Microfin Pvt. Ltd.	6.63	7.73	9.10	9.90	25,762	27,628	32,041	32,750	12.35	14.44	15.70	17.20
Spandana Sphoorty Financial Ltd.	8.30	9.42	7.30	7.00	26,572	33,288	26,743	27,605	11.19	12.11	9.90	9.50
Belstar Microfinance Ltd.	5.33	7.23	7.35	7.12	19,658	23,906	24,250	26,089	11.35	15.67	13.23	12.99
Banks and SFBs												
Bandhan Bank	18.07	17.60	15.60	15.78	35,744	37,843	36,144	35,929	NM	NM	NM	NM
Equitas SFB	9.54	10.83	11.00	NA	63,526	45,962	34,109	NA	NM	NM	NM	NM
Ujjivan SFB	7.93	9.14	9.60	NA	26,958	25,574	25,159	NA	NM	NM	NM	NM
Jana SFB	6.97	NM	NM	NA	36,797	NM	NM	NA	NM	NM	NM	NM
ESAF SFB	20.43	NM	NM	NA	16,733	NM	NM	NA	NM	NM	NM	NM
Utkarsh SFB	7.54	NM	NM	NA	26,640	NM	34,093	NA	NM	NM	NM	NM
Fincare SFB	7.26	NM	NM	NA	20,949	NM	21,988	NA	NM	NM	NM	NM
Suryoday SFB	7.90	8.20	9.05	NA	25,445	NM	24,745	25,532	NM	NM	NM	NM

Source: MFIN, Company reports, CRISIL Research
Notes:
(1) ^For SFBs, total loan advances have been considered as GLP
(2) NM – Not meaningful

	GLP per branch *(₹ in millions)*				**GLP per district** *(₹ in millions)*			
Productivity metrics	**FY20**	**FY21**	**FY22**	**Q1FY23**	**FY20**	**FY21**	**FY22**	**Q1FY23**
Top 10 NBFC-MFIs								
CreditAccess Grameen Ltd.	106.50	117.65	118.00	107.60	430	459	456	416
Fusion Microfinance Pvt. Ltd.	**61.88**	**65.32**	**73.90**	**77.90**	**129**	**144**	**184**	**196**
Asirvad Microfinance Ltd.	52.81	56.35	45.90	45.50	175	184	172	171
Muthoot Microfin Ltd.	71.27	65.92	72.60	71.70	200	200	234	244
Annapurna Finance Pvt. Ltd.	55.84	55.22	66.60	62.90	137	150	189	188
Samasta Microfinance Ltd.	60.61	76.67	80.30	69.50	149	188	225	221
Satin Creditcare Network Ltd.	63.33	71.96	62.30	62.00	189	196	171	171
Svatantra Microfin Pvt. Ltd.	58.34	69.61	78.70	77.50	118	144	180	181
Spandana Sphoorty Financial Ltd.	67.61	77.37	58.60	52.80	244	289	209	188
Belstar Microfinance Ltd.	39.12	50.83	59.88	62.20	152	194	235	251
Banks and SFBs								
Bandhan Bank	157.60	163.92	167.00	NA	1,311	NM	1660	1708
Equitas SFB	179.90	208.19	223.00	NA	NM	NM	NM	NA
Ujjivan SFB	246.10	263.30	284.00	NA	580	610	657	NA
Jana SFB	193.10	NM	NM	NA	NM	NM	NM	NA
ESAF SFB	150.20	NM	NM	NA	NM	NM	NM	NA
Utkarsh SFB	131.40	NM	149.00	NA	385	NM	457	NA

Fincare SFB	75.13	NM	NM	NA	302	NM	NM	NA
Suryoday SFB	77.78	75.65	84.00	NA	NM	NM	77	NA

Source: MFIN, Company reports, CRISIL Research
Notes:
(1) ^For SFBs, total loan advances have been considered as GLP
(2) NM – Not meaningful

Productivity metrics	Average ticket size based on disbursements (₹)					Average portfolio outstanding per account (₹)				
	FY19	**FY20**	**FY21**	**FY22**	**Q1FY23**	**FY19**	**FY20**	**FY21**	**FY22**	**Q1FY23**
Top 10 NBFC-MFIs										
CreditAccess Grameen Ltd.	21,379	20,000	35,938	37,576	32,546	17,288	17,920	26,884	30,223	31,399
Fusion Microfinance Pvt. Ltd.	**26,427**	**29,801**	**32,113**	**35,668**	**36,365**	**16,771**	**19,539**	**21,550**	**23,873**	**24,309**
Asirvad Microfinance Ltd.	20,466	22,628	29,268	39,070	54,063	13,146	14,570	15,866	19,749	20,408
Muthoot Microfin Ltd.	31,161	33,164	33,855	34,252	28,948	23,150	21,833	21,840	22,889	22,143
Annapurna Finance Pvt. Ltd.	31,338	35,207	35,989	40,198	52,251	19,776	22,672	23,537	26,469	27,201
Samasta Microfinance Ltd.	27,072	27,279	33,900	39,294	39,116	20,458	18,653	23,734	29,770	29,244
Satin Creditcare Network Ltd.	26,723	31,486	33,113	42,110	41,252	17,682	19,974	24,419	24,246	25,135
Svatantra Microfin Pvt. Ltd.	29,995	36,252	36,517	37,399	35,959	21,011	10,661	13,114	26,581	25,739
Spandana Sphoorty Financial Ltd.	26,279	34,308	45,318	45,025	40,458	14,723	22,300	31,012	24,753	24,697
Belstar Microfinance Ltd.	29,355	30,747	34,430	35,025	37,816	21,283	13,723	18,635	23,686	23,639

Source: MFIN, Company reports, CRISIL Research

Fusion has the 2nd Lowest Branch per District Among the Top 10 NBFC-MFIs in FY2022 and Q1FY2023

Fusion Microfinance’s ticket size has increased at a moderate 11% in the financial year 2022 indicates more client addition as it reported the fastest clientele growth of 27% in the financial year 2022. Ticket size has increased for players who have given incremental or top up loans to the existing customers.

Fusion has the 2nd lowest branch per district of 2.52 in the first quarter of financial year 2023 and of 2.49 in the financial year 2022 which indicates it has lot of scope for the financier to increase its penetration in existing states.

Productivity metrics	Branch per District (unit)				
	FY19	**FY20**	**FY21**	**FY22**	**Q1FY23**
Top 10 NBFC-MFIs					
CreditAccess Grameen Ltd.	4.27	4.04	3.9	3.87	3.87
Fusion Microfinance Pvt. Ltd.	**2.05**	**2.09**	**2.2**	**2.49**	**2.52**
Asirvad Microfinance Ltd.	3.25	3.32	3.26	3.74	3.76
Muthoot Microfin Ltd.	2.57	2.81	3.03	3.22	3.26
Annapurna Finance Pvt. Ltd.	2.46	2.46	2.72	2.84	2.99
Samasta Microfinance Ltd.	2.35	2.46	2.45	2.80	3.17
Satin Creditcare Network Ltd.	2.87	2.98	2.72	2.75	2.76
Svatantra Microfin Pvt. Ltd.	1.85	2.02	2.07	2.28	2.33
Spandana Sphoorty Financial Ltd.	3.49	3.61	3.73	3.57	3.56
Belstar Microfinance Ltd.	5.26	3.89	3.82	3.92	4.04

Source: MFIN, Company reports, CRISIL Research

Fusion Microfinance has the 3rd lowest Opex and cost to income ratio in FY2022 among the top 10 NBFC-MFIs

FY22	Yields on advances	Cost of borrowing	NIM	Opex ratio	Cost to income ratio	Credit costs

Top 10 NBFC-MFIs						
CreditAccess Grameen Ltd.	19.16%	8.18%	9.72%	3.25%	29.73%	3.27%
Fusion Microfinance Pvt. Ltd.	**20.56%**	**9.72%**	**8.66%**	**4.76%**	**44.26%**	**5.62%**
Asirvad Microfinance Ltd.	23.11%	11.22%	9.64%	6.51%	49.65%	6.28%
Muthoot Microfin Ltd.	18.04%	9.70%	7.50%	6.32%	61.47%	2.27%
Annapurna Finance Pvt. Ltd.	21.33%	10.16%	6.62%	5.75%	63.07%	3.00%
Samasta Microfinance Ltd.	20.54%	8.96%	10.91%	6.08%	52.59%	1.83%
Satin Creditcare Network Ltd.	21.31%	10.47%	7.46%	5.58%	64.44%	2.30%
Svatantra Microfin Pvt. Ltd.	17.74%	9.56%	6.37%	5.18%	54.33%	3.03%
Spandana Sphoorty Financial Ltd.	20.64%	11.64%	9.69%	4.10%	32.81%	6.13%
Belstar Microfinance Ltd.	20.80%	9.17%	9.61%	5.27%	48.41%	3.73%
Banks and SFBs						
Bandhan Bank	13.88%	4.88%	6.87%	2.78%	30.54%	6.21%
Equitas SFB	17.33%	6.75%	7.89%	6.60%	66.12%	1.91%
Ujjivan SFB	16.73%	5.70%	8.07%	6.80%	71.68%	5.19%
Jana SFB	22.15%**	7.58%	7.08%	5.80%	66.46%	2.90%
ESAF SFB	19.59%**	5.99%	7.64%	5.74%	63.69%	2.78%
Utkarsh SFB	17.85%**	6.92%	7.80%	5.41%	59.11%	3.04%
Fincare SFB	21.45%	7.07%	9.28%	6.85%	60.01%	4.51%
Suryoday SFB	18.72%	6.31%	7.85%	5.55%	60.93%	5.26%

*Note: ** Total Income is considered for calculation, Source: Company reports, CRISIL Research*

FY21	**Yields on advances**	**Cost of borrowing**	**NIM**	**Opex ratio**	**Cost to income ratio**	**Credit costs**
Top 10 NBFC-MFIs						
CreditAccess Grameen Ltd.	20.07%	9.07%	11.08%	4.24%	38.09%	5.58%
Fusion Microfinance Pvt. Ltd.	**21.48%**	**10.29%**	**9.54%**	**4.37%**	**44.26%**	**4.38%**
Asirvad Microfinance Ltd.	20.96%	10.40%	10.15%	4.93%	46.66%	5.82%
Muthoot Microfin Ltd.	22.67%	11.63%	7.52%	5.17%	58.50%	3.64%
Annapurna Finance Pvt. Ltd.	22.03%	9.47%	12.57%	6.36%	50.25%	2.41%
Samasta Microfinance Ltd.	21.20%	10.17%	9.30%	5.97%	62.18%	3.18%
Satin Creditcare Network Ltd.	21.85%	11.89%	8.70%	5.10%	58.52%	3.66%
Svatantra Microfin Pvt. Ltd.	18.26%	10.53%	8.79%	5.25%	59.08%	2.48%
Spandana Sphoorty Financial Ltd.	22.88%	10.10%	14.73%	3.26%	21.63%	8.97%
Belstar Microfinance Ltd.	20.79%	9.99%	9.65%	5.61%	52.72%	2.70%
Banks and SFBs						
Bandhan Bank	14.69%	5.89%	7.32%	2.73%	29.13%	4.78%
Equitas SFB	18.96%	7.76%	8.17%	6.04%	59.99%	1.71%
Ujjivan SFB	19.89%	6.93%	9.08%	6.34%	60.32%	4.12%
Jana SFB	21.34%	8.30%	7.60%	6.30%	69.90%	2.21%
ESAF SFB	22.31%	7.60%	8.45%	5.80%	60.31%	2.85%
Utkarsh SFB	16.86%	7.33%	6.91%	4.49%	55.43%	2.66%
Fincare SFB	24.73%	8.63%	9.29%	6.14%	55.93%	3.34%
Suryoday SFB	17.73%	8.09%	6.80%	5.44%	64.44%	2.80%

Source: Company reports, CRISIL Research

FY20	**Yields on advances**	**Cost of borrowing**	**NIM**	**Opex ratio**	**Cost to income ratio**	**Credit costs**
Top 10 NBFC-MFIs						
CreditAccess Grameen Ltd.	18.66%	8.12%	11.29%	4.29%	38.00%	2.38%
Fusion Microfinance Pvt. Ltd.	**22.54%**	**11.42%**	**9.76%**	**5.09%**	**50.84%**	**2.36%**
Asirvad Microfinance Ltd.	23.29%	10.65%	12.70%	4.61%	33.86%	1.82%
Muthoot Microfin Ltd.	22.84%	10.90%	8.15%	7.46%	50.00%	7.14%
Annapurna Finance Pvt. Ltd.	22.81%	11.33%	8.10%	6.06%	62.00%	1.28%
Samasta Microfinance Ltd.	24.73%	10.15%	14.48%	8.77%	49.81%	2.03%
Satin Creditcare Network Ltd.	23.51%	12.07%	11.88%	6.09%	51.22%	2.73%
Svatantra Microfin Pvt. Ltd.	18.22%	11.25%	11.72%	7.10%	60.34%	2.65%
Spandana Sphoorty Financial Ltd.	25.29%	11.88%	19.79%	4.05%	19.86%	5.02%
Belstar Microfinance Ltd.	24.94%	10.48%	13.90%	7.12%	50.98%	1.01%
Banks and SFBs						

Bandhan Bank	17.85%	7.82%	8.54%	3.28%	30.83%	1.88%
Equitas SFB	19.10%	8.09%	8.53%	6.73%	66.37%	1.40%
Ujjivan SFB	21.23%	8.14%	10.16%	8.20%	67.43%	1.50%
Jana SFB	22.66%	9.41%	8.57%	9.87%	80.58%	2.12%
ESAF SFB	22.32%	8.72%	9.59%	7.26%	64.87%	1.62%
Utkarsh SFB	18.98%	9.61%	7.75%	5.07%	57.58%	0.56%
Fincare SFB	24.91%	9.66%	10.96%	7.55%	55.76%	3.45%
Suryoday SFB	22.49%	8.09%	10.75%	5.96%	47.08%	3.33%

Source: Company reports, CRISIL Research

Fusion Microfinance's cost to income witnessed the highest decline of almost 19% from FY2019 to FY2022 among the top 10 NBFC MFI

Players	**Cost to income ratio**					**% Change (FY19-FY22)**
	FY18	**FY19**	**FY20**	**FY21**	**FY22**	
Top 10 NBFC-MFIs						
CreditAccess Grameen Ltd.	39.21%	35.12%	38.00%	38.09%	29.73%	-5.39%
Fusion Microfinance Pvt. Ltd.	**68.66%**	**63.21%**	**50.84%**	**44.26%**	**44.26%**	-18.95%
Asirvad Microfinance Ltd.	57.17%	47.75%	33.86%	46.66%	49.65%	1.90%
Muthoot Microfin Ltd.	62.46%	62.15%	62.00%	58.50%	63.07%	0.90%
Annapurna Finance Pvt. Ltd.	66.88%	56.30%	49.81%	50.25%	52.59%	-3.71%
Samasta Microfinance Ltd.	42.52%	47.58%	50.00%	62.18%	61.47%	13.89%
Satin Creditcare Network Ltd.	61.56%	51.27%	51.22%	58.52%	64.44%	13.17%
Svatantra Microfin Pvt. Ltd.	81.32%	71.46%	60.34%	59.08%	54.33%	-17.13%
Spandana Sphoorty Financial Ltd.	30.44%	24.57%	19.86%	21.63%	32.81%	8.24%
Belstar Microfinance Ltd.	52.50%	44.22%	50.98%	52.72%	48.41%	4.19%
Banks and SFBs						
Bandhan Bank	35.00%	32.58%	30.83%	29.13%	60.08%	27.50%
Equitas SFB	72.03%	63.90%	66.37%	59.99%	66.12%	2.22%
Ujjivan SFB	65.68%	76.45%	67.43%	60.32%	71.68%	-4.77%
Jana SFB	335.98%	203.95%	80.58%	69.90%	66.46%	-137.49%
ESAF SFB	79.79%	66.43%	64.87%	60.31%	63.69%	-2.74%
Utkarsh SFB	75.71%	58.63%	57.58%	55.43%	59.11%	0.48%
Fincare SFB	76.85%	66.36%	55.76%	55.93%	60.01%	-6.35%
Suryoday SFB	65.11%	47.70%	47.08%	64.44%	60.93%	13.23%

Source: Company reports, CRISIL Research

Fusion Microfinance has Reported 3rd Highest Growth in Total Income in FY2022

Fusion Microfinance reported the 3rd highest NII growth of 38% between the financial years 2019 and 2022 among all the compared peers. Fusion Microfinance's total income growth of 34% between the financial years 2019 and 2022 was the 3rd highest among select NBFC-MFIs.

Financial metrics: Total income and other income

Growth (y-o-y)	**Total income**				**CAGR (FY19 to FY22)**
	FY19	**FY20**	**FY21**	**FY22**	
Top 10 NBFC-MFIs					
CreditAccess Grameen Ltd.	42.05%	37.76%	44.60%	12.80%	22.78%
Fusion Microfinance Pvt. Ltd.	**85.93%**	**46.94%**	**19.55%**	**37.60%**	**34.21%**
Asirvad Microfinance Ltd.	57.68%	48.75%	-2.20%	29.94%	23.65%
Muthoot Microfin Ltd.	46.68%	14.59%	-18.98%	21.06%	3.95%
Annapurna Finance Pvt. Ltd.	51.89%	50.52%	NM	17.98%	30.56%

Samasta Microfinance Ltd.	252.44%	71.33%	20.62%	45.25%	44.26%
Satin Creditcare Network Ltd.	40.57%	2.03%	-9.12%	-0.88%	-2.77%
Svatantra Microfin Pvt. Ltd.	139.60%	119.36%	42.97%	48.33%	66.93%
Spandana Sphoorty Financial Ltd.	78.55%	40.09%	2.46%	5.25%	12.03%
Belstar Microfinance Ltd.	71.51%	36.06%	10.43%	31.74%	25.56%
Banks and SFBs					
Bandhan Bank	39.91%	61.34%	17.68%	14.08%	29.39%
Equitas SFB	34.73%	21.82%	23.38%	10.67%	18.49%
Ujjivan SFB	29.01%	48.51%	3.00%	0.32%	15.33%
Jana SFB	-14.33%	77.21%	NM	11.62%	30.63%
ESAF SFB	63.27%	35.52%	14.31%	21.52%	23.47%
Utkarsh SFB	67.14%	49.74%	22.68%	17.88%	29.38%
Fincare SFB	92.52%	80.11%	13.38%	19.53%	34.64%
Suryoday SFB	83.74%	43.06%	2.52%	18.24%	20.14%

Source: Company reports, CRISIL Research

Note: NA – Not available; NM – Not meaningful

<u>Fusion Microfinance reported the 2nd fastest growth in PPOP amongst top 10 NBFC-MFIs between FY2019 and FY2022</u>

Growth (y-o-y)	**NII**				**CAGR (FY19 to FY22)**	**PPOP**				**CAGR (FY19 to FY22)**
	FY19	**FY20**	**FY21**	**FY22**		**FY19**	**FY20**	**FY21**	**FY22**	
Top 10 NBFC-MFIs										
CreditAccess Grameen Ltd.	62.04%	37.31%	36.06%	12.80%	17.69%	73.29%	32.90%	35.65%	48.46%	19.23%
Fusion Microfinance Pvt. Ltd.	**159.82%**	**78.26%**	**25.42%**	**25.63%**	**38.27%**	**257.78%**	**198.57%**	**41.99%**	**10.39%**	**60.98%**
Asirvad Microfinance Ltd.	74.34%	66.41%	-7.78%	21.87%	16.25%	133.33%	132.16%	-25.54%	-6.03%	3.81%
Muthoot Microfin Ltd.	50.32%	8.92%	23.98%	13.92%	8.74%	-25.86%	-33.18%	429.54%	-23.42%	13.72%
Annapurna Finance Pvt. Ltd.	42.60%	48.96%	NM	8.04%	24.05%	-17.69%	94.86%	NM	-54.42%	9.18%
Samasta Microfinance Ltd.	287.34%	85.82%	33.62%	35.74%	48.76%	1032.29%	141.09%	67.46%	24.59%	68.62%
Satin Creditcare Network Ltd.	26.87%	52.35%	-20.58%	13.87%	1.73%	7.92%	144.79%	-32.65%	23.57%	-4.41%
Svatantra Microfin Pvt. Ltd.	139.94%	134.22%	21.85%	68.03%	45.83%	1439.40%	245.51%	24.36%	312.51%	29.37%
Spandana Sphoorty Financial Ltd.	87.52%	68.64%	-1.84%	-18.91%	5.09%	101.72%	82.59%	-3.82%	-37.00%	-2.93%
Belstar Microfinance Ltd.	80.80%	61.00%	-8.98%	33.57%	25.09%	103.99%	54.50%	-22.05%	44.17%	20.19%
Banks and SFBs										
Bandhan Bank	48.28%	40.66%	19.60%	15.21%	24.68%	55.76%	45.13%	21.79%	9.36%	24.57%
Equitas SFB	33.84%	29.80%	20.26%	13.41%	20.97%	251.12%	34.00%	48.78%	-28.50%	12.54%
Ujjivan SFB	28.50%	47.68%	7.79%	2.63%	17.04%	-53.64%	205.66%	68.63%	-44.23%	39.21%
Jana SFB	11.77%	131.43%	NM	10.03%	47.07%	NM	NM	NM	16.28%	NM
ESAF SFB	103.30%	38.12%	16.37%	24.47%	26.01%	NM	60.00%	50.95%	-1.88%	33.32%
Utkarsh SFB	85.97%	46.57%	15.12%	26.40%	28.72%	435.20%	47.95%	16.50%	10.30%	23.88%

Fincare SFB	92.75%	64.48%	13.28%	24.99%	32.55%	368.87%	139.98%	23.40%	-3.54%	41.89%
Suryoday SFB	106.94%	44.77%	-16.31%	42.38%	19.93%	349.12%	50.31%	-62.52%	109.35%	5.65%

Source: Company reports, CRISIL Research

Financial metrics: PAT

Growth (y-o-y)	PAT			
	FY19	**FY20**	**FY21**	**FY22**
Top 10 NBFC-MFIs				
CreditAccess Grameen Ltd.	51.07%	4.51%	-60.83%	-65.31%
Fusion Microfinance Pvt. Ltd.	**NM**	**37.55%**	**-36.86%**	**-50.62%**
Asirvad Microfinance Ltd.	NM	55.01%	-92.82%	-20.44%
Muthoot Microfin Ltd.	NM	-90.94%	-61.25%	571.93%
Annapurna Finance Pvt. Ltd.	555.14%	32.62%	NA	841.21%
Samasta Microfinance Ltd.	773.56%	101.69%	-37.91%	-24.04%
Satin Creditcare Network Ltd.	136.18%	-19.45%	NM	-396.72%
Svatantra Microfin Pvt. Ltd.	NM	75.23%	-7.55%	73.57%
Spandana Sphoorty Financial Ltd.	66.05%	12.65%	-58.61%	-63.85%
Belstar Microfinance Ltd.	169.23%	35.85%	-52.83%	-3.26%
Banks and SFBs				
Bandhan Bank	45.03%	54.96%	-27.07%	-94.30%
Equitas SFB	561.50%	15.69%	57.73%	20.10%
Ujjivan SFB	2802.94%	75.69%	-97.63%	NM
Jana SFB	NM	NM	NM	-93.59%
ESAF SFB	234.45%	110.88%	-44.65%	-48.07%
Utkarsh SFB	NM	98.93%	-40.12%	-45.04%
Fincare SFB	NM	40.66%	-21.13%	-92.16%
Suryoday SFB	755.73%	28.11%	-89.31%	NM

Source: Company reports, CRISIL Research

Notes: NA – Not available; NM – Not meaningful

Fusion reported the 3rd lowest RoA and RoE among the top 10 NBFC-MFIs in FY2022

	FY22	
Players	**RoE (%)**	**RoA (%)**
Top 10 NBFC-MFIs		
CreditAccess Grameen Ltd.	10.09%	2.78%
Fusion Microfinance Pvt. Ltd.	**1.68%**	**0.33%**
Asirvad Microfinance Ltd.	1.26%	0.21%
Muthoot Microfin Ltd.	4.26%	0.97%
Annapurna Finance Pvt. Ltd.	2.20%	0.26%
Samasta Microfinance Ltd.	6.14%	0.94%
Satin Creditcare Network Ltd.	2.60%	0.53%
Svatantra Microfin Pvt. Ltd.	6.50%	0.98%
Spandana Sphoorty Financial Ltd.	1.62%	0.61%
Belstar Microfinance Ltd.	6.46%	1.12%
Banks and SFBs		
Bandhan Bank	0.72%	0.10%
Equitas SFB	7.35%	1.09%
Ujjivan SFB	-13.97%	-1.89%
Jana SFB	0.46%	0.03%
ESAF SFB	3.97%	0.36%
Utkarsh SFB	4.18%	0.45%
Fincare SFB	0.80%	0.09%
Suryoday SFB	-6.00%	-1.25%

Source: Company reports, CRISIL Research

	FY21	**FY21***

Players	RoE (%)	RoA (%)	RoE (%)	RoA (%)
Top 10 NBFC-MFIs				
CreditAccess Grameen Ltd.	3.96%	0.95%	6.29%	1.51%
Fusion Microfinance Pvt. Ltd.	**3.60%**	**0.87%**	**NM**	**NM**
Asirvad Microfinance Ltd.	1.61%	0.29%	4.59%	0.82%
Muthoot Microfin Ltd.	0.79%	0.17%	NM	NM
Annapurna Finance Pvt. Ltd.	NM	NM	NM	NM
Samasta Microfinance Ltd.	11.50%	1.88%	NM	NM
Satin Creditcare Network Ltd.	-0.92%	-0.18%	1.32%	0.26%
Svatantra Microfin Pvt. Ltd.	5.94%	0.85%	NM	NM
Spandana Sphoorty Financial Ltd.	5.41%	2.02%	21.63%	8.09%
Belstar Microfinance Ltd.	8.98%	1.56%	23.51%	3.67%
Banks and SFBs				
Bandhan Bank	13.53%	2.13%	18.29%	2.88%
Equitas SFB	12.52%	1.75%	16.69%	2.33%
Ujjivan SFB	0.26%	0.04%	4.30%	0.71%
Jana SFB	NM	NM	NM	NM
ESAF SFB	8.65%	0.97%	11.14%	1.24%
Utkarsh SFB	9.37%	1.04%	NM	NM
Fincare SFB	11.78%	1.50%	22.03%	2.81%
Suryoday SFB	0.89%	0.20%	6.03%	1.33%

Source: Company reports, CRISIL Research

Notes:

(1) NM – Not meaningful

*(2) *Adjusted for COVID provision (PAT + COVID provision adjusted for tax); NA: COVID provision not available.*

Profitability of players

Players	FY20		FY20*	
	RoE (%)	RoA (%)	RoE (%)	RoA (%)
Top 10 NBFC-MFIs				
CreditAccess Grameen Ltd.	12.88%	3.36%	15.27%	3.99%
Fusion Microfinance Pvt. Ltd.	**7.63%**	**1.77%**	**11.83%**	**2.75%**
Asirvad Microfinance Ltd.	25.49%	4.62%	29.97%	5.43%
Muthoot Microfin Ltd.	2.03%	0.48%	NM	NM
Annapurna Finance Pvt. Ltd.	11.98%	2.01%	15.88%	2.67%
Samasta Microfinance Ltd.	27.67%	4.67%	NM	NM
Satin Creditcare Network Ltd.	12.00%	2.26%	16.77%	3.15%
Svatantra Microfin Pvt. Ltd.	11.43%	1.49%	NM	NM
Spandana Sphoorty Financial Ltd.	15.56%	6.44%	19.47%	8.07%
Belstar Microfinance Ltd.	22.03%	4.33%	24.49%	4.84%
Banks and SFBs				
Bandhan Bank	22.91%	4.08%	26.83%	4.78%
Equitas SFB	9.75%	1.39%	12.74%	1.82%
Ujjivan SFB	14.04%	2.18%	16.15%	2.50%
Jana SFB	3.51%	0.26%	NM	NM
ESAF SFB	19.25%	2.30%	19.59%	2.34%
Utkarsh SFB	20.84%	2.39%	25.02%	2.87%
Fincare SFB	18.28%	2.54%	26.16%	3.64%
Suryoday SFB	11.40%	2.43%	16.48%	3.52%

Source: Company reports, CRISIL Research

Notes:

(1) NM – Not meaningful

*(2) *Adjusted for COVID provision (PAT + COVID provision adjusted for tax); NA: COVID provision not available*

Fusion Microfinance has the 3rd lowest Capital Adequacy amongst top 10 NBFC MFI in FY2022

In the financial year 2022, Fusion Microfinance has the 3rd lowest capital adequacy among the compared NBFC MFIs. Spandana Sphoorty has the best Capital Adequacy of 50.74% in financial year 2022 amongst select NBFC MFIs.

Financial metrics (FY22)	Debt to equity ratio (x)*			Capital adequacy ratio (%)		
	FY20	FY21	FY22	FY20	FY21	FY22
Top 10 NBFC-MFIs						
CreditAccess Grameen Ltd.	3.36	2.88	2.66	23.60%	31.80%	22.77%
Fusion Microfinance Pvt. Ltd.	**2.48**	**3.46**	**1.2**	**35.82%**	**27.26%**	**21.94%**
Asirvad Microfinance Ltd.	4.22	4.18	3.4	25.40%	23.30%	20.81%
Muthoot Microfin Ltd.	3.19	3.36	7.83	29.09%	22.55%	28.75%
Annapurna Finance Pvt. Ltd.	5.1	NM	5.19	26.74%	27.71%	29.80%
Samasta Microfinance Ltd.	3.81	5.29	2.99	25.93%	18.50%	17.80%
Satin Creditcare Network Ltd.	3.35	3.7	5.26	30.50%	25.30%	27.84%
Svatantra Microfin Pvt. Ltd.	6.57	5.36	4.03	20.18%	21.88%	23.96%
Spandana Sphoorty Financial Ltd.	1.15	1.95	4.32	47.40%	40.00%	50.74%
Belstar Microfinance Ltd.	3.81	5.16	4.16	25.67%	22.24%	24.06%
Banks and SFBs						
Bandhan Bank	4.83	5.45	6.69	27.43%	23.47%	20.10%
Equitas SFB	5.63	6.05	5.08	23.61%	24.18%	25.16%
Ujjivan SFB	4.65	5.09	7.27	28.80%	26.44%	19.00%
Jana SFB	12	NM	15.03	19.25%	15.51%	15.26%
ESAF SFB	7.59	7.91	11.21	24.03%	24.23%	18.64%
Utkarsh SFB	5.91	7.39	8.04	22.19%	21.88%	21.59%
Fincare SFB	6.66	6.6	7.86	29.28%	29.56%	22.30%
Suryoday SFB	3.86	3.08	4.25	35.44%	51.47%	37.90%

Source: Company reports, CRISIL Research

Notes:

(1) NA – Not available; NM – Not meaningful

*(2) *Debt includes borrowings and deposits from customers.*

Fusion Microfinance had the 6th lowest GNPA ratio amongst the top 10 NBFC-MFIs in FY2022

GNPA ratio	FY17	FY18	FY19	FY20	FY21	FY22	Average (FY19-22)
Top 10 NBFC-MFIs							
CreditAccess Grameen Ltd.	0.09%	0.82%	0.61%	1.57%	4.43%	3.1%	2.43%
Fusion Microfinance Pvt. Ltd.	**0.38%**	**3.98%**	**1.55%**	**1.12%**	**5.51%**	**5.7%**	**3.47%**
Asirvad Microfinance Ltd.	4.50%	1.70%	0.50%	1.60%	2.50%	1.7%	1.58%
Muthoot Microfin Ltd.	0.29%	3.43%	2.00%	5.70%	8.00%	6.8%	5.63%
Annapurna Finance Pvt. Ltd.	0.23%	2.10%	1.24%	1.36%	8.28%	10.0%	5.22%
Samasta Microfinance Ltd.	3.85%	0.96%	0.36%	1.50%	1.80%	3.0%	1.67%
Satin Creditcare Network Ltd.	0.46%	5.00%	4.00%	3.30%	8.40%	8.0%	5.93%
Svatantra Microfin Pvt. Ltd.	0.10%	3.67%	2.44%	1.29%	2.08%	3.8%	2.40%
Spandana Sphoorty Financial Ltd.	6.50%	1.70%	0.90%	0.50%	3.10%	17.7%	5.55%
Belstar Microfinance Ltd.	0.10%	0.80%	1.29%	1.13%	2.81%	6.04%	2.82%
Banks and SFBs							
Bandhan Bank	0.40%	1.25%	2.04%	1.48%	6.81%	6.46%	4.20%
Equitas SFB	3.56%	2.73%	2.53%	3.00%	3.73%	4.06%	3.33%
Ujjivan SFB	0.28%	3.65%	0.90%	0.97%	7.07%	7.10%	4.01%
Jana SFB	0.70%	42.21%	8.08%	2.71%	6.70%	5.71%	5.80%
ESAF SFB	0.52%	3.79%	1.60%	1.53%	6.70%	7.83%	4.42%
Utkarsh SFB	0.00%	1.85%	1.39%	0.71%	3.75%	6.10%	2.99%
Fincare SFB	0.44%	1.06%	1.29%	0.90%	6.44%	7.80%	4.11%
Suryoday SFB	6.15%	3.54%	1.81%	2.79%	9.41%	11.80%	6.45%

Source: Company reports, CRISIL Research

Fusion Microfinance had the 6th lowest average net NPA ratio among top 10 NBFC-MFIs between FY2019 and FY2022

NNPA Ratio	FY17	FY18	FY19	FY20	FY21	FY22	Average (FY19-22)
Top 10 NBFC-MFIs							
CreditAccess Grameen Ltd.	0.00%	0.03%	0.17%	0.37%	1.3%	0.90%	0.69%
Fusion Microfinance Pvt. Ltd.	**0.14%**	**0.16%**	**0.56%**	**0.39%**	**2.20%**	**1.60%**	**1.19%**
Asirvad Microfinance Ltd.	1.30%	0.00%	0.00%	0.00%	0.00%	0.30%	0.08%
Muthoot Microfin Ltd.	0.26%	1.97%	1.21%	4.05%	NA	1.90%	2.39%
Annapurna Finance Pvt. Ltd.	0.03%	0.30%	0.65%	0.84%	4.24%	2.90%	2.16%
Samasta Microfinance Ltd.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Satin Creditcare Network Ltd.	0.25%	4.90%	2.30%	-0.10%	3.30%	2.40%	1.98%
Svatantra Microfin Pvt. Ltd.	0.00%	0.66%	0.55%	0.68%	1.0%	1.60%	0.96%
Spandana Sphoorty Financial Ltd.	1.59%	0.08%	0.02%	0.07%	1.40%	9.68%	2.79%
Belstar Microfinance Ltd.	0.01%	0.31%	0.14%	0.09%	0.59%	1.48%	0.58%
Banks and SFBs							
Bandhan Bank	0.30%	0.58%	0.58%	0.58%	3.51%	1.66%	1.58%
Equitas SFB	1.51%	1.46%	1.44%	1.67%	1.58%	2.40%	1.77%
Ujjivan SFB	0.03%	0.69%	0.30%	0.20%	2.93%	0.60%	1.01%
Jana SFB	0.60%	27.72%	4.39%	1.30%	4.80%	3.90%	3.60%
ESAF SFB	0.25%	2.69%	0.77%	0.64%	3.88%	3.90%	2.30%
Utkarsh SFB	0.00%	1.09%	0.12%	0.18%	1.33%	2.30%	0.98%
Fincare SFB	0.38%	0.81%	0.34%	0.40%	2.80	3.60%	1.79%
Suryoday SFB	3.80%	1.86%	0.44%	0.57%	4.73%	6.00%	2.94%

Source: Company reports, CRISIL Research

Note: NNPA ratio is net NPAs to net advances as reported by the company,

Most NBFC-MFIs had high average interest rate of 19-22% yearly on declining balance basis. However, these interest rates are much lower than those charged by village moneylenders (typically in the range of 35-45%). Fusion is one of the youngest NBFC-MFI players with a strong credit rating of “A-”. Fusion Microfinance long-term credit ratings have improved from a CRISIL rating of “BBB+” as of March 31, 2016, to “A-” at end of June 2022.

Top 10 NBFC-MFIs	Date of incorporation	NBFC-MFI / SFB status date	Credit rating as of Aug 2022	Weighted average interest rate (March 2022)
CreditAccess Grameen Ltd.	1991	2013	CRISIL A+ (Stable) IND AA- (Stable) ICRA AA+ (CE) / ICRA A+(Stable)	19.14%
Fusion Microfinance Pvt. Ltd.	**2009^**	**2014**	**CRISIL A- (Stable)** **CARE A- (Stable)** **ICRA A- (Stable)**	**21.01%**
Asirvad Microfinance Ltd.	2007	2007	CRISIL AA- (Stable) BWR AA- (Stable)	20.50%
Muthoot Microfin Ltd.	1992	2015	CRISIL A (Stable) IND A (Stable)	20.25%
Annapurna Finance Pvt. Ltd.	1986	2009	CRISIL A- (Stable) CARE A- (Stable) ICRA A- (Stable)	20.88%
Samasta Microfinance Ltd.	1995	2008	CRISIL AA- (Stable) CARE A+ (Stable) ICRA A+ (Stable)	21.62%
Satin Creditcare Network Ltd.	1990	2013	CARE BBB+ (Stable)	21.70%

			ICRA A-/ICRA A (CE) (Stable)	
Svatantra Microfin Pvt. Ltd.	2012	2013	CRISIL A+ (Stable) CARE AA- (Stable) IND A+ (Stable) ICRA A- (Stable)	20.70%
Spandana Sphoorty Financial Ltd.	2003	2015	ICRA A- (Stable) CRISIL A (Stable) IND A (Stable)	21.34%
Belstar Microfinance Ltd.	1988	2008	CRISIL AA- (Stable) CARE AA- (Stable) ICRA A+ (Stable)	18.77%

Source: MFIN, CRISIL Research

Notes:

(1) ^Company started operation on December 2009.

Fusion Microfinance had the 2nd highest number of lender relationships among the top 10 NBFC-MFIs

Borrowing mix (FY22)	Bonds & Debentures	Loans from Banks & Financial Institutions	Bank Overdraft	ECB	Commercial Paper	Others	Number of lenders
Top 10 NBFC-MFIs							
CreditAccess Grameen Ltd.	13.09%	84.91%		2.00%			43
Fusion Microfinance Pvt. Ltd.	**16.38%**	**82.15%**		**1.46%**			**57**
Asirvad Microfinance Ltd.	30.67%	69.33%					60
Muthoot Microfin Ltd.	16.26%	72.18%			1.24%	10.31%	NA
Annapurna Finance Pvt. Ltd.	29.53%	60.91%		9.49%		0.06%	NA
Samasta Microfinance Ltd.	10.93%	88.52%	0.06%		0.49%		NA
Satin Creditcare Network Ltd.	25.25%	55.80%	3.55%	5.64%	0.45%	9.30%	56
Svatantra Microfin Pvt. Ltd.	NA	NA	NA	NA	NA	NA	NA
Spandana Sphoorty Financial Ltd.	48.42%	51.58%					39
Belstar Microfinance Ltd.	29.53%	60.91%		9.49%		0.06%	44

Source: Company reports, CRISIL Research

Notes: ECB: External commercial borrowings; NA: Not available

Experience of leadership team (FY2022)

	Date of incorporation	Age of the company *	Team size of key managerial personnel	Average of total experience (years)
NBFC-MFIs				
CreditAccess Grameen Ltd.	1991	23	14	22
Fusion Microfinance Pvt. Ltd.	**1994**	**12**	**8**	**20**
Asirvad Microfinance Ltd.	2007	15	10	20
Muthoot Microfin Ltd.	1992	20	5	17
Annapurna Finance Pvt. Ltd.	2009	13	20	15
Samasta Microfinance Ltd.	1995	14	8	17
Satin Creditcare Network Ltd.	1990	24	11	24

Svatantra Microfin Pvt. Ltd.	2012	10	11	16
Belstar Microfinance Ltd.	1988	14	13	19
Average		**16**	**11**	**19**
SFBs and Banks				
Bandhan Bank	2015	7	14	26
Equitas SFB	2016	6	13	26
Ujjivan SFB	2017	5	13	27
Jana SFB	2006	16	16	27
ESAF SFB	2016	6	34	25
Utkarsh SFB	2016	6	16	25
Fincare SFB	1995	27	21	25
Suryoday SFB	2008	14	15	23

Source: Company reports, CRISIL Research

(1) *Age of company is calculated considering the year when company has started its operations*

List of formulae

	Parameters	Formula
1.	RoA	Profit after tax / average of total assets on book
2.	RoE	Profit after tax / average net worth
3.	NIM	(Interest income – interest paid) / average of total assets on book
4.	Yield on advances	Interest earned on loans and advances / average of advances on book
5.	Cost to income	Operating expenses / (net interest income + other income)
6.	Cost of borrowing	Interest paid / (average of deposits and borrowings)
7.	Non-interest income	(Total income – interest income)/ average of total assets on book
8.	Opex ratio	Operating expenses (Employee benefit expenses+ Depreciation expenses+ Other expenses) / Average total assets
9.	Credit cost	Provisions / average total assets on book
10.	Credit loss ratio	Write-offs during the year / average of advances on book

Comparison of Fusion Microfinance with Northern Region Portfolio Across Lender Groups

NBFC-MFI market share of GLP in norther region has increased to 37% in the financial year 2022 from 15% in the financial year 2015 on the back of strong CAGR of 58% over the same period. Banks market share also rose to 38% in the financial year 2022 from 27% in the financial year 2015. All other player groups have not been able to keep pace as their market share declined during the same period.

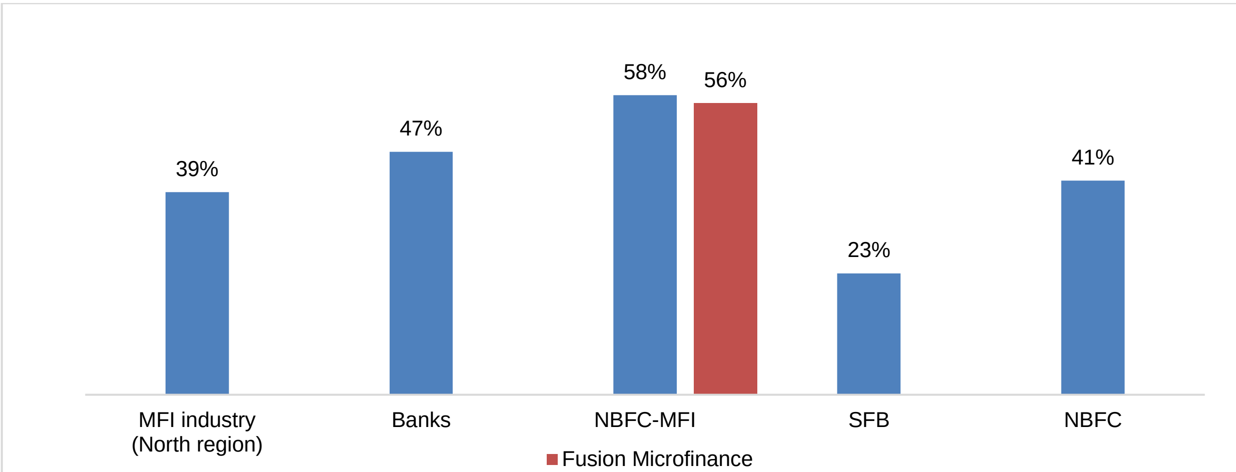
Market share of lender groups between FY2015 and FY2022

Source: Equifax, CRISIL Research

Note: Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year.

Fusion microfinance GLP growth of 56% during the financial year 2015 to the financial year 2022 is higher by 17% compared to the overall industry in the northern region. In the north, NBFC-MFI reported the fastest growth of 58% between the financial years 2015 and 2022, it was followed by Banks and NBFC which grew by 47% and 41%, respectively, over the same period.

GLP CAGR between FY2015 and FY2022

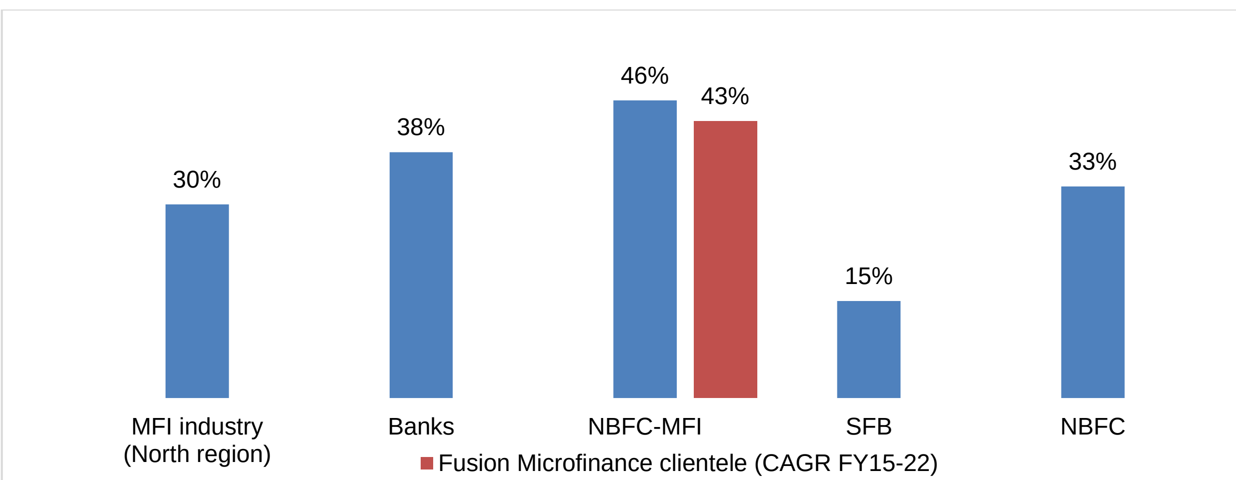


Note: Data includes data for banks lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year.

Source: Equifax, MFIN, CRISIL Research

Fusion Microfinance clientele increased by 43% CAGR between the financial years 2015 and 2022, the highest among all player groups in the northern region. Fusion Microfinance clientele CAGR was 13% higher than the overall industry growth. Among player groups, NBFC-MFI reported the fastest growth of 46% between the financial years 2015 and 2022, it was followed by Banks and NBFC. Fusion Microfinance have established a presence in several states where penetration remains low, including Uttar Pradesh, Bihar and Madhya Pradesh.

Clientele CAGR between FY2015 and FY2022

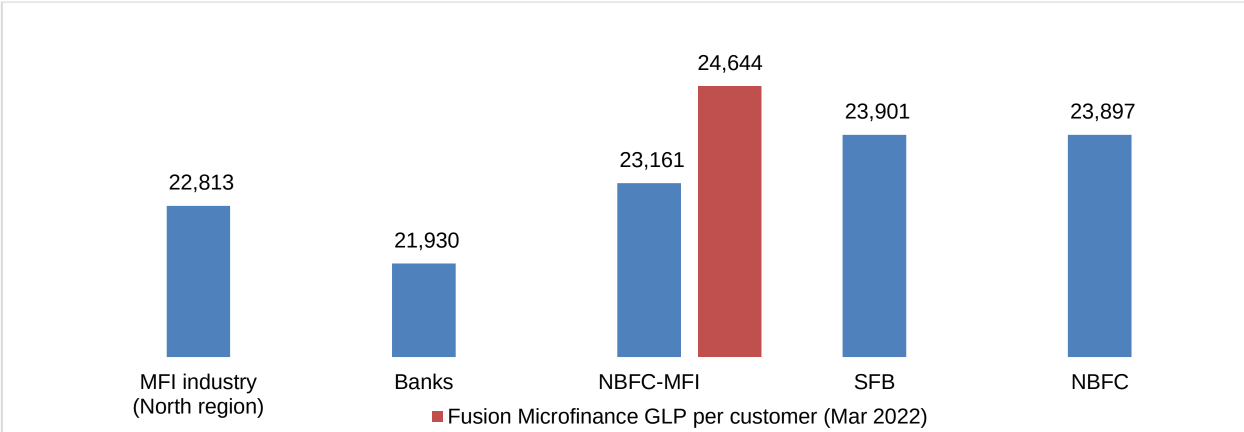


Source: Equifax, MFIN, CRISIL Research

Note: Data includes data for banks lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year.

Fusion Microfinance's GLP per customer of ₹24,644, is higher as compared to all the player groups in March 2022 indicating better deepening penetration of Fusion Microfinance.

GLP per customer (March 2022)

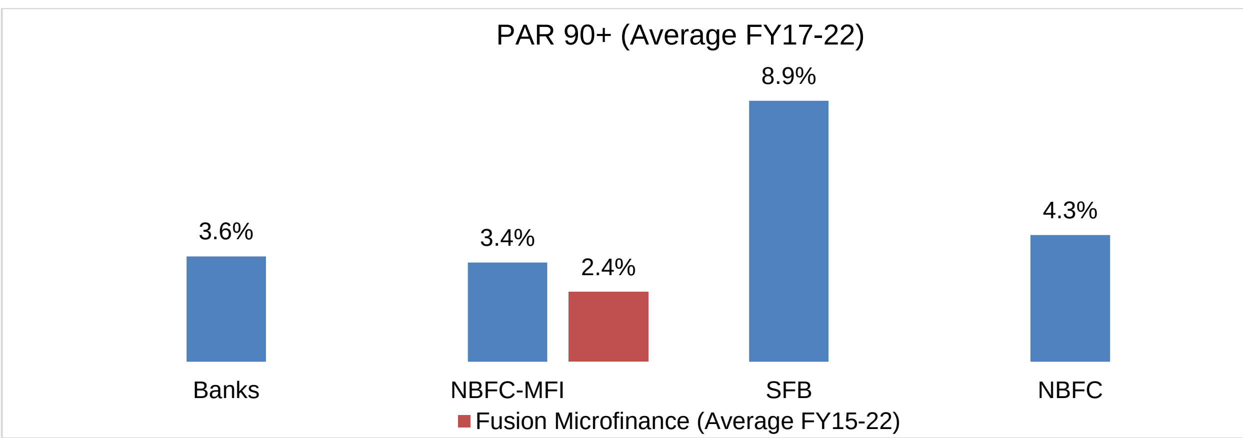


Note: Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks' lending through SHG. The amounts are as of the end of the financial year.

Source: Equifax, MFIN, CRISIL Research

Fusion Microfinance average asset quality of 2.4% is ranked lowest among all player groups in the northern region between the financial years 2015 and 2022. Among player groups, NBFC-MFI PAR 90+ was the lowest followed by Banks.

PAR 90+ (Average between FY2015 and FY2022)



Source: Equifax, Company report, CRISIL Research

Notes:

(1) Data includes data for banks' lending through JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs. It excludes data for banks lending through SHG. The amounts are as of the end of the financial year.

(2) PAR 90+ includes delinquency beyond 180 days

About CRISIL Market Intelligence & Analytics
CRISIL Market Intelligence & Analytics, a division of CRISIL, provides independent research, consulting, risk solutions, and data & analytics. Our informed insights and opinions on the economy, industry, capital markets and companies drive impactful decisions for clients across diverse sectors and geographies.

Our strong benchmarking capabilities, granular grasp of sectors, proprietary analytical frameworks and risk management solutions backed by deep understanding of technology integration, make us the partner of choice for public & private organisations, multi-lateral agencies, investors and governments for over three decades.

About CRISIL Limited
CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong, UAE and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: LINKEDIN | TWITTER | YOUTUBE | FACEBOOK | INSTAGRAM

CRISIL Privacy Notice
CRISIL respects your privacy. We may use your personal information, such as your name, location, contact number and email id to fulfil your request, service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com/privacy.

DISCLAIMER:
CRISIL is registered as a Research Analyst with SEBI (Registration No INH000007854), herein referred to as "CRISIL Research". We provide insights, opinion, analysis, and data on the Indian economy, industry, capital markets, and companies.

We are the largest valuation agency for fixed income securities, and a prominent debt and hybrid index provider in India. We publish rankings for mutual fund schemes, and provide granular portfolio analysis services for asset managers, financial intermediaries, retirement funds and institutional investors.

Our data and analytics platforms - Alphatrax and Quantix - enable our clients to assess Industry and Company level risks based on CRISIL's proprietary models.

CRISIL ESG Scores help benchmark companies based on their inherent ESG risk using public domain information and a proprietary framework.

Our Company reports (that combine select financial and non-financial data, analytics from our proprietary risk models, and commentary on company's financial performance) are used by commercial banks, financial institutions, and non-banking finance companies as part of their credit/ risk management process.

Our SME Gradings, used by lenders, assess creditworthiness of SME enterprises relative to the peers leveraging our proprietary grading model. The framework includes assessment of entity-level financial and operating performance, as well as industry-level drivers.

Analyst Disclosure

Members of the team (including their relatives) involved in the preparation of this report and whose names are published as part of this report hereby affirm that there exists no conflict of interest (including any financial interest or actual/ beneficial ownership of 1% or more of the securities of the subject companies) that can bias the output of the Report. Further, neither the members have served as officers, directors, or employees of the companies analysed in the report in the last 6 months nor have they engaged in market making activities for the subject companies.

Terms and Conditions

This Report is based on data publicly available or from sources considered reliable. CRISIL Research does not represent that the Report is accurate or complete and hence, it should not be relied upon as such. Opinions expressed herein are our current opinions as on the date of this report. Nothing in this report constitutes investment, legal, accounting or tax advice or any solicitation, whatsoever. The subscriber/ user assumes the entire risk of any use made of this data/ report. CRISIL especially states that, it has no financial liability whatsoever, to the subscribers/ users of this report.

This Report is additionally subject to your contractual terms with CRISIL.

The report is for use within the jurisdiction of India only. Nothing in this report is to be construed as CRISIL providing, or intending to provide, any services in other jurisdictions where CRISIL does not have the necessary permissions and/ or registration to carry out its business activities. The user will be solely responsible for ensuring compliance for use of the report, or part thereof, outside India.

CRISIL Limited operates independently of and does not have access to information obtained by CRISIL Ratings Limited, which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research, and not of CRISIL Ratings Limited.

Company Disclosure

1. CRISIL Research or its associates do not provide investment banking or merchant banking or brokerage or market making services.
2. CRISIL Research encourages independence in research report preparation and strives to minimize conflict in preparation of research reports through strong governance architecture comprising of policies, procedures, and disclosures.
3. CRISIL Research prohibits its analysts, persons reporting to analysts, and their relatives from having any financial interest in the securities or derivatives of companies that the analysts cover.
4. CRISIL Research or its associates collectively may own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.
5. CRISIL Research or its associates may have financial interest in the form of holdings in the subject company mentioned in this report.
6. CRISIL receives compensation from the company mentioned in the report or third party in connection with preparation of the research report.
7. As a provider of ratings, grading, data, research, analytics and solutions, infrastructure advisory, and benchmarking services, CRISIL or its associates are likely to have commercial transactions with the company and may receive compensation for the services provided.
8. CRISIL Research or its associates do not have any other material conflict of interest at the time of publication of the report.
9. No material disciplinary action has been taken against CRISIL Research or its analysts by any Regulatory Authority impacting Research Analyst activities.