



SMERA
Code of Conduct
Assessment

C2

*(Good performance of the
MFI on Code of Conduct
dimensions)*

SMERA Code of Conduct Assessment

Sindhuja Microcredit Private Limited



To verify the grading, please scan the QR Code

Date of Report:

22nd November, 2022

Valid Till:

21st November, 2023

SMERA's Code of Conduct Assessment Grading Scale

Grading Scale	Definitions
C1	Excellent performance of the MFI on Code of Conduct dimensions
C2	Good performance of the MFI on Code of Conduct dimensions
C3	Average performance of the MFI on Code of Conduct dimensions
C4	weak performance of the MFI on Code of Conduct dimensions
C5	Weakest performance of the MFI on Code of Conduct dimensions

*Assessment on Code of Conduct has been done on the indicators pertaining to **Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing**. Some of these indicators have been categorized as Higher Order indicators consisting of indicators on **Integrity and Ethical Behaviour** and **Sensitive Indicators**.*

Conflict of Interest Declaration

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

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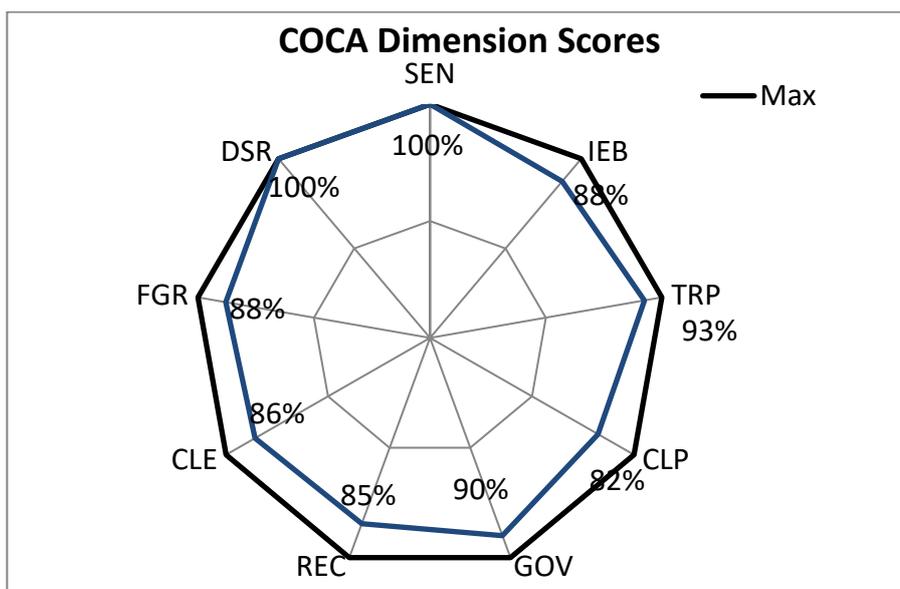
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Historical Rating Grades

Date	Rating Agency	Rating/Grading
31-Jan-2022	India Ratings	IRR MFI 2
10-Mar-2022	India Ratings	IND BBB-/Positive
27-Jun-2022	CRISIL	CRISIL BBB-/Positive

Code of Conduct Assessment Score

COCA Grading - C2 (Good Performance on Code of Conduct dimensions)



SCORES ON PARAMETERS

Code of Conduct Parameters	Code	% Performance
Sensitive	SEN	100%
Integrity and Ethical Behavior	IEB	88%
Transparency	TRP	93%
Client Protection	CLP	82%
Governance	GOV	90%
Recruitment	REC	85%
Client Education	CLE	86%
Feedback & Grievance Redressal	FGR	88%
Data Sharing	DSR	100%



Sindhuja with an overall grade of “C2” indicate **good Performance on Code of Conduct dimensions.**

Code of Conduct Assessment Summary

The Code of Conduct report for Sindhuja Microcredit Private Limited (Sindhuja) evaluates the entity's adherence to various code of conduct parameters. The study examines and comments upon the common minimum indicators such as:

- Sensitive Indicators
- Integrity and Ethical Behaviour
- Transparency
- Client Protection
- Governance
- Recruitment
- Client Education
- Feedback and Grievance Redressal
- Data Sharing

SMERA believes that Sindhuja exhibits **good** performance on COCA dimensions. This document details SMERA's approach and methodology for this study and gives observations of its assessment team while conducting the evaluation. The Approval; Documentation; Dissemination and Observance (ADDO) framework has been used for assessment and measuring Sindhuja's adherence towards ethical operational practices.

Company Profile

Name of the MFI	:	Sindhuja Microcredit Private Limited	
Operational Head – Microfinance Business	:	Name	Mr. Malkit Singh Didyala
		Designation	Chief Operating Officer & Whole Time Director
		Mobile No.	8879072498
		Email ID	malkit.didyala@sindhujamicrocredit.com
Date of Incorporation/Establishment	:	1 st December, 2017	
Date of commencement of microfinance business	:	11 th September 2018	
Legal Status	:	NBFC-MFI	
Business of the company	:	Microfinance Services Under Joint-Liability Group (JLG) Model	
Correspondence Address	:	Office No. 601-607, 6th Floor, Tower A Noida One, Plot No.8, Block-B, Sector-62, Noida, Gautam Budh Nagar, Uttar Pradesh- 201307	
Geographical Reach (As on 30/Sept/2022)	:	No. of States	07
		No. of Districts	79
		No. of Branches	143
		No. of Active Borrowers	2,02,650
		No. of Total Employees	832
		No. of Field/Credit Officers	500

Background:

- Sindhuja Microcredit Private Limited, herein referred as Sindhuja was promoted in the year 2012 at Noida with the core objective of reaching out the un-reached poor, where poor cannot have access to credit from formal financial institutions at affordable rate of interest and at right time.
- Sindhuja started its microfinance operation in September, 2018. Currently, Sindhuja is engaged in microfinance activities under Joint Liability Group (JLG) model in seven states with more than 2 lakh borrowers.

Product Profile

Product	Description	Loan size (Rs.)	Repayment (in Months)	Interest Rate (In %) Reducing Balance	Processing Fees (In %)	APR (Interest Rate and Processing fees) (In %) (C=A+B)
Ankur	JLG Loan	25,000 – 50,000	14 - 24	25.00	1.25	26.25
Pallav	JLG Loan	15,000 – 20,000		25.00	1.25	26.25
Pushp	JLG Loan	55,000 – 60,000		25.00	1.25	26.25

Capital Structure as of 30/Sept/2022

Authorized Capital	Rs. 32.25 crore
Paid Up Capital	Rs. 31.97 crore

Shareholding Pattern (as on September 30, 2022)

Equity Shares	
Shareholders	% Holding
Abhisheka Kumar and Malkit Singh Didyala	14.36
Angel Investors	10.65
Carpediem Capital Partners Fund I	23.11
NMI FUND IV KS (CCPS)*	35.18
Carpediem Capital Partners Fund II (CCPS)*	15.64
Carpediem Capital Partners Fund II	1.05
Total	100.00

Promoters/Directors Profile

Director Details		Profile
Name:	Mr. Abhisheka Kumar	<ul style="list-style-type: none"> Prior to Sindhuja he was the CFO of Utkarsh Small Finance Bank Limited and the founding member of Utkarsh Microfinance where he as part of leadership team steered the start-up to a major MFI & then to a SFB. Prior to his more than 8 years journey with Utkarsh Micro Finance and Utkarsh Small Finance Bank, he was with ICICI Bank for more than 4 years. He also had over a year's stint at Friends of Women World Banking where he worked closely with more than 35 MFIs across India.
Designation:	Managing Director	
Qualification:	St. Xavier's College, Kolkata and Institute of Rural Management, Anand (IRMA)	
Name:	Mr. Malkit Singh Didyala	<ul style="list-style-type: none"> He brings over 12 years of experience in banking and finance with reputed financial institutions like Bajaj Finance, ICICI Bank and Utkarsh Small Finance Bank. His experience is steeped in business development roles across Microfinance, MSME Lending, Mortgage Lending and Institutional Lending. In his last role he was the Business Head for MSME & Agri lending at Utkarsh Small Finance Bank. At Bajaj Finance he conceptualised and established the financial institutions lending business. He brings to the table hardcore business development & execution skills and an unique perspective on the rural economy having worked at AMUL & IWMI in his prior stints.
Designation:	Whole Time Director	
Qualification:	Regional Institute of Education, Bhubaneswar & Institute of Rural Management, Anand (IRMA)	
Name:	Mr. Abhishek Sharman	<ul style="list-style-type: none"> He has 12 years of experience in private equity in India. Abhishek leads Carpediem's investment strategy and also spearheads the fund-raising activities.
Designation:	Nominee Director	
Qualification:	Management degree from the Indian Institute of Management (IIM), Calcutta and an engineering degree from the Indian Institute of Technology (IIT), Delhi	

Name:	Mr. Yashvant Malhotra	<ul style="list-style-type: none"> He is retired Addl. Director General CID & Crime (Bihar) from the Indian Police Service (Bihar Cadre, 1975 Batch) with extensive experience in leadership positions, overseeing policing and intelligence for the State and Central Government Police organizations including the Central Bureau of Investigation (CBI), Central Industrial Security Force (CISF), Shastra Seema Bal (SSB) and the Central Reserve Police Force (CRPF). Post retirement from the Police Service, he has worked with private crude oil production Company CAIRN ENERGY INDIA for a period of 5 years as Head of Security & Chief Advisor. He has been awarded PM's medal for meritorious service and the President's medal for Distinguished service amongst other distinctions.
Designation:	Independent Director	
Qualification:	Postgraduate in History from Hindu College, Delhi University	
Name:	Mr. Arvind C Nair	<ul style="list-style-type: none"> He has over 35 years of operating and private equity experience across retail and consumer products companies. He provides guidance and mentoring to the investment team. Further, he is a key strategic advisor and mentor to the portfolio companies and their CEOs. Arvind Nair himself has been CEO of various well regarded Indian consumer companies and has cultivated strong relationships while building an extensive network of industry partners. He was previously Managing Director of Domino's Pizza India, where he re-invented the business model, and restructured the team to achieve a remarkable turnaround of the
Designation:	Nominee Director	
Qualification:	Management degree from the Indian Institute of Management (IIM), Ahmedabad	

		<p>business. He was responsible for differentiating the Domino's Pizza brand by introducing to India a 30-minute delivery guarantee. Prior to this role, he was the global CEO of Jumbo Electronics Dubai, where he managed 18 divisions across multiple locations. He serves on the board of the following Fund I's portfolio companies, Nyssa Retail Private Limited (1- India Family Mart) and Thea Kitchen Private Limited (Biryani Blues).</p>
Name:	Ms. Smriti Chandra	<ul style="list-style-type: none"> • She runs NMI's Indian office. Prior to joining NMI, she was a co-founder of a boutique Investment Banking outfit – First League Ventures – based out of New Delhi, for 3 years, focused on supporting start-up companies in M&A and raising seed to Series A venture capital funds across technology and consumer sectors. She has also worked at E&Y for over 10 years where she served clients in multiple sectors with a focus on transaction advisory services, including investment banking (M&A and private equity fund raising), financial due diligence and bid advisory services.
Designation:	Nominee Director	
Qualification:	Chartered Accountant, Commerce graduate from Bangalore University	
Name:	Mr. Sandeep Shashidhar Phanasgaonkar	<ul style="list-style-type: none"> • He is founder of 'agileITvantages' and advises enterprises, large consulting firms and PE/VC portfolio companies in digital business strategy, transformation and governance. • He was Group CIO at Access Bank, a dominant Nigerian and pan African bank. He was President & Chief Technology Officer for Reliance Capital Ltd. He led transformation in RCap in Virtualization, Mobility,
Designation:	Independent Director	
Qualification:	MBA in Finance from JBIMS, Mumbai University, a diploma in Digital Strategies for Business from Columbia Business School and certification in Artificial Intelligence, Design Thinking from MIT Sloan	

		<p>Cloud Computing & Business Intelligence. Sandeep began his career with the State Bank of India . He then worked for Tata Unisys as consultant for banking technology for offshore development centers and product development. He later worked with Oracle Financial Software, a world leader in banking ERP systems as senior consultant for global pre-sales and implementations. He became Regional Technology Head of Deutsche Bank for Asia and saw the bank through its crucial Y2K phase and key implementation+18 of cash management systems. He subsequently joined GE Capital as India CIO & took over as Global CIO of Genpact, India's largest BPO/ITES company. He led the critical IT Migration of Genpact from GE after its divestment.</p>
Name:	Mr. Diwakar Pundir	<ul style="list-style-type: none"> • He has experience of more than 18 years in the Banking & NBFC industries with specialization in Risk Management & Underwriting in SME & Mid-Market Segments, across products like Working Capital & Term Loans, Business Loans, Home Loans, Loans Against Properties, Personal Loans, Construction Equipment Finance, Loans Against Liquid Securities etc. He was the Chief Commercial Credit Officer and a Member of the Senior Management Team at Bajaj Finance Ltd (BFL). He has also worked in Citi Bank and ICICI Bank. In 2019 he founded STFT Finance Private Ltd - an NBFC engaged in Small Business Loans (LAP and Unsecured Business Loans) to Micro Enterprises.
Designation:	Independent Director	
Qualification:	<p>Management degree from Indian Institute of Management, Bangalore and engineering from University of Roorkee</p>	

SMERA Observations:

- Sindhuja has eight-member board. Board members have extensive experience in microfinance, finance, Banking and development sectors.
- SMERA believes that a well-diversified board, including a proportionate composition of independent directors, augurs well from a strategic perspective.
- The company has more one-third of its board members as Independent directors.

Management's Profile

Management Details	Designation	Profile
Name:	Shailendra Kumar	<ul style="list-style-type: none"> Shailendra has more than 14 years of experience in Microfinance Business Development, Portfolio Management, Training and Development of Employees. He has Hands on expertise in branch expansion having opened and established 120+ branches across Uttar Pradesh, Bihar and Jharkhand. He has worked with "Utkarsh Small Finance Bank", "SKS Micro Finance" & "Bajaj Allianz".
Designation:	DVP-Sales	
Qualification:	MBA	
Name:	Rajeev Kumar Rai	<ul style="list-style-type: none"> Rajeev Kumar Rai brings the extensive experience of over 15 years in inclusive finance. He specializes in qualitative vertical as well as horizontal business growth in microfinance across different locations of MP, UP, Bihar, Gujarat, Uttarakhand, and Chhattisgarh with MFIs like Satin Creditcare, Belstar, Mimo and Shikhar. His last assignment was with Inditrade Microfinance Ltd. wherein he was looking after business of Gujarat, MP and Bihar.
Designation:	DVP-Sales	
Qualification:	Post Graduate	
Name:	Kamlesh Prasad	<ul style="list-style-type: none"> Kamlesh has around 18 years of extensive experience in HR functions in Banking & Financial, Manufacturing, Education and Insurance sector. He has expertise in handling, Talent Management, Change Management, Organisation Development, HR Operations, Payroll & Statutory Compliance Management, HR System Implementation, Grievance Handling etc. He has previously worked with "AU Small Finance
Designation:	DVP - HR, Training & Admin	
Qualification:	M.B.A, PGDCA	

		Bank”, “Hero Financial Services”, “Haldiram Manufacturing Ltd”, “Max Life Insurance”, “Pearson Ltd.”.
Name:	Manoj Singh	<ul style="list-style-type: none"> Manoj has more than 10 years of experience in Microfinance Business Development, Portfolio Mgmt, Employee Recruitment and Training. He has worked with “Utkarsh Small Finance Bank” & “Satin Credit Care”.
Designation:	Regional Head – Ops Bihar	
Qualification:	Graduate	
Name:	Chandan Kumar	<ul style="list-style-type: none"> Chandan has more than 10 years of experience in Microfinance Business Development, Portfolio Mgmt, Employee Recruitment and Training. He has worked with “Utkarsh Small Finance Bank” & “Spandan”.
Designation:	Regional Head – Ops U.P. & Jharkhand	
Qualification:	Graduate	
Name:	Mohinder Sharma	<ul style="list-style-type: none"> Mohinder has around 10 years of experience in Microfinance Business Development, Client Relationship and Training and Development. He has expertise in business expansion in new area, Risk mitigation and can manage large volumes of sales force. He has previously worked with Tata Capital, Sahayata Microfinance, IIFL, Swadhaar Finserve and M Power.
Designation:	Regional Head – Rajasthan	
Qualification:	MBA	
Name:	Milind Madhukar	<ul style="list-style-type: none"> Milind Madhukar has more than 12 years of experience in Microfinance and Micro Enterprise operations in business development, portfolio management, recruitment and training. He also worked in Agri business and holds good experience in both the business operations. He was responsible for managing business in Bihar, UP & Jharkhand. He has previously worked with Samridhi Agri and Utkarsh Small Finance Bank.
Designation:	Regional Head - Jharkhand	
Qualification:	Graduate	

Name:	Pankaj Rautela	<ul style="list-style-type: none"> Pankaj has more than 7 years of experience across various sectors, i.e. Payments, Fintech, FMCG and IT. He has previously worked for Greenizon Agritech Consultancy Private Ltd.(Jai Kisan)-Mumbai, PayTm-Noida, Tamilnadu Cooperative Milk Producers Federation Ltd.(Aavin),Chennai And TCS,Bangalore. He has worked as Key Account Manager, AGM(Marketing & Distribution) and Software Developer.
Designation:	AVP - Audit & Risk Management	
Qualification:	PGDRM, IRMA, B Tech(Comp. Science) M.J.P. Rohilkhand University, Bareilly	
Name:	Akhilesh Dubey	<ul style="list-style-type: none"> Akhilesh has more than 8 years of experience in handling Accounting,Taxation, Financial Reporting & Regulatory Reporting. He has previously worked for "Utkarsh Small Finance Bank" & "AU Small Finance bank".
Designation:	AVP- Accounts	
Qualification:	CA Final Group I, MBA - Banking & Finance, IIBM, B.Com & JAA, IIB	
Name:	Pankaj Kumar Sinha	<ul style="list-style-type: none"> Pankaj has more than 16 years of experience in handling Secretarial, legal & Compliance matters. He has previously worked for "National Industrial Corporation Ltd." & "Rama Paper Mills Ltd.".
Designation:	Company Secretary	
Qualification:	Company Secretary, B.Com	
Name:	Machhi Shaileshkumar	<ul style="list-style-type: none"> Shailesh has around 13 years of experience in Microfinance Business Development, Client Relationship and Training and Development. He has expertise in business expansion in new area, Risk mitigation and can manage large volumes of sales force. He has previously worked with SKS Microfinance, Muthoot, Sambandh Finserv and Midland Microfin Ltd.
Designation:	Regional Manager - Microfinance	
Qualification:	Graduate	
Name:	Ishwar Singh Chawda	<ul style="list-style-type: none"> Ishwar has around 18 years of experience in Microfinance Business Development, Client Relationship
Designation:	Regional Manager - Microfinance	
Qualification:	Graduate	

		and Training and Development. He has expertise in business expansion in new area, Risk mitigation and can manage large volumes of sales force. He has previously worked with Bharat Financial, RBL Finserv Limited.
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SMERA Observations:

- Sindhuja's senior management has adequate experience across sectors such as microfinance, Banking, finance, and development sector.
- A majority of the senior management members have been associated with it for long tenure and have risen from ranks.
- Sindhuja has dedicated department wise / function wise heads and no major functional overlaps have been observed.
- The senior management reports to the MD/COO.

Highlights of Microfinance Operations

Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
No. of States	05	05	06	07
No. of Districts	36	41	64	79
No. of Branches	56	70	114	143
No. of Active Members	377	477	725	832
No. of Active Borrowers	84253	116058	171455	202650
No. of Total Employees	377	477	725	832
No. of Field/Credit Officers	232	307	451	500
Owned Portfolio				
Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
Total loan disbursements during the year (in crore)	179.29	184.10	412.23	272.44
Total portfolio outstanding (in crore)	143.78	213.69	386.69	493.84
BC/Managed Portfolio				
Particulars	31/Mar/2020	31/Mar/2021	31/Mar/2022	30/Sept/2022
Total portfolio outstanding (in crore)	31.78	38.30	47.13	30.00

Strengths and weaknesses pertaining to Code of Conduct

Strengths	Weaknesses
<ul style="list-style-type: none"> • Board with rich experience from Microfinance and finance background. • Experienced and qualified management with more than a decade of experience in MFI industry. • Sindhuja has more one-third of its board members as Independent directors. • Transparency in loan pricing and policies. • Adequate software based MIS to handle current scale of operations. • Compulsory training on products terms and conditions to client prior to every loan. • Compulsory check on over indebtedness of every borrower. • Board approved policies, compliant with the RBI guidelines. • Code of Conduct framed as per the Sindhuja's mission, vision, values and displayed in all branch offices & HO. • Awareness among the staff on RBI compliance was found to be moderate to high. • Membership with MFIN. • Credit policies are well established documented and communicated. • Adequate loan appraisal & monitoring systems. • Efficient systems and strong internal audit team to check misappropriations and regular monitoring of compliance. • Data sharing with four credit bureaus i.e. Experian, Equifax and High Mark and CIBIL. 	<ul style="list-style-type: none"> • It has an effective system to record complaints received at the helpline number. However, very limited entries were observed in complaint registers maintained at the branch level. • Circular files were not updated in some of the assessed branches. • Awareness of the Branch Managers on RBI compliance was found to be moderate.

Significant Observations

HIGHER ORDER INDICATORS	
Integrity and Ethical Behaviour	<ul style="list-style-type: none"> • The MFI have the policy to place reports on COC compliance before the board at the end of every financial year. • The audit committee of the Board reviews the adequacy of audit staff strength and scope of Internal Audit. • Board has approved a policy of recovering delinquent loans. • MFI prepares monthly reports about the number, nature and resolution of grievances and feedback received for management review and same is presented to audit committee set up at board level. • The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year and the same is mentioned in the HR manual. • In all the branches visited, the contact number and address of SRO nodal official was properly displayed. • Awareness among staff on MFIN grievance redressal mechanism was found to be moderate to high. • The MFI have the policy to place reports on COC compliance before the board. • Fixed Component compensation of staff is not impacted in event of overdues. Sindhuja, in its fair practices code provides importance for transparency in pricing and clear communication to the clients.
Sensitive Indicators	<ul style="list-style-type: none"> • Clients interviewed were aware of the charges and price for all services availed. • Awareness among the staff on RBI guidelines was found to be moderate. • There are no adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • Sindhuja shares accurate data with all credit bureaus on a frequency prescribed by SRO. • Sindhuja does not charge any extra fees from client apart from insurance premium. The loans are issued to the clients without any collateral and no security deposit is accepted. Further no penalty is charged for overdue and pre-closure of loans. The organization also has a well-documented policy on pre-payments. • The MFI gets an external CA agency to certify its compliance with RBI's directions.

BUILDING BLOCKS	
Transparency	<ul style="list-style-type: none"> • Awareness among the staff on RBI guidelines was found to be moderate. • Sindhuja has documented the pricing of its loan products in its operational manual. In the assessed visited loan documents had been maintained in local languages. • Circulars with the most recent directions were available in the visited branches. • Sindhuja in its fair practices code provides importance for transparency in pricing and clear communication to the clients. • The loan interest rate is mentioned on the loan passbook and sanction letter provided to the client. • Sindhuja does not enter into loan agreement with the borrowers and does not share any sanction letter to the borrowers; however, the MFI loan passbook with all terms and conditions. • Audit committee verifies through the audit reports whether all clients have received the necessary loan documents. • Sindhuja has displayed the details of the loan products including their interest rates and client grievance redressal system on its website. • Sindhuja provides acknowledgement to the clients while they apply for loan. • Sindhuja provides receipts to the borrowers after paying each installment.
Client Protection	<ul style="list-style-type: none"> • Sindhuja has a board-approved policy regarding client data security. • Sindhuja accepts voter ID card as primary KYC and verifies the same through online portal. • Employees are trained on aspects of appropriate behavior with the clients. • Sindhuja has documented policy on client data security which forms part of its fair practice code. • Sindhuja has framed a Fair Practice Code and has also adopted the RBI fair practices code. • Employees are trained on aspects of appropriate behavior with the clients. • Staffs were found to be aware of the need to have professional conduct with the clients.
Governance	<ul style="list-style-type: none"> • Sindhuja maintains high standards of governance by inducting persons with good and sound reputation as members of Board of Directors/Governing body. • Sindhuja has more than 1/3rd of independent persons in its Governing Board. The Board is actively involved in all policy formulations and other important decisions.

	<ul style="list-style-type: none"> • Sindhuja has disclosed its MD's compensation in its audited reports (Ref. Audit Report 2022). • An audit committee of the Board with an independent director as chairperson. • The MFI has got its accounts audited in a timely manner after the end of the most recent financial year. • No adverse observations in the Auditor's report regarding accounting standards followed by the MFI. • Action taken report based on the last audit report was available in the branches visited.
<p style="text-align: center;">Recruitment</p>	<ul style="list-style-type: none"> • Sindhuja's board has reviewed its recruitment policies at least once annually. • The MFI has a defined and documented process for responding to reference check requests. • There is documentary evidence to suggest that MFI has honored the notice period for all employees who have left it. • MFI obtain NOC or relieving letter from the previous employee, in case employees are recruited from other MFIs. • The MFI has a practice that when it recruits staff from another MFI, the said staff will not be assigned to the same area he/she was serving at the previous employer for a period of one year and the same is documented in HR Manual.
<p style="text-align: center;">Client Education</p>	<ul style="list-style-type: none"> • Sindhuja in its fair practices code provides importance for raising clients' awareness of the options, choices and responsibilities regarding financial products and services • Sindhuja does not charge clients for the trainings provided to clients by itself or through a related party. • Awareness among client on annualized Interest rate & Insurance claim settlement process was found to be moderate to high.
<p style="text-align: center;">Feedback and Grievance Redressal</p>	<ul style="list-style-type: none"> • The Board has approved a policy for redressal of its clients' grievances, which requires board to be updated on the functioning of grievance redressal mechanism. • MFI prepares monthly reports about the number, nature and resolution of grievances and feedback received for management review and same is presented to audit committee set up at board level. • Sindhuja has a policy on time frame and process for client's complaint resolution. • Clients were found to be aware of the helpline number. • Feedback mechanisms are regularly tracked and monitored. • In all the branches visited, the contact number and address of MFIN nodal official was properly displayed.

	<ul style="list-style-type: none"> • Complaints lodged through helpline at H.O and branches are documented and resolved. • Awareness among client and staff on SRO grievance Redressal mechanism was found to be moderate. • Dedicated team at HO level to document and follow up on the client complaints.
Data Sharing	<ul style="list-style-type: none"> • Operational data and financial data for FY 2022 is available on the website of Sindhuja. • MFI has a well-defined process for sharing data with the credit bureaus. • MFI has provided data called for by SRO and RBI as and when required as per compliance. • Sindhuja shares accurate data with all credit bureaus on a frequency prescribed by SRO. • Sindhuja performs compulsory credit bureau checks for all its clients.

COCA Methodology

The Code of Conduct Assessment (COCA) tool was developed as a response to the need expressed in a meeting of stakeholders in Indian microfinance by the Small Industries Development Bank of India (SIDBI) and the World Bank in December 2009. The code of conduct dimensions were identified by reviewing the various norms for ethical finance. These included RBI's fair practices guidelines for Non-Banking Financial Companies, industry code of conduct (Sadhan-MFIN) and Smart Campaign's Client Protection Principles (CPP).

In 2016, need was felt to harmonize COCA to the most recent industry code of conduct and to standardize COCA tools of different rating/assessment agencies. This grading is based on the harmonized COCA tool. In the harmonized COCA tool, the dimensions were classified in three categories – highest order, higher order and building blocks. This grading is based on the harmonized COCA tool.

Highest Order	
Sensitive Indicators	
Higher Order	
Integrity & Ethical Behaviour	
Building Blocks	
Governance	Client Protection, Recruitment
Transparency	Feedback/Grievance Redressal
Client Education	Data Sharing

Chart: COCA Indicators Framework

Number of indicators in each category is presented below

Higher Order Indicators	Number of Indicators
Integrity and Ethical Behaviour	32
Sensitive indicators	26
Building Blocks	Number of Indicators
Transparency	40
Client Protection	122
Governance	30
Recruitment	13
Client Education	14
Feedback & Grievance Redressal	25
Data Sharing	6
Total	250

Methodology

The Code of Conduct exercise is spread over four to eight days. The first day is spent at the head office. The assessment team visits the branches over the next three to eight days. Depending upon the size and the operational area of the MFI, eight to fifteen branches and between 120 and 300 clients are sampled for primary survey (except in cases where number of branches in an MFI is less than eight).

Sampling guidelines

The following is taken as the guideline to determine the sample size for a COCA exercise.

MFI Size	No. of branches to be visited	No. of borrowers to be visited
Small MFI (Less than 8 branches)	All branches	15 clients per branch covering minimum two centers.
Small / Mid-size MFI (up to 2,50,000 borrowers)	8 – 10 branches (geographically distributed)	120-150 clients (15 clients per branch covering minimum two centers).
Large MFI (>2,50,000 borrowers)	12 – 15 branches (geographically distributed)	240-300 clients (20 clients per branch covering minimum two centers).
Large MFI (>2,50,000 borrowers) and having gross loan portfolio (GLP) > Rs 500 crore	18 – 20 branches (geographically distributed)	360-400 clients (20 clients per branch covering minimum two centers).

Code of Conduct Assessment exercise requires:

1. Discussions with key staff members and the senior management at the head office, particularly the senior operational management team as well as the human resources team. These discussions focus on key issues of the code of conduct identified above.
2. Review of policy documents and manuals at the head office. These are reviewed in order to assess the policy as well as documentation regarding important aspects of the code of conduct. The last audited financial statements will also be required.
3. Sampling of branches at the head office. The assessment team samples branches for review. The branches are chosen in across different states in case the MFI operates in more than one state. Care is exercised to include older branches as well as branches that are distant from the head office or the regional office. The sampling of the branches is performed at the head office of the MFI.
4. Discussions with the branch staff at the branch office. Discussions with branch managers and the field staff is carried out to assess their understanding of the key code of conduct principles.
5. Sampling of respondents in the selected branches. A judgmental sampling is performed on the MFI's clients by the assessment team to draw respondents from the interest group, in order to maximize the likelihood that instances of non-adherence can be detected.
6. Interview with the clients. Information from the clients is collected ideally during the group meetings. If this is not possible, visits are made to the clients' locations for collecting information.
7. Review of loan files at the branch office. This review focuses on loan appraisal performed before disbursing loans as well as the documents collected from the clients.

As part of this assessment, we observed all branches and interacted with Branch Staff and Borrowers of the MFI through call/video conferencing during the Covid situation. The details of the branches are provided below.

Sr No	Branch	State	No of clients interviewed
1.	Degana	Rajasthan	20
2.	Dungla	Rajasthan	22
3.	Mandalgarh	Rajasthan	19
4.	Lachhmangarh	Rajasthan	18
5.	Daltonganj	Jharkhand	23
6.	Giridih	Jharkhand	20
7.	Koderma	Jharkhand	21
8.	Hazaribagh	Jharkhand	22
Total			165

About SMERA Ratings

SMERA, widely known as 'The SME Rating Agency', was conceptualised by Ministry of Finance, Govt. of India and the Reserve Bank of India to help Indian MSMEs grow and get access to credit through independent and unbiased credit opinion that banks can rely on. Thus, SMERA became world's first MSME focused rating agency and introduced the concept of SME Ratings in India. SMERA offers SME Ratings, New Enterprise Credibility Scores, SME Credit Due Diligence and SME Trust Seal to Indian MSMEs to help lenders take informed decisions.

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