

**MUDRA**
**Eligibility Criteria for Partner Institutions**

Micro Units Development & Refinance Agency Limited (MUDRA) has adopted the eligibility norms in respect of the partner lending institutions for the purpose of availing refinance from MUDRA for lending to micro units in manufacturing, trading and service sectors in rural and urban areas.

**I. SCHEDULED COMMERCIAL BANKS (SCBs):**

Public Sector Banks	Private Sector / Foreign Banks
Eligible limit shall be exposure limit approved on the basis of exposure framework for Banks.	

**II. REGIONAL RURAL BANKS (RRBs):**

	Regional Rural Banks
Level of NPA	Level of Net NPAs equal to or less than 10%.
Net profit	Net profit for preceding 2 years.
CRAR	CRAR as stipulated by RBI.
Networth / nof	Net worth above ₹ 50 crore.

**III. SMALL FINANCE BANKS (SFBs):**

S. No.	Parameter	Criteria
1	Eligible Institution	<p><b>Small Finance Banks</b> [hereinafter referred to as "SFBs" or "Primary Lending Institutions"] meeting the following criteria:</p> <p>Should have been granted final license by Reserve Bank of India (RBI) for carrying on business as Small Finance Bank and have commenced operations as a SFB.</p> <p>The SFB/previous entity prior to conversion into SFB (taken together) should have earned profits during last 2 financial years.</p>

2	Benchmark for Sanction	Eligible limit shall be exposure limit approved on the basis of exposure framework for Banks.
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#### IV. URBAN COOPERATIVE BANKs (UCBs):

S. No.	Parameter	Criteria																													
1	Eligible Institution	<b>Urban Cooperative Banks</b> [hereinafter referred to as "UCBs" or "Primary Lending Institutions"] meeting the following criteria:																													
		Should have been included in the Second Schedule of RBI Act 1934																													
		Should not be brought under Supervisory Action Framework of RBI in preceding 2 financial years. No monetary penalty should have been imposed in last three years.																													
2	Benchmark for Sanction	<table border="1"> <thead> <tr> <th>Sr No</th> <th>Parameters</th> <th>Indicator</th> <th>Benchmark Norms</th> <th>Relaxation Cap</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Capital</td> <td>CRAR in last 2 years</td> <td>11.5%</td> <td>No</td> </tr> <tr> <td>2</td> <td>Net Worth (Preceding Audited FY)</td> <td>Net Worth</td> <td>₹ 100 crores</td> <td>No</td> </tr> <tr> <td>3</td> <td rowspan="2">Asset Quality (Preceding Audited FY)</td> <td>Gross NPA</td> <td>&lt;7%</td> <td>No</td> </tr> <tr> <td>4</td> <td>Net NPA</td> <td>Not more than 3%</td> <td>No</td> </tr> <tr> <td>5</td> <td>Earning</td> <td>Profitability</td> <td>Earning net profit in at least 3 out of the last 4 years. In case of a net loss in any of the years, the UCB should have registered an operating profit.</td> <td>No</td> </tr> </tbody> </table>	Sr No	Parameters	Indicator	Benchmark Norms	Relaxation Cap	1	Capital	CRAR in last 2 years	11.5%	No	2	Net Worth (Preceding Audited FY)	Net Worth	₹ 100 crores	No	3	Asset Quality (Preceding Audited FY)	Gross NPA	<7%	No	4	Net NPA	Not more than 3%	No	5	Earning	Profitability	Earning net profit in at least 3 out of the last 4 years. In case of a net loss in any of the years, the UCB should have registered an operating profit.	No
		Sr No	Parameters	Indicator	Benchmark Norms	Relaxation Cap																									
		1	Capital	CRAR in last 2 years	11.5%	No																									
		2	Net Worth (Preceding Audited FY)	Net Worth	₹ 100 crores	No																									
		3	Asset Quality (Preceding Audited FY)	Gross NPA	<7%	No																									
		4		Net NPA	Not more than 3%	No																									
		5	Earning	Profitability	Earning net profit in at least 3 out of the last 4 years. In case of a net loss in any of the years, the UCB should have registered an operating profit.	No																									

**V. NON BANKING FINANCE COMPANIES (NBFCs) :**

S. No.	Parameter	for Assets size $\geq$ ₹ 500 crore	for Assets size $\leq$ ₹ 500 crore
1	Type of NBFC	<ul style="list-style-type: none"> <li>NBFC-Asset Finance Companies (AFC) / NBFC- Loan Companies (LC) i.e. Investment &amp; Credit Companies (for income generating activities supported by CA Certificate that 60% of the income comes from productive assets).</li> <li>Two Tier NBFCs extending loan / resource support to MFIs (both NBFC-MFIs and non-NBFC MFIs complying with RBI norms for NBFC-MFIs or priority sector status) for on lending to ultimate borrowers would also be considered (<b>This category of NBFCs are eligible for assistance from MUDRA's Net owned funds only</b>).</li> <li>The NBFC should be registered with RBI as Asset Finance Company (AFC) or Loan Company (LC), rechristened as Investment &amp; Credit Company.</li> </ul>	
2	Track record	<ul style="list-style-type: none"> <li>NBFC should be in current line of business for 5 years and should have earned profit for last 3 years. In case losses in FY 2021 have been reported, then FY 2019, 2020 and 2022 have to be profitable with cash profit in FY 21.</li> <li>In case of the NBFCs financing second hand vehicles the NBFC need to have experience of 3 years in the activity and also have recorded profit during the period. In case losses in FY 2021 have been reported, then FY 2019, 2020 and 2022 have to be profitable with cash profit in FY 21.</li> </ul>	
3	Net owned funds and Asset size:	<ul style="list-style-type: none"> <li>Minimum Net owned fund of ₹20 crore and Minimum Asset size of ₹500 crore</li> </ul>	<ul style="list-style-type: none"> <li>Minimum Net owned funds of ₹15 crore and minimum Asset size of ₹25 crore</li> <li>The NBFC normally has done lending business of at least ₹20crore during the immediately preceding financial year. Suitable relaxation may be considered by sanctioning Committee for minimum lending business criteria.</li> </ul>

S. No.	Parameter	for Assets size $\geq$ ₹ 500 crore	for Assets size $<$ ₹ 500 crore
4	External Rating Norms:	<ul style="list-style-type: none"> <li>External long term rating range of BBB+ and above.</li> <li>Need based relaxation up to BBB- may be considered by sanctioning Committee for NBFCs with asset size greater than 500 crore.</li> </ul>	<ul style="list-style-type: none"> <li>External long term rating range of BB- and above.</li> </ul>
<p>In case the NBFC does not have the minimum eligible rating and the NBFC is agreeable to furnish a Guarantee of another NBFC/Corporate having an external rating of AA and above, relaxation in such cases may be considered by Sanctioning Committee. <i>External rating to be monitored on quarterly basis.</i></p>			
5	Internal rating Norm	(i) 60% in the Score Card and (ii) 50% in the score card for two tier NBFCs.	
6	CRAR	CRAR – Minimum of 15% or as stipulated by RBI	
7	DER	$\leq$ 7:1 (excluding off-balance sheet portfolio)	

**VI. MICRO FINANCE INSTITUTIONS (MFIs) :**

Sr. No.	Eligibility / Other Parameter	Portfolio (AUM including off balance sheet)		
		Small - <= ₹ 100 Cr.	Medium - Above ₹ 100 Cr. to < ₹ 500 Cr.	Large - Above ₹ 500 Cr.
a	Entity type	Registered Legal Entity (NBFC-MFI, Society, Trust etc.) To meet the parameters stipulated by RBI from time to time for being qualified as NBFC-MFI.		
b	1. Profitable Track Record	Latest Two years profitable track record. In case losses in FY 2021 have been reported, then FY 2019, 2020, 2022 have to be profitable with cash profit in FY 21.  Note: To be verified from Audited Financials of latest two years, with cut-off date as July 31. If application is submitted on or before July 31, audited financials for two years and unaudited for the latest year are to be reviewed.		
	2. Business Vintage	i) Three completed years in Micro Finance business.  ii) In order to consider proposals from such MFIs, which are promoted by experienced and resourceful professionals and / or are being backed by established PE funds, a pilot, with an exposure of ₹ 100 crore, shall be implemented, where MFIs, with two completed years in Micro Finance business, can be considered. The MFI should have operations in aspirational districts / LWE / North-east region, with a max single party exposure of ₹ 5 crore.  iii) Declaration from Statutory Auditors for commencement of micro finance operations.		
c	Takeover of existing Microfinance operations by another entity	In case of NBFC-MFIs or any other MFI set up by taking over the existing MF operations of another entity, then, track record of the earlier entity can be considered for existence, past ratings etc., guidelines relating to value of FDRs to be placed as security etc., subject to continuity of promoters/ senior management / transfer of major (> 60%) part of the Microfinance operations of the earlier entity.		
d	NOF	Presently, Minimum Net Owned Funds (NOF) of ₹ 5 crore. For NBFC-MFIs registered in North Eastern Region of the country, the minimum NOF requirement shall stand at ₹ 2 crore, for both categories, as defined by RBI from time to time.		

Sr. No.	Eligibility / Other Parameter	Portfolio (AUM including off balance sheet)		
		Small - <= ₹ 100 Cr.	Medium - Above ₹ 100 Cr. to < ₹ 500 Cr.	Large - Above ₹ 500 Cr.
e	Number of existing borrowers	Having minimum out reach of 10,000 existing borrowers.	Having minimum out reach of 30,000 existing borrowers.	Having minimum out reach of 1,00,000 existing borrowers.
		<ul style="list-style-type: none"> <li>• Self-declaration from the MFI to be obtained.</li> <li>• Relaxable on case to case basis by the Sanctioning Committee.</li> </ul>		
f	Capacity Assessment Rating Note : (Capacity Assessment Grading has been stipulated based on the portfolio of the MFI)	Should have received minimum Capacity Assessment Grading of mfr5 of CRISIL or equivalent.	Should have received minimum Capacity Assessment Grading of mfr4 of CRISIL or equivalent.	
g	Internal Rating Norms	<p>(i) Aggregate score of 45% in the Score Card for MFIs</p> <p>(ii) Score of 60% in 7 MFI specific parameters, i.e. Asset quality, Gearing, NIM, RoA, Liability concentration, equity infusion and optimal/ diversified mix of resources</p>		
h	MFI density	MFI with 50% or more of its portfolio in Karnataka, Tamil Nadu, Odisha, West Bengal and Bihar - Minimal MFI grading equivalent of CRISIL is Mfr4.		
i	Bank Loan Rating	Should have Bank Loan Rating (BLR) with minimum acceptable investment rating in which the proposed lending from MUDRA shall be duly mentioned as part of current borrowings rated under the Rating. (Refer to Table given at Annexure). BLR is applicable only to exposures above ₹5 crore.		
j	Systems and processes	Should have suitable systems, processes and procedures such as internal accounting, risk		

Sr. No.	Eligibility / Other Parameter	Portfolio (AUM including off balance sheet)		
		Small - $\leq$ ₹ 100 Cr.	Medium - Above ₹ 100 Cr. to $<$ ₹ 500 Cr.	Large - Above ₹ 500 Cr.
		management, internal audit, MIS, cash management, etc.		
k	CRAR	NBFC-MFIs – As stipulated by RBI from time to time, currently 15%. Other MFIs – 15%;		
l	Compliance to RBI guidelines including pricing guidelines etc.	To comply with the guidelines issued by RBI from time to time.		
m	Recovery performance / Collection Efficiency	Average recovery performance/Collection Efficiency not less than 95% for last 6 months.  Relaxable upto 90% (on case to case basis)		
n	Portfolio at Risk (PAR) $>$ 90 days (net)	Portfolio at Risk $>$ 90 days (net) below 5% (relaxable upto 7% only in case of existing customers with satisfactory track record in the last 12 months.)  PAR is considered for last six months		
o	Member of Credit Bureaus	Should be member of existing credit bureaus as notified by RBI from time to time.		
p	Minimum loan requirement	₹ 0.50 crore		
q	Uploading of data on MUDRA's Online Portal	Should be uploading the data on Performance and also NPA status on MUDRA's Online Portal / agree to upload the data at regular intervals		
r	Debt Equity Ratio	7:1 for NBFC MFIs 10:1 for non-NBFC MFIs (Excluding BC Portfolio)		

*Above Eligibility Criteria are updated on May 12, 2022. These criteria shall be reviewed at least annually or on a more frequent basis as deemed fit by MUDRA.*

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