

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 on-lending to micro units in manufacturing, trading and service sectors in rural and urban areas.

I. SCHEDULED COMMERCIAL BANKS:

	Public Sector Banks	Private Sector / Foreign Banks	Regional Rural Banks
LEVEL OF NPA	Level of Net NPAs not exceeding 15%.	Level of Net NPAs not exceeding 10%.	Level of Net NPAs equal to or less than 3%.
NET PROFIT	Should have earned profit during the last 2 years, failing which minimum external rating of long term instruments not below A-(minus) from accredited credit rating agencies.		Net profit for preceding 2 years.
CRAR	CRAR as stipulated by RBI.		

NETWORTH	Net-worth above Rs.250 crore.	Net worth above Rs.50 crore.
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II. Small Finance Banks (SFBs)

1	Eligible Institution	Small Finance Banks [hereinafter referred to as "SFBs" or "Primary Lending Institutions"] meeting the following criteria:
		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.
		The SFB/previous entity prior to conversion into SFB (taken together) should have earned profits during last 2 financial years. Sanctioning Committee may consider need based relaxation in respect of SFBs which have reported Net Loss during the previous and/or current F.Y. on merits of each case, provided they have a minimum BBB+ rating of long term instruments.

2	Benchmark for Sanction	Parameters	Benchmark Norm
		Net-worth	> or=Rs.100 crore
		CRAR	➤ or = 15%
		Gross NPA	< or = 5%
		Net NPA	< or = 3%
		DER #	<10:1
		External Ratings norm	External long term rating of BBB+ and above.

III. Microfinance Institutions (MFIs)

Sr. No.	Eligibility Parameter	Portfolio (AUM including off balance sheet)		
		Small - <Rs.100 Cr.	Medium - Above Rs.100 Cr. to <Rs.500 Cr.	Large - Above Rs.500 Cr.
a.	Entity type	Registered Legal Entity (NBFC-MFI, Society, Trust etc.)		
b.	Vintage	Three years profitable track record.		
c.	NOF	Presently, Minimum Net Owned Funds (NOF) of Rs.5 crore. For NBFC-MFIs registered in North Eastern Region of the country, the minimum NOF requirement shall stand at Rs.2 crore, for both categories, as defined by RBI from time to time.		
d.	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.
e.	Capacity Assessment Rating	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.	
f.	Concentration of portfolio	MFI with 50% or more of its portfolio in A.P, Telangana, Karnataka, Kerala, Tamil Nadu, Puducherry, Odisha and West Bengal - Minimal MFI grading equivalent of CRISIL is Mfr4.		

Sr. No.	Eligibility Parameter	Portfolio (AUM including off balance sheet)		
		Small - <Rs.100 Cr.	Medium - Above Rs.100 Cr. to <Rs.500 Cr.	Large - Above Rs.500 Cr.
g.	Rating for exposure above Rs.25 crore	For exposure above `25 Crore by MUDRA. MFI should have undergone at least 3 ratings with eligible investment grades as per MUDRA's/SIDBI's guidelines at that time with the latest rating grade of at least MfR3.		
h.	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.		
i.	Systems and processes	Should have suitable systems, processes and procedures such as internal accounting, risk management, internal audit, MIS, cash management, etc.		
j.	CRAR	NBFC-MFIs – As stipulated by RBI from time to time, currently 15%. Other MFIs – 15%		
k.	Compliance to RBI guidelines including pricing guidelines etc.	To comply with the guidelines issued by RBI from time to time.		
l.	Recovery performance /	Recovery performance/Collection Efficiency (month on month) not less than 95%.		

Sr. No.	Eligibility Parameter	Portfolio (AUM including off balance sheet)		
		Small - <Rs.100 Cr.	Medium - Above Rs.100 Cr. to <Rs.500 Cr.	Large - Above Rs.500 Cr.
	Collection Efficiency			
m.	Portfolio at Risk (PAR) > 90 days	Portfolio at Risk > 90 days below 3%.		
n.	Member of Credit Bureaus	Should be member of existing credit bureaus as notified by RBI from time to time.		
o.	Minimum loan requirement	Rs.0.50 crore		
p.	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		
q.	Debt Equity Ratio	7:1 for NBFC MFIs 10:1 for non-NBFC MFIs		

III. Non-Banking Finance Companies (NBFC)

Parameter	for Assets size \geq Rs.500 crore	for Assets size \leq Rs.500 crore
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1	Type of NBFC	<p>NBFC-Asset Finance Companies (AFC) / NBFC- Loan Companies (LC) (for income generating activities supported by CA Certificate that 60% of the income comes from productive assets).</p> <p>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</p> <p>The NBFC should be registered with RBI as Asset Finance Company (AFC) or Loan Company (LC).</p>	
2	Track record	<p>NBFC should be in business for 5 years and should have earned profit for last 3 years</p> <p>In case of the NBFCs financing second hand vehicles the NBFC needs to have experience of 3 years in the activity and also have recorded profit during the period</p>	
3	Net owned funds and Asset size:	<p>Minimum Net owned fund of `20 crore and Minimum Asset size of Rs.500 crore</p>	<p>Minimum Net owned funds of `15 crore and minimum Asset size of `25 crore</p> <p>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.</p>
4	External Rating Norms:	<p>External long term rating range of BBB+ and above.</p> <p>Need based relaxation up to BBB- may be considered by sanctioning Committee for NBFCs with asset size greater than 500 crore.</p>	<p>External long term rating range of BB- and above.</p>
5	CRAR	<p>CRAR – Minimum of 15% or as stipulated by RBI</p>	

6	DER	<= 7:1																				
7	NPA Norm	<table border="1"> <thead> <tr> <th>NBFC rating</th> <th>Gross NPA</th> <th>Net NPA</th> </tr> </thead> <tbody> <tr> <td>AAA</td> <td><10%</td> <td><5%</td> </tr> <tr> <td>AA</td> <td><8%</td> <td>= <4%</td> </tr> <tr> <td>A</td> <td>= <6%</td> <td>= <3%</td> </tr> <tr> <td>Below A</td> <td>= <5%</td> <td><3%</td> </tr> <tr> <td colspan="3">No relaxation</td> </tr> </tbody> </table>			NBFC rating	Gross NPA	Net NPA	AAA	<10%	<5%	AA	<8%	= <4%	A	= <6%	= <3%	Below A	= <5%	<3%	No relaxation		
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