

November 7, 2012

Shri Gobinda Chandra Pattanaik,
Managing Director,
Annapurna Microfinance Pvt. Ltd.
97, Dharmavihar, Khandagiri
Bhubaneswar - 751030,
Odisha

Confidential

Dear Sir


Grading of Micro Finance Institution (MFI)

Please refer to our letter dated October 30, 2012 on the captioned subject.


2. As already advised, our Rating Committee has assigned a grading of 'MFI 3+' (MFI **Three Plus**) to your organisation.
3. The rationale for the grading is enclosed as an **Annexure - I** to this letter.
4. CARE's grading is an opinion of CARE on the relative capability of the organisation to undertake micro-financing activity and does not constitute a recommendation to buy, hold or sell any financial instrument issued by the organisation or to make loans/ donations/ grants to the said organisation.

Thanking you,

Yours faithfully,


(R. Malpani)
Analyst

Encl. - As above


(A. Saha)
Asst. General Manager

Annapurna Microfinance Pvt. Ltd

MFI Grading Report

Year of incorporation	1986 (as Gwalior Finance and Leasing Company Private Limited)	<p style="text-align: center;">MFI 3+</p> <p>Fourth on the eight point scale with "MFI 1" being the highest and "MFI 5" being the lowest</p>
Legal status	NBFC	
Year of acquisition	2009 (Renamed as Annapurna Microfinance Private Limited in February 2010)	
Year of commencement	March 2010	
Lending model	Self Help Group	
Managing Director	Mr. Gobinda Pattanaik	
Whole Time Director	Mr. Dibyajyoti Pattanaik	
Number of states of operation	2 (as on August 31, 2012)	
Branches	34 (as on August 31, 2012)	
Employees	304 (as on August 31, 2012)	

CARE has assigned grading of '**MFI 3+**' **Annapurna Microfinance Pvt. Ltd (AMPL)**. Grading is assigned on a eight point scale with 'MFI 1' being the highest and 'MFI 5' being the lowest. There is no individual definition for each grading. CARE's MFI grading is a measure of overall performance of the MFI based on TOSS framework.

Credit Analysis and Research Ltd

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TOSS FRAMEWORK

Transparency		
		High
<ul style="list-style-type: none"> ○ Constituted as a private limited company. ○ Registered with RBI as Non Banking Finance Company (NBFC). Legal form is subjected to greater regulatory norms and reporting. ○ Experienced Board of Directors with three independent directors out of five. ○ Existence of monitoring committees like audit, HR & credit committee, etc. ○ Credit policies are well established documented and communicated. ○ Transparency in lending process is adequate. ○ Transparency in usage of funds is adequate. ○ Overall disclosures are adequate. ○ Internal audit team is present; and it covers each branch at least once in a month and prepares and submits audit report on monthly basis. 		
Operational Setup		
		Strong
<ul style="list-style-type: none"> ○ Currently PF (Society) provides infrastructure support to AMPL and AMPL sharing operating expenses in proportionate to portfolio outstanding branch wise with PF. ○ Majority shareholding is with the promoters. ○ Long experience of promoters in the area of banking and financial services. ○ Supported by a senior risk management team with rich experience in the microfinance, government and banking sector. ○ Separate departments with no overlapping of roles. ○ Strong loan appraisal & monitoring systems. ○ Adequate system for tracking over-dues. ○ MIS is adequate for current level of operations. ○ Good maintenance of accounting and record ○ Organizes training of employees with senior management and eminent personalities from the field of finance/management. 		
Scale of Operations		
		Medium
<ul style="list-style-type: none"> ○ Small client base. As on March, 2012 it covers 21,543 active borrowers. ○ In terms of gross loan portfolio, amongst small-size MFIs in India. ○ As on March 31, 2012, it had own portfolio outstanding (AUM) of Rs.23.69crore. ○ It operates in 2169 villages covering 19 districts in 2 states. ○ Moderate geographical reach with operations spread into 2 states (as on Aug 31, 2012) but it has to diversify further to reduce its concentration in Orissa. 		
Sustainability		
		Above average
<ul style="list-style-type: none"> ○ Adequate second line of leadership. Majority of the senior management has more than five years of experience in the microfinance sector. ○ Capital adequacy ratio at comfortable levels. ○ Legal form allows equity infusion from the investors. ○ Good asset quality in FY12. However sustenance of asset quality at reasonable levels is yet to be demonstrated. ○ Successfully started tapping securitization route from FY11. ○ AMPL has been able to maintain OSS level above 100% in FY12. However sustenance of OSS at reasonable levels is yet to be demonstrated. ○ AMPL needs to diversify its resource base by capitalizing the remaining resource base of 		

PF for onward lending it to the borrowers.

- Equity infusion from promoters in FY11. In current fiscal too, Incofin, a private equity investor based out of Belgium has infused equity to the tune of Rs. 13 crore.
- Has presence in areas with high penetration of MFIs.
- The sector faces socio-political risks, regulatory uncertainty but has huge unmet potential demand.

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People's Forum (PF) was incorporated as a society in 1990 under society's registration act XXI of 1860 by Mr. Gobinda Pattanaik. It started operation in Khurda district of Orissa with the objective to form and promote self help groups (SHGs) of the poor and oppressed women and to attain improvement in their socio-economic condition through economic activities. Other than micro finance activity, the organization is also involved in various developmental activities for their clients including entrepreneurship development programs, rural marketing, training institutions, business development support services etc.

In FY07, PF segregated its microfinance activity from its developmental activities and created an independent project called 'Mission Annapurna'. PF promotes self help groups (SHGs) consisting of women members and operating in rural and urban areas. On the strategic front, they have realized that with the growing demand for microfinance activities, they would face lots of limitation with the current legal form. In November 2009, the Promoters of PF acquired Gwalior Finance and Leasing Company Private Limited, a NBFC registered in Varanasi (Uttar Pradesh). The name of the NBFC was changed to Annapurna Microfinance Private Limited (AMPL) in February 2010. Currently PF (Society) provides infrastructure support to AMPL wherein AMPL is sharing operating expenses in proportionate to portfolio outstanding branch wise with PF (Society) for accessing infrastructure.

As on August 31, 2012, the organisation had 66,429 individual borrowers (including 23,416 borrowers under PF) with total outstanding portfolio (including managed portfolio) of Rs.41.65 crore. The organization's operation spreads over 2 states (Orissa & Chhattisgarh) with 34 branches covering over 19 districts and 2,013 villages. The operations of the company are managed by a workforce of 304 people.

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AMPL is registered as a private limited company (NBFC) and is headed by a five member board. It is governed by the provisions of the Companies Act 1956 for constitution and selection into board. The board of directors meets on a regular basis to monitor the activities and discuss the financial and operational performance of the company. The board comprises of members from diverse background with rich experience across banking, social development and micro financing sectors. AMPL has been successful in diversifying its profile of board members in past one year with addition of one investment director from Incofin and two independent directors.

Apart from the executive committee headed by the Managing Director, there are special committees like audit committee, credit committee, loan monitoring committee and risk management committee each headed by an experienced professional having rich experience in their domain and meets at an interval of one to three months.

Mr. Gobinda Chandra Pattanaik, Managing Director of AMPL has more than two decades of experience in implementing various social developmental and micro enterprise activities. He is ably assisted by Mr. Dibyajyoti Pattanaik, whole time director and Chief Financial Officer (CFO) of AMPL. He holds a management certificate from Boulder Institute of Management, USA in Micro Finance.

Policies

AMPL has clearly defined and documented credit policies. Credit policy communication is done verbally through group meetings, training sessions and training booklets distributed among the SHG members.

Transparency in lending process

AMPL communicates its lending policies to the borrowers through written documents and its training programs at the group meetings. During the visit by the rating team the SHG borrowers were aware of their monthly installments, their outstanding liabilities and loan eligibility criteria. Loan documents and registers are maintained neatly at branches and borrowers have record of their transactions in the form of 'Loan Pass Book' having all the details of the loans. AMPL calculates interest chargeable on loan amount on reducing balance basis at monthly rest.

Transparency in utilization of funds

AMPL maintains the member wise details of loan portfolio with utilization report for onward submission to the bankers. Besides, AMPL also regularly submits operational and financial

information to other lenders. Every borrower is lent from the funds of one of the lending banks or institutions specifically to keep the transactions transparent and traceable during internal audit and review process of the lenders.

Overall disclosures

AMPL submits its operational and financial information to Sa-dhan to make them available on public domain. It also submits detailed lending information to its bankers and financial institutions. It is also filing its audited results every year with the registrar of companies. Apart from mandatory disclosures, as a part of voluntary disclosure it publishes its operational details and other major updates on its website.

Internal Controls

AMPL has separate internal audit team comprising of six members and headed by Manas Ranjan Pattanaik having more than seven years of experience of working in an MFI. Besides it has separate risk management committee to examine and evaluate AMPL's framework of risk management, control and governance processes. The committee meets at quarterly interval. It verifies and submits its reviews reports on branch functioning, cash holding & insurance limits, branch lending limits and SGH borrowing parameters. The internal audit team members from the head office visit all branches on a monthly basis for audit of its accounts and the receipts, vouchers and all other books maintained at the branch level to ensure adequate control and governance. Thus AMPL has a clearly defined audit calendar.

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Managerial Factors

Management

Shri Gobinda Chandra Pattanaik, founding member and Managing Director, looks after the day-to-day affairs of the organisation along with a dedicated team of professional having rich experience in the field of microfinancing. He has more than two decades of experience in banking, rural credit and priority sector lending. He is ably assisted by his brother Shri. Dibyajyoti Pattanaik, the Whole Time Director cum CFO of AMPL. He played a key role in transformation of Mission Annapurna project of People's Forum to AMPL. Further, they are supported by the highly qualified board of directors having rich experience in varied fields with considerable experience in micro financing & other social developmental activities.

Organisation Structure

The organization's hierarchy is logically structured and well defined to meet the requirements of day to day functioning. It has created separate departments with clearly demarcated roles and responsibilities for handling different functions with no overlapping.



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Level of decentralization of branches

At the branch level, branch manager is responsible for the day-to-day affairs of the concerned branch. The branch manager is supported by field/ credit officers. At the branch level, meetings are conducted twice in a month by the branch manager. This has created a reporting structure for effective ascertainment of branch performance. Staff review meetings are held at the head office on monthly basis. *Disbursement takes place only with the concurrence of the head office credit department. HO also has the final say in sanction of loans and policy matters. Therefore level of decentralization in AMPL is negligible.*

Second line of leadership

The second line of leadership includes all the functional heads. All of them have strong leadership quality and rich experience in the field of microfinance.

Human resources management

Staff strength and experience	<ul style="list-style-type: none"> • Total staff of 304 (as on August 31, 2012) including 171 field assistant /credit officers. Field credit officers are mostly graduates but also include few post graduates. • Experience amongst the field credit officers varies but majority of them have more than 1-3 years experience.
Recruitment and selection	<ul style="list-style-type: none"> • Majority of the recruitment is done through giving newspaper classified advertisements and member referrals. • The recruitment process is centralized at head office and mainly handled by the senior management.
Training systems	<ul style="list-style-type: none"> • Compulsory induction training is given to all new recruits on joining for one month at HO together with on the job practical training at branch level. • At regular intervals, HR & administration department conducts training & development programs in their premises for providing inputs to the existing staff on new policies and procedures and enhances their effectiveness & productivity. • The employees are also sponsored for participating in workshops and training sessions organized by others.
Remuneration and incentive structure	<ul style="list-style-type: none"> • Clearly defined compensation system encompassing basic salary and other incentives. • Incentive structure is based on the overall performance, profitability and assets quality of the branch and monthly incase of field staffs and

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	quarterly incase of administrative staff. Annual increment is also based on performance and branch manager's overall assessment of the staff.
Attrition rate	<ul style="list-style-type: none"> Attrition rate has been around 4.6% in the last one year.

Operational aspects

Operational methodology

AMPL provides loans to Self Help Groups (SHGs) consisting of 10-15 women members. Field Credit Officer (FCO) conducts survey and interacts with the ward member, collects the data of the number of people living in the locality below poverty line. Orientation meeting is conducted by the FCO and Branch Manager (BM) and general overview including the group formation procedures is provided to the persons interested in accessing services from AMPL. The groups are homogeneous based on the economic status and geographical location. Each group elects its president and secretary to manage the operations of the group. AMPL encourages SHG members for savings and supports them in opening a bank account in the name of SHG in the nearest bank. FCO interacts with the members at the SHG meeting and all the activities of the group are done at this level.

Any group member at group meeting can avail internal loan from their savings after discussion with the group members and passing of the resolution for availing loan. After monitoring the performance for a period of six months, groups are considered for sanction of loans.

Application, appraisal, disbursement, collection and overdue management process

Application & Appraisal Process:

AMPL has a systematic loan application process in place. BM along with FCO visits the group for loan assessment. Grading is done by BM and only those groups which score 75% marks or more qualify for next level of screening by the Appraisal officers at the HO level. At the branch level, AMPL has branch credit committee consisting of BM, FCO, Appraisal Officer and AM. Head office credit committee consists of CEO, COO, CFM, Operation Manager (OP), Risk Manager (RM) and ZM. Head office credit committee sanctions the loan proposal based on the recommendation of the BM, AM, Appraisal Officer and on the past repayment history of the groups (if any). Head office credit committee members also directly interact with SHG members over the phone for further assessment of the borrowers. At the time of appraisal, AMPL tracks the percentage of the clients that are borrowing from other banks or MFIs through High Mark Credit Bureau and cross checks it with the self declaration form collected from the clients. The FCO collects the loan application from each group along

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with supporting documents such as the voter ID card and/or ration card for compliance with KYC guidelines.

Loan appraisal process is centralized with branch managers giving recommendation for loan approval, but final authority of the same lies with HO.

Disbursement process:

AMPL has well-defined loan disbursement practices. Based on the final approval from the head office, the credit committee issues sanction letter to the accounts department. The account manager checks availability of funds and cheques are issued at the HO level with signatories being the CEO and AM. Cheque is handed over to the operation department (disbursement officer) for withdrawal or in the cases where AMPL has opened a bank account at the branch level. The accountant directly transfers funds through RTGS to the concerned bank account of the branch. AM has authority to withdraw cash from the bank. The loan is disbursed in cash by the BM of the concerned branch in the presence of the operation team member, AM and FCO to borrowers at branch office and collects insurance premium and loan processing fees from the borrowers. At the time of disbursement, following documents are collected from the SHG members.

- Interest Agreement of the SHG group
- Demand promissory note

AMPL provides individual pass book and repayment schedule to the SHG members for tracking of the future repayments.

Loan collection and Overdue Monitoring process:

AMPL has reasonable loan collection and overdue monitoring systems. BM verifies the demand collection sheet along with the record kept at the branch level and issues demand collection sheet (via hard copy) to FCO. Prior to the recovery of loan, FCO conducts pre-recovery visit and informs the borrowers about the repayment date and amount.

Repayment/collection is done at the SHG meeting by the FCO on a monthly basis. FCO has the receipt book in their custody and every time the repayment is collected from the SHG, money receipt is issued. Cash collected is deposited to the branch bank account on the same day if collected before closure of banking hour otherwise deposited in the next day and the collection details are updated in the EMI register maintained at the branch level. BM does the cash reconciliation as per the information filled in the EMI register filled by each FCO. The same is also verified by scrutinizing demand collection sheet with the bank receipts. In overdue cases, FCO does the follow-ups in the initial stages and if the overdue period is elongated then the branch manager steps in to make the recovery. In case of non-recovery of loan by the

branch manager, area manager, operations team and risk management team step in at subsequent stages and make efforts for recovery.

During the visit of the rating team, the groups confirmed that AMPL does not resort to coercive practices for the recovery of the loan amount in the event of delays or defaults of repayments.

Management Information Systems

AMPL has a systematic accounting and MIS system which has been evolving along with the growth in operations. Operational data is maintained in FIMO, an off line software developed by a private vendor (Jayam Solutions) at each of its branches and head office and is able to generate the necessary reports. There exist separate user accounts at the branch level and rights to access are defined for different users at the HO. The present MIS is adequate for the current level of operations, but with expected surge in operations in future, AMPL has undertaken the initiative of moving to the real time platform by implementing web based software.

AMPL is also piloting a mobile technology which will facilitate instant recording of collection information as well as enhance the quality of central level monitoring.

Risk management systems

Cash management system:

AMPL has opened 2 centralized bank accounts for deposition of cash while PF maintains separate bank accounts for each of its branches. FCO deposits the cash in the bank on the same or the next day (if collections takes place on Sunday/or after banking hours). Daily Cash monitoring of the branches bank account by the accounts department at the HO is possible through online mode.

Insurance:

AMPL has taken insurance for both cash in transit and cash in safe. It also provides insurance cover to its members from third party insurance company – Bajaj Allianz. Thus AMPL has adequate risk mitigation strategy in place to cover the loan in the event of the death of the borrower.

A handwritten signature in black ink, appearing to be "R.V.M."A handwritten signature in black ink, appearing to be a stylized "A" or "K".

SCALE OF OPERATIONS

AMPL has performed well in terms of increasing its outreach in the past two year. It has increased in operating areas from 1,467 villages in FY11 to 1,981 villages in FY12. The number of active members (individual) of AMPL has increased to 30,192 in FY12 from 27,124 in FY11.

Outstanding loan portfolio (including managed portfolio) has also increased to Rs.2,369 lakh in FY12 from Rs.630 lakhs in FY10 representing high growth over the last two years. Portfolio outstanding of AMPL as on August 31, 2012 stood at Rs.3371.7 lakh. However, AMPL only operates in state of Orissa and two districts of Chhattisgarh. AMPL needs to diversify further to reduce its concentration risk. Management maintains that AMPL will take concrete steps to further diversify by starting operations in other districts of Chhattisgarh. Average number of borrowers (individual) per field officer has increased to 277 as on August 31, 2012 from 145 in March 31, 2012. Management has increased number of credit officers for better monitoring of loan portfolio and thereby improve collection efficiency.

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Financial Sustainability

	Unit	AMPL (NBFC)*		
		FY10 (A)	FY11 (A)	FY12 (A)
Net worth	Rs. crore	2.88	5.93	6.24
Total income	Rs. crore	0.22	1.82	3.45
Total operating expenses	Rs. crore	0.11	0.71	1.63
Financial Cost	Rs. crore	0.01	0.68	1.31
Depreciation	Rs. crore	0.00	0.00	0.00
Net surplus	Rs. crore	0.08	0.26	0.35
Loan outstanding – Own	Rs. crore	5.38	10.49	9.16
Loan outstanding – Managed	Rs. crore	0.92	2.30	14.62
Key ratios				
Return on total assets	%	1.46	2.26	2.09
Operational Self-sufficiency	%	143.21	116.36	116.96
Financial Cost ratio on AUM	%	0.41	7.31	7.20
Operating expense ratio	%	3.44	7.33	8.91
Portfolio yield on AUM	%	0.64	13.14	13.74
Weighted Average Cost of Funds	%	0.48	6.99	8.65
Loan Loss Provision ratio	%	0.00	1.00	1.00
Capital adequacy ratio (own)	%	53.53	56.58	68.13
Capital adequacy ratio (AUM)	%	45.68	46.40	26.25
PAR > 30 days	%	0.00	0.51	0.33
PAR > 90 days	%	0.00	0.33	0.32

Profitability

Total income of AMPL has increased gradually over past three years as the business volume increased with the opening of new branches. Return on total assets has remained moderate over the past three years. Operational Self-Sufficiency (OSS) has been moderate and range bound during last two years. It has been able to maintain OSS levels above 113% in the past two years indicating that AMPL is managing its operations at moderate sustainability level. AMPL needs to control its operational expenses with increasing business volumes to maintain operational expense ratio at reasonable levels in future.

Fund Mobilization

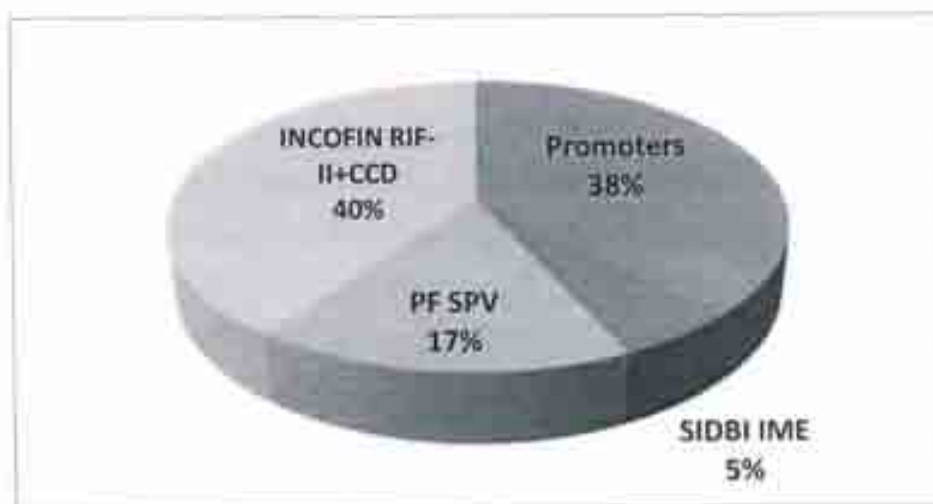
AMPL has been successful in accessing funds from both public sector banks and development financial institutions for onward lending to the SHG borrowers.

AMPL has been able to raise funds during past two years, though it did face some troubles during the AP crisis. Moreover, AMPL has been successful in raising fresh capital in the current year with infusion of equity from INCOFIN and SIDBI to the tune of Rs. 13 crore and Rs. 3 crore respectively & regulatory guidelines retaining PSL status for MFIs. Further, AMPL has also

started tapping funds through securitization route from FY11 with the securitized portfolio outstanding being Rs. 14.62 crore as on Mar 31, 2012.

Capital Structure

Capital structure is expected to improve in the near term with infusion of equity from Incofin & SIDBI. The promoters will also infuse equity, however, in small amounts. Further, the proposed takeover of the entire microfinance corpus of PF is expected to be completed by December, 2012. Capital Adequacy Ratio (CAR) of AMPL was moderate at 26.25% (including securitized assets) as on March 31, 2012. Post infusion of equity from SIDBI and transfer of the balance corpus of People's Forum, the shareholding pattern will look like:



Asset Quality

In FY12, Portfolio at risk (PAR) greater than 30 days and PAR greater than 90 days stood at 0.01% & 0.33% respectively. The organisation has been able to maintain a good portfolio quality in FY12; however sustenance of asset quality at reasonable levels is yet to be demonstrated.

Operational Sustainability

Second line of leadership

Majority of the senior members understand the issues involved in day to day functioning as well as taking strategic decisions as they have developed a good understanding of the microfinance sector. Senior team members include functional heads having strong experience in the field of microfinance.

Competition

Though there does exist a considerable gap in the MFI market in Odisha post AP crisis, it provides opportunities to other players also to tap the vacuum created. Hence AMPL is

exposed to competition to certain extent from both National MFIs and local MFIs of Odisha such as Swamshree, Adhikar Microfinance Pvt. Ltd, Mahashakti Foundations etc.

Loan Products

AMPL offers products to cater various financial needs of the borrowers. However, the underline financial details and credit appraisal process of all products are similar. Salient details pertaining to its financial products are as under:

Segment	Agriculture and allied services	Microenterprise	Petty Business
Loan term	12-24 months	12-24 months	12-24 months
Loan size	Rs 8,000 to Rs 25,000	Rs 8,000 to Rs 25,000	Rs 8,000 to Rs 25,000
Interest rate	25%	25%	25%
Repayment policy	Monthly	Monthly	Monthly
Loan processing fees	1% of loan amount		
Security	Nil		
Prepayment charges	Nil		
Type of Interest rate	DBM*	DBM	DBM
Outstanding as on Mar'12	12.79	6.40	4.50

*Diminishing balance method

Access to funds and ability to raise funds

AMPL had below-average access to funds post AP crisis in H2FY11 on account of cautious approach of bankers and FIs. However, the situation has improved considerably in recent times with infusion of equity from INCOFIN & regulatory guidelines retaining PSL status for MFIs. Moreover, AMPL has also started tapping funds through securitization route from FY11.

Vision

At present, AMPL has operations in two states (Orissa & Chhattisgarh) with major concentration in Orissa. In coming years AMPL has plans to cover Orissa and Chhattisgarh only. The AMPL will take over the entire microfinance operation of PF (Society) by FY13. Thereafter, PF (society) will concentrate only in the social and development-related activities and will not undertake any microfinance activity.

Efforts to increase outreach and coverage

Projections are provided by AMPL. For the analysis purpose, projections for the period FY13 to FY15 were considered. AMPL plans to grow rapidly by reaching Rs.229 crore of outstanding portfolios by the end of FY15. The projection given by AMPL appears to be

exposed to competition to certain extent from both National MFIs and local MFIs of Odisha such as Swamshree, Adhikar Microfinance Pvt. Ltd, Mahashakti Foundations etc.

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interest income is to be calculated on average fortnightly balances of outstanding loan portfolio of qualifying assets.	
<ul style="list-style-type: none"> Interest rate on individual loans can exceed 26% however maximum variance permitted for individual loans between the minimum and maximum interest rate cannot exceed 4 per cent 	<ul style="list-style-type: none"> Presently AMPL charges 24.95% per annum on a reducing balance basis to its borrowers
<ul style="list-style-type: none"> Only three components are to be included in pricing of loans viz., (a) a processing fee not exceeding 1% of the gross loan amount, (b) the interest charge and (c) the insurance premium. 	<ul style="list-style-type: none"> Only these three components are charged. Processing fee is 1% of the gross loan amount. Insurance premium is on actual basis.
<ul style="list-style-type: none"> Only the actual cost of insurance i.e. actual cost of group insurance for life, health and livestock for borrower and spouse can be recovered; administrative charges to be recovered as per IRDA guidelines. 	<ul style="list-style-type: none"> AMPL conforms to this criterion.
<ul style="list-style-type: none"> There should not be any penalty for delayed payment. 	<ul style="list-style-type: none"> AMPL conforms to this criterion.
<ul style="list-style-type: none"> No Security Deposit/ Margin are to be taken. 	<ul style="list-style-type: none"> AMPL conforms to this criterion.
<ul style="list-style-type: none"> A separate category of NBFCs should be created to operate in the microfinance (MFI) sector and they are eligible to be termed as 'NBFC-MFI'. 	<ul style="list-style-type: none"> AMPL is already registered with RBI as NBFC and has applied for separate classification as 'NBFC – MFI'.
<ul style="list-style-type: none"> A borrower can only be member of one group. Not more than two MFIs should lend to a single borrower. 	<ul style="list-style-type: none"> AMPL has laid out strict procedures to this criterion.
<ul style="list-style-type: none"> MFIs should not resort to coercive measures of recovery and this should be monitored by an authority called Credit Information Bureau. 	<ul style="list-style-type: none"> AMPL does not follow any coercive methods of loan recovery.
<ul style="list-style-type: none"> NBFC-MFI should maintain 15% Capital Adequacy Ratio (CAR). 	<ul style="list-style-type: none"> AMPL's CAR as on Aug, 2012 was 84.7%, comfortably above the required mark.
<ul style="list-style-type: none"> Recoveries of principal loan amount and interest thereon of SHG/SHG be made in public places 	<ul style="list-style-type: none"> AMPL always makes loan recoveries in SHG meetings on daily basis at public places as per the predefined schedule.

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ANNEXURE I

Financial Statements

Income and expenditure statement		AMPL (NBFC)* Rs crore		
Year ended March 31,		FY10 (A)	FY11 (A)	FY12 (A)
Income				
	Interest income on AUM	0.02	1.45	2.75
	Other operating income	0.20	0.22	0.26
	Other income	0.00	0.15	0.44
Total income		0.22	1.82	3.45
Financial costs		0.02	0.69	1.31
	Interest expense on AUM	0.01	0.61	1.31
	Other financial charges	0.01	0.08	1.07
Net interest income		0.20	1.12	2.14
Operating expenses				
	Personnel	0.00	0.00	0.17
	Administrative	0.10	0.71	1.46
	Other expenses	0.00	0.00	0.00
Total operating expenses		0.10	0.71	1.63
	Write offs and provisions	0.00	0.08	0.01
	Depreciation	0.00	0.00	0.00
PBT		0.11	0.34	0.51
	Tax	0.03	0.09	0.15
PAT		0.08	0.25	0.35
	Grants	0.00	0.00	0.00
Net Income (Including grants)		0.08	0.25	0.35

* During the FY10 AMPL has an operation only for one month

Balance Sheet		AMPL (NBFC) Rs crore		
As on March 31,		FY10 (A)	FY11 (A)	FY12 (A)
Liabilities				
Share capital				
	Paid up capital	2.80	5.60	5.60
	Reserves and surplus	0.08	0.33	0.64
Tangible networth		2.88	5.93	6.24
Term liabilities				
	Secured loans	2.50	4.00	8.79
	Unsecured loans	0.00	4.64	0.75
Total term liabilities		2.50	8.64	9.54
Current liabilities and provisions		0.74	1.92	0.88
Total Liabilities		6.12	16.49	16.66
Assets				
Net fixed assets		0.00	0.00	0.00

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Other non-current assets	0.00	0.00	0.00
Investments	0.10	4.31	3.41
Current assets			
Cash in hand & at bank	0.60	1.45	3.78
Total portfolio	6.30	12.79	23.78
Less: Managed portfolio*	0.92	2.30	14.62
Portfolio outstanding	5.38	10.49	9.07
Other current assets	0.05	0.25	0.31
Total current assets	6.02	12.19	13.16
Total assets	6.12	16.49	16.66

N. A. – Not Applicable

* Managed Portfolio – Securitized Portfolio

Projected financial statement

Income and Expenditure Statement		Rs crore		
		AMPL (NBFC)		
Year ended March 31,		FY13	FY14	FY15
Income				
Interest income		7.69	15.45	24.85
Other operating Income		1.01	1.67	2.78
Other income		0.64	0.66	1.05
Total Income		9.34	17.78	28.68
Financial costs				
Interest expense		2.94	5.74	8.09
Other financial charges		0.00	0.00	0.00
Net Interest Income		6.40	12.05	20.59
Operating expenses				
Personnel		2.51	3.11	7.17
Administrative		1.16	1.75	3.54
Other expenses		0.00	0.00	0.00
Total operating expenses		3.67	4.86	10.71
Write offs and provisions		0.44	0.24	0.56
Depreciation		0.65	0.71	0.76
PBT		1.63	6.24	8.57
Tax		0.54	2.09	2.87
PAT		1.08	4.15	5.70
Grants		0.00	0.00	0.00
Net Income (Including grants)		1.08	4.15	5.70

Note: In FY13 PF (Society) has plan to transfer their microfinance operations to AMPL (NBFC)

		Rs in crore		
Balance Sheet		AMPL (NBFC)		
As on March 31,		FY13	FY14	FY15
Liabilities				
Share capital				
Paid up capital		26.00	26.00	51.00
Reserves and surplus		2.24	6.55	12.69

Tangible network	28.24	32.55	63.69
Term liabilities			
Secured loans	32.50	49.48	70.40
Unsecured loans	0.00	0.00	0.00
Total term liabilities	32.50	49.48	70.40
Current liabilities and provisions	5.86	14.93	22.70
Total liabilities	66.60	96.97	156.80
Assets			
Net fixed assets	0.65	0.71	0.76
Other non current assets	0.00	0.00	0.00
Investments	7.11	9.47	12.52
Current assets			
Cash in hand & at bank	3.53	6.56	7.56
Portfolio outstanding	53.61	77.93	133.60
Other Current Assets	1.70	2.30	2.36
Total Current Assets	58.84	86.79	143.52
Total Assets	66.60	96.97	156.80

Annexure II: Asset quality (Individual loans) & Provision for NPAs
(Rs. in lakhs)

As on July 31	2012		
	Assets	(%)	Prov.
Standard Assets	2,985.9	99.70	29.8
Sub-Standard Assets	9.1	0.30	4.6
Doubtful Assets	0.0	0.00	0.00
Loss Assets	0.0	0.00	0.00
Total	2,994.4	100.00	34.4

Annexure III: Commercial sources of funds

(Rs. Crores)

Bankers	Bank facility	Sanctioned Amount	Disbursed Amount	Outstanding as on Jul' 12
Maanaveeya Holdings	Term loan	4.0	4.0	2.4
Mosec - IX (IFMR)	Securitisation	3.8	3.8	1.6
DCB	Buyout	7.8	7.8	3.0
IFMR Capital	Term loan	7.5	7.5	4.3
Mosec - XII (IFMR)	Securitisation	5.2	5.2	3.2
Mosec - XIII (IFMR)	Securitisation	3.6	3.6	2.8
DCB	Term loan	1.0	1.0	0.9
Annanya Finance	Term loan	2.0	1.3	1.1
DCB	Term loan	2.0	2.0	1.9
Total		36.8	36.1	21.0

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Annexure IV: MFI Grading Symbols

Grading Symbol*	
MFI 1	Highest
MFI 2+	
MFI 2	
MFI 3+	
MFI 3	
MFI 4+	
MFI 4	
MFI 5	Lowest

* There is no individual definition for each grading

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