

August 7, 2013

Shri Dibyajyoti Pattanaik,
Director,
Annapurna Microfinance Pvt. Ltd.
97, Dharmavihar, Khandagiri
Bhubaneswar – 751030,
Odisha



Confidential

Dear Sir

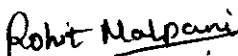
Grading of Micro Finance Institution (MFI)


Please refer to our letter dated August 1, 2013 on the captioned subject.

2. As already advised, our Rating Committee has assigned a grading of '**MFI 2**' (**MFI Two**) 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

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Annapurna Microfinance Pvt. Ltd

MFI Grading Report

Year of incorporation	1986 (as Gwalior Finance and Leasing Company Private Limited)	MFI 2 Third on the eight point scale with "MFI 1" being the highest and "MFI 5" being the lowest
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	
Number of states of operation	2 (as on March 31, 2013)	
Branches	38 (as on March 31, 2013)	
Employees	324 (as on March 31, 2013)	

CARE has assigned grading of 'MFI 2' 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 – July 2013

Kolkata

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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, IIR & 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"> Majority shareholding is with the promoters. Long experience of promoters in the area of banking and financial services. Separate departments with no overlapping of roles. Strong loan appraisal & monitoring systems. Adequate system for tracking over-dues and collection of delinquent loans after escalation depending on duration of overdue. MIS is adequate for current level of operations with satisfactory degree of computerization at branches and head office. 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"> Medium client base. As on March, 2013 it covers 86,445 active borrowers. In terms of gross loan portfolio, amongst mid-size MFIs in India. As on March 31, 2013, it had own portfolio outstanding of Rs.54.40 crore and managed portfolio of Rs.37.60 crore. It operates in 2746 villages covering 18 districts in 2 states. Low geographical reach with operations spread into 2 states (as on March 31, 2013) and it has to diversify further to reduce its concentration in Orissa. 	
Sustainability	
	Above Average
<ul style="list-style-type: none"> Reasonable 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 FY13. Has maintained a high collection efficiency of more than 96% in past two years. Successfully started tapping securitization route from FY11. AMPL has been able to maintain OSS level above 100% in past three financial years. Infusion of funds in FY13 from Incofin & SIDBI to the tune of Rs.13 crore and Rs.3.0 crore respectively. Further promoters have also infused equity of Rs.0.76 crore in FY13. 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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GRADING RATIONALE

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. Post acquisition, AMPL initiated the process of inheriting the microfinance business of People's Forum. In FY13, the entire microfinance operations of PF was transferred to AMPL (aggregating Rs.6.89 crore) and at present PF is not having any microfinance loan assets in its books. Parallel to this all the staffs who were working with PF for microfinance activities were also transferred to AMPL's payroll.

Major activities of AMPL include the following:

- Formation and nurturing of SHGs
- Inculcating savings habit among the poor.
- Insurance coverage to its client and spouse.
- Imparting skill to the SHG members by way of giving vocational training on various income generating activities.
- Organizing health camps, eye camps, and medical check-up camps.

As on March 31, 2013, AMPL had 86,445 individual borrowers with total outstanding portfolio (including managed portfolio) of Rs.92.0 crore. The organization's operation spreads across 2 states (Orissa & Chhattisgarh) with 38 branches covering over 18 districts and 2,746 villages. The operations of the company are managed by a workforce of 324 people.

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TRANSPARENCY

AMPL is registered as a private limited company (NBFC) and is headed by a six 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 over the years with addition of two 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 money lenders. Every borrower is lent from the funds of one of the lending banks

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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 fourteen members and headed by Mr. Arun Prasad Sahoo having more than eight 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. It verifies and submits its reviews reports on branch functioning, cash holding & insurance limits, branch lending limits and SGII 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.*

OPERATIONAL SETUP

Managerial Factors

Ownership

The majority stake (about 58%) of AMPL is with Shri Gobinda Chandra Pattanaik & Shri Dibyajyoti Pattanaik. While Incofin, a Belgium based institutional investor is holding 33%, SIDBI holds about 9.0% of total shareholding. Incofin manages Rural Impulse Fund II in India, which is specifically designed for investment in MFIs across India. Mr. Aditya Bhandari from Incofin is in the Board of AMPL from July 2012. In addition to this, AMPL's board is also represented by two independent directors (Mr. Sean Nossel and Mr. KK Tiwary), both having adequate experience across micro financing and social developmental sector.

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

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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 and other social developmental activities.

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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.



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 324 (as on March 31, 2013) including 186 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	<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

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	and assets quality of the branch and paid annually. 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 4.5% 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 three 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 HIO 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

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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 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 and sending it to H.O. for final sanction.

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

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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 over-due 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 on 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. Thus with surge of operations in FY13, AMPL has moved to real time platform by implementing web- based software. There exist separate user accounts at the branch level and rights to access are defined for different users at the HIO. Further, AMPL has successfully implemented the mobile technology which facilitates instant recording of collection information & other details, thereby enhancing the quality of central level monitoring.

Risk management systems

Cash management system:

AMPL has opened individual branch bank accounts for the deposition of the recoveries. It also maintains 2 centralized bank accounts for the deposition of the cash wherein the branches does not have its own bank account. FCO deposits the cash in the bank on the same or the next day (if collections takes place on Sunday/or after banking hours) and no cash is kept in the branch office though it also has vaults at bigger branches. 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 Allinaze. *Thus AMPL has adequate risk mitigation strategy in place to cover the loan in the event of the death of the borrower.*

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SCALE OF OPERATIONS

AMPL was incorporated in 1986 as Gwalior Finance and Leasing Company Private Limited, a NBFC registered in Varanasi (Uttar Pradesh). In November 2009, the Promoters of Peoples Forum (PF) acquired Gwalior Finance and Leasing Company Private Limited and rechristened it as Annapurna Microfinance Private Limited (AMPL). Post acquisition, AMPL initiated the process of inheriting the microfinance business of People's Forum.

The operational details of AMPL are as under:

Key Factors	As on March 31, 2013
Client base (Number)	<ul style="list-style-type: none"> Active SHG individual borrowers at 86,445 (increased from 30,062 as on March 31, 2012). Active SHG at 11,617 (increased from 3,395 as on March 31, 2012)
Assets under management	<ul style="list-style-type: none"> Loan disbursed during FY13 was Rs.105.23 cr in FY13 as against Rs. 27.77 cr in FY12 Outstanding own portfolio stood at Rs. 54.40 cr (as against Rs. 9.16 cr as on March 31, 2012). Outstanding managed portfolio stood at Rs. 37.60 cr (as against Rs.14.62 cr as on March 31, 2012).
Geographical diversification	<ul style="list-style-type: none"> Covering 18 districts across 2 states of India. Concentration in Odisha (93.0%) and Chhattisgarh (7%).
Total income	<ul style="list-style-type: none"> Total income increased to Rs.10.55 crore in FY13 (as against Rs.3.45 crore in FY12).

AMPL plans to diversify its operation by opening 14 branches in Chhattisgarh, Madhya Pradesh and Maharashtra.

SUSTAINABILITY

Financial Sustainability

	Unit	AMPL		
		FY11 (A)	FY12 (A)	FY13 (A)
Networth	Rs. crore	5.93	6.24	22.74
Total income	Rs. crore	1.82	3.45	10.55
Total operating expenses	Rs. crore	0.70	1.63	2.81
Financial Cost	Rs. crore	0.70	1.31	4.57
Net surplus	Rs. crore	0.26	0.35	1.79
Loan outstanding – Own	Rs. crore	10.49	9.16	54.40
Loan outstanding – Managed	Rs. crore	2.30	14.62	37.60#
Key ratios				
Return on total assets	%	2.26	2.09	3.14

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Operational Self-sufficiency	%	116.36	116.96	120.39
Operating expense ratio	%	7.33	8.91	4.86
Weighted Average Cost of Funds	%	6.99	8.65	8.44
Loan Loss Provision ratio	%	1.00	1.00	1.00
Capital adequacy ratio (own) #	%	55.43	59.62	41.76
Adjusted Capital adequacy Ratio*	%	46.23	26.34	26.75
PAR > 30 days	%	0.51	0.33	0.17
PAR > 90 days	%	0.33	0.32	0.17

As per NBS 7 submitted to RBI.

Profitability


Total income of AMPL has increased gradually over past three years with substantial rise in FY13 as business volume increased manifold with the opening of new branches (8 new branches were opened in FY13) & accessibility to funds. Return on total assets has remained moderate over the past three years. Operational Self-Sufficiency (OSS) has been well above unity in the last three years, reflecting sound sustainability. 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. Moreover, AMPL has been successful in raising fresh capital in FY13 with infusion of equity from INCOFIN (Rs.13 crore) and SIDBI (Rs.1 crore). Further promoters have also infused equity of Rs.0.76 crore in FY13. SIDBI has also invested Rs.2 crore in FY13 through optionally convertible preference share mode. This apart, AMPL has also started tapping funds through securitization route from FY11 with the securitized portfolio outstanding being Rs.37.60 crore as on Mar.31, 2013.

Capital Structure

Capital structure is expected to improve in the near term with expected infusion of equity from Incofin, SIDBI & other private investors. The promoters will also infuse equity, however, in small amounts. Further, the proposed takeover of the entire microfinance corpus of PF was executed in FY13. Capital Adequacy Ratio (CAR) of AMPL was comfortable at 26.75% (including securitized assets) as on March 31, 2013.

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Asset Quality

In FY13, Portfolio at risk (PAR) greater than both 30 days and 90 days stood at 0.17% respectively. The organisation has been consistently able to maintain good portfolio quality over the years.

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:

SL. No.	1 st Cycle	2 nd Cycle	3 rd Cycle
Interest	26% Reducing	26% Reducing	26% Reducing
Loan Processing Fee	1%		
Insurance	Rs.6 in every Rs. 1000 of loan for 1 year		
Term	12 Months-18 Months	18 Months-24 Months	24 Months
Average Loan Amount	Rs. 8000-15,000	Rs. 10,000- 20000	Rs. 15000-30000

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 AMPL reaping the benefits from the infusion of funds in FY13.

Vision

At present, AMPL has operations in two states (Orissa & Chhattisgarh) with major concentration in Odisha (93% of the portfolio outstanding as on March 31, 2013 is concentrated in Orissa). However in coming years AMPL has plans to add Madhya Pradesh

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(M.P.) and Vidharba region of Maharashtra under its microfinance operation. By FY14, AMPL plans to open six new branches (3 each) in M.P. & Maharashtra. Further, AMPL has taken over the entire microfinance operation of PF (Society) in FY13. PF now concentrates only in social and development – related activities.

Efforts to increase outreach and coverage

Projections are provided by AMPL. For the analysis purpose, projections for the period FY14 to FY16 were considered. AMPL plans to grow rapidly by reaching Rs.219 crore of outstanding portfolios by the end of FY15. The projection given by AMPL appears to be optimistic, and takes into account the significant surge in its operations in FY13 and its intentions to spread its business across four states in future. Achievability of future targets is critically dependent upon the ability of AMPL to raise funds from banks and developmental financial institutions.

Regulatory environment & sector outlook

On the regulatory front, the key development was implementation of Malegam Committee's recommendations by the RBI for creating separate category for NBFC MFIs and retaining the priority sector status for NBFC MFIs. The regulations are for both operational and financial aspects of an MFI and provide comprehensive framework across the country and bring more clarity on the regulatory framework for the sector. The Central Government has also recently released draft (to be tabled in the parliament) MFI bill (The Microfinance Institutions Development and Regulation Bill 2011) intending to provide formal statutory framework for the microfinance sector. However, until a clear and unambiguous set of guidelines are implemented for the sector, the risk of intervention similar to AP ordinance in other regions remains to be seen.

AMPL's position with new RBI's guidelines for MFIs

	RBI Norms	AMPL's position*
NBFC – MFIs	<ul style="list-style-type: none"> Qualifying assets to constitute not less than 85% of its total assets (excluding cash and bank balances) Atleast 75% of loans for the income generation activities 	AMPL conforms to this criterion.
Income of Borrower's Family	<ul style="list-style-type: none"> Rural : <=Rs.60,000 Non-Rural : <=Rs.1,20,000 	AMPL's Credit officers carry out verification through household visit and visit to the business entity or activity.
Ticket Size	<ul style="list-style-type: none"> <= Rs.35,000 – 1st cycle <= Rs.50,000 – Subsequent cycle 	AMPL adheres to this guideline.

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Indebtedness	<ul style="list-style-type: none"> • \leq Rs.50,000 	A declaration is obtained from members prior to disbursement.
Tenure	<ul style="list-style-type: none"> • If loan amount > Rs.15,000, then \geq 24 months 	AMPI. adheres to this guideline.
Collateral	<ul style="list-style-type: none"> • Without collateral 	Loans are given without collateral
Repayment Model	<ul style="list-style-type: none"> • Weekly, fortnightly and monthly 	Monthly repayment model
Interest Rate	<ul style="list-style-type: none"> • Margin cap – 12% above cost of borrowings • Maximum rate – 26% p.a. 	AMPI. charges 25.98% p.a on reducing balance basis to its borrowers
Processing Fees	<ul style="list-style-type: none"> • \leq 1% of loan amount 	AMPI. collects 1% processing fees.
Insurance	<ul style="list-style-type: none"> • Actual cost of insurance can be recovered from borrower and spouse • Administrative charges can be recovered as per IRDA guidelines 	AMPI. adheres to this guideline.
Penalty	<ul style="list-style-type: none"> • No penalty for delayed payment 	There is no penalty for delayed payment
Security Deposits	<ul style="list-style-type: none"> • No security deposit/ margin are to be taken. 	The company has already stopped collecting security deposit/margin money from the borrowers.

**based on information provided by AMPL*

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Annexure II

Financial Statements

Income and Expenditure Statement						Rs. Crore
Year ended March 31,	FY11	FY12	FY13	FY14	FY15	FY16
	(Audited)			(Projected)		
Income						
Interest Income on own portfolio	1.25	2.51	8.05	23.27	37.48	48.36
Other Operating Income	0.57	0.95	2.50	6.32	7.94	9.57
Total Income	1.82	3.45	10.55	29.59	45.42	57.92
Financial Costs						
Interest expense on own portfolio	0.61	1.31	4.57	12.53	15.52	19.29
Total Financial Costs	0.69	1.31	4.57	13.53	16.86	20.93
Net Interest Income	1.12	2.14	5.97	16.06	28.57	36.99
Operating Expenses						
Operating Expenses	0.70	1.3	2.76	5.39	8.27	10.36
Depreciation	0.0	0.00	0.05	0.40	0.42	0.45
Total Operating Expenses	0.70	1.63	2.81	5.79	8.69	10.80
Net income Before Provisioning	0.42	0.51	3.16	10.28	19.87	26.19
Provisions & write off	0.08	0.01	0.45	0.70	0.51	0.44
PBT	0.34	0.50	2.71	9.58	19.37	25.75
PAT	0.26	0.35	1.79	6.33	12.80	17.02

Balance Sheet						Rs. Crore
As on March 31,	FY11	FY12	FY13	FY14	FY15	FY16
	(Audited)			(Projected)		
Liabilities						
Source of Funds						
Tangible Networkth	5.93	6.24	22.74	72.52	85.57	102.69
Capital Fund	5.60	5.60	17.44	32.45	32.45	32.45
Debt Fund						
Term loans from Bank & FIs	8.64	9.54	69.83	88.74	118.16	147.96
Total Debt	8.64	9.54	69.83	88.74	118.16	147.96
Total Capital Employed	14.58	15.79	92.56	161.26	203.73	250.65
Assets						
Application of funds						
Net fixed assets	0.00	0.00	0.21	1.02	1.09	1.14
Investments	4.31	3.41	20.15	23.30	17.59	12.15
Current assets						
Cash & bank balances	1.45	3.78	20.31	15.35	15.73	19.64
Own portfolio	10.49	9.16	54.40	124.60	175.24	219.51
Other current assets	0.25	0.31	2.48	5.06	6.06	12.82
Total Current Assets	12.19	13.16	76.80	145.01	197.02	251.97
Current liabilities and provisions	1.92	0.78	4.60	8.07	11.97	14.62
Net Current Assets	10.27	12.37	72.20	136.94	185.05	237.35
Total Application of Funds	14.58	15.79	92.56	161.26	203.73	250.65

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Annexure III: Commercial sources of funds

(Rs. Crores)

Bankers/ Financial Institution	Bank facility	Sanctioned Amount	Disbursed Amount	Amount Outstanding*
Maanaveeya Holdings	Term Loan	9.00	9.00	5.77
IFMR	Term Loan	14.00	14.00	8.20
Development Credit Bank (DCB)	Term Loan	10.00	10.00	7.83
Annanya Finance	Term Loan	2.05	2.05	0.88
Mass Financials	Term Loan	27.00	27.00	22.67
UCO Bank	Term Loan	5.00	5.00	5.00
IDBI Bank	Term Loan	1.00	1.00	1.00
IOB	Term Loan	6.12	5.93	5.93
Ratnakar Bank	Term Loan	10.00	10.00	10.00
Total		84.17	83.98	67.28

Annexure IV: Operational outreach

Particulars	Unit	AMPL		
		FY11	FY12	FY13
Number of states	No.	1	2	2
Number of districts	No.	14	16	18
Number of villages	No.	1,467	1981	2746
Branches	No.	30	30	38
Number of active SHG	No.	2,324	3,395	11,617
Number of active SHG individual members	No.	27,124	34,024	1,17,677
Number of active SHG individual borrowers	No.	27,124	30,062	86,445
Active members per group	No.	11	10	10
Loan Portfolio				
Total Disbursement during year	Rs. crore	13.93	27.77	105.23
Loan outstanding – Own	Rs. crore	10.49	9.16	54.40
Loan outstanding – Managed	Rs. crore	240	14.62	37.60
Total loan portfolio Outstanding	Rs. crore	12.89	23.78	92.00

Annexure V: Details on human resources of AMPL

	FY12	FY13
Credit officers	148	186
Total employees (including credit officers)	262	324
Employee productivity		
Number of o/s borrowers per credit officer	145	464
Number of groups per credit officer	23	62
Number of SHG members per credit officer	204	633
Branch productivity		
Number of members per branch	1005	3097
Number of individual borrowers per branch	995	2275
Amount of loan outstanding per branch (Rs. lakh)*	79	242

*including securitized portfolio

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Annexure VI: 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

DISCLAIMER

CARE's microfinance (MFI) grading is a onetime assessment and the grading is not kept under periodic surveillance. CARE's analysis draws heavily from the information provided by the microfinance institution as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. It does not imply that CARE performs an audit function to detect fraud. In case of NGO MFIs, grading apply only to their microfinance programs.

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