

# INDIA TOP 50 MICROFINANCE INSTITUTIONS

A Financial Awareness Initiative of CRISIL

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CRISIL  
RATINGS

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# Foreword

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CRISIL is proud to bring to you the inaugural issue of India's Top 50 Microfinance Institutions. The publication presents an overview of leading players in India's microfinance institution (MFI) space. The first issue includes an added attraction – our commentary, 'MFIs: A Growing Breed in an Evolving Market', analysing the key strengths and challenges of players in the sector.

The publication is part of CRISIL's enabling role in the structured evolution of the MFI sector. We provide independent, insightful, and reliable risk assessment services to help investors, lenders, and MFIs manage and mitigate business and credit risks.

CRISIL launched MFI grading in 2002, becoming the world's first mainstream rating agency to develop a separate methodology and scale to assess MFIs. Since then, we have assessed more than 140 MFIs, and established ourselves as the leading rating agency in the Indian microfinance space. In addition to MFI grading and risk assessment services, we offer ratings on the MFIs' bank facilities and securitisation transactions – we are India's first agency to have rated the bank loans of MFIs, and securitisation transactions involving microfinance loan receivables.

CRISIL has experience in assessing MFIs of diverse legal forms, lending models, and sizes, across the country. Our insights, gleaned from our vast and varied experience, reveal that growth in the microfinance sector has been driven by an increase in investor interest in MFIs over the past couple of years: equity investments have resulted in significant growth in the size of MFI balance sheets. As this publication indicates, we believe strong business growth, improving geographic diversity, growing earnings, and healthy asset quality, are the key strengths of India's MFIs. On the other hand, dependence on financial institutions for funds, the political sensitivity of matters relating to interest rates, pressure on processes and controls due to aggressive growth strategies, and weak governance architecture, are among the sector's chief challenges.

We leverage our large network of associates to reach out to stakeholders in the microfinance sector across the country, to ensure a wide dissemination of information and credit opinions on players in the sector to users like you. We hope this publication will provide you useful insights on the Indian microfinance sector.

We welcome your feedback: do feel free to write to us at [crisilsmeratings@crisil.com](mailto:crisilsmeratings@crisil.com).



Raman Uberoi  
Senior Director, CRISIL Ratings

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## MFIs: A Growing Breed in an Evolving Market

The poor and vulnerable continue to face a dearth in banking and financial services in India - CRISIL pegs the number of households facing financial exclusion in the country at around 120 million. Over the past decade, microfinance has played an important role in filling this gap. Microfinance institutions (MFIs) are uniquely positioned to facilitate financial inclusion, and provide financial services to a clientele poorer and more vulnerable than the traditional bank clientele. There is no comprehensive regulatory framework for the microfinance sector in India: MFIs exist in many legal forms. Many mid-sized and large MFIs are, however, acquiring and floating new companies to get registered as non-banking financial companies (NBFCs), which will help them achieve scale.

### THE MICROFINANCE MARKET AND ITS PARTICIPANTS

The term microfinance refers to small-scale financial services - both credit and savings - that are extended to the poor in rural, semi-urban, and urban areas. The poor need microfinance to undertake economic activity, smoothen consumption, mitigate vulnerability to income shocks (in times of illness and natural disasters), increase savings, and support self-empowerment.

Microcredit is the most common product offering. Microfinance in India is synonymous with microcredit; this is because savings, thrift, and micro insurance constitute a miniscule segment of the microfinance space. In India, most microfinance loans are in the range of Rs.5,000 to Rs.20,000 (the Development and Regulation Bill, 2007<sup>1</sup>, defines microfinance loans as loans with amounts not exceeding Rs.50,000 in aggregate per individual/small enterprise). CRISIL estimates that around 120 million households in India continue to face financial exclusion: this translates into a credit demand of around Rs.1.2 trillion<sup>2</sup>.

MFIs are the main players in the microfinance space in India; their primary product is microcredit. Other players that extend microfinance services, in addition to their core businesses, include banks and insurance companies, agricultural and dairy co-operatives, corporate organisations such as fertiliser companies and handloom houses, and the postal network. Additionally, there are specialised lenders, called apex MFIs that provide both loans and capacity building support to MFIs<sup>3</sup>.

### THE DIFFERENTIATING FACTORS OF MFIs

MFIs differ from one another in terms of:

- Lending model
- Loan repayment structure
- Mode of interest rate calculation
- Product offerings
- Legal structure

In terms of lending model, MFIs may be classified as lenders to groups or as lenders to individuals. In India, MFIs usually adopt the group-based lending models, which are of two types - the self-help group (SHG) model and the joint-liability group (JLG)/solidarity group model. Under the SHG model, an MFI

lends to a group of 10 to 20 women. Under the SHG-bank linkage model, an NGO promotes a group and gets banks to extend loans to the group. Under the JLG model, loans are extended to, and recovered from, each member of the group (unlike under the SHG model, where the loan is extended to the group as a whole). The most popular JLG models are the Grameen Bank model (developed by Grameen Bank, Bangladesh) and the ASA model (developed by ASA, a leading Bangladesh-based NGO-MFI). Most of the large MFIs in India follow a hybrid of the group models.

The model of lending to individuals is similar to the retail loan financing model of banks. In India, MFIs adopting the group-lending models extend individual loans to more successful borrowers who have completed a few loan cycles as part of a group (who have relatively large credit requirements and good repayment track record). Corporates and cooperatives, typically dairy farms and sugar mills, are also known to undertake microfinance by extending credit to farmers; this helps the companies strengthen their procurement and distribution networks.

MFIs are also differentiated on the basis of their loan repayment structures. Most MFIs following the JLG model adopt the weekly and fortnightly repayment structure; those under the SHG model have a monthly repayment structure. MFIs lending to traders in market places also offer daily repayment, while MFIs extending agricultural loans have bullet- and cash-flow-based repayment structures depending on the crop patterns.

MFIs following the JLG model charge flat interest rates of 12 to 18 per cent on their loans, while MFIs following the SHG model charge 18 to 24 per cent interest per annum based on the reducing balance method. In addition to interest rates, some MFIs also charge a processing fee comprising a certain proportion of the loan amount sanctioned, at the time of disbursement.

Most MFIs in India are solely engaged in extending microcredit: a few also extend saving/thrift, insurance, pension, and remittance facilities. For providing insurance facilities, MFIs have tied up with insurance companies and mutual networks (funds created by community-owned organisations); some MFIs also do underwriting on their own.

MFIs offer savings services in two ways - the savings are either collected by the MFI or the SHG. In the latter method, the MFI or NGO encourages the SHG to collect savings/thrift from each member of the group on a weekly/monthly basis and rotate the savings/thrift among members. An MFI collecting savings from borrowers may either make it compulsory for borrowers/members to have savings with it, or offer voluntary savings services to both members/non-members. Only MFIs registered as cooperatives or depositing NBFCs can collect savings/deposits; a few MFIs registered as societies and trusts

<sup>1</sup>This bill, which envisages the regulation of the microfinance sector, is under the Parliament's consideration.

<sup>2</sup>The number of households facing exclusion has been arrived at by adding rural households facing financial exclusion (93 million) and urban below-poverty line (BPL) households (18 million). The average credit demand per household has been estimated at Rs.10,000 per annum.

<sup>3</sup>National Bank for Agriculture and Rural Development, Small Industries Development Bank of India, Rashtriya Mahila Kosh and Friends of Women's World Banking are the apex MFIs in India.

continue to accept savings/deposits, and thus face regulatory risks (for more details, refer section on Absence of regulatory control).

With respect to legal structure, MFIs may be classified as follows:

- **Not-for-profit MFIs**
  - ◆ Societies (such as Bandhan, Rashtriya Seva Samithi, and Gram Utthan)
  - ◆ Public trusts (such as Shri Kshetra Dharmasthala Rural Development Project, and Community Development Centre)
  - ◆ Non-profit companies (such as Indian Association for Savings and Credit, and Cashpor Micro Credit)
- **Mutual benefit MFIs**
  - ◆ Co-operatives registered under State or National Acts (such as Pustikar Laghu Vyaparik Pratisthan Bachat and Sakh Sahkari Samiti Limited)
  - ◆ Mutually-aided co-operative societies (MACS; such as Sewa Mutually Aided Cooperative Thrift Societies Federation Ltd)
- **For-profit MFIs**
  - ◆ Non-banking financial companies (NBFCs; such as Bhartiya Samruddhi Finance Ltd, Share Microfin Ltd, SKS Microfinance Ltd and Spandana Sphoorthy Financials Ltd)
  - ◆ Producer companies (such as Sri Vijaya Visakha Milk Producers Co Ltd)
  - ◆ Local area banks (the only such MFI is Krishna Bhima Samruddhi Local Area Bank)

#### CRISIL'S COVERAGE OF MICROFINANCE SECTOR

CRISIL provides risk assessment and diagnostic services to measure, manage, and mitigate MFIs' business, financial, and governance risks. CRISIL's grading of MFIs reflects its assessment of their ability to conduct operations in a scalable and sustainable manner, and is not an opinion on their debt-repayment capability. CRISIL assigns grades on an eight-point scale, with 'mfr1' being the highest and 'mfr8' the lowest. A high grade denotes a greater degree of scalability and sustainability. CRISIL uses its proprietary MICROS methodology to evaluate MFIs' management, institutional arrangement, capital adequacy and asset quality, resources and asset liability management, operational effectiveness, and scalability and sustainability. This grading scale applies globally and has no sovereign or country risk assessment constraints.

CRISIL has completed 215 assessments as on March 31, 2009 (of 132 MFIs); these include most of the large and prominent players. Currently, about 47 per cent of MFIs qualify for a grade of 'mfr4' or higher, and no MFI has been assigned 'mfr1'. The median grade of 'mfr4' reflects a satisfactory level of management quality, governing board

structure, financial performance, and funding stability. Distribution is not biased by the age of an institution. Several relatively young MFIs are in the upper bracket, and a nearly equal number of older MFIs are still in the lowest grade bracket, despite having been in operation for several years.

#### KEY STRENGTHS OF INDIAN MFIs

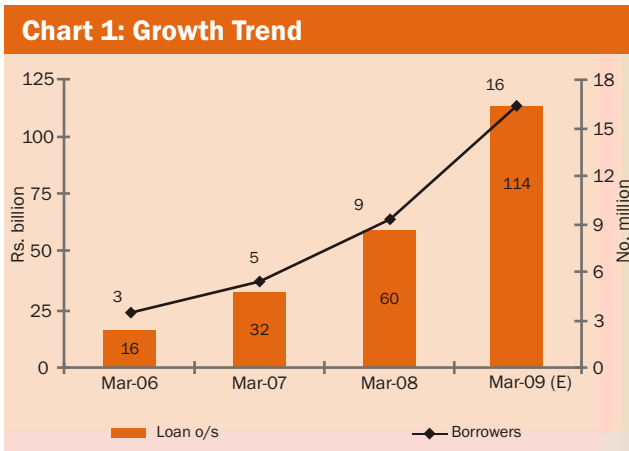
##### **Strong business growth, improving geographic diversity**

The microfinance market in India is expected to grow rapidly, supported by the Government of India's (GoI's) initiatives to achieve greater financial inclusion, and growth in the country's retail sector. MFIs have a grass-root level reach and understanding of the economic needs of the poor. The growing retail market in India provides opportunities for MFIs to act as intermediaries in the retail supply chain. The banking sector will also help the microfinance sector grow - banks are expected to use MFIs to meet their financial inclusion targets by allowing MFIs to open bank accounts, and distribute financial services and other structured products.

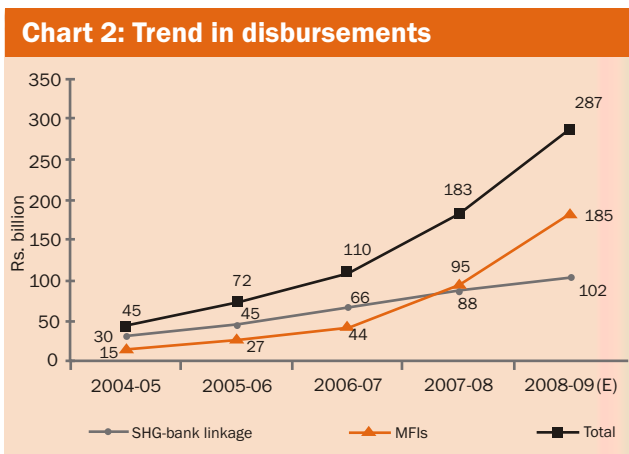
The microfinance sector has passed its evolutionary phase, when the profit-oriented working model of MFIs was perceived by the market as exceptionable; acceptance for the same has increased gradually. Also, investors now have a wider choice of MFIs with scalable processes. NGO-MFIs have been acquiring dormant NBFCs for regulatory, financial, and operational reasons. Many large players are now focused on urban microfinance, and have begun extending loans to individuals.

The microfinance sector and MFIs in India are estimated to have outstanding total loans of Rs.160 to Rs.175 billion, and Rs.110 to Rs.120 billion, respectively, as on March 31, 2009. The microfinance sector in India is fragmented - there are more than 3,000 MFIs, NGOs, and NGO-MFIs, of which about 400 have active lending programmes. The top 10 MFIs are estimated to account for around 74 per cent of the total loans outstanding for MFIs; around 17 MFIs had outstanding loans of more than Rs.1 billion as on March 31, 2009, with the top three MFIs crossing Rs.10 billion in terms of outstanding loan portfolio on that date.

As on March 31, 2009, CRISIL estimates MFIs' outstanding loans to have increased to Rs.114 billion (refer Chart 1) from Rs.60 billion a year ago. The growth in disbursements by MFIs was more than that of the SHG-bank linkage programme during 2007-08 (refers to financial year, April 1 to March 31); MFIs' disbursements have increased aggressively, at a compound annual growth rate (CAGR) of 90 per cent, over the past four years. CRISIL estimates the overall disbursements during 2008-09 to be around Rs.287 billion, of which disbursements of Rs.185 billion were made by MFIs (refer Chart 2). This is reflective of the increased acceptance of MFIs as commercially viable and their resultant ability to attract capital and resources during the past two years.



Source: Industry, NABARD, CRISIL estimates



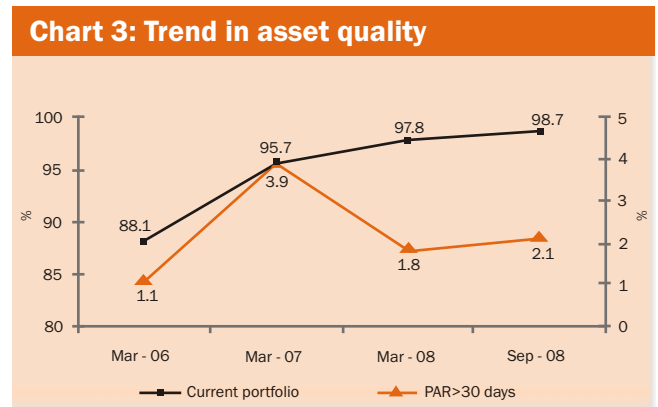
Source: Industry, NABARD, CRISIL estimates

A majority of MFIs, including the larger players, operated mainly in South India till 2005-06. Since 2006-07, however, the large MFIs have extended their presence to states such as Maharashtra, Chhattisgarh, Orissa, Jharkhand, and West Bengal; over the past two years, the larger MFIs have established pan-India coverage. The growth of the microfinance sector in eastern India was driven primarily by capacity enhancement initiatives by the apex MFIs, and tapping of growth opportunities in the eastern market by South-India-based MFIs, and banks. Many of the large MFIs, nevertheless, continue to have a significant exposure to South India.

**Healthy asset quality**

MFIs' asset quality, indicated by their current portfolio, and the portfolio at risk (PAR) by more than 30 days, has improved (refer Chart 3), and is healthier than those of other financial service players in India. MFIs have maintained relatively healthy asset quality mainly because of strong group pressure and efficient collection mechanisms, which have ensured high repayment rates. The 'current portfolio'<sup>4</sup> improved significantly during the first half of 2008-09 over the corresponding period in 2007-08 and was at similar levels before March 2006. Delinquencies increased during 2005-06 and 2006-07 as many leading MFIs were impacted by non-repayment by borrowers in some coastal

districts of Andhra Pradesh. This was triggered by the local administration of Krishna District in Andhra Pradesh ordering an enquiry into the high interest rates charged by some MFIs in the district, and closing of a few branches of these MFIs for a brief period. This impacted the loan portfolios of MFIs not only in Krishna District, but also in the neighbouring districts.



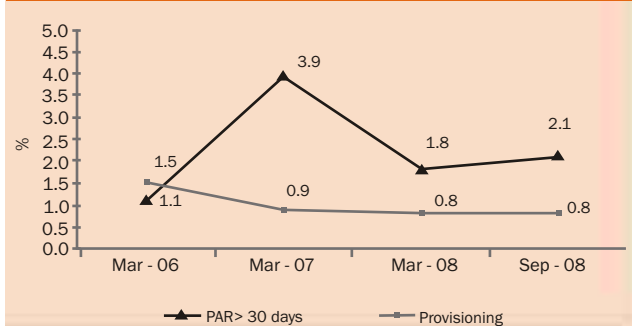
Among MFIs, Section 25 companies and co-operatives tend to have average risk management practices; these entities, therefore, have typically higher delinquency levels. Societies/trusts have demonstrated good collection efficiency supported by the credit-plus initiatives provided by this segment. Most MFIs are NGO-MFIs, which were set up to promote social development, and subsequently began extending financial intermediation to ensure sustained livelihood for members. These social development activities and long relationships with borrowers enhance the NGO-MFIs' influence over borrowers, and consequently, their repayment efficiency and asset quality.

Table 1: Movement in current portfolio across different legal structures (in per cent)

Legal Status	Sept-08	Mar-08	Mar-07	Mar-06
Companies	98.78	97.84	94.49	85.23
Societies/Trusts	98.87	98.73	98.90	98.27
Co-operatives	96.48	96.28	97.79	89.21
Section 25 MFIs	96.25	93.13	92.14	87.11
<b>Current portfolio</b>	<b>98.68</b>	<b>97.77</b>	<b>95.73</b>	<b>88.11</b>

The MFIs' current portfolio has improved on account of several factors. MFIs' business volumes improved by around 46 per cent during the first half of 2008-09 over 2007-08. Disbursements increased at a CAGR of 90 per cent, and the loan portfolio by 81 per cent, over the past three years. The collection efficiency of MFIs was supported by a loan waiver scheme in 2008-09, unlike in 2007-08, when most microfinance portfolios were transferred by MFIs registered as societies and trusts to NBFCs, with overdue loans retained with the societies and trusts; consequently, the asset quality appears to have improved. Most delinquent loans in 2006 in Krishna and the adjoining districts were managed by MFIs for a leading private sector bank. The bank did not invoke the loan default guarantee and since 2007-08, the MFIs have stopped tracking these overdue loans.

<sup>4</sup> The current portfolio is the outstanding amount of all loans as on a particular date, with no interest and principal overdues.

**Chart 4: Delinquencies and provisioning**

CRISIL believes that the overall asset quality of MFIs will deteriorate marginally over the short to medium term, owing to increase in large-ticket loan disbursements, multiple lending and migration of borrowers. However, MFIs' asset quality is expected to remain superior to asset classes such as vehicle loans, credit card receivables, and small-ticket personal loans (STPL).

MFIs are expanding their borrower profile and operations in new territories (the borrower base has grown at a CAGR of 50 per cent over the past four years); this exposes MFIs' asset quality to credit and operational risks. The larger players can absorb credit losses because of improved profitability; the asset quality of smaller players, however, may be adversely affected. Around 50 per cent of the incremental growth in the number of borrowers is likely to come from the urban areas. The urban regions are more impacted by weakening in macroeconomic environment. This may add to MFIs' asset quality pressures. Moreover, MFIs have sought to attract higher valuations, even by slackening their provisioning practices. CRISIL believes that this may impact their sustainability over the long run.

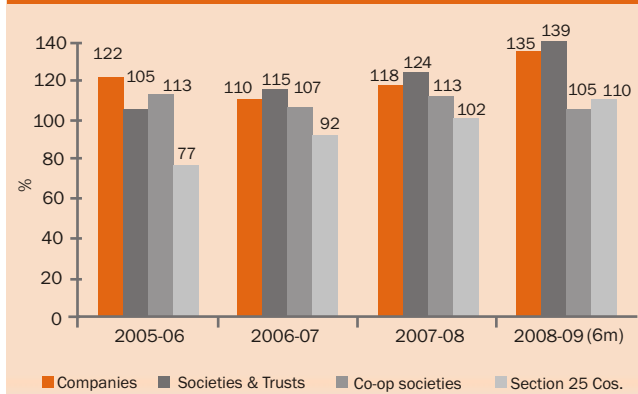
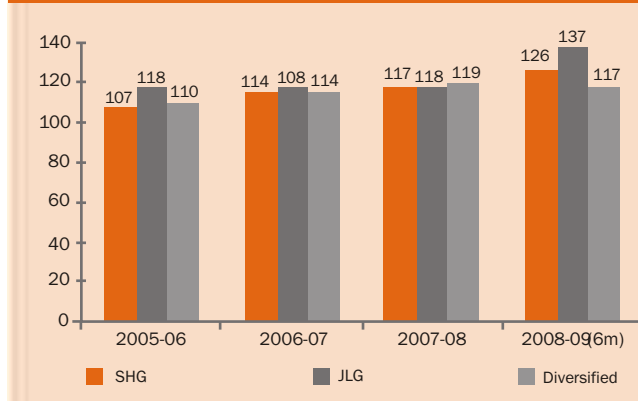
#### **Improving earnings profile**

Improvement in lending rates, in branch and employee productivity, and increasing efficiencies on account of growth in loan portfolios, have helped MFIs of all categories enhance their operating self-sufficiency (OSS<sup>5</sup>) ratios. CRISIL believes that MFIs' OSS ratios will increase over the medium term; this is because MFIs (particularly the large ones) have increased lending rates, with several players also charging upfront processing fees.

MFIs adopting the JLG lending model have higher lending rates, and, therefore, higher OSS ratios than those adopting the SHG model. The effective interest rates of MFIs adopting the Grameen/ASA lending models range from 25 to 40 per cent. The sector-wide OSS ratio declined in 2006-07 (refer Charts 5 and 6), as several leading MFIs in Andhra Pradesh reduced lending rates in early 2006; however, when these and other MFIs increased lending rates in 2007 and 2008, their OSS ratios improved.

Many MFIs that follow the SHG lending model are societies and trusts (NGO-MFIs); their microfinance programmes are mostly cross-subsidised by their other developmental programmes. Their operating expense ratios, therefore, remained low (at 2 to 5 per cent) during 2007-08; this helped these MFIs maintain

OSS ratios (despite low gross interest spreads of 6 to 9 per cent) that were comparable to those of MFIs that have adopted the JLG model (these have gross interest spreads of 10 to 15 per cent). CRISIL believes that ability to continue cross-subsidising microfinance programmes will determine whether MFIs that have adopted the SHG lending model can maintain OSS ratios of more than 115 per cent.

**Chart 5: Trend in OSS (based on legal structure)****Chart 6: Trend in OSS (based on lending model)**

NGO-MFIs are more sensitive than other MFIs to increases in cost of borrowings. CRISIL believes that NGO-MFIs will be forced to increase processing fees and lending rates to compensate for increases in borrowing costs.

### **CHALLENGES FOR MICROFINANCE INDUSTRY**

#### **Steady access to capital**

As Table 2 indicates, the proportion of over-leveraged MFIs has reduced considerably in recent months; nevertheless, given MFIs' aggressive growth plans, CRISIL believes that steady access to capital will remain a key challenge for India's MFI sector over the medium term.

Capital infusions and internal accruals have helped most MFIs enhance their net worth over the past two years. Of the top 50 MFIs, 25 had a net worth of over Rs.50 million as on September 30, 2008, as against only seven as on March 31, 2006; similarly, the number of MFIs with net worth of more than Rs.250 million increased to eight from two over the same period. As a result of

<sup>5</sup> Defined as ratio of total income to total expense. It does not include revenue grants received and expenses out of revenue grants.



improvement in net worth, the percentage of MFIs (within the top 50 category) with a very high leverage (of more than 15 times) has declined to 22 per cent as on September 30, 2008, from 57 per cent as on March 31, 2006 (refer Table 3).

Table 2: Leverage levels of Top 50 MFIs (in per cent)

Debt/ Net worth (times)	Sep-08	Mar-08	Mar-07	Mar-06
> 15	22	34	54	57
10-15	12	14	13	2
7-10	26	22	6	6
5-7	22	10	2	4
< 5	18	20	25	31

MFIs registered as Section 25 companies were more leveraged (refer Table 3) - with a gearing of 17 to 22 times over the past three years - than other MFIs; this along with the limited flexibility of these Section 25 companies to raise capital, may constrain their growth. NBFC-MFIs have maintained a gearing of 5 to 8 times over the past three years. CRISIL believes that NBFC-MFIs will remain less leveraged than non-NBFC-MFIs because of the Reserve Bank of India's (RBI's) requirement that systemically-important<sup>6</sup>, non-deposit taking NBFCs (NBFC-ND-SIs)<sup>7</sup> maintain a minimum capital adequacy ratio (CAR) of 10 per cent. Recent rounds of capital infusion have helped NBFC-MFIs reduce gearing despite high growth in their asset base. Non-profit MFIs and co-operatives, on the other hand, reduced their gearing on the back of improved internal accruals, conversion of security deposits to capital (co-operatives only) in 2007-08, and reduced borrowing because of lack of availability of funds in the first half of 2008-09.

Table 3: Leverage levels of Top 50 MFIs (legal status wise)

Debt/Net worth (times)	Sep-08	Mar-08	Mar-07	Mar-06
Companies	6.6	5.8	7.5	7.8
Trusts and societies	11.8	14.2	21.0	20.0
Section 25 companies	17.4	21.8	19.6	17.7
Co-operatives	5.1	5.9	17.1	14.5
<b>Overall Top 50 MFIs</b>	<b>7.2</b>	<b>7.2</b>	<b>10.4</b>	<b>9.9</b>

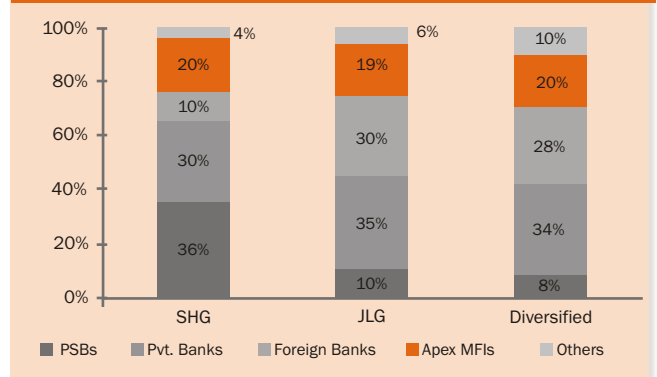
#### Heavy dependence on banks and financial institutions (FIs)

MFIs are dependant on borrowings from banks and FIs, and do not raise debt from the capital market. Thus, large NBFC-MFIs face higher costs of borrowing than most large retail finance NBFCs in the country. Banks categorise their lending to MFIs as priority sector advances, which has helped MFIs raise timely resources. Nevertheless, for many MFIs, funding sources are restricted to private banks and apex MFIs; the public sector banks have not been aggressive lenders to MFIs. The large and mid-sized MFIs and NBFC-MFIs primarily borrow from private and foreign banks, while the smaller MFIs borrow mainly from private banks and apex lenders.

The lending model plays a key role in determining an MFI's borrowing profile. Public sector banks (PSBs), with their widespread branch networks, prefer lending directly through the SHG-bank linkage route. Moreover, PSBs prefer to lend to those MFIs that have adopted the SHG model; PSBs accounted for 36 per cent of the total borrowings of societies and trusts (refer

Charts 7 and 8) as against only 10 per cent for MFIs following the JLG model, as on March 31, 2008. Thus NGO-MFIs (societies and trusts) have better access to funds from PSBs than MFIs that are companies. However, this scenario of PSBs lending predominantly to SHG model based MFIs seems poised for change, with the larger NBFCs continuing to aggressively target PSBs to meet their credit demands.

Chart 7: Borrowing profile (based on lending model) as on Mar 31, 2008



#### Absence of regulatory control

Microfinance activities are undertaken by organisations that are registered under several legal forms. However, currently, only NBFCs are under the regulatory and supervisory purview - the NBFCs are regulated by RBI. The absence of prudential norms and accounting guidelines for non-NBFC MFIs leads to lack of uniformity in accounting practices and highly-leveraged balance sheets among MFIs. The financial statements of the microfinance programmes of most non-NBFC MFIs do not provide the true financial picture. CRISIL, therefore, makes analytical adjustments in its assessment of MFIs. There was a proposal by Gol to bring in legislation in 2006 to regulate the entire microfinance sector in India; the regulation, however, is yet to materialise.

Savings is an important component of microfinance. Currently, however, savings and deposit services can be offered only by banks and co-operatives. NBFCs can raise deposits only after obtaining a license from RBI and meeting norms (such as having an investment-grade credit rating). Trusts and societies (unincorporated bodies) cannot accept savings/deposits as per Section 45S of RBI Act, 1934. CRISIL's active role in highlighting the regulatory risks involved in allowing NGO-MFIs to collect savings/deposits has resulted in several large and mid-sized MFIs ceasing to mobilise of savings and deposits.

A few NGO-MFIs and non-NGO-MFIs continue to offer in-house insurance facilities by underwriting on their own, although this is a clear violation of insurance regulations.

#### Political sensitivity of interest rates

In April 1999<sup>8</sup>, RBI issued a circular allowing MFIs to fix interest rates on the loans they extend. However, interest rates charged to the poor constitute a politically-sensitive issue, and therefore, a challenging proposition for MFIs. Although acts pertaining to money-lending and usurious loans in the states specify interest rate ceilings, these are applicable largely to societies and trusts.

<sup>6</sup> All non-deposit NBFCs with an asset size of Rs.1 billion are considered as systemically important by RBI

<sup>7</sup> To increase to 12 per cent by March 31, 2010, and 15 per cent by March 31, 2011

<sup>8</sup> RBI Circular RPCD.No. PL.BC. 94/04.09.01/98-99 dated April 24, 1999

Over the past five years, MFIs, especially in Andhra Pradesh, Tamil Nadu, and Karnataka, have often been accused of charging excessively high interest rates, and have been targeted by local district administrations.

Given MFIs' operating and cost structures, most MFIs need to charge high interest rates to recover costs and remain in business. CRISIL believes that interest rates can be moderated by ensuring effective competition and proper disclosure of lending rates by MFIs. Sa-dhan, the industry association, has suggested a voluntary mutual code of conduct under which MFIs provide information regarding interest rates and other charges to clients. Though many MFIs highlight only the flat interest rates and processing fees, a few MFIs did mention the effective interest rates in their borrowers' passbooks as on March 31, 2009.

#### **Pressure on processes and controls due to aggressive growth plans**

CRISIL believes that poor management of operations may pose added credit risks for MFIs, especially as MFIs continue to scale up operations aggressively. MFIs' risk management practices have weakened over the past couple of years, on account of a shift in focus towards business growth and network expansion. Some credit sanction and monitoring practices have been diluted. These include lending to clients with multiple loans from different MFIs, reduction in the average waiting period for loans, and doing away with staggered disbursements to JLGs and loan utilisation checks post disbursement. Rapid expansions to new geographies have also put pressure on the internal control mechanisms and audit function, as these have not received adequate focus in the past two years.

Nevertheless, there has been some improvement in MFIs' operations: this includes installation of software for monitoring loans, upgrade in cash management services, and availability of banking facilities to MFIs operating in rural and semi-urban areas. Many small and mid-sized MFIs have also benefited from the technical support, such as documentation of internal policies and process mapping, with capacity-building support, particularly from apex MFIs.

Strong internal audit and control has been the key differentiator between MFIs with a high grading and those with lower grading. CRISIL believes that MFIs will need to restructure their internal audit and control processes to minimise operational risks during the growth phase.

#### **Weak governance architecture**

The legal structure and the attendant regulatory requirements of an MFI have a strong bearing on governance practices because they influence management practices and levels of transparency. All legal structures, other than the formal company structure, suffer for want of adequate regulations and disclosure standards. This also creates a virtuous/vicious cycle phenomenon: MFIs that have the willingness and minimum capital funds to embrace a corporate structure as an NBFC attract outside investors more easily, which in turn fosters better governance and disclosure standards. In contrast, MFIs that are either unable (for lack of adequate sponsor funding) or unwilling to convert to a corporate structure tend to remain 'closed' to transparency and improved governance standards, and therefore, continue to be unable to attract capital.

Moreover, some MFIs, particularly NGO-MFIs, continue to face challenges in striking a balance between their social and business goals, two seemingly conflicting objectives. This often results in poor internal control systems, lack of accountability, and suboptimal performance.

CRISIL believes that the relatively new sheen that microfinance has acquired in India as an economically viable (even moderately profitable, scalable, and sustainable) lending activity, applies only to a few MFIs that are typically structured as NBFCs with notable participation from international private equity funds. Many MFIs are new and have begun operations on a relatively clean slate, focusing on establishing a strong board, and internal control systems.

With donor and grant-funds drying up, and related voluntary services dwindling, microfinance has become a key activity for several NGO-MFIs in India. However, their managements have not adapted and equipped themselves adequately to manage this evolution, with the result that governance, disclosure, and accountability have suffered in many cases. The boards of these organisations continue to have a strong developmental and social project bias, and limited microfinance or banking experience. They typically comprise chief executive officers of other NGOs, school teachers, academics, parish priests, and other prominent members of the local communities. While the contributions of such members are critical in guiding the MFIs' social objectives, the preponderance of such members on a board, to the virtual exclusion of members with banking or accounting experience, means that MFIs often find it difficult to adhere to commercial and systematic lending activities, such as focusing on a timely recovery of loans.

CRISIL believes that unless these NGO-MFIs restructure their boards and management to drive a reasonable commercial orientation into their operating philosophy and mission, the attendant benefits of good internal control systems and transparency are unlikely to materialise. This will ultimately hinder the sustainability of their operations.

#### **CONCLUSION**

Funding (both equity and debt) will not be a constraint for the large players in India's microfinance sector. The leverage ratio is expected to remain adequate for the larger NBFC-MFIs (which are regulated), as most of these entities are able to raise capital. Most mid-sized MFIs are in a process of changing their legal structure. The overall asset quality of MFIs is healthy; however, this is expected to decline marginally. Many small and mid-sized MFIs will continue to face resource constraints in 2009-10 because of their high gearing. Borrowing costs may remain high due to heavy dependence on institutional borrowings: MFIs are exploring other resource-mobilising options such as securitisation. MFIs' profitability may improve marginally in 2009-10 on the back of increasing lending rates and fee-based income.

CRISIL believes that the key factors that can drive success for MFIs are robust systems, and processes, and efficiency and productivity levels, maintaining asset quality, prevention of credit losses and capital erosion, and remaining adequately capitalised to fund growth plans.

# NumberSpeak

	Name of MFI	Headquartered in	Legal Status	Lending model	Number of branches	As on Sep 30, 2008			Apr 01-Sep 30, 2008		As on Sep 30, 2008	
						Loan O/S (Rs. Mn)	Borrowers (No.)	Net worth (Rs. Mn)	Portfolio Yield (%)	OSS (%)	Current portfolio (%)	Debt to networth (Times)
1	SKS Microfinance Ltd (SKSMPL)	Secunderabad, Andhra Pradesh	Pvt. Ltd. Company (NBFC)	JLG	1,413	18,227	25,90,950	2,395	23.40	126.49	99.14	7.37
2	Spandana Sphoorty Financial Ltd (SSFL)	Hyderabad, Andhra Pradesh	Public Ltd. Company (NBFC)	JLG, individual	696	11,987	1,668,807	1,225	27.43	132.02	98.88	7.04
3	Share Microfin Limited (SML)	Hyderabad, Andhra Pradesh	Public Ltd. Company (NBFC)	JLG, Individual	666	8,568	1,231,556	1,448	27.49	152.45	99.32	5.03
4	Asmitha Microfin Ltd (AML)	Hyderabad, Andhra Pradesh	Public Ltd. Company (NBFC)	JLG	363	4,944	694,350	475	17.43	121.04	99.80	9.92
5	Shri Kshetra Dharmasthala, Shri Kshetra Dharmasthala Rural Development Project (SKDRDP)	Dharmasthala, Karnataka	Trust	SHG	22	4,060	612,482	157	12.02	100.46	99.68	29.81
6	Bhartiya Samruddhi Finance Limited (BSFL)	Hyderabad, Andhra Pradesh	Public Ltd. Company (NBFC)	Diversified	87	3,882	457,668	317	17.89	108.97	99.00	11.59
7	Bandhan	Kolkata, West Bengal	Society	JLG	385	3,389	851,713	435	26.32	175.40	99.92	7.07
8	Cashpor Micro Credit (CMC)	Varanasi, Uttar Pradesh	Section 25 Company	JLG	247	1,431	303,935	93	28.78	109.71	98.00	14.72
9	Grama Vidiyal Micro Finance Pvt Ltd (GVMFL)	Tiruchirappalli, Tamil Nadu	Pvt. Ltd. Company (NBFC)	JLG	126	1,316	288,311	231	32.46	141.53	99.54	4.95
10	Grameen Financial Services Pvt Ltd (GFSPL)	Bangalore, Karnataka	Pvt. Ltd. Company (NBFC)	JLG	62	1,287	153,453	127	18.77	106.41	99.98	10.51
11	Madura Micro Finance Ltd (MMFL)	Chennai, Tamil Nadu	Public Ltd. Company (NBFC)	SHG	46	1,223	188,000	321	19.51	152.91	99.57	2.26
12	BSS Microfinance Pvt Ltd (BMPL)	Bangalore, Karnataka	Pvt. Ltd. Company (NBFC)	JLG	51	1,157	159,886	166	29.53	147.26	99.99	6.36
13	Equitas Micro Finance India P Ltd (Equitas)	Chennai, Tamil Nadu	Pvt. Ltd. Company (NBFC)	JLG	36	1,007	108,352	630	20.52	93.11	100.00	1.00
14	Bandhan Financial Services Pvt Ltd (BFSPL)	Kolkata, West Bengal	Pvt. Ltd. Company (NBFC)	JLG	171	1,028	309,100	144	20.54	165.00	99.99	7.14
15	Sarvodaya Nano Finance Ltd (SNFL)	Chennai, Tamil Nadu	Public Ltd. Company (NBFC)	SHG	113	949	84,919	174	12.21	100.48	80.75	5.27
16	BWDA Finance Limited (BFL)	Villupuram, Tamilnadu	Public Ltd. Company (NBFC)	SHG	25	935	251,735	162	15.52	132.74	93.09	6.11
17	Ujjivan Financial Services Pvt Ltd (UF SPL)	Bangalore, Karnataka	Pvt. Ltd. Company (NBFC)	JLG, individual	96	837	132,067	126	24.41	85.08	99.80	5.09
18	Future Financial Services Ltd (FFSL)	Chittoor, Andhra Pradesh	Public Ltd. Company (NBFC)	SHG	50	811	135,488	234	25.54	176.97	100.00	3.22
19	ESAF Microfinance & Investments Pvt. Ltd (EMFIL)	Thrissur, Kerala	Pvt. Ltd. Company (NBFC)	JLG	96	765	154,385	-12	23.88	109.15	95.22	-67.22
20	S.M.I.L.E Microfinance Limited	Chennai, Tamil Nadu	Public Ltd. Company	JLG	87	757.7	141,879	73	16.59**	106.31	99.00	11.86
21	SWAWS Credit Corporation India Pvt Ltd (SCCI)	Secunderabad, Andhra Pradesh	Pvt. Ltd. Company (NBFC)	JLG	44	546	90,082	115	19.36	140.08	99.87	4.09
22	Sanghamithra Rural Financial Services (SRFS)	Bangalore, Karnataka	Section 25 Company	SHG	18	538	23,204	67	15.05	112.52	94.12	7.06
23	Saadhana Microfin Society (Saadhana)	Kurnool, Andhra Pradesh	Society	JLG	36	486	73,443	59	24.51	118.12	100.00	8.64
24	Gram Utthan	Kendrapara, Orissa	Society	JLG	20	439	64,100	10	17.33	110.33	98.60	44.84
25	Rashtriya Seva Samithi (RASS)	Tirupati, Andhra Pradesh	Society	SHG	5	433	41,453	56	16.12	130.46	92.55	7.52
26	Sahara Utsarga Welfare Society (SUWS)	Kolkatta, West Bengal	Society	SHG	62	377	90,396	68	31.52	187.80	97.03	4.23
27	Sonata Finance Pvt Ltd (Sonata)	Allahabad, Uttar Pradesh	Pvt. Ltd. Company (NBFC)	JLG	41	352	61,935	68	28.33	136.24	99.91	6.60
28	Rashtriya Gramin Vikas Nidhi - CSP	Guwahati, Assam	Society	Diversified	44	303	57,429	20	23.92	130.74	95.83	12.77

	Name of MFI	Headquartered in	Legal Status	Lending model	Number of branches	As on Sep 30, 2008			Apr 01-Sep 30, 2008	As on Sep 30, 2008		
						Loan O/S (Rs. Mn)	Borrowers (No.)	Net worth (Rs. Mn)	Portfolio Yield (%)	OSS (%)	Current portfolio (%)	Debt to networth (Times)
29	Arohan Financial Services Ltd (AFSL)	Kolkata, West Bengal	Public Ltd. Company (NBFC)	JLG	28	268	59,069	84	21.12	119.22	98.69	2.47
30	Janalakshmi Financial Services Pvt Ltd (JFSPL)	Bangalore, Karnataka	Pvt. Ltd. Company	Diversified	6	280	41,396	38	33.65	82.04	88.60	7.44
31	Annapurna Financial Services Pvt Ltd (Annapurna)	Hyderabad, Andhra Pradesh	Pvt. Ltd. Company (NBFC)	JLG	30	274	43,267	176	*	111.47	100.00	0.75
32	Hand in Hand Tamil Nadu (HiH)	Kancheepuram, Tamil Nadu	Trust	SHG	157	264	85,346	9	#	#	96.00	#
33	Payakaraopeta Women's Mutually Aided Co-operative Thrift and Credit Society (PVMACTS)	Payakaraopeta, Andhra Pradesh	Co-operative society	SHG, Individual	5	258	31,040	42	18.40	111.97	99.75	4.50
34	Aadarsha Welfare Society (AWS)	Mahabubnagar, Andhra Pradesh	Society	SHG, Individual	7	257	26,378	24	13.35	122.47	99.77	10.37
35	Adhikar	Bhubaneswar, Orissa	Society	JLG	38	211	50,524	16	22.74	159.18	99.74	17.18
36	Village Financial Services Pvt Ltd (VFSPL)	Kolkata, West Bengal	Pvt. Ltd. company (NBFC)	JLG	13	209	55,371	22	18.92	116.18	99.73	9.36
37	Sahara Uttarayan	Kolkata, West Bengal	Society	JLG	39	205	51,261	22	25.37	140.23	98.22	8.22
38	RORES Micro Entrepreneur Development Trust (RMEDT)	Srinivaspura, Karnataka	Trust	JLG	13	204	34,299	24	27.04	198.31	99.78	7.57
39	Centre for Rural Reconstruction through Social Action (CReSA)	Rajahmundry, Andhra Pradesh	Society	JLG	15	200	32,491	18	21.02	126.30	100.00	13.08
40	Indur Intideepam MACS Federation Ltd (IIMF)	Nizamabad, Andhra Pradesh	Co-operative society	SHG	20	191	21,396	28	15.24	118.24	100.00	6.73
41	Welfare Organisation for Multipurpose Mass Awareness Network (WOMAN)	Tiruchirapalli, Tamil Nadu	Society	SHG	15	191	63,650	26	23.13	135.11	86.00	6.97
42	Pragathi Mutually Aided Cooperative Credit and Marketing Federation Ltd (PMACS)	Warangal, Andhra Pradesh	Co-operative society	SHG	38	188	22,861	25	13.95	112.60	98.50	5.57
43	Indian Association for Savings and Credit (IASC)	Coimbatore, Tamil Nadu	Section 25 Company	Diversified	22	183	20,745	33	19.05	101.49	79.10	5.80
44	Sewa Mutually Aided Cooperative Thrift Societies Federation Ltd (Sewa)	Hyderabad, Andhra Pradesh	Co-operative society	SHG, Individual	34	183	923	52	15.05	100.00	88.23	1.97
45	Initiatives for Development Foundation (IDF)	Bangalore, Karnataka	Trust	SHG	11	178	56,315	7	17.34	121.30	99.21	26.18
46	Gandhi Smaraka Grama Seva Kendram (GSGSK)	Alappuzha, Kerala	Society	SHG	15	162	24,201	2	11.58	100.05	99.20	100.02
47	Swayamshree Micro Credit Services (SMCS)	Bhubaneswar, Orissa	Section 25 Company	SHG	4	161	40,034	8	17.00	128.61	92.64	16.12
48	ASOMI	Guwahati, Assam	Society	Diversified	40	146	27,546	20	17.22	171.88	98.57	6.42
49	Janodaya Trust	Bangalore, Karnataka	Trust	SHG	26	127	16,193	11	24.51	125.97	99.25	12.61
50	Community Development Centre (CDC)	Genguvarpatti, Tamil Nadu	Trust	SHG	12	124	31,876	8	15.38	139.93	99.43	16.12

# HiH does not segregate the subsidised and on lending activities of its microfinance programme and therefore the ratio analysis of HiH's microfinance programme is not meaningful.

\* Ratios are not computed as the company acquired the loan portfolio only in September 2008

\*\* Fee based income also included

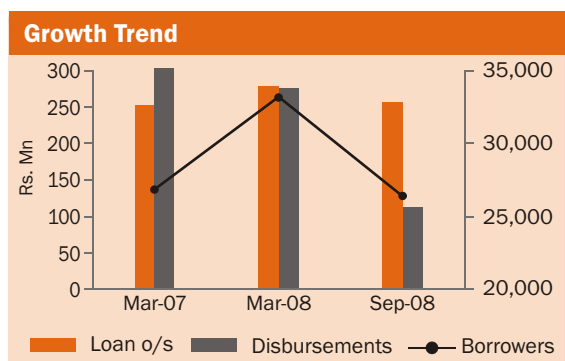
**The order in which the names appear is on the basis of loan amount outstanding**

# India's Leading MFIs | A Brief Profile of the 50 Largest MFIs in India

## Aadarsha Welfare Society

<b>Year of incorporation:</b>	1994
<b>Year of commencement of microfinance operations:</b>	2003
<b>Legal status:</b>	Society
<b>Lending model:</b>	SHG, Individual
<b>Chief Executive:</b>	Mr. K. Ravi Kumar, Chief Executive Officer
<b>Auditor:</b>	Sampath & Ramesh, Hyderabad
<b>Contact Details:</b> S8-5-4/3, Teacher's colony, Mahabubnagar - 509002, Andhra Pradesh Tel: +91-8542-270049 Email: awsap.mbnr@gmail.com	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	7	7	7
Employees	No.	69	58	36
Members	No.	55,250	55,250	42,640
Borrowers	No.	26,378	33,196	26,852
Disbursements	Rs. Mn	114	277	305
Loan O/S	Rs. Mn	257	278	252



### About the MFI

Aadarsha Welfare Society (AWS), an NGO-MFI, has been involved in community development programmes in Andhra Pradesh since its inception in 1994. It started its microfinance programme in March 2003 for the rural poor; subsequently in 2005-06 (refers to financial year, April 1 to March 31), AWS began lending in semi-urban and urban areas.

The founders of AWS acquired a non banking finance company (NBFC) during 2008-09; they plan to transfer the microfinance operations of AWS into this NBFC in 2009-10.

AWS extends 12-month loans to self-help groups at an interest rate of 21 per cent per annum on reducing balance basis. The MFI also charges an upfront fee (2 per cent of the loan amount) and an insurance fee (1 per cent of the loan amount) from its borrowers.

### CRISIL's analysis on key parameters

- AWS has reported significant growth from 2005-06 (refers to financial year, April 1 to March 31) to 2007-08: its member base increased at a compounded annual growth rate of 37 per cent, its disbursements at 110 per cent, and its loan outstanding at 128 per cent. However, the borrower base of the MFI declined during first six months of 2008-09 as funding constraints resulted in a slowdown in its loan disbursements.
- AWS has consistently maintained good asset quality, with an on-time repayment rate of more than 99 per cent since inception.
- AWS's gearing levels have improved to 10.37 times as on September 30, 2008 from 13.62 per cent as on March 31, 2008, due to decline in borrowings.
- AWS's funding mix is moderate; as on March 31, 2008, around 18 per cent of its total borrowings were partnership loans. The MFI has sourced most of its resources from apex MFIs and private banks.
- AWS's operational self-sufficiency (OSS) ratio has been above 120 per cent over the past two years, and was 122.47 per cent for the six months ended September 30, 2008. However, CRISIL expects the OSS ratio to come under pressure with reduction in income, in case the NGO-MFI faces resource constraints and is, therefore, unable to increase its disbursements.

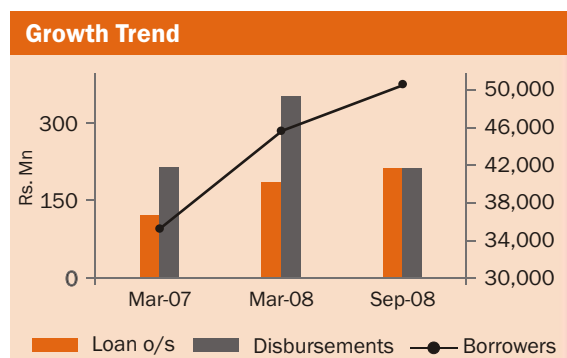
Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Netsurplus	Rs. Mn	3.99	9.86	7.70
Net worth	Rs. Mn	24.08	20.09	10.23
Portfolio yield*	%	13.35	15.81	14.49
Fund based yield*	%	12.64	15.08	13.89
Cost of borrowings*	%	10.64	12.55	11.82
Operating expense ratio*	%	2.85	3.56	3.52
Return on net worth*	%	36.12	65.04	120.66
Return on assets*	%	2.77	3.48	4.77
Operational self-sufficiency	%	122.47	122.14	126.92
Current portfolio	%	99.77	99.85	99.80
PAR>90 days	%	0.10	0.05	-
Debt/Net worth	Times	10.37	13.62	24.99

\*Ratios are annualised

## Adhikar: Sanchayika programme

<b>Year of incorporation:</b>	1991
<b>Year of commencement of microfinance operations:</b>	2004
<b>Legal status:</b>	Society
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Md. N Amin, President
<b>Auditor:</b>	SRB & Associates, Bhubaneswar
<b>Contact Details:</b> 113/2526, Khandagiri Vihar Khandagiri, Bhubaneswar, Orissa - 751030 Phone: +91-674-2384542 Email: adhikar@satyam.net.in Web: www.adhikarindia.org	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	38	32	25
Employees	No.	193	160	97
Members	No.	66,575	51,564	36,255
Borrowers	No.	50,524	45,553	35,210
Disbursements	Rs. Mn	212	352	216
Loan O/S	Rs. Mn	211	185	121



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	5.79	9.00	5.07
Net worth	Rs. Mn	15.57	9.78	4.28
Portfolio yield*	%	22.74	23.68	19.50
Fund-based yield*	%	17.92	21.45	17.53
Cost of borrowings*	%	11.26	12.89	10.29
Operating expense ratio*	%	10.32	9.91	7.79
Return on net worth*	%	91.36	128.02	290.54
Return on assets*	%	4.54	5.13	6.40
Operational self-sufficiency	%	159.18	119.81	138
Current portfolio	%	99.74	99.21	98.84
PAR>90 days	%	0.11	0.42	0.25
Debt/Net worth	Times	17.18	18.89	26.11

\*Ratios are annualised

### About the MFI

The Orissa-based Adhikar started microfinance operations in 2004. Its microfinance programme, *Sanchayika*, is based on the Grameen Bank model. The MFI also helps its members form joint liability groups, offers remittance services to migrant workers, and runs skill-building training programmes for cooperatives. It is present in 13 districts of Orissa.

Adhikar extends 50-week loans at an interest rate of 10 per cent on a flat basis. Borrowers also have to pay 3.50 per cent of the sanctioned amount towards processing charges. A majority of the borrowers are micro-entrepreneurs who need the money to run or expand their businesses. Recently, the MFI introduced home loans for its members; home loans are charged higher interest, at 20 per cent per annum on a reducing balance basis. Adhikar also provides accident and life insurance services to its clients through tie-ups with two insurance companies.

### CRISIL's analysis on key parameters

- Adhikar has good asset quality, reflected in 99.74 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- Adhikar has reported a significant growth from 2005-06 (refers to financial year, April 1 to March 31) to 2007-08: its borrower base has increased at a compounded annual growth rate of 99.96 per cent, its disbursements at 238 per cent, and its loan outstanding at 229 per cent. The MFI's operations are concentrated in Orissa, but it is planning to expand to adjoining states.
- The growth in disbursements and hence increasing internal accruals have enabled Adhikar's microfinance programme to report a positive net worth of Rs.15.6 million as on September 30, 2008 - a marked improvement from a negative net worth Rs.0.78 million as on March 31, 2006.
- Adhikar has a moderately diversified funding profile. Its borrowing profile comprises several fund sources, including private banks, apex MFIs, and other financial institutions.
- Adhikar's gross interest spreads are expected to be under some pressure, as borrowing costs are expected to increase. Nevertheless, CRISIL expects the MFI's operating profitability to be supported by its healthy fee-based income.
- The founders of Adhikar have acquired a non-banking financial company (NBFC), Adhikar Microfinance Pvt Ltd. Given its increasing asset size, Adhikar plans to transfer its microfinance programme to the recently-acquired NBFC, which will enable the MFI to raise capital for funding growth.

## Annapurna Financial Services Pvt. Ltd.\*\*

<b>Year of incorporation:</b>	1996
<b>Year of commencement of microfinance operations:</b>	2008
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. P. Kishore Kumar Managing Director
<b>Auditor:</b>	Vaithisvaran & Co, Hyderabad

### Contact Details:

H.No.11-8-15, MIG 33, Shree Sai Arcade, 1<sup>st</sup> & 2<sup>nd</sup> Floor, Saroornagar, Hyderabad-500 035, Andhra Pradesh  
Tel: +91-40-23443210/211/212  
Telefax No: +91-40-24051528  
Email: [info@tridentmicrofin.com](mailto:info@tridentmicrofin.com)

**Grading by CRISIL:** Yes

### About the MFI

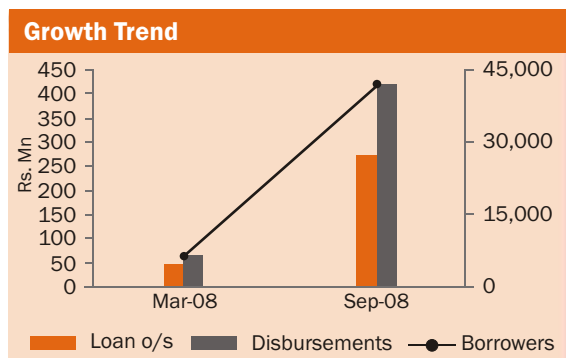
Annapurna Financial Services Pvt. Ltd. (Annapurna), a non-banking financial company (NBFC), commenced microfinance operations in January 2008 by acquiring the nascent microfinance programme of Trident Seva Society. Subsequently, in September 2008, the NBFC acquired the microfinance programme of The Maxwealth Trust (Maxwealth), an MFI started by the Institute of Chartered Financial Analysts of India, Hyderabad. At the time of the acquisition, Maxwealth Trust had a loan portfolio of Rs.192 million, with 23 branches in Greater Hyderabad. Annapurna operates in five districts of Andhra Pradesh and four districts of Maharashtra. The board and senior management of the MFI have considerable experience in microfinance.

Annapurna offers seven loan products; the loan amounts range from Rs.8,000 to Rs.100,000. The MFI's core loan product is a 12-month loan with an interest rate of 15 per cent on a flat basis. It also offers life insurance to its members through a tie-up with a private life insurance company.

### CRISIL's analysis on key parameters

- The company's asset quality was good as on September 30, 2008. Though Annapurna started its microfinance operations recently, its loan portfolio is reasonably seasoned as it acquired the 2.5-year-old microfinance programme of Maxwealth. All loans in the portfolio were current (collections on time) as on September 30, 2008.
- As of September 30, 2008, MFI had a loan portfolio of Rs.274 million and 43,267 borrowers. However, 70 per cent of the loans outstanding as of that date were from the Greater Hyderabad region.
- For six months ending September 30, 2008, the MFI had an operational self-sufficiency (OSS) ratio of 111.47 per cent. As the company acquired a sizeable proportion of its loan portfolio only in September 2008, the MFI's financial ratios could have changed substantially in recent times. CRISIL expects the MFI's OSS ratio to improve further, since it has acquired branches that have large numbers of borrowers, healthy asset quality, and comfortable gross interest spreads.
- During first half of 2008-09, investors have infused capital into the company resulting in net worth increasing to Rs.175.53 million as on September 30, 2008. As a result, the company's debt-to-net worth ratio was comfortable at 0.75 times as on the above date. CRISIL expects this capitalisation to be adequate to support medium-term growth.

Operational Highlights		2008	
Particulars	Unit	Sept.	Mar.
Branches	No.	30	7
Employees	No.	218	40
Members	No.	44,170	8,200
Borrowers	No.	43,267	8,200
Disbursements	Rs. Mn	420	65
Loan O/S	Rs. Mn	274	47



Key Financial Highlights	Unit	Sept-08*	Mar-08*
Net profit	Rs. Mn	0.97	0.90
Net worth	Rs. Mn	175.53	19.83
Portfolio yield	%		
Fund-based yield	%		
Cost of borrowings	%		
Operating expense ratio	%		
Return on net worth	%		
Return on assets	%		
Operational self-sufficiency	%	111.47	
Current portfolio	%	100	
Debt/Net worth	Times	0.75	

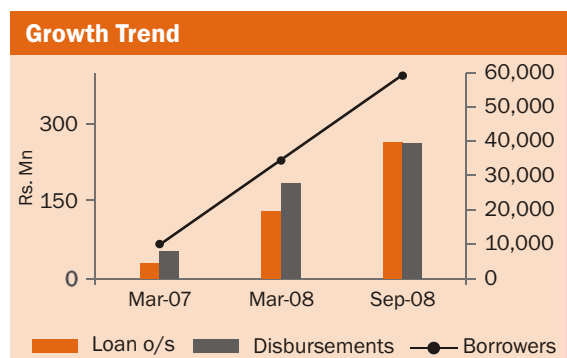
\* Ratios are not computed as the company acquired the loan portfolio only in September 2008

\*\* The company's name has recently been changed to Trident Microfin Pvt. Ltd.

## Arohan Financial Services Ltd.

<b>Year of incorporation:</b>	1991
<b>Year of commencement of microfinance operations:</b>	2006
<b>Legal status:</b>	Public Ltd Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Shubhankar Sengupta, Managing Director
<b>Auditor:</b>	Mookherjee, Biswas & Pathak, Kolkata
<b>Contact Details:</b>	'Prafulla' 195/1 Rajdanga, Chakraborty para, P.S. Kasba, Kolkata - 700107 Tel: +91-33-64500735 Email: shubhankar.sengupta@arohan.in Web: www.arohan.in
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	28	17	5
Employees	No.	218	138	57
Members	No.	59,069	34,261	9,945
Borrowers	No.	59,069	34,261	9,945
Disbursements	Rs. Mn	263	186	51
Loan O/S	Rs. Mn	268	130	30



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	4.91	0.23	-4.26
Net worth	Rs. Mn	83.85	49.65	11.91
Portfolio yield*	%	21.12	19.62	31.61
Fund-based yield*	%	18.66	16.08	28.72
Cost of borrowings*	%	11.86	10.81	5.12
Operating expense ratio*	%	12.92	14.87	55.21
Return on net worth*	%	14.70	0.75	-35.77
Return on assets*	%	4.28	0.23	-12.16
Operational self-sufficiency	%	119.22	101.09	61.34
Current portfolio	%	98.69	97.71	100
PAR > 90 days	%	0.13	0.18	-
Debt/Net worth	Times	2.47	2.22	1.77

\*Ratios are annualised

### About the MFI

Arohan Financial Services Ltd. (AFSL), a non-banking financial company (NBFC), started its microfinance operations in 2006 with a focus on delivering financial services to small entrepreneurs. AFSL operates across the Greater Kolkata region, which includes the districts of North and South 24 Parganas, Howrah, Hoogly, and Nadia. AFSL lends to five-member groups under the Grameen Bank model of lending.

The MFI's core loan product is a 57-week loan with an interest rate of 24.13 per cent per annum on a reducing balance basis. Additionally, it extends 'Bazar loans' under the joint liability group (JLG) model to small entrepreneurs operating out of authorised market places: borrowers are charged 27.29 per cent per annum interest on a reducing balance basis. The microfinance institution (MFI) charges a 4 per cent processing fee for both products, levied at the time of disbursements. AFSL has also tied up with a private insurance company to offer life insurance for its borrowers.

AFSL was incorporated in 1991 as ANG Resources Limited: it was acquired by its current management in 2006, following which the NBFC started its microfinance programme.

### CRISIL's analysis on key parameters

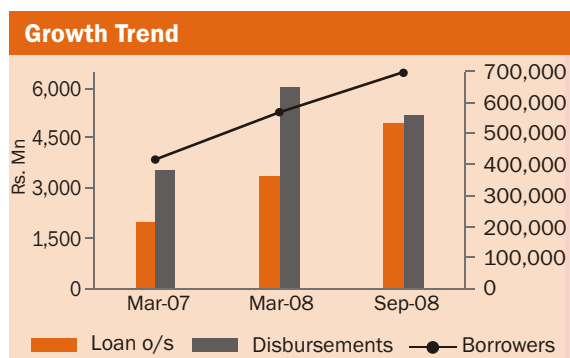
- AFSL has reported strong growth from the inception of the microfinance program in 2006-07 (refers to financial year, April 1 to March 31): its member base and total disbursements have almost tripled in size since March 2007.
- With the increase in scale, the MFI has reported a consistent improvement in its Operational self-sufficiency (OSS) ratio to 119.22 per cent recorded during the six months ended September 30, 2008. Although the MFI's cost of borrowing and operating costs are expected to increase, CRISIL expects the OSS to remain above 100 per cent because of the MFI's healthy fee-based income (from the upfront processing fee and insurance commission).
- Because of equity infusion by some microfinance-specific equity funds, and individuals, AFSL has been able to enhance its net worth to Rs.83.9 million as on September 30, 2008: consequently, its gearing has remained low at 2.47 times as on September 30, 2008. CRISIL believes that the MFI's capitalisation is sufficient to support its growth over the medium term.
- AFSL has good asset quality, reflected in 98.69 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- Raising debt to meet demand from a growing borrower base, and simultaneously expanding its geographic outreach through branch expansions, will remain critical for the MFI over the medium term.



## Asmitha Microfin Ltd.

<b>Year of incorporation:</b>	2001
<b>Year of commencement of microfinance operations:</b>	2002
<b>Legal status:</b>	Public Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Dr. Vidya Sravanthi, Chairperson & Managing Director
<b>Auditor:</b>	V. Nagarajan & Co., Gurgaon
<b>Contact Details:</b> 1-2-58, Plot No. 1-3, N-Block, Kakatiya Nagar, Habsiguda, Hyderabad- 500007, Andhra Pradesh Tel: +91-40-2715 7865, Fax: +91-40-2715 3156 Email: <a href="mailto:aml@asmithamicrofin.com">aml@asmithamicrofin.com</a> Web: <a href="http://www.asmithamicrofin.com">www.asmithamicrofin.com</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	363	242	166
Employees	No.	2,233	1,747	1,105
Members	No.	849,029	701,432	538,740
Borrowers	No.	694,350	565,806	416,829
Disbursements	Rs. Mn	5,175	6,010	3,512
Loan O/S	Rs. Mn	4,944	3,359	1,976



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	95.06	45.42	27.57
Net worth	Rs. Mn	475.42	380.57	141.31
Portfolio yield*	%	17.43	16.73	16.42
Fund-based yield*	%	17.21	14.38	14.34
Cost of borrowings*	%	9.43	10.45	9.76
Operating expense ratio*	%	8.04	8.51	9.22
Return on net worth*	%	44.42	17.40	23.16
Return on assets*	%	3.98	1.40	1.22
Operational self-sufficiency	%	121.04	106.99	105.34
Current portfolio	%	99.80	99.25	97.43
PAR>90 days	%	0.13	0.68	2.54
Debt/Net worth	Times	9.92	9.54	13.35

\*Ratios are annualised

### About the MFI

Asmitha Microfin Ltd. (AML), an NBFC, began its microfinance operations in 2002; it is one of the top five microfinance institutions (MFIs) in India, in terms of loans outstanding. AML lends to five-member groups of women under the Grameen Bank model, at a flat interest rate of 12.5 per cent to 15 per cent, and charges an upfront one-time processing fee of 1.15 to 2.50 per cent of the loan amount.

AML has a strong rural presence. Most of the loans are given for income-generation activities; trading and animal husbandry account for about two-thirds of AML's loans. As of March 31, 2008, AML was present in Orissa, Andhra Pradesh, Karnataka, and Maharashtra: it has ventured into nine more states during the first half of 2008-09 (refers to financial year, April 1 to March 31).

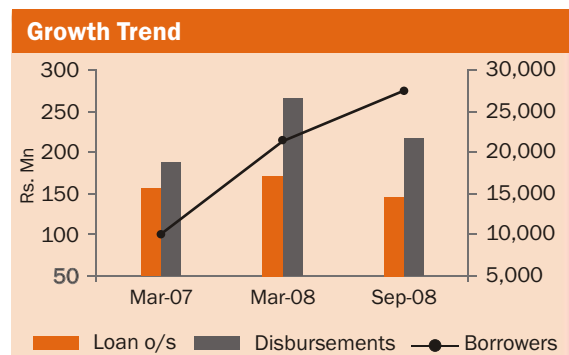
### CRISIL's analysis on key parameters

- AML has reported a compounded annual growth rate (CAGR) of around 28 per cent in its member base, 24 per cent in its disbursements, and 37 per cent in its total loans outstanding, from 2005-06 to 2007-08. The growth was moderate on account of the MFI deliberately slowing disbursements during 2006-07 following the Krishna district (Andhra Pradesh) crisis, which affected all MFIs operating in the district.
- The MFI has a diversified funding profile, with access to funds from several financial institutions and private banks. This supports its financial flexibility, in that it is not dependent upon any one source to raise funds for growth.
- The leverage ratio was relatively high at 9.92 times as on September 30, 2008, because of large borrowings. Despite an equity infusion of Rs.250 million in the third quarter of 2008-09, CRISIL expects leverage to remain at the same levels because of the MFI's aggressive growth.
- AML has a good asset quality, reflected in 99.80 per cent of the portfolio being current (collections on time) as on September 30, 2008. The asset quality, which had deteriorated in 2006-07 because of the collection crisis in Krishna district, has regained its earlier levels.
- CRISIL expects AML's profitability to improve over the medium term, despite the cost of penetrating new states, because the MFI has increased its lending rates.

## ASOMI

<b>Year of incorporation:</b>	2001
<b>Year of commencement of microfinance operations:</b>	2002
<b>Legal status:</b>	Society
<b>Lending model:</b>	Diversified
<b>Chief Executive:</b>	Mr. Subhra Jyoti Bharali, Secretary
<b>Auditor:</b>	Anupam Baruah & Co., Guwahati
<b>Contact Details:</b>	
Above SBI ATM (West Guwahati Branch), 2nd Floor, Bharalumukh, Guwahati - 781039, Assam Tel: +91-361-2736212 Fax: +91-361-2736213 Email: axomi@rediffmail.com	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	40	37	26
Employees	No.	186	147	30
Members	No	31,975	27,289	19,055
Borrowers	No	27,546	21,472	10,078
Disbursements	Rs. Mn	216	266	188
Loan O/S	Rs. Mn	146	171	156



### About the MFI

ASOMI is an Assam-based society, engaged in microfinance and developmental activities. In 2008-09, it transferred Rs.25 million of its advances to a non-banking financial company (NBFC), Asomi Finance Pvt Ltd, promoted by ASOMI's founders. ASOMI lends to joint liability groups (JLGs), self-help groups, and individuals. The MFI charges an upfront fee (2 per cent to 4 per cent of the loan amount) and a membership fee (Rs. 100) from its borrowers.

ASOMI extends loans for 10 to 100 weeks at an interest rate of 5 to 12 per cent on a flat basis. Loan amounts vary from Rs.1,000 to Rs.50,000.

### CRISIL's analysis on key parameters

- ASOMI has reported significant growth from 2005-06 (refers to financial year, April 1 to March 31) to 2007-08: its borrower base increased at a compounded annual growth rate of 210 per cent, and its loans outstanding at 266 per cent.
- The MFI has a diverse funding profile, with access to funds from several financial institutions, and public and private sector banks. This provides the MFI financial flexibility as it is not dependent upon a limited number of funding sources.
- The MFI's gearing levels have declined to 6.42 times as of September 30, 2008, from 91.45 times as of March 31, 2007, because of capital grants and increased internal accruals. Given its growing assets, ASOMI plans to transfer its microfinance programme to Asomi Finance Pvt Ltd, which being a company would be in a position to raise capital for funding growth.
- The MFI has good asset quality, reflected in 98.57 per cent of the portfolio being current (collections on time) as on September 30, 2008. This is because of adequate loan monitoring processes and appraisal mechanisms.
- ASOMI's Operational self sufficiency (OSS) ratio has improved over the past two years, and was 171.88 per cent for the six months ended September 30, 2008. CRISIL expects the OSS ratio to remain over 100 per cent, but its growth from current levels is likely to be curtailed because of the increasing cost of borrowings.

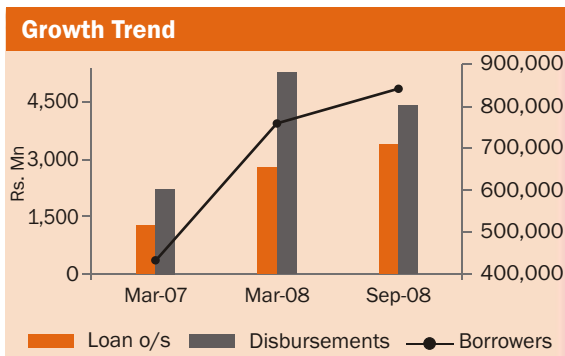
Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	7.23	10.53	1.96
Net worth	Rs. Mn	20.15	12.91	1.88
Portfolio yield*	%	17.22	12.85	8.29
Fund-based yield*	%	15.75	11.77	7.67
Cost of borrowings*	%	8.10	6.84	8.97
Operating expense ratio*	%	4.54	4.49	4.64
Return on net worth*	%	87.56	142.56	195.72
Return on assets*	%	8.09	5.59	1.90
Operational self-sufficiency	%	171.88	151.97	103.41
Current portfolio	%	98.57	98.16	99.36
PAR>90 days	%	0.26	0.63	0.13
Debt/Net worth	Times	6.42	12.16	91.45

\*Ratios are annualised

# Bandhan

<b>Year of incorporation:</b>	2001
<b>Year of commencement of microfinance operations:</b>	2001
<b>Legal status:</b>	Society
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Chandra Shekhar Ghosh, Secretary
<b>Auditor:</b>	SRB & Associates, Kolkata
<b>Contact Details:</b>	
AB-48, Sector 1, Salt Lake City Kolkata - 700064, West Bengal Tel: +91-33-2334 7602, Fax: +91-33-2334 6751 Email: <a href="mailto:bandhanindia@gmail.com">bandhanindia@gmail.com</a> Web: <a href="http://www.bandhanmf.com">www.bandhanmf.com</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	385	427	305
Employees	No.	2,640	2,415	1,649
Members	No.	934,050	866,381	498,444
Borrowers	No.	851,713	757,903	433,324
Disbursements	Rs. Mn	4,404	5,298	2,240
Loan O/S	Rs. Mn	3,389	2,783	1,261



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Netsurplus	Rs. Mn	195.92	128.12	62.00
Net worth	Rs. Mn	434.96	214.55	86.43
Portfolio yield*	%	26.32	22.07	22.29
Fund-based yield*	%	21.42	18.44	21.04
Operating Expense ratio*	%	4.97	8.24	7.79
Cost of borrowings*	%	10.36	9.28	9.51
Return on net worth*	%	120.66	85.13	115.50
Return on assets*	%	10.14	5.18	7.02
Operational self-sufficiency	%	175.40	132.39	141.33
Current portfolio	%	99.92	99.89	99.91
PAR > 90 days	%	0.07	0.05	0.05
Debt/Net worth	Times	7.07	13.19	11.60

\*Ratios are annualised

## About the MFI

Bandhan is among the top 10 microfinance institutions (MFIs) in India, in terms of loans outstanding; as on September 30, 2008, it had a portfolio of Rs.3.39 billion. The MFI's lending model is similar to that adopted by the ASA (formerly known as Association for Social Advancement), a leading MFI in Bangladesh.

Bandhan has a presence in both rural and urban areas. It offers three loan products, all of 12-month tenure, but with varying interest rates and other terms and conditions. As on September 30, 2008, Bandhan had 851,713 borrowers. The NGO-MFI intends to transfer its entire loan portfolio to Bandhan Financial Services Pvt Ltd (BFSPL), a non-banking financial company (NBFC), during 2009-10 (refers to financial year, April 1 to March 31).

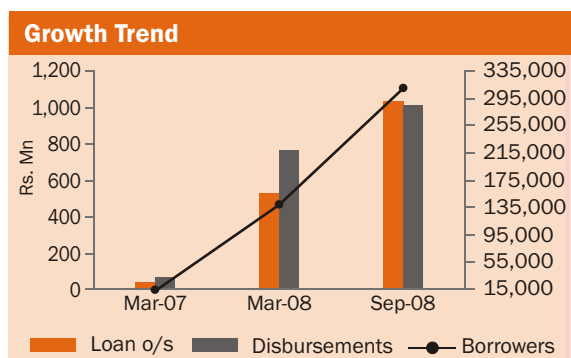
## CRISIL's analysis on key parameters

- Bandhan has reported significant growth between 2005-06 and 2007-08: its member base increased at a compounded annual growth rate of 122 per cent, its disbursements at 195 per cent, and its loans outstanding at 174 per cent.
- Although the MFI is present in nine states, its operations are concentrated in West Bengal, which accounts for 95 per cent of its advances. The MFI plans to increase business levels in other states, to mitigate the concentration risk.
- Bandhan has consistently maintained good asset quality, with an on-time repayment rate of more than 99.5 per cent since inception.
- Bandhan had a net worth of Rs.435 million as on September 30, 2008, a big leap from Rs.86.4 million as on March 31, 2007. Internal accruals accounted for 94 per cent of the net worth, as of September 30, 2008, with the remainder being contributed by grants. As a result of the increased net worth, Bandhan's gearing has improved to 7.07 times as of September 30, 2008, despite large borrowings.
- The MFI had a diversified funding profile, with access to funds from several financial institutions, and from public and private sector banks. This supports the MFI's financial flexibility in that it is not dependent upon any one funding source for growth.
- Bandhan's current profitability is strong with an operational self-sufficiency ratio in excess of 175 per cent for the six months ended September 30, 2008. CRISIL expects Bandhan's profitability to remain comfortable despite the increase in borrowing costs, because the MFI is able to pass on the increasing costs to borrowers.

## Bandhan Financial Services Pvt. Ltd.

<b>Year of incorporation:</b>	2006
<b>Year of commencement of microfinance operations:</b>	2006
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Chandra Shekhar Ghosh, Chairman and Managing Director
<b>Auditor:</b>	SRB & Associates, Kolkata
<b>Contact Details:</b> AB-48, Sector 1, Salt Lake City Kolkata - 700064, West Bengal Tel: +91-33-2334 7602, Fax: +91-33-2334 6751 Email: <a href="mailto:bandhanindia@gmail.com">bandhanindia@gmail.com</a> Web: <a href="http://www.bandhanmf.com">www.bandhanmf.com</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	171	75	13
Employees	No.	929	406	63
Members	No.	335,635	157,170	19,314
Borrowers	No.	309,100	138,811	15,980
Disbursements	Rs. Mn	1,015	768	68
Loan O/S	Rs. Mn	1,028	529	46



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	41.95	15.07	0.43
Net worth	Rs. Mn	144.09	101.08	6.50
Portfolio yield*	%	20.54	22.84	7.25
Fund based yield*	%	18.98	21.84	7.41
Cost of borrowings*	%	6.56	11.59	8.15
Operating expense ratio*	%	4.44	9.20	6.43
Return on net worth*	%	68.45	28.03	7.88
Return on assets*	%	8.34	4.99	1.83
Operational self-sufficiency	%	165	125	111
Current portfolio	%	99.99	99.79	100
PAR > 90 days	%	0.11	0.10	-
Debt/Net worth	Times	7.14	2.22	4.70

\*Ratios are annualised

### About the MFI

In 2006, the founders of Bandhan, a non-governmental organisation (NGO) with microfinance operations, acquired Ganga Niryat Pvt. Ltd., a non-banking financial company (NBFC), and registered it as Bandhan Financial Services Pvt. Ltd. (BFSPL). As on September 30, 2008, the MFI had loans outstanding of Rs.1028 million spread across 171 branches. The Bandhan group plans to consolidate its microfinance operations under BFSPL in 2009-10 (refers to financial year, April 1 to March 31).

BFSPL follows the group-based lending approach; its loan products are similar to those of Bandhan. The NBFC's presence is largely restricted to West Bengal and Tripura and during first six months of 2008-09, it also opened branches in New Delhi and Bihar.

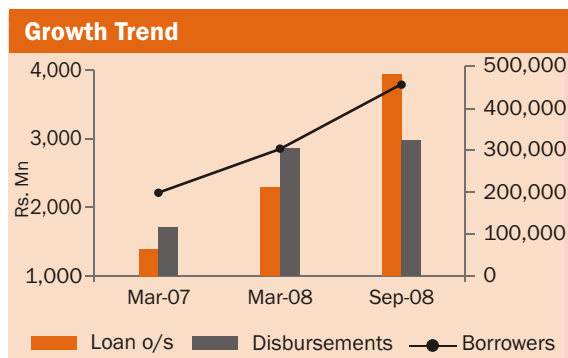
### CRISIL's analysis on key parameters

- BFSPL's borrower base expanded to 309,100 as on September 30, 2008, from 15,980 as on March 31, 2007. During 2007-08, BFSPL started operations in West Bengal, which assisted it in increasing its borrower base. The MFI has opened about 100 new branches during 2008-09. To reduce the risk of geographic concentration, the MFI has diversified to New Delhi and Bihar.
- Following capital infusion of Rs.79.8 million during 2007-08, BFSPL's net worth increased to Rs.101.08 million as on March 31, 2008, from Rs.6.50 million as on March 31, 2007. CRISIL believes that the MFI's ambitious growth plans will require further equity infusion at regular intervals.
- BFSPL has good asset quality, reflected in 99.99 per cent of the portfolio being current (collections on time) as on September 30, 2008. The asset quality has remained good despite the difficulties of collection during the floods in Tripura and West Bengal in 2007-08.
- BFSPL's current profitability is strong, with an operational self sufficiency ratio of 165 per cent for the six months ended September 30, 2008. CRISIL expects BFSPL's profitability to remain comfortable despite the increase in borrowing costs, because the MFI is able to pass on the increasing costs to borrowers.

## Bhartiya Samruddhi Finance Ltd.

<b>Year of incorporation:</b>	1996
<b>Year of commencement of microfinance operations:</b>	1997
<b>Legal status:</b>	Public Ltd. Co. (NBFC)
<b>Lending model:</b>	Diversified
<b>Chief Executive:</b>	Mr. Vijay Mahajan, Managing Director
<b>Auditor:</b>	V. Nagarajan & Co., Hyderabad
<b>Contact Details:</b> 3rd Floor, Surabhi Arcade, Bank street, Troop Bazar, Koti, Hyderabad - 500001, Andhra Pradesh Tel: +91-40-30512500/01, Fax: +91-40-30512502 Email: vijaymahajan@basixindia.com Web: www.basixindia.com	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	87	64	45
Employees	No.	1078	926	604
Members	No.	Not applicable		
Borrowers	No.	457,668	305,438	198,282
Disbursements	Rs. Mn	2,944	2,816	1,702
Loan O/S	Rs. Mn	3,882	2,254	1,397



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	19.02	39.89	29.26
Net worth	Rs. Mn	316.72	297.70	270.44
Portfolio yield*	%	17.89	20.04	21.56
Fund based yield*	%	15.92	17.16	18.18
Cost of borrowings*	%	8.77	7.71	7.21
Operating expense ratio*	%	12.76	12.69	13.67
Return on net worth*	%	12.38	14.04	11.25
Return on assets*	%	1.06	1.78	1.96
Operational self-sufficiency	%	108.97	115.61	116.84
Current portfolio**	%	99.00	99.16	98.81
PAR > 90 days	%	0.7	0.7	1.2
Debt/Net worth	Times	11.59	7.26	5.24

\*Ratios are annualised; \*\* On-time repayment rate

### About the MFI

Bhartiya Samruddhi Finance Ltd. (BSFL), an NBFC promoted by Bhartiya Samruddhi Investments and Consulting Services Ltd. (BASICS), started operations in 1997. BSFL is one of the pioneers in extending organised microfinance to those without access to banking and financial services. The company has more than a decade of experience in microfinance, and has disbursed more than Rs.11 billion of loans since inception. BSFL adopts diverse lending models (loans to individuals, joint-liability groups of farmers and federations of women SHGs). The company is the first Indian MFI to offer weather-based insurance to customers through a tie-up with an insurance company, and the first MFI with an institutional shareholding structure.

BSFL provides microfinance and knowledge-based technical assistance. Its customers include small and marginal farmers, rural artisans, micro-enterprises, and federations and cooperatives owned by self-help groups (SHGs). As on September 30, 2008, it had a presence in 8 states across India.

### CRISIL's analysis on key parameters

- During 2007-08 (refers to financial year, April 1 to March 31), the company's loan disbursements grew by 65.5 per cent over the previous year, to Rs.2.82 billion. As a result of significant growth in advances over the past two years, BSFL's capital adequacy ratio declined below 10 per cent as on September 30, 2008. However, the company raised Rs.300 million of capital in March 2009, allowing it to maintain capital adequacy above the regulatory minimum as on March 31, 2009. Given BSFL's aggressive growth plans, CRISIL expects the company's capital adequacy to remain under pressure over the medium term, unless more capital is infused during 2009-10.
- BSFL's operational self-sufficiency (OSS) ratio has declined to 109 per cent during first six months of 2008-09 from 116.84 per cent in 2006-07, because of a decline in gross spreads. However, CRISIL expects the OSS ratio to improve in the medium term because of increased processing fees (effective November 2008) and yields.
- BSFL has improved its asset quality over the years, because of a revamp of its risk management systems, increasing diversification in its loan assets, and strong relationships with borrowers. As a result, the on-time repayment rate (OTRR), improved to 99.2 per cent for 2007-08, from 98.8 per cent in the previous year. CRISIL expects BSFL to maintain its asset quality, and systems and procedures at present levels over the medium term.

## BSS Microfinance Pvt. Ltd.

<b>Year of incorporation:</b>	1994
<b>Year of commencement of microfinance operations:</b>	1997
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Dr. Ramesh Bellamkonda, Managing Director
<b>Auditor:</b>	G. R. Venkatanarayana & Co., Bangalore

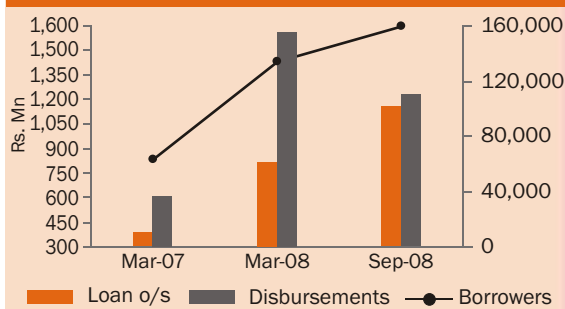
### Contact Details:

No. Com-9, Devaraja Urs Truck Terminal,  
Peenya Main Road, Opp. Kanteerava Film Studio  
Yeshwanthapura, Bangalore - 560022, Karnataka  
Tel: +91-80-65732387, Fax: +91-80-23471884  
Email: swamukti@swamukti.com,

<b>Grading by CRISIL:</b>	No
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Operational Highlights		BMPL 2008	BSS 2008	
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	51	48	22
Employees	No.	434	368	206
Members	No.	168,485	142,851	69,754
Borrowers	No.	159,886	134,765	63,315
Disbursements	Rs. Mn	1,225	1,611	618
Loan O/S	Rs. Mn	1,157	814	389

### Growth Trend



### About the MFI

BSS Microfinance Pvt. Ltd. (BMPL), formerly Oyster Capitals Pvt Ltd, is a Bangalore-based non banking financial company (NBFC) which started its microfinance operations in April 2008 by taking over the operations of Bharatha Swamukti Samsthe (BSS), an MFI registered as a trust. BSS was founded by Mr. K. S. Nagendra in 1997. BSS received its first external loan for its microfinance program from Grameen Trust, Bangladesh, in January 1998.

BMPL follows the Grameen Bank model of lending and offers loans at 15 per cent (flat rate basis) to women organised as joint liability groups (JLGs). In May 2007, it also launched an individual loan product on a pilot basis.

### CRISIL's analysis on key parameters

- The MFI registered a healthy compounded annual growth rate (CAGR) of around 143 per cent in its borrower base, 183 per cent in its disbursements, and 180 per cent in its loan outstanding, between 2005-06 (refers to financial year, April 1 to March 31) to 2007-08. During the six month ended September 2008, the MFI has maintained its growth momentum and had added around 25,000 borrowers.
- BMPL has good asset quality, reflected in 99.9 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- BMPL has a diversified funding profile with most of its resources being mobilised from apex MFIs, and from public and private sector banks. This supports the MFI's financial flexibility as it is not dependent upon any one funding source for growth.
- The company had a net worth of Rs.166.35 million, and gearing of 6.36 times, as on September 30, 2008. However, the MFI's growth plans will require it to raise further capital to maintain adequate capitalisation.
- BMPL's operational self-sufficiency (OSS) ratio was comfortable at 147 per cent for the six months ended September 30, 2008. CRISIL expects the OSS ratio to remain over 100 per cent, but the ratio is unlikely to increase significantly because of the increasing cost of borrowing.

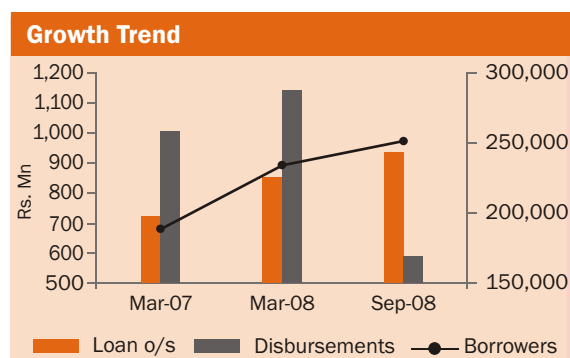
Key Financial Highlights	Unit	BMPL	BSS	
		Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	30.56	69.06	12.21
Net worth	Rs. Mn	166.35	132.81	36.56
Portfolio yield*	%	29.53	31.22	25.66
Fund based yield*	%	27.31	27.31	28.72
Operating expense ratio*	%	8.47	7.87	8.29
Cost of borrowings*	%	10.53	11.21	7.84
Return on net worth*	%	40.86	81.56	39.75
Return on assets*	%	5.61	10.27	4.32
Operational self-sufficiency	%	147.26	156	120
Current portfolio	%	99.99	100	100
PAR > 90 days	%	-	-	-
Debt/Net worth	Times	6.36	5.71	10.00

\*Ratios are annualised

## BWDA Finance Ltd.

<b>Year of incorporation:</b>	1995
<b>Year of commencement of microfinance operations:</b>	1999
<b>Legal status:</b>	Public Ltd. Co. (NBFC)
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Dr. C. Joslin Thambi, Managing Director
<b>Auditor:</b>	A John Morris & Co., Chennai
<b>Contact Details:</b>	
Post Box No.23, 858, East Pandy Road, Villupuram Villupuram Dist, Tamil Nadu - 605602 Tel: +91-4146 - 243861 / 240683 Fax: +91-4146-242815 Email: bwdavpm@yahoo.com	
<b>Grading by CRISIL:</b>	No

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	25	21	15
Employees	No.	571	456	311
Members	No.	314,669	292,729	236,388
Borrowers	No.	251,735	234,183	189,111
Disbursements	Rs. Mn	590	1,143	1,006
Loan O/S	Rs. Mn	935	851	722



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	13.32	22.25	14.70
Net worth	Rs. Mn	162.39	140.49	59.69
Portfolio yield*	%	15.52	15.15	15.46
Fund-based yield*	%	14.20	14.05	13.99
Cost of borrowings*	%	9.28	9.87	8.69
Operating expense ratio*	%	4.39	5.19	6.67
Return on net worth*	%	17.81	22.45	28.58
Return on assets*	%	2.46	2.44	2.34
Operational self-sufficiency	%	132.74	124.71	117.68
Current portfolio	%	93.09	95.21	96.88
PAR > 90 days	%	3.47	2.15	1.29
Debt/Net worth	Times	6.11	5.82	11.95

\*Ratios are annualised

### About the MFI

BWDA Finance Ltd. (BFL) started its microfinance operations in August 2003 by taking over the microfinance operations of Bullock-Carts Workers Association (BWDA), a NGO-MFI. BWDA had started its microfinance operations in 1999 with funding support from Rashtriya Mahila Kosh (RMK).

BFL extends loans of tenures between 15 and 36 months, to self-help groups (SHGs) at an interest rate of 15 per cent per annum on reducing balance basis. In addition, the MFI charges an upfront fee (1 per cent of the loan amount) and a membership fee at the time of disbursement.

BFL's borrower profile consists largely of SHGs; the company also provides individual loans to members from senior SHGs, and institutional loans to NGOs for on-lending to their SHGs. The MFI's borrower base is spread across Tamil Nadu, Pondicherry, and the Andaman and Nicobar Islands.

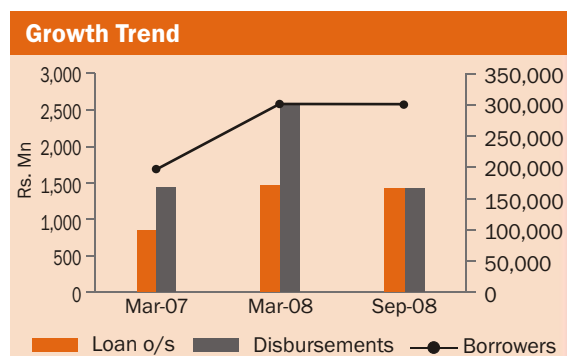
### CRISIL's analysis on key parameters

- BFL reported a moderate compounded annual growth rate (CAGR) of 42 per cent in its member base and 50 per cent in total loans outstanding, between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08.
- BFL's gearing levels improved to 6.11 times as on September 30, 2008 from 11.95 times on March 31, 2007, because of capital infusion during 2007-08. When the asset size crosses Rs.1 billion, BFL will automatically become a systemically important non-deposit-taking NBFC (NBFC-ND-SI), and will need to follow regulatory capital adequacy requirements, which will require further capital infusion.
- The MFI has a diverse funding mix, with access to funds from several financial institutions and private banks. This supports the MFI's financial flexibility; it is not dependent on any one funding source for growth.
- BFL's asset quality is moderate: 93 per cent of the portfolio was current (collections on time) as on September 30, 2008. The portfolio-at-risk greater than 90 days increased to 3.47 per cent as on September 30, 2008, from 1.29 per cent as on March 31, 2007. This decline in asset quality is because of increased exposure to urban and semi-urban areas.
- BFL's operational self sufficiency ratio improved to 132.74 per cent for the six months ended September 30, 2008. The operating expense levels have shown an improvement during first half of 2008-09 and thus CRISIL expects the OSS ratio to remain healthy in the medium term.

## Cashpor Micro Credit

<b>Year of incorporation:</b>	2002
<b>Year of commencement of microfinance operations:</b>	1997
<b>Legal status:</b>	Section 25 Company
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. J S Tomar, Managing Director
<b>Auditor:</b>	M. Jaiswal & Associates, Varanasi
<b>Contact Details:</b> B/4, D. I. G. Colony, Varanasi - 221002, Uttar Pradesh Tel: +91-542-2505590-92 Email: <a href="mailto:headoffice@cashpor.in">headoffice@cashpor.in</a> Web: <a href="http://www.cashporindia.net">www.cashporindia.net</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	247	193	63
Employees	No.	1,627	1,408	1,151
Members	No.	363,679	354,930	235,886
Borrowers	No.	303,935	303,245	201,703
Disbursements	Rs. Mn	1,437	2,586	1,444
Loan O/S	Rs. Mn	1,431	1,473	860



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	33.31	20.60	-22.09
Net worth	Rs. Mn	92.50	53.68	-1.53
Portfolio yield*	%	28.78	20.38	19.39
Fund-based yield*	%	28.78	23.16	20.68
Operating expense ratio*	%	14.08	10.96	15.37
Cost of borrowings*	%	13.51	10.89	10.28
Return on net worth*	%	91.15	160.87	853.30
Return on assets*	%	4.54	1.56	NM
Operational self-sufficiency	%	109.71	102.46	78.56
Current portfolio	%	98.00	96.62	94.74
PAR>90 days	%	1.71	1.57	2.04
Debt/Net worth	Times	14.72	289.24	NM

\*Ratios are annualised NM-Not Meaningful

### About the MFI

Cashpor Micro Credit (CMC) was promoted in 2002 as a subsidiary of Cashpor Financial and Technical Services (CFTS). CFTS did not have regulatory clearance to offer financial services, and therefore transferred its microfinance operations, which it had started in 1997, to CMC. CMC operates in eastern Uttar Pradesh and western Bihar.

The MFI has developed an index, Cashpor Housing Index (CHI), to help identify prospective members for lending. The MFI follows joint liability group (JLG) model and has adopted the best practices of both Grameen Bank and ASA models of Bangladesh. CMC offers three loan products, all at an interest rate of 27 per cent per annum (on reducing balance basis) and with tenure of 52 weeks. The loan amount ranges from Rs.1,000 to Rs.25,000.

### CRISIL's analysis on key parameters

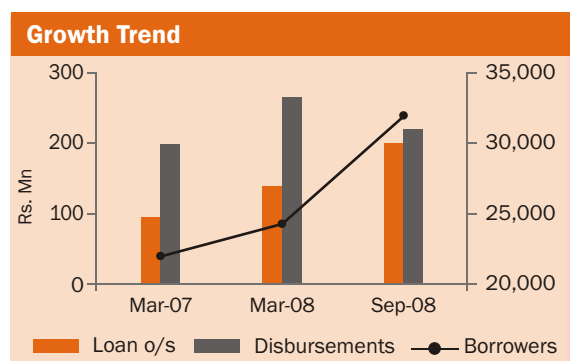
- CMC has recorded a compounded annual growth rate (CAGR) of around 22 per cent in its member base, and 44 per cent in its total loans outstanding, during the period between 2005-06 (refers to financial year, April 1 to March 31) to 2007-08. The growth has been moderate because the MFI operates in remote and most backward regions of Uttar Pradesh and Bihar.
- CMC's gearing was high at 14.72 times as on September 30, 2008; being a Section 25 company, it cannot attract much conventional equity capital. The MFI's debt as on September 30, 2008 comprised 6.84 per cent long-term (four- to seven-year) subordinated debt from a venture capitalist and two social investment organisations.
- The MFI's ambitious growth will be funded largely through borrowings, as its current legal status makes it difficult to raise equity capital. Internal accruals, while showing improving from earlier levels, are not likely to be sufficient to support growth plans.
- CMC has a good asset quality, which is reflected in 98 per cent of the portfolio being current (collections on time) as on September 30, 2008. Moreover, the portfolio at risk greater than 90 days was low at 1.71 per cent as on September 30, 2008.
- The MFI has increased its lending rates in 2008-09, which has resulted in operational self sufficiency (OSS) improving to 109.71 per cent during first half of 2008-09 despite increase in operating expense levels and cost of borrowings. CRISIL expects the OSS to remain more than 100 per cent over the medium term.



# Centre for Rural Reconstruction through Social Action

<b>Year of incorporation:</b>	1980
<b>Year of commencement of microfinance operations:</b>	2004
<b>Legal status:</b>	Society
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. V Prabhu Das, Chief Executive Officer
<b>Auditor:</b>	K S N Raju & Associates, Bhimavaram
<b>Contact Details:</b>	#78-9-11 Sri Ranga Street , Gandhipuram-III Rajahmundry - 533103, Andhra Pradesh Tel: +91-883-2468418, Fax: +91-883-2468540 Email: vprabhdas@yahoo.co.in Web: www.cresamicrofin.com
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	15	13	11
Employees	No.	95	90	85
Members	No.	36,069	26,412	24,788
Borrowers	No.	32,491	24,120	21,871
Disbursements	Rs. Mn	220	266	198
Loan O/S	Rs. Mn	200	139	96



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Netsurplus	Rs. Mn	1.29	0.89	0.95
Net worth	Rs. Mn	18.13	15.45	5.43
Portfolio yield*	%	21.02	18.97	22.99
Fund based yield*	%	16.41	16.15	20.10
Cost of borrowings*	%	10.44	9.59	12.13
Operating expense ratio*	%	8.08	7.06	9.40
Return on net worth*	%	15.37	6.63	20.90
Return on assets*	%	0.56	0.60	1.10
Operational self-sufficiency	%	126.30	106.91	107.00
Current portfolio	%	100	100	100
PAR>90 days	%	-	-	-
Debt/Net worth	Times	13.08	9.67	17.71

\*Ratios are annualised

## About the MFI

Centre for Rural Reconstruction through Social Action (CReSA), a society, was formed in 1980. Until 2003, CReSA worked primarily in the area of social development; from 2004, it has focused on microfinance. CReSA runs microfinance operations in the West and East Godavari districts of Andhra Pradesh.

CReSA follows the Grameen Bank model of lending, and offers 50 week loans at a 12.50 per cent (flat rate basis). In addition, the MFI also charges an upfront fee (1 per cent of the loan amount) and a processing fee (2 per cent of the loan amount) from its borrowers. CReSA also provides life insurance cover to its borrowers, under a tie-up with an insurance company.

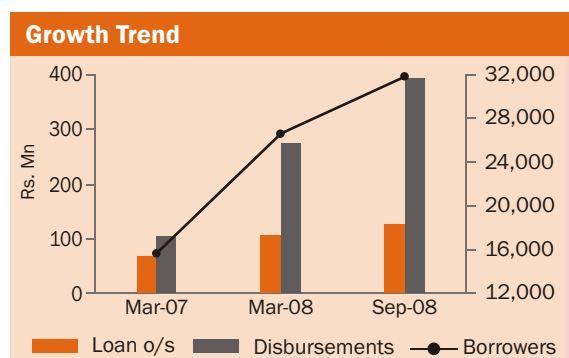
## CRISIL's analysis on key parameters

- CReSA's growth has been moderate, shown by a compounded annual growth rate (CAGR) of around 65 per cent in its disbursements, and 85 per cent in its total loans outstanding, between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08.
- CReSA has good asset quality, reflected in 100 per cent of the portfolio being current (collections on time) as on September 30, 2008
- The funding mix is average; as on March 31, 2008, 63 per cent of its total borrowings were from two apex MFIs and another 23 per cent from private banks. Because of its reliance on two apex MFIs, its ability to raise funds is limited compared to that of other MFIs with more diverse funding profiles.
- CReSA's growth will be funded largely through borrowings, as its current legal status does not allow it to raise equity capital. Internal accruals are not likely to be sufficient to support the society's growth plans; CRISIL expects CReSA to maintain its high gearing levels.
- CReSA's operational self-sufficiency (OSS) ratio has increased during the past two years, and was 126.30 per cent for the six months ended September 30, 2008. CRISIL expects the OSS ratio to remain over 100 per cent, but it is unlikely to increase significantly because of the increasing cost of borrowing.

## Community Development Centre

<b>Year of incorporation:</b>	1994
<b>Year of commencement of microfinance operations:</b>	1998
<b>Legal status:</b>	Trust
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. P. Pandian, Executive Director
<b>Auditor:</b>	Michael Associates, Dindigul
<b>Contact Details:</b> Main road, (near Ghat Road) Genguvarpatti 625 203, Theni district, Tamil Nadu Tel: +91- 4546-236538, Fax: +91- 4546-236778 Email: <a href="mailto:cdcp@bsnl.in">cdcp@bsnl.in</a> Web: <a href="http://www.cdcindia.org.in">www.cdcindia.org.in</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	12	12	7
Employees	No.	93	72	61
Members	No.	36,710	31,311	27,235
Borrowers	No.	31,876	26,664	15,680
Disbursements	Rs. Mn	119	171	104
Loan O/S	Rs. Mn	124	105	68



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	3.38	1.37	1.14
Net worth	Rs. Mn	7.64	4.26	1.54
Portfolio yield*	%	15.38	14.21	15.20
Fund based yield*	%	14.74	14.05	15.06
Operating expense ratio*	%	3.72	3.75	4.04
Cost of borrowings*	%	10.92	9.09	9.39
Return on net worth*	%	113.44	47.21	117.10
Return on assets*	%	5.58	1.52	2.39
Operational self-sufficiency	%	139.93	110.93	103.92
Current portfolio	%	99.43	99.47	99.27
PAR>90 days	%	0.15	0.15	0.12
Debt/Net worth	Times	16.12	24.53	43.67

\*Ratios are annualised

### About the MFI

Community Development Centre (CDC) is an NGO-MFI that focuses on social development and microfinance. The NGO-MFI follows a self-help group (SHG) model, with 12 to 15 members in a group. CDC started forming SHGs for the first time in 1997-98 (refers to financial year, April 1 to March 31); in December 1998, it mobilised its first loan for microfinance from Rashtriya Mahila Kosh.

CDC offers three loan products with different tenures, at an interest rate of 18 per cent on reducing balance basis. As on September 30, 2008, it had 31,876 borrowers across six districts of Tamil Nadu, mainly in rural areas.

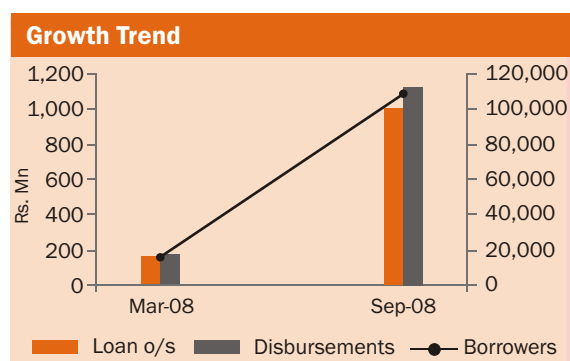
### CRISIL's analysis on key parameters

- CDC's growth has been above-average, evidenced in a compounded annual growth rate (CAGR) of around 286 per cent in its disbursements, and 108 per cent in its total loan outstanding, between 2005-06 and 2007-08. Further, during the first half of 2008-09, the MFI has expanded its operations to semi-urban and urban areas in Tamil Nadu.
- CDC has good asset quality, reflected in 99.4 per cent of the portfolio being current (collections on time) as on September 30, 2008. The portfolio-at-risk greater than 90 days is also low, at 0.15 per cent as on the above date.
- The NGO-MFI's gearing remains high at 16.12 times as on September 30, 2008, though this is a significant decline from a very high level of about 43 times as on March 31, 2007. CRISIL believes that the high gearing may constrain CDC's ability to grow the loan portfolio in the medium to long term.
- CDC's operational self-sufficiency (OSS) ratio has improved during the past two years, and was 140 per cent for the six months ended September 30, 2008. CRISIL expects the OSS ratio to remain over 100 per cent, but an increase in incremental borrowing costs is likely to affect CDC's profitability in the medium term.

## Equitas Micro Finance India P Ltd.

<b>Year of incorporation:</b>	2007
<b>Year of commencement of microfinance operations:</b>	2007
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. P N Vasudevan, Managing Director
<b>Auditor:</b>	Deloitte Haskins & Sells, Chennai
<b>Contact Details:</b>	
4th Floor, Temple Towers, 672, Anna Salai, Nandanam, Chennai - 600035, Tamil Nadu Tel: +91-44-4299 5001, Fax: +91- 44-4299 5050 Email: vasudevanpn@equitas.in Web: www.equitas.in	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008	
Particulars	Unit	Sept.	Mar.
Branches	No.	36	8
Employees	No.	440	73
Members	No.	108,352	16,166
Borrowers	No.	108,352	16,166
Disbursements	Rs. Mn	1,125	175
Loan O/S	Rs. Mn	1,007	167



Key Financial Highlights	Unit	Sept-08	Mar-08
Net profit	Rs. Mn	-3.04	-19.70
Net worth	Rs. Mn	630.18	116.00
Portfolio yield*	%	20.52	9.73
Fund-based yield*	%	18.02	10.50
Cost of borrowings*	%	14.48	7.07
Operating expense ratio*	%	12.14	39.85
Return on net worth*	%	NM	NM
Return on assets*	%	NM	NM
Operational self-sufficiency	%	93.11	27.71
Current portfolio	%	100	100
PAR>90 days	%	-	-
Debt/Net worth	Times	1.00	0.58

\*Ratios are annualised; operations for 2007-08 were only for 3.5 months

NM: Not meaningful

### About the MFI

Equitas Micro Finance India P Ltd. (Equitas) was incorporated in June 2007 as UPDB Micro Finance Pvt. Ltd.; the name was changed to the present one in February 2008. Equitas started its operations in Chennai on December 15, 2007, and has expanded to 11 districts of Tamil Nadu as on September 30, 2008. Equitas mainly uses the Grameen Bank model of lending.

Equitas lends to urban women. It differentiates itself from other MFIs by collecting repayments on a fortnightly basis, vis-à-vis weekly collections by most other MFIs. Equitas's loans range from Rs.10,000 to Rs.15,000; interest is charged at 10 to 14 per cent per annum (flat basis), and tenures range from 6 to 24 months.

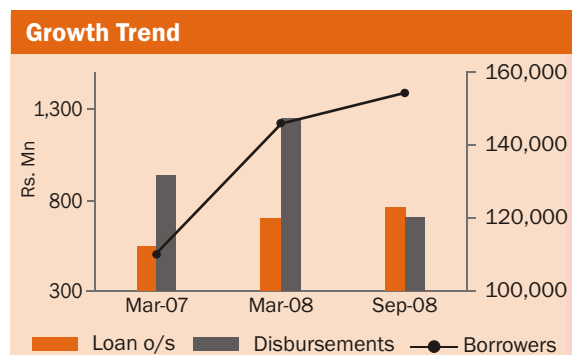
### CRISIL's analysis on key parameters

- Although a start-up with a short track record, Equitas has grown rapidly, and had disbursed Rs.1.13 billion until September 30, 2008. The company's competent senior management and strong information technology and back-office infrastructure have enabled it to expand its operations rapidly.
- As on September 30, 2008, 100 per cent of the portfolio was current (collections on time). With less than a year of operations, the company's loan portfolio is yet to season; the true asset quality will be evident only when Equitas completes one loan cycle. Nevertheless, CRISIL believes that the MFI's proactive credit and operational risk management mitigates the risks it faces in unsecured lending.
- As on September 30, 2008, Equitas had capital of Rs.653 million, which makes it one of the highest-capitalised start-up MFIs in India. The company has raised capital from several microfinance investment vehicles during 2008. However, this is inadequate for the level of business that the company expects to undertake over the next two to three years. Hence, the company proposes to raise additional capital of Rs.1.5 billion in the next two years.
- During the first half of 2008-09 (refers to financial year, April 1 to March 31), the company achieved an operational self-sufficiency (OSS) of 93 per cent. The company had a high operating expense ratio of 12.14 per cent for six months ending on September 30, 2008, because of high start-up costs and head office expenses. CRISIL expects the profitability to improve in the medium term with decline in operating expense levels, as Equitas attains economies of scale.

## ESAF Microfinance and Investments Pvt. Ltd.

<b>Year of incorporation:</b>	1996
<b>Year of commencement of microfinance operations:</b>	2008
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Paul Thomas, Managing Director
<b>Auditor:</b>	A John Morris & Co., Chennai
<b>Contact Details:</b> Hephzibah Complex, P B No. 12, Mannuth P.O. Thrissur, Kerala - 680651 Tel: +91-487-2371472 Fax: +91-487-2375445 Email: esafpaul@gmail.com, esafhqtr@gmail.com	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		EMFIL 2008	ESAF 2008	ESAF 2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	96	90	75
Employees	No.	1,276	1,085	950
Members	No.	242,826	222,675	178,037
Borrowers	No.	154,385	146,004	110,122
Disbursements	Rs. Mn	708	1,252	933
Loan O/S	Rs. Mn	765	697	547



Key Financial Highlights	Unit	EMFIL	ESAF	
		Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	7.01	8.05	7.25
Net worth	Rs. Mn	-12.12	25.02	15.05
Portfolio yield*	%	23.88	21.82	19.26
Fund-based yield*	%	22.12	18.06	15.03
Cost of borrowings*	%	7.69	12.33	8.75
Operating expense ratio*	%	13.07	10.95	9.64
Return on net worth*	%	217.15	20.07	38.67
Return on assets*	%	1.61	0.53	0.77
Operational self-sufficiency	%	109.15	104.39	106.91
Current portfolio	%	95.22	95.44	97.50
PAR > 90 days	%	0.36	0.40	1.22
Debt/Net worth	Times	-67.22	26.36	35.23

\*Ratios are annualised

### About the MFI

ESAF Microfinance & Investments Pvt. Ltd. (EMFIL), a non-banking finance company (NBFC) commenced its microfinance operations in March 2008 after taking over a Rs.697-million loan portfolio from Evangelical Social Action Forum (ESAF). ESAF, a society, was established in 1992 by individuals who shared the objective of working for the poor and marginalised. ESAF started its microfinance programme in 1995. The MFI offers loans under the Grameen model, and charges an interest rate of 15 per cent (flat basis) for its general loan product, with a maximum tenure of one year. It charges 15 per cent half-yearly diminishing interest per annum, with loan tenures of four to seven years, for its housing loans. As on September 30, 2008 the MFI had operations in Kerala, Tamil Nadu, Chhattisgarh, Madhya Pradesh, and Maharashtra.

### CRISIL's analysis on key parameters

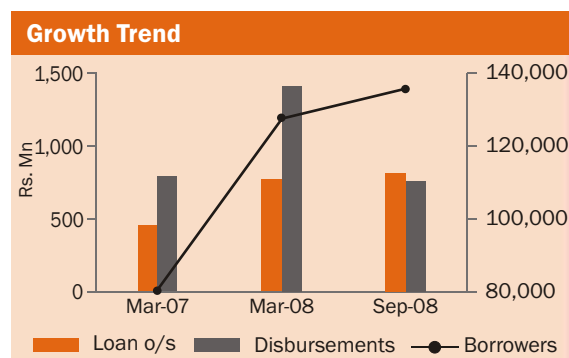
- The MFI has reported significant growth between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08: its member base increased at a compounded annual growth rate of 68 per cent, its disbursements at 145 per cent, and its loan outstanding at 98 per cent.
- Over the past year, EMFIL has concentrated on strengthening its internal controls and raising adequate capital for its envisioned operations. Consequently, during first six months of 2008-09, the MFI's loan outstanding increased marginally to Rs. 765 million as on September 30, 2008 from Rs.697 million as on March 31, 2008.
- EMFIL's tangible net worth was negative after adjustment for intangible assets of Rs.89.96 million as on September 30, 2008. These assets represent the fee paid by EMFIL to ESAF for business process know-how and customer acquisition. The company has raised additional equity capital of Rs. 87 million during second half of 2008-09, which would enable it to register a positive tangible net worth. However, it would need additional capital in the medium term to meet the regulatory minimum capital adequacy requirements once it becomes a systemically important, non-deposit taking NBFC (NBFC-ND-SI) in 2010.
- Asset quality has deteriorated marginally, which is reflected in the amount of portfolio being current (collections on time) declined marginally to 95.22 per cent as on September 30, 2008 from 95.44 per cent as of March 31, 2008.
- CRISIL expects EMFIL's profitability to improve over the medium term, despite increase in operating expense levels, because the MFI increased lending rates in July 2008 and also brought in new product offerings: in December 2008, the MFI launched livelihood training and cross selling of insurance products which is expected to improve its fee-based income levels.

## Future Financial Services Ltd.

<b>Year of incorporation:</b>	2008
<b>Year of commencement of microfinance operations:</b>	1998
<b>Legal status:</b>	Public Ltd. Co. (NBFC)
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. G Dasaratha Reddy, Chief Executive Officer
<b>Auditor:</b>	P. S. Chaitanya & Co., Madanapalle
<b>Contact Details:</b> 4-368, C B Road, Greampet, Chittoor - 517002, Andhra Pradesh Tel: +91-8572-231869, Fax: +91-8572-231869 Email: ffslmfi@gmail.com	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007*
Particulars	Unit	Sept.	Mar.	Mar.
		FFSL		AMMACTS
Branches	No.	50	49	38
Employees	No.	355	324	271
Members	No.	141,229	130,507	93,488
Borrowers	No.	135,488	127,618	80,361
Disbursement	Rs. Mn	762	1414	789
Loan O/S	Rs. Mn	811	766	457

\*Consolidated microfinance operations of AMMACTS and ACTS



### About the MFI

Future Financial Services Ltd. (FFSL), a non-banking financial company (NBFC), started operations in 2007-08 (refers to financial year, April 1 to March 31); the company began by acquiring the borrowers of the Acts Mahila Mutually Aided Co-operative Thrift Society (AMMACTS) and of the Action for Community Services Society (ACTS). These have been disbursed fresh loans through FFSL. AMMACTS, registered in 1998, was started by ACTS, a non-governmental organisation (NGO) focused on development.

FFSL follows the Grameen Bank model of lending and offers loans for 12 to 15 months. For loans with monthly instalments, it charges interest rates between 18 and 21 per cent per annum on reducing balance basis; on loans with weekly instalments, the MFI charges interest of 15 per cent on a flat basis for the first two cycles of a loan (12.5 per cent on a flat basis from the third cycle). In addition, the company collects 2 per cent of the loan amount upfront as loan processing fee. As on September 30, 2008, the MFI had an outstanding loan portfolio of Rs.811.34 million and 135,488 borrowers across three states.

### CRISIL's analysis on key parameters

- The microfinance programme has reported a significant growth between 2005-06 and 2007-08: its borrower base increased at a compounded annual growth rate of 56 per cent, its disbursements at 83 per cent, and its loans outstanding at 71 per cent. FFSL has achieved the growth by penetrating deeper into its existing areas, rather than expanding branches.
- FFSL has good asset quality as it collects 100 per cent of its billing every week. The MFI is strict in collecting, and rigorous in following up overdues.
- During 2007-08, the promoters, their friends and relatives, and staff at FFSL and AMMACTS, infused capital into the company. In addition, the MFI raised Rs.70 million of equity during the first six months of 2008-09 to further strengthen its capitalisation.
- FFSL has strong profitability, with an operational self-sufficiency ratio of about 177 per cent for the six months ended September 30, 2008. CRISIL expects the MFI's operating profitability to be supported by healthy fee-based income and low operating expense levels; operating expense levels are likely to remain at 5 per cent to 6 per cent, given that operations are focused in urban and semi-urban areas.

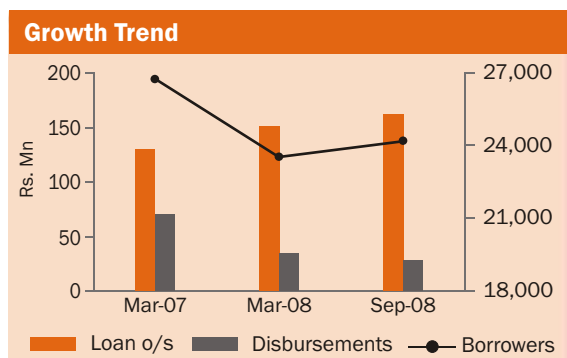
Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	32.5	29.5	5.98
Net worth	Rs. Mn	234.0	132.1	31.97
Portfolio yield*	%	25.54	18.70	23.23
Fund-based yield*	%	22.76	17.78	18.27
Cost of borrowings*	%	12.75	12.50	10.94
Operating expense ratio*	%	5.71	5.55	5.27
Return on net worth*	%	35.55	43.52	25.04
Return on assets*	%	7.23	7.26	1.26
Operational self-sufficiency	%	176.97	185.07	106.19
Current portfolio	%	100	100	96.39
PAR>90 days	%	-	-	3.27
Debt/Net worth	Times	3.22	5.12	12.34

\*Ratios are annualised

## Gandhi Smaraka Grama Seva Kendram

<b>Year of incorporation:</b>	1960
<b>Year of commencement of microfinance operations:</b>	1996
<b>Legal status:</b>	Society
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. K. G. Jagadeesan, General Secretary
<b>Auditor:</b>	V. Ramachandran & Co., Alappuzha
<b>Contact Details:</b> S L Puram, Alappuzha - 688523, Kerala Tel: +91-478-2865493 Email: <a href="mailto:gandhikendram@yahoo.co.in">gandhikendram@yahoo.co.in</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	15	15	13
Employees	No.	135	116	94
Members	No.	68,096	67,632	64,944
Borrowers	No.	24,201	23,552	26,768
Disbursements	Rs. Mn	29	35	70
Loan O/S	Rs. Mn	162	150	131



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Netsurplus	Rs. Mn	0.08	0.01	0.10
Net worth	Rs. Mn	1.73	1.65	1.64
Portfolio yield*	%	11.58	11.15	11.22
Fund based yield*	%	10.59	10.07	9.54
Cost of borrowings*	%	9.60	8.43	8.06
Operating expense ratio*	%	2.02	1.91	1.60
Return on net worth*	%	0.33	0.35	6.20
Return on assets*	%	0.01	0.01	0.08
Operational self-sufficiency	%	100.05	100.11	100.56
Current portfolio	%	99.20	99.14	99.05
PAR > 90 days	%	0.70	0.53	0.78
Debt/Net worth	Times	100.02	98.52	95.26

\*Ratios are annualised

### About the MFI

Gandhi Smaraka Grama Seva Kendram (GSGSK), incorporated in 1960, was registered as a non-profit, secular and non-political organisation for serving all sections of the people. The NGO undertakes various developmental activities, and started forming self-help groups (SHGs) in 1996; until 1999, GSGSK arranged for the SHGs to borrow directly from banks.

GSGSK started lending during 1999-2000 (refers to financial year, April 1 to March 31) and currently offers 3-year loans to SHGs, at an interest rate of 13 per cent per annum on a reducing balance basis: these loans are given primarily for income generation. In addition, GSGSK collects service charges of Rs.250 at the time of disbursement from the SHG. The quantum of loan to the SHG is linked to the internal savings of the group a lending approach that is followed by most commercial banks.

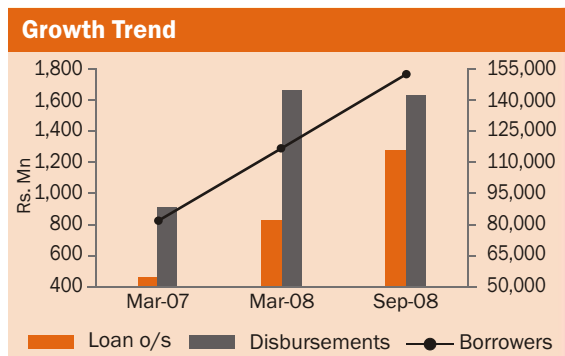
### CRISIL's analysis on key parameters

- GSGSK has shown limited growth, reflected in compounded annual growth rate (CAGR) of 6 per cent in member base and 36 per cent in total loan outstanding during the period between 2005-06 and 2007-08. The growth was limited as the organisation was streamlining its operations, which resulted in loan disbursements registering negative growth during 2007-08.
- GSGSK has good asset quality, reflected in 99 per cent of the portfolio being current (collections on time) as of September 30, 2008.
- The NGO-MFI's gearing levels were very high at 100 times as on September 30, 2008. GSGSK's microfinance operations have been consistently overleveraged; the net worth was low at Rs.1.73 million as on the above date. CRISIL believes that the high gearing may constrain GSGSK's ability to grow the loan portfolio in the medium to long term. Further, the legal status limits the NGO-MFI from raising equity capital.
- GSGSK operates on thin interest rate spreads and its profitability is highly susceptible to its cost of borrowings. The cost of borrowing has increased for the MFI sector during 2008-09, and therefore GSGSK's profitability is expected to remain low.
- Operating expense levels are low because the microfinance program is cross-subsidised by the NGO-MFI's other development programmes. CRISIL expects GSGSK's microfinance programme to maintain low operating expense levels.

# Grameen Financial Services Pvt. Ltd.

<b>Year of incorporation:</b>	1998
<b>Year of commencement of microfinance operations:</b>	1999
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Suresh K. Krishna, Managing Director
<b>Auditor:</b>	M. S. Kamath & Associates, Bangalore
<b>Contact Details:</b>	
JP Nagar, 9 <sup>th</sup> Phase, Avalahalli, Anjanapura Post, Bangalore - 560062, Karnataka	
Tel: +91-80-28436237 Fax: +91-80-28436577	
Email: <a href="mailto:info@grameenkoota.org">info@grameenkoota.org</a>	
Web: <a href="http://www.grameenkoota.org">www.grameenkoota.org</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		GFSPL 2008		GK 2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	62	51	44
Employees	No.	638	480	392
Members	No.	167,875	139,115	109,251
Borrowers	No.	153,453	117,547	82,562
Disbursements	Rs. Mn	1,607	1,668	916
Loan O/S	Rs. Mn	1,287	826	460



Key Financial Highlights	Unit	Sept-08	GFSPL Mar-08**	GK Mar-07
Net profit	Rs. Mn	4.98	4.45	21.20
Net worth	Rs. Mn	127.25	115.73	37.51
Portfolio yield*	%	18.77	22.72	23.59
Fund based yield*	%	15.89	21.09	19.86
Cost of borrowings*	%	11.21	10.85	8.97
Operating expense ratio*	%	10.40	13.90	11.34
Return on net worth*	%	8.19	11.62	78.81
Return on assets*	%	0.78	1.12	4.87
Operational self-sufficiency	%	106.41	113.66	117.66
Current portfolio	%	99.98	100	100
PAR>90 days	%	-	-	-
Debt/Net worth	Times	10.51	7.29	13.21

\*Ratios are annualised \*\* six months operations only

## About the MFI

Grameen Financial Services Pvt. Ltd. (GFSPL) was incorporated in 1991 as Sanni Collection Pvt. Ltd.: it was acquired by its current management in 2007. Subsequently, in October 2007, GFSPL took over the microfinance programme of T. Muniswamappa Trust (TMT, popularly known as 'Grameen Koota'). Grameen Koota started its microfinance programme in 1999, with seed capital support from Grameen Trust, Bangladesh.

GFSPL lends to ten-member groups under the Grameen Bank model of lending and offers three different loan product offerings to its clients. The MFI's core loan product is a 50-week loan with a flat interest rate of 12 per cent. The MFI charges an upfront fee of 1 to 3 per cent of the loan amount, depending upon the borrower profile (new or repeat) and the loan product. The company also provides health insurance and cattle insurance to its borrowers through tie-ups with insurance companies. As on September 2008, the MFI had a borrower base of more than 150,000 borrowers across 17 districts of Karnataka. During second half of 2008-09 (refers to financial year, April 1 to March 31), the MFI has expanded its operations to Maharashtra and has piloted individual loans in two urban branches at Bangalore and Tumkur.

## CRISIL's analysis on key parameters

- GFSPL commenced its microfinance operations with an existing, large client base and adequate infrastructure across Karnataka. The MFI has an experienced second line of management to oversee its operations.
- The MFI has maintained good asset quality, with 99.98 per cent of its portfolio being current (collection on time) as on September 30, 2008. However, with around 20 per cent of its borrowers graduating to the next loan cycle, and given the MFI's norm of providing up to three loan products simultaneously to a borrower, asset quality could face stress.
- The MFI has a diverse funding mix, with access to lending from private banks, foreign banks, public sector banks, and other institutions. CRISIL believes that the MFI will be in a position to be able to raise resources in time to fund its expansion plans.
- As of September 30, 2008, GFSPL had Rs.128 million of capital with a fresh infusion from promoters and an institutional investor. Given the growth plan, GFSPL has to raise more capital to maintain the capitalisation mandated for a systemically important NBFC.
- During the first half of 2008-09, the company achieved an operational self sufficiency ratio of 106.41 per cent, despite branch expansion and other start-up costs, because of the increase in productivity and efficiency of existing branches.

## Grama Vidiyal Micro Finance Pvt. Ltd.

<b>Year of incorporation:</b>	2007
<b>Year of commencement of microfinance operations:</b>	1996
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Arjun Muralidharan, Chief Executive Officer
<b>Auditor:</b>	V. Nagarajan & Co., Tamil Nadu

### Contact Details:

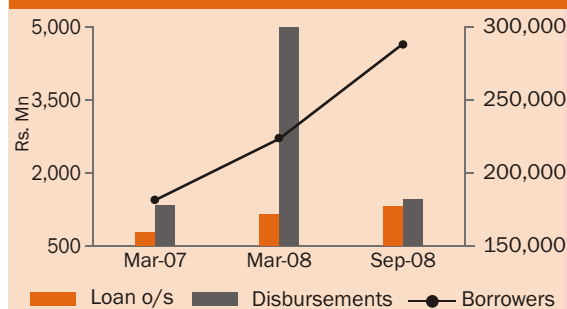
Paripoorna Towers, No.9 Manoranjitham Street  
Anamalai Nagar, Tiruchirappalli - 620018,  
Tamil Nadu  
Tel: +91-431- 2763056, Fax: +91-431- 2750393  
Email: asadev@eth.net Web: www.gvmfl.com

**Grading by CRISIL:** No

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.**
Branches	No.	126	91	54
Employees	No.	1,337	1,018	675
Members	No.	328,965	263,022	191,224
Borrowers	No.	288,311	224,108	181,328
Disbursements	Rs. Mn	1,482	4,998	1,363
Loan O/S	Rs. Mn	1,316	1,156	807

\*\* performance of GV Trust

### Growth Trend



### About the MFI

Grama Vidiyal Micro Finance Pvt. Ltd. (GVMFL) is a Tiruchirappalli-based NBFC which started its microfinance operations in early 2008. During 2007-08 (refers to financial year, April 1 to March 31), the Grama Vidiyal Trust (GVT), a leading NGO-MFI in Tamil Nadu, which started its microfinance programme in 1996, transferred its entire loan portfolio to GVMFL. As of September 30, 2008, the MFI had more than 330,000 members across 126 branches in Tamil Nadu.

GVMFL follows a modified version of the Grameen Bank model of lending and offers loans at 12 per cent interest (flat rate basis) rate per annum with tenures ranging from 10 weeks to 100 weeks. The loan size varies from Rs.1,000 to Rs.50,000 depending on the repayment capacity of individual borrowers. In addition, the MFI charges 3 per cent of the loan amount as upfront fee for all loans except special loans (SLs). In case of SLs, GVMFL collects 7.5 per cent upfront charges, and charges no interest. The MFI also offers life insurance through a tie-up with an Indian private sector insurance company.

### CRISIL's analysis on key parameters

- GVMFL has good asset quality, reflected in 99.54 per cent of the portfolio being current (collections on time) and portfolio at risk greater than 90 days (PAR > 90 days) of 0.42 per cent as on September 30, 2008.
- GVMFL's operational self-sufficiency (OSS) ratio as of September 30, 2008 was high at 141.53 per cent, on account of strong fee based income.
- As on March 31, 2008; GVMFL accessed 85 per cent of its borrowings from a one single source - GVT. CRISIL expects that the cost of borrowings will increase once the MFI starts borrowing from other financial institutions for its lending program.
- During 2007-08, GVMFL raised equity capital of Rs.147 million from two social investors; as a result, the debt-to-net worth ratio was comfortable at 4.95 times as on September 30, 2008. CRISIL believes that while current capital levels are adequate to support growth in the short to medium term, GVMFL will need to raise capital in the next two years in order to support expansion.

Key Financial Highlights	Unit	Sept-08	Mar-08#	Mar-07**
Net profit	Rs. Mn	41.93	24.68	9.45
Net worth	Rs. Mn	231.42	189.49	44.01
Portfolio yield*#	%	32.46	16.22	21.25
Fund based yield*#	%	28.12	7.74	18.45
Cost of borrowings*	%	12.08	6.27	6.79
Operating expense ratio*	%	13.10	3.40	8.48
Return on net worth*	%	39.85	23.37	21.47
Return on assets*	%	6.27	3.95	0.91
Operational self-sufficiency	%	141.53	134.81	105.83
Current portfolio	%	99.54	99.36	NA
PAR > 90 days	%	0.42	0.40	NA
Debt/Net worth	Times	4.95	4.81	19.77

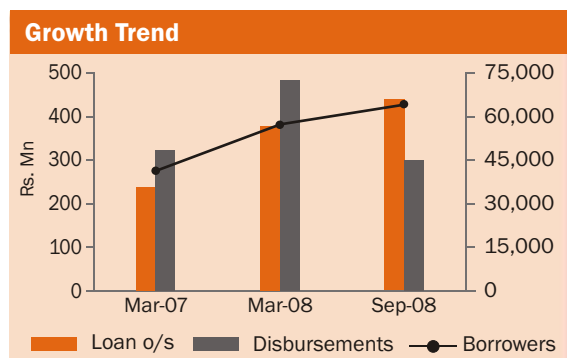
\*Ratios are annualised # three months' operations only



## Gram Utthan

<b>Year of incorporation:</b>	1990
<b>Year of commencement of microfinance operations:</b>	1995
<b>Legal status:</b>	Society
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Govind Dash, Secretary
<b>Auditor:</b>	Romesh Kumar & Co., Bhubaneswar
<b>Contact Details:</b>	
AT/P.O.-Pimpuri, Via-Rajkanika Kendrapara, Orissa - 754220 Telefax: +91-6725-276225 Email: gramutthango@rediffmail.com Web: www.gramutthan.org	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	20	17	13
Employees	No.	251	216	168
Members	No.	85,464	74,142	58,149
Borrowers	No.	64,100	57,317	41,343
Disbursements	Rs. Mn	302	482	322
Loan O/S	Rs. Mn	439	376	239



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	3.54	6.07	0.60
Net worth	Rs. Mn	10.45	6.91	0.84
Portfolio yield*	%	17.33	16.30	15.94
Fund-based yield*	%	15.02	14.02	12.13
Cost of borrowings*	%	9.48	8.80	8.05
Operating expense ratio*	%	4.22	3.47	4.00
Return on net worth*	%	81.61	156.67	112.02
Return on assets*	%	1.50	1.65	0.28
Operational self-sufficiency	%	110.33	111.31	94.26
Current portfolio	%	98.6	98.9	98.1
PAR>90 days	%	0.36	0.17	0.26
Debt/Net worth	Times	44.84	61.32	334.99

\*Ratios are annualised

### About the MFI

Gram Utthan operates in Orissa. Gram Utthan started its operations during 1990-91 (refers to financial year, April 1 to March 31) in Kendrapara district, with a focus on community development programmes. The NGO-MFI started lending to self-help groups (SHGs) in 1998-99, and to joint liability groups (JLGs) from 2006-07, in semi-urban and urban areas.

Under the SHG model, Gram Utthan extends loans of up to Rs.40,000 per SHG, for 24 to 36 months, at an interest rate of 24 per cent per annum (reducing balance basis). In the case of JLGs, loans of up to Rs.50,000 per JLG are extended for tenures ranging from 104 days to 278 days, at an interest rate of 14 per cent (flat basis). As on September 30 2008, the NGO-MFI had a presence in seven coastal districts of Orissa.

### CRISIL's analysis on key parameters

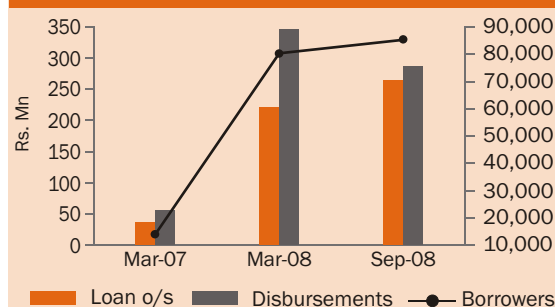
- Gram Utthan's growth has been reasonably good, indicated by a compounded annual growth rate (CAGR) of around 60 per cent in its member base, 124 per cent in its disbursements, and 116 per cent in its loan outstanding, from 2005-06 to 2007-08.
- Gram Utthan has good asset quality: 98 per cent of the portfolio was current (collections on time) as on September 30, 2008. The portfolio-at-risk greater than 90 days remains good though it has declined marginally to 0.36 per cent as on September 30, 2008 from 0.17 per cent as on March 31, 2008.
- The NGO-MFI was highly leveraged with a debt-to-net worth ratio of 44.84 times as on September 30, 2008, though this is an improvement from a level of more than 300 times as on March 31, 2007. CRISIL believes that high gearing may constrain Gram Utthan's ability to expand its loan portfolio in the medium term.
- Gram Utthan mobilises low-cost deposits from its members, which accounted for 28 per cent of the total borrowings as on September 2008.
- Gram Utthan's operational self-sufficiency (OSS) ratio has improved during the past two years, and was 110 per cent for the six months ended September 30, 2008. CRISIL expects the OSS ratio to remain over 100 per cent, but may not increase significantly because of the increasing cost of borrowing.
- Operating expense levels are low because the NGO-MFI has grown its assets mostly through deeper penetration in its existing area of operation. CRISIL expects the MFI to continue to maintain low operating expenses over the medium term.

## Hand in Hand Tamil Nadu

<b>Year of incorporation:</b>	2002
<b>Year of commencement of microfinance operations:</b>	2004
<b>Legal status:</b>	Trust
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Ms. Kalpana Sankar, Chief Executive Officer
<b>Auditor:</b>	A Nagarajan, Arockiasamy & Raj Associates, Chennai
<b>Contact Details:</b> 90 A, Nasarathpettai Village, Opp. Pachayappa's Men's College, Little Kancheepuram, Kancheepuram - 631503, Tamil Nadu Tel: +91-44-2726 7065, 2726 8895 Fax: +91- 44-27269301 Email: kalpana.sankar@hihseed.org Web: www.hihseed.org	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	157	150	109
Employees	No.	155	140	101
Members	No.	334,016	295,190	186,542
Borrowers	No.	85,346	80,001	14,021
Disbursements	Rs. Mn	287	345	56
Loan O/S	Rs. Mn	264	220	35

### Growth Trend



### About the MFI

Hand in Hand Tamil Nadu (HiH) is a public charitable trust registered in 2002. It was set up with a focus on child labour elimination, education, and the empowerment of women. Mr. Percy Barnevik, former chairman of several companies including Asea Brown Boveri and Investor AB is engaged both as advisor and major donor to HiH since 2002. In addition, the NGO-MFI receives funds from individuals and institutions, facilitated by HiH Sweden and HiH United Kingdom. The NGO-MFI follows the self-help group (SHG) lending model.

As on March 31, 2008, 46 per cent of total SHGs formed by HiH were directly financed by HiH, while the remaining were credit-linked to banks. The NGO-MFI offers loans at 12 per cent per annum on a reducing balance basis, for 12 to 16 months. In addition, the organisation also charges an upfront fee (3 per cent of the loan amount) and a documentation fee (Rs.10 to Rs.500) from its borrowers.

### CRISIL's analysis on key parameters

- HiH has good asset quality, as reflected in portfolio at risk greater than 90 days (PAR>90 days) of 0.08 per cent as on September 30, 2008.
- HiH does not segregate the subsidised and on-lending activities of its microfinance programme. As a result, the income and expenditure statement for the microfinance programme does not reflect the true financial performance of the microfinance programme.
- HiH's microfinance programme registered a surplus of Rs.7.62 million during first half of 2008-09 (refers to financial year, April 1 to March 31) as against a deficit of Rs.1.73 million during 2007-08. CRISIL believes that the multiple objectives of the NGO such as group promotion for SHG-bank linkage, proposed on-lending to SHGs at 15 per cent in a few districts, and current lending at 19.6 per cent (effective rate), would result in the microfinance programme not being sustainable without grants.
- Given the multiple approaches being pursued by the NGO-MFI with regards to microfinance activity (including a subsidy based lending programme), the core issue for HiH's microfinance programme is not capitalisation but attaining operational self-sufficiency.

Key Financial Highlights	Unit	Sept-08	Mar-08
Net surplus	Rs. Mn	7.62	-1.73
Net worth	Rs. Mn	9.29	26.30
Portfolio yield*	%	#	#
Fund-based yield*	%	#	#
Cost of borrowings*	%	10.85	10.72
Operating expense ratio*	%	#	#
Return on net worth*	%	#	#
Return on assets*	%	#	#
Operational self-sufficiency	%	#	#
Current portfolio	%	96.00	99.51
PAR>90 days	%	0.08	0.14
Debt/Net worth	Times	#	#

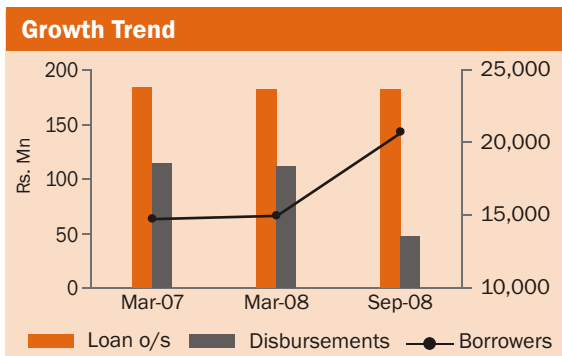
\*Ratios are annualised

#HiH does not segregate the subsidised and on lending activities of its microfinance programme. Therefore, the ratio analysis of HiH's microfinance programme is not meaningful.

## Indian Association for Savings and Credit

<b>Year of incorporation:</b>	1998
<b>Year of commencement of microfinance operations:</b>	1999
<b>Legal status:</b>	Section 25 Company
<b>Lending model:</b>	Diversified
<b>Chief Executive:</b>	Mr. B. Mahendran, Chief Executive Officer
<b>Auditor:</b>	S. B. Billimoria & Co., Coimbatore
<b>Contact Details:</b> 726 B, Second Floor, Sri Venky Complex, Cross Cut Road, Coimbatore - 641 012, Tamil Nadu Tel: +91-422- 4389867 / 438 7867 / 438 8867 Email: mahendran.b@iasc.in Web: www.iasc.in	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	22	22	19
Employees	No.	93	95	58
Members	No.	41,975	46,115	45,968
Borrowers	No.	20,745	14,960	14,813
Disbursements	Rs. Mn	49	112	115
Loan O/S	Rs. Mn	183	182	184



### About the MFI

Indian Association for Savings and Credit (IASC), co-promoted by HDFC Limited and Palmyrah Workers' Development Society (PWDS), commenced its microfinance operations in January 1999. As on September 30, 2008, it had a presence in nine districts of Tamil Nadu, and in one district in Kerala.

The MFI offers loans for 2 to 3 years with interest rates of 15 per cent to 20 per cent per annum on a reducing balance basis: the loans are for both income generation and consumption. IASC also extends 10-year housing loans at an interest rate of 18 per cent per annum on reducing balance basis.

### CRISIL's analysis on key parameters

- IASC's disbursements and loan portfolio have not grown in the last three years.
- IASC's asset quality has deteriorated since 2004-05, evident from 79.10 per cent of the loan portfolio being current (collections on time) as on September 30, 2008. A lack of monitoring during 2004-05 resulted in several loans given to SHGs during this period turning delinquent.
- The shareholders of IASC have infused capital during the first six months of 2008-09, which improved its net worth to Rs.33.5 million as on September 30, 2008 from Rs.13.2 million as on March 31, 2008. As a result, the debt-to-net worth ratio improved significantly to 5.8 times as on September 30, 2008.
- IASC's current profitability is low with operational self sufficiency (OSS) ratio at just above 100 per cent for the first six months ended September 30, 2008. This reflects large write-offs and provisions by the MFI for its delinquent loans during that period.

Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Netsurplus	Rs. Mn	0.31	0.19	4.02
Net worth	Rs. Mn	33.49	13.18	13.00
Portfolio yield*	%	19.05	18.84	20.20
Fund based yield*	%	16.18	16.16	16.79
Cost of borrowings*	%	9.66	9.41	9.19
Operating expense ratio*	%	7.47	7.18	4.72
Return on net worth*	%	2.63	1.43	36.63
Return on assets*	%	0.24	0.08	1.67
Operational self-sufficiency	%	101.49	101.07	99.13
Current portfolio	%	79.10	77.10	76.40
PAR>90 days	%	18.50	17.58	15.41
Debt/Net worth	Times	5.80	16.19	15.15

\*Ratios are annualised

## Initiatives for Development Foundation

<b>Year of incorporation:</b>	2001
<b>Year of commencement of microfinance operations:</b>	2005
<b>Legal status:</b>	Trust
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. Vivekanand N Salimath, Managing Trustee
<b>Auditor:</b>	Sahadev & Associates, Bangalore

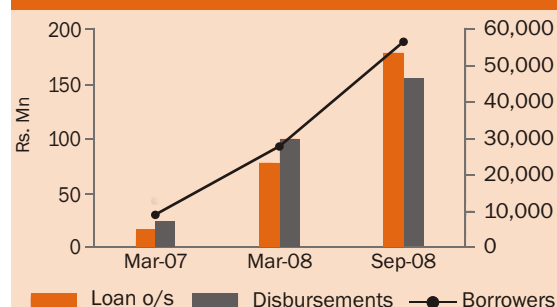
### Contact Details:

141/A, 'Usha' 25th Cross,  
Behind Nijalingappa College, II Block, Rajajinagar,  
Bangalore - 560010, Karnataka  
Tel: +91-80-2313 1382, Fax: +91-80-4128 5558  
Email: idfbangalore@gmail.com

**Grading by CRISIL:** Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	11	9	5
Employees	No.	221	55	22
Members	No.	88,959	48,161	16,642
Borrowers	No.	56,315	27,863	9064
Disbursements	Rs. Mn	155	100	25
Loan O/S	Rs. Mn	178	78	18

### Growth Trend



### About the MFI

Initiatives for Development Foundation (IDF) is a Bangalore-based NGO-MFI, registered as a trust in 2001. IDF is engaged in many social development programmes, such as entrepreneurship development, agricultural development, and watershed programmes. IDF started microfinance with its own funds in 2004-05 (refers to financial year, April 1 to March 31), and currently lends to self-help groups (SHGs) and to other NGO-MFIs. The organisation received its first external funding for microfinance, from Canara Bank, in 2005-06 (refers to financial year, April 1 to March 31).

IDF offers loans for 12 to 36 months to SHGs, and for 12 to 24 months to other NGO-MFIs. Interest is charged at 15 per cent per annum on reducing balance basis. SHGs have to pay 2.25 per cent of the loan amount as upfront charges, while NGOs have to pay 2 per cent. As on September 30, 2008, IDF had a loan portfolio of Rs.178 million, and a borrower base of 56,315, across nine districts of Karnataka.

### CRISIL's analysis on key parameters

- IDF has reported a significant growth between 2005-06 and 2007-08: its member base increased at a compound annual growth rate of 179 per cent, its disbursements at 474 per cent, and its loan outstanding at 518 per cent. During 2008-09, the MFI expanded its operations to semi-urban and urban areas in Karnataka, which is expected to significantly increase its borrower base and loan portfolio.
- IDF has good asset quality, reflected in 99.21 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- IDF's gearing at 26.18 times as on September 30, 2008 is high, and could constrain its resource-raising ability in the medium term. To be able to raise capital, the MFI plans to transfer its microfinance business in 2009-10 to a recently-acquired NBFC: in its current status as a trust, it has significant limitations in being able to raise equity from external sources.
- With the increase in scale, the MFI has reported a consistent improvement in its operational self-sufficiency (OSS) ratio to 121.30 per cent during the six months ended September 30, 2008. CRISIL expects the MFI's profitability to improve marginally in medium term due to increase in lending rates and increase in business volumes during the second half of 2008-09.

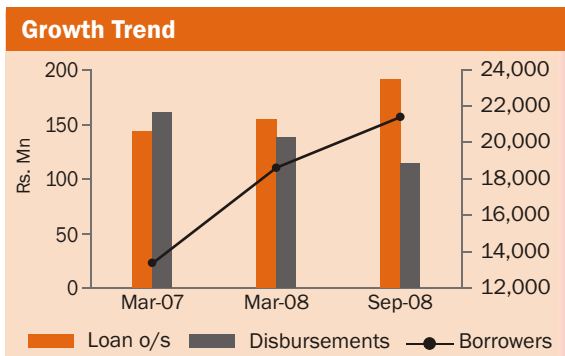
Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	1.96	0.85	0.17
Net worth	Rs. Mn	6.82	4.86	1.90
Portfolio yield*	%	17.34	14.70	13.81
Fund-based yield*	%	16.48	14.31	13.18
Cost of borrowings	%	9.21	8.63	5.80
Operating expense ratio*	%	4.30	4.90	6.67
Return on net worth*	%	2.13	3.70	12.94
Return on assets*	%	2.90	1.69	1.57
Operational self-sufficiency	%	121.30	102.31	113.39
Current portfolio	%	99.21	99.51	99.70
PAR>90 days	%	0.14	0.15	-
Debt/Net worth	Times	26.18	15.67	8.86

\*Ratios are annualised

## Indur Intideepam MACS Federation Ltd.

<b>Year of incorporation:</b>	2002
<b>Year of commencement of microfinance operations:</b>	2002
<b>Legal status:</b>	Co-operative society
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. B Umamaheswara Rao, Chief Executive Officer
<b>Auditor:</b>	Sampath & Ramesh, Hyderabad
<b>Contact Details:</b> 5-67, Dharmaram, Dichpally Mandal, Nizamabad - 503230, Andhra Pradesh Tel: +91-8461-245025 Fax: +91-8461-245725 Email: <a href="mailto:indmacsfed@yahoo.com">indmacsfed@yahoo.com</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	20	20	15
Employees	No.	123	120	97
Members	No.	45,345	45,246	35,356
Borrowers	No.	21,396	18,645	13,376
Disbursements	Rs. Mn	115	137	161
Loan O/S	Rs. Mn	191	155	144



### About the MFI

Indur Intideepam MACS Federation Ltd. (IIMF) was promoted in 2002 by GRAM, a non-governmental organisation (NGO). IIMF has 20 registered mutually-aided cooperative societies (MACSs) under its fold and operates in Adilabad and Nizamabad districts of Andhra Pradesh.

IIMF adopts the federation approach; under this, IIMF lends to its MACSs at an interest rate of 15 per cent per annum on reducing balance basis. The MACSs, in turn, extend loans to self help group (SHGs) at 18 per cent per annum on a reducing balance basis, for tenures ranging from 11 months to 30 months. IIMF also charges a processing fee of 1 per cent of the loan amount. Loan sizes vary from Rs.10,000 to Rs.50,000. IIMF offers life insurance and cattle insurance to its borrowers through tie-ups with public sector and private sector insurance companies.

### CRISIL's analysis on key parameters

- IIMF has recorded a compound annual growth rate (CAGR) of around 76 per cent in its number of borrowers, 102 per cent in its disbursement, and 118 per cent in its total loans outstanding, between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08.
- IIMF's operational self sufficiency ratio has been moderate at 118 per cent in the past. As a lender to other cooperatives (MACSs), it operates on thin spreads; therefore, the MFI's profitability is susceptible to increases in its cost of borrowings. The MFI has managed to moderate borrowing costs, to some extent, by relying on low-interest savings from the MACSs.
- Operating expense levels at 5.38 per cent for the first six months of 2008-09 are unusually high for an institutional lender and these are also expected to result in the earnings profile of the MFI remaining average.
- As on September 30, 2008, 100 per cent of IIMF's portfolio was current (collections on time). However, at the MACS level, there are delinquencies, and these cooperatives have been servicing their debt despite overdues in the corresponding assets that they have financed.
- IIMF's gearing has improved to 6.73 times as on September 30, 2008, from 16 times as on March 31, 2007, following capital infusions from MACSs, capital grants, and internal accruals.

Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Netsurplus	Rs. Mn	2.93	4.53	1.15
Net worth	Rs. Mn	27.96	20.89	8.97
Portfolio yield*	%	15.24	15.74	14.79
Fund based yield*	%	14.06	14.16	13.62
Operating expense ratio*	%	5.38	4.88	5.55
Cost of borrowings*	%	9.77	10.94	10.60
Return on net worth*	%	23.08	30.37	21.22
Return on assets*	%	3.06	2.68	1.18
Operational self-sufficiency	%	118.24	118.55	107.57
Current portfolio	%	100.00	97.85	95.97
PAR>90 days	%	-	1.02	3.35
Debt/Net worth	Times	6.73	7.75	16.00

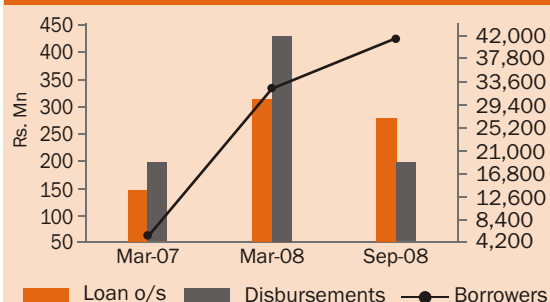
\*Ratios are annualised

## Janalakshmi Financial Services Pvt. Ltd.

<b>Year of incorporation:</b>	2006
<b>Year of commencement of microfinance operations:</b>	2008
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	Diversified
<b>Chief Executive:</b>	Mr. Ramesh Ramanathan, Chairman
<b>Auditor:</b>	Deloitte Haskins & Sells, Bangalore
<b>Contact Details:</b> No. 302, 7th Cross, Domlur Layout, Bangalore - 560071, Karnataka Tel: +91-80-52595700, Fax: +91-80-41525770 Email: <a href="mailto:info@janalakshmi.com">info@janalakshmi.com</a> Web: <a href="http://www.janalakshmiindia.org">www.janalakshmiindia.org</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		JFSPL 2008	JSS 2008	JSS 2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	6	3	1
Employees	No.	220	144	84
Members	No.	52,875	49,276	25,746
Borrowers	No.	41,396	32,545	5,652
Disbursements	Rs. Mn	197	431	198
Loan O/S	Rs. Mn	280	356	155

### Growth Trend



### About the MFI

Janalakshmi Financial Services Pvt. Ltd. (JFSPL), incorporated in July 2006, commenced microfinance operations in April 2008 by acquiring the assets and liabilities of Janalakshmi Social Services (JSS), a not-for-profit company. In July 2006, JSS acquired the assets and liabilities of the Bangalore Urban Microfinance Programme that was operated by Sanghamithra Rural Financial Services, and commenced its own microfinance programme thereafter.

JFSPL lends to self help groups (SHGs) formed by non-governmental organisations (NGOs) with whom it has tie-ups. In addition, it promotes mutual guarantee groups (MGGs); this lending model targets potential borrowers through a referral-cum-guarantee system. The MFI's loans are for one to three years, and it charges 24 to 33 per cent interest per annum on a reducing balance basis.

### CRISIL's analysis on key parameters

- The MFI's loan portfolio shrank to Rs. 280 million as on September 30, 2008 from Rs.356 million as on March 31, 2008. This was because the MFI moderated its disbursement growth during first six months of 2008-09, as it was implementing customised software for its operations.
- The asset quality of the MFI is weaker than that of other mid sized MFIs, which is reflected in 88.60 per cent of the portfolio being current (collections on time) as on September 30, 2008. This improved from 87.12 per cent in March 2008 after the write-off of Rs.3.73 million of loans during the first half of 2008-09 (refers to financial year, April 1 to March 31). The weakness in asset quality is on account of inadequate monitoring of SHGs by a few partner NGOs.
- The company's gross interest spreads were inadequate to cover the high operating expenses of more than 25 per cent (annualised basis) during the first six months of 2008-09, resulting in the MFI registering an operating loss.
- Given the high operating expense levels and provisioning costs, CRISIL expects JFSPL's profitability to remain under pressure in the medium term.
- JFSPL's gearing levels at 7.44 times as on September 30, 2008 are moderate

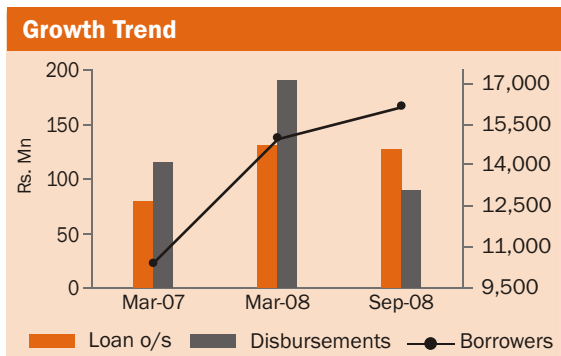
Key Financial Highlights	Unit	JFSPL Sept-08	Mar-08	JSS Mar-07
Net profit	Rs. Mn	-12.07	-5.04	-0.76
Net worth	Rs. Mn	38.15	-5.80	-0.76
Portfolio yield*	%	33.65	24.80	17.77
Fund based yield*	%	30.68	23.01	15.98
Cost of borrowings	%	10.38	9.20	5.90
Operating expense ratio*	%	28.32	13.98	12.70
Return on net worth*	%	NM	NM	NM
Return on assets*	%	NM	NM	NM
Operational self-sufficiency	%	82.04	93.78	96.84
Current portfolio	%	88.60	87.12	92.35
PAR > 90 days	%	4.20	5.66	4.23
Debt/Net worth	Times	7.44	-57.48	-214.44

\*Ratios are annualised, NM: Not meaningful

## Janodaya Trust

<b>Year of incorporation:</b>	1988
<b>Year of commencement of microfinance operations:</b>	2003
<b>Legal status:</b>	Trust
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Ms. Santosh Vas, Chairperson
<b>Auditor:</b>	Vittal Rao Kaliswaran & Co., Bangalore
<b>Contact Details:</b>	
# 3, 9th Cross, 5th Main, Jayamahal Extension, Bangalore - 560046, Karnataka	
Tel: +91-80-23332564	
Fax: +91-80-23430155	
Email: <a href="mailto:janodaya@bgl.vsnl.net.in">janodaya@bgl.vsnl.net.in</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	26	18	11
Employees	No.	121	87	60
Members	No.	38,530	35,860	23,400
Borrowers	No.	16,193	14,982	10,400
Disbursement	Rs. Mn	89	190	115
Loan O/S	Rs. Mn	127	130	80



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Netsurplus	Rs. Mn	3.61	1.26	0.24
Net worth	Rs. Mn	11.45	7.19	3.23
Portfolio yield*	%	24.51	23.63	20.38
Fund based yield*	%	21.40	21.75	18.81
Cost of borrowings*	%	7.97	11.28	9.28
Operating expense ratio*	%	7.94	11.79	10.44
Return on net worth*	%	77.49	24.20	10.57
Return on assets*	%	4.71	1.06	0.40
Operational self-sufficiency	%	125.97	104.61	101.87
Current portfolio	%	99.25	100.00	100.00
PAR>90 days	%	0.00	0.00	-
Debt/Net worth	Times	12.61	18.60	26.58

\*Ratios are annualised

### About the MFI

Janodaya, a Karnataka-based NGO, has been involved in integrated development and livelihood support services for women and children since 1988. In 2003, the NGO-MFI also began financial intermediation to help its members undertake income generating activities, with assistance from The Bridge Foundation.

The NGO-MFI follows a self help group (SHG) model; each group consists of 12 to 20 members. Janodaya offers one-year loans at an interest rate of 14 per cent on a flat basis. As on September 30, 2008, Janodaya operated across five districts in Karnataka. The founders of Janodaya have, during 2008-09 (refers to financial year, April 1 to March 31), incorporated a company, into which they intend to transfer the microfinance operations, after it is registered with the Reserve Bank of India as a non-banking financial company.

### CRISIL's analysis on key parameters

- Janodaya has recorded a compound annual growth rate (CAGR) of 119 per cent in borrower base, 122 per cent in disbursements and 119 per cent in total loans outstanding during the period between 2005-06 and 2007-08.
- During 2008-09, the loan portfolio of the NGO-MFI has registered a de-growth in spite of expansion in its branch network. This is because the NGO-MFI did not mobilise required resources to support its growth plans.
- Janodaya has good asset quality, reflected in 99.2 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- The MFI had a relatively high gearing of 12.61 times as on September 30, 2008, though this has improved from 26.58 times as on March 31, 2007. To fund its growing assets, Janodaya will need to raise capital: its current legal structure as a trust impedes its ability to raise external capital. The NGO-MFI intends to transfer its microfinance programme to the newly-acquired company: the proposed status of an NBFC will enable the microfinance programme to raise equity.
- CRISIL expects Janodaya's cost of borrowing and operating expenses to maintain their March 2008 levels over the medium term. Cost of borrowing and operating expenses are low for the six month period ending September 30, 2008, because of the impact of rapid expansion in operations and portfolio size - the impact of the concurrent costs of this expansion will be visible only over a period of time.

## Madura Micro Finance Ltd.

<b>Year of incorporation:</b>	2006
<b>Year of commencement of microfinance operations:</b>	2006
<b>Legal status:</b>	Public Ltd. Co. (NBFC)
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. M Narayanan, Chief Executive Officer
<b>Auditor:</b>	S N S Associates, Chennai

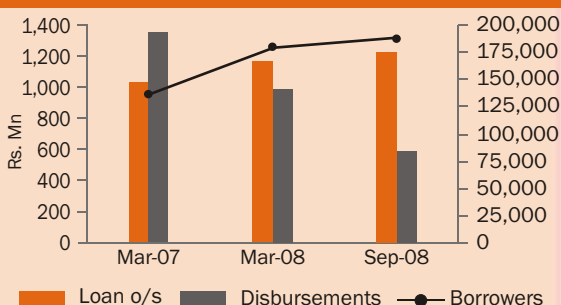
### Contact Details:

No. 36, Second Main Road, Kasturba Nagar, Adayar,  
Chennai - 600020, Tamil Nadu  
Tel : +91-44-42116842, Fax: +91-44-24413841  
Email: [m.narayanan@mmfl.in](mailto:m.narayanan@mmfl.in)  
Web: [www.maduramicrofinance.com](http://www.maduramicrofinance.com)

**Grading by CRISIL:** Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	46	46	46
Employees	No.	382	340	310
Members	No.	380,000	350,000	225,970
Borrowers	No.	188,000	180,000	136,445
Disbursements	Rs. Mn	594	994	1,357
Loan O/S	Rs. Mn	1,223	1,166	1,035

### Growth Trend



### About the MFI

Madura Micro Finance Ltd. (MMFL) was incorporated in February 2006 as a non-banking financial company (NBFC). The MFI's primary product is loans to women's self help groups (SHGs) for small business support. Each group consists of 15 to 20 women, from the same village but from different families. The formation and training of these groups are managed through MMFL's partner organisation, Microcredit Foundation of India, a non-profit company.

The company offers five types of loan products with loan amounts ranging from Rs.1,000 to Rs.50,000, at an interest rate of 18 to 21 per cent per annum (on reducing balance basis), with tenure ranging from 6 weeks to 72 weeks.

### CRISIL's analysis on key parameters

- MMFL's membership base and loans outstanding registered a moderate annual growth rate of 56 per cent and 27 per cent, respectively, between April 1, 2006, and September 30, 2008.
- MMFL has good asset quality, reflected in 99.57 per cent of the portfolio being current (collections on time) as on September 30, 2008. The company has a strong loan monitoring and recovery system: the SHGs are graded regularly, and the loan approval process is comprehensive, and marked by the involvement of the field staff.
- The MFI's funding mix is average: as on March 31, 2008, around 71 per cent of its total borrowings were from two lenders. Because of its reliance on two lenders, its ability to raise funds is limited when compared to other MFIs with more diverse funding profiles.
- MMFL's current profitability is strong with operational self-sufficiency ratio at over 150 per cent for the six months ended September 30, 2008. Profitability is significantly supported by low operating expenses: operating expenses mainly consist of a small fee paid to its partner organisation, the Micro Credit Foundation of India, for formation and monitoring of SHGs.
- Following an equity infusion during first half of 2008-09, the company's debt to net worth ratio improved significantly to 2.26 times as on September 30, 2008 from 7.37 times as on March 31, 2008. CRISIL expects MMFL's capitalisation to remain adequate in the medium term.

Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	35.49	23.34	33.85
Net worth	Rs. Mn	320.69	100.69	55.59
Portfolio yield*	%	19.51	14.58	92.01
Fund-based yield*	%	18.71	13.10	66.81
Cost of borrowings*	%	12.97	5.98	9.94
Operating expense ratio*	%	3.62	1.41	28.05
Return on net worth*	%	33.69	29.87	89.54
Return on assets*	%	6.78	3.85	17.13
Operational self-sufficiency	%	152.91	159.35	159.64
Current portfolio	%	99.57	99.83	99.85
PAR>90 days	%	0.14	0.06	-
Debt/Net worth	Times	2.26	7.37	3.56

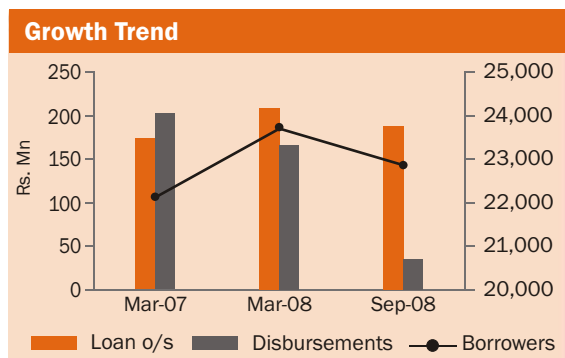
\*Ratios are annualised



# Pragathi Mutually Aided Cooperative Credit and Marketing Federation

<b>Year of incorporation:</b>	2006
<b>Year of commencement of microfinance operations:</b>	2002
<b>Legal status:</b>	Co-operative society
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. Gaddala John, Chief Executive Officer
<b>Auditor:</b>	Narotham Madhav & Ramesh, Warangal
<b>Contact Details:</b> # 2-5-898, Circuit House Road, Hanamkonda, Warangal-506001, Andhra Pradesh Tel: +91-870-2540851, Fax: +91-870-2540979 Email: <a href="mailto:pragathimfi@yahoo.com">pragathimfi@yahoo.com</a> Web: <a href="http://www.info@pragathisevasamithi.org">www.info@pragathisevasamithi.org</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	38	38	33
Employees	No.	102	92	89
Members	No.	43,560	42,216	38,812
Borrowers	No.	22,861	23,735	22,121
Disbursements	Rs. Mn	36	167	202
Loan O/S	Rs. Mn	188	208	174



## About the MFI

Pragathi Mutually Aided Cooperative Credit and Marketing Federation Ltd (PMACS) took over the microfinance operations of Pragathi Seva Samithi (PSS) in 2004. PMACS has more than 20 mutually-aided cooperative societies (MACSs) under its fold and operates in the Warangal and Khammam districts of Andhra Pradesh.

PMACS follows the federation approach; it lends to its MACSs at an interest rate of 12 per cent to 15 per cent per annum on reducing balance basis for 11 months to 30 months. The MACSs, in turn, extend loans to their SHGs at an interest rate of 18 per cent on reducing balance basis. In addition, PMACS also charges a processing fee of 2 per cent of the loan amount.

## CRISIL's analysis on key parameters

- PMACS's disbursements have declined in 2007-08 (refers to financial year, April 1 to March 31) as the MFI is unable to raise adequate borrowings.
- PMACS has good asset quality, reflected in 98.50 per cent of the portfolio being current (collections on time) as on September 30, 2008. This is on account of a strong loan sanction process and regular monitoring of MACSs by the federation.
- The MFI had an average funding profile: as on March 31, 2008, around 46 per cent of its total borrowings were from HDFC Bank, and 31 per cent from private banks. Because of its reliance on a limited set of lenders, its ability to raise funds is limited when compared to other MFIs with more diverse funding profiles.
- PMACS's operational self-sufficiency (OSS) has improved during past two years, and was 112.60 per cent for the six months ended September 30, 2008. CRISIL believes that the OSS ratio will remain over 100 per cent, because of lowcost savings accessed from member MACSs, and operations that are cross-subsidised by social activities.
- The MFI is a cooperative and during 2007-08 converted part of the deposits received from the MACSs into capital, resulting in an increase in net worth to Rs.23.57 million as on March 31, 2008 from Rs. 1.69 million as on March 31, 2007.

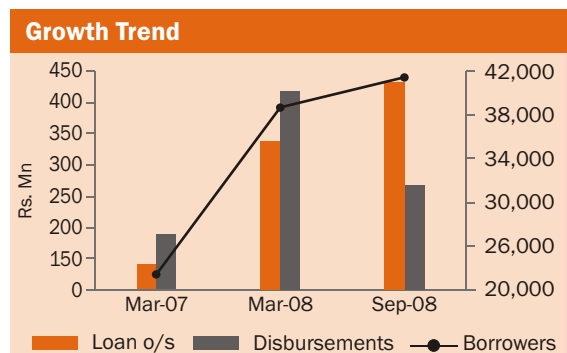
Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Netsurplus	Rs. Mn	1.55	2.82	2.23
Net worth	Rs. Mn	25.45	23.57	1.69
Portfolio yield*	%	13.95	14.27	11.52
Fund-based yield*	%	13.34	13.74	10.95
Cost of borrowings*	%	11.99	13.06	11.90
Operating expense ratio*	%	2.25	2.52	2.97
Return on net worth*	%	12.56	22.32	235.75
Return on assets*	%	1.46	1.40	1.81
Operational self-sufficiency	%	112.60	109.53	106.34
Current portfolio	%	98.50	98.37	98.59
PAR>90 days	%	0.30	0.26	0.10
Debt/Net worth	Times	5.57	8.31	106.56

\*Ratios are annualised

## Rashtriya Seva Samithi

<b>Year of incorporation:</b>	1981
<b>Year of commencement of microfinance operations:</b>	1989
<b>Legal status:</b>	Society
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. G Muniratnam, General Secretary
<b>Auditor:</b>	G. Kannaiah Naidu & Associates, Tirupati
<b>Contact Details:</b>	
RASS Seva Nilayam, AIR By Pass Road, Annamaiah Marg, Tirupati - 517502, Chittoor, Andhra Pradesh Tel: + 91-877-2242404, Fax:+91-877-2244281 Email: rassorg@gmail.com, rass_org@rediffmail.com Web: www.rass.india.org	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	5	5	6
Employees	No.	102	97	80
Members	No	50,845	50,062	45,682
Borrowers	No	41,453	38,675	23,410
Disbursements	Rs. Mn	267	419	192
Loan O/S	Rs. Mn	433	339	144



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	5.29	7.96	3.43
Net worth	Rs. Mn	55.69	42.64	26.65
Portfolio yield*	%	16.12	14.42	14.04
Fund-based yield*	%	14.91	14.13	13.63
Cost of borrowings*	%	10.49	9.20	7.84
Operating expense ratio*	%	2.30	3.58	4.45
Return on net worth*	%	21.52	22.98	15.54
Return on assets*	%	2.45	3.01	3.01
Operational self-sufficiency	%	130.46	124.04	130.88
Current portfolio	%	92.55	94.36	86.78
PAR>90 days	%	0.12	0.13	0.54
Debt/Net worth	Times	7.52	7.66	4.42

\*Ratios are annualised

### About the MFI

Incorporated in 1981, the Tirupati-based Rashtriya Seva Samithi (RASS) has implemented various developmental programmes, with funding support from the Government of India and international donor agencies, in Andhra Pradesh and neighbouring states. The NGO-MFI started its microfinance programme in 1989.

RASS follows the self-help group (SHG) lending model and offers 20-month loans with amounts ranging between Rs.10,000 and Rs.30,000 at an interest rate of 17 per cent per annum on reducing balance basis. In addition, it charges upfront fee (1 per cent of the loan amount) and Rs.20 as loan processing fee.

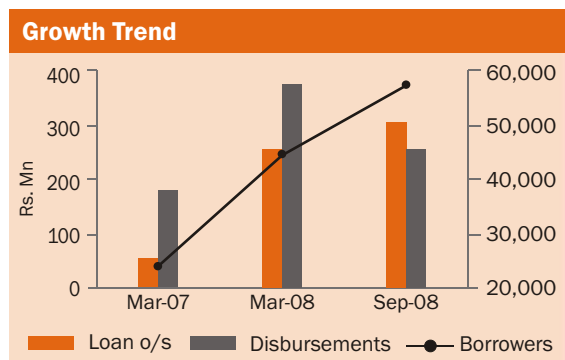
### CRISIL's analysis on key parameters

- RASS has reported a compounded annual growth rate (CGAR) of around 69 per cent in its number of borrowers, 140 per cent in disbursements, and 140 per cent in loan outstanding, during the period between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08. Despite low growth in the number of incremental members, repeat loans to existing borrowers have been the driving factor for higher growth in disbursements.
- RASS's overall asset quality is good: as of September 30, 2008, 92.55 per cent of the portfolio was current (collections on time); this was an improvement from 86.78 per cent as of March 31, 2007. This is due to improvement in controls and systems post 2006-07.
- As RASS operates several developmental projects along with its microfinance program, its operational costs are subsidised. As a result of the low operating expense levels, the NGO-MFI is able to register more than 100 per cent operational self-sufficiency (OSS) ratio despite its lending rates being far lower than those of other large MFIs operating in the region. Given the long track record of the NGO, CRISIL expects RASS's microfinance programme to benefit from the subsidisation of operating costs in the medium term.
- The NGO-MFI has consistently maintained gearing at adequate levels, between 7 times to 8 times during the past few years, through regular infusion of capital grants to support its microfinance programme. CRISIL expects RASS to maintain gearing at current levels over the medium term.

## Rashtriya Gramin Vikas Nidhi - CSP

<b>Year of incorporation:</b>	1990
<b>Year of commencement of microfinance operations:</b>	1995
<b>Legal status:</b>	Society
<b>Lending model:</b>	Diversified
<b>Chief Executive:</b>	Ms. Rupali Kalita, Director
<b>Auditor:</b>	Das & Sharma, Guwahati
<b>Contact Details:</b>	
Padma Path, House No-2, Bye Lane-8, Zoo Tiniali, R.G. Baruah Road, Guwahati - 781024, Assam	
Tel: +91-361-2464612	
Email: <a href="mailto:rupali_rgvn@yahoo.com">rupali_rgvn@yahoo.com</a> , <a href="mailto:rgvn_csp@rediffmail.com">rgvn_csp@rediffmail.com</a>	
Web: <a href="http://www.rgvnindia.org">www.rgvnindia.org</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	44	40	32
Employees	No.	278	220	169
Members	No.	79,087	62,849	44,279
Borrowers	No.	57,429	44,722	24,147
Disbursements	Rs. Mn	255	374	179
Loan O/S	Rs. Mn	303	256	56



Key Financial Highlights	Unit	Sept-08*	Mar-08	Mar-07
Net surplus	Rs. Mn	7.34	8.96	5.14
Net worth	Rs. Mn	19.95	12.49	3.32
Portfolio yield*	%	23.92	22.68	22.46
Fund-based yield*	%	19.37	16.29	15.20
Cost of borrowings*	%	11.10	8.49	4.76
Operating expense ratio*	%	6.76	6.30	8.10
Return on net worth*	%	90.47	113.38	NM
Return on assets*	%	4.21	3.40	3.78
Operational self-sufficiency	%	130.74	131.27	111.22
Current portfolio	%	95.83	85.24	89.49
PAR>90 days	%	2.78	6.30	7.04
Debt/Net worth	Times	12.77	20.09	62.77

\*Ratios are annualised

### About the MFI

The Guwahati-headquartered Rashtriya Gramin Vikas Nidhi (RGVN) is a leading NGO-MFI operating in the north-eastern and eastern states of India. Industrial Finance Corporation of India (IFCI), IDBI Bank, National Bank for Agriculture and Rural Development (NABARD), and Tata Social Welfare Trust, are the sponsors of RGVN. The society has two divisions for microfinance - credit and savings programme (CSP) and NGO-SP. CSP is focused on retail lending to groups and individual borrowers, while NGO-SP provides loans, returnable grants, and non-returnable grants to NGOs. The CSP programme, started in 1995, operates in 12 districts of Assam.

Under CSP, RGVN lends to self-help groups, joint liability groups, and individuals. The MFI offers loans for tenures ranging from 3 months to 24 months, at interest rates ranging from 7 per cent to 10 per cent on flat rate basis. RGVN-CSP also collects 5 per cent of the loan amount as upfront security deposit and Rs.5 per loan as pass book fee. It also provides life insurance cover to its borrowers through tie-ups with insurance companies.

### CRISIL's analysis on key parameters

- As on September 30, 2008, 95.83 per cent of the RGVN-CSP's portfolio was current (collections on time), a significant improvement from 89.49 per cent as of March 31, 2007. This improvement is because of the strengthening of the loan monitoring and review mechanisms by CSP's management.
- With RGVN-CSP increasingly accessing borrowings from commercial banks, the average cost of borrowings has steadily increased over the past few years.
- RGVN-CSP's gearing remains high, though it has improved to 12.77 times as of September 30, 2008, from 62.77 times as of March 31, 2007 with the infusion of capital grants by RGVN. The NGO-MFI's management intends to promote an NBFC over the medium term, which would take over the CSP programme; this would enable the microfinance programme to raise capital and achieve scale.
- RGVN CSP's operational self-sufficiency (OSS) ratio has improved during the past two years, and was 130.74 per cent for the six months ended September 30, 2008. CRISIL expects the OSS ratio to remain over 100 per cent, but OSS growth from current levels is likely to be curtailed because of the increasing cost of borrowings and operating expenses levels (on account of expansion).

## RORES Micro Entrepreneur Development Trust

<b>Year of incorporation:</b>	2005
<b>Year of commencement of microfinance operations:</b>	2005
<b>Legal status:</b>	Trust
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. P Sathyanarayana Reddy, Chief Executive Officer
<b>Auditor:</b>	Vittal Rao Kaliswaran & Co., Bangalore

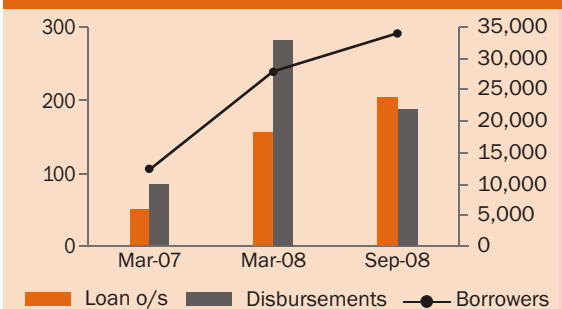
### Contact Details:

#65, Ramakrishna Extension,  
Srinivaspura - 563135, Kolar District, Karnataka  
Tel: +91-8157-246278  
Fax: +91-8157-246181  
Email: rores@rediffmail.com, rores\_ps@yahoo.co.in

**Grading by CRISIL:** Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	13	12	9
Employees	No.	81	60	37
Members	No.	34,861	27,972	12,979
Borrowers	No.	34,299	27,819	12,353
Disbursements	Rs. Mn	190	283	84
Loan O/S	Rs. Mn	204	156	51

### Growth Trend



### About the MFI

The RORES Micro Entrepreneur Development Trust (RMEDT) is a non-governmental microfinance institution (MFI) registered as a charitable trust. The trust started operations in 2005 by taking over the microfinance portfolio of the Re-organisation of Rural Economy and Society (RORES), a non-governmental organisation (NGO) engaged in social development work.

RMEDT follows the joint-liability group (JLG) model of lending. It offers 46-week loans at an interest rate of 15 per cent on a flat basis. In addition, the trust also collects one-time membership fee and processing charges of Rs.100 each at the time of disbursement.

### CRISIL's analysis on key parameters

- RMEDT's witnessed robust growth, which is evidenced in a compound annual growth rate (CAGR) of 184 per cent in the borrower base, 289 per cent in disbursements, and 271 per cent in total loan outstanding, during the period between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08.
- During the six months ended September 30 2008, the trust expanded its operations through deeper penetration in existing operational areas: the resultant economies of scale have helped reduce the operating expense ratio to 5.60 per cent during the period.
- RMEDT has good asset quality with 99 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- RMEDT's average cost of borrowings for the first half of 2008-09 improved from 2007-08 levels as the trust mobilised most of its resources towards the end of the six-month period; about 80 per cent of the fresh disbursements were made from field collections.
- The trust has been reporting a strong operational self-sufficiency (OSS) ratio for the past three years on account of a large interest spread and a comfortable operating expense level. CRISIL, however, expects the OSS ratio to come under pressure if the trust is unable to increase disbursements and thereby increase interest income.
- RMEDT's gearing decreased to 7.6 times as on September 30, 2008 from its earlier highs of over 15 times as internal accretions from operations shored up the trust's net worth.

Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	14.24	4.52	1.14
Net worth	Rs. Mn	23.83	7.99	3.16
Portfolio yield*	%	27.04	24.77	18.93
Fund-based yield*	%	24.93	23.12	17.47
Cost of borrowings*	%	10.30	13.09	8.57
Operating expense ratio*	%	5.60	6.39	8.24
Return on net worth*	%	179.00	80.95	52.85
Return on assets*	%	14.44	3.94	3.24
Operational self-sufficiency	%	198.31	149.30	146.12
Current portfolio	%	99.78	99.70	99.35
PAR > 90 days	%	0.17	0.29	0.49
Debt/Net worth	Times	7.57	18.66	16.46

\*Ratios are annualised

## Saadhana Microfin Society

<b>Year of incorporation:</b>	2001
<b>Year of commencement of microfinance operations:</b>	2001
<b>Legal status:</b>	Society
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. M. Ernest Paul, Secretary & Chief Executive Officer
<b>Auditor:</b>	K. V. Krishnaiah & Co, Kurnool

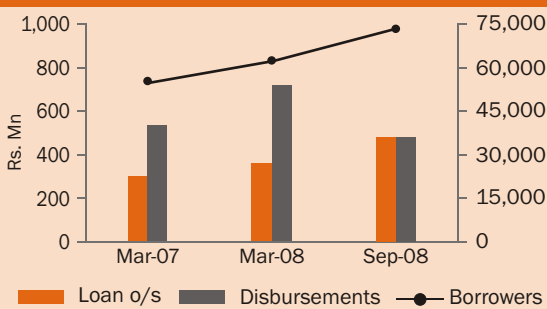
### Contact Details:

#50-760A-116, 2nd Floor, Gayatri Estates,  
Kurnool - 518 002, Andhra Pradesh  
Tel: +91-8518-233582, Fax: +91-8518 - 236302  
Email: saadhanamfs@rediffmail.com  
Web: www.saadhana.org

<b>Grading by CRISIL:</b>	Yes
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Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	36	21	20
Employees	No.	225	202	185
Members	No.	90,570	76,580	60,440
Borrowers	No.	73,443	62,729	54,250
Disbursements	Rs. Mn	487	719	536
Loan O/S	Rs. Mn	486	360	301

### Growth Trend



### About the MFI

Incorporated in 2001, Andhra Pradesh-based Saadhana Microfin Society (Saadhana) disburses micro loans with tenures of up to 50 weeks, at an interest rate of 15 per cent per annum on a flat basis, to women's joint liability groups (JLGs) in urban and semi-urban areas. At present, the microfinance institution (MFI) is present in only five districts of the state.

The MFI's lending model is similar to that adopted by the Grameen Bank. Saadhana also offers group life insurance schemes to its borrowers through tie-ups with an insurance company. The MFI also lends to other NGOs and smaller MFIs, but these loans form a small proportion of the overall advances. As on September 30, 2008, the MFI had more than 73,000 borrowers and a loan outstanding of Rs.486 million.

In 2007, few of Saadhana's board members and senior management acquired a dormant, non-banking financial company (NBFC) as part of a plan to expand operations. The MFI operations will be transferred to this NBFC by the end of 2009.

### CRISIL's analysis on key parameters

- Saadhana has a good asset quality, which is reflected in 100 per cent of its portfolio being current (collections on time) as on September 30, 2008. The MFI has strong loan-monitoring systems in place and the head office keeps a tight control on the branches by monitoring the demand trend and collections on a daily basis.
- The addition of 15 new branches during the first half of 2008-09 has resulted in increase in operating expense levels and, as a result, the operational self sufficiency (OSS) ratio declined to 118.14 per cent from 124 per cent during 2007-08. However, given the MFI's high branch and employee productivity levels in the past, CRISIL believes that the operating expense levels would decline resulting in improvement in the OSS over the medium term.
- Saadhana's capitalisation levels are moderate with a net worth of Rs.59 million and a relatively high debt-to-net worth of 8.64 times as on September 30, 2008. In order to fund its growing asset size, Saadhana will need to raise capital: the MFI's current legal structure as a society impedes its capital-raising ability. Hence, Saadhana intends to transfer its microfinance programme to the newly-acquired NBFC by the end of 2009: the legal structure of an NBFC will enable the MFI to raise equity.

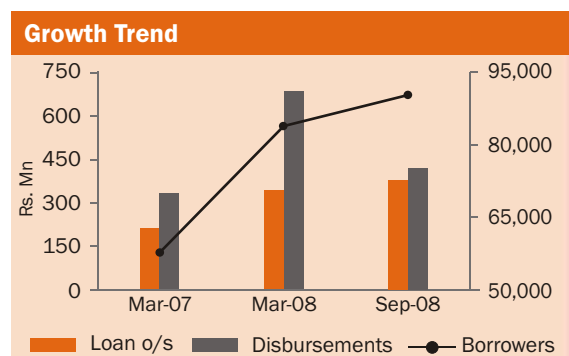
Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	8.40	17.49	18.87
Net worth	Rs. Mn	58.97	50.01	30.37
Portfolio yield*	%	24.51	22.88	23.34
Fund-based yield*	%	22.07	23.04	25.51
Cost of borrowings*	%	10.73	10.32	9.63
Operating expense ratio*	%	8.41	8.02	8.00
Return on net worth*	%	30.83	43.52	99.37
Return on assets*	%	3.32	4.41	7.01
Operational self-sufficiency	%	118.12	124.31	138.44
Current portfolio	%	100.00	100.00	100.00
PAR>90 days	%	-	-	-
Debt/Net worth	Times	8.64	7.89	10.33

\*Ratios are annualised

## Sahara Utsarga Welfare Society

<b>Year of incorporation:</b>	1996
<b>Year of commencement of microfinance operations:</b>	1999
<b>Legal status:</b>	Society
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. Sudipta Banerjee, Secretary
<b>Auditor:</b>	SRB & Associates, Kolkata
<b>Contact Details:</b> Kalibari Sarani, Michael Nagar, Kolkata - 700133, West Bengal Telefax: +91-33-25674205 Email: sahara_mf@indiatimes.com	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	62	62	51
Employees	No.	426	407	281
Members	No.	103,522	94,865	62,846
Borrowers	No.	90,396	84,281	58,097
Disbursements	Rs. Mn	414	677	333
Loan O/S	Rs. Mn	377	339	211



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	28.54	36.45	2.64
Net worth	Rs. Mn	67.76	39.21	2.77
Portfolio yield*	%	31.52	29.63	21.27
Fund-based yield*	%	27.21	22.71	13.20
Cost of borrowings*	%	7.06	10.26	6.36
Operating expense ratio*	%	9.11	8.53	5.21
Return on net worth*	%	106.74	173.65	182.80
Return on assets*	%	13.55	9.43	1.26
Operational self-sufficiency	%	187.80	141.66	109.17
Current portfolio	%	97.03	96.84	99.59
PAR>90 days	%	1.94	1.44	0.41
Debt/Net worth	Times	4.23	7.56	114.33

\*Ratios are annualised

### About the MFI

Sahara Utsarga Welfare Society (SUWS) began its microfinance operations in 1999. SUWS follows the self-help-group (SHG) model of lending. The MFI offers 46-week loans at an interest rate of 15 per cent on a flat basis. The MFI collects 10 per cent of the loan amount as security deposit at the time of loan disbursement. As on September 30, 2008, the MFI had more than 90,000 borrowers and outstanding loans of Rs.377 million. As on the above date, the MFI had 62 branches across six districts of West Bengal.

The founders of SUWS have also have acquired a non-banking financial company (NBFC) to focus on the microfinance operations. The NBFC is currently present in only one district of West Bengal, and had a loan portfolio of Rs.8.55 million as of September 30, 2008.

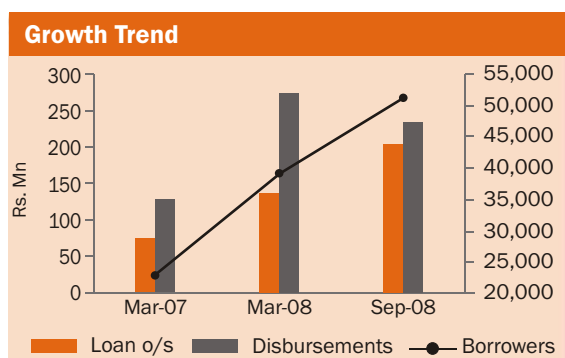
### CRISIL's analysis on key parameters

- SUWS's asset quality deteriorated with 97.03 per cent of the portfolio being current (collections on time) as on September 30, 2008 from 99.59 per cent as on March 31, 2007. This decline in asset quality is mainly because of defaults in the individual loan portfolio and non settlement of claims by the insurance company due to the death of the borrower/spouse.
- The gearing levels have improved consistently to 4.23 times as on September 30, 2008 from 114.33 times as on March 31, 2007 due to improvement in internal accruals. In addition, the MFI was able to mobilise limited resources from lending institutions, thereby improving gearing levels. CRISIL expects the gearing level to increase over the medium term given the MFI's expansion plans.
- The MFI's OSS increased during the first six months of 2008-09. However, CRISIL expects the MFI's cost of borrowing and operating expense levels to increase and therefore the OSS is expected to come down to March 2008 levels over the medium term.

## Sahara Uttarayan

<b>Year of incorporation:</b>	2001
<b>Year of commencement of microfinance operations:</b>	2001
<b>Legal status:</b>	Society
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Prakash Banerjee, Chief Executive Officer
<b>Auditor:</b>	Arup & Associates, Kolkata
<b>Contact Details:</b>	
Sahara Banerjee Para (1st Sarani), PO-Michael Nagar, Kolkata - 700133	
Tel: +91-033-25675745, Fax: +91-033-25675745	
Email: <a href="mailto:sahara.uttarayan@yahoo.com">sahara.uttarayan@yahoo.com</a>	
Web: <a href="http://www.sumfindia.com">www.sumfindia.com</a>	
<b>Grading by CRISIL:</b>	No

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	39	34	20
Employees	No.	198	160	100
Members	No.	57,695	48,098	24,979
Borrowers	No.	51,261	41,762	22,860
Disbursements	Rs. Mn	235	274	128
Loan O/S	Rs. Mn	205	137	76



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net Surplus	Rs. Mn	8.07	11.87	2.01
Net worth	Rs. Mn	21.97	13.90	2.03
Portfolio yield*	%	25.37	28.98	23.37
Fund-based yield*	%	19.77	19.35	15.77
Cost of borrowings*	%	10.62	9.43	8.84
Operating expense ratio*	%	7.64	6.85	6.94
Return on net worth*	%	90.00	149.03	195.15
Return on assets*	%	7.21	7.23	2.89
Operational self-sufficiency	%	140.23	143.31	116.32
Current portfolio	%	98.22	99.19	97.00
PAR>90 days	%	1.27	0.96	0.63
Debt/Net worth	Times	8.22	11.95	51.68

\*Ratios are annualised

### About the MFI

Incorporated in 2001, West Bengal-based Sahara Uttarayan disburses loans with tenures of up to 12 months, at an interest rate of 12.5-150 per cent on a flat basis, to women's joint-liability groups (JLG). In addition, the microfinance institution (MFI) collects 10 per cent of the loan amount as security deposit. The MFI also offers a death relief scheme to borrowers: under this scheme, the loan outstanding of the deceased borrower is adjusted with a dedicated fund created by the society and the security money is returned to the nominee of the deceased.

At present, the MFI is present in six districts of West Bengal. The MFI's lending model is similar to that adopted by the ASA (formerly known as the Association for Social Advancement), a leading MFI in Bangladesh.

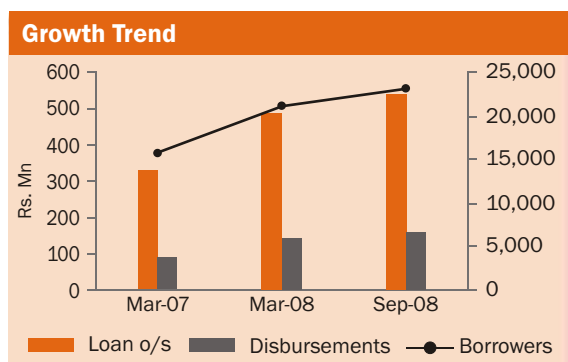
### CRISIL's analysis on key parameters

- Sahara Uttarayan's robust growth is evidenced in a compound annual growth rate (CAGR) of 210 per cent in its member base, 219 per cent in its disbursements, and 244 per cent in its loans outstanding, between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08.
- The MFI's gearing level has improved significantly to 8.22 times as on September 30, 2008 from 51.68 times as on March 31, 2007 as internal accretions increased net worth. CRISIL believes that Sahara Uttarayan will need to raise capital in order to support any meaningful expansion.
- The MFI's operating self sufficiency (OSS) ratio has been quite high over the past two years: it was 140.23 per cent for the six months ended September 30, 2008. CRISIL expects the OSS ratio to remain over 100 per cent as the MFI's gross interest spreads would be more than adequate to cover the operating expenses.
- Sahara Uttarayan's operating expense levels though increasing, are expected to remain below 9 per cent unless the MFI continues to register aggressive growth through new branch expansion.
- The funding mix of the MFI is average; as it accessed most of the borrowings from State Bank of India and Friends of Women's World Banking (FWWB). Due to its reliance on the two lenders, its financial flexibility (ability to raise funds) is limited when compared with other MFIs with more diverse funding profiles.
- The MFI has good asset quality, which is reflected in 98.22 per cent of the portfolio being current (collections on time) as on September 30, 2008

## Sanghamithra Rural Financial Services

<b>Year of incorporation:</b>	1995
<b>Year of commencement of microfinance operations:</b>	2000
<b>Legal status:</b>	Section 25 Company
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. R. D. Gadiyappanavar, Chief Executive Officer
<b>Auditor:</b>	Hariharan & Co., Mysore
<b>Contact Details:</b> D No: 612, 1st 'C' main Road, Domlur Layout, Bangalore - 560071, Karnataka Tel: +91-80-25350301, Fax: +91-80-25354708 Email: <a href="mailto:sanmithra@sanchamet.in">sanmithra@sanchamet.in</a> , <a href="mailto:info@sanghamithra.org">info@sanghamithra.org</a> Web: <a href="http://www.sanghamithra.org">www.sanghamithra.org</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	18	18	15
Employees	No.	109	84	82
Members	No.	132,944	130,048	107,119
Borrowers	No.	23,204	21,262	15,778
Disbursements	Rs. Mn	163	142	92
Loan O/S	Rs. Mn	538	487	331



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	4.41	0.26	0.28
Net worth	Rs. Mn	66.59	60.83	58.56
Portfolio yield*	%	15.05	14.07	13.27
Fund based yield*	%	14.43	13.62	12.63
Cost of borrowings*	%	9.56	9.24	7.62
Operating expense ratio*	%	3.32	3.07	3.65
Return on net worth*	%	13.84	0.43	0.53
Return on assets*	%	1.61	0.06	0.09
Operational self-sufficiency	%	112.52	100.43	100.70
Current portfolio	%	94.12	93.58	96.36
PAR>90 days	%	4.75	5.20	3.80
Debt/Net worth	Times	7.06	6.84	4.62

\*Ratios are annualised

### About the MFI

Sanghamithra Rural Financial Services (SRFS) was promoted by MYRADA (formerly Mysore Resettlement and Development Agency), a leading developmental agency managing rural development programmes in South India.

SRFS lends to self-help groups (SHG) promoted by MYRADA, and other partner NGOs. It offers 33-month loans to SHGs at interest rate of 16 per cent per annum on a reducing balance basis. As on September 30, 2008, SRFS had presence in three states, viz. Karnataka, Tamil Nadu and Andhra Pradesh. The pioneering work of developing the SHG movement in India by MYRADA has helped SRFS to create an operational infrastructure and adequate process controls to scale up its microfinance operations.

### CRISIL's analysis on key parameters

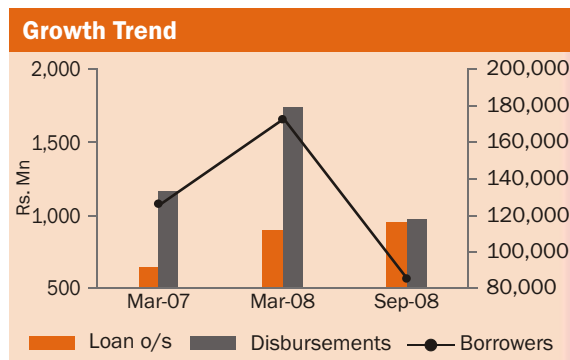
- SRFS has grown moderately, which is evidenced in the microfinance institution's (MFI) compounded annual growth rate (CAGR) of 24 per cent in the member base, 56 per cent in disbursement and 45 per cent in loan outstanding during the period between 2005-06 and 2007-08.
- Asset quality indicators improved marginally during the first six months of 2008-09. As a result, the portfolio-at-risk greater than 90 days (PAR>90 days) improved to 4.75 per cent as on September 30, 2008 from 5.2 per cent as on March 31, 2008.
- The MFI's operational self sufficiency (OSS) ratio has been low at marginally above 100 per cent. Given its lower lending rates, the MFI's gross interest spreads are highly susceptible to borrowing cost. Although the MFI has managed to borrow at attractive lending rates in the past, lending rates for the sector increased during 2008-09. Thus, CRISIL expects the OSS ratio to remain marginally above 100 per cent over the medium term..



## Sarvodaya Nano Finance Ltd.

<b>Year of incorporation:</b>	1996
<b>Year of commencement of microfinance operations:</b>	2001
<b>Legal status:</b>	Public Ltd. Co. (NBFC)
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. R. Sowmithri, Managing Director
<b>Auditor:</b>	V. Nagarajan & Co., Gurgoan
<b>Contact Details:</b>	
279, Avvai Shanmugam Salai, Royapettah, Chennai - 600014, Tamil Nadu Tel: +91-44 - 2813 1880 / 6529 2218 Telefax: +91-44 - 2813 1880 Extn. 119 Email: <a href="mailto:info@sarvodayanano.org">info@sarvodayanano.org</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	113	113	106
Employees	No.	1220	1206	1042
Members	No.	544,185	525,470	401,502
Borrowers	No.	84,919	171,852	126,211
Disbursements	Rs. Mn	965	1,724	1,160
Loan O/S	Rs. Mn	949	886	643



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	0.28	4.37	3.67
Net worth	Rs. Mn	173.74	156.18	137.08
Portfolio yield*	%	12.21	11.70	10.71
Fund-based yield*	%	11.05	10.91	9.85
Cost of borrowings*	%	10.12	9.28	8.09
Operating expense ratio*	%	2.24	2.18	2.39
Return on net worth*	%	0.34	2.98	2.84
Return on assets*	%	0.05	0.50	0.63
Operational self-sufficiency	%	100.48	107.40	111.35
Current portfolio **	%	80.75	91.46	92.13
PAR>90 days **	%	1.39	0.46	0.52
Debt/Net worth	Times	5.27	5.53	4.30

\*Ratios are annualised; \*\* the asset quality improved post September 2008

### About the MFI

Sarvodaya Nano Finance Ltd. (SNFL) was part of the BASIX group before the ownership was transferred to several community-owned organisations, which were registered as mutual benefit trusts (MBTs). However, the senior management and directors of the BASIX group continue to serve on the board of SNFL, and BASIX continues to provide management assistance to SNFL. SNFL's main operations are in Tamil Nadu and it has also increased the scale of operations in Rajasthan, Bihar, Madhya Pradesh and Jharkhand.

The microfinance institution (MFI) is now owned by more than 100 MBTs, each of which is a federation of women self-help groups (SHGs) that were nurtured by the Association for Sarva Seva Farms (ASSEFA), a leading non-governmental organisation (NGO). SNFL raises loans to meet the credit needs of the MBTs, which, in turn, lend to SHGs. SNFL's board as well as the management comprises professionals with experience in microfinance and promotion of community-owned organisations. SNFL offers loans to the MBTs at 12 per cent per annum and the MBTs, in turn, lend these funds to their affiliated SHGs at 24 per cent per annum.

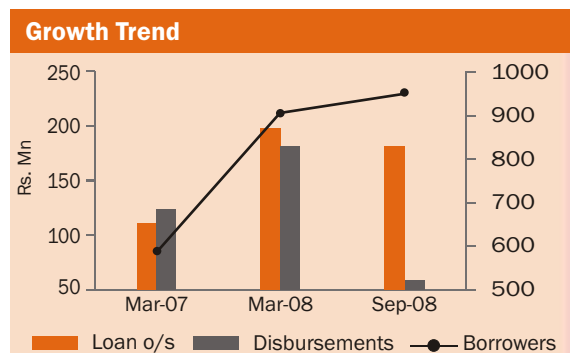
### CRISIL's analysis on key parameters

- SNFL has recorded - a compound annual growth rate (CAGR) of 57 per cent in disbursements, and 52 per cent growth in total loan outstanding during the period between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08.
- As on September 30, 2008, 80.75 per cent of SNFL's loan portfolio was current (collections on time), indicating the decline in the MFI's asset quality during 2008-09. Its asset quality came under pressure as another MFI promoted by ASSEFA began lending to the households of SNFL's borrowers. According to the company, however, the issue has been resolved and the on-time collections by March 2009 are higher and largely in line with the March 2008 levels.
- The company operates on thin spreads and, therefore, its profitability is highly susceptible to any increase in the cost of borrowings. As a result, the operational self-sufficiency (OSS) ratio declined to 100.48 during the first six months of 2008-09. Given SNFL's limited pricing flexibility, CRISIL expects the MFI's OSS ratio to remain modest going forward.
- As a closely held company, SNFL has been successful in raising equity capital from new MBTs wanting to borrow from SNFL. As a result, the MFI has maintained adequate capitalisation levels. However, CRISIL expects SNFL's capitalisation to come under pressure due to thin profit margins.

## Sewa Mutually Aided Cooperative Thrift Societies Federation Ltd.

<b>Year of incorporation:</b>	1984
<b>Year of commencement of microfinance operations:</b>	1984
<b>Legal status:</b>	Cooperative Society
<b>Lending model:</b>	SHG, Individual
<b>Chief Executive:</b>	Mr. A Prathap Reddy, Chief Executive Officer
<b>Auditor:</b>	Rama Subbaiah & Associates, Hyderabad
<b>Contact Details:</b> 17-1-383/47, Sewa Bhavan, Plot no. 47, Vinay Nagar colony, Saidabad, Hyderabad 500059, Andhra Pradesh Tel: +91-40-24530211 Fax: +91-40-24530915 Email: sewapratapreddy@gmail.com Web: www.sewafedhyd.org	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	34	32	19
Employees	No.	195	208	116
Members	No.	1,524	1,325	992
Borrowers	No.	923	910	593
Disbursements	Rs. Mn	60	183	125
Loan O/S	Rs. Mn	183	200	112



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	2.41	0.65	0.52
Net worth	Rs. Mn	52.10	50.80	15.40
Portfolio yield*	%	15.05	18.55	12.63
Fund-based yield*	%	14.05	16.45	10.45
Cost of borrowings*	%	11.94	14.33	8.45
Operating expense ratio*	%	10.33	6.37	6.40
Return on net worth*	%	9.37	11.78	12.10
Return on assets*	%	1.79	1.83	1.46
Operational self-sufficiency	%	100.0	112.03	113.70
Current portfolio	%	88.23	92.48	99.11
PAR>90 days	%	5.00	2.28	-
Debt/Net worth	Times	1.97	3.71	6.98

\*Ratios are annualised

### About the MFI

Sewa Mutually Aided Cooperative Thrift Societies Federation Ltd. (Sewa), an early promoter of the mutually-aided cooperative thrift societies (MACTS) in Andhra Pradesh, follows the federation model. Each of the MACTSs under Sewa's fold is a shareholder in the federation. The microfinance institution (MFI) offers loans to its MACTSs at an interest rate of 13 per cent per annum on a reducing balance basis for 13 to 30 months. The MACTSs, in turn, extend loans to individuals and SHGs at an interest rate of 18 per cent. In addition, each MACTS is required to maintain 20 to 33 per cent of the loan disbursed as security deposit with Sewa.

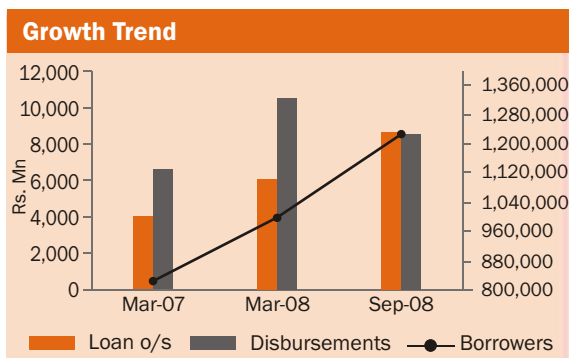
### CRISIL's analysis on key parameters

- During the period between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08, SEWA has reported a compound annual growth rate (CAGR) of 80 per cent in its member base, 289 per cent in its borrower base and by 276 per cent in its loans outstanding.
- Sewa's asset quality is moderate, which is reflected in portfolio at risk greater than 90 days (PAR>90 days) of 5 per cent as on September 30, 2008. This has shown an increasing trend since 2007-08 due to rapid addition of new MACTSs under its fold. Also, in 2006-07, the MFI adjusted overdues with deposits that the corresponding cooperative maintained with Sewa. This practice was stopped in 2007-08 resulting in increase in PAR levels.
- The MFI had a moderate resource profile as on March 31, 2008; about 38 per cent of its total borrowings were accessed from a private bank, and 30 per cent from apex MFIs, while the remainder was mobilised as savings and security deposits from member MACTSs.
- The MFI's operational self-sufficiency (OSS) ratio is low at marginally above 100 per cent as on September 30, 2008. The OSS ratio has declined from March 31, 2008 levels due decline in disbursements, which resulted in lower income without corresponding reduction in operating expenditure. Despite this slowdown, CRISIL expects Sewa's OSS ratio to remain marginally above 100 per cent over the medium term. This would be supported by various service charges that Sewa collects from its 1500-plus MACTSs each year, for business and technical support services.
- Sewa has a healthy debt-to-net worth ratio of 1.97 times as on September 30, 2008. This is on account of slow down in disbursement growth during the first six months of 2008-09 and regular infusion of capital by MACTSs. The MFI is a cooperative, and during 2007-08, converted part of the deposits received from its MACTSs into capital, resulting in an increase in net worth to Rs.50.80 million as on March 31, 2008 from Rs.15.40 million as on March 31, 2007.

## SHARE Microfin Ltd.

<b>Year of incorporation:</b>	1999
<b>Year of commencement of microfinance operations:</b>	2000
<b>Legal status:</b>	Public Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG, Individual
<b>Chief Executive:</b>	Mr. M. Udaia Kumar, Managing Director
<b>Auditor:</b>	S. R. Batliboi & Co., Hyderabad
<b>Contact Details:</b> 1-224/58, Rajeev Nagar, Nacharam, Hyderabad - 500076, Andhra Pradesh Tel: +91-40-27158380, Fax: +91-40-27173558 Email: <a href="mailto:udaia@sharemicrofin.com">udaia@sharemicrofin.com</a> Web: <a href="http://www.sharemicrofin.com">www.sharemicrofin.com</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	666	462	312
Employees	No.	4,169	3,022	2363
Members	No	1,553,274	1,289,328	1,083,035
Borrowers	No	1,231,556	989,641	826,517
Disbursements	Rs. Mn	8,536	10,464	6,644
Loan O/S	Rs. Mn	8,568	6,089	3,996



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	246.39	62.43	48.71
Net worth	Rs. Mn	1,448.19	1,194.57	372.85
Portfolio yield*	%	27.49	21.07	15.03
Fund based yield*	%	25.01	18.27	14.76
Cost of borrowings*	%	10.32	9.77	11.08
Operating expense ratio*	%	8.25	9.00	9.56
Return on net worth*	%	37.29	7.97	13.96
Return on assets*	%	5.85	1.05	1.12
Operational self-sufficiency	%	152.45	110.54	109.59
Current portfolio	%	99.32	96.21	90.24
PAR>90 days	%	0.64	3.76	9.67
Debt/Net worth	Times	5.03	5.13	9.92

\*Ratios are annualised

### About the MFI

SHARE Microfin Ltd. (SML) is India's third-largest microfinance institution (MFI), with a loan outstanding of Rs.8.57 billion and 1.2 million borrowers as on September 30, 2008. SML was the first MFI in India to transform into an NBFC from a non-profit legal outfit in 1999-00 and is credited for successfully replicating Bangladesh-based Grameen Bank's group lending model in India. SML started operations by taking over the branch network of the Society for Helping Awakening Rural Poor through Education (SHARE) in January 2000. As on September 30, 2008, SML has a presence in 142 districts across 16 states. During the past few years, the company's ownership profile has changed from a community-owned entity to an entity with institutional ownership with the equity investment of USD27 million by Legatum Ventures Ltd. and Aavishkaar Goodwill India Microfinance Development Co. Limited in 2007.

The company, which offers four types of loan products, disburses its micro loans ranging between a period of 12 months and 24 months, and charges a flat 12-14 per cent interest rate.

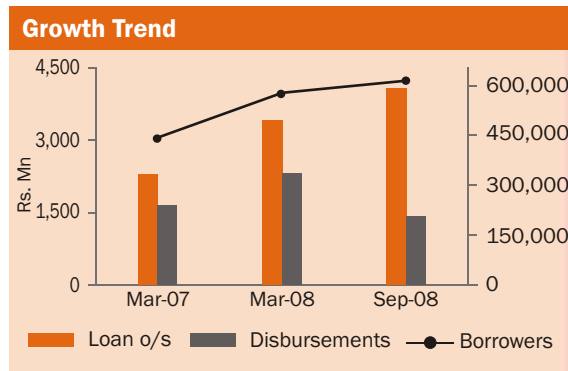
### CRISIL's analysis on key parameters

- During 2007-08, SML's disbursements grew by 57 per cent to Rs.10.46 billion from Rs.6.64 billion the previous year.
- SML had an adequate debt-to-net worth ratio of 5.03 times (adjusted for managed assets) as on September 30, 2008. CRISIL expects SML will require equity infusion over the medium term to maintain adequate capitalization, as the company aggressively expands its asset base.
- SML's asset quality has improved gradually since March 31, 2007, when PAR> 90 days reached a high of 9.67 per cent, steadily reducing to 0.68 per cent as on September 30, 2008. These delinquencies were because of low collections in 2006, following the Krishna district crisis.
- The company has well diversified wholesale to long-term funds from various banks, financial institutions (FIs) and apex MFIs. SML has additionally been optimising its resource requirement through the direct-assignment route.
- The operational self-sufficiency (OSS) ratio has improved sharply to 155.45 per cent for the first six months of 2008-09. This is due to increase in lending rates during 2007-08. CRISIL expects SML to report higher profitability over the medium term, as the increase in lending rates mitigates the impact of increasing borrowing costs and operating expenses.

# Shri Kshetra Dharmasthala Rural Development Project

<b>Year of incorporation:</b>	1982
<b>Year of commencement of microfinance operations:</b>	1995
<b>Legal status:</b>	Trust
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Dr. L H Manjunath, Executive Director
<b>Auditor:</b>	Rao and Basri Co, Mangalore
<b>Contact Details:</b> Dharmashree Building, Dharmasthala, Dakshina Kannada District - 574216, Karnataka Telefax: + 91-8256-277215 Email: skdrdp@skdrdpindia.org Web: www.skdrdpindia.org	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	22	22	13
Employees	No.	2,119	1,921	1,414
Members	No.	764,351	674,331	463,765
Borrowers	No.	612,482	574,968	443,532
Disbursements	Rs. Mn	1,421	2,317	1,652
Loan O/S	Rs. Mn	4,060	3,436	2,278



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	1.13	19.38	5.58
Net worth	Rs. Mn	156.58	128.32	75.51
Portfolio yield*	%	12.02	11.98	9.36
Fund-based yield*	%	9.92	9.92	8.37
Cost of borrowings*	%	7.78	7.20	6.96
Operating expense ratio*	%	3.44	3.17	2.56
Return on net worth*	%	1.59	19.01	8.95
Return on assets*	%	0.05	0.54	0.29
Operational self-sufficiency	%	100.46	104.95	96.71
Current portfolio	%	99.68	99.85	99.78
PAR>90 days	%	0.15	0.15	0.02
Debt/Net worth	Times	29.81	33.43	33.74

\*Ratios are annualised

## About the MFI

Established in 1982 by Dr. D Veerendra Heggade, a trustee of the Shri Kshetra Dharmasthala, Shri Kshetra Dharmasthala Rural Development Project (SKDRDP) is a charitable trust. SKDRDP offers structured products with a focus on livelihood support and asset creation; loans are disbursed to SHGs at an interest rate of 15 per cent per annum on a declining method basis. The loan tenure ranges between three and 10 years. Borrowers also have to pay 1 per cent of the loan amount towards service charges.

As on September 30, 2008, SKDRDP had 22 branches, covering 4,739 villages; 764,351 members (of which 612,482 were borrowers) from 76,662 SHGs. The microfinance institution (MFI) has operations in six districts of Karnataka - Udipi, Dakshina Kannada, Shimoga, Chickmagalur, Koorg, and Uttara Kannada. The MFI, which is a non-governmental organisation (NGO), intends to consolidate its operations and plans to attain 1 million members by 2010.

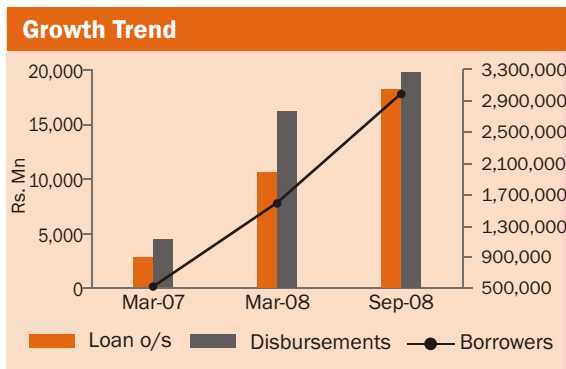
## CRISIL's analysis on key parameters

- During the period between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08, the number of SKDRDP borrowers increased at a compound annual growth rate (CAGR) of 39 per cent, while its disbursements and loan outstanding increased at a CAGR of 78 per cent.
- SKDRDP had a near 100-per cent track record in timely collections till March 2006. The asset quality, however, has been declining since then with 99.68 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- The MFI's net worth consists largely of capital grants from the temple trust. However, going forward, the grants are unlikely to match up to the pace of its planned growth in asset size.
- SKDRDP has access to low-cost funds from several commercial banks. This supports the MFI's financial flexibility and is, therefore, not dependent upon any one source to raise funds for growth.
- During 2007-08, the MFI attained sustainability in its microfinance operations with improvement in its portfolio yield. CRISIL believes that SKDRDP will maintain operational sustainability in its microfinance operations despite the recent increase in interest rates by its lending institutions, due to the MFI's low-cost operational model.

## SKS Microfinance Ltd.

<b>Year of incorporation:</b>	2003
<b>Year of commencement of microfinance operations:</b>	1998
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Suresh Gurumani, Chief Executive Officer
<b>Auditor:</b>	S. R. Batliboi & Co., Hyderabad
<b>Contact Details:</b> #2-3-578/1, Maruti Mansion, Kachi Colony, Nallagutta, Minister Road, Secunderabad - 500003, Andhra Pradesh Tel: +91-40-44526122, Fax: +91-40-44526001 Email: info@sksindia.com, Web: www.sksindia.com	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	1,413	771	275
Employees	No.	12,397	6,817	2,389
Members	No.	3,078,458	1,879,258	603,933
Borrowers	No.	2,590,950	1,629,474	513,108
Disbursements	Rs. Mn	19,752	16,153	4,464
Loan O/S	Rs. Mn	18,227	10,502	2,757



### About the MFI

SKS Microfinance Ltd. (SKSMPL) is India's largest microfinance institution (MFI) with a member base of 3 million borrowers as on September 30, 2008. It was incorporated as a private limited company in 2003 for taking over the microfinance activities of Swayam Krishi Sangam (SKS), a society that was registered in 1997 and began operations in 1998. After obtaining the non-banking financial company (NBFC) licence from the Reserve Bank of India in January 2006, SKSMPL took over the operations of SKS. The company's microfinance operations are spread over 15 states and one union territory as on September 30, 2008.

The company follows the group-lending model, which closely resembles Bangladesh-based Grameen Bank's model. While group loans have a tenure of 50 weeks, individual loans bear a term of 12 to 24 months. SKSMPL charges an interest rate of 23.6 per cent on a declining method basis in Andhra Pradesh and Karnataka and 28 per cent in other states.

### CRISIL's analysis on key parameters

- SKSMPL witnessed a robust compounded annual growth (CAGR) of 205 per cent in its member base, 217 per cent in its disbursements and 237 per cent in its total loan outstanding between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08. This growth in disbursements and loans outstanding was primarily supported by geographic expansion, regular capital infusion and access to wholesale resources from several lending institutions.
- SKSMPL has a good asset quality with 99.14 per cent of the portfolio being current (collections on time) as on September 30, 2008, improving marginally from 98.96 per cent as on March 31, 2008.
- The company has demonstrated diversification in its resource profile. SKSMPL has additionally been optimising its resource requirement through the direct-assignment route. This supports the financial flexibility of the company, which is not dependent upon any one source to raise funds.
- Regular capital infusions by institutional investors and moderate internal accretions have helped the company to keep its gearing level at 7.37 times as on September 30, 2008 despite rapid growth in its balance sheet size.
- CRISIL expects SKSMPL's profitability to improve over the medium term as increase in fee-based income is expected to temper the impact of increasing borrowing costs and operating costs (as the MFI increases its presence in new states).

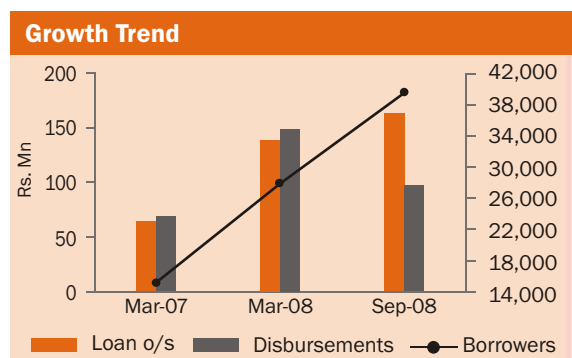
Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	295.76	166.46	36.67
Net worth	Rs. Mn	2394.95	2106.16	689.62
Portfolio yield*	%	23.40	20.07	23.37
Fund based yield*	%	21.97	18.76	19.29
Operating expense ratio*	%	7.96	8.58	9.63
Cost of borrowings*	%	9.58	9.81	9.79
Return on net worth*	%	26.28	11.91	8.62
Return on assets*	%	3.36	1.90	1.57
Operational self sufficiency	%	126.49	119.06	110.34
Current portfolio	%	99.14	98.96	99.03
PAR > 90 days	%	0.40	0.59	0.84
Debt/Net worth	Times	7.37	5.27	3.78

\*Ratios are annualised

## S.M.I.L.E Microfinance Ltd.

<b>Year of incorporation:</b>	2005
<b>Year of commencement of microfinance operations:</b>	1999
<b>Legal status:</b>	Public Ltd. Co. (NBFC)
<b>Lending model:</b>	Grameen model of individual lending
<b>Chief Executive:</b>	Mr. M Sathiyamoorthi, Chief Executive Officer
<b>Auditor:</b>	M/s. Victoria Mathews & Santhakumar, Chennai
<b>Contact Details:</b> 4/22, Dr. Natesan Road, Ashok Nagar, Chennai - 600083, Tamil Nadu Tel: + 91-44- 23718588, 42318049 Email: smileconfident@yahoo.co.in	
<b>Grading by CRISIL:</b>	No

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	87	74	65
Employees	No.	636	506	448
Members	No.	252,446	232,393	221,613
Borrowers	No.	141,879	125,405	152,744
Disbursements	Rs. Mn	666	1233	1191
Loan O/S	Rs. Mn	758	745	588



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	3.74	6.90	4.26
Net worth	Rs. Mn	72.67	68.92	62.02
Portfolio yield*	%	16.59#	16.76#	26.77#
Fund based yield*	%	14.59	16.00	21.50
Cost of borrowings*	%	11.12	11.88	17.68
Operating expense ratio*	%	2.70	3.53	6.13
Return on net worth*	%	10.57	10.54	10.48
Return on assets*	%	0.86	0.98	0.81
Operational self-sufficiency	%	106.31	106.53	103.90
Current portfolio	%	99.00	99.00	99.00
PAR>90 days	%	1.15	1.19	0.58
Debt/Net worth	Times	11.86	10.51	8.83

\*Ratios are annualised #Fee-based income also included

### About the MFI

S.M.I.L.E Microfinance Ltd. (SMILE) is a non banking finance company (NBFC) incorporated in 2004. SMILE follows Grameen Bank lending model (JLG). Mahasemam Trust, SMILE's principal business associate provides services to SMILE microfinance programme such as group identification, formation and training and manages SMILE portfolio.

SMILE offers 12-24 month loans at an interest rate of 12 per cent on a flat basis. The company also offers interest 1-2 month emergency loans and charges Rs. 100- 400 as upfront fee. As on September 30, 2008, the MFI had an outstanding loan portfolio of Rs.757.7million and 141,879 borrowers, spread across 13 districts of Tamil Nadu.

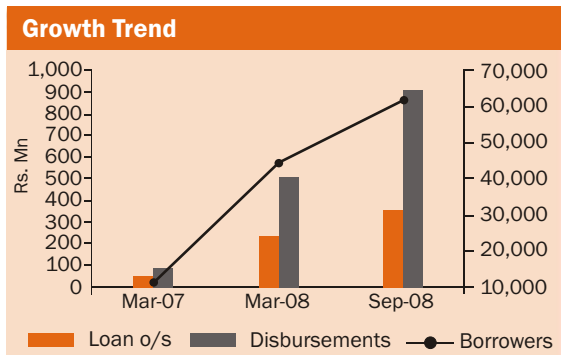
### CRISIL's analysis on key parameters

- SMILE has witnessed a compounded annual growth of 98 per cent in its disbursements, and 50.5 per cent in its total loan outstanding during the period between 2005-06 and 2007-08.
- Despite low operating expense levels, SMILE's operational self-sufficiency (OSS) ratio remains average at 106 per cent over the past two years.
- However, the borrower to member ratio of the company was 56 per cent as of September 30, 2008; is low as compare to other similar size MFIs. This indicates that the MFI is facing fund shortage and CRISIL believes that mobilising adequate funds is one of the critical factors for SMILE.
- The MFI's debt to equity ratio consistently declined to 11.86 times as of September 30, 2008 from 8.83 times as of March 31, 2007, due to lack of capital infusion since 2007. CRISIL believes that, going forward, the company has to infuse fresh capital for its future.

## Sonata Finance Pvt. Ltd.

<b>Year of incorporation:</b>	1995
<b>Year of commencement of microfinance operations:</b>	2006
<b>Legal status:</b>	Public Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Anup Kumar Singh, Managing Director
<b>Auditor:</b>	Vinay Kumar & Co., Allahabad
<b>Contact Details:</b>	1/1 Rai Bahadur Ram Charan Das Road, Balrampur House, Allahabad - 211002, Uttar Pradesh Tel: +91-532-2441347, 2441855 Email: <a href="mailto:anup@sonataindia.com">anup@sonataindia.com</a> Web: <a href="http://www.sonataindia.com">www.sonataindia.com</a>
<b>Grading by CRISIL:</b>	No

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	41	23	10
Employees	No.	525	348	171
Members	No.	69,835	49,422	13,100
Borrowers	No.	61,935	44,387	11,393
Disbursements	Rs. Mn	906	506	85
Loan O/S	Rs. Mn	352	233	51



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	10.09	0.31	-4.48
Net worth	Rs. Mn	67.79	63.82	20.02
Portfolio yield*	%	28.33	23.65	19.29
Fund-based yield*	%	26.92	20.10	12.49
Cost of borrowings*	%	13.02	12.43	7.03
Operating expense ratio*	%	11.49	13.74	23.74
Return on net worth*	%	30.67	0.74	-32.51
Return on assets*	%	6.50	0.18	-10.54
Operational self-sufficiency	%	136.24	101.48	53.24
Current portfolio	%	99.91	99.90	100
PAR>90 days	%	0.01	0.02	-
Debt/Net worth	Times	6.60	4.73	4.02

\*Ratios are annualised

### About the MFI

Incorporated in 1995, Sonata Finance Pvt. Ltd. (Sonata) was acquired by its current management in 2006 following which the NBFC begun its microfinance programme. The promoters of the company have prior experience of managing operations of a large microfinance institution (MFI) based in northern India. In 2007, Sonata acquired the microfinance unit of the Jeevika Livelihood Support Organisation in Madhya Pradesh as part of its expansion plan.

Sonata lends to joint-liability groups (JLGs) under the Grameen Bank's lending model. The company focuses on urban and semi-urban areas and disburses one-year loans at an interest rate of 18 per cent on a flat basis. In addition, Sonata charges Rs.100 as loan processing fee from its borrowers. The loan size varies between Rs.2,100 and Rs.19,150 based on the client's loan cycle and repayment capacity. As on September 30, 2008, the company had about 70,000 members and a loan outstanding of Rs.352 million spread across 41 branches in Uttar Pradesh and Madhya Pradesh.

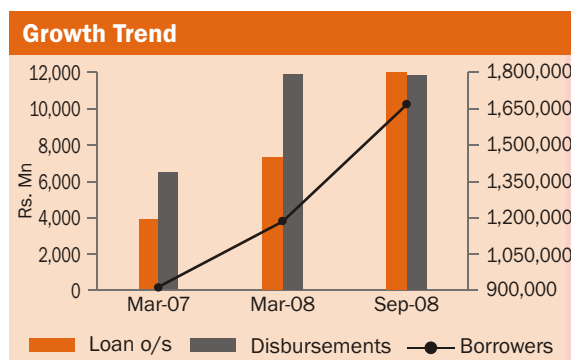
### CRISIL's analysis on key parameters

- Sonata has reported strong growth from the inception of its microfinance programme in 2006-07: its member base and total disbursements have nearly quadrupled in size since March 2007.
- The company has a good asset quality, which is reflected in 99.91 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- With the increase in scale, Sonata has reported a consistent improvement in its operational self-sufficiency (OSS) ratio. The ratio, during the six months ended September 30, 2008, stood at 136.24 per cent. Although Sonata's cost of borrowing is expected to increase over the current levels, CRISIL expects the OSS to remain well above 100 per cent because of the relatively high lending rates.
- Sonata has been successful in raising capital in the past, enabling the company to maintain adequate capitalisation levels despite strong asset growth and average profitability levels. The company had a debt-to-net worth ratio of 6.6 times as on September 30, 2008. To fund its growing asset size, Sonata will have to raise capital in the next one to two years to maintain adequate capitalisation levels.

## Spandana Sphoorty Financial Ltd.

<b>Year of incorporation:</b>	2003
<b>Year of commencement of microfinance operations:</b>	1998
<b>Legal status:</b>	Public Ltd Co. (NBFC)
<b>Lending model:</b>	JLG, individual
<b>Chief Executive:</b>	Ms. Padmaja Reddy, Managing Director
<b>Auditor:</b>	BSR & Company, Hyderabad
<b>Contact Details:</b>	
Plot No. 79, Vinayak Nagar, Care Crystal, Near Spencer Super Market, Gachibowli, Hyderabad - 500032, Andhra Pradesh Tel: +91-40-44386666, Fax: +91-40-44386626 Email: padmaja.reddy@spandanaindia.com Web: www.spandanaindia.com	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	696	435	295
Employees	No.	4,629	3,066	1,911
Members	No.	1,728,694	1,239,651	972,212
Borrowers	No.	1,668,807	1,188,861	916,261
Disbursement	Rs. Mn	11,848	11,923	6,558
Loan O/S	Rs. Mn	11,987	7,313	3,916



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	341.32	270.64	27.14
Net worth	Rs. Mn	1225.09	883.81	150.73
Portfolio yield*	%	27.43	19.30	16.34
Fund-based yield*	%	25.05	18.99	15.10
Cost of borrowings*	%	11.48	7.71	7.76
Operating expense ratio*	%	5.56	4.92	5.45
Return on net worth*	%	64.74	52.32	20.32
Return on assets*	%	6.29	4.20	0.70
Operational self-sufficiency	%	132.02	126.96	104.50
Current portfolio	%	98.88	95.50	88.28
PAR>90 days	%	1.10	4.49	11.93
Debt/Net worth	Times	7.04	5.35	18.25

\*Ratios are annualised

### About the MFI

Spandana Sphoorty Financial Ltd. (SSFL) was incorporated in 2003 as Spandana Sphoorty Innovative Financial Services Ltd (SSIFSL), a non-banking financial company, by the promoters of Spandana, a society. Spandana transferred its microfinance portfolio to SSIFSL in 2004-05 (refers to financial year, April 1 to March 31). SSIFSL was renamed in 2007-08.

SSFL is the second-largest microfinance institution (MFI) in the country in terms of loans outstanding. As on September 30, 2008, the company had a loan outstanding of Rs.11.98 billion and operations in eight states. SSFL follows the hybrid group approach, which incorporates the characteristics of the self-help group and Grameen Bank lending models. The company offers five types of loans with lending rates ranging from 21 to 24 per cent on a declining method basis. SSFL also offers credit-plus services.

### CRISIL's analysis on key parameters

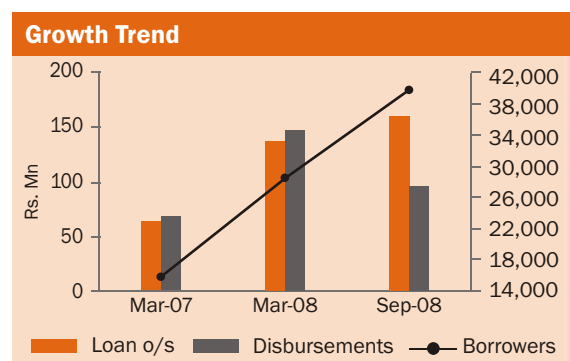
- SSFL registered a compound annual growth rate (CAGR) of 37 per cent in disbursements, and 59 per cent in loan outstanding during the period between 2005-06 and 2007-08. During 2007-08, the company ventured into five new states, which helped mitigate its geographic concentration risk.
- SSFL has a good asset quality with 98.88 per cent of the portfolio being current (collections on time) as on September 30, 2008 (includes managed/assignment portfolio). The portfolio-at-risk (PAR) greater than 90 days accounted for 1.10 per cent, as on the above date, as against 11.93 per cent as on March 31, 2007.
- During 2007-08, the company's net worth improved significantly following a capital infusion by J M Financial Trustee Company Pvt Ltd and Lok Capital LLC. CRISIL believes that SSFL will be able to raise additional capital at regular intervals to achieve the targeted growth plans.
- The company has a diversified funding mix, which includes access to long-term borrowings from banks and financial institutions. Additionally, SSFL has been optimising its resource requirement through the direct-assignment route. This supports the MFI's financial flexibility and is not dependent upon any one source to raise funds for growth.
- SSFL has improved its profits by increasing its business volumes. A combination of improvement in yield and operating expense ratio has assisted it in sustaining its operations. Nevertheless, a significant increase in the borrowing cost could impact the profitability to some extent during 2008-09.



## Swayamshree Micro Credit Services

<b>Year of incorporation:</b>	2003
<b>Year of commencement of microfinance operations:</b>	2003
<b>Legal status:</b>	Section 25 Company
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Mr. Parashuram Nayak, Whole-time Director
<b>Auditor:</b>	SRB & Associates, Bhubaneswar
<b>Contact Details:</b>	M-75, Samanta Vihar, Bhubaneswar - 751013, Orissa Tel: +91-674-2302646 Email: smcs2003@gmail.com
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	4	4	3
Employees	No.	25	21	13
Members	No.	64,462	51,309	26,307
Borrowers	No.	40,034	28,450	15,868
Disbursements	Rs. Mn	96	147	68
Loan O/S	Rs. Mn	161	137	65



### About the MFI

Swayamshree Micro Credit Services (SMCS) commenced its microfinance operations in 2003 in Orissa's Khurda district. SMCS is promoted by the Centre for Youth and Social Development (CYSD), a leading non-governmental organisation (NGO) engaged in community development programmes in Orissa. SMCS has presence in 24 districts of Orissa.

SMCS follows the self-help group (SHG) model. The company offers microfinance to SHGs promoted by itself as well as those promoted by other partner NGOs of CYSD. The company provides loans for tenures between 10 months to 33 months, and it charges 18 per cent interest per annum on a reducing balance basis. The loan amounts range between Rs.5,000 and Rs.8,000. In addition, SMCS collects one per cent of the loan amount as processing fees and also provides life and general insurance services to its clients through tie-ups with insurance companies. Apart from microfinance, SMCS offers capacity-building and training support to SHGs, small NGO-MFIs, and cooperatives.

### CRISIL's analysis on key parameters

- SMCS's growth has been strong as evidenced in a compound annual growth rate (CAGR) of 102 per cent in its members base, 118 per cent in its disbursements, and 144 per cent in its total loan outstanding during the period between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08.
- SMCS's operational expense levels have improved significantly during the past two years as the company has outsourced both group formation and recovery to CYSD's partner NGOs by paying a nominal fee. As a result, the operational self-sufficiency (OSS) ratio improved to 128.61 per cent during the six months of 2008-09. CRISIL, however, believes that operating expense levels will increase in future as the company expands to new regions independently. Moreover, SMCS has lower spreads (difference between the rate of lending and the rate of borrowing) as compared with other large MFIs operating in the state and, therefore, the company's profitability is also susceptible to any increase in the cost of borrowings.
- SMCS's gearing continues to remain high at 16.12 times as on September 30, 2008, although it has declined significantly from more than 30.18 as on March 31, 2008. CRISIL believes that the high gearing levels may constrain SMCS's ability to grow its loan portfolio over the medium to long term.
- The company's growth will have to necessarily be funded largely through borrowings as its current legal status does not allow it to raise capital. Internal accruals, while showing an improvement over earlier levels, are not likely to be sufficient to support growth plans.
- SMCS's overall asset quality has improved significantly. As on September 30, 2008, 92.64 per cent of the portfolio was current (collections on time), improving from 89.49 per cent as on March 31, 2007.

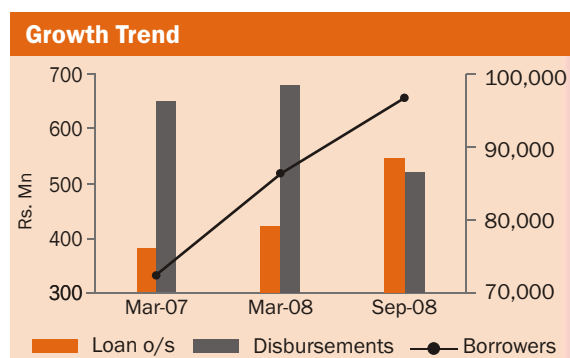
Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	3.68	2.08	1.36
Net worth	Rs. Mn	8.41	4.61	2.46
Portfolio yield*	%	17.00	14.43	12.30
Fund-based yield*	%	15.76	12.72	12.22
Cost of borrowings*	%	10.20	7.87	7.31
Operating expense ratio*	%	2.70	2.97	6.20
Return on net worth*	%	113.06	58.84	76.84
Return on assets*	%	4.38	1.79	2.95
Operational self-sufficiency	%	128.61	112.72	111.38
Current portfolio	%	92.64	89.68	85.98
PAR>90 days	%	5.69	8.05	0.12
Debt/Net worth	Times	16.12	30.18	23.15

\*Ratios are annualised

## SWAWS Credit Corporation India Pvt. Ltd.

<b>Year of incorporation:</b>	2008
<b>Year of commencement of microfinance operations:</b>	1999
<b>Legal status:</b>	Private Ltd Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Ms. R. Girija, Chairperson
<b>Auditor:</b>	Haranath Reddy & Co., Hyderabad
<b>Contact Details:</b> 12-5-32 / 8, Vijayapuri, Tarnaka, Secunderabad - 560017, Andhra Pradesh Tel: +91-40- 27006142, Fax: +91-40-2700 6129 Email: ramamurthy_gm@sccimicrofinance.com Web: www.sccimicrofinance.com	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		SCCI 2008	SWAWS	
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	44	44	40
Employees	No.	270	310	277
Members	No.	105,198	105,000	81,938
Borrowers	No.	90,082	74,175	79,746
Disbursements	Rs. Mn	522	681	651
Loan O/S	Rs. Mn	546	422	383



### About the MFI

SWAWS Credit Corporation India Pvt. Ltd. (SCCI), a non-banking finance company (NBFC), commenced its microfinance operations in March 2008 after taking over a majority of the loan portfolio of Sharada Women's Association for Weaker Section (SWAWS). SWAWS, a non-governmental microfinance institution, started its microfinance programme in 1999. SCCI's operations are spread across 12 districts of Andhra Pradesh, Tamil Nadu, Orissa and Maharashtra as on September 30, 2008.

The company follows the Grameen Bank model and predominantly focuses on urban areas. SCCI offers 50-week loans at an interest rate of 13.5 to 15 per cent on a flat basis to women's joint-liability groups (JLG) in urban and semi-urban areas.

### CRISIL's analysis on key parameters

- The microfinance programme's growth has been moderate as evidenced in a compound annual growth rate (CGAR) of 46 per cent in its member base, 36 per cent in its disbursements, and 31 per cent in SCCI's total loan outstanding during the period between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08. CRISIL expects the company's growth to be moderate given the presence of other large players in the operating area.
- SCCI has a good asset quality, which is reflected in 99.87 per cent of the portfolio being current (collections on time) as on September 30, 2008. The portfolio-at-risk greater than 90 days is also low, although it has marginally increased to 0.05 per cent as on the above date.
- During the first half of 2008-09, investors infused capital into the company, resulting in the net worth improving to Rs.114.63 million as on September 30, 2008. The gearing as on the above date was 4.09 times. CRISIL expects gearing to remain at adequate levels over the medium term.
- The operational self-sufficiency (OSS) ratio improved to 140.08 per cent for the first six months ended September 30, 2008. Although CRISIL expects this ratio to decline marginally, the OSS is expected to remain above average. The company had increased its lending rates during October 2008 and this would, to some extent, mitigate increases in the cost of borrowings and operating expense levels (on account of expansion plans).

Key Financial Highlights	Unit	SCCI	SWAWS	
		Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	16.76	48.99	6.63
Net worth	Rs. Mn	114.63	61.76	12.47
Portfolio yield*	%	19.36	14.90	17.77
Fund-based yield*	%	18.76	14.29	16.46
Cost of borrowings*	%	8.59	8.43	12.75
Operating expense ratio*	%	7.17	8.27	7.82
Return on net worth*	%	52.74	131.99	72.35
Return on assets*	%	6.48	12.18	2.88
Operational self-sufficiency	%	140.08	111.60	108.81
Current portfolio	%	99.87	99.93	99.10
PAR>90 days	%	0.05	0.03	0.11
Debt/Net worth	Times	4.09	7.23	32.89

\*Ratios are annualised

# The Payakaraopeta Women's Mutually Aided Co-operative Thrift and Credit Society Ltd.

<b>Year of incorporation:</b>	1997
<b>Year of commencement of microfinance operations:</b>	1997
<b>Legal status:</b>	Co-operative society
<b>Lending model:</b>	SHG, Individual
<b>Chief Executive:</b>	Mr. P V Ravikumar, Chief Executive Officer
<b>Auditor:</b>	Rao & Manoj Associates, Visakhapatnam

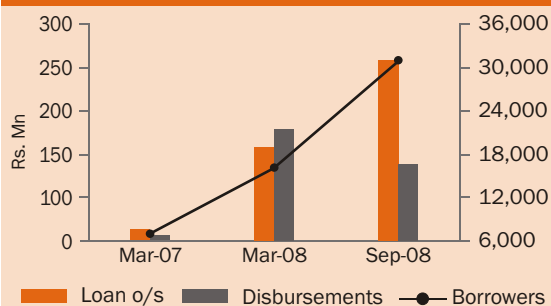
#### Contact Details:

Flat No 3&4, Siva Surya Apartments, Opp Gowtham Model School, Main Road, Payakaraopeta, Visakhapatnam District - 531126, Andhra Pradesh  
Tel: +91-8854 -252045, Fax: +91-8854 -256117  
Email: [pwmacs@yahoo.com](mailto:pwmacs@yahoo.com)

<b>Grading by CRISIL:</b>	Yes
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Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	5	5	3
Employees	No.	102	63	42
Members	No.	35,254	22,513	10,650
Borrowers	No.	31,040	16,114	6,992
Disbursements	Rs. Mn	138	178	58
Loan O/S	Rs. Mn	258	159	65

#### Growth Trend



#### About the MFI

Payakaraopeta Women's Mutually Aided Co-operative Thrift and Credit Society (PVMACTS) took over the microfinance programme of Stri Sanghala Abhivruthi Samakya, a non-governmental organisation, in 1997. As on September 30, 2008, the MFI had more than 31,000 borrowers and loans outstanding of Rs.258 million across 74 villages in two districts of Andhra Pradesh.

The NGO-MFI follows both the self-help group (SHG) and the individual-lending models, and offers loans at an interest rate of 19.2 per cent per annum on a reducing balance basis. The loan sizes range from Rs.5,000 to Rs.50,000, and tenures from 20 months to 36 months. In addition, the MFI collects an upfront fee of Rs.20 and a loan processing fee ranging from Rs.80 to Rs.500, depending on the loan amount disbursed. The loan instalments are collected by the MFI from the clients on a bi-monthly basis.

#### CRISIL's analysis on key parameters

- The MFI's growth was good, as shown by a compounded annual growth rate (CAGR) of around 156 per cent in its disbursements, and 125 per cent in its loan outstanding, between 2005-06 (refers to financial year, April 1 to March 31) and 2007-08. The cooperative has retained its client base despite the presence of several large MFIs in the region, because of the flexibility that bimonthly repayments offer.
- PVMACTS has maintained good asset quality, reflected in 97 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- The MFI has an average funding profile; as of March 31, 2008, around 63 per cent of the total borrowings were from an apex MFI and the remaining 37 per cent had been mobilised from three private banks.
- The increase in lending rates in 2008 has resulted in the MFI's operational self-sufficiency (OSS) ratio improving to 111.97 per cent for the first six months of 2008-09. Operating expense levels improved significantly because of healthy growth in disbursements during first half of 2008-09. However, CRISIL expects the OSS ratio of the MFI to remain marginally above 100 per cent: being a cooperative, the MFI is expected to operate on thin spreads and, therefore, its profitability is susceptible to cost of borrowings.
- The MFI's gearing level has improved consistently to 4.50 times as of September 30, 2008, from 28.33 times as of March 31, 2007. This is because of the increase in membership base and consequent infusion of share capital by the members.

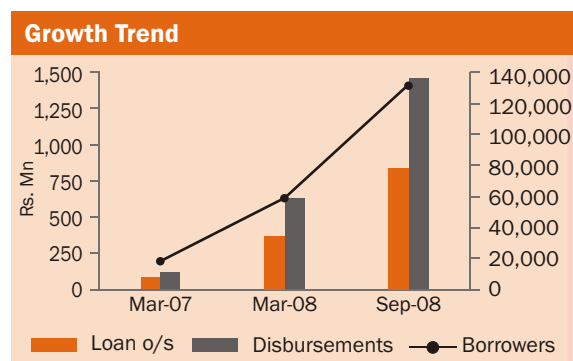
Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	2.67	0.61	0.08
Net worth	Rs. Mn	41.95	12.78	2.46
Portfolio yield*	%	18.40	17.82	15.29
Fund-based yield*	%	14.01	10.95	9.84
Cost of borrowings*	%	11.67	8.46	8.93
Operating expense ratio*	%	8.04	11.75	9.83
Return on net worth*	%	19.51	8.01	3.67
Return on assets*	%	1.91	0.32	0.09
Operational self-sufficiency	%	111.97	102.41	110.00
Current portfolio	%	99.75	99.44	99.83
PAR>90 days	%	0.12	0.14	0.03
Debt/Net worth	Times	4.50	15.15	28.33

\*Ratios are annualised

## Ujjivan Financial Services Pvt. Ltd.

<b>Year of incorporation:</b>	2004
<b>Year of commencement of microfinance operations:</b>	2005
<b>Legal status:</b>	Private Ltd Co. (NBFC)
<b>Lending model:</b>	JLG, individual
<b>Chief Executive:</b>	Mr. Samit Ghosh, Managing Director and Chief Executive Officer
<b>Auditor:</b>	Deloitte Haskins & Sells, Bangalore
<b>Contact Details:</b> 93, Jakkasandra Extension, Sarjapur Main Cross Road, Koramangala 1st Block, Bangalore - 560034, Karnataka Tel: +91-80-40712121, Fax: +91-80-4146 8700 Email: <a href="mailto:ujjivan.blr@ujjivan.com">ujjivan.blr@ujjivan.com</a> Web: <a href="http://www.ujjivan.com">www.ujjivan.com</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	96	38	13
Employees	No.	1,327	551	197
Members	No.	151,330	68,033	22,220
Borrowers	No.	132,067	58,646	18,561
Disbursements	Rs. Mn	1,461	635	120
Loan O/S	Rs. Mn	837	366	84



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	-16.40	-29.68	-15.26
Net worth	Rs. Mn	126.44	94.88	32.86
Portfolio yield*	%	24.41	18.92	19.94
Fund-based yield*	%	22.63	17.51	14.16
Cost of borrowings*	%	9.60	6.65	4.17
Operating expense ratio*	%	22.63	25.18	35.22
Return on net worth*	%	NM	NM	NM
Return on assets*	%	NM	NM	NM
Operational self-sufficiency	%	85.08	64.78	44.79
Current portfolio	%	99.80	99.22	98.08
PAR > 90 days	%	0.05	0.14	-
Debt/Net worth	Times	5.09	2.59	1.87

\*Ratios are annualised  
NM: Not meaningful

### About the MFI

Ujjivan Financial Services Pvt. Ltd. (UFSP) is amongst the first few microfinance institutions (MFIs) in the country to design and run urban microfinance programmes. UFSP has a strong and well-diversified board of directors comprising professionals with extensive industry experience. The company has been able to attract capital from many sources at regular intervals, helping it to expand to seven states within a short time span.

As on September 30, 2008, the company had more than 151,330 members across 96 branches in Karnataka, Tamil Nadu, Delhi, Rajasthan, Uttar Pradesh, Haryana and West Bengal.

UFSP follows the Grameen Bank as well as the individual models of lending. The loans range from Rs.6,000 to Rs.25,000, with interest rates ranging between 25 and 26.9 per cent per annum on a reducing balance basis. One-year individual loans (up to Rs.25,000) that are targeted at entrepreneurs carry interest rates ranging from 24 per cent to 28 per cent per annum on a reducing balance basis. UFSP also provides top-up loans to existing borrowers to meet their consumption and emergency credit requirements.

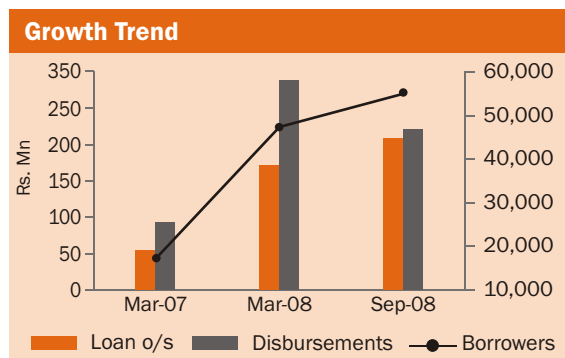
### CRISIL's analysis on key parameters

- The company has good asset quality, which is reflected in 99.80 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- UFSP has access to several financial institutions; despite this, its cost of borrowing increased to 9.60 per cent during the six months ended September 30, 2008 from 6.65 per cent for the year ended March 31, 2008 (refers to financial year) as a result of resources being mobilised at higher interest rates.
- With more than 200 per cent growth in branches during the past two years, UFSP has adopted an aggressive growth strategy. This has resulted in high establishment costs and, therefore, the company has not achieved 100 per cent operational self sufficiency (OSS). As more branches attain break even, CRISIL expects the company to register profits over the medium term.
- Although UFSP has accumulated losses, regular equity infusion by its investors has enabled the company to maintain gearing at satisfactory levels of 5 times as on September 30, 2008. During the second half of 2008-09, the company raised additional capital (Rs. 878.86 million). CRISIL expects this capital infusion to enable UFSP to meet capital adequacy norms that are required to be followed by systemically important non-deposit taking NBFC. During 2008-09, UFSP's asset base surpassed Rs.1 billion and, therefore, the company has automatically become a systemically important non-deposit taking NBFC.

## Village Financial Services Pvt. Ltd.

<b>Year of incorporation:</b>	2006
<b>Year of commencement of microfinance operations:</b>	2006
<b>Legal status:</b>	Private Ltd. Co. (NBFC)
<b>Lending model:</b>	JLG
<b>Chief Executive:</b>	Mr. Kuldip Maity, Managing Director
<b>Auditor:</b>	S R B & Associates, Kolkata
<b>Contact Details:</b> Village Tower, F-15, Geetanjali Park, 18/3A, Kumud Ghoshal Road, Ariadaha, Kolkata - 700057, West Bengal Tel: +91-33-2544-6545 / 2564 5786 Fax: +91-33-2544 3240 Email: <a href="mailto:kuldip@village.net.in">kuldip@village.net.in</a> Web: <a href="http://www.village.net.in">www.village.net.in</a>	
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	13	11	6
Employees	No.	181	88	36
Members	No.	66,696	54,501	19,632
Borrowers	No.	55,371	47,717	17,466
Disbursements	Rs. Mn	223	290	94
Loan O/S	Rs. Mn	209	172	54



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net profit	Rs. Mn	3.58	2.54	1.20
Net worth	Rs. Mn	21.83	18.20	11.23
Portfolio yield*	%	18.92	21.97	26.46
Fund-based yield*	%	15.58	18.53	22.02
Cost of borrowings*	%	8.24	8.28	8.32
Operating expense*	%	10.65	11.14	16.27
Return on net worth*	%	35.82	17.24	11.33
Return on assets*	%	3.00	1.82	2.34
Operational self-sufficiency	%	116.18	116.94	116.44
Current portfolio	%	99.73	99.50	99.78
PAR>90 days	%	0.25	0.42	-
Debt/Net worth	Times	9.36	9.18	3.84

\*Ratios are annualised

### About the MFI

Village Financial Services Pvt. Ltd. (VFSPL), a part of the Village group, commenced its microfinance operations in January 2006. Two other microfinance institutions (MFI)—Village Welfare Society (VWS) and Village Micro Credit Services (VMCS), a section 25 company-form part of the group. VFSPL has taken over the microfinance portfolio of VMCS in multiple tranches and VWS's portfolio is expected to be transferred gradually to the non-banking finance company (NBFC) during 2009-10.

VFSPL offers loans to joint-liability groups (JLG): the 45-week loans are disbursed at an interest rate of 12.5 per cent on a flat basis. The NBFC collects 10 per cent of the amount disbursed as security deposit and 1.5 per cent as insurance fee. The company has tied-up with an insurance company to offer group insurance schemes as well. As on September 30, 2008, VFSPL had 55,371 borrowers, spread across five districts of West Bengal.

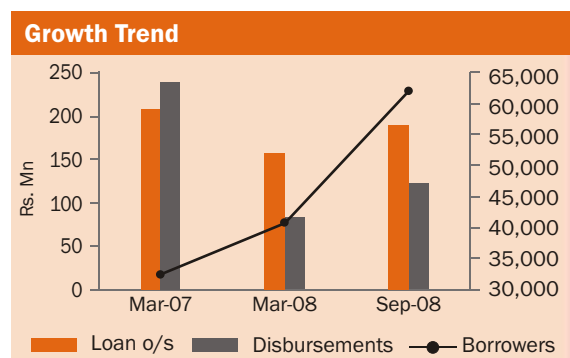
### CRISIL's analysis on key parameters

- During 2007-08 (refers to financial year, April 1 to March 31), VFSPL's member base increased by about 178 per cent, disbursements by 290 per cent, and the loan outstanding by 218 per cent. Most of this increase was accounted by the company's takeover of the group branches.
- VFSPL has a good asset quality with 99.73 per cent of the portfolio being current (collections on time) as on September 30, 2008.
- The company had a moderate operational self sufficiency (OSS) ratio of 116 per cent during the past two years. VFSPL has restructured its loan products and, as a result, portfolio yields have declined. Although operating expense levels are expected to improve, the OSS ratio is expected to remain at current levels as the gross interest spreads are likely to decline due to increase in the cost of borrowings.
- The company's capitalisation levels are moderate with a net worth of Rs.21.83 million and a relatively high debt-to-net worth ratio of 9.36 times as on September 30, 2008. In order to fund its growing asset size, VFSPL will need to raise capital. CRISIL believes that, given the long experience of the VFSPL's promoters in the microfinance sector, the MFI would be able to raise capital required to support its business growth.

## Welfare Organisation for Multipurpose Mass Awareness Network

<b>Year of incorporation:</b>	1998
<b>Year of commencement of microfinance operations:</b>	2005
<b>Legal status:</b>	Society
<b>Lending model:</b>	SHG
<b>Chief Executive:</b>	Ms. Kannaghi Chandrashekheran, Chairperson
<b>Auditor:</b>	M Thomas & Co., Tiruchirapalli
<b>Contact Details:</b>	Old no: 70, New no: 14, 5th Cross, Bharathi Nagar, Puthur, Tiruchirapalli - 621217, Tamil Nadu Tel: +91-431-2420505 Email: woman_org@rediffmail.com
<b>Grading by CRISIL:</b>	Yes

Operational Highlights		2008		2007
Particulars	Unit	Sept.	Mar.	Mar.
Branches	No.	15	15	11
Employees	No.	406	402	257
Members	No	133,300	112,650	98,175
Borrowers	No	63,650	40,966	32,626
Disbursements	Rs. Mn	116	83	239
Loan O/S	Rs. Mn	191	158	209



Key Financial Highlights	Unit	Sept-08	Mar-08	Mar-07
Net surplus	Rs. Mn	2.96	1.94	0.13
Net worth	Rs. Mn	26.49	3.53	0.90
Portfolio yield*	%	23.13	18.34	13.26
Fund-based yield*	%	19.63	16.12	11.96
Cost of borrowings*	%	9.39	9.27	9.75
Operating expense*	%	7.54	6.22	3.96
Return on net worth*	%	39.43	87.52	11.10
Return on assets*	%	2.87	0.89	0.09
Operational self-sufficiency	%	135.11	105.73	100.64
Current portfolio	%	86.00	86.68	100
PAR>90 days	%	6.00	3.16	-
Debt/Net worth	Times	6.97	54.38	266.75

\*Ratios are annualised

### About the MFI

The Welfare Organisation for Multipurpose Mass Awareness Network (WOMAN), a society engaged in community development programmes, started its microfinance programme in 2005. The non-governmental microfinance institution (MFI) follows a self-help group (SHG) model. WOMAN offers all four of its loan products at 12 per cent interest rate on a flat basis; loan amounts range from Rs.2,000 to Rs.25,000, while tenures range between 5 months and 36 months. In addition, borrowers have to pay a processing fee ranging from Rs.25 to Rs.100, depending on the loan product.

The MFI also provides skill-based training to women clients and organises weekly markets at its office to help members market their wares. As on September 30, 2008, WOMAN had 63,650 borrowers spread across eight districts in Tamil Nadu.

### CRISIL's analysis on key parameters

- The MFI's asset quality slipped during 2007-08 owing to bad publicity (believed to have been the handiwork of some disgruntled staff members) and the government's loan-waiver announcement, which was misunderstood by many borrowers. As a result, as on March 31, 2008, the portfolio being current (collections on time) slipped to 86.68 per cent. The MFI has commenced efforts to collect its dues from borrowers.
- Following the fallout of the above-mentioned events, the MFI slowed the pace of its disbursements during 2007-08. Consequently, the loan portfolio declined to Rs.158 million as on March 31, 2008 from Rs.209 million as on March 31, 2007. Disbursements have increased again during the first six months of 2008-09.
- WOMAN has a moderate borrowing mix; as on March 31, 2008, about 63.82 per cent of the total borrowings were accessed from ICICI Bank (partnership loans), and 29.43 per cent from Indian Overseas Bank. Due to its reliance on a few lenders, the MFI's ability to raise funds is limited as compared with MFIs with more diverse funding profiles.
- Gearing improved to 6.97 times as on September 30, 2008 from 54.38 as on March 31, 2008 on account of grants and decline in bank borrowings.
- The operational self-sufficiency (OSS) ratio improved to 131.11 per cent for the first six months of 2008-09. Apart from the increase in lending rates and shift to interest-free security deposits (the MFI earlier accessed savings by paying nominal interest), the collection of overdues (WOMAN recognises income on cash basis) also contributed to increase in yields. As a result, the portfolio yield was higher than the lending rate. CRISIL expects OSS to come down from the current levels over the medium term factoring in the credit costs and increasing operating expense levels.

# Glossary

## TERMINOLOGY

**ASA lending model:** Is the joint liability group lending model popularised by ASA (formerly known as Association for Social Advancement) and is similar to Grameen Bank model of lending. Individual borrowers of each JLG belong to the same area. The group is not required to give any guarantee for a loan extended to its members. The level of standardisation of procedures is higher than other JLG models and usually is considered cost effective.

**Bilateral assignment:** It is a transaction where the loan contracts on the books of the seller are transferred (sold) to the acquirer. Post this assignment, the acquirer owns these assets which are reflected as part of his loan book. Also referred to as portfolio buy - out.

**Compulsory/mandatory savings:** Savings are mandated as part of the terms for loans and/or membership. The amount and frequency of the savings are decided on the basis of members' capacities and/or their credit requirement. Members are also allowed to withdraw the savings at the end of the loan term or when they terminate their membership.

**Credit-plus services:** Refers to a wide range of non-financial services offered by MFIs, such as business development services, training, insurance, and even social services, such as health, nutrition, education, and family planning.

**Collection efficiency:** The on-time repayment rate is used as an indicator for collection efficiency; it measures the amount of payment received with respect to amount due on a particular date.

**Diversified lending methodology:** An MFI is said to have a diversified lending methodology when it offers loan products through various lending methodologies: self help group (SHG) model, joint liability group (JLG) model, and individual based.

**Federation:** A network of several SHGs, with representatives from all member SHGs and a motive of supporting member SHGs to attain the goals of economic and social empowerment of members and their capacity building.

**Grameen Bank, Bangladesh, model of lending:** Individual borrowers must belong to a five-member group; each group, in turn, belongs to a centre that generally has three to seven such groups. The group is not required to give any guarantee for a loan extended to its members. However, no further loans are given to the group if any member does not repay their loan on time. Repayment responsibility solely rests with the individual borrower, while the group and the centre try to ensure that everyone behaves responsibly and no one defaults.

**Hybrid lending methodology:** This refers to lending either based on popular group methodologies, such as Joint Liability Group (JLG), Grameen Bank model, and ASA (formerly Association for Social Advancement) model, or their modified versions based on needs of its members in the local context.

**Interest rate spread:** This refers to the difference between the rate at which the MFI charges for its loans and the rate it pays for its borrowings. For any financially sustainable institution, this spread is large enough to cover operating costs, the cost of provisions for loans, and other non-operating expenses.

**Joint liability group (JLG):** A group of 5 to 10 members from similar socio-economic status and background agreeing to function as a JLG. Each JLG meets at frequent interval either monthly or weekly. The members should be residing in the same village/area and should know and trust each other well enough to form JLGs and avail individual loans.

**Microfinance institution (MFI):** An MFI provides credit, thrift, and other financial services and products mainly to the economically challenged for enabling them to raise their income level and improve living standards. MFI customers are typically those who do not have access to banking and depend on informal sources (such as friends, money lenders) for their credit requirements.

**Microfinance:** Microfinance is the provision of credit, thrift, and other financial services and products of very small amounts to the poor for enabling them to raise their income levels and improve their living standard.

**Mutual benefit trust (MBT):** MBT is a community owned federation of SHGs and registered under Indian Trust Act, representing around 100-200 SHGs. Individual members of each SHGs are allowed to become members of the trust.

**Mutually-aided cooperative societies (MACTS):** MACTS are registered under mutually aided cooperative society acts (MACTS Act) of their respective states. Only few states in India have a MACTS Act in place. The cooperatives formed under the MACTS Act enjoy greater freedom than those registered under the state cooperative acts. As the MACTS Act prohibits the society from raising capital from the government, the political interference under this Act is typically lower than in case of societies registered under the state cooperative act.

**Portfolio at risk (PAR):** Represents the value of all loans outstanding that have one or more instalments of principal due for more than a certain number of days. It includes the entire unpaid principal balance, including past dues and future instalments, but not accrued interest. It also does not include loans that have been restructured or rescheduled.

**Partnership model:** Under this model, the MFI would source loans directly in the books of the bank and continue to monitor and recover loans disbursed, for a commission.

**Profitability:** Indicates the MFI's ability to generate earnings in excess of its expenses and other relevant costs incurred during a specific period of time.

**Self-help group (SHG):** An SHG has 10 to 20 members of same locality; each group meets at frequent interval either monthly or weekly. At each meeting, all members contribute identical amounts as savings. The groups then lend these savings to members.

**Subordinated debt:** A loan (or security) that ranks below other loans (or securities) with regard to claims on assets or earnings. In the case of default, creditors with subordinated debt would not get paid out until after the senior debt holders were paid in full. Therefore, subordinated debt is more risky than unsubordinated debt. It could be considered as part of Tier II capital.

**Sustainability:** Sustainability is the ability of an MFI to maintain its operations and continue to provide service to its members based on stability of its operations, its programmes, and its revenue generation capabilities.



## ABBREVIATIONS

ASA	Association for Social Advancement
CAR	Capital Adequacy Ratio
CEO	Chief Executive Officer
CAGR	Compound Annual Growth Rate
FIs	Financial Institutions
FWWB	Friends of Women's World Banking
JLG	Joint Liability Group
MACTS	Mutually Aided Cooperative Thrift Society
MD	Managing Director
MFI	Microfinance Institutions
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company
NBFC-ND-SI	Systemically Important, Non-Deposit Taking, Non-Banking Financial Company
NGO	Non-Governmental Organisation
NGO-MFI	Non-Governmental Organisation - Microfinance Institution
OSS	Operational Self Sufficiency
PAR	Portfolio at Risk
PAR >90	Portfolio at Risk for more than 90 days
RMK	Rashtriya Mahila Kosh
SHG	Self Help Group

## KEY FINANCIAL RATIOS

Indicators	Definition
Capital adequacy ratio (CAR)	Tangible net worth/Risk weighted assets (RWA)
Portfolio yield	Interest income/Average total loan outstanding
Funds deployed	Total assets - net fixed assets. CRISIL calculates ratios on funds deployed instead on loans outstanding, as there are other earning assets besides loans outstanding on an MFI's balance sheet.
Yield on funds deployed	Interest income on loans and bank deposits, and investment income/Average funds deployed
Operating expenses	Personnel expenses, administrative expenses, and depreciation.
Cost of borrowing	Total financial expenses/ Average borrowing
Return on net worth	Net profit/ Average net worth
Return on assets	Net profit/ Average total assets
Net profitability margin (NPM)	NPM is defined as (yield on funds deployed) - (average borrowing costs) - (operating expense ratio) + (fee income levels)
Operational self-sufficiency (OSS)	Total income/Total expenses. Does not include revenue grants received and expenses out of revenue grants
PAR>90 days (%)	Entire principal outstanding against loans that are overdue for more than 90 days/Total loans outstanding
Collection efficiency	(Recovery of loan due)-(Prepayment of principal amount)/Total demand on a particular date



## Notes

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## Notes





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