



MFI Grading Report

**Mahashakti Foundation.
(Mahashakti)**

August 2009

Mahashakti Foundation (Mahashakti)

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| <p><i>Year of Incorporation:</i> March,2005</p> <p><i>Commencement of Microfinance operations:</i> 2005</p> <p><i>Legal status:</i> Registered under Indian Trust Act, 1882</p> <p><i>Type of institution:</i> MFI</p> <p><i>Lending model:</i> Group based</p> <p><i>Statutory Auditors:</i> Patnaik & Company, Bhubaneswar</p> | <p>Mr. Jugal Kishore Pattanayak</p> <p>Managing Director</p> <p>Mahashakti Foundation</p> <p>Smruti Nilaya, Udaya Nagar,Bolangir</p> <p>Orissa</p> <p>Tel-+91-6652-231290</p> <p>E Mail: mahashaktifoundation@yahoo.co.in</p> |
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| <p>MFI Grading</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">mfR1</td></tr> <tr><td style="text-align: center;">mfR2</td></tr> <tr><td style="text-align: center;">mfR3</td></tr> <tr style="background-color: #0056b3; color: white;"><td style="text-align: center;">mfR4</td></tr> <tr><td style="text-align: center;">mfR5</td></tr> <tr><td style="text-align: center;">mfR6</td></tr> <tr><td style="text-align: center;">mfR7</td></tr> <tr><td style="text-align: center;">mfR8</td></tr> </table> <p>mfR1:highest</p> <p>mfR8: lowest</p> | mfR1 | mfR2 | mfR3 | mfR4 | mfR5 | mfR6 | mfR7 | mfR8 | <p>CRISIL's microfinance institution (MFI) grading is a current opinion on the ability of an MFI to conduct its operations in a scalable and sustainable manner. The grading is assigned on an eight-point scale, with 'mfR1' being the highest, and 'mfR8' the lowest.</p> <p>The MFI grading is a measure of the overall performance of an MFI on a broad range of parameters under CRISIL's MICROS framework. It includes a traditional creditworthiness analysis using the CRAMEL approach, modified to be applicable to the microfinance sector. The acronym MICROS stands for Management, Institutional arrangement, Capital adequacy and asset quality, Resources and asset-liability management, Operational effectiveness, and Scalability and sustainability.</p> |
| mfR1 | | | | | | | | | |
| mfR2 | | | | | | | | | |
| mfR3 | | | | | | | | | |
| mfR4 | | | | | | | | | |
| mfR5 | | | | | | | | | |
| mfR6 | | | | | | | | | |
| mfR7 | | | | | | | | | |
| mfR8 | | | | | | | | | |

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CONTENTS

| | | |
|----------|--|-----------|
| 1 | RATIONALE..... | 4 |
| 2 | ANNEXURES..... | 12 |
| 2.1 | OUTREACH (MAHASHAKTI FOUNDATION)..... | 13 |
| 2.1.1 | OUTREACH AND OPERATIONAL SUMMARY..... | 13 |
| 2.1.2 | LENDING MODEL WISE OUTSTANDING | 13 |
| 2.1.3 | SECTOR WISE LOAN DISBURSEMENTS..... | 13 |
| 2.2 | BORROWING PROFILE..... | 14 |
| 2.3 | ASSET QUALITY | 14 |
| 2.3.1 | AGEING ANALYSIS ON LOAN PORTFOLIO..... | 14 |
| 2.4 | FINANCIAL STATEMENTS OF MAHASHAKTI'S MICROFINANCE PROGRAMME | 15 |
| 2.4.1 | INCOME AND EXPENDITURE STATEMENT | 15 |
| 2.4.2 | Balance Sheet | 16 |
| 2.4.3 | KEY FINANCIAL RATIOS..... | 17 |
| 2.5 | PROJECTED FINANCIAL STATEMENTS | 18 |
| 2.5.1 | INCOME AND EXPENDITURE STATEMENT | 18 |
| 2.5.2 | BALANCE SHEET | 18 |
| 2.5.3 | KEY FINANCIAL RATIOS..... | 19 |

1 Rationale

CRISIL has assigned its microfinance institution (MFI) grading of 'mfR4' to Mahashakti Foundation

The MFI grading of Mahashakti Foundation (Mahashakti) reflects its

- ❖ Reasonable track record of microfinance and community development
- ❖ Sustainable operations
- ❖ Adequate process and control practises
- ❖ Good asset quality

However, the grading is constrained by:

- ❖ Moderate capitalisation level
- ❖ Limited resource profile
- ❖ Small scale of operations

Profile

Mahashakti commenced operations in 2004 in the Kalahandi district of Orissa. The NGO-MFI has its beginnings in a credit programme undertaken by its promoter non-governmental organisation (NGO), Friend's Association for Rural Reconstruction (FARR), during the period from 2000 to 2006. Mahashakti is registered under the Indian Trust Act, 1882. Until 2006, the MFI followed the self-help group (SHG) model for lending. Since 2007-08, it is only gives loans to the borrowers under the joint liability group (JLG) model for carrying out agri-allied activities or for running micro enterprises. The MFI has also tied up with insurance companies to provide life and health insurance services to its members.

As on June 30, 2009, Mahashakti had loan outstanding of Rs.78.78 million, 18,562 borrowers, and a presence in six districts of Orissa. The MFI plans to promote 50,000 micro entrepreneurs by the end of March 31, 2012. Apart from microfinance, Mahashakti undertakes developmental projects such as livelihood services, health awareness, and computer literacy programmes, among the local populace.

The details of various products offered by the MFI are as follows:

- **Micro Enterprise Loan:** It is targeted at rural and semi urban clients, who have at least one years experience in non farm based business activity with a daily cash flow. The loan amount starts with Rs 4000 and increases to a maximum limit of Rs 30,000. It has got 45 week instalments with a flat 14 per cent interest rate.
- **Seasonal Business Loan:** It is targeted at women clients at rural centres, who have at least six months experience in any farm/non farm based business activity .The loan amount starts with Rs 2000 and increases up to maximum limit of Rs 10,000. It has got 16 monthly installments with a flat 14 per cent interest rate.
- **Livelihood Development Loan:** It is targeted at rural and semi urban clients, who have at least six months experience in existing business activity and loan amount start from Rs 5,000 with maximum limit of Rs. 15,000. It has got 6 to 24 monthly installments with a flat 12 per cent interest rate.

Mahashakti charges 2 per cent loan processing fee from its clients before the disbursement of loan amount. Additionally, it charges a life time membership fee of Rs 50 and Rs 150 for life insurance cover with a sum assurance of Rs 30,000 under Janshree Bima Yojna of LIC. The Rs 150 insurance charge also covers security fund of Rs 50 per member, collected by the MFI to provide for Rs 1000 exigency for funeral expenses of deceased borrowers in case he/she dies. Previously, it used to collect 10 per cent of loan amount as refundable security deposits from the borrowers, which it has stopped collecting since May, 2009.

Management

Mahashakti has a reasonably good track record in microfinance operations. The NGO-MFI has further improved its loan delivery model and operational processes and control mechanisms. CRISIL believes that Mahashakti's group-lending model and operational policies will help the NGO-MFI to scale up its operations. The loan documentation process is adequate for present scale of operations. However going forward, NGO-MFI needs to rigorously capture the borrowers' other borrowing details considering the competitive microfinance activities in its new semi urban and urban areas of operation and its growing higher ticket size loans. Mahashakti has to also look at further strengthening its credit appraisal and loan documentation process before introducing loan products like housing loans.

As part of operational restructuring to further decentralise the credit operations, Mahashakti has implemented the new loan monitoring software at five of its branches. It expects to roll out this loan monitoring software across all the branches by the end of August 30, 2009. Under this new MIS system, field officers prepare the daily demand sheet from the loan monitoring software and collect accordingly on four fixed week days. The Head office central server at Bolangir gets the MIS back-up from the branches through dial up connection at the end of day. Branch Managers also send the conformation through mobile on the same day to regional office for the collected amount. All the loan accounts are updated on the daily basis and regional office is sent the demand versus collection reports on a weekly basis along with the copy of money receipts given to borrowers. Regional offices have now basically become the head office monitoring mechanism for branch operations, business development and staff related issues. Head office conducts monthly review meeting with the regional managers whereas the branches have weekly review of their operations. CRISIL is of the opinion that overdue monitoring needs more thrust through more formal reporting structure and follow up at the regional office level.

Cash management system of the NGO-MFI is adequate. Most of the branches have bank accounts to receive the money for disbursements from the Head Office. Branches deposit the amount collected from the field in a specific head office bank account. Mahashakti has also increased its cash in transit insurance limit to Rs. 50,000 commensurate with the daily average collections made by the field executives. Now, the collections take place on four weekly days, an increase from the two collection days as done previously. The head office does the fund planning based on the fund requisition sent by the regional offices.

An external chartered accountant firm conducts the quarterly review of all the branches , which focuses on financial accounting , cash management and book keeping at branches along with a sample field visits. With growing asset size, CRISIL believes there is scope for improvement in audit by larger audit of the process compliance at field level and staff activity verification.

The MFI's human resource management is satisfactory. Mahashakti has inducted a HR manager to handle the department separately. MFI has also started performance appraisal of its staff and employee turnover is moderate. Staffs are provided with employee provident fund and life

insurance cover by MFI. However, CRISIL is of the opinion that MFI needs to give more training to new staff inducted so that they are conversant with field related issues in microfinance.

Institutional Arrangement

Mahashakti Foundation is a registered trust with a governing board of seven members. All the board members, are locals and bring with them experience in diverse areas – development activities, audit, banking, microfinance and livelihood promotion activities. From current financial year, Mahashakti Foundation has also separated its operations from the seven cooperative societies, promoted by it.

Ms. Aradhana Nanda, President of Mahashakti Foundation has more than two decade of experience in developmental and microfinance programmes. She has been long associated with FARR, the promoting NGO of the MFI. She is supported by Mr. Jugal Kishore Pattanayak, presently the Managing Director of the MFI, who has also joined Mahashakti from the CARE-CASHE project of FARR. He has vast experience in working with the local community and brings enough insights in microfinance from his own experiences and exposure to other MFIs. He takes care of the day to day operational activities of the Mahashakti. The organisation has a stable middle management adequate for present level of operations. However, going forward as MFI is envisaging transforming its operation to a NBFC; Mahashakti plans to strengthen the board by inducting professionals having expertise in NBFC operations. The second line of management needs to be further groomed to take care of the MFI's growing asset size.

Mahashakti had set itself a target of achieving loan outstanding of Rs.201.18 million by March 2010 from Rs. 79.06 million as on March 2009. As on June , 2009, it has disbursed Rs.15.92 million during the current financial year with a total loan outstanding of Rs. 78.78 million as on that date.

Capital Adequacy and Asset Quality

Capital Adequacy: Mahashakti has a positive net worth of Rs. 5.57 million as on March 31, 2009. The donations and capital grants accounted for 57 per cent of the net worth whereas accumulated surplus accounted for the remaining 43 per cent as on the above period. The capital adequacy ratio has improved to 6.70 per cent as on March 31, 2009 from 3.82 per cent as on March 31, 2008. This is largely on account of contribution from internal accretions and capital

grants received from SIDBI. Moreover, the trustees and staff have also contributed towards capital of the NGO-MFI. Nevertheless, Mahashakti has a moderate gearing level, which is at 12.77 times of its net worth as on March 31, 2009.

Considering its limitation to attract equity investment under present legal status, Mahashakti intends to transform its microfinance operations to an NBFC company during 2009-10. It has also received sanction of Rs. 5 million soft loans from NABARD as quasi equity support during current financial year. In the business plan, the organization has projected infusion of capital every year to have adequate capitalisation going forward, which need to be demonstrated by Mahashakti. Therefore, CRISIL believes that maintaining adequate capitalization levels will remain a key grading sensitivity factor for the MFI, post transformation of microfinance operations.

Asset Quality: Mahashakti's asset quality is satisfactory as its portfolio being current (collection on time) was 99.50 per cent as on June 30, 2009. However, it has declined from 99.69 per cent as on March 31, 2009. PAR>90 days has improved to 0.12 per cent from 0.24 per cent during this period because of heightened collection efforts made by Mahashakti during the period.

Mahashakti Foundation disburses loans only for non farm based income generating enterprises. As on March 31, 2009, around 25 per cent of its loan outstanding is towards borrowers from semi-urban and urban areas and 53 per cent of its borrowers have also completed one credit cycle with the MFI. But, its entire loan portfolio is concentrated in the KBK districts (Kalahandi, Bolangir, Rayagada and Nuapara) of Orissa. In short to medium term, the NGO-MFI will continue to have concentration of its operations in these districts with deeper penetration in the semi urban and urban areas. CRISIL believes that MFI will have to be cautious in its client selection and geographic diversification measures to prevent deterioration in asset quality because of heightened microfinance environment in its existing area of operations.

MFI has provided for 0.60 percent as loan loss reserves against its average loan outstanding during 2008-09. Lives of its borrowers and guarantors are also insured with an insurance agency, CRISIL believes that Mahashakti has to continue with conservative loan loss provisioning and insurance-coverage of its loans to mitigate the asset-quality related

Resources and Asset-Liability Management

As on March 31, 2009, Mahashakti borrowed Rs. 70.79 million from eleven lenders. However, the borrowing profile was relatively limited, with 61 per cent of borrowings coming from three lending institutions FWWB, SIDBI and SMCS. CRISIL is of the opinion that MFI has to explore funding from its existing lenders and other public sector banks to diversify its funding profile. The average cost of borrowing during 2008-09 has increased by 150 basis points to 13.54 per cent from 12.04 per cent during the previous year. This is mainly because the MFI has borrowed resources at high interest rate. The weighted average cost of borrowings as on June 30, 2009 from its lenders is 14 per cent. For present financial year, the NGO-MFI has so far mobilised Rs. 35.00 millions from SMCS, NABARD and FWWB by the end of June 30, 2009. CRISIL believes that cost of funds for fresh loans may increase again during the second half of 2009-10.

The majority of assets are funded by longer maturity borrowings; therefore, it faces no asset-liability mismatches in the medium term

Operational Effectiveness

The overall growth of the microfinance programme of Mahashakti has shown marked improvement during 2008-09, compared with previous years (Refer to Table 2). It has registered 81 per cent y-o-y growth in borrower base, 62 per cent growth in loan outstanding and 69 per cent growth in disbursements during the same period. The borrower/ credit officer ratio has also shown improvement to 511 as on March 31, 2009 from 343 as on March 31, 2008. However, this growth was concentrated in the existing 14 branches operating across six districts in the western Orissa.

The operational self-sufficiency (OSS) ratio of Mahashakti Foundation has marginally declined to 109.13 per cent as on March 31, 2009 from 113.21 per cent as on March 31, 2008 owing to higher cost of borrowing and increased operating expenses. Mahashakti's operating expense ratio has declined to 9.02 per cent in 2008-09 from 7.02 per cent during the previous year. During the current financial year, MFI has restructured its total branches to 10 as on June 30, 2009 from 14 as on March 31, 2009 as a cost cutting mechanism and is focussing on deeper penetration in its existing area of operation. CRISIL is of the opinion that Mahashakti's earnings will be moderate over the

medium term because of higher cost of borrowings. The NGO-MFI's business plan envisages to reduce its operating expense ratio during 2009-10 through various cost cutting mechanisms which CRISIL believes need to be demonstrated to have cushion against the stressed gross margins on account of higher cost of borrowings.

| Operating indicators | Unit | Mar -09 | Mar-08 |
|-----------------------------------|-------------|---------|--------|
| Borrowers | No. | 17,364 | 9,614 |
| Branches | No. | 14 | 14 |
| Disbursements | Rs. million | 86.6 | 51.09 |
| Loan outstanding | Rs. million | 79.06 | 48.79 |
| Productivity Indicators | | | |
| Loan accounts/ Branch | No. | 1,240 | 687 |
| Borrowers / Credit officer | No. | 511 | 343 |
| Loan outstanding / Branch | Rs. million | 5.65 | 3.49 |
| Loan outstanding / Credit officer | Rs. million | 2.33 | 1.74 |

Scalability and Sustainability

Rs. million

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|------------------|---------|-------------|-------------|-------------|
| For the period | Actual | Projections | Projections | Projections |
| Total income | 15.53 | 37.33 | 66.58 | 104.81 |
| PAT | 1.30 | 5.80 | 5.38 | 10.97 |
| Loan outstanding | 79.06 | 201.18 | 335.86 | 527.21 |
| Net worth | 5.57 | 15.55 | 30.94 | 56.90 |
| Borrowings | 71.09 | 191 | 317.40 | 479.80 |

On the programme sustainability front, CRISIL expects the profitability levels to remain moderate during medium term considering Mahashakti's high cost of borrowing. CRISIL believes that the NGO-MFI has to further strengthen its internal audit process and groom its second line of management before expanding its operations.

CRISIL believes that successful transformation of its microfinance operations to an NBFC company needs to be demonstrated by the MFI. Moreover, maintaining adequate capitalization level going forward, will be the key grading sensitivity factor for the MFI. On the resource front, the MFI needs to raise timely resources to meet its envisaged growth plan. (Refer to Table 3) CRISIL is of the opinion that any delay in transformation and capital infusion will impact the resource raising ability of the MFI given the high leverage ratio.

2 ANNEXURES

| | | |
|-------|--|----|
| 2.1 | OUTREACH..... | 13 |
| 2.1.1 | <i>Outreach And Operational Summary</i> | 13 |
| 2.1.2 | <i>Lending model wise Outstanding</i> | 13 |
| 2.1.3 | <i>Sector wise loan disbursements</i> | 13 |
| 2.2 | BORROWING PROFILE..... | 14 |
| 2.3 | ASSET QUALITY..... | 14 |
| 2.3.1 | <i>Ageing Analysis on Loan portfolio</i> | 14 |
| 2.4 | FINANCIAL STATEMENTS OF MAHASHAKTI'S MICROFINANCE PROGRAMME..... | 15 |
| 2.4.1 | <i>Income and Expenditure Statement</i> | 15 |
| 2.4.2 | <i>Balance Sheet</i> | 16 |
| 2.4.3 | <i>KEY FINANCIAL RATIOS</i> | 17 |
| 2.5 | PROJECTED FINANCIAL STATEMENTS..... | 18 |
| 2.5.1 | <i>INCOME AND EXPENDITURE STATEMENT</i> | 18 |
| 2.5.2 | <i>BALANCE SHEET</i> | 18 |
| 2.5.3 | <i>Key Financial Ratios</i> | 19 |

2.1 Outreach

2.1.1 Outreach And Operational Summary

| For the period ending | Units | Jun-09 | Mar-09 | Mar-08 | Mar-07 |
|-----------------------------------|--------|--------|--------|--------|--------|
| No. of members | No. | 21,733 | 20,631 | 14,083 | 8,284 |
| Active borrowers | No. | 18,562 | 17,364 | 9,614 | 5,472 |
| No. of branches | No. | 10 | 14 | 14 | 10 |
| No. of villages covered | No. | 672 | 603 | 520 | 385 |
| No. of districts covered | No. | 6 | 6 | 6 | 4 |
| Member / branch | No | 2,173 | 1,474 | 1,006 | 828 |
| Loan accounts/ branch | No. | 1,856 | 1,240 | 687 | 547 |
| Women borrowers | % | 92 | 92% | 87% | 81% |
| Disbursements | Rs. mn | 15.92 | 86.6 | 51.09 | 31.86 |
| Loan outstanding | Rs. mn | 78.78 | 79.06 | 48.79 | 21.62 |
| Average loan outstanding / member | Rs. | 4,244 | 4,553 | 5,075 | 3,951 |
| Loan outstanding/branch | Rs. mn | 7.88 | 5.65 | 3.49 | 2.16 |

2.1.2 Lending model wise Outstanding

Rs. million

| For the period ending on | Mar-09 | | Mar-08 | | Mar-07 | |
|--------------------------|--------------|------------|--------------|------------|--------------|------------|
| | Amount | in % | Amount | in % | Amount | in % |
| JLG | 75.65 | 95.69 | 41.60 | 85.26 | 9.10 | 42.09 |
| Cooperatives | 3.42 | 4.31 | 7.19 | 14.74 | 12.52 | 57.91 |
| Total | 79.06 | 100 | 48.79 | 100 | 21.62 | 100 |

2.1.3 Sector wise loan disbursements

Rs. million

| For the period ending | Mar-09 | | Mar-08 | |
|-----------------------------|--------------|------------|--------------|------------|
| | Amount | % | Amount | % |
| Sector | | | | |
| Agriculture allied activity | 12.99 | 15.00 | 6.13 | 12.00 |
| Trade | 62.33 | 72.00 | 35.25 | 68.99 |
| Cottage industry | 4.33 | 5.00 | 5.11 | 10.00 |
| Services | 6.93 | 8.00 | 2.04 | 4.00 |
| Processing | - | - | 2.56 | 5.01 |
| Total | 86.57 | 100 | 51.09 | 100 |

2.2 Borrowing Profile

Rs. million

| Lending Institution | Interest Rate | Tenure | Loan outstanding (Rs. million) June-09 | Loan outstanding (Rs. million) |
|---------------------|---------------|--------|--|--------------------------------|
| BISWA | 14.00 | 1.50 | 2.03 | 3.20 |
| Credible | 15.00 | 1.50 | 1.83 | 2.33 |
| FWWB | 13.50 | 2 | 21.63 | 16.58 |
| SIDBI | 14.00 | 4 | 12.03 | 12.25 |
| CARE | 12.00 | 2 | 3.01 | 3.96 |
| BSFL | 14.00 | 1.5 | 1.94 | 2.40 |
| SMCS | 16.00 | 1.5 | 16.00 | 14.11 |
| Gram Utthan | 16.00 | 1.5 | 0.42 | 0.42 |
| HDFC | 12.50 | 3 | 1.67 | 1.88 |
| Axis Bank | 12.75 | 2 | 8.66 | 8.66 |
| DCB | 14.00 | 1.5 | 4.41 | 5.00 |
| Total | | | 73.63 | 70.79 |

2.3 Asset quality

2.3.1 Ageing Analysis on Loan portfolio

Rs. million

| | Jun-09 | % of PAR | Mar-09 | % of PAR | Mar-08 | % of PAR |
|--|--------------|-------------|--------------|-------------|--------------|-------------|
| Total outstanding balance associated with loans that are | | | | | | |
| Portfolio being current | 78.39 | 99.50 | 78.59 | 99.69 | 48.49 | 99.39 |
| Late (at least one payment) | | | | | | |
| 1-30 days | - | - | - | - | - | - |
| 31-60 days | 0.20 | 0.25 | 0.06 | 0.07 | 0.16 | 0.33 |
| 61-90 days | 0.10 | 0.12 | 0.00 | 0.00 | 0.02 | 0.04 |
| 91-180 days | 0.02 | 0.03 | 0.08 | 0.10 | 0.01 | 0.02 |
| 181-365 days | 0.08 | 0.10 | 0.04 | 0.05 | - | - |
| 365 days & above | - | - | 0.07 | 0.09 | - | - |
| Total portfolio | 78.78 | 100 | 78.83 | 100 | 48.79 | 100 |
| Portfolio at risk (> 30 days delinquent) | | 0.50 | | 0.31 | | 0.39 |
| Portfolio at risk (> 90 days delinquent) | | 0.12 | | 0.24 | | 0.02 |

2.4 Financial Statements of Mahashakti's microfinance programme

2.4.1 Income and Expenditure Statement

Rs. million

| For the year ended | June-09 | Mar-09 | Mar-08 | Mar-07 |
|--|-------------|--------------|-------------|-------------|
| | Un-Audited | Audited | Audited | Audited |
| Fund based income | | | | |
| Interest income from loans | 3.46 | 12.29 | 5.01 | 1.78 |
| Income from bank deposits | - | 0.03 | 0.02 | - |
| Total fund based income | 3.46 | 12.31 | 5.02 | 1.79 |
| Interest and finance charges | | | | |
| On borrowings | 2.26 | 7.33 | 2.99 | 1.45 |
| Finance charges | 0.06 | 0.25 | 0.34 | 0.02 |
| Total interest and finance charges paid | 2.32 | 7.58 | 3.33 | 1.46 |
| Gross spread | 1.14 | 4.73 | 1.69 | 0.32 |
| Fee based income | | | | |
| Loan processing fees | 0.40 | 2.23 | 1.21 | 0.26 |
| Miscellaneous Income | 0.07 | 0.99 | 0.51 | 0.07 |
| Other fee based income | 0.22 | - | 0.37 | 0.19 |
| Total fee based income | 0.70 | 3.22 | 2.10 | 0.52 |
| Total income | 4.16 | 15.53 | 7.12 | 2.31 |
| Gross profit | 1.84 | 7.95 | 3.79 | 0.84 |
| Expenses | | | | |
| Personnel expenses | 1.00 | 3.37 | 1.72 | 0.25 |
| Administrative expenses | 0.36 | 2.75 | 0.98 | 0.34 |
| Total expenses | 1.36 | 6.11 | 2.70 | 0.59 |
| Write-offs and provisions | | | | |
| Provision for loan loss | - | 0.25 | 0.15 | - |
| Total | - | 0.25 | 0.15 | - |
| Depreciation | - | 0.29 | 0.11 | - |
| Surplus/deficit before tax | 0.49 | 1.30 | 0.83 | 0.26 |
| Tax | - | - | - | - |
| Net Surplus | 0.49 | 1.30 | 0.83 | 0.26 |

2.4.2 Balance Sheet

Rs. million

| As at | June-09 | Mar-09 | Mar-08 | Mar-07 |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Liabilities | Un-audited | Audited | Audited | Audited |
| General fund | 3.19 | 3.18 | 1.12 | 0.05 |
| Cumulative net surplus | 2.86 | 2.38 | 0.83 | 0.25 |
| Net worth | 6.05 | 5.57 | 1.95 | 0.30 |
| Long term borrowing | 70.62 | 67.13 | 33.34 | 14.45 |
| FARR -CARE | 3.01 | 3.96 | 7.50 | - |
| Total long term borrowings | 74.04 | 71.09 | 40.84 | 14.45 |
| Security deposits | 9.06 | 11.27 | 9.68 | 8.59 |
| Other liabilities | 0.32 | 0.12 | 0.30 | 0.25 |
| Provision for loan loss | 0.40 | 0.40 | 0.15 | - |
| Total current liabilities | 9.77 | 11.79 | 10.12 | 8.84 |
| Total liabilities | 89.86 | 88.45 | 52.91 | 23.59 |
| Assets | | | | |
| Loans to co-operatives * | 3.42 | 3.42 | 7.19 | 12.52 |
| Loans to JLGs | 75.37 | 75.65 | 41.60 | 9.10 |
| Cash & bank balances | 0.86 | 0.35 | 0.36 | 0.82 |
| Deposits with banks | 1.05 | 4.99 | 1.54 | 0.00 |
| Other current assets | 4.46 | 0.01 | 0.43 | 0.01 |
| Total current assets | 6.37 | 5.34 | 2.32 | 0.83 |
| Total funds deployed | 85.16 | 84.41 | 51.11 | 22.45 |
| Net fixed assets | 4.71 | 4.04 | 1.80 | 1.14 |
| Total assets | 89.86 | 88.45 | 52.91 | 23.59 |

* MFI discontinued disbursing loans to the cooperatives in the year 2006-07 and exclusively gives loans to JLGs since then

2.4.3 Key Financial Ratios

In per cent

| As at /For the year ended | June-09 | Mar-09 | Mar-08 |
|--|---------|--------|--------|
| Yield | | | |
| Fund based yield | 16.33 | 18.17 | 13.65 |
| Portfolio yield | 17.54 | 19.22 | 14.22 |
| Fee based income / Avg. funds deployed | 3.30 | 4.75 | 5.70 |
| Cost of borrowings | | | |
| Interest paid/ Average borrowings | 12.78 | 13.54 | 12.04 |
| Interest spread | | | |
| Gross spread/ Average funds deployed | 5.39 | 6.99 | 4.60 |
| Interest spread | 3.55 | 4.63 | 1.61 |
| Overheads | | | |
| Operating expense/Disbursement | 8.52 | 7.06 | 5.28 |
| Operating expense ratio | 6.40 | 9.02 | 7.34 |
| Personnel expense ratio | 4.72 | 4.97 | 4.68 |
| Administrative expense ratio | 1.68 | 4.05 | 2.66 |
| Profitability | | | |
| Return on net worth | 33.45 | 34.58 | 73.95 |
| Return on funds deployed | 2.29 | 1.92 | 2.26 |
| Operational self sufficiency | 113.22 | 109.13 | 113.21 |
| Capitalization | | | |
| Total debt/net worth (times) | 13.73 | 12.77 | 20.94 |
| Capital adequacy | 6.88 | 6.70 | 3.82 |

2.5 Projected Financial Statements as provided by Mahashakti Foundation

2.5.1 Income and Expenditure Statement

Rs. million

| For the year ended, | Mar-12 | Mar-11 | Mar-10 |
|-----------------------------------|---------------|--------------|--------------|
| | Projected | Projected | Projected |
| Fund based income | | | |
| Interest income from loans | 93.1 | 58.2 | 30.49 |
| Income from investments | 1.16 | 0.75 | 0.36 |
| Other income | 1.95 | 1.60 | 0.97 |
| Total fund based income | 96.2 | 60.5 | 31.8 |
| Total interest paid | 71.75 | 45.76 | 22.35 |
| Gross spread | 24.45 | 14.77 | 9.47 |
| Total fee based income | 8.61 | 6.06 | 5.51 |
| Total income | 104.81 | 66.58 | 37.33 |
| Gross profit | 33.06 | 20.83 | 14.98 |
| Total Operating expenses | 10.77 | 8.67 | 6.37 |
| Provision for loan loss | 5.27 | 3.36 | 2.01 |
| Total | 5.27 | 3.36 | 2.01 |
| Depreciation | 1.36 | 1.11 | 0.80 |
| Surplus/deficit before tax | 15.66 | 7.69 | 5.80 |
| Tax | 4.70 | 2.31 | - |
| Net surplus | 10.97 | 5.38 | 5.80 |

2.5.2 Balance Sheet

Rs. million

| As at | Mar-12 | Mar-11 | Mar-10 |
|-----------------------------------|---------------|---------------|---------------|
| | Projected | Projected | Projected |
| Liabilities | | | |
| Corpus | 32.61 | 17.61 | 7.61 |
| Reserve and surplus | 24.29 | 13.33 | 7.94 |
| Net worth | 56.90 | 30.94 | 15.55 |
| Total long term borrowings | 479.80 | 317.40 | 191.00 |
| Security deposit from borrowers | 0.00 | 0.00 | 5.17 |
| Other liabilities | 1.07 | 1.09 | 1.04 |
| Provision for loan loss | 11.04 | 5.77 | 2.41 |
| Total current liabilities | 12.11 | 6.86 | 3.44 |
| Total liabilities | 548.81 | 355.19 | 215.17 |
| Assets | | | |
| Loans and advances | 527.21 | 335.86 | 201.18 |
| Cash & bank balances | 0.27 | 0.29 | 0.24 |
| Deposits with banks | 16.45 | 14.52 | 9.35 |
| Total current assets | 16.72 | 14.82 | 9.59 |
| Total funds deployed | 543.93 | 350.67 | 210.77 |
| Net fixed assets | 4.88 | 4.52 | 4.40 |
| Total assets | 548.81 | 355.19 | 215.17 |

2.5.3 Key Financial Ratios

In per cent

| As at/For the year ended | Mar-12 | Mar-11 | Mar-10 |
|--|--------|--------|--------|
| Yield | | | |
| Fund based yield | 21.51 | 21.56 | 21.56 |
| Portfolio yield | 21.57 | 21.67 | 21.76 |
| Fee based income / Avg. funds deployed | 1.93 | 2.16 | 3.73 |
| Cost of borrowings | | | |
| Interest paid/Average borrowings | 18.00 | 17.82 | 16.05 |
| Interest spread | | | |
| Gross spread/Average funds deployed | 5.47 | 5.26 | 6.42 |
| Interest spread | 3.51 | 3.74 | 5.51 |
| Overheads | | | |
| Operational efficiency | 2.41 | 3.09 | 4.31 |
| Personnel efficiency | 2.27 | 2.90 | 4.23 |
| Administrative efficiency | 0.14 | 0.19 | 0.08 |
| Profitability | | | |
| Return on net worth | 24.97 | 23.15 | 53.71 |
| Return on funds deployed | 2.45 | 1.92 | 3.93 |
| Operational self sufficiency | 117.57 | 113.06 | 118.40 |
| Capitalization | | | |
| Total debt/net worth (times) | 8.43 | 10.26 | 12.61 |
| Capital adequacy | 10.69 | 9.09 | 7.57 |