

Microfinance Institution Gradings

**Swadhaar Finserve Pvt
Ltd. (SFPL)**

mfR 4

**Report Date
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MFI GRADING

mfR1	<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. 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> <p>MFI Grading Scale: mfR1 - highest; mfR8 - lowest</p>
mfR2	
mfR3	
mfR4	
mfR5	
mfR6	
mfR7	
mfR8	

FACT SHEET

Name of the MFI	: Swadhaar FinServe Private Limited (SFPL)
Year of Incorporation	: 2008
Year of commencement of microfinance programme	: 2006
Legal Status	: Non Banking Finance Company
Chief Executive/Functionary	: Ms. Veena Mankar, Managing Director
Promoters	: Ms. Veena Mankar and Ms.Haseena Vahanvaty
Registered office	: 5/39 Shree Om Co-operative Housing Society Anand Nagar, Guru Narayen Road Off LIG Nehru Road Santacruz (E) Mumbai 400 055
Contact Details	: Ms. Veena Mankar, Swadhaar FinServe Pvt. Ltd. 5/39 Shree Om Co-operative Housing Society Anand Nagar, LIG, Nehru Road, Santacruz (East) Mumbai 400 055 Tel: +91-22-261378700 Fax: +91-22-26138797/98 Mobile: +91-9280023694 Email: vmankar@swadhaar.com Website: www.swadhaar.com
Bankers	: Axis Bank Ltd, DCB Bank Ltd, HDFC Bank Ltd, FWWB, India
Statutory Auditors	: M/s. Haribhakti & Co., Mumbai

ABOUT THE MFI

Lending model	:	Joint liability group (JLG) based lending and (IL) Individual lending
Products	:	<ul style="list-style-type: none"> • Microfinance loans <ul style="list-style-type: none"> ○ JLG loan: Rs.6,000 – 20,000. The MFI extends 12 to 24 month loans to JLGs at an interest rate of 18 per cent per annum on flat basis ○ Individual loan: Rs.8,000 – 50,000. The MFI extends loans of up to 12 months to individuals at an interest rate of 36 per cent per annum on reducing balance basis
Borrower base	:	17,078 (member base 17,078) as on September 30, 2009
Employees	:	215 (146 credit officers) as on September 30, 2009
Number of branches	:	21 (as on September 30, 2009)
Loan outstanding	:	Rs. 105.70 million as on September 30, 2009 (Rs. 56.6 million as on March 31, 2009)
Loans disbursed	:	<ul style="list-style-type: none"> • Rs. 86.4 million from September 30, 2008 to March 31, 2009 • Rs.94.8 million from April 1, 2009 to September 30, 2009
Geographical reach	:	<ul style="list-style-type: none"> • Operations in Mumbai and Vadodara

GRADING RATIONALE

The microfinance institution (MFI) grading assigned to Swadhaar FinServe Pvt Ltd (SFPL) reflects its:

- Improved processes, systems and control mechanisms
- Adequate capitalisation levels and shareholder support
- Technical and managerial support from ACCION Gateway Fund (ACCION)

The above-mentioned grading strengths are partially offset by:

- Weak earnings profile
- Geographic concentration of portfolio
- Marginal decline in asset quality levels

Profile

SFPL is a non-banking financial company (NBFC), targeting the urban poor in Mumbai (Maharashtra) and Vadodara (Gujarat). It was registered with the Reserve Bank of India (RBI) in May 2008 and started its operations in July 2008. Its promoters commenced the micro credit activity in March 2006 with the inception of a section 25 company, Swadhaar FinAccess (SFA), which was incorporated in March 2005. In September 2008, SFPL took over the entire microcredit portfolio of SFA. SFPL aims to make the urban poor self reliant, and help them engage in activities leading to income generation. SFPL offers two loan products – a joint liability group (JLG) loan product (branded SWAHIT) for women only and an individual loan product (branded SWAYOG) for micro enterprises managed by men and women. The target segment for the individual loans is small entrepreneurs, who do not have bank accounts, or those with inactive banking relationships. SFA continues to engage in social initiatives such as savings, financial literacy, and livelihood programmes aimed at reducing vulnerability and increasing income-generating capacity of the poor.

The group loan is offered at 18 per cent (on flat basis) for tenor ranging from 12 to 24 months, with monthly repayment. Individual loan is offered at 36 per cent (on declining basis) for up to 12 months, with monthly repayment.

As on December 31, 2009, SFPL had loan outstanding of Rs.145 million to 21,964 borrowers spread across 17 branches in Mumbai and six branches in Vadodara.

MANAGEMENT

<i>Entry to new geographies</i>	<ul style="list-style-type: none"> • The MFI initially started its operations in Mumbai and has further diversified to Vadodara, Gujarat in July 2009. For the nine months ended December 2009, 80 per cent of SFPL's disbursements were in Mumbai with the remaining in Vadodara.
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<i>Improvement in processes and systems since the</i>	<ul style="list-style-type: none"> • CRISIL believes that SFPL has adequate processes, controls, and systems. Over the past one year, operational growth has been accompanied by strengthening of processes and systems.
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*previous
assessment*

Management information system (MIS) reports generated by SFPL are comparable with reports generated by several CRISIL-rated large MFIs.

- SFPL has standardised its credit mechanisms and has set up a centralised back office operations system, which the MFI calls as the hub. Loan documents and other data related to field operations are sent to the hub for data entry from which MIS reports are generated for use by the head office (HO) and the branches. In addition to this, SFPL has set up a strong information technology support.

However, presently, there is a two to three day lag in tracking the portfolio at the hub. In order to reduce this time lag, SFPL plans to install scanners at all the branches to quicken the process of data transfer from branches to hub. This practice has been initiated at Vadodara. CRISIL believes that this will contribute to further the diversification plans of SFPL.

*Yet to streamline
and strengthen
audit function*

- SFPL has set up a team at the HO to constantly monitor the portfolio quality and field operations. This is a two-member team, including the ACCION representative deputed at SFPL. This team handles training for field staff, product control, and delinquency management and risk analysis.
- SFPL does not have any dedicated audit team to conduct detailed and regular audits. Historically, team leaders (part of the branch staff) and area managers have been overseeing the field operations. Recently, SFPL has put in place two experienced loan officers for regular inspection of all the branch operations and for reporting their findings to the HO. Their feedback is mainly used as an input for designing trainings for field staff. Over the medium term, in the view of branch expansion and greater diversification, SFPL plans to further strengthen the audit team.
- Over the past one year, risk mitigation measures have been reviewed and updated, particularly on the basis of bad asset quality experiences in Kherwadi and Kurla, and also through regular interactions with the branch staff.
- SFPL has outsourced its cash delivery service to an independent security agency. This has started on a pilot basis in a few branches.
- Recently, SFPL started issuing pre-printed receipts to borrowers for the group and individual borrowers.

CRISIL, however, believes that certain issues such as lack of adequate documentation for loan utilisation checks, and weaknesses in cash flow assessment of individual loan borrowers, by the field officers, could be some of the possible reasons for the steady rise in defaults in the individual loan segment.

INSTITUTIONAL ARRANGEMENT

*Relatively strong
board and
professional*

- SFPL has a relatively strong board and experienced management. The board comprises of recognised leaders in the financial sector,

<i>management</i>	<p>and shareholder representatives of three international microfinance investment funds: ACCION, Mauritius Unitus Corporation, Michael and Susan Dell Foundation, and a renowned business house in India. In CRISIL's opinion, the shareholding structure and composition of the board is instrumental in providing SFPL with sound corporate governance and transparency.</p> <ul style="list-style-type: none"> The MFI has a competent and professional management, experienced in banking, finance and microfinance. The company is promoted by Ms. Veena Mankar, who has more than three decades of experience in the factoring business. The existing shareholders have pledged further capital support even though SFPL will achieve break-even only in 2011. ACCION, one of the pioneers of microfinance in Latin America, is not only an investor but also provides technical and managerial support to SFPL. It has deputed two of its employees, which includes SFPL's chief operating officer.
<i>In-line with budgeted growth</i>	<ul style="list-style-type: none"> SFPL is in line with its projections shared with CRISIL during the previous grading exercise in 2008. Against the envisaged loan outstanding of Rs.115 million as on March 31, 2010, SFPL already has a loan outstanding of Rs.145 million as on December 31, 2009. CRISIL believes that with adequate investor and funders support, SFPL will be able to achieve its targeted growth over the medium term.

CAPITAL ADEQUACY AND ASSET QUALITY

<i>Adequate capitalisation levels</i>	<p>SFPL's current capitalisation levels are adequate and will be sufficient to support its growth plans over the near term.</p> <ul style="list-style-type: none"> As on December 31, 2009, SFPL had a paid-up capital of Rs.120 million. With a cumulative net loss of Rs.61 million, net worth as on March 31, 2009, stood at Rs.59 million. Presently, foreign institutional investors hold 45 per cent stake in SFPL; of the domestic stake, majority is held by the Indian Family Trust. By March 2010, SFPL envisages to infuse additional capital of around Rs.240 million. This is expected to be received from existing promoters and possibly one or two new institutional investors. Domestic promoters will remain the majority shareholders post capital infusion too. SFPL does not expect to register surplus over the next two years. The business plan does not project the company leveraging more than 2 times until March 2011. As on March 31, 2009, its gearing was at 0.03 times; it is expected to range between 1.5 to 2 times by March 31, 2010.
<i>Asset quality continues to decline marginally</i>	<p>Asset quality is yet to stabilise; the portfolio at risk (PAR) have marginally increased since March 2009 level. Even absolute amounts of PAR have increased, on account of certain problematic branches.</p> <ul style="list-style-type: none"> On-time repayment rates continue to average between 92-96 per cent since March 31, 2009. PAR greater than 30 days (PAR>30 days) has marginally increased to 2.51 per cent as on December 31, 2009, from 2.37 per cent as on December 31, 2008. This is on account of

increased delinquencies in both, the individual loan product category and group loans; more so in the individual loan segment. As on December 31, 2009, PAR>30 days for group loan stood at 1.60 per cent; 2.17 per cent on a lagged basis (for 3 months). As on December 31, 2009, PAR>30 days for individual loan category stood at 4.97 per cent; 7.03 per cent on a lagged basis (for 3 months). Divergence in the PAR and lagged PAR is due to growth in portfolio size since August 2009. A significant portion of the PAR has been contributed by branches at Kherwadi and Thane branches in Mumbai.

- CRISIL believes that SFPL's risk profile is marked by exposure to high risk segments.
 - SFPL faces geographical concentration risk; as of December 31, 2009, more than 70 per cent of the portfolio is concentrated in Mumbai and its suburbs. In a city like Mumbai, the company faces relatively high moral hazard risks, as its individual loan are to the not-so-poor category that has access to credit in the form of credit cards and personal loans.
 - SFPL's group loans predominantly have individual loan characteristics compared with JLG loans of other MFIs operating in urban areas. Going forward, the MFI intends increasing its exposure in the individual loan category.
- Over the past one year, SFPL has taken certain corrective measures such as stopping further disbursements in problematic areas, tighter group loan norms, better sectoral analysis, and resorting to Credit Information Bureau (India) Ltd (CIBIL) checks. However, CRISIL believes that SFPL's risk mitigation steps are yet to demonstrate any significant upshot; sustainability of the same over a period of time is to be seen.
- From April 2009 to December 31, 2009, SFPL had cumulative write-off amounting to Rs.1.54 million.
- CRISIL believes that the loan loss provisioning is adequate for PAR>90 days.

RESOURCES AND ASSET LIABILITY MANAGEMENT

Adequate resource profile

CRISIL believes that SFPL's resource profile is adequate and with increased participation from other lenders, SFPL will be able to achieve its budgeted growth over the near term.

- During the nine months ended December 31, 2009, SFPL has raised fresh borrowings of Rs.82 million at a weighted average cost of borrowing of around 13 per cent. As on December 31, 2009, SFPL's total borrowings stood at Rs.75 million. Major lender continues to be Friends of Women's World Banking (FWWB), contributing around 60 per cent of the total outstanding borrowings. The remaining has been lent by three private sector banks. This has led to a certain degree of diversification in SFPL's resource profile, reducing its dependence on a single lender.
- SFPL expects to raise borrowings of around Rs.100 million by

March 2010. The MFI is in discussions with several private and public sector lenders. CRISIL believes that in the light of adequate processes and systems and management's focus on risk mitigation, SFPL will be able to raise the envisaged amount in time.

Positive asset liability mismatch

- There are no perceptible liquidity concerns; the majority of the assets are funded by longer maturity borrowings.

OPERATIONAL EFFECTIVENESS

CRISIL is of the opinion that SFPL's profitability will continue to be under pressure until it attains an optimal operational scale to justify and economise the incurred capital and operational expenditure so far.

Small scale of operations

- SFPL has a track record of around four years in microfinance; however, its loan portfolio is relatively small at Rs.145 million as on December 31, 2009. SFPL has a small base of 17,078 borrowers as on the same date.
- Accordingly, SFPL is faced with low productivity of roughly around 500 borrowers per branch (including group loan and individual loan borrowers) as on September 30, 2009. Loan outstanding per branch stood at Rs.5 million as on the same date.

Low operational self-sufficiency

- SFPL's operations are not sustainable with the level of operational self-sufficiency being less than 100 per cent for the period ended December 31, 2009. Large operating expenses (operating expenses as a percentage of disbursements, was around 36 per cent for the year ended March 31, 2009) have resulted in a net loss of Rs.26 million during 2008-09 (refers to financial year, April 1 to March 31); expenses were high mainly because of the branch expansion, increase in personnel costs, and strengthening of its support systems. Also, SFPL's entire loan process is more effort based and cost intensive than other similar MFIs following JLG methodology in urban areas.

Profitability to remain under pressure

- CRISIL expects the low efficiency and productivity levels to result in SFPL's earnings profile remaining weak over the next one to two years. Apart from large operating expenses, any increase in delinquency levels could lead to higher provisioning and write-offs, further impacting the profitability.

Asset utilisation to improve

- As on March 31, 2009, asset utilisation (loans and advances as a percentage of total fund deployed) stood low at 57 per cent. This was because the funds from the capital infusion, of Rs.94 million during the second quarter of 2008-09, was not entirely disbursed by the end of the financial year. However, over the medium term, CRISIL believes that SFPL's asset utilisation level will be around 100 per cent, with greater spread of operations and subsequent growth in loan ticket size.

SCALABILITY AND SUSTAINABILITY

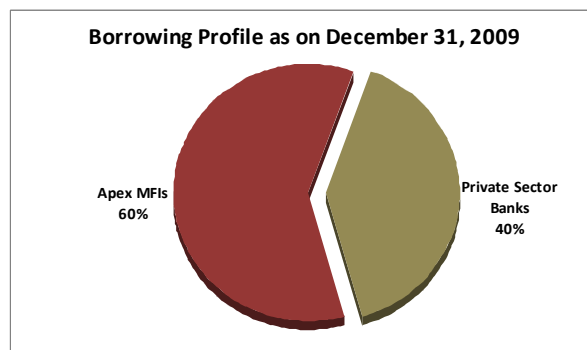
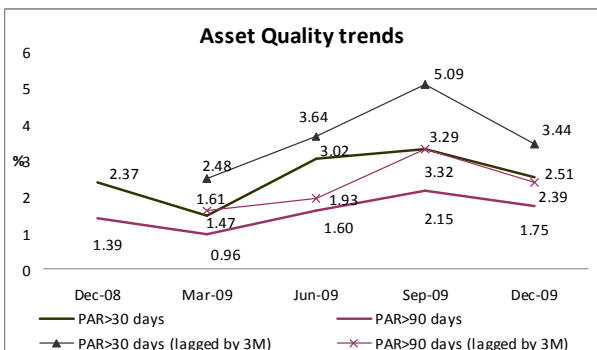
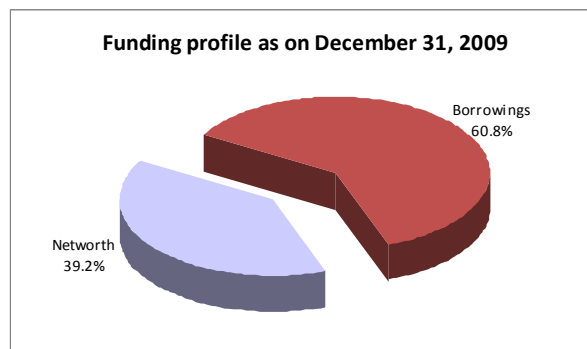
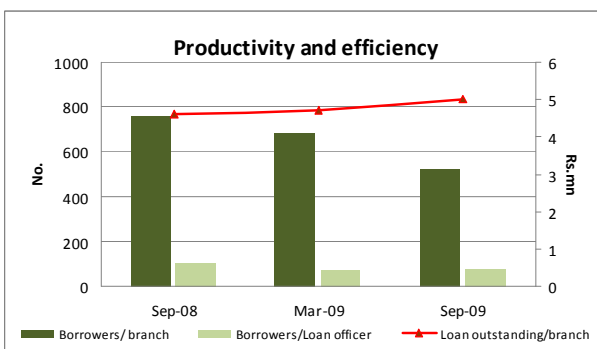
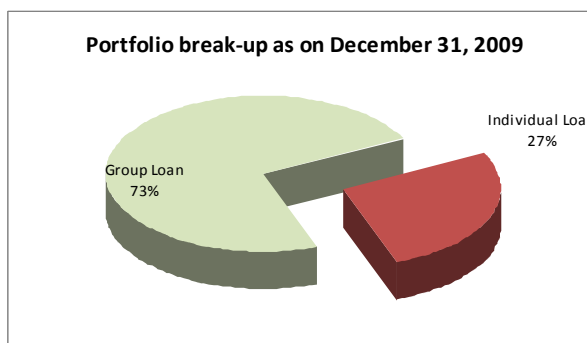
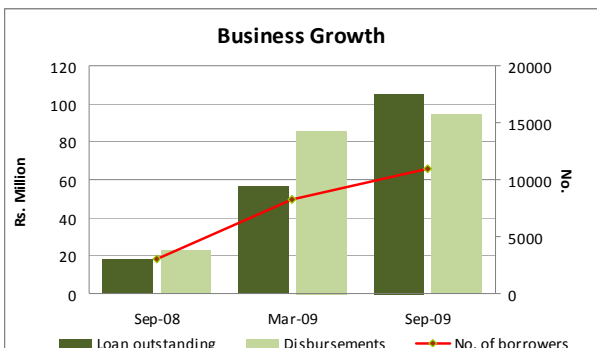
Improvement in efficiency levels are critical for long

- Since the takeover of the portfolio in September 2008, SFPL has been consistently streamlining its processes and control systems, which include the setting of the Hub and the IT backed solutions.

term sustainability

- Going forward, CRISIL believes that sustenance of asset quality will continue to be a key sensitivity factor considering its exposure to high risk factors.
 - In the light of pressure on profitability, regular fund infusion will be essential for the initiatives to gain momentum at the ground level and for SFPL to withstand the competition from other players in its operating area.
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1. Business Indicators



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1.1 Business

1.1.1 OUTREACH SUMMARY OF MICROFINANCE PROGRAMME

Indicator	Sep-09			Mar-09			Sep-08		
	IL	GL	Total	IL	GL	Total	IL	GL	Total
No. of members	2,065	15,013	17,078	1,137	7,097	8,234	397	3,223	3,620
No. of groups	-	4,323	4,323	-	2,234	2,234	-	982	982
No. of borrowers end of period	1,377	9,649	11,026	1,488	6,746	8,234	419	2,614	3,033
No. of districts covered	2	4	4	1	2	2	1	1	1
No. of branches end of period	9	12	21	5	7	12	2	2	4
No. of states covered			2			1			1
Disbursements (Rs.million)	25.9	68.8	94.8	27.4	59	86.4	7.1	15.6	22.7
Loan outstanding (Rs.million)	27.5	78.2	105.7	16.5	40.1	56.6	5.1	13.3	18.4

1.1.2 KEY OPERATING AND PRODUCTIVITY INDICATORS

	Sep-09			Mar-09			Sep-08		
	IL	GL	Total	IL	GL	Total	IL	GL	Total
Borrowers per branch (No.)	153	804	525	298	964	686	210	1307	758
Borrowers per loan officer (No.)	28	124	76	53	198	71	38	145	105
Loan Outstanding per branch (Rs.million)	3.1	6.5	5.0	3.3	5.7	4.7	2.5	6.7	4.6
Loan Outstanding per loan officer (Rs.million)	0.55	1.00	0.72	0.59	1.18	0.49	0.5	0.7	0.6

1.1.3 LOAN PRODUCT DETAILS

Particulars	SWAHIT (Group loan)	SWAYOG (Individual loan)
Interest rate per cent	18%	36%
Method of calculation	Flat	Declining
Processing Fee	2% of the loan amount	3% for new loan, 2% for renewal
Security margin	10% of loan amount	Nil
Penal charges	36%p.a of overdue amount	36%p.a of overdue amount
Application fee	Rs.10 per client	Nil
Collection fee	Rs.5 per installment	Rs.10 per month
Loan amount (Rs.)	Minimum - Rs.6000 Maximum - Rs.20,000	Minimum - Rs.8000 Maximum - Rs.50,000
Tenure	1 st cycle - 12 months Further cycles - upto 24 months	Minimum term - 6 months; can go upto 12 months
Repayment	Monthly	Monthly
Target	Women borrowers	Men and women borrowers

Loan purpose	Productive and consumption purpose	Business enhancement, capacity increase
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1.2 Borrowing details as on December 31, 2009

Rs. million

Lender	Amt. outstanding (Rs. million)	Interest rate	Repayment period including moratorium
FWWB, India	44.6	13.5%	18 Months
HDFC Bank	16.1	12.75%	18 Months
DCB Bank	4.2	13%	13 Months
AXIS Bank	10	12%	24 Months
Total	74.83		

1.3 Asset quality

Rs. million

	Dec-09		Sep-09		Jun-09		Mar-09		Dec-08	
	PAR	% of PAR	PAR	% of PAR	PAR	% of PAR	PAR	% of PAR	PAR	% of PAR
Total outstanding balance associated with loans that are										
On time	139.70	95.88	100.29	94.42	63.17	91.93	54.67	96.14	31.95	94.49
Late (at least one payment)										0.00
1-30 days	2.34	1.61	2.43	2.29	3.47	5.05	1.36	2.39	1.06	3.13
31-90 days	1.12	0.77	1.21	1.14	0.97	1.42	0.29	0.52	0.33	0.98
91-180 days	1.01	0.69	1.10	1.03	0.57	0.84	0.32	0.56	0.17	0.50
181 days and above	1.54	1.06	1.18	1.11	0.52	0.76	0.23	0.40	0.30	0.89
Total portfolio	145.71	100	106.22	100	68.71	100	56.86	100	33.81	100
Less: Write-offs	1.54		0.78		0.26		0.23		0.00	
Net portfolio	144.17		105.44		68.45		56.64		33.81	
Portfolio at risk (> 30 days delinquent)	2.51%		3.29%		3.02%		1.47%		2.37%	
Portfolio at risk (> 90 days delinquent)	1.75%		2.15%		1.60%		0.96%		1.39%	

1.4 Spreads of SFPL

1.4.1 INCOME AND EXPENDITURE STATEMENT

Rs. million

For the year ended,	Mar-2013	Mar-2012	Mar-2011	Mar-2010	Mar-2009
Fund based income					
Interest income from loans	-	-	-	-	5
Interest on bank deposits	-	-	-	-	4
Other income	-	-	-	-	0.07
Total fund based income	579	285	107	34	9
Interest and finance charges					
On borrowings	-	-	-	-	-
Bank charges	-	-	-	-	0.06
Total interest and finance charges paid	153	64	23	3	0
Gross spread	426	221	84	31	9
Fee based income					
Admission fee	-	-	-	-	0.09
Processing charges	-	-	-	-	2
Other fee based income	-	-	-	-	1
Total fee based income	0	0	0	0	3
Total income	579	285	107	34	12
Gross surplus	426	221	84	31	12
Expenses					
Personnel expenses	-	-	-	-	12
Administrative expenses	-	-	-	-	19
Operating expenses	277	167	98	58	32
Write-offs and provisions					
Provision for loan loss	64	38	21	7	0.35
Bad debts written off	-	-	-	-	0.23
Total	64	38	21	7	1
Depreciation	-	-	-	-	2
Exceptional items	-	-	-	-	3
Profit before tax	85	16	-35	-34	-26
Tax	13				0.40
Net Profit	72	16	-35	-34	-26

1.4.2 BALANCE SHEET

Rs. million

Balance sheet as at	Mar-2013	Mar-2012	Mar-2011	Mar-2010	Mar-2009
Liabilities					
Share Capital	300.00	300.00	300.00	120.00	120.00
Reserves and surplus	-8.12	-79.97	-95.84	-60.98	-26.96
Net worth	291.88	220.03	204.16	59.02	93.04
Borrowings	1790.27	927.94	358.02	91.63	2.50
Total long term borrowings	1790.27	927.94	358.02	91.63	2.50
Provision for loan loss	-	-	-	-	0.35
Other liabilities	-	-	-	-	11.20
Total current liabilities	0.00	0.00	0.00	0.00	11.56
Total liabilities	2082.15	1147.97	562.18	150.65	107.09
Assets					
Loans and advances	2011.26	1092.20	506.76	142.78	56.64
Cash & bank balances	20.17	11.98	6.95	1.61	36.29
Deferred tax asset					0.14
Other current assets					6.43
Total current assets	20.17	11.98	6.95	1.61	42.86
Total funds deployed	2031.43	1104.18	513.71	144.39	99.50
Net fixed assets	50.73	43.79	48.47	6.26	7.59
Total assets	2082.15	1147.97	562.18	150.65	107.09

1.4.3 KEY FINANCIAL RATIOS

In per cent

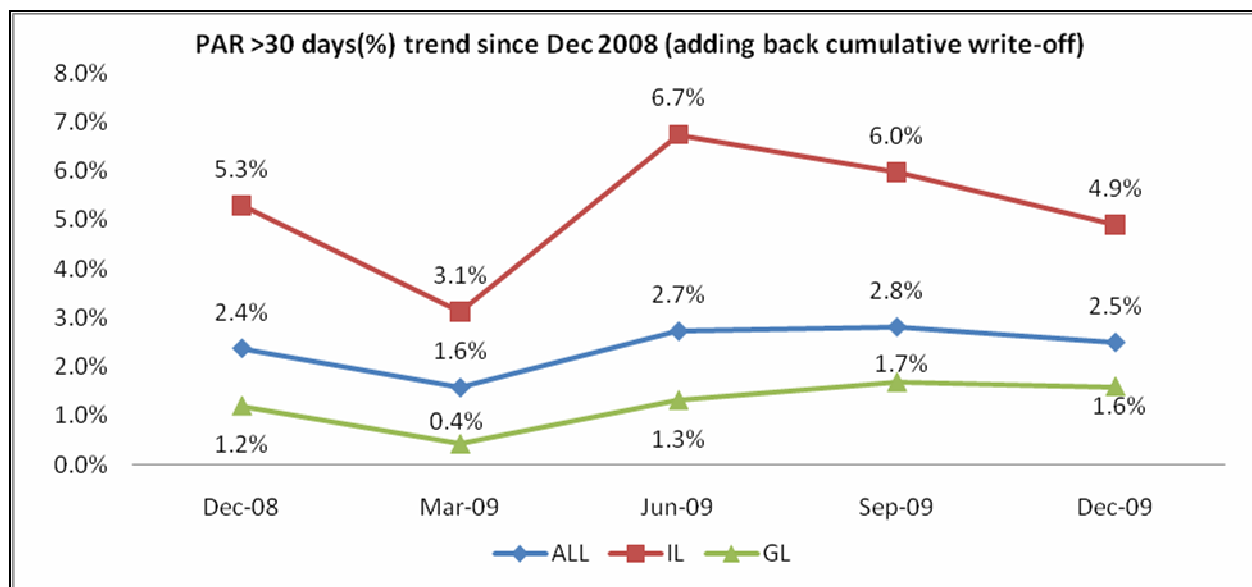
Year ended March 31,	2013	2012	2011	2010	2009
Yield					
Fund based yield (A)	36.91	35.26	32.39	28.09	14.77
Portfolio yield	37.29	35.68	32.82	34.36	16.75
Fee based income / Avg. funds deployed	0.00	0.00	0.00	0.00	4.38
Total income / Avg. funds deployed	36.91	35.26	32.39	28.09	19.14
Cost of funds					
Interest paid/ Avg. funds deployed (B)	9.75	7.95	6.86	2.49	0.09
Interest paid/ Avg. borrowings (C)	11.25	10.01	10.04	6.46	4.54
Interest spread					
Interest spread	27.16	27.31	25.53	25.60	14.68
Overheads					
Operating expense ratio	17.69	20.65	29.82	47.56	51.36
Personnel expense ratio	0.00	0.00	0.00	0.00	20.15
Administrative expense ratio	0.00	0.00	0.00	0.00	31.21
Profitability					
Return on net worth	28.07	7.48	-26.49	-44.75	-44.25
Return on funds deployed	4.58	1.96	-10.59	-27.90	-42.10

Operational self sufficiency	117.14	105.89	75.36	50.17	34.69
Asset quality					
Loan loss provisions / average loan outstanding	4.12	4.75	6.38	7.26	1.24
Capitalisation					
Total debt/net worth (times)	6.13	4.22	1.75	1.55	0.03
Capital adequacy	14.16	19.37	36.77	39.60	131.40

Our comments on the CRISIL Report Mar 2010

Serial no.	Issue raised	Response
1.	Pg4: SFPL does not have a dedicated audit team to conduct detailed and regular audits	SFPL already has a dedicated internal auditor, who was adequate given the limited number of branches in the current year. In the next year we intend expanding the team in keeping with the expansion of business.
2	Pg5: Asset quality continues to marginally decline	PAR>30 increased marginally in Dec-09 (2.51%) from Dec-08 (2.37%). For IL, PAR>30 decreased to 4.90% from 5.30%, while for GL, PAR>30 increased to 1.60% from 1.20% (please see graph 1, Trends in GL and IL PAR). Please also refer ACCION, our technical assistance partners' view on the same enclosed below for the asset quality.
3	Pg10: Small scale of operations	In the CRISIL report, productivity of group loan product has been clubbed with the individual loan product. However, both the products should be looked at independently (as they are distinct products). The group loan product allows a standardized methodology, unlike the IL product (Please also see comment from ACCION at the end of this note). Please see table 2, Productivity indicators for GL and IL have been shown separately.

Graph 1 Trends in IL and GL PAR>30 days



PAR>30 (%) for Jun-09 and Sep-09, taken in the graph below differ from CRISIL's figures as write-off was done in Jul-09 and Oct-09 respectively.

Graph 2: Productivity Indicators for GL and IL

Indicators Sep-08 Mar-09 Sep-09	Sep-08		Mar-09		Dec-09	
	GL	IL	GL	IL	GL	IL
Borrowers per branch	1612	199	1014	227	1251	229
Borrowers per loan officer	179	36	209	41	195	46
Loan Outstanding per branch (Rs.million)	6.7	2.5	5.7	3.3	6.5	3.1
Loan Outstanding per loan officer (Rs.million)	0.74	0.46	1.18	0.59	1.01	0.61
Loan Outstanding per borrower (Rs.)	4135	12780	5651	14537	5206	13338

General Comments of ACCION to the CRISIL report:

Upon review of the CRISIL report ACCION recommends that a distinction be made in the portfolio quality and loan officer productivity standards used for group lending and individual lending respectively. According to CAMEL standards developed by ACCION the PAR>30 standard for individual lending is <3%. The Mix 2008 MFI benchmarks for individual lending methodology MFIs, for PAR>30 is 3.4% compared to 1% for village banking methodology MFIs. In terms of loan officer productivity our experience worldwide shows that a caseload of 300 individual loan borrowers per loan officer is a satisfactory performance. The Mix 2008 MFI benchmarks for individual borrowers per loan officer is 222 compared to 336 for village banking borrowers per loan officer.

We therefore recommend that the key operating and productivity indicators be separated by product to show the progress each of the products is making and avoid that the lower asset quality and productivity standards and results of the individual loan product negatively affect the overall results of Swadhaar.