Microfinance Institution Grading

Fusion Microfinance Private Limited

mfR4

Date Assigned
February 10, 2012

Analytical Contacts	
Mr. Yogesh Dixit Head ydixit@crisil.com +91 22 3342 3037	Mr. T Raj Sekhar Sr. Manager trajsekhar@crisil.com +91 44 4350 7230

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CRISIL RATINGS

MFI GRADING

mfR1
mfR2
mfR3
mfR4
mfR5
mfR6
mfR7
mfR8

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.

MFI Grading Scale: mfR1 - highest; mfR8 – lowest

MFI GRADING HISTORY

Date	MFI Grading
November 09, 2010	mfR5

FACT SHEET

Name of the microfinance institution (MFI)	:	Fusion Microfinance Private Limited
Year of incorporation	:	September 1994*
Year of commencement of microfinance programme	:	January 2010
Legal status	:	Private Limited Company registered as NBFC-ND (Non deposit taking Non Banking Financial Company)
Chief executive	:	Mr. Devesh Sachdev, Chief Executive Officer
Promoters	:	Mr. Devesh Sachdev, Mr. Ashish Tewari and Mr. Ankur Singhal
Registered office and contact details	:	Mr. Devesh Sachdev Chief Executive Officer, 303 -304, 3rd Floor, Building No.2, Community Centre, Naraina Phase–I, New Delhi – 110028 Tel : +91 -11- 46243350 E-Mail: devesh@fusionmicrofinance.com Web: www.fusionmicrofinance.com
Statutory Auditors	:	BSR & Company (an associate of KPMG)

*Acquired by the current promoters in November 2009 and name changed to Fusion Microfinance in April 2010

ABOUT THE MFI

Lending model	:	Joint liability group (JLG) model
Products	:	• Microfinance loans - Rs.12,000–Rs.30,000 per member. The NBFC extends 1.5 to 2 years fortnightly loans to the groups at diminishing interest rate of 26.00 per cent. • Small Ticket vehicle Loan (STVL)* – Rs. 0.10 million to Rs. 0.60 million to small truck operators for purchase of used commercial vehicles. The MFI extends these loans for tenure of two to three years at diminishing interest rate of 24.00 to 26.00 per cent. • The MFI has tie-up with Kotak Mahindra Old Mutual Life Insurance Company Ltd for offering life insurance to its borrowers.
Borrowers	:	30,320 (as on December 31, 2011)
Employees	:	130# (as on December 31, 2011)
Branches	:	21# (as on December 31, 2011)
Loan outstanding	:	Microfinance - Rs. 270.19 million as on December 31, 2011 STVL – Rs.19.99 million as on December 31, 2011
Loans disbursed	:	Rs. 338.13 million from April 1, 2011 to December 31, 2011
Operational areas	:	9 districts (Madhya Pradesh, Uttarakhand, Uttar Pradesh, and Delhi)

*STVL launched in August 2011, #including STVL

Social Indicators and Transparency Indicators

(As on Dec 31, 2011) in per cent

Average loan outstanding/per capita gross national income (GNI), 2011 * #	14.93
Percentage of women staff	11.2
Percentage of women borrowers	100
Are interest rate (on declining basis) communicated to clients in writing?	Yes
Are processing charges communicated to clients in writing?	Yes
Is an official receipt provided by the MFI to clients after repayment collections?	Yes
Is access to loan of other MFIs one of the parameters to select/screen clients?	Yes
Is access to loan of other MFIs/residual income one of the factors to appraise repayment paying capacity of clients?	Yes
Does the MFI appraise the client's income/poverty/asset level and use it to target low income clients?	Yes
Client dropout rate	NA
Does the MFI capture and analyse reasons for client dropout rate?	Yes
Effective IRR (including interest rates, processing fees & any other fees charged by the organisation)	27.11 to 27.53
Is any head office designated contact details provided to clients as part of grievance redressal mechanism offered to clients?	Yes

*Source: CCER computations based on Central Statistical Organisation (CSO) data. GNI is based on current prices and is a quick estimate for financial year 2010-11
Average loan outstanding as on December 31, 2011
The above details are based on the details provided by the MFI

Recent RBI guidelines on priority sector lending and FMPL's response

Reserve Bank of India (RBI) Guidelines	MFI's Response*
1) Aggregate amount of loan extended for income generating activity is not less than 75 per cent of the total loans given by MFIs.	FMPL provides microfinance loans only for income generating activities and hence the income generating loans are 100% of the total loans given by us.
2) Borrower's household annual income in rural areas should not exceed Rs.60,000 and for non-rural areas it should not exceed Rs.120,000.	During the CGT process, the estimation of client household income is done and same is captured in the loan application form. FMPL adheres to the income range prescribed by the RBI while forming the groups/ centers for providing credit.
3) Loan does not exceed Rs.35,000 in first cycle and Rs.50,000 in subsequent cycles.	In the first loan cycle, the maximum loan FMPL offers is Rs 12,000 and the maximum loan amount FMPL offers (in any cycle) is Rs 30,000 which is offered only to the borrowers in 5th-6th cycle.
4) Total indebtedness of the borrower does not exceed Rs.50,000.	As per credit policy, maximum indebtedness of the borrower should not exceed Rs 25,000 for first cycle (including loan of FMPL) and Rs 35,000 for subsequent cycles (including loan of FMPL).
5) Tenure of loan is not less than 24 months when loan amount exceeds Rs.15,000.	For loan amount more than Rs 15,000, the loan tenure is 2 years.
6) Borrower should have right for prepayment without penalty.	Borrowers can prepay any time without any prepayment penalty.
7) Loan should not have any collateral.	FMPL does not ask for any kind of collateral from its clients for providing loan.
8) Loan is repayable by weekly, fortnightly or monthly installments at the choice of the borrower.	The loans provided by FMPL are repayable in weekly/ fortnightly installments.
9) Qualifying assets should not be less than 85 per cent of total assets of the MFI (excluding cash, balances with banks and financial institutions, government securities and money market instruments)	As on 31st December 2011, the microfinance qualifying portfolio at FMPL is more than 85% of the total assets.
10) Margin cap 12 per cent	The financing cost at FMPL is more than 16% and hence the margin spread is less than 12%.
11) Interest on individual loans should not be more than 26 per cent per annum, calculated on reducing balance basis.	FMPL charges declining reducing interest rate of 26% per annum for all its microfinance loan products.
12) Processing fee should not exceed 1 per cent of the gross loan amount.	FMPL charges processing fees of 1% of the loan amount.
13) Only three components are to	FMPL adheres to the prescribed pricing of the loan.

be included in pricing of loans, such as (a) processing fee not exceeding 1 per cent of the gross loan amount; (b) interest, and (c) insurance premium.	
14) Only the actual cost of insurance should be recovered; administrative charges to be recovered as per IRDA guidelines.	FMPL does not charge any insurance admin costs from its clients.
15) There should not be any penalty for delayed payment.	FMPL does not charge any penalty from its clients for delay in the payment.
16) No security deposit / margin are to be taken.	FMPL does not charge any deposit / margin from its clients.

* The above details are as provided by the MFI and not verified by CRISIL

OUTREACH SUMMARY

For the period ended/As on end	Unit	Dec-11		Mar-11	Mar-10
		Microfinance	STVL		
Groups	No.	6,195	NA	3,486	458
Members	No.	40,309	62	21,159	2,292
Loans disbursed during the year	No.	26,433	62	1,535	2,157
Borrowers	No.	30,320	62	21,488	2,157
Branches	No.	20	1	13	4
Villages covered	No.	929	25	359	25
Districts covered	No.	9	3	8	4
Women borrowers	%	100	-	100	100
Total disbursements	Rs.Mn	338.13	21.73	238.77	16.99
Loan outstanding(own)	Rs.Mn	171.76	19.99	100.22	16.6
Loan outstanding(managed)	Rs.Mn	98.43	-	22.03	-
Total loan outstanding	Rs.Mn	270.19	20	122.25	16.60
Loan outstanding/branch	Rs.Mn	13.51	20	9.40	4.15

NA- Not applicable
STVL (used vehicle finance) launched in August 2011

PRODUCTIVITY AND EFFICIENCY INDICATORS

As on end	Unit	Dec-11	Mar-11
Total employees	No.	125	95
Credit officers	No.	63	52
Loan outstanding/ credit officer	Rs.Mn	4.29	2.35
Members / credit officer	No.	640	426
Borrowers / credit officer	No.	481	413

*refers to financial year from April 2011 to December 2011

GRADING RATIONALE

CRISIL's microfinance institution (MFI) grading reflects Fusion Microfinance Pvt Ltd's (FMPL's) following strengths:

- Satisfactory processes and systems
- Experienced senior management
- Adequate capitalisation for current scale of operations

The above-mentioned strengths are partially offset by FMPL's following weaknesses:

- Asset quality and credit risks untested through a full business cycle
- Resource constraints
- Modest earnings profile

Profile

FMPL, formerly Ambience Fincap Private Ltd (AFPL), is a non-deposit taking non-banking financial company (NBFC-ND). AFPL, registered with Reserve Bank of India (RBI) in 2003, was engaged in the business of financial services. The NBFC was acquired by the current promoters in November 2009 to undertake microfinance and the name AFPL was changed to FMPL in 2010 to reflect the new ownership and business. In January 2010, FMPL entered microfinance business by acquiring the loan portfolio (Rs.6.30 million) of Aajeevika, non-government organisation (NGO) in Delhi and Madhya Pradesh. In August 2011, FMPL launched small ticket vehicle loan (STVL) targeting small truck operators and first time users. As on December 31, 2011, the NBFC had assets under management of Rs.270.19 million (which includes STVL advances of Rs.19.99 million).

Mr. Devesh Sachdev, Mr.Ashish Tewari and Mr. Ankur Singhal are the core promoters of FMPL and together with their family held 40.86 per cent equity stake in the company as on December 31, 2011. Rural Impulse Fund-North II, a sector specific fund managed by Incofin Investment Management (Incofin IM) holds 39.41 per cent stake and the balance is held by employees and individuals. The above private equity fund has also invested Rs.50 million in compulsorily convertible preference shares (CCPS) issued by FMPL, which are to be converted into equity in the subsequent round of capital infusion.

FMPL extends loans only to women and follows the joint-liability-group (JLG) model of lending. Under this model, the borrowers are organised into five-member groups; while loans are extended to individual members, and all the members are jointly liable for the repayment. The MFI had more than 30,000 borrowers in 20 branches in Delhi, Madhya Pradesh, Uttarakhand, and Uttar Pradesh as on December 31, 2011. FMPL has tie-up with Kotak Mahindra Old Mutual Life Insurance Company Ltd to provide loan-linked life insurance services to its borrowers and her spouse.

Lending Methodology

FMPL before choosing an operational area collects the secondary data from various sources including government sources to get basic information of that particular area. After that, a field survey is done by relationship officer, which comprises study on market potential, competition, political impact and socio-economic profile of the region.

Once the operational area has been selected by the MFI, the relationship officer (RO), who is responsible for group promotion and loan recovery, organises a general meeting of targeted members and the branch manager (BM) presents details about the organisation, its microfinance programme called motivation or projection meeting. Only those women who are interested to become members are invited to the subsequent meeting, during which, the women from same locality organise themselves into groups with five members in each group.

After group formation, the RO conducts a four-day compulsory group training (CGT) each group regarding FMPL's policy, promoters' details, and loan product and repayment details. At CGT level, the branch manager will do a credit check for all the members before sending to HO for processing. After completion of the four-day programme, the BM conducts the group recognition test for that group, which is done orally to ascertain whether all the members understood the organisation's policies and procedures.

All the filled application forms, CGT and know your customer forms are sent via courier. Details of the forms along with the credit bureau file are also sent via email to the head office (HO). Data entry for all the required fields is done at HO and the final loan sanction is done by the sanction officer at HO. The loan sanction details are communicated to branch office through mail and the funds are disbursed to the branches as per the sanction amount.

MANAGEMENT

Improvement in credit approval mechanism from the time of CRISIL's previous assessment	• FMPL's credit approval mechanism has improved from the time of the previous assessment and this is also aided by launch of services by credit bureaus for microfinance in early 2011-12 (refers to financial year, April 1 to March 31). • FMPL's loan appraisal process is decentralised with adequate credit approval mechanism in place. A review of the loan appraisal documents reveals that the branches capture client's repayment history and their attendance to centre meetings (in case of repeat borrowers), and details of loans from other MFIs. FMPL also runs a check in its database with a prospective client's father's and mother's name to weed out potential duplicates. • The MFI has tied up with both the functional credit bureau(s) that offer services for the microfinance sector. After selection of members and group formation, FMPL's branches check credit history of the borrowers with either of the two credit bureaus. However, it has been observed that the choice of verifying with a particular credit bureau by FMPL's branch is not based on its data coverage in the region but based on turnaround time of the credit bureau. Similarly, the back office only cross checks the same data on a random basis and not with the other credit bureau. Thus, the risk of MFI not being able to detect multiple loans and obtain full credit history of a prospective client to other MFIs exists in the short to medium term. • Though the MFI's operation policy manual has not been updated in the past two years, it was observed that the branches documented the policy changes communicated to them by email. CRISIL has observed uniformity in level of understanding of FMPL's policies across branches visited. All the branches visited maintained key records including movement, CGT, outward mail, cash and stationery registers.
Strengthening of back office function	• All the branches are computerised (except the newly started

	branches). Details of the forms along with the credit bureau file are also sent via email to the HO. Data entry for all the required fields is done at HO along with random check on credit history of the applicants. The final loan sanction is done by the sanction officer at HO after cross-checking of member's details, loan amount, KYC, and suspect duplicate numbers/identity.
Adequate back office and IT support	• The MFI's back office operations have also stabilised and mark a significant improvement from the time of previous assessment. FMPL also has adequate information technology (IT) infrastructure for its loan documentation and approval process. To ensure data integrity and have control over the credit appraisal and recovery process, the data into the credit monitoring software is only done by the centralised back office. The centralised back office ensures that all loan applications are KYC compliant and do random credit checks are done before data entry. Similarly, loan recovery details are sent to the head office by the branches, which are then updated in the system by the back office. • The MFI has a post-disbursement tele-calling process in place. The operations team undertakes tele-calling process on random basis and checks the key data of the borrowers, checks on the RO performance, and confirms the loan utilisation check (LUC) done by the branch manager.
Adequate controls in place	• The MFI had put in place effective internal controls in place. FMPL uses barcoded receipt books to effectively track their usage and minimise scope for fraud. All records are updated on the system, only at the head office. FMPL branches maintain separate bank accounts for receipts (disbursements) and payments (collections). Approvals are required for maintaining cash at branch overnight. For keeping cash less than Rs.10,000, approval is sought from the area manager and for more than Rs.10,000, approval is sought from COO via email stating the reason for maintaining the cash. The same is also recorded in the cash book.

Internal audit function strengthened	• From the time of previous assessment, the internal audit function of the MFI has streamlined and strengthened. The MFI has a three-member internal audit team which undertakes the extensive audit of both branch and field level operations around four times a year. The internal audit team spends around five days per branch for the audit purpose and the key observations are discussed in the exit meeting with the branch manager and area manager. CRISIL has observed that the internal audit report is comprehensive. Apart from the internal audit function, surprise visits to the centres are also done by the branch managers. Recently, the company has centralised the process of identifying the centres that the branch manager has to undertake surprise visit.
Launch of social initiative programme, a good beginning for a start-up MFI	• The promoters of FMPL have started a non-profit entity, Fusion Saksham Development Foundation (Saksham), to provide social services to FMPL's clientele. Saksham started its operations in January 2011 in area of health care and skill development. The NGO carries out free heath check up camps for anemia detection and eradication. This programme, in the past one year, has been carried out in Delhi and is being planned to be launched in other regions too. Saksham has also conducted HIV awareness drive (through street plays) in Bhopal (Madhya Pradesh) and adjoining areas to disseminate information and generate awareness about the causes of the AIDS and ways to prevent it. Saksham also intends to create forward linkages for FMPL's clients. Given its current financial performance and the startup nature of its business, FMPL has not earmarked any fixed proportion of its profits for Saksham's activities. FMPL has informed that it has plans to raise grants to fund Sakham's activities.

INSTITUTIONAL ARRANGEMENT

Diversified and experienced board and senior management	• The board of FMPL comprises four members, including one independent director and a nominee of the investor. The board members have experience in banking, corporate and retail finance. Similarly, both the non-executive directors have prior experience in the microfinance sector. • CRISIL believes the size of the board is adequate for current size of operations and there are plans to induct two more directors over the medium term as the organisation scales up. The MFI currently has only audit, asset and liability management (ALM) business and executive sub-committees. The investor nominee is present in three of the above sub-committees. • FMPL's senior management comprises experienced professionals from the banking and financial sector and this has helped the MFI to strengthen its back office and internal controls during the past one year. Similarly during the initial period of operations, the MFI has recruited staff from other MFIs at middle management and field operations level. The NBFC has subsequently limited such recruitments and staff with prior experience in other MFIs constitute about quarter of FMPL's field staff, thereby minimizing risk of adverse selection.
Resource constraints despite adequate institutional arrangement	• FMPL's loan portfolio as on March 31, 2012, is expected to be way below its projected portfolio of Rs.555 million because of slowdown in debt funding to the sector after November 2010. However, despite adequate institutional arrangement, the NBFC-MFI has raised limited borrowings in comparison to other similar sized MFIs.

CAPITAL ADEQUACY AND ASSET QUALITY

Adequate capitalisation levels to support growth in the next 8-12 months	• FMPL had a net worth of Rs.71.30 million as on December 31, 2011 and if adds the compulsorily convertible preference shares (CCPS) of Rs.50 million, the net worth would be Rs.121.30 million. FMPL had issued CCPS of Rs.50 million to its investor in 2011. The business plan shows the continuance of CCPS during the next three years. However, CRISIL's interactions with the investor director and perusal of the CCPS agreement revealed proposed conversion of CCPS into equity during the next round of capital infusion. Accordingly, CRISIL has considered the above CCPS as part of net worth for assessment of FMPL's capitalisation levels. • The MFI has raised additional capital of Rs.97 million during 2011 (including CCPS of Rs.50 million). This, together with slowdown in loan portfolio growth, has resulted in the gearing remaining low at 2.16 times (factoring CCPS as net worth and adjusting for assigned/securitised loans) as on December 31, 2011. However, gearing is expected to increase significantly in the medium term, if FMPL doubles its loan book during 2011-12 as per its business plan. The MFI's capitalisation is shielded from the impact of loan provisioning as the overall loan loss provisions (including on standard assets) to portfolio at risk greater than 90 days (PAR>90 days) is more than 100 per cent as on December 31, 2011.
Above-average asset quality. However, portfolio is largely unseasoned	• FMFPL's asset quality remains above average with PAR>90 days of 0.84 per cent as on December 31, 2011 despite increase from 0.17 per cent as on March 31, 2011. However, given the short track record of operations (except in Delhi), FMPL's loan book remains largely unseasoned with majority of the loans being first and second cycle loans.
Geographical diversification of portfolio better than that of similar sized MFIs	• The MFI's loan book is geographically better diversified in comparison to other similar sized NBFC-MFIs. The company has consciously diversified its loan portfolio across Madhya Pradesh, Uttarakhand, Uttar Pradesh, and Delhi. The highest exposure is to

Uttar Pradesh (37 per cent) followed by Uttarakhand (30 per cent) as on December 31, 2011. However, concentration risks remain given that the portfolio in these two states is concentrated in contiguous districts.

RESOURCES AND ASSET LIABILITY MANAGEMENT

Bank funding to sector to be constrained over medium term

- FMPL has an average resource profile, with high reliance on direct assignments/securitisation. As on December 31, 2011, about 54 per cent of the MFI's on-book funding was through this route. Funding from NBFCs constituted 38 per cent of the debt funding and bank finance constituted only 9 per cent of the overall borrowings as on the above date. Consequently, the average cost of borrowings remains very high.
- As a start-up MFI, FMPL did achieve some success in raising borrowings from two banks during the first nine months of 2011-12. With some improvement in bank funding to the sector from September 2011, the company intends to diversify its resource base in increasing the proportion of bank finance.
- FMPL has raised borrowings (including portfolio assignments/securitisation) of Rs.243 million after November 2010 (after Andhra Pradesh crisis) till December 31, 2011. With adequate clarity on the regulatory front, subsequent to the issue of the RBI guidelines, banks/financial institutions have shown an inclination to resume lending to the sector, particularly to MFIs operating outside Andhra Pradesh. However, the instances of these MFIs, including FMPL, raising additional funding from banks and other sources have been much fewer than before the implementation of the Government of Andhra Pradesh ordinance. Therefore, availability of funds largely remains a constraint for the sector, affecting its growth. In the absence of a diversified resource mix and the tentative attitude of banks towards resuming funding to the sector, resource mobilisation will remain a key grading monitorable for FMPL.

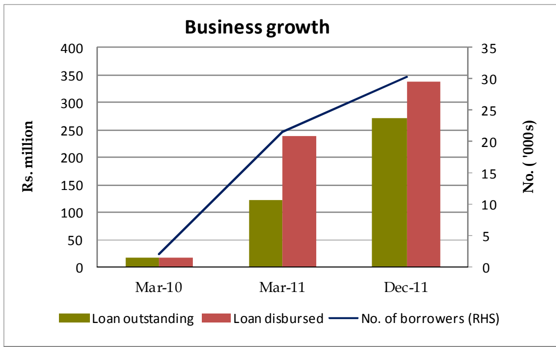
OPERATIONAL EFFECTIVENESS

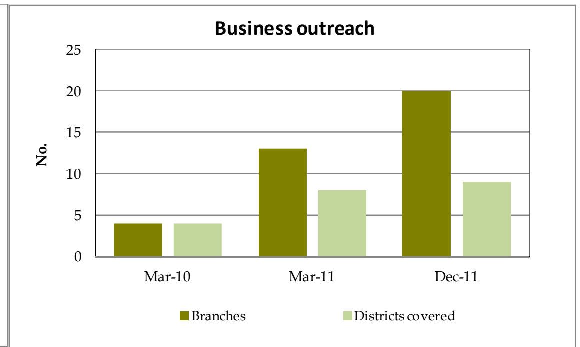
Earning profile to remain weak	• FMPL's earnings profile is expected to remain weak over the medium term, with sharp decline in effective lending rates (more than 5 per cent) and increase in cost of borrowings. With a loss of Rs.0.83 million during first nine months of 2011-12, the MFI is expected to register only a nominal profit for the year ended March 31, 2012. The losses are on account of high operating expenses for the start-up MFI. All branches (other than those acquired) are less than two years old. Also, the small portfolio is spread across four states. The company has taken steps to reduce operating expense levels by shifting to fortnightly collections (from weekly earlier) and increasing the average size of loan amount disbursed. However, the benefits of these measures would be visible only over a period of time and the operating expense levels are expected to remain high (above 12 per cent) over the near term. The company had operational self-sufficiency ratio of 93.84 per cent for the year ended March 31, 2011.
The recently launched non-micro credit activities are expected to positively impact the bottom line over the medium to long term	• FMPL is taking steps to partially insulate its bottom line from the margin caps imposed by RBI on NBFC-MFIs. The NBFC has launched STVL where the margins are well above 12 per cent. Given the management's experience in vehicle finance, FMPL also expects credit costs of this portfolio to remain minimal. However, CRISIL believes, the qualifying assets criteria required to be met by NBFC-MFIs, does not allow STVL business to account for not more than 10 per cent of overall loan portfolio. The MFI has also recently tied up with Western Union for remittance services. However, the contribution of fee income from the same to FMPL's bottom line needs to be seen.

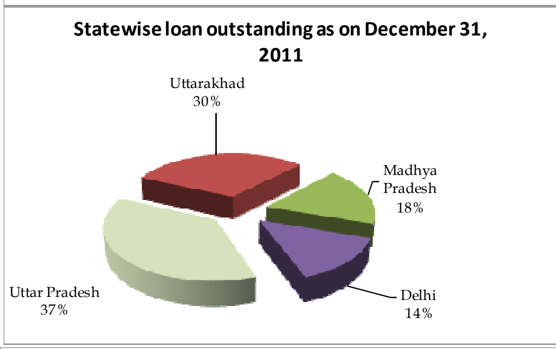
SCALABILITY AND SUSTAINABILITY

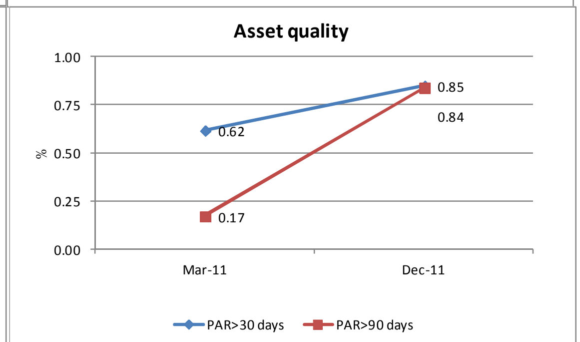
- In the absence of adequate funding, FMPL is unlikely to achieve the projections for March 2012. The company has at the time of preparation of business plan in 2011, projected a loan portfolio of Rs.976 million by March 2013. CRISIL believes this is ambitious and will depend on FMPL's ability to raise both capital and resources. On the other hand, should FMPL's loan books grows by only 100 per cent from December 2011 levels, the company's capital adequacy levels would remain above the regulatory minimum of 15 per cent as on March 31, 2013.
- With credit bureau in place to address, the issue of multiple lending (beyond three loans) by MFIs is addressed. This places smaller players like FMPL who are first movers in using the credit bureau information at an advantage.
- CRISIL believes that FMPL, despite its short operating track record, has been able to put in place adequate systems and processes owing to the management's experience in financial services sector. Nevertheless, CRISIL believes that MFI's ability to scale and sustain operations on a large scale will depend on its ability to improve efficiencies and manage costs, and raise adequate funds (both capital and borrowings).

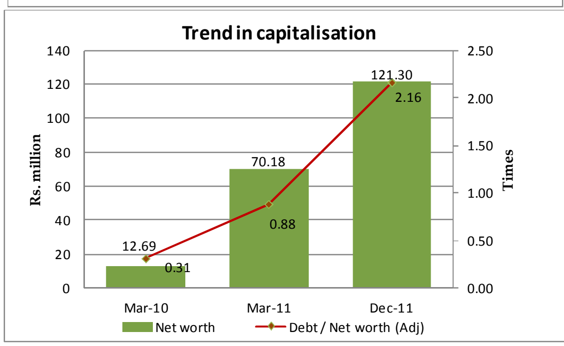
BUSINESS INDICATORS

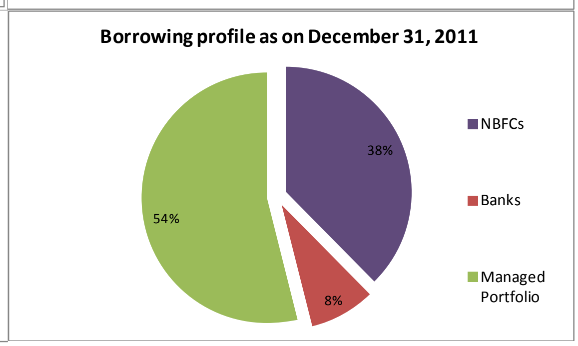












FINANCIAL INDICATORS

Income and expenditure statement

Rs. million

For the year ended March 31,	2014	2013	2012	2011	2010
		Projected		Audited	
Fund based income					
Interest income from loans	376.44	196.22	85.24	23.21	0.82
Income from investments /bank deposits	-	-	3.75	0.93	0.05
Interest income from assigned portfolio	-	-	1.17	1.32	-
Other income	15.96	8.03	0.14	1.56	0.04
Total fund based income	**392.40**	**204.25**	**90.29**	**27.01**	**0.91**
Interest and finance charges paid	**168.81**	**89.09**	**34.03**	**5.98**	**0.14**
Gross spread	**223.60**	**115.16**	**56.26**	**21.03**	**0.77**
Fee based income	**12.67**	**7.33**	**3.80**	**4.45**	**0.08**
Total income	**405.07**	**211.57**	**94.09**	**31.46**	**0.99**
Gross surplus	**236.27**	**122.48**	**60.06**	**25.48**	**0.85**
Expenses					
Personnel expenses	99.12	63.25	33.82	17.52	2.22
Administrative expenses	35.71	22.16	13.13	7.55	1.65
Total expenses	**134.83**	**85.41**	**46.95**	**25.06**	**3.87**
Write-offs and provisions					
Write-off of bad debts	7.01	2.54	1.47	-	0.30
Provision for loan loss	16.97	4.25	4.38	0.60	0.08
Write-offs and provisions	**23.98**	**6.78**	**5.86**	**0.60**	**0.39**
Amortisation	-	0.97	0.97	-	-
Depreciation	2.96	2.11	1.38	1.88	0.10
Profit before tax	**74.51**	**27.22**	**4.90**	**-2.06**	**-3.50**
Profit after tax	**49.47**	**18.07**	**3.26**	**-1.88**	**-3.52**

Balance sheet

Rs. million

As at March 31	2014	2013	2012	2011	2010
Liabilities	**Projected**			**Audited**	
Share capital	172.92	116.67	88.10	54.77	16.60
Share premium	328.04	159.29	87.87	21.20	-
Reserves and surplus	65.02	15.55	-2.53	-5.78	-3.91
Net worth	**565.99**	**291.51**	**173.44**	**70.18**	**12.69**
Borrowings	1467.04	788.33	392.52	83.76	3.93
Preference shares	50.00	50.00	50.00	50.00	-
Total borrowings	**1517.04**	**838.33**	**442.52**	**133.76**	**3.93**
Current liabilities	**34.14**	**30.04**	**18.93**	**7.33**	**3.97**
Total liabilities	**2117.16**	**1159.89**	**634.89**	**211.27**	**20.60**
Assets					
Loans outstanding	**1807.53**	**976.11**	**555.68**	**115.23**	**16.61**
Total investments	-	-	-	**74.37**	-
Cash & bank balances	73.40	55.98	12.39	6.09	2.37
Deposits with banks	220.06	118.25	58.88	9.75	0.22
Total funds deployed	**2100.98**	**1150.34**	**626.95**	**205.43**	**19.20**
Other current assets	**305.17**	**179.92**	**75.23**	**17.90**	**2.89**
Net fixed assets	4.46	3.86	3.98	3.78	1.09
Total assets	**2117.16**	**1159.89**	**634.89**	**211.27**	**20.60**

The projections were made by FMPL in early 2011 and have not been subsequently revised by the MFI. As is the case with other Indian MFIs, FMPL has also been impacted by funding crunch and is not expected to achieve its 2011-12 projections.

Key Financial Ratios

in per cent

For the period ended March 31,	Mar-14	Mar-13	Mar-12	Mar-11	Mar-10
	Projected			Audited	
Yield					
Fund based yield	24.14	22.98	21.69	24.05	4.74
Portfolio yield	27.05	25.62	25.41	35.21	4.94
Fee based income /Avg. funds deployed	0.78	0.82	0.91	3.96	0.41
Total income / Avg. funds deployed	24.92	23.81	22.61	28.01	5.15
Cost of funds					
Interest paid/Avg. funds deployed	10.38	10.03	8.18	5.33	0.70
Interest paid/Avg. borrowings	14.97	15.09	14.29	13.65	3.44
Gross spread/Avg. funds deployed	13.75	12.96	13.52	18.72	4.03
Spreads on lending	9.17	7.90	7.41	10.40	1.30
Overheads					
Operating expense ratio	8.48	9.85	11.61	23.99	20.65
Personnel expense ratio	6.10	7.12	8.13	15.60	11.58
Administrative expense ratio	2.20	2.49	3.15	6.72	8.57
Profitability					
PAT/ Avg. net worth ^	10.33	6.40	1.90	-2.83	-27.72
PAT/ Avg. funds deployed	3.04	2.03	0.78	-1.67	-18.32
Operational self-sufficiency	122.54	115.37	106.66	93.84	22.01
Asset quality					
Provisioning & write-off/ Avg. loan outstanding	0.04	0.07	0.15	1.99	3.70
Capitalisation					
Debt/net worth (times) ## ^	2.38	2.31	1.76	0.70	0.31
Capital adequacy # ^	33.78	34.65	39.64	61.38	85.97

reported for March 31, 2011 and March 31, 2010
is not adjusted for off-balance sheet liabilities
^ Compulsorily convertible preference shares (CCPS) have been considered as part of net worth.