



## **MFI Grading Report**

**Sarala Women Welfare Society  
(Sarala )**

**October 2009**

## Sarala Women Welfare Society (Sarala)

<i>Date of incorporation</i> : July, 2006	Dr. Arabinda Sinha & Mr. Pranab Rakshit
<i>Corporate Status</i> : Registered under Section 25 of the Companies Act,1956	Co C.E.O.
<i>Type of institution</i> : MFI	Sarala Women Welfare Society
<i>Year of commencement of microfinance operations</i> : 2006	4/2/3, Dino Master Lane, Shibpur
<i>Lending model</i> : Individual lending in a group setting	Haora -711103
<i>Statutory Auditors</i> : H.S. Bhattacharjee & Co. ,Kolkata	West Bengal
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<p><b>MFI Grading</b></p> <table border="1"> <tr><td>mfR1</td></tr> <tr><td>mfR2</td></tr> <tr><td>mfR3</td></tr> <tr><td>mfR4</td></tr> <tr><td>mfR5</td></tr> <tr><td>mfR6</td></tr> <tr><td>mfR7</td></tr> <tr><td>mfR8</td></tr> </table> <p>mfR1: highest 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. 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

<b>1</b>	<b>RATIONALE .....</b>	<b>4</b>
<b>2</b>	<b>ANNEXURES .....</b>	<b>10</b>
2.1	BUSINESS .....	11
2.1.1	OUTREACH SUMMARY OF MICROFINANCE PROGRAMME .....	11
2.2	BORROWING DETAILS AS OF SEPTEMBER 2009 .....	11
2.3	AGING SCHEDULE.....	11
2.4	FINANCIALS OF SARALA .....	12
2.4.1	<i>Income and Expenditure statement</i> .....	12
2.4.2	<i>Balance Sheet</i> .....	13
2.4.3	<i>Key financial ratios</i> .....	13
2.5	FINANCIAL PROJECTIONS AS PROVIDED BY SARALA.....	15
2.5.1	<i>Income and Expenditure statement</i> .....	15
2.5.2	<i>Balance Sheet</i> .....	16
2.5.3	<i>Key Financial Ratios</i> .....	16

## 1 Rationale

The microfinance institution (MFI) grading of “mfR5” reflects the following strengths of Sarala Women Welfare Society’s (Sarala) operations:

- ❖ Sustainable operations
- ❖ Good asset quality
- ❖ Moderately diversified resource profile

The abovementioned strengths are mitigated by the following weakness:

- ❖ Average process and control process
- ❖ Moderate capitalisation level
- ❖ Small track record of microfinance operations

### Profile

Sarala commenced its operations in 2006 in the Howrah district of West Bengal. It was registered as not-for-profit company under section 25 of the Companies Act, 1956. Sarala’s loan products are aimed at small entrepreneurs, and are meant for carrying out income-generation ventures, such as green grocers, embroidery shops, eateries, tailoring establishments, and agriculture-related activities, among others. At present, its operations are restricted to Greater Kolkata, which includes the districts of North and South 24 Parganas, Howrah, Hoogly, and Kolkata. The company is co-promoted by Dr. Arabinda Sinha and Mr. Pranab Rakshit. Dr. Sinha is based out of United States and has a long experience in academics and was a professor in a medical college. Both the co-promoters had visited operations of ASA in Bangladesh before replicating it in Sarala with regular technical inputs from ASA.

It started its microfinance programme with the initial seed capital of Rs. 10 lakh received from co-promoters and their relatives. Further, it also got fund support from ICICI Bank and Small Industries Development Bank of India (SIDBI) during the same year, which helped it to scale up the operations. As on September 30, 2009, it had a total loan outstanding of Rs.247 million from 69,082 borrowers. SIDBI also gave grant support to the MFI to develop its field level infrastructure.

Sarala’s microfinance programme is based on the model developed by the Association for Social Advancement (ASA), a leading MFI in Bangladesh. The model is group-based, and all the processes are standardised and documented. The groups are formed from the same locality, with each group having a homogenous profile. Before loans are sanctioned, all the members are given orientation on the group based lending concept, along with an orientation of the MFI’s microfinance programme by the field officers of the respective areas.

### Loan methodology and Product Offering

Sarala offers two loan products. (Refer to Table 1). Small Loan is the core loan product of the company. This loan scheme follows the ASA model - women borrowers are organised into thirty member groups. Small business loan is aimed at borrowers who have completed at least one loan cycle of small loans. All of the borrowers are women

Type	Small Loan	Small Business Loan
Purpose	Income Generation Projects	Income Generation Projects
Loan term/Duration	45 installments , with option of pre-closure after 41 installments	46 installments, with option of pre-closure after 42 installments.
Loan size	Starting at Rs 2,000 to Rs 6,000 and moving up Rs 2,000 in every cycle.	Starting at Rs 15,000 to Rs 25,000 and moving up Rs 3,000 in every cycle.
Interest rate	12.50 % on flat basis	15 % on a flat basis
Processing Fees & risk fund	2% of loan amount	2% of loan amount
Security deposit	10 % of loan amount	15% of loan amount
Repayment Frequency	Weekly	Weekly
Insurance	Loan cover through Life Insurance Company	Loan cover through Life Insurance Company

Sarala used to pay interest on the security deposits collected from its borrowers, which it has stopped since April, 2008. MFI has also been providing loan linked life insurance coverage to its borrowers since December, 2008. It also intends to cover all the spouses of borrowers under loan linked life insurance from November 1, 2009, which company at present is underwriting on its own using risk fund collected from the borrowers. Recently, SARALA also started offering Swayam Shakti Suraksha Endowment life insurance product of Bajaj Allianz on a voluntary basis to its members.

As on September 30, 2009, Sarala was present in four districts of West Bengal, with 31 branches and 76,200 members, of which 69,082 were borrowers. The company plans to expand its borrower base to around 100,000 with loan outstanding of Rs. 490 million through 50 branches by the end of 2009-10 (refers to financial year, April 1 to March 31).

### Management

Sarala's group methodology, its delivery model, and operational processes and control mechanisms are based on ASA model and MFI has replicated it to the local environment suitably with regular technical support from ASA, Bangladesh. This has also helped the MFI to scale up its microfinance operations despite a short track record of three years.

Sarala's credit appraisal and loan monitoring mechanisms are moderate. The initial verification of the borrower's credentials is done by the MFI's credit officer, and is appraised and sanctioned by the branch manager. All the small business loans are also appraised by the

regional managers of that particular region before disbursement. CRISIL believes that there is scope for further improvement in the MFI's loan approval process. For instance, borrower's other credit exposures are not adequately collected and further; branches do not undertake loan utilisation check after disbursement of the loan for higher ticket size loans. There is also a scope for improvement in the loan appraisal process for small business loans.

Sarala does not generate branch wise daily/weekly demand reports so it is not able to analyse the demand collection variance. The credit officers prepare their daily cash collection report and submit to branch office for updating the individual loan accounts of the borrowers. However, the regional managers visit the branches on a fortnightly basis and monitor the loan collections. Branches send their monthly reports to their respective regional managers, which are sent to head office.

Sarala's cash management system is adequate for its scale of operations, as all branches have their bank accounts. On each day, branches remit the collection amount to their respective bank accounts or transfer to the near by branches, and update the cash balance register daily. The head office plans disbursement schedules for the branches, based on the requisition received and the availability of funds.

At present, Sarala does not have an independent internal audit team, the head office mostly monitors the branch operations through the regular visits by regional managers and operations team of head office. CRISIL believes that the NGO-MFI needs to strengthen its internal audit process by having standardised internal audit manuals; audit reporting templates and having a full-time internal audit team for field visits, compliance, and follow up with the branches. At present, MFI is working with an external audit agency to develop an internal audit team. It has also hired a qualified chartered accountant to supervise the internal audit team going forward.

The MFI's branches do not have any computerised management information system (MIS) and maintain manual ledgers for cash balance, monthly collection, and disbursement, and individual loan registers. The current manual MIS system does not provide analytical reports to the senior management to critically review operations due to time lag and limited report generations. The present MIS may not be enough to support Sarala's growth plan. However, MFI is co-developing a loan monitoring software with a Bangalore based vendor and expects to roll out the computerised system by first half of next financial year. Any delay in timely implementation of a robust MIS system will constrain the future growth plans of MFI going forward.

Most of the present head office staff members are young and have a short experience in microfinance. However, they have adequate understanding of field level issues in microfinance. The present human resource policies of Sarala are good with adequate recruitment, induction and incentive policies in place.

### **Institutional Arrangement**

As on September 31, 2009, Sarala had a small five -member governing board; most of the members do not have any prior microfinance experience and have exposure to microfinance through their association with Sarala. The board meets on a quarterly basis and discusses important issues. Recently, Dr. Arabinda Sinha, the co-promoter of MFI has also joined the board. He worked as professor in a medical college and based out of United States. He has received training in microfinance from Harvard Business School and also visited Bangladesh

to gain exposure to ASA operations. The senior management is led by Mr. Pranab Rakshit, the co-promoter of company. The promoters and their relatives have also put in seed money in the form of interest free loan to Sarala. The promoters of company have understanding of the need to have improved systems and process controls and have plans to gradually transfer the current loan portfolio to a NBFC company. In CRISIL's opinion, a more diversified board consisting of professionals with banking, microfinance, or management background would be needed to support the present senior management team to take forward the MFI with the transformed legal status of a NBFC company, without major hiccups.

Sarala's senior management needs more orientation in the microfinance sphere to be matured enough to take higher responsibility.

### **Capital Adequacy and Asset Quality**

The MFI's capitalisation levels continue to remain moderate despite improvement in capital adequacy ratio (including risk fund) to 9.74 per cent as on September 30, 2009 from 7.98 per cent as on March 31, 2009. Similarly, the debt to net worth ratio (including risk fund as net worth) improved to 7.13 times as on September 30, 2009 from 9.42 times as on March 31, 2009. The improvement in net worth during this period is because of increase in internal accruals and risk fund. CRISIL has considered the risk fund as part of net worth based after the MFI had indicated to CRISIL that it has stopped insurance underwriting on its own with effect from November 1, 2009 and it has no liability towards its clients for insurance claims from the above mentioned date.

SWWS had a net worth of Rs. 25.63 million (including risk fund of Rs.9.94 million) as on September 30, 2009 and CRISIL believes that the accretions to reserves would be insufficient to support its aggressive growth plans. In September 2009, the MFI had obtained a sanction of Rs.7.5 million seven year loan (yet to be disbursed) from National Bank for Agriculture and Rural Development (NABARD). The capital adequacy will continue to remain below 10 per cent (factoring the above loan as Tier II capital) if the MFI achieves its projected loan portfolio of Rs.490 million by March 31, 2010.

Sarala has portfolio being current (collection on time) of 99.95 per cent as on September 30, 2009. The MFI gives one month's grace period to its borrowers before classifying the loan accounts into overdue. However, there is average tracking of loan accounts which are under grace period, which could result into asset quality to deteriorate going forward considering issues of multiple borrowings and migrations of borrowers in its area of operations. 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.

Sarala has made a loan loss provisioning of 1.55 per cent of average loan outstanding as on March 31, 2009, but is yet to implement any write-off policy. The absence of any loan linked life insurance cover to the spouses of borrowers further aggravates the credit risk of the MFI. It has already witnessed number of death of spouses of borrowers increasing significantly during the current financial year.

### Resources and Asset-Liability Management

Sarala has raised total borrowing of Rs. 181.73 million from six lenders as on September 30, 2009. The borrowing profile is moderately diversified with the highest borrowing from one lender (SBI) being 38 per cent as on above date. The weighted average cost of borrowing from various sources stood at 11.67 per cent during 2008-09. MFI has planned to borrow around Rs. 350 million from various lenders during 2009-10 against its disbursement target of Rs. 800 million. Against this target, it has received fresh sanctions of Rs. 67.70 million during the first half of current financial year. CRISIL is of the opinion that MFI has to explore funding from its existing lenders and other public sector banks to further diversify its funding profile.

CRISIL believes that extending repeat loans and providing timely credit is important in microfinance. Any delay in timely resource mobilisation might force the MFI to revise its disbursement plans.

Going forward, any fresh loan sanctions will come at higher interest rates than the MFI's present average cost of borrowing, thus putting further pressure on its interest margins. 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 Sarala has shown marked improvement during 2008-09, compared with previous years (Refer to Table 2). It has registered 214 per cent y-o-y growth in borrower base, 255 per cent growth in loan outstanding and 198 per cent growth in disbursements during the same period. The MFI had 459 borrowers per credit officer as on March 31, 2009, which is comparable to the average productivity levels of other MFIs adopting similar lending models. However, Sarala's operations are restricted to just four districts of West Bengal. For 2009-10, the company has plans to open up 14 new branches in Nadia and Murshidabad districts in addition to opening of 12 new branches in Kolkata city. In short to medium term, CRISIL believes that the growth in Sarala's loan portfolio will be driven by primarily the branches operating in the Greater Kolkata region, which is witnessing highly competitive microfinance activities.

Sarala has profitable operations, as reflected in its operational self-sufficiency ratio (OSS) being more than 100.00 per cent during the past two financial years. However CRISIL is of the opinion that Sarala's earnings profile may decline from present levels in short to medium term because of its cost of funding is likely to increase for the incremental borrowings.

<b>Operating indicators</b>	<b>Unit</b>	<b>Sep-09</b>	<b>Mar-09</b>	<b>Mar-08</b>	<b>Mar-07</b>
Borrowers	No.	69,082	46,334	14,763	4,826
Branches	No.	31	25	12	4
No. of credit officers	No.	139	101	41	18
Disbursements	Rs. million	141	285	95.55	18.62
Loan outstanding	Rs. million	247.32	183.44	51.72	13.80
<b>Productivity Indicators</b>					
Borrowers/ Branch	No.	2228	1853	1230	1206
Borrowers / Credit officer	No.	497	459	360	268
Loan outstanding / Branch	Rs. million	7.98	7.33	4.31	3.45

Loan outstanding / Credit officer	Rs. million	1.78	1.82	1.26	0.77
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### Scalability and Sustainability

Sarala has nearly three years of experience in undertaking microfinance operations in the Greater Kolkata region of West Bengal; now MFI has plans to expand and increase its scale of operations over the medium term. Its 's projections for 2009-10 assume an increase in advances to Rs. 491 million from Rs. 185 million in March 31, 2009. This appears ambitious considering its current resource profile and leveraged balance sheet. At the same time, any delay in transforming its microfinance operations under NBFC could impact its growth plan, limiting its growth in member base and geographical diversification to other territories.

CRISIL believes that the MFI has to further strengthen its internal audit process and institute the robust management information system commensurate with its growth plans.

CRISIL is of the opinion that Sarala has to adhere to its decision of stopping insurance underwriting of spouse of its borrowers to stave off any regulatory risk or negative grading action by CRISIL in subsequent grading exercises.

## 2 Annexures

<b>2.1 BUSINESS.....</b>	<b>11</b>
2.1.1 OUTREACH SUMMARY OF MICROFINANCE PROGRAMME .....	11
<b>2.2 BORROWING DETAILS AS OF SEPTEMBER 2009.....</b>	<b>11</b>
<b>2.3 AGING SCHEDULE.....</b>	<b>11</b>
<b>2.4 FINANCIALS OF SARALA.....</b>	<b>12</b>
2.4.1 INCOME AND EXPENDITURE STATEMENT .....	12
2.4.2 BALANCE SHEET .....	13
2.4.3 KEY FINANCIAL RATIOS.....	13
<b>2.5 FINANCIAL PROJECTIONS AS PROVIDED BY SARALA.....</b>	<b>15</b>
2.5.1 INCOME AND EXPENDITURE STATEMENT .....	15
2.5.2 BALANCE SHEET .....	16
2.5.3 KEY FINANCIAL RATIOS.....	16

## 2.1 Business

### 2.1.1 OUTREACH SUMMARY OF MICROFINANCE PROGRAMME

As at/ For the period ending	Unit	Sep-09	Mar-09	Mar-08	Mar-07
Groups	No.	3,126	2,306	944	374
Members	No.	76,200	53,932	19,838	6,941
Total Borrowers end of year	No.	69,082	46,334	14,763	4,826
Districts covered	No.	4	4	3	1
Women borrowers	%	100	100	100	100
Total loans disbursed	Rs. million	141.02	285.09	95.55	18.62
Total Loan Outstanding	Rs. million	247.32	183.44	51.72	13.80

## 2.2 Borrowing details as of September 2009

Rs. million

Lender name	Amount disbursed	Interest rate (%)	Loan tenor (Years)	Loan O/S	Repayment
ICICI Bank	10.00	11.5	3	0.33	Monthly
SIDBI	35.00	12.5	4	25.79	Quarterly
SIDBI(Transformational loans)	5.00	1	4	5	Quarterly
FWWB	43.00	12.5	1.5	48.33	Monthly
SBI	70.00	11	Cash credit	70.40	Cash credit
HDFC Bank	2.50	12.5	2	1.88	Quarterly
Maanaveeya Holding	15.00	15	3	30	Half yearly
<b>Total</b>	<b>180.5</b>			<b>181.73</b>	

## 2.3 Aging schedule

Rs. million

Particulars	Sep-09		Mar-09		Mar-08	
	Rs.Mn	%	Rs.Mn	%	Rs.Mn	%
Total outstanding balance associated with loans that are:						
Portfolio being current	247.19	99.95	183.39	99.97	51.71	99.98
Late (at least 1 payment)						
1 - 30 days	0.01	-	-	-	0.00	0.01
31 - 60 days	0.02	0.01	-	-	0.01	0.01
61-90 days	0.03	0.01	0.03	0.02	-	-
91 - 180 days	0.05	0.02	0.01	0.00	-	-
181 - 360 days	0.01	0.01	0.01	0.00	-	-
1 year or more	0.01	0.00	-	-	-	-
<b>Total loan outstanding</b>	<b>247.32</b>	<b>100.00</b>	<b>183.44</b>	<b>100.00</b>	<b>51.72</b>	<b>100.00</b>
<b>PAR &gt; 30 days</b>		<b>0.04</b>		<b>0.01</b>		<b>0.01</b>
<b>PAR &gt; 90 days</b>		<b>0.03</b>		<b>0.01</b>		<b>0.00</b>

## 2.4 Financials of Sarala

### 2.4.1 Income and Expenditure statement

For the year ended March 31,	Rs. million			
	2010 6 months	2009 12 months	2008 12 months	2007 12 months
<b>Fund based income</b>				
Interest income from loans	26.38	22.91	6.18	0.72
Income from bank deposits	0.00	0.38	0.13	0.04
<b>Total fund based income</b>	<b>26.38</b>	<b>23.29</b>	<b>6.32</b>	<b>0.76</b>
<b>Interest and finance charges</b>				
On borrowings	9.76	7.83	1.81	0.38
On deposits	0.00	0.00	0.18	0.02
Bank charges	0.00	0.67	0.05	0.04
<b>Total interest and finance charges paid</b>	<b>9.76</b>	<b>8.50</b>	<b>2.03</b>	<b>0.44</b>
<b>Gross spread</b>	<b>16.62</b>	<b>14.79</b>	<b>4.28</b>	<b>0.32</b>
<b>Fee based income</b>				
Membership fee	0.26	0.38	0.15	0.07
Other fee based income	0.18	0.16	0.05	0.01
<b>Total fee based income</b>	<b>0.43</b>	<b>0.54</b>	<b>0.21</b>	<b>0.08</b>
<b>Total income</b>	<b>26.81</b>	<b>23.83</b>	<b>6.52</b>	<b>0.84</b>
<b>Gross surplus</b>	<b>17.06</b>	<b>15.33</b>	<b>4.49</b>	<b>0.40</b>
<b>Expenses</b>				
Personnel expenses	4.65	3.91	1.34	0.33
Administrative expenses	2.61	4.19	1.19	0.44
<b>Total expenses</b>	<b>7.26</b>	<b>8.10</b>	<b>2.52</b>	<b>0.76</b>
<b>Total expenses</b>				
Provision for loan loss	0.64	1.83	-	-
<b>Total</b>	<b>0.64</b>	<b>1.83</b>	<b>0.00</b>	<b>0.00</b>
Depreciation	0.27	0.33	0.09	0.01
<b>Surplus/deficit before tax</b>	<b>8.89</b>	<b>5.06</b>	<b>1.88</b>	<b>-0.38</b>
Tax	2.75	-	0.01	0.01
<b>Surplus/deficit before revenue grants</b>	<b>6.14</b>	<b>5.06</b>	<b>1.87</b>	<b>-0.38</b>
Add: Operational grants	-	0.76	0.27	0.06
<b>Net Surplus</b>	<b>6.14</b>	<b>5.82</b>	<b>2.13</b>	<b>-0.33</b>

\* Sarala used to pay interest on the security deposits collected from the members till March 31, 2008

## 2.4.2 Balance Sheet

Rs.million

As at ,	Sep-09	Mar-09	Mar-08	Mar-07
<b>Liabilities</b>	<b>Un-audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Capital and capital grants	1.94	1.28	0.33	0.29
Reserves and surplus	13.78	7.98	1.88	-0.32
Less: Miscellaneous expenditure not written off	0.03	0.03	0.05	0.06
<b>Net worth</b>	<b>15.69</b>	<b>9.23</b>	<b>2.16</b>	<b>-0.09</b>
Secured Borrowings	181.73	143.62	38.87	14.30
Unsecured borrowings	1.16	1.38	1.38	1.17
<b>Total long term borrowings</b>	<b>182.89</b>	<b>145.00</b>	<b>40.25</b>	<b>15.48</b>
Security deposits	44.79	30.14	10.26	2.68
Risk Fund	9.94	6.15	1.89	0.36
Loan loss provision	2.47	1.83	0.00	0.00
Other current liabilities	8.15	0.72	0.18	0.49
<b>Total current liabilities</b>	<b>65.36</b>	<b>38.85</b>	<b>12.33</b>	<b>3.53</b>
<b>Total liabilities</b>	<b>263.93</b>	<b>193.08</b>	<b>54.75</b>	<b>18.91</b>
<b>Assets</b>				
Loans and advances	247.32	184.94	51.37	13.80
Bank deposits	6.14	6.14	2.18	1.63
Cash & bank balances	0.87	0.30	0.16	3.03
Other current assets	7.32		0.47	0.20
<b>Total current assets</b>	<b>8.19</b>	<b>0.30</b>	<b>0.63</b>	<b>3.23</b>
<b>Total funds deployed</b>	<b>261.64</b>	<b>191.38</b>	<b>54.18</b>	<b>18.66</b>
Net fixed assets	2.28	1.70	0.56	0.25
<b>Total assets</b>	<b>263.93</b>	<b>193.08</b>	<b>54.75</b>	<b>18.91</b>

## 2.4.3 Key financial ratios

In per cent

As at / For the period ended,	Mar-09	Mar-08	Mar-07
<b>Yield</b>			
Fund based yield	18.97	17.34	4.07
Portfolio yield	19.39	18.97	5.24
Fee based income / Avg. loan outstanding	0.46	0.63	0.58
Total income / Avg. funds deployed	19.41	17.91	4.51
<b>Cost of borrowings</b>			
Interest paid / Avg. borrowings	9.17	5.92	2.87
<b>Interest spread</b>			
Gross spread / Avg. funds deployed	12.04	11.76	1.70
Interest spread	9.79	11.42	1.21
<b>Overheads</b>			
Operating expenses / Disbursements	2.96	2.73	4.16
Operating expense ratio	6.87	7.17	4.15
Personnel expense ratio	3.18	3.67	1.74
Administrative expense ratio	3.42	3.26	2.35
<b>Profitability</b>			

MFI Grading Report: Sarala Women Welfare Society

Return on net worth	102.23	206.12	350.26
Return on funds deployed	4.74	5.85%	-1.74
Operational self sufficiency (OSS)	126.99	140.45	69.02
<b>Asset quality</b>			
Provisioning / Average loan outstanding	1.55	-	-
<b>Capitalisation</b>			
Capital adequacy *	9.74	7.98	NM

\* Capital adequacy is calculated after adding risk fund to the Net worth of Company

NM: Not meaningful

## 2.5 Financial Projections as provided by Sarala

### 2.5.1 Income and Expenditure statement

	Rs. million		
For the year ended March 31,	2012	2011	2010
<b>Fund based income</b>			
Interest income from loans	373.75	150.14	54.68
Income from bank deposits	4.87	1.93	0.78
<b>Total fund based income</b>	<b>378.62</b>	<b>152.07</b>	<b>55.46</b>
<b>Interest paid</b>			
Total interest and finance charges paid	166.22	71.86	30.39
<b>Gross spread</b>	<b>212.39</b>	<b>80.22</b>	<b>25.07</b>
<b>Total fee based income</b>	<b>2.24</b>	<b>1.15</b>	<b>0.72</b>
<b>Total income</b>	<b>380.86</b>	<b>153.23</b>	<b>56.18</b>
<b>Gross surplus</b>	<b>214.63</b>	<b>81.37</b>	<b>25.79</b>
<b>Expenses</b>			
Personnel expenses	34.34	17.17	8.59
Administrative expenses	24.04	12.04	6.03
<b>Total expenses</b>	<b>58.39</b>	<b>29.21</b>	<b>14.61</b>
<b>Write-offs and provisions</b>			
Provision for loan loss	38.55	12.56	3.08
<b>Total</b>	<b>38.55</b>	<b>12.56</b>	<b>3.08</b>
Depreciation	1.95	1.20	0.70
<b>Surplus/deficit before tax</b>	<b>115.75</b>	<b>38.40</b>	<b>7.40</b>
Tax	39.19	13.33	2.77
<b>Surplus/deficit before revenue grants</b>	<b>76.56</b>	<b>25.07</b>	<b>4.63</b>
Add: Grants and donations	3.00	2.00	1.00
<b>Net surplus</b>	<b>79.56</b>	<b>27.07</b>	<b>5.63</b>

## 2.5.2 Balance Sheet

Rs.million

As at March 31,	2012	2011	2010
<b>Liabilities</b>			
Capital reserve/capital grants	0.20	0.15	0.13
Reserves and surplus	291.34	108.28	38.40
<b>Net worth</b>	<b>291.54</b>	<b>108.43</b>	<b>38.53</b>
<b>Total long term borrowings</b>	<b>2087.42</b>	<b>896.16</b>	<b>396.25</b>
Security deposit	493.33	195.83	73.33
Provision for loan loss	56.03	17.48	4.91
Other Liabilities	18.91	8.91	3.91
<b>Total current liabilities</b>	<b>74.94</b>	<b>26.39</b>	<b>8.83</b>
<b>Total liabilities</b>	<b>2947.23</b>	<b>1226.81</b>	<b>516.94</b>
<b>Assets</b>			
Loans and advances	2801.37	1165.12	491.37
Cash & bank balances	13.48	5.67	2.27
Deposits with banks	93.01	36.76	14.76
Other current assets	32.58	14.71	5.78
<b>Total current assets</b>	<b>139.06</b>	<b>57.13</b>	<b>22.81</b>
<b>Total funds deployed</b>	<b>2940.44</b>	<b>1222.26</b>	<b>514.18</b>
Net fixed assets	6.80	4.55	2.75
<b>Total Assets</b>	<b>2947.23</b>	<b>1226.81</b>	<b>516.94</b>

## 2.5.3 Key Financial Ratios

In per cent

Year ended	2012	2011	2010
<b>Yield</b>			
Fund based yield	18.19	17.52	15.72
Portfolio yield	18.85	18.13	16.17
Fee based income / Avg. funds deployed	0.11	0.1	0.20
Total income / Avg. funds deployed	18.30	17.65	15.92
<b>Cost of borrowings</b>			
Interest paid/Avg. borrowings	11.14	11.12	9.99
<b>Overheads</b>			
Operating expense ratio	2.90	3.50	4.34
Personnel expense ratio	1.65	1.98	2.43
Administrative expense ratio	1.16	1.39	1.71
<b>Profitability</b>			
Return on net worth	39.78	36.83	29.29
Return on funds deployed	3.82	3.12	1.60
Operational self sufficiency	143.66	133.44	115.17
<b>Asset quality</b>			
Loan loss provisions / Average loan outstanding	1.94	1.52	0.91
<b>Capitalisation</b>			
Total debt/net worth (times)	7.16	8.27	10.28
Capital adequacy	10.26	9.15	7.71