

Mr Bishwajit Das,
Secretary
Belghoria Janakalyan Samity
AE-592, Sector – 1,
Salt Lake City,
Kolkata – 700064

March 09, 2018

Confidential

Dear Sir,

Grading of Micro Financing Institution (MFI)

Please refer to our letter dated March 05, 2018 on the captioned subject.

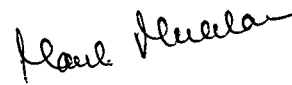
1. As already advised, our Rating Committee has assigned a grading of 'MFI 3+' (MFI Three Plus) to your organisation.
2. The rationale for the grading is enclosed as an **Annexure - I** to this letter.
3. CARE's grading is an opinion of CARE on the relative capability of the organisation to undertake micro-financing activity and does not constitute a recommendation to buy, hold or sell any financial instrument issued by the organisation or to make loans/ donations/ grants to the said organisation.

Thanking you,

Yours faithfully,



Pradip Singh
Analyst
pradip.singh@careratings.com



Mamta Muklania
Assistant General Manager
mamta.khemka@careratings.com

Encl. – As above

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

Annexure - I
Belghoria Janakalyan Samity
MFI Grading Report

Year of establishment	2006	'MFI 3+' (MFI Three Plus) Fourth on an eight point scale with "MFI 1" being the highest and "MFI 5" being the lowest
Legal status	Registered Society	
Year of commencement of microfinance operations	2006	
Lending model	Self-Help group based individual lending	
Secretary	Mr. Bishwajit Das	
Number of states of operation	1 states (as on December 31, 2017)	
Branches	25 (as on December 31, 2017)	
Employees	136 (as on December 31, 2017)	

CARE has assigned grading of '**MFI 3+**' to **Belghoria Janakalyan Samity (BJS)**. The grading is assigned on an eight point scale with 'MFI 1' being the highest and 'MFI 5' being the lowest. There is no individual definition for each grading. CARE's MFI grading is a measure of overall performance of the MFI based on TOSS framework.

Credit Analysis and Research Ltd

March 09, 2018

pe

BP

TOSS FRAMEWORK

Transparency	
	Above Average
<ul style="list-style-type: none"> ○ Constituted as a society (Society Registration Number: S/1L/36292) under the West Bengal Societies Registration Act, 1961. ○ Experienced founder and reasonably experienced governing body members, which meets on a bi-monthly basis. ○ Existence of monitoring committees like HR, audit, grievance redressals committee etc. ○ Credit policies are well-established, documented and communicated. ○ Transparency in lending process and monitoring of end use of funds is adequate. The borrowers are aware of the lending policies of the society. ○ Overall disclosures are adequate. ○ The auditor has submitted an unqualified audit report and satisfactory feedback about the society. ○ Separate internal audit team is in place with 3-member audit team reporting directly to the board. Internal audit of branches is conducted on quarterly basis and the report is directly submitted to the audit committee and the governing body. ○ Information on operational and financial details are available in the public domain is high ○ BJS is a member of three credit bureaus, Equifax, High Mark & Experian and also a member of self-regulatory organization - Sa-Dhan 	
Operational Setup	
	Strong
<ul style="list-style-type: none"> ○ Long experience of founders in the area of banking & financial services and MFI sector. ○ Supported by seven-member executive committee with experience in the microfinance, banking & financial services. ○ BJS has a well-defined organisation structure with a 4-tier reporting hierarchy and existence of separate departments with clearly defined roles. ○ The society provides loan on Self-Help group based approach to women individuals only. ○ Well established and documented HR policies. ○ Senior management provides training to employees moreover, it Organizes training of employees with a separate trainer. senior management also participates in external training program ○ Adequate loan appraisal & monitoring systems ○ MIS is adequate for current level of operations with satisfactory degree of computerization at branches and head office. MIS is maintained through a software package named 'BIJLI' developed by Force Ten Technologies which is integrated with accounting software. ○ Adequate risk management system for tracking over-dues and collection of delinquent loans are in place ○ Separate bank account is maintained for each branch. The amount collected by the branches from the borrowers is deposited into the bank account of the HO on a regular basis (daily or on next day). ○ Loan disbursements are made by the branches through cash mode only. ○ Takes insurance cover for borrowers from Life Insurance Corporation of India (LIC). However, insurance for cash in transit and cash in safe are absent. 	
Scale of Operations	
	Small
<ul style="list-style-type: none"> ○ Operates in 6 districts of West Bengal through a network of 25 branches. ○ BJS is a small sized MFI player with a loan portfolio stood at Rs. 31.40 cr as on Mar 31, 2017 (22.50 cr as on Mar 31, 2016) and Rs.39.62 cr as on Dec 31, 2017. ○ Low borrower base, covering 27,846 active borrowers as on Mar 31, 2017 (21,952as on Mar 31, 2016) and 28,195 active borrowers as on Dec 31, 2017. ○ BJS has six loan products. 	
Sustainability	
	Above Average

- Reasonable second line of leadership. Majority of senior management has adequate experience to manage the growing scale of operations
- Moderate operating risk profile where OSS stood at 121.19% in FY17. ROTA improved to 4.23 % in FY17 as against 2.44% in FY16.
- The asset quality stood at comfortable levels in the past three years. PAR>30 days remained at 1.83% as on Mar 31, 2017, which further improved to 1.04% as on Dec 31, 2017
- The CAR remained adequate at 37.27% as on Mar 31, 2017 (36.55% as on March 31, 2016) and 27.88% as on Dec 31, 2017.
- Has presence in the state of West Bengal only. West Bengal has low penetration of MFIs's.
- The sector faces socio-political risks, regulatory uncertainty but has huge unmet potential demand.

Impact of Demonetization & Industry Outlook -

On account of various events post demonetization, collection efficiency of the MFIs has deteriorated. This has impacted the asset quality of the MFIs leading to increase in credit costs. It is expected that the loss on account of this event is likely to be in the range of 5-10% of the total loan portfolio of different MFIs.

Given the current situation and any further deterioration in the situation from hereon, the profitability of the MFIs are expected to take a severe hit in FY18 on account of higher provisioning costs. Overall FY18 is expected to be a challenging year for the sector with growth expected to moderate on the back of demonetization as the MFIs will primarily concentrate on overhaul of entire operations to minimize future losses. CARE expects the portfolio growth to be around 25 to 30% y-o-y in FY18 as compared to 50-60% y-o-y growth achieved in the past few years.

However given the market potential, the sector is likely to continue its high growth post normalization of situation with MFIs continuing to attract funds and improving operational efficiencies to maintain profitability.

Current focus of the microfinance sector is mainly on micro-credit with other products still evolving including thrift, insurance and remittance etc. Going forward, MFIs are likely to expand their client base and reach out to more underserved areas of the country.

We believe that the microfinance sector has adapted to the new business environment more than three years post the AP crisis. This phase is expected to be characterized by a more stable regulatory environment, steady availability of funds, improving profitability with comfortable asset quality & capital adequacy and relatively lesser impact of concentration risk. While we see improvement in credit profiles on account of the above factors, credit view will continue to factor in risks associated with unsecured lending, socio-political intervention, geographic concentration and operational risks related to cash based transaction. Entity specific parameters relating to scale of operations, other operational parameters and financial profile along with above factors will determine individual MFI credit views.

PP

He

GRADING RATIONALE

Belghoria Janakalyan Samity (BJS) was established in June, 2006, as a society, registered under West Bengal Societies Registration Act, 1961. BJS commenced microfinance activity in Bashirhat region of 24 Parganas (North), West Bengal from 2006.

It started lending under the 'Self-Help Group' (SHG) based lending model, with modest contributions from its founding members. Over the years, the society has received funding support from various financial institutions enabling it to scale up its operations.

The main objective of BJS is to provide loans to the rural poor who do not have access to banking facilities for their economic upliftment. Major activities of BJS include the following:

- Formation and nurturing of SHGs
- Inculcating savings habit among the poor.
- Imparting skill to the SHG members by way of giving vocational training on various income generating activities
- Organizing health camps, eye camps and medical check-up camps.
- Knowledge development via financial literacy and awareness campaigns.

This apart, BJS also runs a non-formal primary school for kids between the age of 3-10 years in Baduria, West Bengal. Around 40 underprivileged students from the adjoining area are admitted in the school. It has also set-up BJS School of Financial Literacy, in collaboration with ISMW (Indian School of Microfinance for Women), for imparting financial literacy to poor women. BJS also runs a handicraft training center for imparting such skills to the poor free of cost. BJS also started a project 'Targeting Hardcore Poor' with financial and technical support of Bandhan. The project involves selection of 100 very poor women who have been selected under a pre-set selection criteria for uplifting their economic condition. These women are provided training to earn their livelihood and income generating assets are distributed among them based on their desire and capability. Their activities are monitored closely and any further support which is required by them is provided.

The day-to-day activities of BJS are looked after by Mr. Bishwajit Das. Secretary who was earlier employed with Bandhan Financial Services Pvt. Ltd for a period of seven years. As on December 31, 2017, BJS is operating in 6 districts of West Bengal managed through a network of 25 branches and have 28,195 active borrowers. The operations of the society are managed by a workforce of 136 employees as on Dec 31, 2017.

TRANSPARENCY

Governance	<ul style="list-style-type: none"> • BJS was incorporated in 2006 and is registered as a society registered under West Bengal Societies Registration Act, 1961. • BJS is governed by a board consisting of 7 (Seven) members • Majority of the governing body members have adequate experience in their respective areas of specialization. Members meet on a bi-monthly basis. • BJS has formed various monitoring committees like HR, audit, grievance redressals committee etc. The monitoring committee meets on a monthly basis to monitor the progress and discuss the financial and operational performance of the organization.
Transparency in lending process	<ul style="list-style-type: none"> • The lending policies (including interest rate, processing fees and other charges) are clearly communicated to the borrowers at group meetings through training programs & orientations. Borrowers are made to sign a loan agreement clearly stating the terms & conditions and the covenants, thereof. Majority of borrowers are aware about the credit policies. The set of rules and regulations in relation to the lending policies are also displayed at the branches of the society through boards. BJS also runs background checks through Credit Bureaus (mainly High Mark and Equifax). • Following points are also communicated through written documents: <ul style="list-style-type: none"> ➤ Interest rate ➤ Processing fees ➤ Loan tenure and payment schedule
Audit Quality	<ul style="list-style-type: none"> • The auditor has given an unqualified report and satisfactory feedback.
Internal Controls	<p>Internal Audit</p> <p>Internal audit of BJS is conducted by three members having adequate working experience with microfinance institutes and knowledge about the organizational policies on accounting. Audit of branches are conducted on quarterly basis and report is submitted directly to the Audit committee.</p> <p>Branch office audit</p> <p>Internal audit is done at all the branches of BJS on quarterly basis with well-defined audit calendar. The objective of the department is to monitor and evaluate financial as well as operational data and borrower level processes.</p>
Policies	<ul style="list-style-type: none"> • Credit policies are clearly defined and documented (embedded in the operation manual) • Credit policies are strictly adhered to for formation of groups, field verification and credit appraisal. • Credit policy communication is done verbally through group meetings and training sessions to the group members. • HR policies are clearly defined and documented. • HR policies encompass recruitment and selection, induction and training, performance management and compensation management.
Transparency in utilization of funds	<ul style="list-style-type: none"> • Submits information/ book debt statements as per the requirement of the lender. • Report is submitted to banks and financial institutions on a

RP

5

per

	<p>monthly/quarterly basis as per the stipulation of the lender.</p> <ul style="list-style-type: none"> Reporting to lenders on collection and delinquency is also provided on regular basis.
Overall disclosures	<ul style="list-style-type: none"> BJS is regular in submitting operational and financial information to external associations and agencies like Sa-dhan, Equifax, Experian and High Mark Credit Bureau. Public domain disclosure of information about BJS is adequate.
Grievance redressals mechanism	<ul style="list-style-type: none"> BJS has a grievance redressals mechanism in place with a helpline number printed in the loan card/application form.

OPERATIONAL SETUP

Management	<ul style="list-style-type: none"> The board is headed by Mr Satyabrata Chakraborty, President. He is associated with BJS for about a decade. The day to day affairs of the society is handled by Mr Biswajit Das (Secretary) having more than two and half decade of experience in the micro finance sector. BJS has seven member governing body with strong academic and managerial expertise in banking, finance, microfinance and social developmental services.
Organizational Structure	<ul style="list-style-type: none"> BJS has a well-defined organization structure with a 4-tier reporting hierarchy whereby it has, Credit officers (CO), Branch Managers (BM), Regional Manager (RM), Departmental heads, Secretary/Chief Executive Officer (CEO) and the Executive committee. The society has been able to engage professionals in different departments, all having considerable experience in their area of expertise. It has created separate departments with clearly demarcated roles and responsibilities for handling different functions. The detail organization structure is presented in Annexures.
Level of decentralization of branches	<ul style="list-style-type: none"> BJS has decentralized operations with branches handling the field verification, appraisal, sanctioning, collection and disbursement processes in accordance with the society's operational policies. However, branches depend on HO for formulation of policy matters. At the branch level, the Branch Manager (BM) is supported by CO's to carry out the field level operations. The disbursements are made at the branch level.
Second line of leadership	<ul style="list-style-type: none"> Senior members have strong and diversified experience in fields of financial services, agriculture & other social developmental activities. Majority of the senior members understand the issues involved in day-to-day functioning and are involved in strategic decision making of the organization. Thus, at present BJS has reasonable second line of leadership. Brief profile of the senior management is provided in Annexure.
Human resources management	<ul style="list-style-type: none"> Recruitment is done through employee referrals, advertisements in local dailies, society website, etc. followed by written test and a series of interviews with senior management. The recruitment process is centralized at HO and mainly handled by the senior management.

6 *DB* *me*

- Compulsory induction training is given to all new recruits on joining for about 4 days at field.
- Training is given to fresh employees in HO by the senior management members and an experienced trainer. Apart from this, periodic training programmes are also conducted for staffs on a regular basis. The senior management members participate in external training programs, workshops and conferences.
- The compensation structure of the employees contains the following components:
 1. Fixed Pay: The fixed pay includes Basic and a fixed amount as allowance.
 2. Other Expenses: The employees are provided with reimbursements of their travel expenses as per the organization's policy.
 3. All the statutory employee benefits such as PF, ESI, etc. are being provided to all the employees.
- Performance appraisal is conducted once each year.
- The recruitment process is centralized at Head Office (HO) and is mainly handled by the HR manager under the guidance of the senior management.
- Total staff strength of 136 employees of which 88 are field officers as on December 31, 2017.

Particulars	No. of employees
Senior Management	7
Credit Officer	88
Branch Manager	25
Regional Manager	5
Divisional Manager	1
Others (HO staff) –	10
Total	136

- Credit officers and BMs are mostly graduates.

Education	X	XII	Graduate	Masters	Total
CO	0	34	52	2	88
BM	0	12	12	1	25
RM	0	1	4	0	5
DM	0	0	1	0	1
Others	0	0	9	8	17

- Experience amongst the CO's varies but notable portion of the total strength have more than one year experience.

Experience	Number of years of Experience in MF					Total
	1	2-4	5-7	7-10	>10	
CO	49	35	4	0	0	88
BM	0	10	15	0	0	25
RM	0	0	2	2	1	5
DM	0	0	0	0	1	1
Others	0	3	5	0	9	17

- Attrition rate was moderate at 9.65% in FY17.

Operational methodology

BJS has adopted SHG model in the rural areas. The process followed by BJS in SHG model is explained below :

- A dedicated team along with people from operations selects potential areas based on demographic and socio-economic profile. The CO visits the local

7 *h*

	<p>areas & villages, interacts with potential customers regarding BJS's retail lending activity and their financial requirement.</p> <ul style="list-style-type: none"> ➤ SHG is formed when a CO is able to gather at least 8-10 women members (between the age of 18-58 years). • A Compulsory Group orientation programme (GOP) is provided to the eligible clients prior to lending to them for a minimum period of four weeks in group meeting. In these training, the SHG members are taught about the mission, vision, objectives, loan products, services offered by BJS, group liabilities, BJS's Grievance Redressals mechanism and importance of savings. During each session, the CO records the date, time and names of all those present. A physical verification (home visit for Client profile) is also scheduled during GOP. • GOP is followed by Group Recognition Test (GRT) conducted by the BM. Only when a group qualifies the GRT and also the members qualify the lending criteria, loan is provided to them. • Each group members elects a group leader to manage the operations of the group.
<p>Appraisal process</p>	<p>Appraisal process for SHG model</p> <ul style="list-style-type: none"> • Appraisal, disbursement and collection process is handled independently by the branches. The branches are dependent on HO for funds and other technical support including HR and MIS. HO keeps track of operations of branches through regular reporting by the branches and supervisory staff and internal audit. • Loan application is collected by CO, who then makes a visit to the prospective member's household and/or business place and examines the credit history, business prospects and other aspects. • Then CO submits the loan application to BM along with KYC documents. • BM then performs independent group verification assessment of the members. • Applications are then processed by him and are disbursed on his/her approval. • Appraisal process is handled independently by the branches where the ultimate authority of sanctioning of loans lies with the BM. • Criteria for sanctioning of loans (loan size, tenure, purpose etc.) are defined and documented. The criteria for credit policies are adequate. • During appraisal, the documents that are collected from the borrower are photo id proof, and address proof. The documentation is adequate. • As per the policy of BJS, Members who are clients of more than one MFI are not eligible to become members and must fall within the income criteria as stipulated by RBI directions for rural and urban areas. This is checked through household cash flow analysis in each loan cycle. A self-declaration in this regard is also obtained from the client • All loans are sanctioned by the BM based on recommendations of CO. Cash flows of clients are checked before sanction. However, client's income surplus is considered for deciding loan amount or loan tenure.
<p>Disbursement process</p>	<p>Disbursement process for SHG model:</p>

ps

	<ul style="list-style-type: none"> • Reasonable level of documentation is done during disbursement. • The disbursements are made in cash directly to the borrowers. • Cash disbursements are made to the borrowers in the presence of at least two COs and BM at the branch office. • Receipt voucher is collected from the borrower at the time of disbursement. • Loan passbooks are provided to individual borrowers and loan register is maintained at group level. • Loan utilization checks are conducted by the BM or CO with 15/20 days after disbursement. • Subsequent loans are based on repayment capacity and credit history of the borrower. The branches conduct loan utilization checks frequently by physical visit to the borrowers. The report of the visit is prepared and sent to the HO.
Loan collection process	<ul style="list-style-type: none"> • Collection is made by CO in cash. • Collection is done on weekly basis in group meetings by the CO as per the demand collection sheet. Entry is done at individual level (individual pass book) and also at group level (group loan register). The cash collected is deposited into the bank account on the same day by the CO. • Loan collection tracking is done at the branch level through the loan register. Monitoring is done at the HO. • Reporting by the branches to HO after collection is done on daily basis. • Credit discipline of borrowers: Attendance of borrowers is more than 90%. The meetings are conducted on a regular basis with no penalties imposed. Borrowers maintain the relevant documents provided by the MFI, i.e. loan repayment card and receipts. • Borrowers per loan officer and gross loan portfolio per loan officer is moderate. No of borrowers per loan officer is 553 and gross loan portfolio per loan officer is approx. Rs.0.45 crore (as on December 31, 2017)
Overdue management process	<ul style="list-style-type: none"> • In the initial stages of over-due, CO does the follow up and if the overdue period is elongated then the BM steps in to make recovery. In case of non-recovery of loan by the BM, RM and Operation Manager step in and make efforts for recovery. No undue influence and coercion is used in the process of recovery. No late penalty charges are levied. <p>Overall, BJS's collection and overdue monitoring system is good.</p>
Management Information Systems	<ul style="list-style-type: none"> • BJS uses BIJLI (Business Information Justified and Logically Integrated, on-line software developed by Force Ten Technologies) • All types of reports including overdue report and demand collection report at branch level can be generated within a short span of time. The software is also used for financial consolidation and reporting. All the branches are connected to the HO through the network ensuring access to real time data. The software provides all levels of management access to the central server, thereby improving supervision, control and decision making. • The database of BJS is maintained by Force-Ten Technologies Pvt. Ltd in Kolkata. Further, the society has a backup cloud based server to ensure efficient functioning, maintenance and disaster management. • The MIS helps tracking every client, group, center, branch, territory, region,

9  

	<p>zone and the society in its entirety.</p> <ul style="list-style-type: none"> The MIS is used to generate various reports including: <ul style="list-style-type: none"> Branch Summary Disbursement and Collections, Portfolio Summary – Loan Size, Purpose, Region wise, Loan Cycle wise outstanding Loan Overdue Report Lender and Securitization Information <p><i>The MIS system at BJS is adequate for the current level of operations as it provides information for the loan portfolio management both at the operational level and managerial level, including among others the breakdowns by sector, loan-size, geographical spread and lender-wise portfolio. It also helps in maintaining security of data and faster access to reports for day-to-day monitoring.</i></p>
Cash management systems	<ul style="list-style-type: none"> BJS has reasonable cash management systems in place at all branches. BJS has opened separate bank accounts for each of the branches Branches deposits cash in the branch bank account on the same day or next day of collection. Cash vaults/Almirah is present at every branch for safe keeping of cash. Loan is disbursed by cash mode only. Funds that need to be transferred from HO to branches are done through RTGS. Salaries of the employees and reimbursement of expenses are paid in bank accounts. The details of transactions for the day are updated in the MIS on a daily basis.
Insurance	<ul style="list-style-type: none"> BJS takes insurance cover for borrowers from Life Insurance Corporation of India (LIC). However, insurance for cash in transit and cash in safe are absent.

SCALE OF OPERATIONS

Key Factors	
Client base (Number)	<ul style="list-style-type: none"> BJS extends loans to SHGs. The SHG groups associated with BJS have all women members. Number of active SHG groups as on Dec 31, 2017 was 2241 with 28,195 active borrowers.
Assets under management	<ul style="list-style-type: none"> Loan disbursed during FY17 was Rs. 62.91 crore and Rs.57.38 crore during 9MFY18. Outstanding portfolio stood at Rs. 31.40 crore as on Mar.31, 2017 and Rs.39.62 cr as on Dec 31, 2017
Geographical diversification	<ul style="list-style-type: none"> Concentrated presence in the state of West Bengal only. Presence in 6 districts covering 466 villages across the state of West Bengal with 25 branches (as on Dec 31,2017)
Total income	<ul style="list-style-type: none"> Total income stood at Rs.8.53 crore in FY17

SUSTAINABILITY

	FY15	FY16	FY17	9MFY18

	FY15	FY16	FY17	9MFY18
Financial Performance	A	A	A	UA
Interest on Loans	2.31	4.04	7.55	6.93
Loan processing fees	0.20	0.44	0.61	
Other operating income	0.19	0.20	0.37	0.26
Total income	2.70	4.68	8.53	7.23
Financial cost	0.88	2.02	3.71	3.29
Net interest income	1.43	2.02	3.84	3.64
Total operating expenses (incl. depreciation)	1.41	1.99	3.26	2.34
Total Provision / Write offs	0.03	0.12	0.15	0.08
Net surplus	0.38	0.55	1.41	1.22
Financial Position				
Net worth	5.06	8.14	11.77	10.83
Total Debt	10.43	20.73	25.18	36.82
Loan outstanding – own	10.50	22.50	31.40	39.62
Assets under management	10.50	22.50	31.40	39.62
Total Assets	15.65	29.19	37.56	48.33
Key ratios (%)				
Growth Ratios				
Total Assets	87.98	86.51	28.71	
Loan Portfolio	36.28	114.38	39.51	
Total Debt	109.08	98.79	21.46	
Total Income	45.58	73.21	82.28	
Surplus	44.26	43.92	158.50	
Solvency Ratios				
Overall Gearing (times)	2.06	2.55	2.14	3.40
Interest coverage (times)	1.53	1.36	1.44	
CAR %	48.03	36.55	37.27	27.88
Profitability & Operating Efficiency Ratios (%)				
Interest income/Interest earning assets (A)	25.39	24.51	28.03	
Interest / Avg. borrowed funds (B)	11.43	12.99	16.18	
Interest spread (A-B)	13.96	11.52	11.85	
Net Interest Margin (NIM)	11.92	9.01	11.51	
Other income/Average Total Assets	3.27	2.84	2.93	
Total Income/Average Total Assets	22.55	20.88	25.57	
Net Total Income/Average Total Assets	15.20	11.85	14.43	
Operating Exp. / Average Total Assets	11.80	8.88	9.75	
Loan loss provision & write offs/ Avg. Total Asset	0.23	0.54	0.45	
Return on total assets (PAT / Avg. Total Assets)	3.17	2.44	4.23	
Operational Self- Sufficiency	119.62	114.98	121.19	
Financial Self-Sufficiency	112.72	109.78	115.80	
Operating Expense Ratio (OCR)	12.16	9.52	10.35	
Surplus/ Total Income	14.04	11.67	16.55	

	FY15	FY16	FY17	9MFY18
RONW	9.16	8.27	14.18	
PAR > 30 days (%)	0.09	0.03	1.82	
PAR > 90 days (%)	0.03	0.03	0.19	

Earnings profile

BJS has registered a CAGR of about 72.93% in its outstanding Loan portfolio during FY15-FY17 and the same has increased from Rs.10.50 crore as on March 31, 2015 to Rs.31.40 crore as on March 31, 2017. However, with improved Loan portfolio the NIM moderated from 11.92% in FY15 to 11.51% in FY17. The moderation in NIM is due to avilment of high interest yielding loans from various NBFCS to boost the loan portfolio.

Operating expenses (excluding provision & write-off)/average total assets improved from 11.80% in FY15 to 9.95% in FY17 on the back of increased scale of operation and better utilization of human resources. Provisioning & write-off /average total assets deteriorated marginally from 0.23x in FY15 to 0.45x in FY17 due to marginal deterioration in asset quality. ROTA improved from 3.17% in FY15 to 4.23% in FY17 mainly due to improvement in PAT level.

Asset Quality

BJS has been lending to a high risk segment, still it has been able to maintain a reasonable track record. Asset quality is healthy with portfolio at risk greater than 30 days (PAR>30 days) at 1.82% as on Mar 31, 2017.

Capitalization

During FY17, BJS availed funds aggregating to Rs.2.00 crore from SIDBI as subordinated loan, Rs.0.70 crore as interest free loan from KIVA, USA and Rs.15.05 crore in the form of debt. In view of increased debts CAR deteriorated from 48.03% as on Mar 31, 2015 to 37.27% as on March 31, 2017. Moreover, during 9MFY17, BJS has further availed loan from various financial institutions which further led to deterioration in CAR to 27.88% as on Dec 31, 2017.

Detail financial performance of BJS is provided in **Annexure**.

Operational Sustainability

Operational Sustainability	
Second line of leadership	<ul style="list-style-type: none"> Majority of the senior members understand the issues involved in day to day functioning. Involved in strategic decisions as they have developed a good understanding of the microfinance sector. Senior members are experienced in fields like banking & financial services & other social developmental activities.
Competition	<ul style="list-style-type: none"> BJS is operating in the state of West Bengal only. West Bengal has high

	penetration of MFIs.
Industry Outlook & Competition	<p>Impact of Demonetization & Industry Outlook -</p> <p>On account of various events post demonetization, collection efficiency of the MFIs has deteriorated. This has impacted the asset quality of the MFIs leading to increase in credit costs. It is expected that the loss on account of this event is likely to be in the range of 5-10% of the total loan portfolio of different MFIs.</p> <p>Given the current situation and any further deterioration in the situation from hereon, the profitability of the MFIs are expected to take a severe hit in FY18 on account of higher provisioning costs. Overall FY18 is expected to be a challenging year for the sector with growth expected to moderate on the back of demonetization as the MFIs will primarily concentrate on overhaul of entire operations to minimize future losses. CARE expects the portfolio growth to be around 25 to 30% y-o-y in FY18 as compared to 50-60% y-o-y growth achieved in the past few years.</p> <p>However given the market potential, the sector is likely to continue its high growth post normalization of situation with MFIs continuing to attract funds and improving operational efficiencies to maintain profitability.</p> <p>Current focus of the microfinance sector is mainly on micro-credit with other products still evolving including thrift, insurance and remittance etc. Going forward, MFIs are likely to expand their client base and reach out to more underserved areas of the country.</p> <p>We believe that the microfinance sector has adapted to the new business environment more than three years post the AP crisis. This phase is expected to be characterized by a more stable regulatory environment, steady availability of funds, improving profitability with comfortable asset quality & capital adequacy and relatively lesser impact of concentration risk. While we see improvement in credit profiles on account of the above factors, credit view will continue to factor in risks associated with unsecured lending, socio-political intervention, geographic concentration and operational risks related to cash based transaction. Entity specific parameters relating to scale of operations, other operational parameters and financial profile along with above factors will determine individual MFI credit views.</p>
Loan Products	BJS offer six loan products as on March 31, 2017. A detail on the loan product is provided in the Annexure . BJS provides loans to the SHG members based on their requirements.
Access to funds and ability to raise funds	BJS has access to funds from the public sector banks and financial institutions on the back of its satisfactory operational and repayment track record.
Vision	In coming years, BJS plans to expand its branch network and reduce its concentration in West Bengal market.
Efforts to increase outreach and coverage	BJS is expecting significant increase in its income from micro financing activities with proposed scaling up of its operations in other districts of West Bengal.

ANNEXURES

ANNEXURE 1: Past and Projected Financials

(Rs. crore)

Income and Expenditure Statement	FY15	FY16	FY17	FY18
Year ended March 31,	Audited		Projected	
Income				
Interest on loans	2.31	4.04	7.55	14.58

Loan processing fees	0.20	0.44	0.61	1.53
Other income	0.19	0.20	0.37	0.62
Other income	0.00	0.00	0.00	0.00
Total Income	2.70	4.68	8.53	16.72
Financial Costs				
Interest expense	0.88	2.02	3.71	8.44
Total Financial Costs	0.88	2.02	3.71	8.44
Net Interest Income	1.43	2.02	3.84	6.14
Operating Expenses				
Operating Expenses	1.38	2.05	3.33	5.88
Depreciation	0.06	0.06	0.08	0.06
Total Operating Expenses	1.44	2.11	3.41	5.93
Tax	0	0	0	0
Surplus	0.38	0.55	1.41	2.36

Balance Sheet

(Rs. crore)

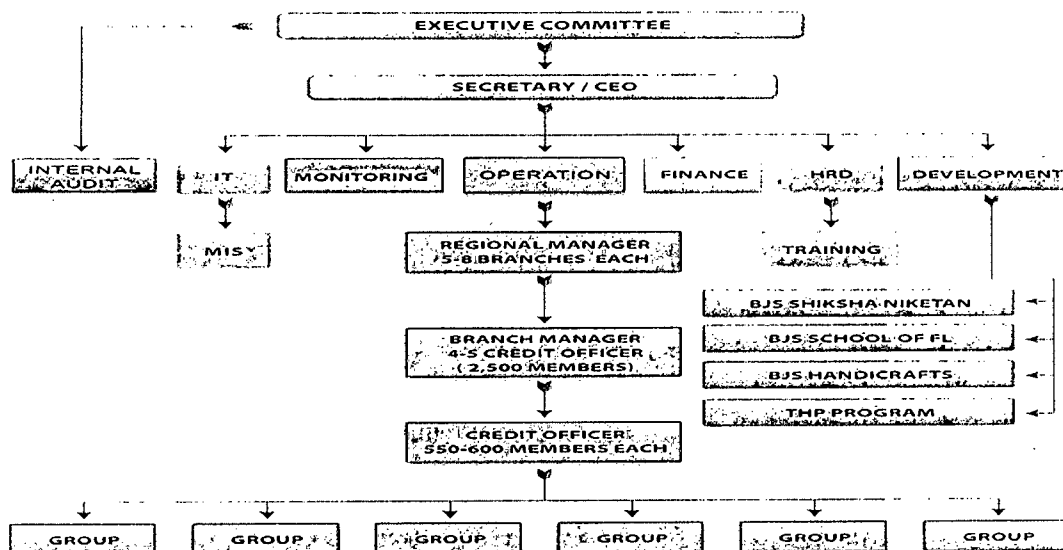
Balance Sheet	FY15	FY16	FY17	FY18
As on March 31	Audited			Projected
Liabilities				
Source of Funds				
Tangible Network				
Capital Fund	1.38	1.93	3.28	5.63
	1.50	2.00	3.58	3.58
	2.18	4.21	4.92	4.92
Total Tangible Network	5.06	8.14	11.77	14.13
Debt Fund				
Term loans from Bank & FIs	7.97	18.27	23.10	67.85
Cash credit loan from banks	2.46	2.46	2.08	2.46
Total Debt	10.43	20.73	25.18	70.31
Total Capital Employed	15.49	28.88	36.95	84.44
Assets				
Application of funds				
Net fixed assets	0.18	0.22	0.47	0.31
Investments	1.17	2.83	4.14	9.99
Current assets				
Cash & bank balances	3.72	3.46	1.30	0.94
Own portfolio	10.50	22.50	31.40	73.84
Other loans & advances	0.00	0.00	0.00	0.00
Other current assets	0.08	0.17	0.26	0.16
Total Current Assets	14.30	26.13	32.95	74.95
Current liabilities and provisions	0.16	0.31	0.61	0.80
Net Current Assets	14.14	25.82	32.34	74.15

Miscellaneous expenses not written off	0	0	0	0
Total Application of Funds	15.49	28.88	36.95	84.44

ANNEXURE 2:

2.1 Organisational Structure

Organogram



2.2 Profile of governing body members of BJS

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
Mr. Satyabrata Chakraborty	72	President	M.Sc	Vast banking experience of about 25 years in different responsible positions and worked as Deputy Manager, Branch Manager, Lead District Manager and Asst. Regional Manager in United Bank of India. Apart from the banking service he worked as a Public Relation Officer in Fertilizer Corporation of India and Department of Health, Govt. of India.	35 years	10 years
Mr. Sumit Banerjee	44	Vice President	M.Com	He is working as an "Assistant Coordinator" under the State Rural Development Agency and is attached with various social work.	18 years	8 years
Mr. Bishwajit Das	53	Secretary	M.Com	He has 28 years of experience in micro finance and social development fields. He has worked in nationally and internationally reputed leading social development organizations in various responsible positions. He has received various trainings from organizations/financial institutions like -	29 years	29 years

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
				UNITUS (Global Microfinance Accelerator), Access Development Services (ADS), ABN AMRO, Planet Finance.		
Ms. Kakali Das Halder	34	Treasurer	B.A.	She has about 8 years of experience in the MFI sector and is attached with social activities including Women Rights.	9 years	9 years
Mr. Ranjit Kumar Dutta	68	Member	M.A.	He is working in NGOs and implementing different projects including micro credit programs.	37 years	11 years
Ms. Mary Banerjee	50	Member	B.Com	She worked as the Coordinator and Councilor of Gandhi Academy of Management Studies She was also the Administrator of Blue Bell Nursing Home. Presently she is a vocalist of reputed band "Teetas" and working as Relation Manager with E. F. Insurance Pvt. Ltd.	25 years	5 years
Ms. Mira Debnath	62	Member	H.S.	She is a social worker and is involved in social development work related to women empowerment for more than 23 years.	24 years	7 years

2.3 Profile of Senior Management

Name	Qualification	Designation	Total years of experience
Mr. Bishwajit Das	M.Com	Chief Executive Officer	28
Mr. Tapan Kr. Das	M.Com	Operation Head	33
Mr. C. Ranjan Barai	M. Pharm.	Business Development Head	25
Mr. Balram Das	B.Sc (Ag)	Administration Head	32
Mr. Dilip Kr. Maity	B.Sc (Ag)	Chief Finance Officer	38
Ms. Soma Chakraborty	M.A	Training Manager	24
Mr. Sanjoy Chandra Das	B.A	Manager Operation	13
Mr. Apurba Lal Mondal	B.A	Manager Development	13

2.4 Details on human resources

	FY15	FY16	FY17	9MFY18
Credit officers	31	51	91	88
Total employees	63	93	144	136
Employee productivity				
Number of loans per credit officer	493	552	347	553
Number of members per credit officer	493	480	354	404
Number of borrowers per credit officer	464	430	306	320
Amount of loan outstanding per credit officer (Rs. crore)	0.34	0.44	0.35	0.45
Branch productivity				
Number of members per branch	1273	1440	1287	1421
Number of individual borrowers per branch	1198	1291	1114	1128
Amount of loan outstanding per branch (Rs. crore)	0.87	1.32	1.26	1.58

ANNEXURE 3: Operational Outreach

For the period ended/As on,	Mar 31, 2015	Mar 31, 2016	Mar 31, 2017	Dec 31, 2017
Number of states	1	1	1	1
Number of districts	4	5	6	6
Branches	12	14	25	25
Number of active SHG groups	991	1418	1998	2,241
Number of active SHG members	15,272	24,481	32,181	35,534
Number of active SHG borrowers	14,380	21,952	27,846	28,195
Loan Portfolio				
No. of loan disbursed during the year	15,272	28,183	31,580	35,536
Amount of loan disbursed during the year (Rs. Cr)	21.3	44.63	62.91	57.38
Average Loan size disbursed during the year (Rs.)	13,946	15,843	19,919	16,147
Overdue at the beginning of the year (Rs. Cr)	0.00	0.00	0.01	0.14
Principal due during the year (Rs. crore)	18.51	32.63	54.84	49.41
Principal recovered during the year (Rs. Cr)	18.50	32.62	54.72	49.16
Overdue at the end of the year (Rs. Cr)	0.00	0.01	0.14	0.35
Recovery rate (%)	99.95	99.95	99.78	99.22
Total outstanding loan portfolio (Rs. Cr)	10.5	22.5	31.40	39.62
Portfolio at risk (PAR) >30 days (%)	0.09	0.03	1.82	1.04
Portfolio at risk (PAR) >90 days (%)	0.03	0.03	0.19	0.76
CAR (Overall) %	48.03	36.55	37.27	27.88

ANNEXURE 4: Loan Products

Product Name	Prerona	Ananya	SHILPI	Higher Education Loan (HEL)	General Education Loan (GEL)	Water & Sanitation
Client	Individual women through SHGs	Individual women through SHGs	Individual women through SHGs	Individual women	Individual women	Individual women
Age Limit (yrs)	18-58	18-58	18-58	18-58	18-58	18-55
Loan Tenure	Upto 1 year	Upto 2 years	Upto 2 years	Upto 2 years	Upto 1 year	Upto 2 years
Loan Size (Rs.)	5,000 – 30,000	31,000-40,000	10,000-30,000	10,000-40,000	5,000 –30,000	10,000-40,000
Repayment	Weekly/Fornightly/ Monthly	Weekly/Fornightly/ Monthly	Weekly/Fornightly/ Monthly	Weekly/Fornightly/ Monthly	Weekly/Fornightly/ Monthly	Weekly/Fornightly/ Monthly
Interest Rate	26% p.a. on reducing balance method	26% p.a. on reducing balance method	26% p.a. on reducing balance method	20% p.a. on reducing balance method	20% p.a. on reducing balance method	20% p.a. on reducing balance method
Processing Fees	1%	1%	1%	1%	1%	1%
Insurance	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Annexure 5: Portfolio Details

4.1 Product wise loan outstanding

(Rs crore)

	FY15		FY16		FY17		9MFY18	
	(Rs.Cr)	%	(Rs.Cr)	%	(Rs.Cr)	%	(Rs.Cr)	%
Income Generating	10.28	97.94	22.22	98.74	30.32	96.59	38.41	96.96
Education	0.10	0.98	0.26	1.17	0.64	2.04	0.59	1.50
Water & Sanitation	0.00	0.00	0.02	0.09	0.43	1.38	0.61	1.54
Solar	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00
RMK	0.11	1.08	0.00	0.00	0.00	0.00	0.00	0.00
Total	10.50	100.00	22.50	100.00	31.40	100.00	39.62	100.00

4.2 Loan amount wise loan outstanding

(Rs. crore)

	FY15		FY16		FY17		9MFY18	
	(Rs.Cr)	%	(Rs.Cr)	%	(Rs.Cr)	%	(Rs.Cr)	%
25,000 to 50,000	-	-	-	-	14.96	47.65	23.62	59.62
15,000 to 24,000	7.30	69.57	10.12	44.96	14.06	44.78	14.28	36.06
11,000 to 14,000	1.38	13.18	5.27	23.43	1.18	3.76	0.78	1.97
5,000 to 10,000	1.81	17.25	7.11	31.61	1.19	3.80	0.93	2.35
< 5,000	-	-	-	-	-	-	-	-
Total	10.50	100.00	22.50	100.00	31.40	100.00	39.62	100.00

4.3 Loan cycle wise loan outstanding

(Rs. crore)

	FY15		FY16		FY17		9MFY18	
	(Rs.Cr)	%	(Rs.Cr)	%	(Rs.Cr)	%	(Rs.Cr)	%
First loan cycle	1.81	17.25	5.90	26.21	7.91	25.21	6.72	16.97
Second loan cycle	0.89	8.48	2.61	11.60	6.41	20.41	9.48	23.93
Third loan cycle	0.49	4.70	2.96	13.14	5.37	17.12	7.05	17.80
> Third loan cycle	7.30	69.57	11.04	49.05	11.70	37.27	16.36	41.30
Total	10.50	100.00	22.50	100.00	31.40	100.00	39.62	100.00

4.4 Overdue Status

(Rs. crore)

As on Mar. 31	FY15			FY16			FY17			9M (Dec'17)		
	No.	Portfolio	%	No.	Portfolio	%	No.	Portfolio	%	No.	Portfolio	%
On time	14,371	10.49	99.95	21,944	22.50	99.97	27,324	30.72	97.86	27,723	39.12	98.75
1-30 days	-	-	-	-	-	-	96	0.10	0.32	80	0.09	0.22
31-60 days	-	-	-	-	-	-	311	0.43	1.37	53	0.06	0.15
61-90 days	1	0.00	0.01	1	0.00	0.00	60	0.08	0.26	39	0.05	0.13
91-180 days	3	0.00	0.01	-	-	-	55	0.06	0.19	119	0.14	0.34
181-365 days	2	0.00	0.02	2	0.00	0.01	-	-	-	158	0.14	0.35
> 365 days	3	0.00	0.01	5	0.00	0.02	-	-	-	23	0.02	0.06
Total portfolio	14,380	10.50	100.00	21,952	22.50	100	27,846	31.40	100	28,195	39.62	100

Annexure 5 : Details for top Banks/Financial Institutions (as on December 31, 2017)

Bankers	Bank facility	Sanctioned Amount	Amount Disbursed	Amount Outstanding	Interest rate (%)
State Bank of India (SBI)	CC	1.00	1.00	0.60	12.30%

Bankers	Bank facility	Sanctioned Amount	Amount Disbursed	Amount Outstanding	Interest rate (%)
Bangiya Gramin Vikash Bank (BGVB)	CC	1.50	1.50	1.46	12.50%
CC Loan Total		2.50	2.50	2.03	
State Bank Of India (SBI)	TL	3.80	3.80	2.23	12.30%
Small Industries Development Bank of India (SIDBI)	TL	0.50	0.50	0.12	13.50%
Ananya Finance for Inclusive Growth Pvt. Ltd.	TL	3.00	3.00	1.86	15.50%
Maanaveeya Development & Finance Pvt. Ltd.	TL	9.00	9.00	6.48	15.00%
Indian Overseas Bank, (IOB)	TL	6.00	6.00	3.51	12.65%
Indian Grameen Services, (IGS)	TL	0.50	0.50	0.44	15.00%
Kashi Vishwanatha Vidya Samsthe (Milaap)	TL	8.59	8.59	4.21	5.00%
Dena Bank	TL	4.00	4.00	2.27	12.15%
UCO Bank	TL	9.00	9.00	6.75	11.60%
United Bank of India (UBI)	TL	5.75	5.75	1.59	14.15%
Reliance Commercial Finance Ltd.	TL	2.50	2.50	2.11	15.50%
Bandhan Bank	TL	9.00	4.00	1.86	13.50%
Bharatiya Mahaila Bank	TL	0.50	0.50	0.23	13.70%
Canara Bank	TL	0.50	0.50	0.44	11.50%
Sunflag Merchant	TL	0.70	0.70	0.70	16.00%
Term Loan		68.34	63.34	34.77	
Small Industries Development Bank of India (SIDBI)	Equity Loan	3.5	3.5	5.55	8.00%
KIVA, USA	Equity Loan	4.91	4.91	4.91	0.00%
Total Equity		8.41	8.41	10.46	

Annexure 7: MFI Grading Symbols

Grading Symbol*	
MFI 1	Highest
MFI 2+	↓
MFI 2	
MFI 3+	
MFI 3	
MFI 4+	
MFI 4	
MFI 5	Lowest

* There is no individual definition for each grading

DISCLAIMER

CARE's microfinance (MFI) grading is a one-time assessment and the grading is not kept under periodic surveillance. CARE's analysis draws heavily from the information provided by the microfinance institution as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. It does not imply that CARE performs an audit function to detect fraud. In case of NGO MFIs, gradings apply only to their microfinance programs.

CARE's MFI grading is not a recommendation to buy, sell or hold any financial instrument issued by the MFI or to make loans/ donations/ grants to the MFI. It is not an assessment of the debt servicing ability of the MFI. The grading assigned by CARE cannot be used by the MFI in any form for mobilizing deposits/savings/thrift from its members or general public. CARE's MFI grading also does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the microfinance grading.