



Setting global standard at national level

Credit Rating Report

Credit Rating Information and Services Limited

Founder Member, Association of Credit Rating Agencies in Asia (ACRAA), Manila, Philippines
Joint Venture with JCR-VIS Credit Rating Company Ltd, Pakistan
www.crisibd.com

CREDIT RATING REPORT On AMBALA FOUNDATION

REPORT: RR/18458/18

Address:
CRISL
Nakshi Homes
(4th & 5th Floor)
6/1A, Segunbagicha,
Dhaka-1000
Tel: 9530991-4
Fax: 88-02-953-0995
Email:
crisldhk@crisibd.com

Analysts:
Dil Khadija Banu
beli@crisibd.com

Abdullah Al Noman
abdullah@crisibd.com

Entity Rating
Long Term: A-
Short Term: ST-3

Outlook: Stable

AMBALA FOUNDATION

ACTIVITY
Non-government
organization and micro
finance

**DATE OF
INCORPORATION**
February 12, 1994

CHAIRPERSON
M. Azizur Rahman

EXECUTIVE DIRECTOR
Arif Sikder

CAPITAL FUND
Tk. 234.96 million

TOTAL ASSETS
Tk. 2,401.07 million

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's entity rating is valid one year for long-term rating and 6 months for short term rating. CRISL's Bank loan rating (blr) is valid one year for long term facilities and up-to 365 days (according to tenure of short term facilities) for short term facilities. After the above periods, these ratings will not carry any validity unless the entity goes for surveillance.
CRISL followed MFI Rating Methodology published in CRISL website www.crisibd.com

Date of Rating: January 25, 2018		Valid up to: January 24, 2019	
		Long Term	Short Term
Entity Rating		A-	ST-3
Outlook		Stable	
Bank Facilities Rating			
Bank/FI	Mode of Exposures (Figures in million)	Ratings	
Pubali Bank Ltd.	TLO of Tk.27.76	blr A-	
Southeast Bank Ltd.	TLO of Tk. 53.31	blr A-	
Jamuna Bank Ltd.	TLO of Tk.41.77	blr A-	
United Commercial Bank Ltd.	TLO of Tk.38.32	blr A-	
NRB Commercial Bank Ltd.	TLO of Tk.86.08	blr A-	
EXIM Bank Ltd.	TLO of Tk.51.29	blr A-	
Mutual Trust Bank Ltd.	TLO of Tk. 120.53	blr A-	
	WCLL of Tk. 50.00	blr A-	
AB Bank Ltd.	TLO of Tk. 41.27	blr A-	
NRB Bank Ltd.	TLO of Tk.184.06	blr A-	
Standard Bank Ltd.	TLO of Tk.91.54	blr A-	
One Bank Ltd.	TLO of Tk.81.86	blr A-	
NCC Bank Ltd.	TLO of Tk.27.92	blr A-	
Midland Bank Ltd.	TLO of Tk.125.03	blr A-	
NRB Global Bank Ltd.	TLO of Tk.69.22	blr A-	
UBICO	TLO of Tk.87.68	blr A-	
National Finance Ltd.	WCLL of Tk.50.00	blr A-	
Phonix Finance & Investment Co. Ltd.	TLO of Tk.42.76	blr A-	
BD Finance & Investment CO. Ltd.	TLO of Tk.44.47	blr A-	
Uttara Finance and Investment Co. Ltd.	WCLL of Tk.150.00	blr A-	
Hajj Finance Company Ltd.	TLO of Tk.15.00	blr A-	
PKSF	TLO of Tk.96.50	blr A-	

TLO-Term Loan Outstanding, WCLL-Working Capital Loan Limit, PKSF- Palli Karma-Sahayak Foundation

1.0 RATIONALE

CRISL has reaffirmed the Long Term rating of A- (pronounced as single A minus) and the Short Term rating of 'ST-3' to Ambala Foundation on the basis of its relevant quantitative and qualitative information up to the date of rating. The above ratings have been reaffirmed due to consistent maintenance of some fundamentals such as good assets quality, experienced management team, regular loan repayment history, good internal control mechanism, funding support from PKSF etc. The above factors are however, constrained to some extent by high dependency on bank loan for MFP, high cost of fund, short fall in capital adequacy ratio etc.

The Long Term rating implies that entities rated in this category are adjudged to offer adequate safety for timely repayment. This level of rating indicates a corporate entity with adequate and reliable credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. The Short Term rating indicates good certainty of timely repayment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital and financial market is good with small risk factors.

CRISL also views the organization with "Stable Outlook" for its steady business growth and consistent fundamentals and believes that the organization will able to maintain its fundamentals with the same trend in foreseeable future.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION****2.0 CORPORATE PROFILE****2.1 The Genesis**

A group of young and energetic students with innovative mind realized its consequences and came forward to put their efforts together to contribute for the development of the poor and destitute people and to reduce the poverty and environmental impact from local level to national level. Keeping this notion in their mind, these groups of students established Environment Council Bangladesh (EC Bangladesh) as a non-profit and non-political voluntary organization in 1994 and initiated their development activities all over Bangladesh from 1998. Subsequently, the name has been changed to Ambala Foundation from EC Bangladesh in 2016. Initially, the organization mostly focused on the social development program. Subsequently, due to the increasing demand, popularity and effectiveness of Micro Finance for eradicating the poverty, Ambala Foundation increased their micro finance concentration in operating activities. Currently, Micro Finance is the major program of the organization in terms of revenue, employee and assets composition. The mission of the organization is poverty elimination through establishing social unity and integrated development. The vision of the organization is reducing poverty through eliminating inequality, promotion of education, socio-economic development, strengthen environment and climate change adaptability. Ambala Foundation is operating under the dynamic leadership of Executive Director Mr. Arif Sikder. He has contribution to economic development, social development and in climate change issues for the improvement of mass people of the country. Recently, a team from South Asian Association for Regional Co-operation (SARC) member countries has visited one of the microcredit groups at Munshiganj sadar on 13 December, 2017 of Ambala Foundation and they praised their activities. Head office of Ambala Foundation is located in House#62, Block-Ka, Pisciculture Housing Society, Shyamoli, Dhaka-1207.

2.2 Chronicle of Registration

Ambala Foundation is currently registered under four (4) registering bodies and the details of it is shown in the following table:

Status of Registration

Registering bodies	Registration number	Date of Registration
Directorate of Social Welfare	Dha-03066	February 28, 1994
NGO Affairs Bureau	952	June 28, 1995
Micro Credit Regulatory Authority	00350-01308-00086	January 01, 2008
Directorate of Youth Development	Jouoao/Munshiganj Sadar-60/Munshi-160	July 07, 2009

3.0 MAJOR PROGRAMS**3.1 Development Program**

The organization is mainly concentrated in micro finance program. Besides this, now the organization is running several development programs for fulfilling its ultimate goals as a voluntary organization not for profit organization. Details are shown in the following table:

Donor	Name of Project	Duration of the Project	Total Committed Fund (Tk. in millions)
Room to Read, USA	Classroom Library for Government and Registered Primary School	September 2009 to Continue	39.82
Ambala Foundation Own Fund	Early Childhood Development (ECD) and After School (ASP) for Slum Children Project	January 2014 to Continue	4.15
DFID through Manuser Jonno Foundation	Promoting the Rights of Marginalized Fishing Community and Improving Livelihood through Increased Access towards Resources and Facilities	October 2006 to Continue	14.17
Campaign for Tobacco Free Kids (CTFK)	Advocating for Strengthening and Proper Implementation of Law for Effective Enforcement of Direct and Indirect	November 2012 to Continue	11.99

Registered by four regulatory body

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

	Advertising Bans in Bangladesh Project		
European Union, NGO Forum	Enhancing Governance and Capacity of Service Providers and Civil Society in Water Supply and Sanitation Sector	January 2013 to Continue	2.92
Ambala Foundation, Japan Embassy	Radio Bikrampur 99.2 FM for Social Transformation	May 2012 to Continue	1.21
Department of Women Affairs of Government	Vulnerable Group Development for Ultra Poor (VGDUP) Project	March 2015 to Continue	1.34

3.2 Radio Bikrampur

Radio Bikrampur, as a community media, works to make community people aware of their rights and responsibilities to ensure active participation of people in development activities by providing information and entertainment. The target beneficiaries of this radio are local farmers, adolescent, women and children, street children, people with disability as well as other general people. Not only that, there are three types of marginal group in the broadcasting area of Radio Bikrampur such as: Bede Community, Fisher Community, Dalit Community etc. Radio Bikrampur is broadcasting various programs for these disadvantaged people so that they can be aware of their rights and on the other hand, the duty bearers can be active to ensure their rights. The program of radio focuses on adolescent reproductive health, HIV/AIDs, STI, human rights, technology, child rights, women rights, education, health and nutrition, tobacco control, early marriage, agriculture, business and so on. Radio Bikrampur started their Test Transmission on May 1st, 2012 and Regular Transmission in September 1st, 2012. Currently, the broadcasting time of program is 4.00 pm to 10.00 pm (every day). Through this media intervention, Ambala Foundation got four (4) awards as its special achievement on the following issues:

1. "Mina Media Award 2014" acknowledged by **United Nations Children's Fund (UNICEF)** on 16 September 2014 as 2nd position under 18 category journalism
2. "Mina Media Award 2014" acknowledged by **United Nations Children's Fund (UNICEF)** on 16 September 2014 as 3rd position over 18 category journalism
3. "12th Mina Media Award" on 9th October 2016 acknowledged by **United Nations Children's Fund (UNICEF)** as 2nd position under 18 category journalism
4. "Bangladesh Community Radio Award 2017" acknowledged by **Deutsche Welle (DW), Germany's International Broadcaster** on 26 November 2016 as 2nd position

3.3 Micro Credit Program (MCP)

Considering the limitations of existing financial institutions, Ambala Foundation launched its Micro Credit program to serve the poor and landless people back in July 2002. After the end of two years from the early beginning, the program achieved a good number of recognition in the community and became a Palli Karma Sahayak Foundation (PKSF) enlisted microfinance institute in 2004. Currently, Ambala Foundation conducted self-employed basis activity under Micro Finance Program at the 15 branches of Munshigonj, 20 branches of Dhaka, 06 branches of Narayanganj, 17 branches of Gazipur, 17 branches of Comilla, 02 branches of Mymensing, 03 branches of Manikganj, 02 branches of Tangail, 02 branches of Norshingdi, 06 branches of Chandpur and 02 branches of Noakhali district. Under this program, the organization is providing credit for cultivation of various kinds of Agro-based crops such as Potato, Jute, Greenchili, Banana, Water melon, Paddy, Wheat & Popcorn etc. To create an entrepreneurship of distress women community, the organization also providing credit facility for various income generating activities such as handcrafts raw material, Katha's accessories, Cow, Hen, Duck and Fish Fry etc. With assistance from PKSF and other 20 commercial banks, the project has been focusing on increasing the income of rural poor through providing required financial support to the rural poor and vulnerable people with skills, knowledge and regular follow up support. A summary of micro credit program since inception has been given below:-

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

Funding support from
PKSF

(In million Tk.)

Name of Loan Product	Number of Member (As on 31.12.2017)	Total Deposit (As on 31.12.2017)	Loan Receivable (As on 31.12.2017)
Jagoron (Micro Finance Program for Urban and Rural People)	22,926	2,767.85	33.32
Agroshor (Micro Finance Program for Entrepreneurs)	18,732	4,431.50	101.80
Buniyad (Micro Finance Program for Ultra and Extreme Poor)	559	138.08	0.07
Shufalon (Micro Finance Program for Agriculture)	3,198	656.71	14.00
Grihayan (Micro Finance Program for House Construction)	7,182	1,922.82	55.80
Livelihood Rehabilitation (LRP)	-	0.90	-
Sahos (Micro Finance Program for Disaster Affected People)	-	0.30	-
Total	52,597	9,916.95	204.99

3.3.1. Savings Schemes

Micro credit program is followed by savings scheme through group member. Every group consists of 10-30 members (not more than 40). One the objective of the program is to build up the habit of savings. There are mainly 4 types of savings scheme: general, voluntary, special and term deposit. Members of the organization meet in every week and discuss on various issues. Compulsory weekly savings provide 6%, monthly voluntary savings provide 8%, Samriddi provide 12% and One Time Savings (OTS) provide 14.60% annual interest to the members. A comparative summary of savings scheme has been given below:

(Tk. in million)

Savings Name	FY2016-17	FY2015-16	FY2014-15
Regular Savings	334.23	241.94	166.25
Voluntary Savings-Weekly	0.00	0.00	0.00
Voluntary Savings-Monthly	109.57	66.01	28.95
SAMRIDDII	79.91	47.21	14.62
OTS	62.85	22.33	3.62
Total	586.56	377.49	213.45

3.3.2 Credit Schemes

When minimum savings amount and other condition of the loan have been fulfilled, a member can appeal for microcredit. There are number of credit products are currently offered by the Ambala Foundation, through their 92 branch offices in 11 districts. Field office manage group and branch managers monitor and inspect the loan proposal. The organization maintains ceiling for credit approval according to the designation, which is Branch Manager up to Tk. 50,000 and Tk. 50,001 to 2,00,000 by Zonal manager, Tk. 2,00,001 to 5,00,000 by Assistant Program Coordinator, Tk. 5,00,001 to 10,00,000 by Program Director, Tk. 10,00,001 to 15,00,000 and above amount of Tk. 15,00,000 by the Executive Director. A comparative picture of micro finance program of Ambala Foundation for latest two years has been given below:-

(In million Tk.)

Loan To Members	FY2016-17	% of Total loan	FY2015-16	% of Total loan	Growth %
Jagoron (Micro Finance Program for Urban and Rural People)	228.31	11.41	171.29	12.90	33.29
Agroshor (Micro Finance Program for Entrepreneurs)	934.77	46.70	681.11	51.31	37.24
Buniyad (Micro Finance Program for Ultra and Extreme Poor)	1.73	0.09	4.12	0.31	0
Shufalon (Micro Finance Program for Agriculture)	129.02	6.45	127.49	9.60	1.20
Grihayan (Micro Finance Program for House Construction)	707.71	35.35	343.53	25.88	106.01
Total	2,001.54	100.00	1,327.54	100.00	50.77

**CREDIT RATING REPORT
On
AMBALA FOUNDATION****3.3.3 Operational Network**

The organization has 92 branch offices to run this program. Currently, branch offices with area coverage have been given below:

SL.	Name of Branch	Upazila	District
1	Konabari	Gazipur Sadar	Gazipur
2	Bhaberchar	Gazaria	Munshiganj
3	Munshirhat	Munshiganj Sadar	Munshiganj
4	Sirajdikhan	Sirajdikhan	Munshiganj
5	Deghirpar	Tongibari	Munshiganj
6	Degholi Bazar	Louhajong	Munshiganj
7	Gazaria	Gazaria	Munshiganj
8	Basail	Sirajdikhan	Munshiganj
9	Dhalgaon	Munshiganj Sadar	Munshiganj
10	Dewbhog	Munshiganj Sadar	Munshiganj
11	Hasara	Sreenagar	Munshiganj
12	Baligaon	Tongibari	Munshiganj
13	Sonargaon	Sonargaon	Narayanganj
14	Barudi	Sonargaon	Narayanganj
15	Narshingapur	Savar	Dhaka
16	Mouchak	Kaliakoir	Gazipur
17	Gazipur Chourasta	Gazipur Sadar	Gazipur
18	Jirani bazar	Savar	Dhaka
19	Madanpur	Bandar	Narayanganj
20	Bhaggokul	Sreenagar	Munshiganj
21	Dohar	Dohar	Dhaka
22	Daudkandi	Daudkandi	Comilla
23	Kaliakoir	Kaliakoir	Gazipur
24	Megula	Dohar	Dhaka
25	Mawna	Sreepur	Gazipur
26	Bagher Bazar	Gazipur Sadar	Gazipur
27	Tongi	Tongi	Gazipur
28	Board bazar	Gazipur Sadar	Gazipur
29	Nayarhat	Savar	Dhaka
30	Dhamrai	Dhamrai	Dhaka
31	Kalampur	Dhamrai	Dhaka
32	Sreepur	Sreepur	Gazipur
33	Zoina bazar	Sreepur	Gazipur
34	Monipur	Gazipur Sadar	Gazipur
35	Rohitpur	Keraniganj	Dhaka
36	Sholiah	Nababganj	Dhaka
37	Atibazar	Keraniganj	Dhaka
38	Hasnabad	Keraniganj	Dhaka
39	Abdullahpur	Keraniganj	Dhaka
40	Agla	Nababganj	Dhaka
41	Nababgonj	Nababganj	Dhaka
42	Seed Stor	Bhaluka	Mymensingh
43	Bhaluka	Bhaluka	Mymensingh
44	Salna	Gazipur Sadar	Gazipur
45	Ashulia	Ashulia	Dhaka
46	Dokkhin Khan	Dokkhin Khan	Dhaka
47	Kodomtoll	Keraniganj	Dhaka
48	Shaturia	Shaturia	Manikgonj
49	Manikganj Sadar	Manikganj Sadar	Manikgonj
50	Sohagpur	Mirjapur	Tangail
51	Savar	Savar	Dhaka
52	Madhabdi	Narsingdi Sadar	Narsingdi
53	Panchdona	Narsingdi Sadar	Narsingdi
54	Kanchan	Rupganj	Narayanganj
55	Rupganj	Rupganj	Narayanganj
56	Bhulta	Rupganj	Narayanganj
57	Kashimpur	Gazipur Sadar	Gazipur
58	Naowpara	Lohajong	Munshiganj
59	Hasail	Munshiganj Sadar	Munshiganj

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

60	Chitolla	Munshiganj Sadar	Munshiganj
61	Hazratpur	Keraniganj	Dhaka
62	Shikaripara	Nawabganj	Dhaka
63	Joydebpur	Gazipur Sadar	Gazipur
64	Rajabari	Sreepur	Gazipur
65	Amraid	Kapashia	Gazipur
66	Kapasia	Kapashia	Gazipur
67	Toktarchala	Sakhipur	Tangail
68	Ellotgonj	Daudkandi	Comilla
69	Titas	Titas	Comilla
70	Madhya	Chandina	Comilla
71	Nimsar	Burichong	Comilla
72	Katiqram	Manikganj Sadar	Manikganj
73	Mainamoti	Burichong	Comilla
74	Bijoypur	Sadar South Comilla	Comilla
75	Mia Bazar	Chauddagram	Comilla
76	Burichong	Burichong	Comilla
77	Comilla Sador	Comilla Sador	Comilla
78	Baghmara	Sadar South Comilla	Comilla
79	Khila Bazar	Monohorgonj	Comilla
80	Nangolkot	Nangolkot	Comilla
81	Laksam	Laksam	Comilla
82	Muddafarganj	Laksam	Comilla
83	Shahrasti	Shahrasti	Chandpur
84	Rahima Nagar	Kachua	Chandpur
85	Kachua	Kachua	Chandpur
86	Hajiganj	Hajiganj	Chandpur
87	Mohamaya	Chandpur Sadar	Chandpur
88	Chandpur Sadar	Chandpur Sadar	Chandpur
89	Monohorgonj	Monohorgonj	Comilla
90	Sonaimuri	Sonaimuri	Noakhali
91	Kankirhat	Senbag	Noakhali
92	Barura	Barura	Comilla

Reporting process of the Ambala Foundation in MFI operation starts from the credit officers of Branch office. The Credit officer report to the Branch Manager, Branch Manager report to the Area Manager, Area Manager report to the Zonal Manager, Zonal Manager report to the Program Manager, Program Manager report to the Asst. Director Micro Finance Program, Asst. Director report to the Executive Director. All branch account is maintained by the branch accountant and report to the head office through manager, area manager and zonal manager.

3.3.4 Business Model

The organization follows the structured procedure for credit disbursement. To collect member organization and check the status of individual income, employment, family member, fixed & floating assets and other information. Field officer or branch manager will be conducting a detailed survey of the area covering various aspects such as a tentative number of members, women's business, willingness and socioeconomic conditions of the residents etc. If the area is found to be suitable then two groups can be formed in a village. Application of loan will be presented by the relevant field officer at the weekly meeting. Branch manager will approve the loan under his jurisdiction. If a member has been found to be a good, then he or she can avail another loan after full repayment of the previous loan. Members of the organization who avail the microcredit have to pay the principal and interest within 46 weekly installments.

Good internal control mechanism

For President & CEO
Nusrat Amina Ahmed
Manager-MIS
Credit Rating Information and Services Ltd.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

MIS maintained by web-based software named Microfinplus.com

4.0 IT AND IT INFRASTRUCTURE

Ambala Foundation is operating with an adequate technological infrastructure. For the last few years the organization is operating with fully automated MIS and AIS reporting system for all branches and central office. The automation process maintaining by web-based software named Microfinplus.com which is financial inclusion work flow driven that integrated Microfinance program solution, HR & Payroll, Inventory, Fixed Asset Management, Procurement and Accounting Modules. Branch offices are operated with nabaerp365 a web based in-house developed software which is ERP (Enterprise Resource Planning) Solution and it's complete and integrated software. Using this software in the organization to maintaining all donor funded project financial activities including inventory, HR, Fixed Assets & Procurement etc. Beside these, Ambala Foundation is also using internally designed Ambala Cheque Printing & Controlling Software (ACPS) which is cheque & Deposit Slip Printing Solution and which provides the organization high level of security in preventing unauthorized bank cheque and ensures high level of internal control.

Ambala Foundation has a cluster institution titled 'AMBALA IT'. This IT institution is growing up day by day inventing different types of web based IT solution for Micro Credit and financial organizations of Bangladesh.

5.0 MICRO FINANCE INDUSTRY IN BANGLADESH

Bangladesh is one of the poorest and densely populated countries of the world. Nearly half of the population lives under the poverty line, out of which 28 million are hard-core poor. The poverty situation has further deteriorated and the UNDP Human Development Index (HDI) has ranked Bangladesh as one of the poorest countries. The existence of continual poverty since independence has been reinforced by high population growth rate, increase of landless people due to river erosion, floods and other natural disasters. These have resulted in lower per capita income, high unemployment rate, increasing disparity in urban/rural areas and finally substantial growth in rural to urban migration. The history of MF in Bangladesh dates back to nineteen sixties, when the world famous MF initiator Prof. Dr. Muhammad Yunus started a personal approach with the poor at Chittagong by extending collateral free credit. Its immediate success led the way to the formation of Grameen Bank, the pioneering model for MF in Bangladesh and around the world through Grameen Trust. The relief organizations were set up immediately after independence to help rebuild the war ravaged country.

The member-based Microfinance Institutions (MFIs) constitute a rapidly growing segment of the Rural Financial Market (RFM) in Bangladesh. Microcredit programs (MCP) in Bangladesh are implemented by various formal financial institutions (nationalized commercial banks and specialized banks), specialized government organizations and Non-Government Organizations (NGOs). The growth in the MFI sector, in terms of the number of MFI as well as total membership, was phenomenal during the 1990s and continues till today.

Through the financial services of microcredit, the poor people are engaging themselves in various income generating activities and around 30 million poor people are directly benefited from microcredit programs. The top two MFIs contribute more than 50 percent of total loan outstanding as well as savings of the microfinance sector in Bangladesh. Two of the largest MFIs, viz., BRAC & ASA, are each serving over four million borrowers. There are a few more developing fast. On the other hand, the smallest 524 NGO-MFIs have contributed only 4.29 percent of total loan outstanding and 4.45 percent of total savings. Institutional concentration ratio is highly skewed in favor of large MFIs: just 25 institutions are in control of 79 percent of the market share while two largest organizations have control of over 50 percent in terms of both clients and total financial portfolios.

Bangladesh's microfinance sector shows strong resilience and continues to contribute towards enhancement of macroeconomic growth. Total outstanding loan of this sector (only licensed MFIs) has increased by 21 percent from BDT 211 billion in June 2012 to BDT 257 billion in June, 2013 and 8 percent from June, 2013 to June, 2014 which is BDT 278 billion disbursed among 19.98 million poor people, helping them to be self-employed and accelerating overall

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

economic development process of the country. The total savings has also increased by 24 percent from BDT 75.20 billion in June 2012 to BDT 93.99 billion in June 2013 and 20 Percent from June, 2013 for June, 2014 which is BDT 299 billion among 25.17 million clients. Credit services of this sector can be categorized into six broad groups: i) general microcredit for small-scale self-employment based activities, ii) microenterprise loans, iii) loans for ultra-poor, iv) agricultural loans, v) seasonal loans, and vi) loans for disaster management.

The Microcredit Regulatory Authority (MRA) established by the Government in August, 2006, received applications from 4241 NGO-MFIs. But, around 1000 applications were found to be very small organizations that had fewer than 1000 borrowers or less than the BDT 40 lakh outstanding loans that is generally considered as the minimum initial operating portfolio of an MFI to be sustainable. However, till June, 2014 MRA had approved licenses in favor of 742 NGOs and canceled licenses of 45 NGOs. There are another 45 applications under process for a final decision although they are mostly small organizations but with some potentiality to become viable in course of time. As of June, 2014, 3454 applications have been rejected. Recently, MRA has invited new applications for obtaining license to conduct microcredit activities among which 179 institutions have been given primary approval. However, Grameen Bank is out of the jurisdiction of MRA as it is operated under a distinct legislation-i.e. "Grameen Bank Ordinance, 1983".

According to information provided by the MRA, total fund size (Savings, PKSF loan, Bank Loan, Donor fund, Cumulative surplus and other funds) stood at Tk. 312731.97 million up to June 2014. However most of the fund has been financed from client's savings and cumulative surplus. Moreover, it is observed that the commercial banks are recently considered a potential source of fund of microfinance, their share of the total source increased over the last three years. MRA has been putting in efforts to increase loans from commercial banks to the sector by introducing the banks to the NGO-MFIs. However, borrowing cost from commercial banks is very high – due to high interest rate charged and inflation – which discourages NGO-MFIs to avail this as a source of fund. Previously donor driven NGOs are now trying to rely more and more on local sources of fund with the decline in foreign funding, which stood at only 2.19 percent in June 2014.

6.0 CORPORATE GOVERNANCE**6.1 General Committee**

Ambala Foundation General Committee consists of 15 members. The members were brought from various segments of society. They include educationists, social thinkers, professionals and development actors. General Committee also elected the Executive Committee members. All policies and programs are duly approved by the committee, are implemented by a modest number of staff headed by the Executive Director, who is accountable to the General Committee and is responsible for the effective implementation of programs, and management of all administrative and financial matters of the organization.

15 members General Committee

General Committee of Ambala Foundation

Sl. No	Name	Designation	Qualification
1	M. Azizur Rahman	Executive Member	MA
2	Selina Akter	Executive Member	MA
3	Arif Sikder	Executive Member	MA, MBA
4	S.M. Mehedi Hasan	Executive Member	MSS
5	Selina Iqbal	Executive Member	MA
6	Syed Tarikul Islam	Executive Member	M.Com
7	Md. Nur-E-Alam	Executive Member	BA
8	Md. Shajahan Gazi	Executive Member	BA
9	Nazmul Ahasan Khan Lipu	Executive Member	SSC
10	Asraful Alam	Executive Member	MSS
11	Nazmunnesa	Executive Member	BBA
12	Md. Rakibul Hasan Talukder	Executive Member	MA
13	Dr. Iqbal Hossain	Executive Member	BHMS
14	Ahmed Mostak	Executive Member	M.Com
15	Ahsan Ullah Shamim	Executive Member	BA

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

5 members Executive Committee

6.2 Executive Committee

Ambala Foundation Executive Committee consists of 5 members, elected by the general committee for three years term which provides policy guidelines to Ambala Foundation and its institutions. The General Secretary of the Executive Committee takes care of constitutional affairs of Ambala Foundation and convenes the meeting of General Committee and Executive Committee. Ambala Foundation meets on quarterly basis or any time if so required discussing on policy and macro planning issues. Mr. Arif Sikder acts as a Secretary General and Executive Director of the Ambala Foundation. The General Committee is entitled to elect the members of the Executive Committee with the responsibilities of supervising all the activities of the organization, assisting the Executive Director in case of need, approving the budget of the organization as well as different projects under operation, deciding on any changes in the activities of the organization subject to the approval of the General Committee. It also evaluates the progress report on the activities of organization's projects and examines accounts, approves the policy of recruitment of the staff.

Executive Committee of Ambala Foundation

Sl No	Name & Designation	Designation	Education Qualification
1	M. Azizur Rahman	Chairperson	MA
2	Selina Akter	Vice Chairperson	MA
3	Arif Sikder	Secretary General	MA, MBA
4	S.M. Mehedi Hasan	Secretary (Finance)	MSS
5	Selina Iqbal	Executive Member	MA

Experienced management team

6.3 Management Team

Ambala Foundation holds an experienced and efficient management team and it is controlled by the Executive Director of the organization. The top-tier management team members are qualified and have long experience in NGO/MFI's. They are committed to the organization's mission and vision. The management enjoys enough delegation for the smooth running of its activities. A list of top management given below:

Name	Designation	Education	Experience (In years)
Arif Sikder	Executive Director	MA & MBA	25
Dewan Taufika Hossain	Director	MBA	04
Rokibul Hasan Talukder	Assistant Director	MA	25
Md. Mostafizar Rahman	Assistant Director -MFP	M.Com	14
Shahdat Kamal	Program Director-General	MSS	14
Sujit Kumar Acharja	Program Manager-MFP	BSS	13
Md. Ashaduzzaman	Manager-Audit	M.Com	09
Ms. Ripa Khatun	Deputy Manager-MIS	MSS	10
Md. Showkat Ali	Deputy Manager-MIS	BSS	14
Khandakar Monirul Islam	Officer-HR & Admin	MBS, PGDHRM	02
Md. Abdul Alim	Associate Officer- Accounts	BBS(Honors)	15

6.4 Human Resources Management

Ambala Foundation follows a structured human resource policy. The organization pursues a set of Service Rules covering major aspects of HR practices and offers a congenial working environment to its human resources. The service terms as set forth, demonstrate a detailed guideline and covers major aspects of HR practices. Initially, to become permanent employee, a person has to sustain a probationary period of usually 6 months and have to wait for the approval of the management. After the approval, the individual is entitled to receive competitive salary followed by the provident fund, gratuity, medical allowance and other remuneration according to policy. Currently, the total number of employee in Micro Finance Program of Ambala Foundation stood at 558.

For President & CEO
Nusrat Amina Ahmed
Manager-MIS
Credit Rating Information and Services Ltd.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

7.0 ANALYTICAL FRAMEWORK

The accounts of Ambala Foundation have been found to be good. The audited consolidated financial statement for the year ended June 30, 2017 has been considered for financial performance as well as also considered only microfinance program. Financial statement has been audited by the S.F. Ahmed & Co.

8.0 OPERATIONAL PERFORMANCE

Indicators	FY2016-17	FY2015-16	FY2014-15
Loan Disbursement (In million Tk. micro credit)	2,895.54	2,053.07	1,199.91
Total borrower (No of Person) (Micro credit)	28,155	25,679	21,692
Loan Outstanding (In million Tk.)	2,001.54	1,327.54	727.32
Total Savings portfolio (In million Tk.)	586.56	377.49	213.45
Total Income (In million Tk.)	440.30	305.57	153.52
Total Expense (In million Tk.)	317.95	251.26	147.15
Net Surplus (In million Tk.)	122.34	54.32	6.37
Growth of Loan Disbursement (%)	41.03	71.10	116.66
Growth of Savings Portfolio (%)	55.39	76.85	63.85
Loan Recovery Rate (%)	99.58	99.86	99.86

Based on audited consolidated accounts for the year ended June 30, 2017

Sustainable operational performance

The operational performance of Ambala Foundation has been found to be sustainable trend over the year. Both the number of borrowers and loan outstanding have increased in current year compared to the previous year. Growth rate of loan outstanding and savings portfolio stood at 50.77% and 55.39% in FY2016-17. While analyzing micro credit programs, it has been found that the organization shows concentration towards Micro Credit. The total loan portfolio of the organization is diversified among Jagoron, Agroshor, Buniad, Sufalon, Livelihood and Sahos. On the other side, the savings portfolio of the organization shows concentration towards general, voluntary, special and term deposit. During the FY2016-17, Ambala Foundation disbursed loan amount of Tk. 2001.54 million compare to Tk. 2,053.07 million in FY2015-16. The number of borrowers stood at 28,155 in FY2016-17 from 25,679 in FY2015-16. When analyzing the savings portfolio, it has been found that total savings portfolio stood at Tk. 586.56 million from Tk. 377.49 million. Beside this, the loan recovery performance of Ambala Foundation has been found to be good. The loan recovery rate of the organization stood at 99.58% in FY2016-17 and 99.86% in FY2015-16.

Particulars	FY2016-17		FY2015-16		FY2014-15	
	Million Tk.	% of Total	Million Tk.	% of Total	Million Tk.	% of Total
Service charge on loan	421.22	95.67	269.01	88.03	119.50	77.84
Donation	3.00	0.68	12.85	4.20	3.90	2.54
Interest on Regular Bank & FDR A/C	9.88	2.24	10.55	3.45	7.48	4.87
Others Income	2.85	0.65	1.82	0.60	1.33	0.87
Donor Grants	3.35	0.76	11.35	3.72	21.31	13.88
Total Income	440.30	100	305.58	100	153.52	100

Based on audited consolidated accounts for the year ended June 30, 2017

When analyzing the revenue of the Ambala Foundation it has been found that the total income stood at Tk. 440.30 million in FY2016-17 against Tk. 305.57 million in FY2015-16. Revenue is mainly dominated by the service charge loan of Tk. 421.22 million, which is 95.67% of the total income in FY2016-17. The net surplus of the organization stood at Tk. 122.35 million in FY2016-17 against Tk. 54.32 million in FY2015-16. The net surplus of the organization increased by 125.24% due to increase in service charge on loan to 95.67% of the total income in FY2016-17 from 88.03% of the total income in FY2015-16.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

9.0 PROFITABILITY AND EFFICIENCY

Indicators	FY2016-17	FY2015-16	FY2014-15
Return on Average Assets (%)	6.00	4.02	0.85
Return on Average Capital fund (%)	70.63	64.57	10.47
Net Margin (%)	27.79	17.78	4.15

Based on audited consolidated accounts for the year ended June 30, 2017

The profitability indicators of Ambala Foundation have been showing a growing trend for the year due to increase in net surplus over the year. Currently, the organization is operating with high net surplus margin of 27.79% in FY2016-17 compare to 17.78% in FY2015-16. Overall increased in surplus margin and growing trend of income through micro finance activities improve the other operational efficiency ratios. Cost of fund of the organization stood at 9.41% in FY2016-17 compare to 11.33% in FY2015-16 and 11.05% in FY2014-15. Considerable amount of low cost borrowings from external sources such as PKSF have consequently decreased against high cost borrowing from commercial bank which affected the cost of fund of the organization.

10.0 ASSET SIZE

Total assets of the Ambala Foundation are mostly financed by the external borrowing. Total assets size of the organization stood at Tk. 2,401.07 million in FY2016-17, which is financed by 90.21% from liability (Current liability 34.97% and 55.24% Non-Current Liability) and 9.79% from the capital fund. Most of the assets are concentrated in the current asset, which stood at Tk. 2,289.62 million. On the other hand, most of the current asset has been concentrated in loan to beneficiary, which is 83.37% in FY2016-17.

When analyzing the compliance criteria of asset creation as per MRA guidelines. Fixed assets (other than FDR) stood at Tk. 111.46 million, which is 52.24% of cumulative surplus as on June 30, 2017 compare to 77.22% in FY2015-16. Maximum ceiling for fixed assets creation is 35% of cumulative surplus. Due to sharp increase in cumulative surplus in FY2016-17 is higher than fixed assets, therefore, its cumulative surplus ratios fall gradually but still higher than MRA limit. High surplus margin helped the organization to increase cumulative surplus. Beside this, minimum criteria of field level exposure of MRA is 90%, which will be composed by 85% of Savings, 50% of Cumulative Surplus and 100% of Outside Borrowings including banks. After analyzing the audited financial statement, CRISL found that Ambala Foundation maintained 102% field level exposure as on June 30, 2017.

Good assets quality

Particulars	FY2016-17		FY2015-16		FY2014-15	
	Million Tk.	% of Total	Million Tk.	% of Total	Million Tk.	% of Total
Regular	1990.05	99.46	1322.62	99.67	723.70	99.50
Watchful	1.71	0.08	0.54	0.04	0.25	0.03
Sub-standard	4.41	0.22	0.86	0.06	0.66	0.09
Doubtful	1.29	0.07	0.23	0.02	0.42	0.06
Bad Loan	3.29	0.17	2.81	0.21	2.29	0.32
Total	2000.74	100.00	1327.06	100.00	727.32	100.00

Based on audited consolidated accounts for the year ended June 30, 2017

While analyzing the total micro credit portfolio of Ambala Foundation of Tk. 2,000.74 million as on June 30, 2017, it should be noted that regular loan stood at Tk. 1,990.05 million, watchful loan (1-30 days) stood at Tk. 1.71 million, sub-standard (31-180 days) Tk. 4.41 million, doubtful (181 to 365 days) stood at Tk. 1.29 million and bad loan (above 365 days) stood at Tk. 3.29 million as on June 2017. Currently non-performing loan to outstanding stood at 0.31% in FY2016-17 compared to 0.29% in FY2015-16 and 0.46% in FY2014-15. Ambala Foundation of the organization stood at Tk. 3.29 million of bad and loss in FY2016-17 against Tk. 2.81 million in FY2015-16. The organization maintains required provision in full in FY2016-17.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION****11.0 FUNDING AND LIQUIDITY**

Indicators	FY2016-17	FY2015-16	FY2014-15
Portfolio to Assets (%)	83.36	79.05	71.07
Current Ratio (Times)	2.73	2.80	2.54
Quick Ratio (Times)	3.49	2.51	2.13
Liquidity Ratio (%)	95.36	95.34	96.85

Being a non-profit development organization, Ambala Foundation has low equity stake. The main sources of funding of the organization are client's savings, capital fund, loans from PKSF and commercial banks. The client's savings is low cost funding and is increasing every year. After considering the 100% investment of loan & outside borrowings and saving deposit in micro finance portfolio, the organization used 85% of its capital fund for credit portfolio. The liquidity of the organization has been found to be average. The current ratio stood at 2.73 times in FY2016-17 against 2.80 times in FY2015-16, which are representing an average back up capacity to meet the current liabilities, though it is showing a decreasing trend.

12.0 LEVERAGE AND SOLVENCY

Leverage and solvency	FY2016-17	FY2015-16	FY2014-15
Equity to total assets (%)	9.79	6.64	5.55
Total outside liability to total asset (%)	90.21	93.36	94.45
Debt service coverage ratio (X)	1.08	1.25	0.87
Total outside liability to equity (X)	9.22	14.06	17.03
Interest coverage ratio (X)	1.74	1.40	1.11
Capital adequacy ratio (%)	10.53	6.86	3.47
Debt to Capital ratio (X)	9.37	15.40	27.30

Highly levered concern

As a microfinance institute, Ambala Foundation is a highly geared concern. All loans are financed by the PKSF and various commercial banks. The total liability stood at Tk. 2,166.12 million in FY2016-17 from Tk. 1,567.83 million in FY2015-16. The debt service coverage ratio of the organization increased to 1.08 times in FY2016-17 from 0.78 times in FY2015-16 which is mainly due to increase in net surplus of the organization. When analyzing the capital strength of the organization, it has been found that Capital Adequacy Ratio (CAR) stood at 10.53%, which is lower than the minimum requirement of MRA at 15% but continuously improved over the year.

13.0 ELIGIBILITY CRITERIA COMPLIANCE

SL	Particulars of Ratio	Standard	FY2016-17	FY2015-16
1	Capital Adequacy (%)	15 (Min)	10.53	6.86
2	Debt Service Cover Ratio (Times)	1.25:1 (Min)	1.22:1	1.51:1
3	Current Ratio (Times)	2.00:1 (Min)	3.09:1	3.36:1
4	Debt to Capital (Times)	9:1 (Max)	9.37:1	15.40:1
5	Liquidity Ratio (%)	10% (Min)	10.23	10.95
6	Rate of Return of Capital Employed (%)	1% (Min)	78.31	66.90
7	Cumulative Recovery Ratio (%)	95.00 (Min)	99.58	99.86
8	On Time Realization (%)	92-100 (Min)	99.89	99.90

As per audited Eligibility Criteria Compliance Certification

When analyzing the Microcredit Regularity Authority (MRA) eligibility criteria compliance certifications, Ambala Foundation failed to maintain minimum criteria of Capital Adequacy, Debt Services Coverage Ratio and Debt to Capital Ratio but these ratios improved from the last year. Other minimum eligibility criteria of MRA have been maintained adequately in FY2016-17.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

14.0 BANKING RELATIONSHIP

14.1 Liability Position

Ambala Foundation is enjoying loan facility from Palli Karma Shahayak Foundation (PKSF) and 20 commercial banks. Details are in the following table:

SL.	Name of the Bank/Financial Institution	Details of Exposures (As On 31.12.2017)			Status
		Mode of Loan	Sanction Limit/Disbursed Amount (In million Tk.)	Outstanding (in million Tk.)	
1	Puball Bank Ltd.	Term Loan	50.00	27.76	Regular
2	Southeast Bank Ltd.	Agricultural Finance-Term Loan	170.00	53.31	
3	Jamuna Bank Ltd.	Agriculture-Term Loan	160.00	41.77	
4	United Commercial Bank Ltd.	Term Loan Agri	50.00	28.16	
		Agriculture (10. Tk. Account)	19.50	10.16	
5	NRB Commercial Bank Ltd.	Term Loan Agri	250.00	86.08	
6	EXIM Bank Ltd.	Term-Loan IBB (Agri)	60.00	51.29	
7	Mutual Trust Bank Ltd.	Term Loan Agri & Microfinance enterprise	271.00	120.53	
		Agriculture -Short Term	50.00	50.82	
8	AB Bank Ltd.	Agriculture Term Loan	85.00	41.27	
9	NRB Bank Ltd.	Term Loan Agri & SME	210.00	184.06	
10	Standard Bank Ltd.	Term Loan (Revolving) for Agri	100.00	91.54	
11	One Bank Ltd.	Term Loan	80.00	81.86	
12	NCC Bank Ltd.	Term Loan -Agriculture	100.00	27.92	
13	Midland Bank Ltd.	Term Loan (MSME)	170.00	125.03	
14	NRB Global Bank Ltd.	Agriculture Term Loan	100.00	69.22	
15	UBICO	Agricultural finance-Term Loan	100.00	87.68	
16	National Finance Ltd	Short-Term	50.00	50.00	
17	Phonix Finance & Investment Ltd	Agriculture Term Loan	50.00	42.76	
18	BD Finance & Investment Co. Ltd.	Term Loan	50.00	44.47	
19	Uttara Finance and Investment Co. Ltd.	Short-Term Loan Agri	150.00	150.00	
20	Hajj Finance Company Ltd	Agriculture Term Loan	15.00	15.00	
21	PKSF	Micro Finance	449.56	96.50	
Total			2,790.06	1,577.19	

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

14.2 Security Arrangement against Exposures

The mode of the security offered under each banking facilities are summarized below:

1	Pubali Bank Ltd.	<ul style="list-style-type: none"> Personal guarantee of the member of executive committee along with personal guarantee of Mr. Arif Sikder Assignment of receivables of the program Institutional guarantee of Ambala Foundation
2	Southeast Bank Ltd.	<ul style="list-style-type: none"> Personal guarantee of all members of executive committee Institutional/Corporate guarantee of Ambala Foundation Personal guarantees of the Governing Body
3	Jamuna Bank Ltd.	<ul style="list-style-type: none"> Personal guarantee of all members of executive committee Institutional/Corporate guarantee of Ambala Foundation Personal guarantees of the Governing Body
4	United Commercial Bank Ltd.	<ul style="list-style-type: none"> Hypothecation of unencumbered receivables of the borrower securing the amount not less than 150% of the entire facility amount Irrevocable General Power of Attorney to be executed by the MFI duly notarized authorizing the bank to collect or recover receivable without reference to the Court in case of default Hypothecation of all present and future fixed and floating assets of Ambala Foundation Lien and Set Off over the proceeds account 03 Post-dated cheques each covering the quarterly installment against the facility and 01 undated cheque covering the entire loan amount Personal guarantee of all the members of the executive committee of Ambala Foundation
5	NRB Commercial Bank Ltd.	<ul style="list-style-type: none"> Institutional guarantee of Ambala Foundation Personal guarantee of Governing Body member of Ambala Foundation
6	Exim Bank Ltd.	<ul style="list-style-type: none"> Hypothecation of agricultural inputs Lien and pledge of MTDR not less than 20% of investment disbursement amount
7	UBICO	<ul style="list-style-type: none"> Ambala Foundation is responsible for any necessary changes All terms and condition as same as before
8	National Finance Ltd.	<ul style="list-style-type: none"> Personal guarantee of all members of executive committee Institutional/Corporate guarantee of Ambala Foundation
9	Phoenix Finance & Investments Ltd.	<ul style="list-style-type: none"> Personal guarantee of all member of executive committee of Ambala Foundation
10	Uttara Finance & Investment Ltd.	<ul style="list-style-type: none"> Personal guarantee of all members of the executive committee of Ambala Foundation Institutional/ Corporate guarantee of Ambala Foundation with supporting resolution
11	Hajj Finance Company Ltd.	<ul style="list-style-type: none"> Personal guarantee of all the members of Executive Committee of Ambala Foundation HFCL reserves the right to change the Indicative profit rate from time to time HFCL may change any new condition or modify any existing condition/refuse at any stage sanctioned facility.
12	Mutual Trust Bank Ltd.	<ul style="list-style-type: none"> Hypothecation charge to be created on the floating assets of micro credit finance receivables from micro credit finance program of the borrower Lien of FDR Buniad equivalent to 5% of the loan amount
13	AB Bank Ltd.	<ul style="list-style-type: none"> Personal guarantee of executive committee of be obtained in the prescribed form Lien of duly discharged ABBL FDR of Tk. 25.00 Lac (5% of loan amount)
14	NRB Bank Ltd.	<ul style="list-style-type: none"> Simple hypothecation over book debts/ receivables covering 115% of the outstanding Personal guarantee of 5 executive committee of the Ambala Foundation Personal guarantee of Mr. Arif Sikder, ED of Ambala Foundation to be obtained Lien of FDR amounting of Tk. 10.00 million Lien of FDR amounting of Tk. 1.50 million
15	Bangladesh	<ul style="list-style-type: none"> Hypothecation with IGPA of all fixed and floating assets of Ambala

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

	Finance And Investment Company Ltd.	<ul style="list-style-type: none"> Foundation in favor of BD Finance Lien on TDR of BDT 25.00 lac with BD Finance duly discharged by the beneficiary Personal guarantee along with personal net worth statements of the executive members
16	Standard Bank Ltd.	<ul style="list-style-type: none"> Hypothecation of fixed and floating assets of the organization both present and future including bills receivables, book debts etc Registered irrevocable general power of attorney to be executed by Ambala Foundation to sell the hypothecated asset A FDR for total loan limit at 10% will be obtained & marked lien in favor of the Bank and continuing as security until adjust the limit. A letter of authority for encashment of FDR to be submitted in this regard
17	One Bank Ltd.	<ul style="list-style-type: none"> Board resolution for availing credit facilities and authorization for execution of related documentation along with completion of other formalities Demand promissory note and letter of continuity for Tk. 50.00 million for each Letter of arrangement Letter of disbursement Specific hypothecation on pool of agri-finance receivables for an amounting of 150% of time loan exposure at any point of time Lien on OBL FDR of total Tk. 7.50 million with letter of lien & set off over deposit accounts in the name of Ambala Foundation
18	Midland Bank Ltd.	<ul style="list-style-type: none"> Hypothecation of floating assets of micro finance receivables from micro finance program of the borrower Lien & pledge of FDR-MDB fixed equivalent to 10% of the loan amount
19	NCC Bank Ltd.	<ul style="list-style-type: none"> Ambala Foundation will be obliged to provide specific assignment in the form of charge on the floating assets of micro finance receivables from its micro finance program for an amount not exceeding 150% of the total outstanding loan amount in the form of a consolidated asset pool at any point of time The nature of the asset pool will be dynamic and any maturities, prepayments, losses, write-offs or provisions of the receivables will be replaced by the borrower on a periodic basis based on a mutually acceptable monitoring and reporting mechanism Lien on FDR valuing Tk. 6.00 million
20	NRB Global Bank Ltd.	<ul style="list-style-type: none"> Personal guarantee of all members of executive committee Institutional/Corporate guarantee of Ambala Foundation Personal guarantees of the Governing Body

15.0 RISK MANAGEMENT PROCEDURES

15.1 Operational Risk

Ambala Foundation is operating microfinance activities with its 92 branch offices in various districts, where those offices need regular monitoring and controlling. Most of the fraudulent activities of the MFI are occurs from the branch office level. Since Ambala Foundation makes many small, short-term loans, this same degree of cross-checking is not cost-effective, so there are more opportunities for error and fraud. Due to nature of the operation Ambala Foundation is thus exposed to operational risk.

For President & CEO
Nusrat Amina Ahmed
Manager-MIS
Credit Rating Information and Services Ltd.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION****15.2 Credit Risk**

Credit risk encompasses both the loss of income resulting from the MFI's inability to collect anticipated interest earnings as well as the loss of principal resulting from loan defaults. The Ambala Foundation operates microfinance business in an organized manner as per organization's Credit and Savings Management Manual. It follows the set criteria for selection of borrowers. The organization follows the terms and conditions as laid down in the manual before approval and disbursement of the loan. Attendance records in weekly meetings, past loan records, experience, results of an investigation by Credit Officer, Branch Manager etc. are followed for selection of borrowers. On fulfilling the conditions as stated in loan approval manual, credit proposals are discussed and approved at the weekly meeting of clients and after getting a recommendation of the Chairman of the center, Credit Officer and Branch manager. Ambala Foundation maintains proper provisioning policy against the non-performing loan. Ambala Foundation always tries to avoid legal process for overdue collection rather persuasion and social pressure is their instrument to manage delinquency. If the borrowers default on installment payment, the clients become responsible for the refund of loans.

15.3 Funding Risk

For funding requirement, Ambala Foundation has to depend on the client's savings, banks, PKSF, and others development partners. The organization availed both low-cost funds as well as high cost bearing commercial borrowings. High dependency on bank finance will increase the cost of fund of the organization. This involvement will affect the net surplus of the Ambala Foundation.

15.4 Fund Management Risk

An MFI like Ambala Foundation having an operational span of large borrowers with very frequent repayment and saving schemes has substantial Fund Management Risk. The Ambala Foundation has an internal control system to mitigate the above risk. Branches maintain Bank Accounts in the Banks in the locality. Branch Manager withdraws money from the bank for disbursement of loans and other daily expenses. They deposit money to the Banks received as loan installments and client's savings.

15.5 Loan Recovery Risk

One of the major risks of MF program is a collection of installments with high frequency ranging from a week to months. The above risk is further fuelled by the loan default culture prevailing in the banking sector although the banking institutions are stronger entities to collect installments due from clients through legal measures and selling collaterals. Under the above background, the MF programs being operated by the NGOs without collateral and with a high frequency of loan repayments are yielding a recovery rate of above 99%. The MF organizers are offering micro finance through group guarantee with the incentive of the further loan if there is no default in repaying the installments. The above system works favorably for the MFI institutions and assists them to maintain high recovery ratio. However, legally the MFIs are in the lower end due to an informal agreement with clients.

15.6 Assets-Liabilities Management Risk

A proper Asset - Liabilities management practices are absent in most of the MFIs. In Ambala Foundation, the Finance & Accounts Department has been performing the activities on the basis of approved budget and monthly cash flow statement. Ambala Foundation enjoys any SOD facilities with some banks to meet emergency cash requirement for the last couple of years. It invests the fund in FDR with varied periods in some commercial banks. The FDR is automatically renewed on the date of maturity.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION****16.0 OBSERVATION SUMMARY**

Rating Comforts: <ul style="list-style-type: none"> • Good assets quality • Experienced management team • Regular debt servicing capacity and history • Good internal control mechanism • Funding support from PKSF 	Rating Concerns: <ul style="list-style-type: none"> • High dependency on bank loan for MFP • High cost of fund • Short fall in capital adequacy ratio • Marginal short fall in debt to capital ratio • Marginal short fall in debt service coverage ratio
Business Prospects: <ul style="list-style-type: none"> • Enough untapped market • Enter into the formal financial market as MF bank 	Business Challenges: <ul style="list-style-type: none"> • Competitive industry • Government policy changes • Operational transparency • Getting fund form donor

END OF THE REPORT

Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL 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. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement.

[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the SEC rules as prescribed by the Securities and Exchange Commission.]

Nusrat Amina Ahmed
For President & CEO
Nusrat Amina Ahmed
Manager-MIS
Credit Rating Information and Services Ltd.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

**SCALES AND DEFINITIONS
LONGTERM – MICRO FINANCE INSTITUTIONS**

RATING	DEFINITION
AAA Triple A (Highest Safety)	INVESTMENT GRADE Micro Finance Institutions rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of MFIs.
AA+, AA, AA- (Double A) (High Safety)	Micro Finance Institutions rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
A+, A, A- Single A (Adequate Safety)	Micro Finance Institutions rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
BBB+, BBB, BBB- Triple B (Moderate Safety)	Micro Finance Institutions rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a MF1 is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations.
BB+, BB, BB- Double B (Inadequate Safety)	SPECULATIVE GRADE Micro Finance Institutions rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates a MF1 as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category.
B+, B, B- Single B (High Risk)	Micro Finance Institutions rated in this category are adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems, which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support.
C (Very High Risk)	Micro Finance Institutions rated in this category are adjudged to be with very high risk of timely repayment of financial obligations. This level of rating indicates entities with very serious problems and unless external support is provided, they would be unable to meet obligations in a timely fashion.
D (Default)	Micro Finance Institutions rated in this category are adjudged to be either currently in default or expected to be in default. This level of rating indicates that the entities are unlikely to meet maturing financial obligations and calls for immediate external support of a high order.
SHORT TERM – MICRO FINANCE INSTITUTIONS	
ST-1	Highest Grade Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding, Safety is almost like risk free Government short-term obligations.
ST-2	High Grade High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
ST-3	Good Grade Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
ST-4	Satisfactory Grade Satisfactory liquidity and other protection factors qualify issues as to invest grade. Risk factors are larger and subject to more variation.
ST-5	Non-Investment Grade Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.
ST-6	Default Institution failed to meet financial obligations

For President & CEO
Nusrat Amina Ahmed
Manager-MIS
Credit Rating Information and Services Ltd.