

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

REPORT: RR/12952/17

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.crislbd.com

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

Analysts:
Md. Shohel Khan
shohel@crislbd.com
Md. Saiful Islam Khan
msikh@crislbd.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 28, 1994

CHAIRPERSON
M. Azizur Rahman

**EXECUTIVE
DIRECTOR**
Arif Sikder

CAPITAL FUND
Tk. 111.49 million

TOTAL ASSETS
Tk. 1679.32 million

Date of Rating: January 10, 2017		Valid up to: January 09, 2018	
		Long Term	Short Term
Entity Rating		A-	ST-3
Outlook		Stable	
Bank Facilities Rating			
Bank/FI	Mode of Exposures (Figures in million)	Ratings	
Jamuna Bank Limited	*TLO of TK. 20.13	blr A-	
Mercantile Bank Limited	*TLO of TK. 21.69		
Basic Bank Limited	*TLO of TK. 26.06		
Mutual Trust Bank Limited	*TLO of TK. 129.95		
Shahjalal Islami Bank Limited	*TLO of Tk. 23.79		
Standard Bank Limited	*TLO of Tk. 81.93		
NRB Commercial Bank Limited	*TLO of Tk. 86.24		
Southeast Bank Limited	*TLO of Tk. 32.80		
Meghna Bank Limited	*TLO of Tk. 10.17		
One Bank Limited	*TLO of Tk. 50.44		
NRB Bank Limited	*TLO of Tk. 118.54		
Midland Bank Limited	*TLO of Tk. 31.80		
Exim Bank Limited	*TLO of Tk. 7.66		
NCC Bank Limited	*TLO of Tk. 60.00		
UCB Bank Limited	*TLO of Tk. 61.86		
Pubali Bank Limited	*TLO of Tk. 47.95		
AB Bank Limited	*TLO of Tk. 40.00		
PKSF	*TLO of Tk. 63.48		

*TLO- Term Loan Outstanding, **PKSF- Palli Karma-Sahayak Foundation

1.0 RATIONALE

CRISL has assigned 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 assigned due to consistent maintenance of some fundamentals such as good assets quality, experienced management team, regular debt servicing history, number of international donor, good internal control mechanism, funding support from PKSF etc. The above factors are however, constrained to some extent by high dependency in bank loan for MFP, increased bank loan burden, high cost of fund, absence of operation in national level, high debt to capital ratio, short fall in capital adequacy ratio, challenge in getting fund from donor 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 company with "Stable Outlook" for its steady business growth and consistent fundamentals and believes that the company 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 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 group of student established Environment Council Bangladesh (EC Bangladesh) as a non-profit and non-political voluntary organization in 1994 and initiated their development activities in all over the Bangladesh from 1998. Subsequently name has been changed to Ambala Foundation from EC Bangladesh in 2016. Initially organization mostly focused on social development program. Subsequently due to the increasing demand, popularity and effectiveness of Micro Finance for eradicating the poverty Ambala Foundation increases 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. Mission of the organization is poverty elimination through establishing social unity and integrated development. Vision of the organization are 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 in economic development, social development and in climate change issue for the improvement of mass people of the Country. Head office of Ambala Foundation is located in House#67, Block-Ka, Piciculture Housing Society, Shyamoli, Dhaka-1207.

2.2 Chronicle of Registration

Ambala Foundation currently is 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/Munshigonj Sadar-60/Munshli-160	July 07, 2009

Registered in four regulatory body

3.0 MAJOR PROGRAMS

3.1 Development Program

The organization is mainly concentrated in micro finance program. Beside this now the organization is running several development program for fulfill its ultimate goals as a voluntary 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)
Campaign for Tobacco Free Kids & Bloomberg Philanthropies	Advocacy with national level stakeholders to strengthen and implementation of TAPS ban in Bangladesh through institutional directives and strategic litigations	November 2012 Continue	11.99
Room to Read, USA	Classroom Library for Government and Registered Primary School	September 2009 to Continue	39.82
European Union, NGO Forum for Public Health	Enhancing Governance and Capacity of Service Providers and Civil Society in Water Supply and Sanitation Sector Project	January 2013 to Continue	2.92
DFID through Manuser Jonno Foundation	Promoting the rights of marginalized fishing community and improving livelihood through increased excess towards resources and facilities.	October 2006 to Continue	14.17
The European Union, BNNRC, Free Press	Radio Bikrampur 99.2fm for Social Transformation.	May 2012 to Continue	1.21

Number of international donor

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

**Credit Rating
Report**

Unlimited, EC Bangladesh etc.			
Ministry of Women's and Children Affairs/ Department of Women Affairs	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 with information and entertainment. The target beneficiaries of this radio are 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 communities 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 has been started for Test Transmission in May 1st, 2012 and started Regular Transmission from September 1st, 2012. Currently the programs are broadcasting 4.00 pm to 10.00 pm in everyday.

3.3 Micro Finance Program (MFP)

Considering the limitations of existing financial institutions, Ambala Foundation lunched its Micro Finance Program to serve the poor and landless people back in July 2002. After end of two years from early beginning, the program achieved a good number of recognition in the community and become a Palli Karma Shahayak Foundation (PKSF) enlisted micro finance institute in 2004. Currently Ambala Foundation has been conducted self employed basis activity under Micro Finance Program at the 12 branch of Munsigonj, 18 Branch of Dhaka, 06 branch of Narayangonj, 13 Branch Gazipur, 1 branch of Comilla, 02 branch of Mymensing, 02 branch of Mankgonj, 01 branch of Tangail and 02 branch of Narsingdi district. Under this program the organization are providing credit for cultivation of various kinds Agro based crops such as Potato, Jute, Greencheli, Banana, Water lemon, Paddy, Width & 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 17 commercial bank 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 Finance program (MFP) since inception has been given below:-

Entered into the formal financial market as MF bank

Funding support from PKSF

(In million Tk.)

Name of Loan Product	Number of Member (As on 31.10.2016)	Total Deposit (As on 31.10.2016)	Loan Receivable (As on 31.10.2016)
Jagoron (Microfinance Program for Urban and Rural People)	18,629.00	88.69	175.65
Agroshor (Microfinance Program for Entrepreneurs)	15,170.00	228.48	765.03
Buniyad (Microfinance Program for Ultra and Extreme Poor)	561.00	5.72	2.57
Shufalon (Microfinance Program for Agriculture)	4,433.00	34.41	104.66
Grihayan (Microfinance Program for House Construction)	3,856.00	79.84	430.01
Total	42,649.00	437.14	1477.93

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) and in every week they are organized together and discuss on various issues. One of the objectives 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 and in every week they are organized together and discuss on various

CREDIT RATING REPORT
On
AMBALA FOUNDATION

issues. Compulsory weekly savings provide 6%, monthly voluntary savings provide 8%, Samriddi provide 12% and One Time Savings (OTS) 14.60% annual interest to the members. A comparative summary of savings scheme has been given below:

(Tk. in million)

Savings Name	FY2015-16	FY2014-15	FY2013-14
Regular Savings	241.94	166.25	72.61
Voluntary Savings-Weekly	0.00	0.00	15.55
Voluntary Savings-Monthly	66.01	28.95	42.11
SAMRIDDI	47.21	14.62	0.00
OTS	22.33	3.62	0.00
Total	377.49	213.45	130.27

3.3.2 Credit Schemes

When minimum savings amount and other condition of loan have been fulfilled, a member can appeal for micro credit. There are number of credit products, which are currently being offered by the Ambala Foundation, through their 57 branch office in 09 districts. Field office manage group and branch manager monitor and inspect the loan proposal. Organization maintains ceiling for credit approval according to the designation, which is Branch Manager up to Tk. 50,000 and Tk. 50,001-2,00,000, Zonal manager Tk. 2,00,001-5,00,000, Assistant Program Coordinator Tk. 5,00,001-10,00,000, Program Director (MFP) Tk. 10,00,001-15,00,000 and above amount of Tk. 15,00,000 is approved 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	FY2015-16	% of Total loan	FY2014-15	% of Total Loan	Growth %
Jagoron (Microfinance Program for Urban and Rural People)	171.29	12.90	193.25	26.57	(11.36)
Agroshor (Microfinance Program for Entrepreneurs)	681.11	51.31	499.27	68.65	36.42
Buniyad (Microfinance Program for Ultra and Extreme Poor)	4.12	0.31	0.00	0.00	-
Shufalon (Microfinance Program for Agriculture)	127.49	9.60	5.73	0.79	2125.43
Grihayan (Microfinance Program for House Construction)	343.53	25.88	29.07	4.00	1081.63
Total	1327.54	100.00	727.32	100.00	82.53

3.3.3 Operational Network

The organization has 57 branch offices to run this program. Current 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	Sirajdeekhan	Sirajdikhan	Munshiganj
5	Deghirpar	Tongibari	Munshiganj
6	Degholi Bazar	Louhajong	Munshiganj
7	Gazaria	Gazaria	Munshiganj
8	Basial	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	Jiranibazar	Savar	Dhaka
19	Madanpur	Bandar	Narayanganj
20	Bhaggokul	Sreenagar	Munshiganj
21	Dohar	Dohar	Dhaka

Absence of operation
 in national level

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

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	Shollah	Nababganj	Dhaka
37	Atibazar	Keraniganj	Dhaka
38	Hasnabad	Keraniganj	Dhaka
39	Abdullahpur	Keraniganj	Dhaka
40	Aqala	Nababganj	Dhaka
41	Nababganj	Nababganj	Dhaka
42	Seed Stor	Bhaluka	Mymensingh
43	Bhaluka	Bhaluka	Mymensingh
44	Salna	Gazipur Sadar	Gazipur
45	Asulla	Asulla	Dhaka
46	Dokkhin Khan	Dokkhin Khan	Dhaka
47	Kodomtoll	Keraniganj	Dhaka
48	Saturia	Saturia	Manikgonj
49	Manikgonj Sador	Manikgonj Sador	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

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 Asst. Program Coordinator, Asst. Program Coordinator report to the Director Micro Finance Program, Program Director report to the Executive Director. All branch account is maintained by the branch accountant and report to the head office is done through manager, area manager and zonal manager.

3.3.4 Business Model

The organization follows structured procedure for credit disbursement. To collect member organization check the status of individual income, employment, family member, fixed & floating assets and other information. Field officer or branch manager conduct a detailed survey of the area covering various aspects such as tentative number of members, women's business, willingness and socioeconomic conditions of the residents etc. If the area is found suitable then two groups can be formed in a village. Application of loan is presented by the relevant field officer in the weekly meeting. Branch manager approves the loan within his jurisdiction. If 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 with 46 weekly installments.

Good internal control mechanism

**CREDIT RATING REPORT
On
AMBALA FOUNDATION***Adequate IT and IT
Infrastructure***4.0 IT and IT INFRASTRUCTURE**

Ambala Foundation is operating with 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 is maintained by web-based software named Microfin360. Branch office is operated with nabaerp365 a web based in-house developed software which is ERP (Enterprise Resource Planning) Solution and it's a complete and integrated software. Ambala Foundation has been using this software in the organization to maintain 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, which provides the organization high level of safety in preventing unauthorized bank cheque and ensures high level of internal control.

*Competitive industry***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. As experienced from Grameen success that poor, are the most reliable as far as loan repayment is concerned and if empowered with money, training and work in groups they will develop themselves into quality borrowers making astonishing recovery rate of over 98%.

*Government policy
changes*

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 a 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.

*Getting fund form
donor*

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 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

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

Enough untapped market

Two tier Board

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. GC also elected the Executive Committee members. All policies and programs are duly approved by the committee are implemented by 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.

General Committee of Ambala Foundation

Sl. No	Name	Designation	Qualification
1	M. Azizur Rahman	Executive Member	MA
2	Senlina Akhter	Executive Member	MA
3	Arif Sikder	Executive Member	MA, MBA
4	S.M. Mahedi 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**

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 the 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

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

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	03
Md. Mostafizar Rahman	Program Director (MFP)	M.Com	14
Shahdat Kamal	Program Director	MSS	14
Sujit Kumar Acharja	Asst. Program Coordinator	BSS	13
Ms. Ripa Khatun	Sr. MIS Officer	MSS	10
Md. Showkat Ali	Sr. IT Officer	BSS	14
Md. Ashaduzzaman	Sr. Audit Officer	M.Com	09
Asaduzzaman	Accounts Officer	M.A., CMA (Partly)	02
Khandakar Monirul Islam	HR & Admin Officer	MBS, PGDHRM	02

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 detail guideline and covers major aspects of HR practices. Initially to become permanent employee, a person has to sustain a probationary period of usually 6 month and have to wait for the approval of the management. After the approval, the individual is entitled to receive competitive salary followed by 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 410.

Experienced
management team

**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, 2016 has been considered for financial performance as well as also considered only micro finance program. Financial statement has been audited by the S.F. Ahmed & Co.

8.0 OPERATIONAL PERFORMANCE

Indicators	FY2015-16	FY2014-15	FY2013-14	FY2012-13
Loan Disbursement (In million Tk. micro credit)	2053.07	1199.91	553.83	320.80
Total borrower (No of Person)	25,679	21,692	17,757	12,499
Loan Outstanding (In million Tk.)	1327.54	727.32	303.97	210.43
Total Savings portfolio (In million Tk.)	377.49	213.45	130.27	66.59
Total Income (In million Tk.)	305.57	153.52	84.32	70.64
Total Expense (In million Tk.)	251.26	147.15	82.04	65.51
Net Surplus (In million Tk.)	54.32	6.37	2.28	5.12
Growth of Loan Disbursement (%)	71.10%	116.66%	72.64%	-
Growth of Savings Portfolio (%)	76.85%	63.85%	95.64%	-
Loan Recovery Rate (%)	99.86%	99.86%	99.26%	99.15%

Based on audited consolidated accounts for the year ended June 30, 2016

Growing business performance

The business performance of the organization in micro finance activities has been found to be good. Both the number of borrower and loan has increased in FY2015-16. During the FY2015-16 Ambala Foundation disbursed loan amount of Tk. 2053.07 million compared to Tk. 1199.91 million in FY2014-15, which confirms a growth of 71.10%. During FY2015-16 Ambala Foundation achieved 88% of loan disbursement target. The number of borrowers stood at 25,679 in FY2015-16 from 21,692 in FY2014-15. When analyzing the savings portfolio it has been found that total savings portfolio stood at Tk. 377.49 million from Tk. 213.45 million, which confirms a growth of 76.85%. On the other hand the organization achieved 1.13 times higher than its deposits target in 2015-16. Increasing number of member helped the organization to increase the savings and loan portfolio. The loan recovery performance of Ambala Foundation has been found to be good. The loan recovery rate of the organization stood at 99.86% in FY2015-16 and 99.86% in FY2014-15.

Particulars	FY2015-16		FY2014-15		FY2013-14	
	Million Tk.	% of Total	Million Tk.	% of Total	Million Tk.	% of Total
Service charge on loan	269.01	88.03%	119.50	77.84%	60.43	71.66%
Donation	12.85	4.20%	3.90	2.54%	1.10	1.30%
Interest on Regular Bank & FDR A/c	10.55	3.45%	7.48	4.87%	5.38	6.38%
Others Income	1.82	0.60%	1.33	0.87%	2.75	3.26%
Donor Grants	11.35	3.71%	21.31	13.88%	14.67	17.40%
Total Revenue	305.57	100%	153.52	100%	84.32	100%

Based on audited consolidated accounts for the year ended June 30, 2016

When analyzing the revenue of the Ambala Foundation has been found that total revenue stood at Tk. 305.57 million in FY2015-16. Total Revenue of the organization stood at Tk. 153.52 million in FY2014-15 compared to Tk. 84.32 million in FY2013-14. Revenue is mainly dominated by the service charge loan of Tk. 269.01 million, which is 88.03% of total income in FY2015-16. The net surplus of the organization stood at Tk. 54.32 million in FY2015-16 from Tk. 6.37 million in FY2014-15.

CREDIT RATING REPORT On AMBALA FOUNDATION

Credit Rating Report

9.0 PROFITABILITY AND EFFICIENCY

Indicators	FY2015-16	FY2014-15	FY2013-14	FY2012-13
Return on Average Assets (%)	4.02	0.85	0.61	1.84
Return on Average Capital fund (%)	64.57	10.47	4.28	12.34
Net Margin (%)	17.78	4.15	2.70	7.25

Based on audited consolidated accounts for the year ended June 30, 2016

Good assets quality

Due to increase in operating income of the profitability of the organization has also been improved in FY2015-16. Return on Average Assets (ROAA) has been increased to 4.02% in FY2015-16 from 0.85% in FY2014-15. The Return on Average Capital Fund (ROACF) has also been increased to 64.57% in FY2015-16 from 10.47% in FY2014-15. The net margin of the organization increased to 17.78% in FY2015-16 from 4.15% in FY2014-15 reflecting the growth of the organization. The overall profitability of the organization has been found to be good.

10.0 ASSET SIZE

Total assets of the Ambala Foundation mostly are financed by the external borrowing. Total assets size of the organization stood at Tk. 1679.32 million in FY2015-16, which is financed by 93.36% from liability (Current liability 34.08% and 59.28% Non Current Liability) and 6.64% from capital fund. Most of the assets are concentrated in current asset, which stood at Tk. 1601.09 million. On the other hand most of the current asset has been concentrated in Loan to Beneficiary, which is 82.91% in FY2015-16.

Particulars	FY2015-16		FY2014-15		FY2013-14	
	Million Tk.	% of Total	Million Tk.	% of Total	Million Tk.	% of Total
Regular	1322.62	99.67%	723.70	99.50%	299.80	98.79%
Watchful	0.54	0.04%	0.25	0.03%	0.39	0.13%
Sub-standard	0.86	0.06%	0.66	0.09%	0.46	0.15%
Doubtful	0.23	0.02%	0.42	0.06%	0.10	0.03%
Bad Loan	2.81	0.21%	2.29	0.31%	2.73	0.90%
Non Performing Loan	3.90	0.29%	3.37	0.46%	3.28	1.08%
Total	1327.06	100.00%	727.32	100.00%	303.47	100.00%

Based on audited consolidated accounts for the year ended June 30, 2016

While analyzing the total micro credit portfolio of Ambala Foundation of Tk. 1327.06 million, it should be noted that regular loan stood at Tk. 1322.62 million, watchful loan (1-30 days) stood at Tk. 0.54 million, sub-standard (31-180 days) Tk. 0.86 million, doubtful (181 to 365 days) stood at Tk. 0.23 million and bad loan (above 365 days) stood at Tk. 2.81 million as on June 2016. Currently non-performing loan to outstanding stood at 0.29% in FY2015-16 compared to 0.46% in FY2014-15 and 1.08% in FY2013-14. Due to increase in total loan portfolio NPL loan ratio has decreased. However continuous decreasing in NPL ratio indicate the improvement of asset quality.

11.0 FUNDING AND LIQUIDITY

Indicators	FY2015-16	FY2014-15	FY2013-14	FY2012-13
Current Ratio (Times)	2.80	2.54	2.38	2.19
Quick Ratio (Times)	2.51	2.13	2.00	1.90
Liquidity Ratio (%)	95.34	96.85	93.54	98.19

Based on audited consolidated accounts for the year ended June 30, 2016

The liquidity of Ambala Foundation has been found to be good. The current ratio of the organization stood at 2.80 in FY2015-16 from 2.54 in FY2014-15 respectively, but minimum requirement for this ratio is 2.0:1 according to MRA guideline. Maximum portion of the current asset is loan to beneficiaries which comprised around 82.91% in FY2015-16. The same was reflected in terms of liquidity ratio which decreased to 95.34% in FY2015-16 from 96.85% in FY2014-15.

CREDIT RATING REPORT On AMBALA FOUNDATION

Credit Rating Report

UCB Bank Limited	Term Loan Agri	50.00	53.61
	Agriculture (10. Tk. Account)	9.50	8.25
Pubali Bank Limited	Agriculture Term Loan	50.00	47.95
AB Bank Limited	Agriculture Term Loan	40.00	40.00
PKSF	Micro Finance Program	387.56	63.48

13.2 Security Arrangement against Exposures

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

SI	Name of the Bank/FIs	Security Arrangement
1	Pubali Bank Limited	<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	Mutual Trust Bank Limited	<ul style="list-style-type: none"> Hypothecation charge to be created on the floating assets of micro credit finance receivables from micro finance program of the borrower. Lien of FDR Buniad equivalent to 5% of the loan amount.
3	United Commercial Bank Limited	<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.
4	AB Bank limited	<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. 2.00 million (5% of loan amount).
5	Meghna Bank Limited	<ul style="list-style-type: none"> Lien of FDR 5% of loan amount. Assignment on the form of charge on the floating assets of micro finance receivables from micro fiancé program of Ambala Foundation. Corporate guarantee backed by resolution of Governing Body and Executive Body.
6	Southeast Bank Limited	<ul style="list-style-type: none"> Lien on FDR (10% of the approved amount) in the name of the Ambala Foundation issued by Southeast Bank Limited Joypara Branch. Personal guarantee of all the members of the executive committee and governing body of Ambala Foundation.
7	Jamuna Bank Limited	<ul style="list-style-type: none"> Loan agreement between Ambala Foundation and JBL. Personal guarantees of the governing body members of the organization. One undated crossed cheque to be obtained covering the facility amount plus interest for the entire period. Four post-dated crossed cheques.
8	NCC Bank Limited	<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-credit 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.
9	One Bank Limited	<ul style="list-style-type: none"> Board resolution for availing credit facilities and authorization

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

		<ul style="list-style-type: none"> 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.
10	Midland Bank Limited	<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.
11	BASIC Bank Limited	<ul style="list-style-type: none"> • Lien and pledge of FDR equivalent of 10% of outstanding loan amount is to be built up gradually within loan repayment period. • Personal guarantee of the Governing committee of the Ambala Foundation.
12	Mercantile Bank Limited	<ul style="list-style-type: none"> • Lien and pledge of FDR equivalent of 10% of loan amount duly discharged by the beneficiary. • Personal guarantee of all the members of EC of the organization. • Personal guarantee of ED of Ambala Foundation.
13	Standard Bank Limited	<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
14	NRB Commercial Bank Limited	<ul style="list-style-type: none"> • 20% FDR on loan amount • Institutional guarantee of Ambala Foundation • Personal guarantee of Governing Body member of Ambala Foundation
15	NRB Bank Limited	<ul style="list-style-type: none"> • Simple hypothecation over book debts/ receivables covering 115% of the outstanding • Lien of FDR amounting of Tk. 10.00 million. • Lien of FDR amounting of Tk. 1.50 million. • Personal guarantee of executive committee of the Ambala Foundation. • Personal guarantee of Mr. Arif Sikder, ED of Ambala Foundation to be obtained.
16	Shahjalal Islami Bank Limited	<ul style="list-style-type: none"> • Lien and pledged of MTDR/FDR for 20% on approved amount. • Bai Mujjal Agreement. • Personal guarantee of Mr. Arif Sikder, Member & Executive Director of Ambala Foundation.
17	Exim Bank Limited	<ul style="list-style-type: none"> • Hypothecation of agricultural inputs. • Lien and pledge of MTDR not less than 20% of investment disbursement amount.

14.0 RISK MANAGEMENT PROCEDURES

14.1 Operational Risk

Ambala Foundation is operating micro finance activities with its 57 branch office in various districts, where those offices need regular monitoring and controlling. Most of the fraudulent activities of the MFI occurred 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.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION****14.2 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 principle resulting from loan defaults. The Ambala Foundation operates micro finance 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 loan. Attendance records in weekly meetings, past loan records, experience, results of 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 recommendation of the Chairman of the centre, Credit Officer and Branch manager. Ambala Foundation maintains proper provisioning policy against 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 in installment payment, the clients become responsible for refund of loans.

14.3 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 fund as well as high cost bearing commercial borrowings. High dependency of bank finance will increase the cost of fund of the organization. This involvement will affect the net surplus of the Ambala Foundation.

14.4 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.

14.5 Loan Recovery Risk

One of the major risks of Micro Finance program is collection of installments with high frequency ranging from 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 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 further loan if there is no default in repaying the installments. The above system works favorably for the MFI institutions and assist them to maintain high recovery ratio. However, legally the MFIs are in the lower end due to informal agreement with clients.

14.6 Assets-Liabilities Management Risk

A proper Asset - Liabilities management practices is 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 last couple of years. It invests fund in FDR with varied periods in some commercial banks. The FDR are automatically renewed on the date of maturity.


For President & CEO
Sarwat Amina
Executive Vice President
Credit Rating Information and Services Ltd.

**CREDIT RATING REPORT
On
AMBALA FOUNDATION****15.0 OBSERVATION SUMMARY**

Rating Comforts: <ul style="list-style-type: none"> • Good assets quality • Experienced management team • Regular debt servicing capacity and history • Number of international donor • Good internal control mechanism • Funding support from PKSF 	Rating Concerns: <ul style="list-style-type: none"> • High dependency in bank loan for MFP • Increased bank loan burden • High cost of fund • Absence of operation in national level • High debt to capital ratio • Short fall in capital adequacy 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 BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]


For President & CEO
Sarwat Amina
Executive Vice President
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 MFI 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 MFI 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

**CREDIT RATING REPORT
On
AMBALA FOUNDATION**

**CRISL RATING SCALES AND DEFINITIONS
BANK LOAN/ FACILITY RATING SCALES AND DEFINITIONS- LONG-TERM**

RATING	DEFINITION
<i>blr AAA</i> (blr Triple A) (Highest Safety)	Investment Grade Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have highest credit quality, offer highest safety and carry almost no risk. Risk factors are negligible and almost nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of loans/ facilities.
<i>blr AA+, blr AA, blr AA-</i> (Double A) (High Safety)	Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have high credit quality, offer higher safety and have high credit quality. This level of rating indicates that the loan / facilities enjoyed by an entity has sound credit profile and without any significant problem. Risks are modest and may vary slightly from time to time because of economic conditions.
<i>blr A+, blr A, blr A-</i> Single A (Adequate Safety)	Bank Loan/ Facilities rated in this category are adjudged to carry adequate safety for timely repayment/ settlement. This level of rating indicates that the loan / facilities enjoyed by an entity have adequate and reliable credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
<i>blr BBB+, blr BBB, blr BBB-</i> Triple B (Moderate Safety)	Bank Loan/ Facilities rated in this category are adjudged to offer moderate degree of safety for timely repayment /fulfilling commitments. This level of rating indicates that the client enjoying loans/ facilities under-performing in some areas. However, these clients are considered to have the capability to overcome the above-mentioned limitations. Cash flows are irregular but the same is sufficient to service the loan/ fulfill commitments. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
<i>blr BB+, blr BB, blr BB-</i> Duble B (Inadequate Safety)	Speculative/ Non investment Grade Bank Loan/ Facilities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates loans/ facilities enjoyed by a client are below investment grade. However, clients may discharge the obligation irregularly within reasonable time although they are in financial/ cash problem. These loans / facilities need strong monitoring from bankers side. There is possibility of overcoming the business situation with the support from group concerns/ owners. Overall quality may move up or down frequently within this category.
<i>blr B+, blr B, blr B-</i> Single B (Somewhat Risk)	Bank Loan/ Facilities rated in this category are adjudged to have weak protection factors. Timely repayment of financial obligations may be impaired by problems. Whilst a Bank loan 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. Special monitoring is needed from the financial institutions to recover the installments.
<i>blr CCC+, blr CCC, blr CCC-</i> Triple C (Risky)	Risky Grade Bank Loan/ Facilities rated in this category are adjudged to be in vulnerable status and the clients enjoying these loans/ facilities might fail to meet its repayments frequently or it may currently meeting obligations through creating external support/liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support. These loans / facilities need strong monitoring from bankers side for recovery.
<i>blr CC+, blr CC, blr CC-</i> Double C (High Risky)	Bank Loan/ Facilities rated in this category are adjudged to carry high risk. Client enjoying the loan/ facility might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support. These loans / facilities need strong monitoring from bankers side for recovery.
<i>blr C+, blr C, blr C-</i> (Extremely Speculative)	Bank Loan/ Facilities rated in this category are adjudged to be extremely risky in timely repayment/ fulfilling commitments. This level of rating indicates that the clients enjoying these loan/ facilities are with very serious problems and unless external support is provided, they would be unable to meet financial obligations.
<i>blr D</i> (Default)	Default Grade Entities rated in this category are adjudged to be either already in default or expected to be in default.

SHORT-TERM RATINGS

<i>blr ST-1</i>	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.
<i>blr ST-2</i>	High Grade High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
<i>blr ST-3</i>	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.
<i>blr ST-4</i>	Satisfactory Grade Satisfactory liquidity and other protection factors qualify issues as to invest grade. Risk factors are larger and subject to more variation.
<i>blr ST-5</i>	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.
<i>blr ST-6</i>	Default Institution failed to meet financial obligations