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## 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.crislbd.com

### CREDIT RATING REPORT On AMBALA FOUNDATION

REPORT: RR/25948/19

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

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**Entity Rating**

Long Term: A  
Short Term: ST-3

**Outlook: Stable**

**AMBALA  
FOUNDATION**

**ACTIVITY**

Non-government  
organization and micro  
finance

**YEAR OF  
INCORPORATED**  
1994

**CHAIRPERSON**

M. Azizur Rahman

**EXECUTIVE DIRECTOR**

Arif Sikder

**CAPITAL FUND**

Tk. 444.17 million

**TOTAL ASSETS**

Tk. 3,191.99 million

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| Date of Rating: February 18, 2019      |  | Valid up to: February 17, 2020 |            |
|--|--|--------------------------------|------------|
|  |  | Long Term                      | Short Term |
| Entity Rating                          |  | A                              | ST-3       |
| Outlook                                |  | Stable                         |            |
| <b>Bank Facilities Rating</b>          |  |                                |            |
| Bank/FI                                | Mode of Exposures (Figures in million) | Ratings                        |            |
| Pubali Bank Ltd.                       | TLO of Tk.47.85                        | blr A                          |            |
| Southeast Bank Ltd.                    | TLO of Tk. 36.55                       | blr A                          |            |
| Basic Bank Limited                     | STLO of Tk.56.02                       | blr A                          |            |
| Jamuna Bank Ltd.                       | TLO of Tk.24.03                        | blr A                          |            |
| United Commercial Bank Ltd.            | TLO of Tk.20.08                        | blr A                          |            |
|  | WCLL Of Tk.13.50                       | blr A                          |            |
| NRB Commercial Bank Ltd.               | TLO of Tk.54.34                        | blr A                          |            |
| EXIM Bank Ltd.                         | WCLL of Tk.50.00                       | blr A                          |            |
| Mutual Trust Bank Ltd.                 | TLO of Tk.130.62                       | blr A                          |            |
| AB Bank Ltd.                           | TLO of Tk.4.00                         | blr A                          |            |
| NRB Bank Ltd.                          | TLO of Tk.64.03                        | blr A                          |            |
|  | WCLL of Tk.80.00                       | blr A                          |            |
| Standard Bank Ltd.                     | TLO of Tk.31.26                        | blr A                          |            |
| One Bank Ltd.                          | STLO of Tk.122.12                      | blr A                          |            |
| NCC Bank Ltd.                          | TLO of Tk.30.20                        | blr A                          |            |
| Midland Bank Ltd.                      | TLO of Tk.101.83                       | blr A                          |            |
| NRB Global Bank Ltd.                   | TLO of Tk.35.35                        | blr A                          |            |
| UBICO                                  | TLO of Tk.53.14                        | blr A                          |            |
| National Finance Ltd.                  | TLO of Tk.77.64                        | blr A                          |            |
| Phonix Finance & Investment Co. Ltd.   | TLO of Tk.28.55                        | blr A                          |            |
| BD Finance & Investment CO. Ltd.       | TLO of Tk.28.91                        | blr A                          |            |
| Uttara Finance and Investment Co. Ltd. | WCLL of Tk.150.00                      | blr A                          |            |
| Hajj Finance Company Ltd.              | WCLL of Tk.15.00                       | blr A                          |            |
| PKSF                                   | TLO of Tk.91.85                        | blr A                          |            |

\*Term Loan Outstanding, STLO-Short Term Loan Outstanding, WCLL-Working Capital Loan Limit, PKSF- Pally Karma Sahayak Foundation

#### 1.0 RATIONALE

CRISL has upgraded the Long Term Rating to 'A' from 'A-'(pronounced as single A) and reaffirmed 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 loan repayment status, 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 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 be able to maintain its fundamentals with the same trend in foreseeable future.

  
For President & CEO  
Md. Asiful Haq  
Chief Rating Officer  
Credit Rating Information and Services Ltd.

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

Ambala Foundation as a non-profit and non-political voluntary organization established in 1994 and initiated their development activities all over Bangladesh from 1998. 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 vision of the organization is poverty elimination through establishing social unity and integrated development. The mission of the organization is reducing poverty through eliminating inequality, promotion of education, socio-economic development, strengthen environment and climate change adaptability. The major objectives of the organization are eradicate inequality through establishing human rights and social harmony, ensure women empowerment and child rights, create scope to education for poor and disadvantaged community, strengthen adaptability to climate change and environmental risk, ensure good governance, transparency and social accountability, ensure improvement of public health and making awareness, ensure accessibility to financial institution and to generate income for better livelihood, social development through proper use of media and information technology and socio-economic development through research and publication. As a micro finance institute Ambala Foundation launched micro finance program on July, 2002. Becoming partner of Palli karma Sahayak Foundation (PKSF) in 2004 was a milestone of the organization. Ambala Foundation is always in thought of extending microfinance services for the poor and ultra-poor in a flexible way in consideration of the conventional rigid system. 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. 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/Munshigonj Sadar-60/Munshi-160 | July 07, 2009        |

Registered by four  
regulatory body

**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                 | Name of Development Program  | Current Status of Project  | Grant Amount (Tk. in millions) | Number of Beneficiary |
|----------------------------|--|----------------------------|--------------------------------|-----------------------|
| Room to Read, USA          | Classroom Library for Government and Registered Primary School                     | September 2009 to Continue | 39.82                          | 65000                 |
| Ambala Foundation Own Fund | Early Childhood Development (ECD) and After School (ASP) for Slum Children Project | January 2014 to Continue   | 4.15                           | 1570                  |

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|   |   |                           |       |                 |
|---|---|---------------------------|-------|-----------------|
| 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 | 13498           |
| Campaign for Tobacco Free Kids (CTFK)     | Advocating for Strengthening and Proper Implementation of Law for Effective Enforcement of Direct and Indirect Advertising Bans in Bangladesh Project | November 2012 to Continue | 11.99 | 50000           |
| 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  | 143720          |
| Ambala Foundation, Japan Embassy          | Radio Bikrampur 99.2fm for Social Transformation.   | May 2012 to Continue      | 1.21  | 500000 (approx) |
| Department of Women Affairs of Government | Vulnerable Group Development for Ultra Poor (VGDUP) project.  | March 2015 to Continue    | 1.34  | 3152            |

**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 1<sup>st</sup>, 2012 and Regular Transmission in September 1<sup>st</sup>, 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 2<sup>nd</sup> position under 18 category journalism
2. "Mina Media Award 2014" acknowledged by **United Nations Children's Fund (UNICEF)** on 16 September 2014 as 3<sup>rd</sup> position over 18 category journalism
3. "12<sup>th</sup> Mina Media Award" on 9<sup>th</sup> October 2016 acknowledged by **United Nations Children's Fund (UNICEF)** as 2<sup>nd</sup> 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 2<sup>nd</sup> position
5. "Mena Media Award 2018" acknowledged by **United Nations Children's Fund (UNICEF)** on November 20, 2018 as 1<sup>st</sup> position over 18 category journalism
6. "Mena Media Award 2018" acknowledged by **United Nations Children's Fund (UNICEF)** on November 20, 2018 as 3<sup>rd</sup> position over 18 category journalism
7. "Mena Media Award 2018" acknowledged by **United Nations Children's Fund**

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(UNICEF) on November 20, 2018 as 3rd position under 18 category journalism

**3.3 Micro Finance Program (MFP)**

Considering the limitations of existing financial institutions, Ambala Foundation launched its Micro Finance 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 Munshiganj, 20 branches of Dhaka, 06 branches of Narayanganj, 17 branches Gazipur, 17 branches of Comilla, 02 branches of Mymensing, 03 branches of Manikganj, 02 branches of Tangail, 02 branches of Narshingdi, 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 commercial banks and financial institution 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:-

Entered into the formal financial market as MF bank

Funding support from PKSF

(In million Tk.)

| Name of Loan Product                                      | Number of Beneficiary (as on 31.11.18) | Total Fund Disbursement (as on 31.11.18) | Current Loan Receivable Position (as on 31.11.18) |
|---|--|--|---|
| Jagoron (Microfinance Program for Urban and Rural People) | 22,926                                 | 3,008.47                                 | 18.87   |
| Agroshor (Microfinance Program for Entrepreneurs)         | 18,732                                 | 6,200.36                                 | 124.21  |
| Buniyad (Microfinance Program for Ultra and Extreme Poor) | 559                                    | 138.08                                   | 0.00  |
| Shufalon (Microfinance Program for Agriculture)           | 3,198                                  | 877.31                                   | 12.83   |
| Grihayan (Microfinance Program for House Construction)    | 7,182                                  | 2,935.01                                 | 69.32   |
| Livelihood Rehabilitation P.(LRP)                         | -                                      | 0.90                                     | -   |
| Sahos (Microfinance Program for Disaster affected people) | -                                      | 0.30                                     | -   |
| <b>Total</b>  | <b>52,597</b>                          | <b>13,160.43</b>                         | <b>225.23</b>                                     |

**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%, Samridi 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              | FY2017-18     | FY2016-17     | FY2015-16     |
|---------------------------|---------------|---------------|---------------|
| Regular Savings           | 447.10        | 334.22        | 241.94        |
| Voluntary Savings-Monthly | 165.06        | 109.57        | 66.01         |
| SAMRIDDI                  | 115.26        | 79.91         | 47.21         |
| OTS                       | 126.37        | 62.85         | 22.33         |
| <b>Total</b>              | <b>853.78</b> | <b>586.56</b> | <b>377.49</b> |

**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

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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  | FY2017-18       | % of Total loan | FY2016-17       | % of Total loan | Growth %     |
|--|-----------------|-----------------|-----------------|-----------------|--------------|
| Jagoron (Micro Finance Program for Urban and Rural People) | 174.49          | 6.89            | 228.31          | 11.41           | -23.57       |
| Agroshor (Micro Finance Program for Entrepreneurs)         | 1,264.25        | 49.92           | 934.77          | 46.70           | 35.25        |
| Buniyad (Micro Finance Program for Ultra and Extreme Poor) | 0.05            | 0.00            | 1.73            | 0.09            | 0            |
| Shufalon (Micro Finance Program for Agriculture)           | 128.03          | 5.06            | 129.02          | 6.45            | -0.76        |
| Grihayon (Micro Finance Program for House Construction)    | 965.90          | 38.14           | 707.71          | 35.35           | 36.48        |
| <b>Total</b>   | <b>2,532.73</b> | <b>100.00</b>   | <b>2,001.54</b> | <b>100.00</b>   | <b>26.54</b> |

**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   | Kashimpur         | 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   | Basall            | 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         | Sreenagor        | 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  | Tongl             | Tongl            | Gazipur     |

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|    |                 |                     |             |
|----|-----------------|---------------------|-------------|
| 28 | Board bazaar    | Gazipur Sadar       | Gazipur     |
| 29 | Nayarhat        | Savar               | Dhaka       |
| 30 | Dhamrai         | Dhamrai             | Dhaka       |
| 31 | Kalampur        | Dhamrai             | Dhaka       |
| 32 | Sreepur         | Sreepur             | Gazipur     |
| 33 | Zoina bazaar    | 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 | Agla            | Nababganj           | Dhaka       |
| 41 | Nababgonj       | Nababganj           | Dhaka       |
| 42 | Seed Stor       | Bhaluka             | Mymensingh  |
| 43 | Bhaluka         | Bhaluka             | Mymensingh  |
| 44 | Salna           | Gazipur Sadar       | Gazipur     |
| 45 | Ashulla         | Ashulla             | Dhaka       |
| 46 | Dokkhin Khan    | Dokkhin Khan        | Dhaka       |
| 47 | Kodomtoli       | 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 | Jarun           | Gazipur Sadar       | Gazipur     |
| 58 | Naowpara        | Lohajong            | Munshiganj  |
| 59 | Hasail          | Munshiganj Sadar    | Munshiganj  |
| 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 | Eliotgonj       | Daudkandi           | Comilla     |
| 69 | Titas           | Titas               | Comilla     |
| 70 | Madhya          | Chandina            | Comilla     |
| 71 | Nimsar          | Burichong           | Comilla     |
| 72 | Katigram        | 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    |

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|    |                |                |          |
|----|----------------|----------------|----------|
| 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 | Monohorganj    | Monohorganj    | 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 Area Manager, Zonal Manager and Program 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

**4.0 IT AND IT'S 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.

MIS maintained by web-  
based software named  
Microfinplus.com

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

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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 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 to 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



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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.

**General Committee of Ambala Foundation**

| Sl. No | Name                       | Designation      | Qualification |
|--------|----------------------------|------------------|---------------|
| 1      | M. Azizur Rahman           | Executive Member | MA            |
| 2      | Selina Akther              | 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            |

15 members General 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 Akther      | Vice Chairperson    | MA                      |
| 3     | Arif Sikder        | Secretary General   | MA, MBA                 |
| 4     | S.M. Mehedi Hasan  | Secretary (Finance) | MSS                     |
| 5     | Selina Iqbal       | Executive Member    | MA                      |

5 members Executive Committee

  
For President & CEO  
Md. Asiful Huq  
Chief Rating Officer  
Credit Rating Information and Services Ltd.

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**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:

Experienced  
management team

| Name                   | Designation              | Education   | Experience (in years) |
|------------------------|--------------------------|-------------|-----------------------|
| Arif Sikder            | Executive Director       | MA & MBA    | 26                    |
| Dewan Taufika Hossain  | Director                 | MBA         | 05                    |
| Rokibul Hasan Talukder | Assistant Director       | MA          | 26                    |
| Md. Mostafizar Rahman  | Assistant Director -MFP  | M.Com       | 15                    |
| Shahdat Kamal          | Program Director-General | MSS         | 15                    |
| Sujit Kumar Acharja    | Program Manager-MFP      | BSS         | 14                    |
| Md. Ashaduzzaman       | Manager-Audit            | M.Com       | 10                    |
| Ms. Ripa Khatun        | Deputy Manager-MIS       | MSS         | 11                    |
| Md. Abdul Alim         | Officer- Accounts        | BBS(Honors) | 16                    |

**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 708.

**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, 2018 has been considered for financial performance as well as also considered only microfinance program. Financial statement has been audited by the Fames & R.

**8.0 OPERATIONAL PERFORMANCE**

Average operational  
performance

| Indicators                                      | FY2017-18 | FY2016-17 | FY2015-16 |
|---|-----------|-----------|-----------|
| Loan Disbursement (In million Tk. micro credit) | 3,651.91  | 2,895.54  | 2,075.62  |
| Total borrower (No of Person) (Micro credit)    | 30,371    | 28,155    | 25,679    |
| Loan Outstanding (In million Tk.)               | 2532.73   | 2,001.54  | 1,327.54  |
| Total Savings portfolio (In million Tk.)        | 853.78    | 586.56    | 377.49    |
| Total Income (In million Tk.)                   | 665.49    | 440.30    | 305.57    |
| Total Expense (In million Tk.)                  | 459.55    | 317.95    | 251.26    |
| Net Surplus (In million Tk.)                    | 205.94    | 122.34    | 54.32     |
| Growth of Loan Disbursement (%)                 | 26.12     | 39.50     | 71.10     |
| Growth of Savings Portfolio (%)                 | 45.56     | 55.39     | 76.85     |
| Loan Recovery Rate (%)                          | 99.44     | 99.58     | 99.86     |

Based on audited consolidated accounts for the year ended June 30, 2018

The operational performance of Ambala Foundation has found to be average over the year. Due to increase in number of borrowers (from 28,155 to 30,371) as well as increase in average loan size per borrower, therefore, the loan outstanding and saving portfolio have increased in current year compared to the previous year. Growth rate of loan outstanding and savings portfolio stood at 26.12% and 45.56% in FY2017-18. 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, Buniyad, Shufalon and

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Grihayan. On the other side, the savings portfolio of the organization shows concentration towards Regular, Voluntary, One time and Term. During the FY2017-18, Ambala Foundation disbursed loan amount of Tk. 3,651.91 million compare to Tk. 2,895.54 million in FY2016-17. The above increased in loan disbursed in FY2017-18 due to increase in Agrosbor loan product's disbursement amount. When analyzing the savings portfolio, it has been found that total savings portfolio stood at Tk. 853.78 million in FY2017-18 against Tk. 586.56 million in FY2016-17 due to increase in members regular savings (from Tk. 367.91 million to Tk.492.42 million) as well as average loan size per borrower. Beside this, the loan recovery performance of Ambala Foundation has been found to be declining trend over the year. The loan recovery rate of the organization stood at 99.44% in FY2017-18 and 99.58% in FY2016-17.

| Particulars                        | FY2017-18     |            | FY2016-17     |            | FY2015-16     |            |
|------------------------------------|---------------|------------|---------------|------------|---------------|------------|
|                                    | Million Tk.   | % of Total | Million Tk.   | % of Total | Million Tk.   | % of Total |
| Service charge on loan             | 647.43        | 97.29      | 421.22        | 95.67      | 269.01        | 88.03      |
| Donation                           | 4.76          | 0.71       | 3.00          | 0.68       | 12.85         | 4.20       |
| Interest on Regular Bank & FDR A/C | 9.27          | 1.39       | 9.88          | 2.24       | 10.55         | 3.45       |
| Others Income                      | 3.61          | 0.54       | 2.8           | 0.65       | 1.82          | 0.60       |
| Donor Grants                       | 0.43          | 0.07       | 3.35          | 0.76       | 11.35         | 3.7        |
| <b>Total Income</b>                | <b>665.49</b> | <b>100</b> | <b>440.30</b> | <b>100</b> | <b>305.58</b> | <b>100</b> |

Based on audited consolidated accounts for the year ended June 30, 2018

When analyzing the operating income of the Ambala Foundation, it has been found that the total income of the organization stood at Tk. 665.49 million in FY2017-18 against Tk. 440.30 million in FY2016-17. Revenue is mainly dominated by the service charge loan of Tk. 647.43 million which was 97.29% of the total income in FY2017-18. The net surplus of the organization stood at Tk. 205.94 million in FY2017-18 against Tk. 122.34 million in FY2016-17. The net surplus of the organization increased by 68.33% due to increase in service charge on loan to 97.29% of the total income in FY2017-18 from 95.67% of the total income in FY2016-17.

**9.0 PROFITABILITY AND EFFICIENCY**

| Indicators                         | FY2017-18 | FY2016-17 | FY2015-16 |
|------------------------------------|-----------|-----------|-----------|
| Return on Average Assets (%)       | 7.36      | 6.00      | 4.02      |
| Return on Average Capital fund (%) | 60.65     | 70.63     | 64.57     |
| Net Margin (%)                     | 30.95     | 27.79     | 17.78     |

Based on audited consolidated accounts for the year ended June 30, 2018

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 30.95% in FY2017-18 compare to 27.79% in FY2016-17. 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 9.59% in FY2017-18 compare to 9.41% in FY2016-17 and 11.33% in FY2015-16. 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 ASSETS SIZE**

Total assets of the Ambala Foundation are mostly financed by the external borrowing. Total assets size of the organization stood at Tk. 3,191.99 million in FY2017-18, which financed by 86.08% from liability (Current liability 38.45% and 47.63% Non-current liability) and 13.92% from the capital fund. Most of the assets are concentrated in the current assets, which stood at

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Tk. 3,055.24 million. On the other hand, most of the current assets has been concentrated in loan to beneficiary, which was 82.90% in FY2017-18.

When analyzing the compliance criteria of asset creation as per MRA guidelines. Fixed assets (other than FDR) stood at Tk. 136.75 million, which is 34.02% of cumulative surplus as on June 30, 2018 compare to 52.24% in FY2016-17. Maximum ceiling for fixed assets creation is 35% of cumulative surplus. Due to sharp increase in cumulative surplus in FY2017-18 is higher than fixed assets, therefore, its cumulative surplus ratios fall gradually. 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, 2018.

Good assets quality

| Particulars  | FY2017-18       |               | FY2016-17      |               | FY2015-16      |               |
|--------------|-----------------|---------------|----------------|---------------|----------------|---------------|
|              | Million Tk.     | % of Total    | Million Tk.    | % of Total    | Million Tk.    | % of Total    |
| Regular      | 2,512.38        | 99.20         | 1990.85        | 99.47         | 1323.10        | 99.67         |
| Watchful     | 1.58            | 0.06          | 1.71           | 0.09          | 0.54           | 0.04          |
| Sub-standard | 8.07            | 0.32          | 4.41           | 0.22          | 0.86           | 0.06          |
| Doubtful     | 6.56            | 0.26          | 1.29           | 0.06          | 0.23           | 0.02          |
| Bad Loan     | 4.13            | 0.16          | 3.29           | 0.16          | 2.81           | 0.21          |
| <b>Total</b> | <b>2,532.73</b> | <b>100.00</b> | <b>2001.54</b> | <b>100.00</b> | <b>1327.54</b> | <b>100.00</b> |


Based on audited consolidated accounts for the year ended June 30, 2018

While analyzing the total micro credit portfolio of Ambala Foundation of Tk. 2,532.73 million as on June 30, 2018, it should be noted that regular loan stood at Tk. 2,512.38 million, watchful loan (1-30 days) stood at Tk. 1.58 million, sub-standard (31-180 days) Tk. 8.07 million, doubtful (181 to 365 days) stood at Tk. 6.56 million and bad loan (above 365 days) stood at Tk. 4.13 million as on June 2018. Currently non-performing loan to outstanding stood at 0.74% in FY2017-18 compared to 0.45% in FY2016-17. Due to increase in total loan portfolio, the Non Performing Loan (NPL) ratio slightly increased in FY2017-18. NPL of the organization stood at Tk.18.76 million where bad and loss of Tk.4.13 million in FY2017-18. The organization maintains required provision in full in FY2017-18.

**11.0 FUNDING AND LIQUIDITY**

| Indicators              | FY2017-18 | FY2016-17 | FY2015-16 |
|-------------------------|-----------|-----------|-----------|
| Portfolio to Assets (%) | 79.35     | 83.36     | 79.05     |
| Current Ratio (Times)   | 2.49      | 2.73      | 2.80      |
| Quick Ratio (Times)     | 2.29      | 2.49      | 2.51      |
| Liquidity Ratio (%)     | 95.72     | 95.36     | 95.34     |

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 17.54% of its capital fund for credit portfolio. The liquidity of the organization has been found to be average. The current ratio stood at 2.49 times in FY2017-18 against 2.73 times in FY2016-17, which are representing an average back up capacity to meet the current liabilities, though it is showing a decreasing trend.

  
For President & CEO  
Md. Asiful Haq  
Chief Rating Officer  
Credit Rating Information and Services Ltd.

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**12.0 LEVERAGE AND SOLVENCY**

| Leverage and solvency                      | FY2017-18 | FY2016-17 | FY2015-16 |
|--|-----------|-----------|-----------|
| Equity to total assets (%)                 | 13.92     | 9.79      | 6.64      |
| Total outside liability to total asset (%) | 86.08     | 90.21     | 93.36     |
| Debt service coverage ratio (X)            | 1.28      | 1.08      | 1.25      |
| Total outside liability to equity (X)      | 6.19      | 9.22      | 14.06     |
| Interest coverage ratio (X)                | 1.93      | 1.74      | 1.40      |
| Capital adequacy ratio (%)                 | 15.77     | 10.80     | 7.46      |
| Debt to Capital ratio (X)                  | 5.85      | 8.69      | 13.44     |

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 liabilities stood at Tk. 2,747.82 million in FY2017-18 from Tk. 2,166.12 million in FY2016-17. The debt service coverage ratio of the organization increased to 1.28 times in FY2017-18 from 1.08 times in FY2016-17 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 15.77% in FY2017-18 against 10.80% in FY2016-17. The above increased in CAR due to increase in capital base of the organization.

**13.0 ELIGIBILITY CRITERIA COMPLIANCE**

| SL | Particulars of Ratio                   | Standard     | FY2017-18 | FY2016-17 |
|----|--|--------------|-----------|-----------|
| 1  | Capital Adequacy (%)                   | 15 (Min)     | 15.95     | 10.53     |
| 2  | Debt Service Cover Ratio (Times)       | 1.25:1 (Min) | 1.90:1    | 1.22:1    |
| 3  | Current Ratio (Times)                  | 2.00:1 (Min) | 2.71:1    | 3.09:1    |
| 4  | Debt to Capital (Times)                | 9:1 (Max)    | 6.03:1    | 9.37:1    |
| 5  | Liquidity Ratio (%)                    | 10% (Min)    | 10.43     | 10.23     |
| 6  | Rate of Return of Capital Employed (%) | 1% (Min)     | 68.22     | 78.31     |
| 7  | Cumulative Recovery Ratio (%)          | 95.00 (Min)  | 99.44     | 99.58     |
| 8  | On Time Realization (%)                | 92-100 (Min) | 99.84     | 99.89     |

As per audited Eligibility Criteria Compliance Certification


When analyzing the Microcredit Regularity Authority (MRA) eligibility criteria compliance certifications, Ambala Foundation have maintained all criteria of compliance adequately in FY2017-18 though the capital adequacy stood at marginal.

**14.0 BANKING RELATIONSHIP**

**14.1 Liability Position & Repayment Status**

Ambala Foundation is enjoying loan facility from Palli Karma Shahayak Foundation (PKSF), commercial banks and financial institutions. Details of the loan liabilities are shown in the following table:

| SL. | Name of the Bank/Financial Institution | Details of Exposures (As On 31.12.2018) |  |                              | Status |
|-----|--|---|--|------------------------------|--------|
|     |  | Mode of Loan                            | Sanction Limit/Disbursed Amount (in million Tk.) | Outstanding (in million Tk.) |        |
| 1   | Pubali Bank Ltd.                       | Term Loan                               | 100.00   | 47.85                        |        |
| 2   | Southeast Bank Ltd.                    | Agricultural Finance-Term Loan          | 50.00  | 36.55                        |        |
| 3   | Basic Bank Limited                     | Short Term Loan                         | 100.00   | 56.02                        |        |

  
For President & CEO  
Md. Asiful Huq  
Chief Rating Officer  
Credit Rating Information and Services Ltd.

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|              |  |                                      |                 |                 |         |
|--------------|--|--------------------------------------|-----------------|-----------------|---------|
| 4            | Jamuna Bank Ltd.                       | Agriculture & Rural Credit-Term Loan | 50.00           | 24.03           | Regular |
| 5            | United Commercial Bank Ltd.            | Term Loan Agri                       | 70.00           | 20.08           |         |
|              |  | Agriculture (10. Tk. Account)        | 13.50           | 13.50           |         |
| 6            | NRB Commercial Bank Ltd.               | Term Loan Agri                       | 100.00          | 54.34           |         |
| 7            | EXIM Bank Ltd.                         | Bai-Muajjal                          | 50.00           | 50.06           |         |
| 8            | Mutual Trust Bank Ltd.                 | Micro Finance (Enterprise)           | 90.00           | 17.55           |         |
|              |  | Micro Finance (Enterprise)           | 50.00           | 34.94           |         |
|              |  | Micro Finance (Enterprise)           | 75.00           | 78.13           |         |
| 9            | AB Bank Ltd.                           | SDB Time Loan                        | 54.00           | 4.00            |         |
| 10           | NRB Bank Ltd.                          | Term Loan                            | 80.00           | 64.03           |         |
|              |  | Short Term Loan                      | 80.00           | 81.87           |         |
| 11           | Standard Bank Ltd.                     | NGO Link Agri Rural Credit           | 100.00          | 31.26           |         |
| 12           | One Bank Ltd.                          | Time Loan- Revolving                 | 120.00          | 122.12          |         |
| 13           | NCC Bank Ltd.                          | Term Loan -Agriculture               | 50.00           | 30.20           |         |
| 14           | Midland Bank Ltd.                      | Term Loan (MSME)                     | 120.00          | 101.83          |         |
| 15           | NRB Global Bank Ltd.                   | Agriculture Term Loan                | 100.00          | 35.35           |         |
| 16           | UBICO                                  | Agricultural finance-Term Loan       | 100.00          | 53.14           |         |
| 17           | National Finance Ltd                   | Term Loan                            | 100.00          | 77.64           |         |
| 18           | Phonix Finance & Investment Ltd        | Agriculture Term Loan                | 50.00           | 28.55           |         |
| 19           | BD Finance & Investment Co. Ltd.       | Term Loan                            | 50.00           | 28.91           |         |
| 20           | Uttara Finance and Investment Co. Ltd. | Short-Term Loan Agri                 | 150.00          | 150.00          |         |
| 21           | Hajj Finance Company Ltd               | Bal-Muajjal                          | 15.00           | 15.12           |         |
| 22           | PKSF                                   | Micro Finance                        | 554.56          | 91.85           |         |
| <b>Total</b> |  |                                      | <b>2,402.06</b> | <b>1,328.84</b> |         |

**14.2 Security Arrangement against Bank Exposures**

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

|   |                             |  |
|---|-----------------------------|--|
| 1 | Pubali Bank Ltd.            | <ul style="list-style-type: none"> <li>Personal guarantee of the member of executive committee along with personal guarantee of Mr. Arif Sikder</li> <li>Assignment of receivables of the program</li> <li>Institutional guarantee of Ambala Foundation</li> </ul> |
| 2 | Southeast Bank Ltd.         | <ul style="list-style-type: none"> <li>Personal guarantee of all members of executive committee</li> <li>Institutional/Corporate guarantee of Ambala Foundation</li> <li>Personal guarantees of the Governing Body</li> </ul>                                      |
| 3 | Jamuna Bank Ltd.            | <ul style="list-style-type: none"> <li>Personal guarantee of all members of executive committee</li> <li>Institutional/Corporate guarantee of Ambala Foundation</li> <li>Personal guarantees of the Governing Body</li> </ul>                                      |
| 4 | United Commercial Bank Ltd. | <ul style="list-style-type: none"> <li>10% margin against term loan of Tk. 5.00 Crore and term loan (Agro) of Tk. 2.00 Crore in the form of FDR against the credit</li> </ul>  |

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|    |  |  |
|----|--|--|
|    |  | <ul style="list-style-type: none"> <li>exposure.</li> <li>Hypothecation of unencumbered receivables of the borrower securing the amount not less than 150% of the entire facility amount</li> <li>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</li> <li>Hypothecation of all present and future fixed and floating assets of Ambala Foundation</li> <li>Lien and Set Off over the proceeds account</li> <li>03 Post-dated cheques each covering the quarterly installment against the facility and 01 undated cheque covering the entire loan amount</li> <li>Personal guarantee of all the members of the executive committee of Ambala Foundation</li> </ul> |
| 5  | NRB Commercial Bank Ltd.                       | <ul style="list-style-type: none"> <li>Institutional guarantee of Ambala Foundation</li> <li>Personal guarantee of Governing Body member of Ambala Foundation</li> </ul>   |
| 6  | Exim Bank Ltd.                                 | <ul style="list-style-type: none"> <li>Hypothecation of agricultural inputs</li> </ul>   |
| 7  | UBICO  | <ul style="list-style-type: none"> <li>Ambala Foundation is responsible for any necessary changes</li> <li>All terms and condition as same as before</li> </ul>  |
| 8  | National Finance Ltd.                          | <ul style="list-style-type: none"> <li>Personal guarantee of all members of executive committee</li> <li>Institutional/Corporate guarantee of Ambala Foundation</li> </ul>   |
| 9  | Phoenix Finance & Investments Ltd.             | <ul style="list-style-type: none"> <li>Personal guarantee of all member of executive committee of Ambala Foundation</li> </ul>   |
| 10 | Uttara Finance & Investment Ltd.               | <ul style="list-style-type: none"> <li>Personal guarantee of all members of the executive committee of Ambala Foundation</li> <li>Institutional/ Corporate guarantee of Ambala Foundation with supporting resolution</li> </ul>  |
| 11 | Hajj Finance Company Ltd.                      | <ul style="list-style-type: none"> <li>Personal guarantee of all the members of Executive Committee of Ambala Foundation</li> <li>HFCL reserves the right to change the indicative profit rate from time to time</li> <li>HFCL may change any new condition or modify any existing condition/refuse at any stage sanctioned facility.</li> </ul>   |
| 12 | Mutual Trust Bank Ltd.                         | <ul style="list-style-type: none"> <li>Hypothecation charge to be created on the floating assets of micro credit finance receivables from micro credit finance program of the borrower</li> <li>Lien of FDR Bunlad equivalent to 5% of the loan amount</li> </ul>  |
| 13 | AB Bank Ltd.                                   | <ul style="list-style-type: none"> <li>Personal guarantee of executive committee of be obtained in the prescribed form</li> <li>Lien of duly discharged ABBL FDR of Tk. 25.00 Lac (5% of loan amount)</li> </ul>   |
| 14 | NRB Bank Ltd.                                  | <ul style="list-style-type: none"> <li>Simple hypothecation over book debts/ receivables covering 115% of the outstanding</li> <li>Personal guarantee of 5 executive committee of the Ambala Foundation</li> <li>Personal guarantee of Mr. Arif Sikder, ED of Ambala Foundation to be obtained</li> <li>Lien of FDR amounting of Tk. 1.50 million</li> </ul>   |
| 15 | Bangladesh Finance and Investment Company Ltd. | <ul style="list-style-type: none"> <li>Hypothecation with IGPA of all fixed and floating assets of Ambala Foundation in favor of BD Finance</li> <li>Lien on TDR of BDT 25.00 lac with BD Finance duly discharged by the beneficiary</li> <li>Personal guarantee along with personal net worth statements of the executive members</li> </ul>  |
| 16 | Standard Bank Ltd.                             | <ul style="list-style-type: none"> <li>Hypothecation of fixed and floating assets of the organization</li> </ul>   |

**CREDIT RATING REPORT  
On  
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|    |                      |   |
|----|----------------------|---|
|    |                      | <ul style="list-style-type: none"> <li>both present and future including bills receivables, book debts etc</li> <li>Registered Irrevocable general power of attorney to be executed by Ambala Foundation to sell the hypothecated asset</li> <li>A FDR for total loan limit at 10% will be obtained &amp; 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</li> </ul>   |
| 17 | One Bank Ltd.        | <ul style="list-style-type: none"> <li>Board resolution for availing credit facilities and authorization for execution of related documentation along with completion of other formalities</li> <li>Letter of arrangement</li> <li>Letter of disbursement</li> <li>Specific hypothecation on pool of agri-finance receivables for an amounting of 150% of time loan exposure at any point of time</li> <li>Lien on OBL FDR of total Tk. 7.50 million with letter of lien &amp; set off over deposit accounts in the name of Ambala Foundation</li> </ul>  |
| 18 | Midland Bank Ltd.    | <ul style="list-style-type: none"> <li>Hypothecation of floating assets of micro finance receivables from micro finance program of the borrower</li> <li>Lien &amp; pledge of FDR-MDB fixed equivalent to 10% of the loan amount</li> </ul>   |
| 19 | NCC Bank Ltd.        | <ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>Lien on FDR valuing Tk. 5.00 million</li> </ul> |
| 20 | NRB Global Bank Ltd. | <ul style="list-style-type: none"> <li>Personal guarantee of all members of executive committee</li> <li>Institutional/Corporate guarantee of Ambala Foundation</li> <li>Personal guarantees of the Governing Body</li> </ul>   |
| 21 | Basic Bank Limited   | <ul style="list-style-type: none"> <li>Lien &amp; pledge of bank's own FDR being 10% of disbursed loan with enhancement authority till adjustment of sanction entire loan in full.</li> <li>Personal guarantee of all EC members of MFI.</li> <li>Hypothecation of investment portfolio.</li> <li>DP Notes &amp; other usual charge documents of the bank.</li> </ul>   |

**15.0 RISK MANAGEMENT****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.

**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



**CREDIT RATING REPORT  
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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**

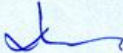
An MFI like Ambala Foundation having an operational span of large borrowers with very frequent repayment and saving schemes has substantial Fund Management Risk. The Ambala Foundation has an internal control system to mitigate the above risk. Branches maintain Bank Accounts in the Banks in the locality. 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.

  
For President & CEO  
Md. Asiful Haq  
Chief Rating Officer  
Credit Rating Information and Services Ltd.

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

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

**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.]*

  
 For President & CEO  
 Md. Asiful Haq  
 Chief Rating Officer  
 Credit Rating Information and Services Ltd.

**CREDIT RATING REPORT  
On  
AMBALA FOUNDATION****SCALES AND DEFINITIONS  
LONGTERM – MICRO FINANCE INSTITUTIONS**

| <b>RATING</b>  | <b>DEFINITION</b>   |
|--|---|
| <b>AAA<br/>Triple A<br/>(Highest<br/>Safety)</b>             | <b>INVESTMENT GRADE</b><br>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.   |
| <b>AA+, AA, AA-<br/>(Double A)<br/>(High Safety)</b>         | 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.  |
| <b>A+, A, A-<br/>Single A<br/>(Adequate<br/>Safety)</b>      | 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.   |
| <b>BBB+, BBB,<br/>Triple B<br/>(Moderate<br/>Safety)</b>     | 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. |
| <b>BB+, BB, BB-<br/>Double B<br/>(Inadequate<br/>Safety)</b> | <b>SPECULATIVE GRADE</b><br>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, B-<br/>Single B<br/>(High Risk)</b>                | 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.  |
| <b>C<br/>(Very High<br/>Risk)</b>                            | 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.  |
| <b>D<br/>(Default)</b>                                       | 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**

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

  
**For President & CEO**  
**Md. Asiful Haq**  
**Chief Rating Officer**  
 Credit Rating Information and Services Ltd.