

## CREDIT RATING REPORT On AMBALA FOUNDATION

**REPORT: RR/34295/20**

*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**

Date of Rating: February 17, 2020		Valid up to: February 16, 2021	
		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.66.36		blr A
Southeast Bank Ltd.	*TLO of Tk. 145.80		blr A
Basic Bank Limited	**STLO of Tk.12.14		blr A
Jamuna Bank Ltd.	*TLO of Tk.73.40		blr A
United Commercial Bank Ltd.	*TLO of Tk.74.58		blr A
	***WCLL Of Tk.13.50		blr A
EXIM Bank Ltd.	***WCLL of Tk.50.00		blr A
Mutual Trust Bank Ltd.	*TLO of Tk.128.26		blr A
Brac bank Limited	***WCLL of Tk. 200.00		blr A
NRB Bank Ltd.	**STLO of Tk.134.05		blr A
One Bank Ltd.	**STLO of Tk.120.93		blr A
NCC Bank Ltd.	*TLO of Tk.41.30		blr A
Midland Bank Ltd.	*TLO of Tk.69.31		blr A
UBICO	*TLO of Tk.15.01		blr A
National Finance Ltd.	*TLO of Tk.23.68		blr A
Ultara Finance and Investment Co. Ltd.	*TLO of Tk.95.26		blr A
****IIDFC	*TLO of Tk.44.67		blr A
****PKSF	*TLO of Tk.89.40		blr A

\*Term Loan Outstanding, \*\*STLO-Short Term Loan Outstanding, \*\*\*WCLL-Working Capital Loan Limit, \*\*\*\*PKSF-Pally Karma Sahayak Foundation, \*\*\*\*\* IIDFC- Industrial and Infrastructure Development Finance Company Limited

**AMBALA  
FOUNDATION**

**ACTIVITY**

Non-government  
organization and micro  
finance

**YEAR OF  
INCORPORATION**  
1994

**CHAIRPERSON**  
M. Azizur Rahman

**EXECUTIVE DIRECTOR**  
Arif Sikder

**CAPITAL FUND**  
Tk. 675.55 million

**TOTAL ASSETS**  
Tk. 3,917.09 million

### 1.0 RATIONALE

CRISL has reaffirmed the Long Term Rating of 'A' (pronounced as single A) 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 after due consideration of some fundamentals such as good assets quality, average operational performance, experienced management team, good internal control mechanism, regular loan repayment status, etc. The above factors are however, constrained to some extent by shortfall in current ratio, high cost of fund, high dependency on bank loan for MFP etc.

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

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

### 2.0 ORGANIZATIONAL 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. At First Ambala Foundation mostly focused on the social development programs like health & nutrition,

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education, children and women, water & sanitation, tobacco control and adaptation to natural disaster. Subsequently, due to the increasing demand, popularity and effectiveness of Micro Finance for eradicating the poverty and access to employment, Ambala Foundation increased their micro finance concentration in operating activities. Microfinance is not only a factor for financial inclusion, but is also a significant lever in the implementation of the 2030 Agenda. By fostering access to services in the fields of health, food security, education, energy and housing, the sector confirms its role as a catalyst in global and inclusive development. 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, increasing livelihood capabilities, access to education, socio-economic development, strengthen environment and climate change adaptability for the poor, marginalized and disadvantage in collaboration with related stakeholder. 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 institution, 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. The organization is operating under the dynamic leadership of Executive Director Mr. Arif Sikder. He has immense contribution to economic & social development and climate change issues for the improvement of mass people of the country. The Head office of Ambala Foundation is located in House#62, Block-Ka, Piciculture 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

### 2.3 Operational Network

During the surveillance period, the organization has added 14 branches in it's operational network. Ambala Foundation has currently been operating in 11 Districts, 49 Upazilas, 409 Paurashavas, 1400 villages and 106 branch offices. All the branches are supervised and monitored by Regional Offices and Regional Office is supervised by Zonal Offices. All the Zonal Offices are reported to Head Offices. Ambala Foundation regularly performs internal audit in its head office as well as in all branch offices for keeping transparency and accountability.

## 3.0 MAJOR PROGRAMS

### 3.1 Micro Finance Program (MFP)

Microfinance is a category of financial services targeted at individuals and small businesses who lack access to conventional banking and related services. It is the most effective and flexible strategies against global poverty. It provides basic financial services such as loans, savings, money transfer services, and micro insurance to the clients. Considering the limitations of existing financial institutions, Ambala Foundation launched its Micro Finance program to serve the poor, disadvantaged and landless people in July 2002. After the end of

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Funding support from  
PKSF

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, 25 branches of Dhaka, 06 branches of Narayanganj, 20 branches Gazipur, 17 branches of Comilla, 02 branches of Mymensing, 03 branches of Manikgonj, 05 branches of Tangail, 05 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 provides 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:-

(In million Tk.)

Name of Loan Product	Number of Beneficiary	Total Fund Disbursement	Current Loan Receivable Position
	(As on 31.12.2019)	(As on 31.12.2019)	(As on 31.12.2019)
Jagoron (Microfinance Program for Urban and Rural People)	94,537	3,494.64	3,186.00
Agroshor (Microfinance Program for Entrepreneurs)	48,486	8,721.88	6,945.11
Buniyad (Microfinance Program for Ultra and Extreme Poor)	7,342	138.08	138.03
Shufalon (Microfinance Program for Agriculture)	13,481	1,136.74	973.58
Grihayan (Microfinance Program for House Construction)	15,487	4,241.63	3,110.33
Livelihood Rehabilitation P.(LRP)	560	0.90	0.90
Sahos (Microfinance Program for Disaster affected people)	300	0.30	0.30
<b>Total</b>	<b>180,193</b>	<b>17,734.17</b>	<b>14,354.25</b>

### 3.2 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
DFID through Manuser Jonno Foundation	Initiative for Tackling Marginalization of Fisher Community People through Promoting and Protecting Rights and Entitlements (ITMFC)	January 2019 to December 2021	30	13100
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
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	January 2013 to Continue	2.92	143720

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	Sanitation Sector			
Ambala Foundation, Japan Embassy	Radio Bikrampur 99.2 fm 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

### 3.3 Radio Bikrampur 99.2 FM

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. It's coverage area is Munshigonj district and neighboring areas of Narayanganj, Comilla as well as Chandpur districts. The target beneficiaries of this radio are Women and Children, Local Farmers, Street Children, Adolescent, Day Laborer, People with disability, Senior Citizen, Youth Group etc. Radio Bikrampur has near about five lac listeners. 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. The program of radio focuses on broadcasting child health and nutrition, SRHR, agriculture, technology, human rights and governance, education, women & child development, culture & entertainment 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 received several prestigious 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 (UNICEF)** on November 20, 2018 as 3<sup>rd</sup> position under 18 category journalism

### 4.0 MICRO FINANCE OPERATION OF AMBALA FOUNDATION

#### 4.1 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, entrepreneur 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

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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.

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.

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.

### 4.2. Savings Schemes

One the objective of the program is to build up the habit of savings. There are mainly 4 types of savings scheme: general, voluntary, special and term deposit. Members of the organization meet in every week and discuss on various issues. Compulsory weekly savings provide 6%, monthly voluntary savings provide 8%, Samriddi provide 12% and One Time Savings (OTS) provide 14.60% annual interest to the members. A comparative summary of savings scheme has been given below:

Savings Name	FY2018-19	FY2017-18	FY2016-17
Regular Savings	475.47	447.10	334.22
Voluntary Savings-Weekly	-	-	-
Voluntary Savings-Monthly	210.55	165.06	109.57
SAMRIDDI	142.35	115.26	79.91
OTS	410.20	126.37	62.85
<b>Total</b>	<b>1,238.56</b>	<b>853.78</b>	<b>377.49</b>

*(Tk. in million)*

### 4.3 Credit Schemes

When minimum savings amount and other condition of the loan have been fulfilled, a member can appeal for microcredit. There are number of credit products are currently offered by the Ambala Foundation, through their 106 branch offices in 11 districts. A comparative picture of micro finance program of Ambala Foundation for latest two years has been given below:-

Loan To Members	FY2018-19	% of Total loan	FY2017-18	% of Total loan	Growth %
Jagoron (Microfinance Program for Urban and Rural People)	172.50	5.58	174.49	6.89	-1.14
Agroshor (Microfinance Program for Entrepreneurs)	1646.55	53.26	1264.25	49.92	30.24
Buniyad (Microfinance Program for Ultra and Extreme Poor)	0.05	0.00	0.05	0.00	0
Shufalon (Microfinance Program for Agriculture)	140.51	4.54	128.03	5.06	9.74
Grihayan (Microfinance Program for House Construction)	1132.11	36.62	965.90	38.14	17.21
<b>Total</b>	<b>3091.72</b>	<b>100.00</b>	<b>2532.73</b>	<b>100.00</b>	<b>22.07</b>

*(In million Tk.)*

### 5.0 IT AND IT'S INFRASTRUCTURE

Ambala Foundation is operating with an adequate technological infrastructure. 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 Microfinplus.com which is financial inclusion work flow driven that integrated Microfinance program solution, HR

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MIS maintained by web-based software named Microfinplus.com

& 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. 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. The core modules of the software are: microfinance program management, accounting management, HR-Payroll management, inventory management, fixed asset management, procurement management, cheque printing and controlling etc.

### 6.0 MICRO FINANCE INDUSTRY IN BANGLADESH

Bangladesh, a breeding ground of NGOs since the inception of the country, has over the decades allowed them to grow and flourish, much to the mixed reaction of the conscientious sections of the civil society. However, it is needless to emphasize that alongside the mega NGOs, two of them being the largest in the world. Numerous small and medium-sized NGOs have made laudable contributions to socio-economic upliftment of the poor. NGOs are also well known as more proactive than traditional government functionaries, which has earned them a considerable influence over almost all spheres of the society and the legitimacy of a parallel force to reckon with.

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. Currently, 705 institutions (as of June 2018) have been licensed by MRA to operate Micro Credit Programs. But, Grameen Bank is out of the jurisdiction of MRA as it is operated under a distinct legislation- Grameen Bank Ordinance, 1983.

NGOs mainly focus on Microfinance, Development Program and Solar Home System etc. The microfinance operation has regulated under Microcredit Regulatory Authority. In Bangladesh total microfinance organization stood at 705 where total branches is 18,196. A details picture of micro credit situation under Microcredit Regulatory Authority (MRA) certified organization has shown below:

Particulars	FY2017-18	FY2016-17	FY2015-16
Branch	18,196	17,120	16,204
Staff	1,53,919	1,39,526	1,22,335
Members (in millions)	31.22	29.90	27.58
Borrowers (in millions)	25.40	25.98	23.11
Loan Disbursement (in billions)	1,201.91	1,045.78	782.67
Loan Receivable position (in billions)	673.90	583.62	454.01
Total Deposit collection (in billions)	262.95	216.71	170.67
Total Loan collection (in billions)	1,112.21	876.85	773.00

(Source: MRA-MIS database-2018)

A detail of Overall microcredit scenario of country in FY2017-18 has shown below:

Details	Member (in millions)	Borrower (in millions)	Receivables (in billions)	Savings (in billions)	Disbursement (in billions)
MRA	3.12	2.54	673.90	262.95	1201.91
Grameen Bank	0.83	0.83	152.19	205.39	243.21
Govt's Org./office/special program	0.14	0.095	26.87	12.93	27.68
Govt. and Non-govt. Bank	0.094	0.046	26.05	8.75	21.6
<b>Total</b>	<b>4.19</b>	<b>3.51</b>	<b>879.01</b>	<b>490.02</b>	<b>1494.40</b>

(Source: MRA-MIS database-2018)

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In Bangladesh, 91% members are female in microcredit sector. 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%.

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.

Despite the fact that more than a thousand of institutions are operating microcredit programs, but only 10 large Microcredit Institutions (MFIs) and Grameen Bank represent 87% of total savings of the sector and 81% of total outstanding loan of the sector. 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. 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.

### 7.0 CORPORATE GOVERNANCE

#### 7.1 General Committee

Ambala Foundation General Committee consists of 15 members. The members were brought from various segments of society. 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	Rajia Sultana	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	Selina Akter	Executive Member	MA
10	Nazmul Ahasan Khan Lipu	Executive Member	SSC
11	Asrafal Alam	Executive Member	MSS
12	Md. Rakibul Hasan Talukder	Executive Member	MA
13	Dr. Iqbal Hossain	Executive Member	BHMS
14	Ahmed Mostak	Executive Member	M.Com

15 members General Committee

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 For President & CEO  
**Syed A. Mamun, PhD, FCMA, CSRS**  
 Deputy CEO  
 Credit Rating Information and Services Ltd.

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15	Ahsan Ullah Shamim	Executive Member	BA
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### 7.2 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 Secretary General 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.

5 members Executive Committee

#### Executive Committee of Ambala Foundation

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

### 7.3 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 is given below:

Experienced management team

Name	Designation	Education	Experience (in years)
Arif Sikder	Executive Director	MA & MBA	27
Dewan Taufika Hossain	Director	MBA	06
Md. Rokibul Hasan Talukder	Asst. Director	MA	27
Md. Mostafizar Rahman	Asst. Director (MFP)	M.Com	16
Sujit Kumar Acharja	Program Manager	BSS	15
Md. Nazmul Hoque	Program Manager	BSS	14
Md. Rabby Alam Mondol	Manager - HR & Admin	MSS	08
Md. Ashaduzzaman	Manager-Audit	M.Com	14
Ms. Ripa Khatun	Deputy Manager-MIS	MSS	12
Kazi Faisal Islam	Deputy Manager-Communication & Advocacy	MDS & BURP	06
Md. Abdul Alim	Assistant Manager-Accounts	BBS	17

### 7.4 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 of Ambala Foundation stood at 968 where 75% are male and 25% are female.



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### 8.0 ANALYTICAL FRAMEWORK

The accounts of Ambala Foundation have been found to be good. The audited consolidated financial statement for the year ended June 30, 2019 has been considered for financial performance as well as also considered only microfinance program financial. Financial statement has been audited by the Fames & R.

### 9.0 OPERATIONAL PERFORMANCE

Average operational performance

Indicators	FY2018-19	FY2017-18	FY2016-17
Loan Disbursement (In million Tk. micro credit)	4,008.48	3,651.91	2,894.84
Total Borrower (No of Person) (Micro credit)	26,453	30,371	28,155
Loan Outstanding (In million Tk.)	3,093.20	2,532.73	2,001.54
Total Savings portfolio (In million Tk.)	1,238.89	853.78	586.56
Total Income (In million Tk.)	796.01	665.49	440.30
Total Expense (In million Tk.)	565.32	459.55	317.95
Net Surplus (In million Tk.)	230.68	205.94	122.34
Growth of Loan Disbursement (%)	9.76	26.15	35.50
Growth of Savings Portfolio (%)	45.11	45.56	55.39

Based on audited consolidated accounts for the year ended June 30, 2019

The operational performance of Ambala Foundation has found to be average over the year. Due to eliminate inactive borrower, the total number of borrowers decreased in FY2018-19. Despite decreased of total borrower (from 30,371 to 26,453) average loan size of per borrower increased, therefore, the loan outstanding and saving portfolio increased in current year compared to the previous year. During the FY2018-19, Ambala Foundation disbursed loan amount of Tk. 4,008.48 million compare to Tk. 3,651.91 million in FY2017-18 with a growth of 9.76% in FY2018-19. The above increased in loan disbursed in FY2018-19 due to increase in Agroshor loan product's disbursement amount. When analyzing the savings portfolio, it has been found that total savings portfolio stood at Tk. 1,238.89 million in FY2018-19 against Tk. 853.78 million in FY2017-18 with a growth of 45.11% in FY2018-19. The increased saving portfolio in FY2018-19 due to increase of ontime savings amount (from Tk. 126.37 million to Tk.410.20 million) as well as voluntary savings amount.

Particulars	FY2018-19		FY2017-18		FY2016-17	
	Million Tk.	% of Total	Million Tk.	% of Total	Million Tk.	% of Total
Service charge on loan	771.18	96.88	647.43	97.29	421.22	95.67
Donation	12.47	1.57	4.76	0.71	3.00	0.68
Interest on Regular Bank & FDR A/c	4.11	0.52	9.27	1.39	9.88	2.25
Others Income	2.57	0.32	3.61	0.54	2.84	0.64
Donor Grants	5.68	0.71	0.43	0.07	3.35	0.76
<b>Total Income</b>	<b>796.01</b>	<b>100</b>	<b>665.50</b>	<b>100</b>	<b>440.29</b>	<b>100</b>

Based on audited consolidated accounts for the year ended June 30, 2019

When analyzing the operating income of the Ambala Foundation, it has been found that the total income of the organization stood at Tk. 796.01 million in FY2018-19 against Tk. 665.49 million in FY2017-18. Revenue is mainly dominated by the service charge on loan. Service charge on loan stood at Tk. 771.18 million (96.88% of total income) in FY2018-19 from Tk. 647.43 million (97.29% of total income) in FY2017-18. After deducting the all operational and financial expenses, net surplus of the organization stood at Tk. 230.68 million in FY2018-19 against Tk. 205.94 million in FY2017-18. Net surplus of the organization increased in FY2018-19 due to increase in service charge on loan.



## CREDIT RATING REPORT On AMBALA FOUNDATION

### 10.0 PROFITABILITY AND EFFICIENCY

Indicators	FY2018-19	FY2017-18	FY2016-17
Return on Average Assets (%)	6.49	7.36	6.00
Return on Average Capital fund (%)	41.20	60.65	70.63
Net Margin (%)	28.98	30.95	27.79
Average Cost of Fund	9.00	9.59	9.41

Based on audited consolidated accounts for the year ended June 30, 2019

The profitability indicators of Ambala Foundation have been showing a fluctuating trend for over the year. Currently, the organization is operating with net surplus margin of 28.98% in FY2018-19 compare to 30.95% in FY2017-18. Due to increase in finance expense particularly interest on members savings and salary expenses which ultimately lead to decrease in surplus margin. Cost of fund of the organization stood at 9.00% in FY2018-19 compare to 9.59% in FY2017-18. Considerable amount of low cost borrowings from external sources such as group members savings deposit have consequently increased against high cost borrowing from commercial bank which affected the cost of fund of the organization.

### 11.0 ASSETS SIZE

Total assets of the Ambala Foundation are mostly financed by the external borrowing. Total assets size of the organization stood at Tk. 3,917.09 million in FY2018-19, which financed by 82.75% from liability (Current liability 43.91% and 38.84% Non-current liability) and 17.25% from the capital fund. Most of the assets are concentrated in the current assets, which stood at Tk. 3,748.48 million. On the other hand, most of the current assets has been concentrated in loan to beneficiary, which was 82.51% in FY2018-19.

When analyzing the compliance criteria of asset creation as per MRA guidelines. Fixed assets (other than FDR) stood at Tk. 168.25 million, which is 24.90% of cumulative surplus as on June 30, 2019 compare to 34.02% in FY2017-18. Maximum ceiling for fixed assets creation is 35% of cumulative surplus. Due to sharp increase in cumulative surplus in FY2018-19 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 108% field level exposure as on June 30, 2019.

Particulars	FY2018-19		FY2017-18		FY2016-17	
	Million Tk.	% of Total	Million Tk.	% of Total	Million Tk.	% of Total
Regular	3,026.71	97.90	2,512.38	99.20	1,990.85	99.47
Watchful	27.21	0.88	1.58	0.06	1.71	0.09
Sub-standard	21.72	0.70	8.07	0.32	4.41	0.22
Doubtful	5.81	0.19	6.56	0.26	1.29	0.06
Bad Loan	10.27	0.33	4.13	0.16	3.29	0.16
<b>Total</b>	<b>3,091.72</b>	<b>100.00</b>	<b>2,532.72</b>	<b>100.00</b>	<b>2,001.55</b>	<b>100.00</b>
Non Performing Loan	37.80	1.22	18.76	0.74	8.99	0.44
PAR		2.10		0.80		0.53
Loan Recovery Rate (%) (on time)		99.71		99.84		-

Based on audited consolidated accounts for the year ended June 30, 2019

While analyzing the total credit portfolio of Ambala Foundation of Tk. 3,093.20 million as on June 30, 2019 it should be noted that micro credit portfolio of Tk. 3,091.72 million and other development portfolio of Tk. 1.48 million. Out of total micro credit portfolio of Tk. 3,091.72 million where regular loan stood at Tk. 3,026.71 million, watchful loan (1-30 days) stood at Tk. 27.21 million, sub-standard (31-180 days) Tk. 21.72 million, doubtful (181 to 365 days) stood at Tk. 5.81 million and bad loan (above 365 days) stood at Tk. 10.27 million as on June 30,

Good assets quality

## CREDIT RATING REPORT On AMBALA FOUNDATION

2019. Currently, non-performing loan to outstanding stood at 1.22% in FY2018-19 compared to 0.74% in FY2017-18. Due to increase in non performing loan (NPL) particularly doubtful and bad loan, therefore, non performing loan ratio also increased in FY2018-19. On the other hand, portfolio at risk also increased in FY2018-19 due to increase in watchful, sub-standard and bad loan. From the above reason, the loan recovery rate of the organization (on running 12 months) also slightly decreased and stood at 99.71% in FY2018-19 and 99.84% in FY2017-18. However, the organization maintains required provision in full in FY2018-19.

### 12.0 FUNDING AND LIQUIDITY

Indicators	FY2018-19	FY2017-18	FY2016-17
Portfolio to Assets (%)	78.97	79.35	83.36
Current Ratio (Times)	2.18	2.49	2.73
Quick Ratio (Times)	1.99	2.29	2.49
Liquidity Ratio (%)	95.70	95.72	95.36

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 7.03% of its capital fund for credit portfolio. The liquidity of the organization has been found to be average. The current ratio stood at 2.18 times in FY2018-19 against 2.49 times in FY2017-18, which are representing an average back up capacity to meet the current liabilities, though it is showing a decreasing trend.

### 13.0 LEVERAGE AND SOLVENCY

Leverage and solvency	FY2018-19	FY2017-18	FY2016-17
Equity to total assets (%)	17.25	13.92	9.79
Total outside liability to total asset (%)	82.75	86.08	90.21
Debt service coverage ratio (X)	1.06	1.28	1.08
Total outside liability to equity (X)	4.80	6.19	9.22
Interest coverage ratio (X)	1.91	1.93	1.74
Capital adequacy ratio (%)	19.33	15.77	10.80
Debt to Capital ratio (X)	4.51	5.85	8.69

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. 3,241.53 million in FY2018-19 against Tk. 2,747.82 million in FY2017-18. The debt service coverage ratio of the organization decreased to 1.06 times in FY2018-19 from 1.28 times in FY2017-18 which is mainly due to increase in finance expenses of the organization. When analyzing the capital strength of the organization, it has been found that Capital Adequacy Ratio (CAR) stood at 19.33% in FY2018-19 against 15.77% in FY2017-18. The above increased in CAR due to increase in capital base of the organization.

### 14.0 ELIGIBILITY CRITERIA COMPLIANCE

SL	Particulars of Ratio	Standard	FY2018-19	FY2016-17
1	Capital Adequacy (%)	15 (Min)	20.65	15.95
2	Debt Service Cover Ratio (Times)	1.25:1 (Min)	1.35:1	1.90:1
3	Current Ratio (Times)	2.00:1 (Min)	1.80:1	2.71:1
4	Debt to Capital (Times)	9:1 (Max)	4.40:1	6.03:1
5	Liquidity Ratio (%)	10% (Min)	11.18	10.43
6	Rate of Return of Capital Employed (%)	1% (Min)	42.85	68.22
7	Cumulative Recovery Ratio (%)	95.00 (Min)	98.93	99.44
8	On Time Realization (%)	92-100 (Min)	99.71	99.84

As per audited Eligibility Criteria Compliance Certification

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When analyzing the Microcredit Regularity Authority (MRA) eligibility criteria compliance certifications, Ambala Foundation have maintained all criteria of compliance adequately except current ration in FY2018-19.

### 15.0 BANKING RELATIONSHIP

#### 15.1 Liability Position & Repayment Status

Ambala Foundation is enjoying loan facility from Palli Karma Shahayak Foundation (PKSF), commercial banks and financial institutions. As on January 31<sup>st</sup> 2020, the total sanction limit stood at Tk. 1,977.95 million and outstanding of Tk. 1,376.84 million where in December 31<sup>st</sup> 2018, the total sanction limit stood at Tk. 2,402.06 million and outstanding of Tk. 1,328.84 million. Details of the loan liabilities are shown in the following table:

Name of the Bank/Financial Institution	Details of Exposures			Classification Status
	Mode of Loan	Sanction Limit/Disbursed Amount (in million Tk.)	Outstanding as on January 31, 2020 (in million Tk.)	
Jamuna Bank Ltd.	Agri. & Rural Credit	125.00	73.40	Regular
Southeast Bank Ltd.	Term Loan-Agri.	200.00	145.80	
Pubali Bank Ltd.	Term Loan - Agri	100.00	66.36	
United Commercial Bank Ltd. (UCBL)	Term Loan	83.50	74.58	
One Bank Ltd	Time Loan (Revolving)-agri	120.00	120.93	
Basic Bank Ltd	Term Loan - Agri	22.50	12.14	
EXIM Bank Ltd	IBB (Agri)	50.00	42.69	
NRB Bank Ltd	Revolving Time-Agri	129.95	134.05	
NCC Bank Ltd	Agri.-Loan	40.00	41.30	
Midland Bank Ltd	Term Loan - MSME	120.00	69.31	
Mutual Trust Bank Ltd	Term Loan - Enterprise & Agricultural-10 tk. A/C	240.00	128.26	
Brac Bank Ltd.	Revolving Loan (SME)	200.00	200.00	
Uttara Finance Ltd	Term Loan	150.00	95.26	
IIDFC Ltd.	Term Loan - Agri	60.00	44.67	
National Finance Ltd	Term Loan	100.00	23.68	
UBICO	Term Loan - Agri	50.00	15.01	
PKSF	Micro Finance Program	187.00	89.40	
<b>Total</b>		<b>1,977.95</b>	<b>1,376.84</b>	

#### 15.2 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>Acceptance of the sanction advice backed by the resolution of</li> </ul>

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		<ul style="list-style-type: none"> <li>the governing body/ executive committee of Ambala Foundation</li> <li>• Lien on FDR equivalent to 10% of approved amount issued by Southeast Bank Ltd, Shymoli Branch.</li> <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 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	Exim Bank Ltd.	<ul style="list-style-type: none"> <li>• Hypothecation of agricultural inputs &amp; receivables for 120% of our investment.</li> <li>• Corporate guarantee/ Institutional guarantee of Ambala Foundation.</li> </ul>
6	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>
7	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>
8	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 Buniad equivalent to 5% of the loan amount</li> </ul>
9	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. 19.50 million</li> </ul>
10	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>
11	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, Letter of disbursement &amp; Letter of authority to debit the account.</li> </ul>

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		<ul style="list-style-type: none"> <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>
12	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>
13	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. 4.00 million</li> </ul>
14	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	Brac Bank Limited	<ul style="list-style-type: none"> <li>• Simple Hypothecation over book debts and receivables of Ambala Foundation.</li> <li>• 10% disbursement amount in the form of FD will be kept with lien mark.</li> <li>• Personal guarantee of Chairman, Executive Director and Director of the Ambala Foundation.</li> </ul>
16	IIDFC	<ul style="list-style-type: none"> <li>• Personal guarantee of all executive members of Ambala Foundation.</li> <li>• FDR amounting of Tk. 6.00 million only with IIDFC Limited without lien mark and undertaking from the borrower that they will not withdraw the FDR till liquidation of this icon .</li> </ul>

### 16.0 RISK MANAGEMENT

#### 16.1 Operational Risk

Ambala Foundation is operating microfinance activities with its 106 branch office in various districts, where those offices need regular monitoring and controlling. Most of the fraudulent activities of the MFI occurred from these branch office levels. Basically, these branch offices make many small, short-term loans to the client which needed carefully monitoring and controlling. But there are many errors and frauds occurred to handle these activities. So, the respective person of these branch level are needed to more active and responsible to handle the work otherwise it is not cost effective for the organization to handle the microfinance activity. Due to the above reason, the organization is thus exposed to operational risk.

#### 16.2 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 organization 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 Field Officer (FO) etc. are followed for selection of

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borrowers. On fulfilling the conditions as stated in loan approval manual, credit proposals are discussed and approved at the weekly meeting of clients. After getting recommendation from the Chairman of the Centre, Field Officer (FO) and Branch manager, then the loan is given to client. Ambala Foundation maintains proper provisioning policy against non-performing loan. The organization 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.

**16.3 Interest Rate 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.

**16.4 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.

**17.0 OBSERVATION SUMMARY**

<p><b>Rating Comforts:</b></p> <ul style="list-style-type: none"> <li>• Good assets quality</li> <li>• Average operational performance</li> <li>• Experienced management team</li> <li>• Good internal control mechanism</li> <li>• Regular debt servicing status</li> </ul>	<p><b>Rating Concerns:</b></p> <ul style="list-style-type: none"> <li>• Shortfall in current ratio</li> <li>• High cost of fund</li> <li>• High dependency on bank loan for MFP</li> </ul>
<p><b>Business Prospects:</b></p> <ul style="list-style-type: none"> <li>• Enough untapped market</li> <li>• Enter into the formal financial market</li> </ul>	<p><b>Business Challenges:</b></p> <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.]*

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

<b>RATING</b>	<b>DEFINITION</b>
<b>AAA</b> <b>Triple A</b> <b>(Highest Safety)</b>	<b>INVESTMENT GRADE</b> 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-</b> <b>(Double A)</b> <b>(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-</b> <b>(Adequate 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, BBB-</b> <b>Triple B</b> <b>(Moderate 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-</b> <b>Double B</b> <b>(Inadequate Safety)</b>	<b>SPECULATIVE GRADE</b> 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-</b> <b>Single B</b> <b>(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</b> <b>(Very High 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</b> <b>(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> 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> 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> 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> 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> 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> Institution failed to meet financial obligations

  
For President & CEO  
Syed A. Mamun, PhD, FCMA, CSRS  
Deputy CEO  
Credit Rating Information and Services Ltd.