

**CREDIT RATING REPORT**  
**On**  
**AMBALA FOUNDATION**

**REPORT: RR/62883/23**

This is a credit rating report as per the provisions of the Credit Rating Companies Rules, 2022. 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, the rating will not carry any validity unless the enterprise goes for rating surveillance.  
CRISL followed MFI Rating Methodology published in CRISL website www.crislbd.com

**Address:**  
CRISL  
Nakshi Homes  
(4<sup>th</sup> & 5<sup>th</sup> Floor)  
6/1A, Segunbagicha,  
Dhaka-1000  
Tel: 9530991-4  
Fax: 88-02-9530995  
Email:  
crisldhk@crislbd.com

**Analysts:**

Dil Khadija Banu  
beli@crislbd.com

Md Shahdat  
shahdat@crislbd.com

**Entity Rating**

Long Term: A  
Short Term: ST-3

**Outlook: Stable**

**AMBALA  
FOUNDATION**

**ACTIVITY**

Non-governmental and  
micro finance institute

**YEAR OF  
INCORPORATION**

1994

**CHAIRPERSON**

M. Azizur Rahman

**EXECUTIVE DIRECTOR**

Arif Sikder

**CAPITAL FUND**

Tk. 1,023.95 million

**TOTAL ASSETS**

Tk. 7,431.16 million

Date of Rating: March 13, 2023		Valid up to: March 12, 2024	
		Long Term	Short Term
Entity Rating		A	ST-3
Outlook		Stable	
<b>Bank Facilities Rating</b>			
Bank/FI	Mode of Exposures (Figures in million)	Bank Loan Ratings	
Jamuna Bank Ltd. (Gulshan Corporate Branch)	Term Loan Outstanding of Tk. 22.29	blr A	
Jamuna Bank Ltd. (Gulshan Branch)	Term Loan Outstanding of Tk. 5.62	blr A	
Southeast Bank Ltd.	Working Capital Loan Limit of Tk. 180.00	blr A	
	Term Loan Outstanding of Tk. 67.43		
Pubali Bank Ltd.	Working Capital Loan Limit of Tk. 50.00	blr A	
United Commercial Bank Ltd.	Working Capital Loan Limit of Tk. 100.00	blr A	
One Bank Ltd.	Working Capital Loan Limit of Tk. 120.00	blr A	
EXIM Bank Ltd.	Working Capital Loan Limit of Tk. 100.00	blr A	
NRB Bank Ltd.	Working Capital Loan Limit of Tk. 250.00	blr A	
	Term Loan Outstanding of Tk. 52.50	blr A	
BRAC Bank Ltd.	Working Capital Loan Limit of Tk. 400.00	blr A	
Mutual Trust Bank Ltd.	Term Loan Outstanding of Tk. 26.74		
Global Islami Bank Limited	Working Capital Loan Limit of Tk. 150.00	blr A	
IIDFC Ltd.	Term Loan Outstanding of Tk. 4.61	blr A	
National Finance Ltd.	Term Loan Outstanding of Tk. 14.28	blr A	
IPDC Finance Limited	Working Capital Loan Limit of Tk. 50.00	blr A	
Bangladesh Finance Ltd.	Term Loan Outstanding of Tk. 20.35	blr A	
AB Bank Limited	Working Capital Loan Limit of Tk. 160.00	blr A	
Trust Bank Ltd.	Term Loan Outstanding of Tk. 61.26	blr A	
UBICO	Term Loan Outstanding of Tk. 75.00	blr A	
Uttara Bank Ltd.	Term Loan Outstanding of Tk. 11.11	blr A	
Community Bank Bangladesh Limited	Term Loan Outstanding of Tk.173.27	blr A	
SBAC Bank Limited	Term Loan Outstanding of Tk. 61.63	blr A	
Dhaka Bank Ltd.	Working Capital Loan Limit of Tk. 100.00	blr A	
Sonali Bank Ltd.	Working Capital Loan Limit of Tk. 200.00	blr A	
Standard Bank Ltd.	Working Capital Investment Limit of Tk. 150.00	blr A	
PKSF	Term Loan Outstanding of Tk. 220.83	blr A	

PKSF- Palli Karma-Sahayak Foundation, UBICO -The UAE-BANGLADESH Investment Company Limited

**1.0 RATIONALE**

CRISL has assigned the Long-Term Rating A (pronounced as single A) and the Short Term Rating 'ST-3' of Ambala Foundation on the basis of its relevant quantitative and qualitative information up to the date of rating. The above ratings has been assigned after taking into consideration of some fundamentals such as average business performance, experienced management team, automated MIS etc. However, the above factors are constrained, to some extent, by high NPL, marginal capital adequacy, high finance cost o revenue ratio etc.

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. The short term rating indicates good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to financial markets is good with small risk factors.

CRISL also placed the organization with "Stable Outlook" with an expectation of no extreme changes in economic situation within the rating validity period.



## CREDIT RATING REPORT On AMBALA FOUNDATION

### 2.0 ORGANIZATIONAL PROFILE

#### 2.1 Genesis

Ambala Foundation is a national level, non-governmental social development 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, education, children and women, water & sanitation, tobacco control and adaptation to natural disaster. Subsequently, due to increasing the 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 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 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. 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, Piculture 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

#### 2.3 Operational Network

Under the surveillance period, the organization has opened 12 branches and currently running its operation through their 155 branches under 7 zonal offices and 30 area offices. Now, the micro credit program has been conducting in fifteen districts namely Dhaka, Munshigonj, Gazipur, Narayangonj, Comilla, Mymensing, Manikgonj, Tangail, Narsingdi, Chandpur, Noakhali, Feni, B. Baria, Laxipur and Habiganj Districts including 114 Upazillas, 817 Unions and 4,204 Samity with 61,292 group members up to 31 January 2023.



Registered by four bodies

155 branches operate for MCP



## CREDIT RATING REPORT On AMBALA FOUNDATION

### 3.0 MAJOR PROGRAMS

#### 3.1 Micro Finance Program (MFP)

Microfinance is a category of financial services targeted at individuals and small businesses who has lack of 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 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, 7 branches of Narayanganj, 21 branches of Gazipur, 26 branches of Comilla, 2 branches of Mymensingh, 4 branches of Manikgonj, 5 branches of Tangail, 10 branches of Narshingdi, 7 branches of Chandpur, 7 branches of Noakhali, 4 branches of Feni, 17 branches of B. Baria, 4 branches of Laxipur and 1 branch of Habiganj district up to January 2023. 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:-

(Amount Tk. in million)

Name of Loan Product	Number of Beneficiary Since Inception (As on January 31, 2023)	Total Fund Disbursement Since Inception (As on January 31, 2023)	Total Deposit Collect Since Inception (As on January 31, 2023)	Total Fund Collection Since Inception (As on January 31, 2023)	Current Loan Receivable Position (As on January 31, 2023)
Jagoron	29,011	11018.22	2283.38	7758.4	314.53
Agrosor	12,077	17430.35	1040.06	14483.51	238.40
Buniad	-	138.08	-	138.08	-
Sufolon	219	1418.57	18.67	1399.86	1.28
Grihayan	2,469	5446.45	171.7	4976.55	35.95
Livelihood Restoration Program	-	0.9	-	0.9	-
SAHOS	-	0.3	-	0.3	-
Household Water Loan	122	3.36	-	0.24	0.17
Household Sanitation Loan	151	4.01	-	0.47	0.22
<b>Total</b>	<b>43,936</b>	<b>35460.24</b>	<b>3513.81</b>	<b>28758.31</b>	<b>590.56</b>

Out of nine programs, the major portion of loan disbursement consists of Agrosor of Tk. 17,430.35 million and thereafter Jagoron program of Tk. 11,018.22 million respectively. Therefore, fund collection is also high in Agrosor and Jagoron in respect of disbursement.

#### 3.2 Development Program

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



**CREDIT RATING REPORT  
On  
AMBALA FOUNDATION**

Donor Name	Name of Development Program	Current Status of Project	Grant Amount (Tk. in millions)	Number of Beneficiary
The World Bank, Asian Infrastructure Investment Bank (AIIB) & Government of Bangladesh (GOB) and PKSF	Bangladesh Rural Water Sanitation and Hygiene for Human Capital Development Project	Ongoing	25.00	1000

**3.3 Radio Bikrampur 99.2 FM**

Radio Bikrampur, is the only community radio of Dhaka Division, 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 has been playing an incredible role to develop the community through disseminating information and broadcasting entertainment programs from the beginning. It produces program on human rights of marginalized people, early marriage, health and nutrition, adolescent reproductive health, agriculture, technology stop violence against women, promote local culture, women, children and youth development as well as 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 Nine lac Fifty Thousand 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). The organization has approximately 9,50,000 listeners of different age groups and professions. During this period of corona pandemic, Radio Bikrampur broadcasts awareness program, health related programs (inviting doctors and health experts) and different awareness raising programs.

**3.4 Shwapnojatra**

Shwapnojatra is a need based higher education support program for poor and parentless meritorious students and a philanthropic initiative of Ambala Foundation. It mainly supports those parentless students who are facing problems to continue their education or those who are dropped out from education due to their parent's inability to bear educational expenses. Shwapnojatra starts its activities from 2019 and at present 114 students from all over Bangladesh receives education support from Shwapnojatra. Students from different educational institutions (school, college, madrasa, poly-technique institute and universities) of Bangladesh receive monthly educational support from Shwapnojatra for fulfilling their dreams.

The program is aimed to contribute to the sustainable development goals as well as the government's strategic plans through providing support in education. It supports them to continue their education from class 5 to higher level of education. Any poor meritorious students from Bangladesh (class 5 to Masters) can apply to Shwapnojatra for educational support. The monthly educational support for each students finalize by consulting with students and their parents and teachers. Each year the organization review the educational support amount based on their current demand. Shwapnojatra bears all forms of monthly educational support like Session, Tuition and Examination fee; Book, Khata, Pen/Pencil, Geometry Box, School Uniform, School Bag, Tiffin, Transportation and accommodation of those poor disadvantaged children. Beside this the foundation provides primary health support, family support, festival gift and organize annual event for refreshing their mind. After completing their higher education ambala foundation organize technical training for enhancing their skills and create linkage for engaging them into professions. Through this



## CREDIT RATING REPORT On AMBALA FOUNDATION

program, the organization ensures higher education of those poor disadvantaged communities of Bangladesh.

### 4.0 OPERATIONAL PROCESS

#### 4.1 Credit Policy

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 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.

The organization maintains ceiling for credit approval according to the designation and this ceiling for Branch Manager is up to Tk. 1,00,000, Area Manager is up to Tk. 1,00,001 to 5,00,000, Zonal Manager is up to Tk. 5,00,001 to 10,00,000, Program Manager is up to Tk. 10,00,001 to 15,00,000, Head of Microfinance is up to Tk. 15,00,001 to 20,00,000, and Tk. 20,00,001 to 30,00,000 by the Executive Director.

#### 4.2 Savings Scheme

One the objective of the program is to build up the habit of savings. There are mainly 4 types of savings scheme: Regular Savings, Voluntary Savings, SAMRIDDHI and One Time Savings (OTS). 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	FY2021-22	FY2020-21	FY2019-20	FY2018-19
Regular Savings	1,640.72	529.96	337.00	475.61
Voluntary Savings-Monthly	286.49	277.02	244.02	210.55
SAMRIDDHI	226.63	204.13	169.24	142.53
OTS	678.27	1049.58	712.87	410.20
<b>Total</b>	<b>2832.11</b>	<b>2060.69</b>	<b>1463.13</b>	<b>1238.89</b>

*(Tk. in million)*

### 5.0 MICRO FINANCE INDUSTRY IN BANGLADESH

Any agency that is not controlled by Government can be regarded as NGO. The public perception of Non-Governmental Organizations (NGOs) is that, they are working for the common good of individuals or groups. The history of NGOs in Bangladesh could be traced way back to the British colonial period. Since the British era, NGOs in its traditional form have been working in Bangladesh as different religious trust-based schools, hospitals and orphanages. However, NGOs in Bangladesh got a radical transformation and turned into agents of development in the post-independence era. Since 1970s, NGOs therefore has become the part of the institutional framework of poverty alleviation in Bangladesh. The NGO sector in Bangladesh is an inseparable part of our society. Gradually, NGOs started to work in the field of group formation, credit, formal and non-formal education, health and nutrition, family planning and MCH (Mother and child Health) gender development, poultry and livestock, agriculture, sanitation, environment, human rights, advocacy, legal aids and many other fields. Untiring efforts and intrinsic zeal have led NGOs towards assisting the poor in poverty alleviation and to empower them in every aspect of social life.



**CREDIT RATING REPORT**  
**On**  
**AMBALA FOUNDATION**

Specially, a range of statutory and administrative regulations exists in Bangladesh for registration, prior review, project approval and utilization of foreign funds by NGOs, that is the real sources of NGO functioning. The legal framework has two major dimensions: one is laws for incorporation and providing legal entity to NGOs; and another is laws governing the relationship of NGOs with the Government. NGOs in Bangladesh are registered under different Acts. These are (1) The Societies Registration Act, 1860; (2) The Trust Act, 1882; (3) Voluntary Social Welfare Agencies (Regulation and Control) Ordinance 1961; (4) Co-operative Societies Act, 1925 and (5) The Companies Act, 1913 (amended in 1914). NGOs registered under these above mentioned acts are controlled in accordance with (1) The Voluntary Social Welfare Agencies (Regulation and Control) Ordinance 1961; (2) The Foreign Donation (voluntary activities) Regulation Ordinance, 1978 (amended in 1982) and (3) The Foreign Contribution (Regulation) Ordinance, 1982. The highest number of NGOs is registered under The Societies Registration Act, 1980. The NGO Affairs Bureau (NGOAB) was established in 1990 with the authority to register and regulate all NGOs operating with foreign funds in Bangladesh. With a large number of laws, ordinances, rules and regulations applying to NGO operations, difficulties and inconsistencies have emerged. The whole legal framework needs to be revamped to facilitate the promotion of a healthy NGO sector and strengthen the national context for increased Government-NGO collaboration and partnership in functioning for the betterment of the people.


Bangladesh is the breeding ground of some world-renowned Non-Profit Organizations (NPO). NGOs mainly focus on Microfinance, Development Program and Solar Home System etc. The Microcredit Regulatory Authority (MRA), established by the Government in August, 2006 and all microfinance operation is regulated under MRA. Currently, 739 institutions (as of June 30, 2022) 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. Compared to other countries, Bangladeshi MFIs are doing exceptionally well in accountability. The MRA do an audit of MFI on quarterly basis, the PKSF does audit to their partners in every two months. This is not only a financial audit; it is a management audit too. These NGOs have to report to the DCs and UNOs. They also have to report to the NGO Affairs Bureau (NGOAB) of Prime Minister's Office of Bangladesh. The NGOAB also do an annual audit for each of their approved projects with regular field level monitoring.

In Bangladesh, 90% 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 30 million are ultra poor.

In Bangladesh total microfinance organization stood at 739 where total branches is 23,543 in FY2021-22. A details picture of micro credit situation under Microcredit Regulatory Authority (MRA) certified organization is as below:

Particulars	FY2021-22	FY2020-21	FY2019-20	FY 2018-19	FY2017-18
Branch	23,543	20,955	20,898	18,977	18,196
Staff	206,713	175,741	171,110	162,175	1,53,919
Members (in millions)	38.26	35.19	33.31	32.37	31.22
Borrowers (in millions)	29.74	27.80	26.15	25.76	25.40
Loan Disbursement (in billions)	1918.80	1512.09	1362.75	1403.17	1,201.91
Loan Outstanding (in Billion BDT)	1241.50	949.85	888.64	787.58	673.90
Savings (in Billion BDT)	496.24	422.39	373.90	306.19	262.95

(Source: MRA-MIS database-2022)

  
For Chief Executive Officer  
**Tanzirul Islam**  
Vice President  
Credit Rating Information and Services Limited



## CREDIT RATING REPORT On AMBALA FOUNDATION

A detail of Overall microcredit scenario of Bangladesh in FY2021-22 is as below:

Details	Member (In Millions)	Borrowers (In Million)	Loan Disbursement (Billion BDT)	Loan Outstanding (Billion BDT)	Savings (Billion BDT)
MRA	38.26	29.74	1918.80	1241.50	496.24
Grameen Bank	9.93	6.84	206.57	145.94	232.65
Various Government Departments/ Institutions/Special Programs	16.56	7.44	95.53	142.71	57.04
Govt. and Non-govt. Bank	1.68	0.64	39.78	64.53	13.31
<b>Total</b>	<b>66.44</b>	<b>44.66</b>	<b>2260.68</b>	<b>1594.68</b>	<b>799.24</b>

In FY 2021-22, MRA institutions distributed total loan among SME beneficiaries of Tk. 1,918.80 billion. The total loan outstanding is Tk. 1,241.50 billion in June 30, 2022 where the NPL is (Consisting of substandard, doubtful and bad loan) is 6.74%. Out of which top 20 MRA organizations loan outstanding is Tk. 953.33 billion which is 76.79% of total loan outstanding.

Though NGOs play a vital role in Bangladesh to serve the poor people who are needy of financial support, they work under many constraints and challenges. One of the problems of the NGO industry is lack of transparency in NGOs along with very small number present information about their employees, processes of work and sources of grants, international donation, human resources management and HR development, democracy and good governance, lack of indigenous funding, competition among the NGOs, strategic management etc. In addition, some of challenges that NGOs are facing are: (a) lack of financial sustainability; (b) shortage of efficient employees and high employee attrition; (c) inadequate infrastructure; (d) undue interference and control by the government; (e) lengthy fund release process; (f) low level of inter-sect oral cooperation; (g) inadequate training and low level of true professionalism among employees often aggravated by lack of job security; (h) lack of information and relevant research; (i) religious conservatism and militancy, and threat of terrorism; (j) political pressure and political instability; k) Unfavorable tax regime; and (l) natural calamities.

The microfinance institutions (MFIs) in Bangladesh are facing a cash flow crisis amid the deadly Covid-19 pandemic. The MFIs did not collect loan installments from their clients for the last one and half months as the government halted nationwide operations. On the other hand, the rural people who make up majority of the clientele of these institutions did not get loans during that period despite a huge demand. Most of the mid and small levels MFIs are already facing hardships and difficulties in paying full salaries to their staff last month.

Under the situation, the MRA issued a circular for MFIs to operate on a limited scale until further notice. During the limited operation, microfinance institutions can distribute relief, pay back deposits, and provide loans from the stimulus package of Tk.3,000 crore for proper health safety measures.

The Asian Development Bank (ADB) tripled the size of its response to the novel coronavirus disease (COVID-19) pandemic to \$20 billion and approved measures to streamline its operations for quicker and more flexible delivery of assistance. The package expands ADB's \$6.5 billion initial adding \$13.5 billion in resources to help ADB's developing member countries counter the severe macroeconomic and health impacts caused by COVID-19. This fund will be provided to help governments of developing member countries implement effective countercyclical expenditure programs to mitigate impacts of the COVID-19 pandemic, with a particular focus on the poor and the vulnerable. Grant resources will continue to be deployed quickly for providing medical and personal protective equipment and supplies from expanded procurement sources. Refinance scheme for micro finance loan should be operated with ultimate interest rate in a range of 5-7 per cent. NGOs and MFIs (microfinance institutions) should be entitled to any central bank refinance scheme directly rather than through scheduled commercial banks.



## CREDIT RATING REPORT On AMBALA FOUNDATION

### 6.0 INSTITUTIONAL GOVERNANCE

#### 6.1 General Committee

AMBALA Foundation follows a two-tier governing body which is composed of General Committee and Executive Committee to efficiently carry out operational and strategic decision making activities of the organization. The general body consists of 15 members and they hold the supreme authority of the organization. They are also responsible to elect the 9 members for Executive Committee of the organization. The General Committee regularly meets once in a year in the Annual General Meeting as per by-laws. There is also provision to meet on emergency special meeting as and when required. The General Body deals with policy issues and do not interfere in routine matters of the organization. The policy issues and specific issues are dealt in the annual general meeting. It also approves annual budget, annual report, funding strategy, management fee, annual financial reports of the organization, appoints external auditor, and elects the members of the Executive Committee.

15 members General Committee



#### General Committee of AMBALA FOUNDATION

Sl. No	Name	Designation	Qualification	Profession
1	M. Azizur Rahman	Executive Member	MA	Former Secretary & Chief Information Commissioner, Ministry of Information, The Govt. of the People's Republic of Bangladesh
2	Rajia Sultana	Executive Member	MA	Service
3	Arif Sikder	Executive Member	MA, MBA	Service
4	Md. Nur-E-Alam	Executive Member	BA	Business
5	Sheheli Zahan	Executive Member	HSC	Former Teacher - Govt. Primary School
6	S.M. Mahedi Hasan	Executive Member	MSS	Service
7	Selina Iqbal	Executive Member	MA	Service
8	Syed Tarikul Islam	Executive Member	M.Com	Service
9	Md. Shajahan Gazi	Executive Member	BA	Service
10	Nazmul Ahsan Khan Lipu	Executive Member	SSC	Business
11	Asraful Alam	Executive Member	MSS	Service
12	Md. Rakibul Hasan Talukder	Executive Member	MA	Service
13	Dr. Iqbal Hossain	Executive Member	BHMS	Doctor
14	Somani Risalat	Executive Member	MBBS	Student
15	Ahsan Ullah Shamim	Executive Member	BA	Business

#### 6.2 Executive Committee

Executive Committee (EC) of Ambala Foundation consists of 5 members, elected by the General Committee for three years term which provides policy guidelines to the organization and its institutions. The Chairman of the EC takes care of constitutional affairs of Ambala Foundation and convenes the meeting of GC and EC. Executive Committee meets on quarterly basis or bi-monthly if so required. M. Azizur Rahman acts as the Chairman and Arif Sikder acts as the Secretary General of the organization. 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 President 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



## CREDIT RATING REPORT On AMBALA FOUNDATION

### Executive Committee of AMBALA FOUNDATION

SI No	Name & Designation	Age (in years)	Designation	Education Qualification
1	M. Azizur Rahman	79	Chairperson	MA
2	Rajja Sultana	38	Vice Chairperson	MA
3	Arif Sikder	50	Secretary General	MA, MBA
4	Md. Nur-e-Alam	53	Secretary (Finance)	B.A
5	Sheheli Zahan	68	Executive Member	HSC

### 6.3 Management Team

The organization 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 sector. 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:

### Management Team of AMBALA FOUNDATION

SL No	Name	Designation	Name of Department	Educational Qualification	Experience (in years)
1	Arif Sikder	Executive Director	General	MA & MBA	30
2	Dewan Taufika Hossain	Deputy Executive Director	General	MBA	9
3	Rokibul Hasan Talukder	Deputy Director	MFP	MA	29
4	R.M Fuhad	Head of Microfinance	MFP	MSC	31
5	Palash Chakraborty	Program Manager	MFP	B.com	17
6	Md. Ariful Islam Khan	Program Manager	MFP	BSC	17
7	Md. Alomgir Hossain Joarder	Program Manager	MFP	MA	20
8	Md. Rabby Alam Mondol	Manager	Human Resource & Administration	MSS	11
9	Ms. Ripa Khatun	Manager	MIS	MSS	15
10	Md. Abdul Alim	Manager	Accounts	BBS (Honors)	20
11	Kazi Nazrul Islam	Manager	Training	MSS	35
12	Md Anwarul Hoque	Deputy Manager	Audit	M.com	11

### 6.4 Human Resources Management

Ambala Foundation pursues a set of Service Rules covering major aspects of HR practices and offers a congenial working environment to its human resources. The service terms as set forth, demonstrate a detail guideline and covers major aspects of HR practices. Initially to become permanent employee, a person has to sustain a probationary period and have to wait for the approval of the Management Committee. After the approval, the individual is entitled to receive competitive salary followed by two festival bonuses, annual increments, provident fund, gratuity, overtime allowance and daily allowance etc. Currently, the total number of employees in the organization stood at 1200 as on January 31, 2023. Moreover, the organization follows a gender policy to ensure more women empowerment among the organization as well as in the society.

### 6.5 IT And Its 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 & 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, Ambala is capable to maintain all donor funded project financial activities including inventory, HR, Fixed Assets &



## CREDIT RATING REPORT On AMBALA FOUNDATION

Procurement etc. Beside these, Ambala Foundation is also using internally designed Ambala Cheque Printing & Controlling Software (ACPS) which is cheque & deposit slip printing solution. The organization 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.

### 6.6 Internal Control System

The organization holds a separate internal audit department, which ensures effective internal control of the organization. Internal audit team is working under the Executive Committee to verify and follow-up the activities of the internal control procedures and operation as whole. For internal audit, the organization has 16 auditors where headed by Md Anwarul Hoque.

### 7.0 ANALYTICAL FRAMEWORK

The disclosures of accounts of the organization have been found to be moderate. The consolidated audited financial statement for the year ended June 30, 2022 has been considered for financial performance and also the micro finance financial statement has been considered. Financial statement has been audited by the Anil Salam Idris & Co. Chartered Accountants.

### 8.0 BUSINESS PERFORMANCE

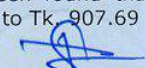
Indicators	FY2021-22	FY2020-21	FY2019-20
Loan Disbursement (In million Tk.)	7090.96	4411.65	3475.39
Total Borrower (No of Person)	40,609	30,355	25,403
Loan Outstanding (In million Tk.)	6072.27	4041.80	3464.74
Total Savings Portfolio (In million Tk.)	2832.11	2060.69	1463.13
Total Income (In million Tk.)	1143.28	907.69	766.00
Total Expense (In million Tk.)	962.28	809.73	698.91
Net Surplus (In million Tk.)	181.00	97.96	67.09
Growth of Loan Disbursement (%)	60.73	26.94	(13.30)
Growth of Savings Portfolio (%)	37.44	40.84	18.10
Finance cost to total revenue (%)	34.40	36.14	39.66

\*FY-information has taken from audited account

The operational performance of the AMBALA Foundation in microfinance activities has been found to be average. Due to increase of number of borrowers (from 30,355 in FY2020-21 to 40,609 in FY2021-22) the loan disbursement also increased (from Tk. 4,411.65 million in FY2020-21 to Tk. 7,090.96 million in FY2021-22) in FY2021-22. Due to increase of loan disbursement, the loan outstanding also increased to Tk. 6,072.27 million in FY2021-22 from Tk. 4,041.80 million in FY2020-21 with a 50.24% growth in FY2021-22. When analyzing the savings portfolio, it has been found that total savings portfolio stood at Tk. 2,832.11 million in FY2021-22 from Tk. 2,060.69 million in FY2020-21 with a 37.44% growth. This growth is due to increase of Regular Savings scheme.

Particulars	FY2021-22		FY2020-21	
	Million Tk.	% of Total	Million Tk.	% of Total
Service Charge of MF	1087.74	95.14	860.03	94.75
Development Service Charge	8.98	0.79	14.18	1.56
Bank interest on FDR	26.35	2.31	15.28	1.68
Donation	3.82	0.33	6.95	0.77
Donor Grants	5.55	0.49	5.39	0.59
Other Income	10.83	0.95	5.85	0.64
<b>Total Income</b>	<b>1143.28</b>	<b>100.00</b>	<b>907.69</b>	<b>100.00</b>

When analyzing the operating income of the organization, it has been found that total operating income stood at Tk. 1,143.28 million in FY2021-22 compared to Tk. 907.69 million

  
**For Chief Executive Officer**  
**Tanzirul Islam**  
**Vice President**  
 Credit Rating Information and Services Limited

Average business performance

\*Income dominated by service charge of MF



## CREDIT RATING REPORT On AMBALA FOUNDATION

in FY2020-21. Operating income is continuously dominated by the service charge of MF program. Service charge on loan stood at Tk. 1,087.74 million in FY2021-22 which is nearly 95.14% of total operating income compared to Tk. 860.03 million in FY2020-21. After deducting the all operational and financial expenses, the net surplus of the organization stood at Tk. 181.00 million in FY2021-22 against Tk. 97.96 million in FY2020-21. The net surplus of the organization increased in FY2021-22 due to increase of total income.

### 9.0 OPERATIONAL EFFICIENCY

Indicators	FY2021-22	FY2020-21	FY2019-20
Operational self sufficiency (%)	118.81	112.10	109.60
Return on Average Assets (%)	2.88	2.08	1.64
Return on Average Capital fund (%)	19.42	12.38	9.46
Net Margin (%)	15.83	10.79	8.76
Return on average outstanding portfolio (%)	21.58	23.10	21.62
Cost on average outstanding portfolio (%)	19.03	21.57	21.31
Finance cost to total Operating Income (%)	34.40	36.14	39.66
Average cost of fund (%)	7.91	9.06	9.60

The profitability indicators of Ambala Foundation have been showing a improving trend over the year. Currently, the net surplus margin of the organization stood at 15.83% in FY2021-22 compared to 10.79% in FY2020-21. The net surplus margin slightly increased in FY2021-22 due to increase of operating income. On the other hand, the cost of fund of the organization decreased and stood at 7.91% in FY2021-22 compared to 9.06% in FY2020-21. Considerable amount of low cost borrowings from external sources such as loan from PKSF and member saving have increased against high cost borrowing which affected the cost of fund of the organization.

### 10.0 ASSETS SIZE

Total assets of the organization are mostly financed by external liability. Total assets size of the organization stood at Tk. 7,431.16 million in FY2021-22, which has been financed 86.22% from liabilities (Current liability 47.05% and 39.17% Non-current liability) and 13.78% from capital fund. On the other hand, most of the assets are concentrated in loan to borrower which stood at Tk. 6,072.27 million.

When analyzing the compliance criteria of asset creation as per MRA guidelines, fixed assets (other than FDR) stood at Tk. 190.51 million which was 20.65% of cumulative surplus as on June 30, 2022 compared to 25.43% in FY2020-21. Maximum ceiling for fixed assets creation is 35% of cumulative surplus.

#### Quality of Credit Portfolio

Particulars	FY2021-22		FY2020-21	
	Million Tk.	% of Total	Million Tk.	% of Total
Regular	5467.43	90.04	3949.04	97.70
Watchful	37.61	0.62	38.52	0.95
Sub-standard	182.84	3.01	32.79	0.81
Doubtful	331.51	5.46	13.11	0.32
Bad Loan	52.88	0.87	8.34	0.21
<b>Total</b>	<b>6072.27</b>	<b>100.00</b>	<b>4041.80</b>	<b>100.00</b>
Non Performing Loan (%)	567.23	9.34	54.25	1.34
Loan Recovery Rate (%) (OTR )		97.02		89.83

While analyzing it has been observed that the consolidated loan portfolio of the organization stood at Tk. 6,072.27 million as on June 30, 2022 where microfinance program portfolio stood at Tk. 6,069.52 million and the remaining portion consists of Gryhayon program. It is observed that regular loan of micro finance program stood at Tk. 5,467.43 million, watchful loan (1-30 days) stood at Tk. 37.61 million, sub-standard loan (31-180 days) stood at Tk.

High NPL



## CREDIT RATING REPORT On AMBALA FOUNDATION

182.84 million, doubtful (181 to 365 days) loan stood at Tk. 331.51 million and bad loan (above 365 days) stood at Tk. 52.88 million as on June 30, 2022. Non- performing loan to outstanding loan stood at Tk. 567.23 million which was 9.34% in FY2021-22 compared to 1.34% in FY2020-21 which was high compare to industry average. NPL ratio increased in FY2021-22 due to increase of sub-standard, doubt full and bad loan which was incurred during the Covid-19 period and recognized in FY2021-22 due to the MRA circular. On the other hand, the on time loan recovery performance of the organization has been found average. The on time loan recovery rate of the organization stood at 97.02% in FY2021-22 and 89.83% in FY2020-21.

### 11.0 FUNDING AND LIQUIDITY

Particulars	FY2021-22	FY2020-21	FY2019-20
Portfolio to Assets (%)	81.71	78.71	81.04
Current Ratio (Times)	2.07	1.29	1.35
Cash Ratio (%)	6.34	7.21	3.89
Liquidity ratio (%)	97.44	96.24	95.96

Being a non-profit organization, Ambala Foundation has low equity stake. The main sources of funding of the organization are client's savings, capital fund, loan from commercial bank and PKSf. The saving amount is low cost funding and is increasing every year. The liquidity of the organization has been found average. The current ratio stood at 2.07 times in FY2021-22 against 1.29 times in FY2020-21, which are representing an average back up capacity to meet the current liabilities. Maximum portion of the asset is loan to beneficiaries which comprised around 81.71% of total assets in FY2021-22. Liquidity ratio of the organization stood at 97.44% in FY2021-22 against 96.24% in FY2020-21.

### 12.0 LEVERAGE AND SOLVENCY

Leverage and solvency	FY2021-22	FY2020-21	FY2019-20
Equity to total assets (%)	13.78	16.36	17.37
Total outside liability to total asset (%)	86.22	83.64	82.63
Debt service coverage ratio(X)	0.99	0.73	0.67
Total outside liability to equity(X)	6.26	5.11	4.76
Interest coverage ratio (X)	1.46	1.30	1.22
Capital adequacy ratio (%)	16.50	19.88	19.93
Debt to capital ratio (X)	5.86	4.70	4.40

Based on audited consolidated accounts for the year ended June 30

As a microfinance institute, the organization is a levered concern. All loans are financed by the PKSf, private bank, financial institution and member savings. The total liabilities stood at Tk. 6,407.21 million in FY2021-22 against Tk. 4,294.64 million in FY2020-21. The debt service coverage ratio of the organization slightly increased to 0.99 times in FY2021-22 from 0.73 times in FY2020-21 due to increase in net surplus. When analyzing the capital strength of the organization it has been found that Capital Adequacy Ratio (CAR) stood at 16.50% which is slightly higher than the minimum requirement of MRA at 15% but its gradually decreased over the year.

  
 For Chief Executive Officer  
 Tanzirul Islam  
 Vice President  
 Credit Rating Information and Services Limited



## CREDIT RATING REPORT On AMBALA FOUNDATION

### 13.0 ELIGIBILITY CRITERIA COMPLIANCE

S L	Particulars of Ratio	Standard	FY2021-22	FY2020-21
1	Capital Adequacy (%)	15 (Min)	16.50	19.88
2	Debt Service Cover Ratio (Times)	1.25:1 (Min)	1.09	1.07
3	Current Ratio (Times)	2.00:1 (Min)	1.38	1.29
4	Debt to Capital (Times)	9:1 (Max)	5.84	4.70
5	Liquidity to Saving Ratio (%)	10% (Min)	10.44	11.37
6	Rate of Return of Capital (%)	1% (Min)	19.18	12.27
8	Cumulative Recovery Ratio (%)	95.00 (Min)	98.40	98.66
9	On Time Realization (%)	92-100 (Min)	97.02	89.83

As per audited Eligibility Criteria Compliance Certification

When analyzing the MRA eligibility criteria compliance certifications, it has been observed that Ambala Foundation has been maintaining all criteria adequately except debt services coverage ratio and current ratio in FY2021-22. From the above analysis, it was found that the capital adequacy ratio decreased over the year.

### 14.0 BANKING AND NON BANK FINANCIAL INSTITUTION RELATIONSHIP

#### 14.1 Liability Position & Repayment Status

The total loan outstanding liabilities of Ambala Foundation stood at Tk. 2,521.70 million. Details are shown in the following table:

Name of the Bank/Financial Institution	Details of Exposures				Classification Status
	Mode of Loan	Sanction Limit/Disbursed Amount	Outstanding	Outstanding Date	
Jamuna Bank Ltd. (Gulshan Corporate Branch)	Term Loan	50.00	22.29	31/01/23	Regular
Jamuna Bank Ltd. (Gulshan Branch)	Term Loan	75.00	5.62	31/01/23	Regular
Southeast Bank Ltd. (Aganagr Branch)	Term Loan	100.00	67.43	31/01/23	Regular
Southeast Bank Ltd. (Shyamoli Branch)	Time Loan	180.00	91.79	31/01/23	Regular
Pubali Bank Ltd.	Demand Loan	50.00	50.00	31/01/23	Regular
United Commercial Bank Ltd.	Time Loan	100.00	100.00	31/01/23	Regular
One Bank Ltd.	Short Term Loan	120.00	120.83	31/01/23	Regular
EXIM Bank Ltd.	Short Term Loan	100.0	100.75	31/01/23	Regular
NRB Bank Ltd.	Short Term Loan	250.00	250.60	31/01/23	Regular
	Term Loan	120.00	52.50	31/01/23	Regular
Mutual Trust Bank Ltd.	Term Loan	50.00	26.74	31/01/23	Regular
BRAC Bank Ltd.	Short Term Loan	400.00	400.00	31/01/23	Regular
Global Islami Bank Limited	Short Term Loan	150.00	30.52	31/01/23	Regular
IIDFC Ltd.	Term Loan	50.00	4.61	31/01/23	Regular
National Finance Ltd.	Term Loan	50.00	14.28	31/01/23	Regular
IPDC Finance Limited	Short Term Loan	50.00	50.17	31/01/23	Regular
Bangladesh Finance Ltd.	Term Loan	50.00	20.35	31/01/23	Regular
AB Bank Limited	Short Term Loan	160.00	160.51	31/01/23	Regular



**CREDIT RATING REPORT**  
**On**  
**AMBALA FOUNDATION**

Trust Bank Ltd.	Term Loan	100.00	61.26	31/01/23	Regular
UBICO	Term Loan	100.00	75.00	31/01/23	Regular
Uttara Bank Ltd.	Term Loan	50.00	11.11	31/01/23	Regular
Community Bank Bangladesh Limited	Term Loan	250.00	173.27	31/01/23	Regular
SBAC Bank Limited	Term Loan	100.00	61.63	31/01/23	Regular
Dhaka Bank Ltd.	Short Term Loan	100.00	99.97	31/01/23	Regular
Sonali Bank Ltd.	Short Term Loan	200.00	178.74	31/01/23	Regular
Standard Bank Ltd.	Bai-Muajjal	150.00	70.90	31/01/23	Regular
PKSF	Term Loan	1,055.56	220.83	31/01/23	Regular
<b>Total</b>		<b>4,210.56</b>	<b>2,521.70</b>		

**14.2 Security Arrangement against Exposures**

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

Name of the Bank/FIs	Security Arrangement
Jamuna Bank Ltd. (Gulshan Branch)	<ul style="list-style-type: none"> <li>Hypothecation over book debts/ receivables of Loan portfolio</li> <li>Lien of FDR equivalent to 10% of the loan amount</li> <li>Personal guarantee of all members of executive committee</li> <li>03 Post-dated cheques each covering the installment</li> <li>Institutional/Corporate guarantee of Ambala Foundation</li> <li>Personal guarantees of the Governing Body</li> </ul>
Jamuna Bank Ltd. (Gulshan Corporate Branch)	<ul style="list-style-type: none"> <li>Hypothecation over book debts/ receivables of Loan portfolio</li> <li>Lien of FDR equivalent to 10% of the loan amount</li> <li>Personal guarantee of all members of executive committee</li> <li>03 Post-dated cheques each covering the installment</li> <li>Institutional/Corporate guarantee of Ambala Foundation</li> <li>Personal guarantees of the Governing Body</li> </ul>
Southeast Bank Ltd.	<ul style="list-style-type: none"> <li>Hypothecation of unencumbered receivables of the borrower securing the amount not less than 150% of the entire facility amount</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>
Pubali Bank Ltd.	<ul style="list-style-type: none"> <li>Hypothecation over book debts/ receivables of Loan portfolio</li> <li>01 Post-dated cheques each covering the installment</li> <li>Personal guarantee of the member of executive committee</li> <li>Institutional guarantee of Ambala Foundation</li> </ul>
United Commercial Bank Ltd.	<ul style="list-style-type: none"> <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>
One Bank Ltd.	<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. 12.00 million with letter of lien &amp; set off over deposit accounts in the name of Ambala Foundation</li> <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> <li>Personal guarantee of all the Chairman, Executive Director and Finance director</li> </ul>



**CREDIT RATING REPORT**  
**On**  
**AMBALA FOUNDATION**

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>
NRB 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>Post-dated cheques covering the total loan amount</li> <li>Personal guarantee of the member of executive committee</li> <li>Institutional guarantee of Ambala Foundation</li> </ul>
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>Lien on OBL FDR of total Tk. 5.00 million</li> <li>Personal guarantee of the member of executive committee</li> </ul>
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> <li>04 Post-dated cheques covering the total installment amount</li> <li>01 un-dated cheques covering the total loan amount</li> </ul>
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 of 10% of the loan amount</li> <li>Post-dated cheques covering the total installment amount</li> </ul>
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>
Global Islami Bank Limited	<ul style="list-style-type: none"> <li>Hypothecation over book debts/ receivables of Loan portfolio</li> <li>Lien of FDR equivalent to 10% of the loan amount</li> <li>Personal guarantee of all members of executive committee</li> <li>Institutional/Corporate guarantee of Ambala Foundation</li> </ul>
IIDFC Ltd.	<ul style="list-style-type: none"> <li>Hypothecation over book debts/ receivables of Loan portfolio</li> <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>
National Finance 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>01 cheque covering the total loan amount</li> <li>36 cheques covering the total monthly instalment amount</li> <li>Personal guarantee of the member of executive committee</li> <li>Institutional guarantee of Ambala Foundation</li> </ul>
IPDC Finance Limited	<ul style="list-style-type: none"> <li>FDR amounting of Tk. 5.00 million only</li> <li>Personal guarantee of the member of executive committee</li> <li>Institutional guarantee of Ambala Foundation</li> </ul>
Bangladesh Finance Ltd.	<ul style="list-style-type: none"> <li>Personal Guarantee of <ul style="list-style-type: none"> <li>M Azizur Rahman</li> <li>Ms Rajia Sultana</li> <li>Arif Sikder</li> <li>S M Mahadi Hasan</li> <li>Ms Salima Iqbal</li> </ul> </li> <li>Hypothecation of fixed and floating assets</li> <li>Lien on FDR of Tk. 25.00 lac</li> </ul>
AB Bank Limited	<ul style="list-style-type: none"> <li>Hypothecation over book debts/ receivables of Loan portfolio</li> <li>Lien of FDR equivalent to 10% of the loan amount</li> </ul>



**CREDIT RATING REPORT**  
**On**  
**AMBALA FOUNDATION**

	<ul style="list-style-type: none"> <li>• Personal guarantee of all members of executive committee</li> <li>• Post-dated cheques covering the loan limit</li> </ul>
Trust Bank Ltd.	<ul style="list-style-type: none"> <li>• Hypothecation over book debts/ receivables of Loan portfolio</li> <li>• Lien of FDR equivalent to 10% of the loan amount</li> <li>• Personal guarantee of all members of executive committee</li> <li>• Post-dated cheques covering the loan limit</li> </ul>
UBICO	<ul style="list-style-type: none"> <li>• Hypothecation over book debts/ receivables of Loan portfolio</li> <li>• Lien of FDR equivalent to 10% of the loan amount</li> <li>• Personal guarantee of Executive Director</li> <li>• Post-dated cheques covering the loan limit</li> <li>• Personal guarantees of the Governing Body</li> </ul>
Uttara Bank Ltd.	<ul style="list-style-type: none"> <li>• Hypothecation of agricultural inputs &amp; receivables for 150% of our investment.</li> <li>• Corporate guarantee/ Institutional guarantee of Ambala Foundation.</li> <li>• Post-dated cheques covering the loan limit</li> </ul>
Community Bank Bangladesh Limited	<ul style="list-style-type: none"> <li>• Hypothecation over book debts/ receivables of Loan portfolio</li> <li>• Lien of FDR equivalent to 10% of the loan amount</li> <li>• Personal Guarantee of <ul style="list-style-type: none"> <li>▪ M Azizur Rahman</li> <li>▪ S M Mahadi Hasan</li> <li>▪ Ms Salima Iqbal</li> </ul> </li> <li>• Post-dated cheques covering the loan limit</li> </ul>
Dhaka Bank Ltd.	<ul style="list-style-type: none"> <li>• Hypothecation over book debts/ receivables of Loan portfolio</li> <li>• Lien of FDR equivalent to 10% of the loan amount</li> <li>• Personal Guarantee of ED</li> <li>• Post-dated cheques covering the loan limit</li> </ul>
Sonali Bank Ltd.	<ul style="list-style-type: none"> <li>• Lien of FDR equivalent to 20% of the loan amount</li> <li>• Personal Guarantee of all member of EC</li> <li>• Post-dated cheques covering the loan limit</li> </ul>
Standard Bank Ltd.	<ul style="list-style-type: none"> <li>• Hypothecation over book debts/ receivables of Loan portfolio</li> <li>• Lien of FDR equivalent to 15% of the loan amount</li> <li>• Personal Guarantee of all member of EC</li> <li>• Post-dated cheques covering the loan limit</li> </ul>
PKSF	<ul style="list-style-type: none"> <li>• To avail the loan from PKSF, AMBALA FOUNDATION have to fulfill some condition such as:</li> <li>• AMBALA FOUNDATION have to maintain the recovery rate at least 95%</li> <li>• Minimum liquidity saving ratio 15%</li> <li>• Highest limit of debt : Capital will be 9:1</li> <li>• Minimum current ratio will be 2:1</li> <li>• Minimum limit of rate of return on capital 1%</li> </ul>

**15.0 RISK MANAGEMENT**

**15.1 Operational Risk**

Ambala Foundation is operating microfinance activities with its 155 branch offices in 15 districts, where those offices need regular monitoring and controlling for their activities. Most of the fraudulent activities of the MFI occur from these branch office levels. Basically, these branch offices make many small, short-term loans to the clients, which need careful monitoring and controlling. But there are many errors and frauds that occur while handling these activities. So, the respective officers of these branches need to be active and responsible to handle work otherwise it might not be cost effective for the organization to handle the microfinance activity efficiently. The organization 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 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



**CREDIT RATING REPORT  
On  
AMBALA FOUNDATION**

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. After getting recommendation from the Chairman of the Centre, Field Officer (FO) and Branch manager, then the loan is given to client. 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.

**15.3 Loan Recovery Risk**

One of the major risks of Microfinance program is collection of installments with high frequency ranging from week to months. The above risk is further fuelled by the loan default culture prevailing in the banking sector although the banking institutions are stronger entities to collect installments due from clients through legal measures and selling collaterals. Under the above background, the MF programs being operated by the NGOs without collateral and with high frequency of loan repayments are yielding a recovery rate of above 95%. The MF organizers are offering micro finance through group guarantee with the incentive of further loan if there is no default in repaying the installments. The above system works favorably for the MFI institutions and assist them to maintain high recovery ratio.

**16.0 OBSERVATION SUMMARY**

<p><b>Rating Comforts:</b></p> <ul style="list-style-type: none"> <li>• Average business performance</li> <li>• Experienced management team</li> <li>• Automated MIS</li> </ul>	<p><b>Rating Concerns:</b></p> <ul style="list-style-type: none"> <li>• High NPL</li> <li>• Marginal capital adequacy</li> <li>• High finance cost to revenue ratio</li> <li>• Short fall in debt service coverage ratio</li> <li>• Short fall in current ratio</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>• Lack of low cost fund</li> <li>• Operational transparency</li> <li>• Getting fund from donor</li> </ul>

**END OF THE REPORT**

*(Information used herein was 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. The rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities or to finance in a project. All rights of this report are observed by CRISL. The contents may be used by the 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 and procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]*

  
For Chief Executive Officer  
**Tanzirul Islam**  
Vice President  
Credit Rating Information and Services Limited



## CREDIT RATING REPORT On AMBALA FOUNDATION

### SCALES AND DEFINITIONS LONGTERM – MICRO FINANCE INSTITUTIONS

RATING	DEFINITION
<b>AAA Triple A (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- (Double A) (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- Single A (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- Triple 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- Double 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- Single 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 (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 (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



## CREDIT RATING REPORT On AMBALA FOUNDATION

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

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

### SHORT-TERM RATINGS

<i>blrST-1</i>	<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.
<i>blrST-2</i>	<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.
<i>blrST-3</i>	<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.
<i>blrST-4</i>	<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.
<i>blrST-5</i>	<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.
<i>blrST-6</i>	<b>Default</b> Institution failed to meet financial obligations