

CARE/KRO/RR/2016-17/1300

Mr. Abhijit Bera

Managing Director

Sampurna Training and Entrepreneurship Programme

222/18 MC Garden Road, 2nd Floor,

Kolkata- 700030

October 07, 2016

Confidential

Dear Sir,

Grading of Micro Financing Institution (MFI)

Please refer to our letter dated September 28, 2016 on the captioned subject.

1. As already advised, our Grading Committee has assigned a grading of 'MFI 3' (MFI Three) to your organization.
2. The rationale for the grading is enclosed as an **Annexure –A** to this letter.
3. CARE's grading is an opinion of CARE on the relative capability of the organization to undertake micro-financing activity and does not constitute a recommendation to buy, hold or sell any financial instrument issued by the organization or to make loans/ donations/ grants to the said organization.

Thanking you,

Yours faithfully,

Meenakshi Pachisia

(Meenakshi Pachisia)
Analyst

Baganie
(Vineet Chamaria)
Senior Manager

Encl. – As above

Annexure-A
Sampurna Training and Entrepreneurship Programme
MFI Grading Report

Year of incorporation	2010	'MFI 3' (MFI Three) Fifth on an eight point scale with "MFI 1" being the highest and "MFI 5" being the lowest
Legal status	Section 25	
Year of commencement of microfinance operations	2014(started in 2007 as a micro-finance programme under NCRC)	
Lending model	Self Help Group(Group based individual lending)	
Registered Office	222/18 MC Garden Road, 2 nd Floor, Kolkata- 700030	
Promoter	Mr. Abhijit Bera	
Number of states of operation	1 states (as on March 31, 2016)	
Branches	7 (as on March 31, 2016)	
Employees	48(as on March 31, 2016)	

CARE has assigned grading of **'MFI 3'** to **Sampurna Training and Entrepreneurship Programme (STEP)**. The grading is assigned on an eight point scale with 'MFI 1' being the highest and 'MFI 5' being the lowest. There is no individual definition for each grading. CARE's MFI grading is a measure of overall performance of the MFI based on TOSS framework.

Credit Analysis and Research Ltd

October 07, 2016

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TOSS FRAMEWORK

Transparency	
	Above Average
<ul style="list-style-type: none"> ○ Registered as a Non-Profit Company under Section 25 of the Companies Act 1956. Legal form is subjected to lower regulatory norms and reporting as compared to the NBFC legal form. ○ Experienced board members. Out of the four directors two are independent directors. ○ Credit policies (embedded in the operational manual) are well established documented and communicated. ○ Transparency in lending process is adequate. The borrowers are aware of the lending policies of the company. ○ Overall disclosures are low. ○ STEP has established separate internal audit team consisting of Internal Auditor manager. All the branches are compulsorily audited on a bi-monthly basis. ○ Member of Credit Bureau (Equifax) for credit bureau check of all loans before disbursement. ○ Member of SRO (AMFI-WB). 	
Operational Setup	
	Above Average
<ul style="list-style-type: none"> ○ Experienced promoter with wide experience of working with NGOs and in microfinance industry. STEP was incorporated in 2010 .It took over the activities and resources of Navnirman Community Resource Centre (NCRC), a MFI organization based in Mumbai in two phases: Jan'14 and in August'14. STEP is supported by a 4 member board with all members having experience of more than 10 years in microfinance. ○ Since its inception, STEP has received financial and technical support from a French organization 'Entrepreneurs du Monde' (EDM), specialized in Social Microfinance. ○ Created separate departments with minimum overlapping of roles. ○ The company follows Self Help Group (SHG) based lending model to extend loans to women individuals. ○ Well established and documented HR policies. ○ Though there appears rise in attrition rate from 15.07% in FY15 to 19.23% in FY16, it falls in the range of less than 20%. ○ Participation in external training programs, workshops and seminars organized by The Association of the Luxembourg Fund Industry, CII (Confederation of Indian Industry),Sa-Dhan, MicroGraam, ICC, WB-AMFI and EDM. ○ Adequate loan appraisal & monitoring systems. ○ MIS is adequate for current level of operations. STEP's MIS is fully computerized by three soft wares: Loan and portfolio is managed by loan performer (LPF) software, financial ,accounts is managed by Tally and Non-financial services like training and counseling are managed by SMS software. ○ Created helpline for client grievances redressal where each client is provided with the phone no. of the branch manager. Complaints can be registered over phone or by visiting branch office. ○ Training systems are adequate. 	
Scale of Operations	
	Small
<ul style="list-style-type: none"> ○ Small client base. As on March 31, 2016 covered 5717 active borrowers (6407 in FY15 and 4407 in FY14). ○ In terms of gross loan portfolio, STEP stands as a small size MFI in India. As on March 31, 2016 STEP had loan outstanding of Rs.3.53 crore (Rs.3.05 crore as on March 31, 2015 and Rs.1.67 crore as on March 31, 2014). ○ As on March 31, 2016, STEP was operating in single state of West Bengal. The operations are spread over 3 districts of the sate through a network of 7 branches. 	

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- STEP operates through 7 branches with total workforce of 48 employees, including 29 loan officers as on 31.3.2016.
- The company has limited track record of establishment. The total income of STEP was Rs.1.23 crore as on March 31, 2016.
- STEP has experienced promoter and management who have rich experience in micro finance business.
- STEP has 4 loan products.

Sustainability

Average

- Legal form does not allow equity infusion from investors.
- CAR as on Mar. 31, 2016 was comfortable at 40.35% (41.29% as on March 31, 2015 and 57.40% as on March 2014).
- Comfortable asset quality with gross NPA of less than 1%.
- Reasonable second line of leadership.
- Has presence in areas with high penetration of MFIs.
- Satisfactory earning profile. ROTA in FY16 stood at 4.92% as compared to 4.47% in FY15.
- OSS is at moderate level at 116.85% as on March 31, 2016.
- The sector faces socio political risks, regulatory uncertainty but has huge unmet potential demand.

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GRADING RATIONALE

Brief profile of the Organization

Sampurna Training and Entrepreneurship Programme (STEP), registered u/s 25 of The Companies Act 1956, is a social microfinance organization founded by Mr. Abhijeet Bera. STEP was incorporated in November 2010 as a Non-profit organization. In 2014, it took over the activities and resources of Navnirman Community Resource Centre (NCRC), a microfinance organization based in Mumbai in two phases (Jan'14 and July'14). NCRC was a social microfinance organization based in Mumbai with Mr. Abhijeet Bera as its executive director which extended its support to start a microfinance project in West Bengal in 2007. In 2010, under the leadership of Mr Bera, STEP started its wide range of socio-economic services including family counseling, social awareness, business management training, business counseling etc. to uplift the socio economic conditions of the ultra-poor and downtrodden women in the slums of Kolkata and Howrah. In January 2014, STEP took over the microfinance program of NCRC along with the management staff and field officers. Since its inception, STEP has been receiving financial and technical support from a French organization 'Entrepreneurs du Monde' (EDM), specialized in Social Microfinance. In February '14, STEP received permission from the RBI to avail external commercial borrowings and has availed loans from foreign organizations viz. Microfinance Solidaire and Dariu Foundation.

STEP has a 4-member board and an experienced management with good experience in working in NGOs and micro-finance sector.

STEP operates under the 'Self Help Group' (SHGs) based lending model, with each group comprising of 5-7 members, usually women located in the slums. STEP's major activities involve the formation and nurturing of centers (groups) and extending micro credit to individuals on successful completion of lending criteria. All members of the group are known as partners and they select a group leader among themselves. The leader has the responsibility to ensure entire collection is handed over to the collection officer on time. Each individual of the group is liable for her own loan and there is no joint liability. However if a member defaults, other members of the group try their best to encourage the defaulting partner to repay, sometimes resorting to peer pressure too. The main objective of STEP is to provide loans to the rural poor women who do not have access to banking facilities for their economic upliftment. Major activities of STEP include the following:

- Formation and nurturing of SHGs by extending finance and providing various vocational trainings.
- Inculcating cooperative development and savings habit among the poor.

The day-to-day activities of STEP are looked after by Ms. Arati Shaw, Operations Manager.

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As on March 31, 2016, STEP is operating in 3 districts of West Bengal. Operations of STEP are managed through network of 7 branches and have 950 groups covering 5717 active borrowers with total outstanding portfolio of Rs.3.53crore as on Mar 31, 2016 (Rs.3.05crore as on March 31, 2015 and Rs.1.67crore as on March31,2014).Total outstanding portfolio for FY14 and FY15 include o/s portfolio of R. 1.65 crore and Rs.0.39 crore respectively transferred from NCRC).The operations of the society are managed by a workforce of 48(including 29 loan officers) employees as on March 31, 2016.

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TRANSPARENCY

STEP has been registered as a Sec 25 Company under The Company's Act 1956, and has commenced operation from 2010. It was promoted by Mr. Abhijeet Bera (former executive director of NCRC). STEP is governed by a 4-member board. Board comprises of two Executive Directors, and two Independent Directors. 50% of the board consists of independent members. Board meets on quarterly basis to discuss financial and operational performance. For effective monitoring and to increase transparency, STEP has formed special committees like Audit committee, CSR committee, Remuneration and Nomination committee and Risk Management committee. All committees meet on a half-yearly basis. STEP has a grievance redressal mechanism in place where borrowers can register complaints over phone or by visiting branch office and dropping a letter in the grievance box. STEP has clearly defined and documented credit policies and HR. Credit policy communication is also done verbally during promotion, orientation meetings, loan application workshops and training sessions to the group members. Also the loan covenants are mentioned in the loan contact paper in vernacular language.

Other Transparency Factors	
Internal Controls	<ul style="list-style-type: none"> • STEP has separate audit committee and in-house internal audit team consisting of one member-Internal Auditor Manager. • It has also formed separate risk management committee reporting directly to the CEO. • Internal audit of HO is carried out on quarterly basis and branches are audited on a bi-monthly basis.
Transparency in lending process	<ul style="list-style-type: none"> • The credit officers are adequately trained to impart information to the clients regarding the products, services and procedures. • All the members eligible to borrow from the company are informed through promotion, orientation meetings, loan application workshops and training programs regarding the company, group formation, loan eligibility, interest rates, processing fees, insurance, loan tenure, discounts given on pre-payment and other terms and conditions of the loan. • During home visits The loan officers and the branch manager fill a Poverty Assessment Tool (PAT) and business form to assess on the repayment capacity and the required loan for each individual borrower. • Loan utilization checks are done by the loan officers (Collection Motivators) after one month of loan disbursement to ensure that the loans are actually put to use for the sanctioned purpose.
Transparency in utilization of funds	<ul style="list-style-type: none"> • STEP submits specific book debts as per the requirements of the lending agency area-wise and at periodic intervals. • It submits monthly/quarterly reports depending on the requirement of the lender which include information pertaining to portfolio, assets

	<p>quality, disbursements and other developments during the particular period as required by the lending agency. Lenders' representatives do periodic cross checks.</p> <ul style="list-style-type: none"> • Lender wise tagging of portfolio is done.
Overall disclosures	<ul style="list-style-type: none"> • STEP, being a, Sec.25 company is not subject to regulatory compliance and supervision of RBI. It submits information to Sa-dhan, Mixmarket and to its bankers and financial institutions. • It is in the process of acquiring membership of AMFI-West Bengal. • It is regularly submitting the requisite data to Equifax. • Public domain disclosure of information about STEP is moderate with latest information regarding client outreach; vocational training and other programs are updated on their website www.stepindia.in.

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OPERATIONAL SETUP

Ownership

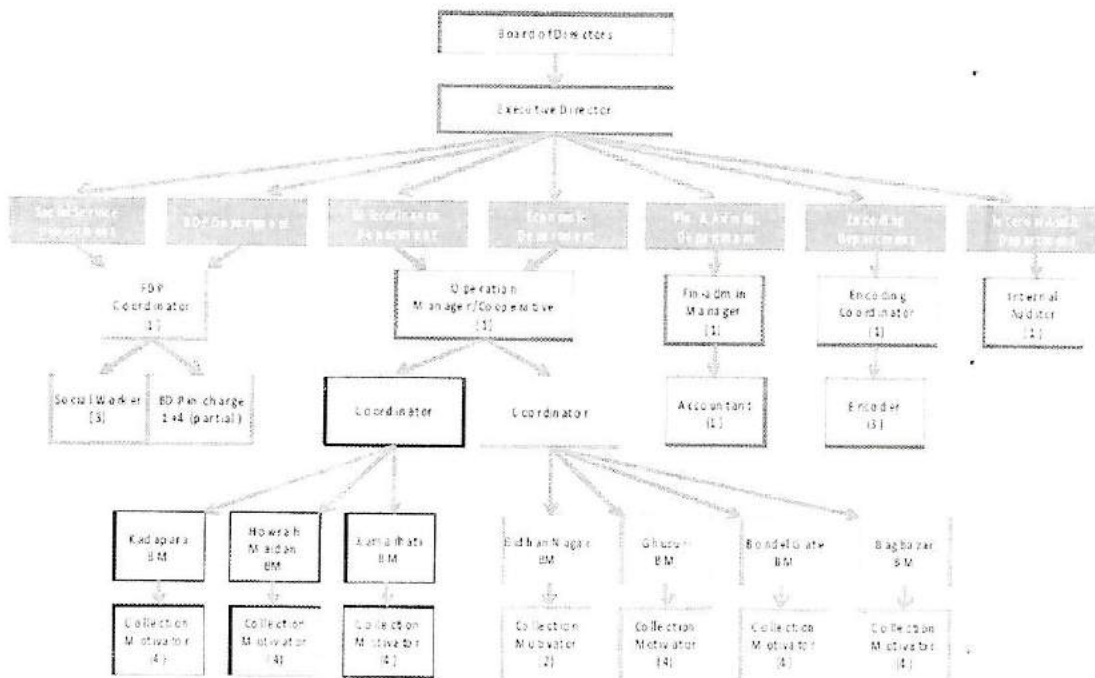
Mr. Abhijeet Bera, the CEO of the company, looks after the day-to-day affairs of the organization along with a dedicated management having rich experience in the field of micro financing. The day-to-day activities of STEP are looked after by Ms. Arati Shaw, Operations Manager.

Management Assessment

All the members of the board have an overall experience of more than 10 years. The second line of leadership includes all the functional heads. Some of the senior management members have around 8-10 years of experience in the field of micro finance. The senior management handles the issues involved in the day-to-day functioning as well as in taking strategic decisions. Majority of the senior management members understand the issues involved in day to day functioning and are involved in strategic decision making of the organization.

Organization Structure

The company is promoted by Mr. Abhijeet Bera. (Other board members also have rich of experience in the field of MFI. STEP has decentralized operations with branches handling the appraisal, collection and disbursement process which is generally appraised by the Branch Manager and the Collection Motivator (Loan Officer). However the branches depend on HO for fund allocation, sanction of loans and formulation of policy matters. The Microfinance Coordinator from the HO has the final call for fund allocation, disbursement and other policy formulations. Therefore level of decentralization in STEP is low. The operational structure for STEP's microfinance program is as below:



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Level of decentralization of branches

The day to day activities of the company are decentralized to enable the smooth functioning of operations. All area offices are headed by an Operations Manager, under whom there are two Microfinance Coordinators. There are 7 Branch Managers who report to the 2 MF Coordinators. Under the Branch Managers Collection Motivators (credit/loan officers) function. The process of assessing a group loan, pre-sanction process, screening the loan proposals, updating the MIS etc. are conducted at the branch offices. After the final screening at the branch office level, the loan proposals are sent to the head-office for approval. After the approval from the head-office, the sanctioning, disbursement or appraisal of the loan takes place at the respective branch office

Human Resources Management	
Staff strength & experience	<ul style="list-style-type: none">• The total staff strength as on March 31, 2016 is 48.• Further details on the human resource development are enclosed in Annexure 3.
Recruitment & selection process	<ul style="list-style-type: none">• Candidates are recruited through advertisements in suitable media local dailies and job portals.• Recruitment can be via internal sources too when an existing employee refers candidates to the HR department for vacant posts.• Recruitment is conducted through interviews.
Training & Development	<ul style="list-style-type: none">• STEP has a separate training department with new recruits undergoing training for 7-15 days.
Remuneration & Incentive system	<ul style="list-style-type: none">• The candidates are hired on probation period of 6 months. After completion of first 3 months, they are assessed on their performance and another kept on probation for another 3 months. A clear salary grade has been established with other allowances provided to the employees.• The company provides incentives to the employees based on their performance which is judged on timely collection of funds, no. of disbursements and group formations. Incentives are in the form of yearly appraisals which depend on the grade assigned based upon the performance as stated above.
Attrition rate	<ul style="list-style-type: none">• Attrition rate is moderate at 19.23%.

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Operational aspects

Operational methodology

A well-defined process is followed by the company for the formation of the groups & loan appraisal.

- Promotion exercise is carried out when the staff go door to door to understand the needs of the people of the area identified and to promote the services of the organization. Those who are interested can form a group of 5-7 women.
- Orientation meeting is conducted by the Loan officer (Collection Motivator) at a group member's house. Each group elects a group leader. The loan officer gives them information about objectives, products, terms and conditions regarding the loan viz. interest, insurance, processing fees etc. Training is provided for one day by the branch manager to the borrowers whose applications have been sanctioned by the HO
- SHG is formed when a credit officer is able to gather 5-7 women members.

Appraisal and Disbursement:

Appraisal & disbursement process are handled jointly by the HO and branches. The collection is handled by the respective branches & delinquency management is handled by jointly by BM & HO officials. The branches are dependent on HO for funds. HO keeps track of operations of branches through regular reporting by the branches and internal audit.

Appraisal Process:

- Loan application is collected by loan officer and submitted to BM along with KYC documents.
- Applications are then scrutinized by BM and Loan officer along with field verification.
- The branch manager submits its proposal for disbursements to the HO, wherein the MF coordinator takes the final call to approve the disbursement..
- Then, an enquiry is made with Equifax Credit Bureau before loan disbursement.
- The final approval is made by MF coordinator at HO.

Disbursement process:

- After the loan is sanctioned the BM prepares the sanction letter, completes the documentation and arranges for cash disbursement.
- The BM disburses the loan in cash after verifying the set of loan documents through the credit officer. One MF coordinator (from HO) needs to be present during disbursement The Sanction letter along with duplicate set of loan application and documents, passbooks are provided to the members.
- Loans are disbursed to SHGs in cash in presence of group leader at the branch level.
- Loan books are provided to borrowers. Vouchers and passbook are signed by MF coordinator from HO.

Loan Collection Process and overdue management process

<u>Loan Collection Process</u>	
<ul style="list-style-type: none"> • Collection done on weekly basis in group meetings by the loan officer as per the demand collection sheet. The repayment is collected every week in cash by the credit officer from the group leader's place. • Entry is done in the individual passbooks book and one group receipt is issued for the entire group mentioning individual partner's code and loan code. The loan officer and the group leader both have to sign the receipt. • Prompt reporting is done in the credit bureau if a borrower fails to pay even one installment. • Overdue statement is prepared every day and BM guides overall course of action for collection of overdue after informing MF Coordinator. Weekly overdue statement is sent to HO through email. 	
<u>Overdue Management process</u>	
<ul style="list-style-type: none"> • BM, after informing MF Coordinator guides overall course of action for collection of overdue. Field officers do follow-up on the instructions of Branch Managers. • Prompt reporting is done in the credit bureau if a borrower fails to pay even one installment. 	

Overall STEP's collection and monitoring system is good.

Management Information Systems

Backup Policy	<ul style="list-style-type: none"> • The backup of the data is also taken in an external hard disk/pen drive on a daily basis. . One hard disk is sent to HO and one is kept in the branch in a fireproof cupboard. • Information is transferred through email to the HO on the same day.
Integration of HO with branches	<ul style="list-style-type: none"> • MIS is maintained at both branch level and HO level. The two systems are not connected on a real time basis. • Information is transferred through email to the HO on the same day. • All types of reports can be generated within short period of time (including overdue report). • STEP's MIS is fully computerized by three soft wares: Loan and portfolio is managed by loan performer (LPF) software, financial ,accounts is managed by Tally and Non-financial services like training and counseling are managed by SMS software. These three are not integrated.
Underwriting/Appraisal and Sanctions	<ul style="list-style-type: none"> • Appraisal process is handled jointly by the HO and branches, but the ultimate authority of sanctioning of loans lies with the MF

	<p>Coordinator at the HO.</p> <ul style="list-style-type: none"> Criteria for sanctioning of loans (Loan size, tenure, purpose etc.) are defined and documented. During appraisal, the documents that are collected from the borrower are photo id proof, address proof and age proof.
Mode of disbursement	<ul style="list-style-type: none"> STEP has opened Bank accounts at the branch level and collection and disbursement is done in the same account. Upon the approval from head office funds are transferred online for disbursement of the loans. Loan collection is deposited in the bank on daily basis and almost nil cash is kept in the branch office. Reasonable level of documentation is done during disbursement. Loan utilization checks are conducted by the BM one month after disbursement. BM deposits excess cash on the same day in branch bank account. Each branch has one bank account so as to prevent any disruption. Branches are authorized to operate the bank accounts with defined signatories. Reporting to HO on daily basis. Daily cash monitoring is done at the administrative office and head office through the online mode
Reporting frequency after collection	<ul style="list-style-type: none"> Reporting by the branches to HO after collection is done on daily basis.
Borrowers per loan officer and gross loan portfolio per loan officer	<ul style="list-style-type: none"> Borrowers per loan officer and gross loan portfolio per loan officer is moderate. No of borrowers per loan officer is 197 and gross loan portfolio per loan officer is approx. Rs.0.12 crore.

The MIS system is adequate for the current level of operations as it provides information for the loan portfolio management both at the operational level and managerial level.

Risk Management Systems

Cash Management System

BM deposits excess cash on the same day in branch bank account. Each branch has one bank account so as to prevent any disruption. Branches are authorized to operate the bank accounts with defined signatories. Cash vaults for safe keeping of cash available at every branch.

Reporting to HO is done on a daily basis. Daily cash monitoring is done at the administrative office and head office through the online mode.

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Disaster recovery system

The backup of the data is also taken in an external hard disk on a daily basis. Information is transferred through email to the HO on the same day.

Insurance

STEP does not take insurance for cash in transit. It provides insurance cover to its borrowers from third party i.e. DHFL Pramerica.

Credit discipline of borrowers

Attendance of borrowers ranges between 50-90%. The meetings are conducted on a regular basis with no penalties imposed. Borrowers maintain the relevant documents provided by the MFI i.e. passbook. Process as per the operational manual is followed.

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SCALE OF OPERATIONS

STEP has built its microfinance portfolio since 2014. The details of the operational outreach are given in Annexure 4.

Key Factor	As on March 31, 2016
Client base (Number)	<ul style="list-style-type: none"> Number of active SHG members were 9043 as on March 31, 2016 (8393 as on March 31, 2015). The total number of active SHG borrowers as on March 31, 2016 were 5717 (6407 as on March 31, 2015).
Asset under management	<ul style="list-style-type: none"> The total loan disbursed during FY16 was Rs 8.42 crore as compared to Rs.6.69 crore in FY15. The loan portfolio outstanding as on March 31, 2016 was Rs.3.53 crore (Rs.3.05 crore in FY15).
Geographical Diversification	<ul style="list-style-type: none"> STEP's operations are concentrated in West Bengal (100%) Detailed table showing geographical spread of STEP's portfolio is covered in Annexure 8.
Total income	<ul style="list-style-type: none"> Total income of STEP stood at Rs.1.23crore in FY16 as compared to Rs.0.96crore in FY15.

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SUSTAINABILITY

Financial Sustainability

Financial Performance	Unit	FY14	FY15	FY16
Net worth	Rs. Crore	0.97	1.28	1.45
Total income	Rs. Crore	0.23	0.96	1.23
Total operating expenses	Rs. Crore	0.21	0.71	0.92
Financial Cost	Rs. Crore	0.01	0.12	0.14
Depreciation	Rs. Crore	0.00	0.01	0.01
Provisions & Write off	Rs. Crore	0.00	0.01	0.00
Net surplus	Rs. Crore	0.02	0.11	0.17
Loan outstanding –Own	Rs. crore	1.67*	3.05*	3.53
Loan outstanding –Managed	Rs. crore	-	-	-
Key ratios				
Growth Ratios %				
Loan Portfolio (own)	%	NM	82.74	15.51
Total Income	%	180.36	311.64	28.55
Solvency Ratios				
Overall Gearing (times)		0.63	1.42	1.48
Interest coverage (times)		3.37	1.97	2.30
CAR	%	57.40	41.29	40.35
Profitability & Operating Efficiency Ratios				
Interest income/Interest earning assets (A)	%	17.30	31.81	30.06
Interest / Avg. borrowed funds (B)	%	2.46	10.02	6.87
Interest spread (A-B)		14.84	21.79	23.19
Net Interest Margin (NIM)	%	16.28	26.27	25.44
Return on total assets	%	1.88	4.47	4.92
Return on capital employed	%	2.98	9.88	9.14
Operational Self- Sufficiency	%	108.30	114.09	116.85
Financial Self-Sufficiency	%	74.90	100.36	105.37
Operating expense/ Average Capital Employed	%	26.11	30.34	27.36
PAT/Total income	%	6.95	11.44	13.78
Cost of Capital	%	0.95	5.21	4.07
PAR > 30 days	%	0.133	0.038	0.063
PAR > 90 days	%	0.061	0.038	0.018

*including o/s portfolio of R. 1.65crore and Rs.0.39crore transferred from NCRC in Jan'14 and Aug'14 respectively.

Profitability

ROTA has improved from 4.47% as on March 31, 2015 to 4.92% as on March 31, 2016 even though the NIM has declined marginally from 26.27% in FY15 to 25.44% in FY16. The operating expense ratio as a percentage of capital employed had increased from 26.11% in FY14 to 30.34% in FY15. This however declined to 27.36% in FY16. This is on account of increase in the loan portfolio in FY16.

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Asset Quality

Asset quality is healthy with portfolio at risk greater than 30 days (PAR>30 days) at 0.063% as on Mar.31, 2016 and (PAR> 90 days) at 0.018%.

Level of capitalization

The Capital Adequacy Ratio has decreased consistently over the last three years from 57.4% in FY14 to 41.29% in FY15 to 40.35% in FY16. The deterioration in CAR is mainly due to increase in own loan portfolio on account of higher disbursement from bank and accretion of profits.

Operational Sustainability

Second line of leadership

Some of the senior management members have around 8-10 years of experience in the field of micro finance. The senior management handles the issues involved in the day-to-day functioning as well as in taking strategic decisions.

Industry Outlook and Competition

Post the AP crisis and regulatory intervention by RBI, the microfinance sector has seen growth in loan portfolio on account of improving funding profile, control in operating expenses, improving margins post removal of interest rate cap and moderate leverage levels. Current focus of the microfinance sector is mainly on micro-credit with other products still evolving including thrift, insurance and remittance. Going forward, MFIs are likely to expand their client base and reach out to more underserved areas of the country. The sector is now entering into a stability phase from a credit risk perspective and the MFIs have adapted to the new business environment more than three years post the AP crisis.

Also post upward revision in loan ticket-size, household income and indebtedness, by RBI would aid in the growth of the loan portfolio of MFIs as it widens the base of borrowers and significantly increases the addressable market size. Furthermore, resources are not seen as a major constraint given the significant capital infusion in recent times. If MFIs manage to control the asset quality of their portfolio while adhering to new guidelines, the profitability of the sector is expected to improve with the benefits of operating leverage. Credit view will continue to factor in risks associated with unsecured lending, socio-political intervention, geographic concentration and operational risks related to cash based transaction.

Loan Products

STEP has 2 income generating loan product: Business Loan and Entrepreneurship Loan and apart from that, it has two other loan products namely, Medical Loan and Education Loan, Almost 99% of the portfolio comprises of Business Loan and Entrepreneurship Loan. Business loan and



Entrepreneurship Loan are provided at an interest rate of 26 %(reducing). While the other loans have interest rate of 24 %(reducing).

Details on the loan products are provided in the **Annexure 6**.

Access to funds and ability to raise funds

STEP has been successful in accessing funds from BNP Paribas, Microfinance Solidaire, MicroGraam Social Development Foundation etc. . Negotiations are going on with other banks and FIs and the company expects to raise a fund base of around Rs3.5crore by Dec'16.

Detailed list of Bankers and Financial institutions that have provided funds to STEP is covered in **Annexure 7**.

Vision

STEP is planning to expand its reach in the states of Jharkhand and Tripura in the coming years. It aims to open two new branches in North 24 Paragnas and South 24 Paragnas and thus expand its reach in West Bengal too.

Projections as provided by the Company

Particulars	FY17	FY18	FY19
Net worth	1.78	2.42	3.54
Total income	1.91	3.20	4.61
Total Operating Cost	0.97	1.31	1.67
Financial Cost	0.57	1.18	1.75
Depreciation	0.02	0.02	0.02
PAT	0.36	0.69	1.18
Loan outstanding	8.88	12.99	19.10
Key Ratios			
Return on total Asset	5.59	6.05	7.09
Operational Self Sufficiency	124.49	128.19	134.99
Operating Expenses / Average capital employed	15.18	11.63	10.10

Efforts to increase outreach and coverage

STEP plans to achieve an outstanding portfolio of Rs.8.88crore in FY17 and it plans to increase its total number of active borrowers from 5717 in FY16 to 9600 in FY17. It is planning to expand its reach in the states of Jharkhand and Tripura in the coming years. It aims to open two new branches in North 24 Paragnas and South 24 Paragnas and thus expand its reach in West Bengal too. and has received fresh loan of Rs.1.5crore andRs0.3crore from Dariu foundation and Indian Grameen Services respectively in FY17.

The projections of STEP are critically dependent on promoter's ability to attract sizable amount of loans from banks and Financial Institutions as proposed.

Details about the existing operational outreach and the loan portfolio of STEP are as enclosed in

Annexure 4.

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Annexures

Annexure 1: Profile of Senior Management of STEP

Name	Qualification	Designation	Total Years of Experience	Experience in Microfinance
Mr Abhijit Bera	MSW	CEO/ Managing Director	12	11
Ms Arati Shaw	MA, MSW	Director/Operation Manager	10	10
Ms Mousumi Majumdar	B.Sc in Anthropology;MBA in Finance	Fin Admin Manager	5.5	5.5
Ms Suparna Das	B.A in political science	Socio-economic Manager	10	10
Ms Indira Roy	B.Com; Pursuing MBA	MF Coordinator	9	9
Ms Alpana Sil	B.Com; Pursuing MBA	MF Coordinator	7	7
Mr.Sakti Nath Halder	B.com; Pursuing Cost Accountancy	Internal Auditor	8	8
Chiranjit Das	B.Sc. Mathematics	Chief Accountant	8	8
Ruma Deb	B.Sc in IT; Diploma in Advanced Software Technology	MIS Coordinator, CEO/ Managing Director	8	8

Annexure 2: Profile of governing body members of STEP

Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
Mr. Abhijit Bera	36	CEO/Managing Director	B.A, Masters in Social Work MSW)	Mr. Abhijit Bera has more than 11 years of experience in microfinance. He started his career as a project officer in Swabhiman, a Pune based organization. Later on he joined as an Executive Director of NCRC (Navnirman Community Resource Centre). In 2010, he created STEP and since its inception he is leading the organization.	12 years	11 years
Mr. Jayanta Mitra	48	Independent Director	B.Com	Mr. Jayanta Mitra is an entrepreneur; Currently he is the CEO of Kryptons System. He has vast experience in association with social work.	20	20
Ms. Arati Shaw	40	Director/Operation Manager	B.Ed, MA, MSW	Ms. Arati Shaw holds more than 8 years of experience in policy development and implementation in Microfinance sector. She has also worked as an Operation Manager in a microfinance	10	10

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Name	Age	Designation In the board	Education Qualification	Brief Profile	Total Years of Experience	Experience in Micro finance
				organization.		
Mr. Abhijit Samanta	40	Independent Director	MBA, MSW	Mr. Abhijit Samanta has a vast experience in social work. He worked earlier in a Microfinance company 'Village welfare association'. He is experienced in subjects of rural development and provides training to Panchayat Development workers.	12	11

Annexure 3: Details on human resources

	Unit	FY14	FY15	FY16	Q1FY17
Loan officers	No.	23	29	29	31
Total employees	No.	44	50	48	49
Employee productivity					
Loan per credit officer	Rs. Crore	0.07	0.11	0.12	0.14
Borrowers per credit officer	No.	192	221	197	191
Groups per credit officer	No.	32	37	33	32
Branch productivity					
Individual borrowers per branch	No.	881	915	817	844
Loan outstanding per branch	Rs. Crore	0.33	0.44	0.50	0.61

Annexure 4: Operational Outreach

	Unit	FY14	FY15	FY16	Q1FY17
Number of states	No.	1	1	1	1
Number of districts	No.	3	3	3	3
Branches	No.	5	7	7	7
Number of active SHG Groups	No.	735	1,065	950	985
Number of active SHG individual members	No.	5,931	8,393	9,043	9,147
Total SHG borrowers	No.	4,407	6,407	5,717	5,911
Disbursement – Own	Rs. Crore	1.07	6.69	8.42	2.60
Total Disbursement during year	Rs. Crore	1.07	6.69	8.42	2.60
Loan outstanding – Own	Rs. Crore	1.67	3.05	3.53	4.29
Total Outstanding Loan portfolio	Rs. Crore	1.67	3.05	3.53	4.29
PAR>30 days	%	0.133	0.038	0.063	
PAR>90 days	%	0.061	0.038	0.018	
CAR (Overall) %	%	57.40	41.29	40.35	

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Annexure 5: Financial Statements

Income and Expenditure Statement

Income and Expenditure Statement		in Rs. crore		
Year ended March 31,		FY14	FY15	FY16
Income				
Interest Income on own portfolio		0.145	0.751	0.989
Other Operating Income		0.088	0.207	0.243
Total Income		0.233	0.958	1.231
Financial Costs				
Interest expense on own portfolio		0.008	0.122	0.136
Total Financial Costs		0.008	0.122	0.136
Net Interest Income		0.225	0.836	1.095
Operating Expenses				
Personnel		0.177	0.535	0.566
Administrative		0.030	0.176	0.349
Depreciation		0.002	0.009	0.008
Total Operating Expenses		0.209	0.720	0.924
Net income Before Loan Loss Provisioning & Taxes		0.016	0.116	0.171
Provisions & Write off		-	0.006	0.002
PBT		0.016	0.110	0.170
Tax		-	-	-
PAT		0.016	0.110	0.170

Balance Sheet

(Rs. Cr)

Balance Sheet		in Rs.crore		
As on March 31,		FY14	FY15	FY16
Liabilities				
Source of Funds				
Tangible Networkth				
Corpus Fund		0.96	1.15	1.15
Reserves and surplus		0.01	0.13	0.30
Deferred tax liability (assets)		-	-	-
Total Tangible Networkth		0.97	1.28	1.45
Debt Fund				
Term loans from Banks & Fls		-	0.50	0.60
Term loans from others		-	0.43	0.81
Members' Savings		0.61	0.89	0.73
Total Debt		0.61	1.82	2.14
Total Capital Employed		1.58	3.10	3.59
Assets				
Application of funds				
Net Fixed Assets		0.00	0.01	0.01
Investments		-	-	-
Current Assets				
Cash & Bank balances		0.01	0.10	0.11

Balance Sheet	in Rs.crore		
	FY14	FY15	FY16
As on March 31,			
Own portfolio outstanding	1.67	3.05	3.53
Other current assets	0.02	0.03	0.06
Total Current Assets	1.70	3.19	3.69
Current liabilities and provisions	0.12	0.10	0.11
Net Current Assets	1.58	3.10	3.59
Miscellaneous expenses not written off	-	-	-
Total Application of Funds	1.58	3.10	3.59

Annexure 6: Loan Products

	Business Loan	Entrepreneurship Loan	Medical Loan	Education Loan
Loan Amount	Rs. 1,000/- to Rs. 15,000/-	Rs. 16,000/- to Rs.30,000/-	Rs.1,000 to Rs. 20000/-	Rs.1,000/- to Rs.20,000/-
Loan ceiling(maximum cap during re-loan)	6000/-	6000/-	NA	NA
Interest Rate (Flat /Year)	13.25 % (or 26 % reducing)	13.25 % (26% reducing)	12 % (24% reducing)	12 % (24% reducing)
Processing Fees	1 % of loan amount	1 % loan amount	1 % of loan amount	1% of loan amount
Insurance fees (including spouse)	1%	1%	1%	1%
Tenure(Weeks)	52	104	52 to 104 weeks	52 to 104 weeks
Frequency of Repayment	Weekly	Weekly	Weekly	Weekly

Annexure 7 - Details for top Banks/Financial Institutions (as on March 31, 2016)

(Rs Cr)

Bankers/FIs	Facility	Amount sanctioned	Amount outstanding	Interest Rate
BNP Paribas	Term Loan	0.60	0.60	11%
MicroGraam Social Development	Term Loan	0.71	0.16	7.5%
Microfinance Solidaire, France	Term Loan	0.72	0.64	3.5%
Total		2.03	1.40	

Recently, STEP has availed loans amounting to Rs.1.8crore tabulated as below:

Lenders	Facility	Month of sanction	Amount sanctioned	Rate of interest
Dariu Foundation (Stiftung Dariu), Switzerland	Term Loan	Availed in June '16	Rs.1.5 crore	13%
Indian Grameen Services (BASIX)	Term Loan	Availed in July'16	Rs.0.3 crore	15%
Total			Rs.1.80 Crore	

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Annexure 8 - State-wise distribution of outstanding portfolio

(Rs Cr)

Sl. No	State	FY14	% of Total	FY15	% of Total	FY16	% of Total
1	West Bengal	1.67	100.00	3.05	100.00	3.52	100.00
	Total	1.67*		3.05*		3.52	

* including o/s portfolio of R. 1.65crore and Rs.0.39crore in FY14 and FY15 respectively (transferred from NCRC in Jan'14 and Aug'14 respectively.)

Annexure 9- Purpose-wise breakup of loan

(Rs. Cr)

Category	FY14	% of Total	FY15	% of Total	FY16	% of Total
Trade	1.00	59.88	1.77	57.88	2.29	64.85
Service	0.31	18.71	0.61	19.92	0.57	16.18
Production	0.36	21.28	0.67	22.03	0.66	18.83
Other	0.00	0.12	0.01	0.17	0.01	0.15
Total	1.67	100.00	3.05	100.00	3.53	100.00

Annexure 10: Scale of Operations


For the period ended / As on,	Mar'14	Mar'15	Mar'16
Number of states	1	1	1
Districts	3	3	3
Branches	5	7	7
Number of active SHG members	5,931	8,393	9,043
Number of active SHG borrowers	4,407	6,407	5,717
Amount of loan disbursed during the year (Rs. crore)#	1.07	6.69	8.42

STEP took over the entire operations of NCRC in two phases (Jan'14 and Aug'14). Considering disbursements under NCRC, the total disbursements in FY14 were Rs.5.28crore and in FY15 were Rs.7.03crore.

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Annexure 11: MFI Grading Symbols

Grading Symbol*	
MFI 1	Highest
MFI 2+	
MFI 2	
MFI 3+	
MFI 3	
MFI 4+	
MFI 4	
MFI 5	Lowest

* There is no individual definition for each grading

Annexure 12: List of Abbreviations

Abbreviation	Full Form
BM	Branch Manager
CAR	Capital Adequacy Ratio
CARE	Credit Analysis and Research Limited
CEO	Chief Executive Officer
COO	Chief Operating Officer
DCB	Demand Collection Balance
CM	Collection Motivator
FO	Field Officer
HO	Head Office
KYC	Know Your Customer
LO	Loan Officer
SHG	Self Help Group
MFI	Microfinance Institution
MIS	Management Information System
NBFC	Non-Banking Financial Company
NGO	Non-Governmental Organization
OSS	Operational Self Sufficiency
PAR	Portfolio at Risk
MF-Coordinator	Micro-Finance Coordinator
RBI	Reserve Bank of India
STEP	Sampurna Training and Entrepreneurship Programme

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