

CARE/KRO/RR/2017-18/1540

Mr. Abhijit Bera
Managing Director
Sampurna Training and Entrepreneurship Programme
222/18 MC Garden Road, 2nd Floor,
Kolkata- 700030

March 14, 2018

Confidential

Dear Sir,

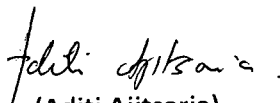
Grading of Micro Financing Institution (MFI)


Please refer to our letter dated March 6, 2018 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,


(Aditi Ajitsaria)
Analyst


(Mamta Muklania)
Assistant General Manager

Encl. – As above

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

Annexure-A
Sampurna Training and Entrepreneurship Programme
MFI Grading Report

Year of incorporation	2010	<p>'MFI 3' (MFI Three)</p> <p>Fifth on an eight point scale with "MFI 1" being the highest and "MFI 5" being the lowest</p>
Legal status	Section 8	
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 state (as on December 31, 2017)	
Branches	07(as on December 31, 2017)	
Employees	50 (as on December 31, 2017)	

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.

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Credit Analysis and Research Ltd

March 9, 2018
TOSS FRAMEWORK

Transparency	
	High
<ul style="list-style-type: none"> ○ Registered as a Non-Profit Company under Section 8 of the Companies Act 2013. Legal form is subjected to lower regulatory norms and reporting as compared to the NBFC legal form and reporting. ○ Experienced board members which meets on a quarterly basis. Out of the four board members two are independent directors. ○ Credit policies (embedded in the operational manual) are well established documented and communicated to the lenders. ○ Transparency in lending process is adequate. The borrowers are aware of the lending policies of the company. ○ The statutory auditor has submitted an unqualified audit report for financial statements audited for the year ended March 31, 2017. ○ Has established separate internal audit team consisting of Internal Audit Manager wherein audit report are submitted on a monthly basis. ○ HR policies are also defined and documented. ○ Reports about collection and PAR reporting sent to lenders on a regular basis. The funds are also disbursed to the various partners within stipulated time frame. ○ Overall disclosures are high. ○ Member of Credit Bureau (Equifax) for credit bureau check of all loans before disbursement. ○ Member of Self-Regulatory Organization Sa-Dhan. 	
Operational Setup	
	Strong
<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 in 2014. STEP is supported by a 4 member board with all members having experience of more than 10 years in microfinance. ○ Presence of separate departments with minimum overlapping of roles. ○ The company follows Self Help Group (SHG) based lending model to extend loans to women individuals. ○ Presence of branch structure with decentralized operations wherein branches handle pre loan, process, appraisal, collection and disbursements. ○ Well established and documented HR policies. ○ MIS is adequate with ability to generate various reports within short period of time. MIS at branch level is integrated with HO through network for real time updates. Mobile application is also available. Regular backup facility on cloud based MIS is also present. Presence of separate accounting software. ○ Organizes training of employees and senior management. Participation in external training programs, workshops and seminars by the senior management. ○ Adequate loan appraisal system as per well-defined credit policies & adequate monitoring systems including loan utilization checks after disbursement. ○ BM deposits 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. ○ Adequate system for tracking over-dues and collection of delinquent loans with maintenance of demand-collection book at various levels. ○ Insurance for borrowers taken from DHFL Pramerica Life Insurance Company. However, insurance cover for cash in transit and cash in safe is missing. 	

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Scale of Operations	
	Small
<ul style="list-style-type: none"> ○ STEP has a growing but a small scale of operations. Asset under management (AUM) was Rs. 9.63 crore as on December 31, 2017 and Rs 6.71 crore as on March 31, 2017. ○ Moderate borrower base, covering 8820 active borrowers as on December 31, 2017 and 7823 as on March 31, 2017 as against 5717 as on Mar.31, 2016. ○ As on December 31, 2017, STEP was operating in single state of West Bengal. The operations are spread over 3 districts of the state through a network of 7 branches. In Jan 2018, STEP has opened an 8th branch increasing outreach to 4 districts. ○ STEP operates with total workforce of 50 employees, including 31 loan officers as on December 31, 2017. ○ The company has limited track record of establishment. The total income of STEP was Rs.1.53 crore for FY17 audited and Rs 1.71 crore for 9MFY18 provisional. 	
Sustainability	
	Average
<ul style="list-style-type: none"> ○ Legal form does not allow equity infusion from investors. ○ Since its inception, STEP has received financial and technical support from a French organization 'Entrepreneurs du Monde' (EDM), specialized in Social Microfinance. It has also availed funds from several other foreign and domestic financial institutions. ○ CAR as on Mar. 31, 2017 was comfortable at 31.65% (42.69% as on March 31, 2016) ○ Comfortable asset quality resulting in Portfolio at risk (PAR) of less than 1% as on December 31, 2017 and March 31, 2017. ○ Moderate second line of leadership with majority of the senior management has more than five years of experience in microfinance sector. ○ Has presence in areas with high penetration of MFIs. ○ Moderate financial risk profile. Operating self-sufficiency (OSS) was 107.07% in FY17 vis-à-vis 117.16% in FY16 and 115.16% in FY15. Return on total assets was less than 1.55% during FY17 as against 4.91% in FY16 and 4.76% in FY15 ○ Step has 4 types of loan products- 1 income generating loan product: Business Loan and 3 non-income generating loans- Medical, Education and Housing Loan. 	

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GRADING RATIONALE

Brief profile of the Organization

Sampurna Training and Entrepreneurship Programme (STEP), registered u/s Section 8 of The Companies Act 2013, is a social microfinance organization founded by Mr. Abhijit Bera. STEP, although incorporated in November 2010 as a Non-profit organization started its social microfinance activities in West Bengal under Navnirman Community Resource Centre (NCRC) in 2007. NCRC, a Mumbai based, social microfinance organization where Mr Bera was an Executive Director was carrying its operations since 2007. In 2010, under the leadership of Mr Bera, STEP initially 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 2014, STEP took over the activities and resources of NCRC in two phases (Jan'14 and July'14). 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 organizations including Microfinance Solidaire, Dariu Foundation and BNP Paribas Bank.

Mr. Bera holds a Master's Degree in Social Work and has more than 12 years of working experience with more than 11 years of working in various microfinance institutions viz. Swabhimaan (Pune based Microfinance organization), NCRC and STEP. He has been invited to different countries viz. Cambodia, Philippines, Myanmar, Africa, Luxembourg and France to describe his model on microfinance. 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 7-10 members. 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 amongst 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 through sustainability. STEP's social microfinance model includes the following non-financial services:

- Business Management Training- Training on capital determination, profit calculation, etc.
- Social Training- General health awareness
- Family Development Programme – family counselling
- Business Counselling- Guidance on setting up and scaling of business.
- Vocational Training Programs- Employable Skills training.
- Skills Training Workshops- Short term skills training.
- Business Networking- linking up of partners.
- Cooperative Development- helping women to set up a cooperative business.

The day-to-day activities of STEP are looked after by director and operations manager- Ms. Arati Shaw.

As on December 31, 2017, STEP was operating in 3 districts of West Bengal through a network of 7 branches. However, in Jan'18 STEP set up a new branch increasing the district outreach to 4 and branches to 8. As on December 31, 2017 STEP had a portfolio of Rs 9.63 crore (Rs 6.71 crore as on Mar'17 and Rs 3.53 crore as on Mar'16) covering 8820 borrowers in 1102 groups. The operations of the society are managed by a workforce of 50 (including 31 loan officers) employees as on December 31, 2017.

TRANSPARENCY

Governance	<ul style="list-style-type: none"> • STEP has been registered as a Sec 8 Company under The Company's Act 2013, and has commenced operation from 2010. • It was promoted by Mr. Abhijit Bera (former executive director of NCRC) who has more than 11 years of experience on social microfinance. • 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.
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	<ul style="list-style-type: none"> For effective monitoring and to increase transparency, STEP has formed separate monitoring departments in respect of Finance and Accounts, MIS, Operations and internal audit.
Internal Controls	<ul style="list-style-type: none"> STEP has an in-house internal audit team consisting of one member-Internal Auditor Manager. Internal audit reports are submitted to the CEO on a monthly basis.
Defined and Documented Policies	<ul style="list-style-type: none"> STEP has clearly defined and documented credit policies which lays out the important aspects of lending: <ul style="list-style-type: none"> Loan products – including size and the rate of interest to be charge The loan process which has policies from promotion to collection. STEP has defined and documented policies with respect to the HR policies. In STEP, the Human resource Management comprises of- <ul style="list-style-type: none"> Recruitment Processes Employees’ Development and Training Performance Appraisal Transfer, promotion, resignation, termination Staff Benefits 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.
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. After the loan application workshops, home visits are carried out by the loan officer and branch manager of the area visiting the people who have applied during workshops. 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 quality, disbursements and other developments during the particular period as required by the lending agency. Lenders’ representatives do periodic cross

	checks.
Overall disclosures	<ul style="list-style-type: none"> • STEP, being a, Sec.8 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 regularly submitting the requisite data to Equifax. • Public domain disclosure of information about STEP is high with latest information regarding financial statements, client outreach, vocational training and other programs are updated on their website www.stepindia.in.
Grievance redressal mechanism	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.

OPERATIONAL SETUP

Ownership and Management Assessment	<ul style="list-style-type: none"> • Mr.Abhijit Bera, CEO of the company, has a master in social welfare (MSW) and experience of more than a decade in the microfinance sector. • He looks after the day-to-day affairs of the organization along with a dedicated management. • Ms Arati Shaw, B. Ed, MA, MSW, is the director and operations manager has more than 8 years of experience in policy development and implementation in microfinance. Other board members also have rich of experience in the field of MFI. • Other than the directors, a 7-membered management team looks after the day to day operation of STEP. The management team consists of qualified professionals having rich experience in the microfinance sector. Details in Annexure 1.
Organizational Structure	<ul style="list-style-type: none"> • At HO, separate departments are present in the form of clearly defined roles and department including Microfinance department, Finance and Administration department, internal audit and MIS department. Organization structure attached in Annexure 4. • Training programmes for the employees are conducted on a regular basis by the senior management. In addition the senior management also participates in various external training sessions and seminars.
Level of decentralization of branches	<ul style="list-style-type: none"> • Based on geographic specifications, the company has set-up seven area offices in the districts of Baghbazar, BidhanNagar, Kadapara, Kamarhati, Bondel Gate, Ghuseri and Howrah Maidan. It has also set up a new branch in Seakhala, Hooghly. • The day to day activities of the company are decentralized to enable the smooth functioning of operations.; • All area office 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 Mangers Collection Motivators (credit/loan officers) function. • The process of assessing a group loan, pre-sanction process, screening the

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	<p>loan proposals, updating the MIS etc. are conducted at the branch offices.</p> <ul style="list-style-type: none"> • STEP has decentralized operations with branches handling the appraisal, collection and disbursement process which generally appraised by the Collection Motivator (Loan Officer) and the Branch Manager. Appraisal is done as per clearly defined credit policies. Matters are escalated to HO only in case of deviations. The branches depend on HO for fund allocation, sanction of loans and formulation of policy matters.
Human resources management:	<ul style="list-style-type: none"> • Total staff strength for the MFI business as on December 31, 2017 stood at 81(up from 47 personnel as on Mar.31, 2017). This comprised of 31 credit officers. Although there are attritions, it is less than 20%. Details in Annexure 3 • 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. • Field credit officers are mostly graduates but also include few higher secondary and post graduates. • Experience amongst the field credit officers varies but majority of them have more than 1-3 years of experience. • The recruitment process is centralized at head office and mainly conducted by a team of at least two persons- Fin Admin (compulsory) and one of the other managerial staffs who has knowledge about the post for which interview is being conducted. • 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. • STEP has a score based performance appraisal process for its employees which considers various qualitative factors such as portfolio quality, no of training provided, loyalty rates and social referrals
Operational methodology	<ul style="list-style-type: none"> • Loans provided to female borrowers under SHG model majorly for income generating activities (93.50% as on Dec 31, 2017). It also provides housing, education and medical loan to its partners (borrowers). • 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 7-10 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. This is followed by a loan application workshop wherein application forms and KYC documents are collected.

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	<ul style="list-style-type: none"> • Post application process comprises home visits, loan appraisal at branch levels which includes report generation from credit bureau for due diligence of the SHGs. • Training is provided for one day by the branch manager to the borrowers whose applications have been sanctioned. All the terms and conditions of the contract and the procedures are explained during the training. Members are given the appointment for next day for disbursement.
Appraisal process	<ul style="list-style-type: none"> • If a group (size of 7-10 members) wants to avail the loan they are invited to a loan application workshop after the orientation meeting, wherein they need to fill the application form and get necessary documents .Business experience, purpose of loan, business plan etc. is captured in the application form. Loan application is collected by loan officer and submitted to BM along with KYC documents. • Home visits follows workshops wherein the branch manager along with one loan officer of the area visits each partner's house to verify address/information, to fill the Poverty Assessment Tool (PAT),to discuss the loan amount and repayment capacity(to mitigate over indebtedness risk). The branch manager submits approves or rejects the application based on clearly defined credit policies. Deviations are only escalated at coordinator and HO level. STEP sanctions the loans after conducting thorough due diligence of the SHGs. • Individual loan applications are sent to Equifax (credit bureau for checking credit history of individual borrowers). On receiving the response, the application is either approved or rejected.
Disbursement process	<ul style="list-style-type: none"> • After the loan is sanctioned the Branch Manager prepares the sanction letter, completes the documentation and arranges for disbursement. Disbursement is done via NEFT in case of borrowers with bank accounts. For others cash disbursement is done. • One microfinance coordinator (from HO) needs to be present during disbursement. • The Branch Manager disburses the loan in cash after verifying the set of loan documents through the credit officer. • 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. At the time of re-loan presence of the group leader isn't required: the member gets prior signature of the group leader and other members on the contract paper. • Loan books are provided to borrowers .Signature of vouchers and passbook by MF coordinator from HO.
Loan collection process	<ul style="list-style-type: none"> • Collection done on bi-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. The other members need not be present. The group leader collects the installments

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	<p>and passbooks from other members beforehand and total repayment is collected from the group leader's place. In case of a shortfall only the member, failing to repay is classified as defaulting and not the entire group. The loan officer remits the amount collected to the branch manager, who remits the entire collection to the bank account, at the end of the day.</p> <ul style="list-style-type: none"> • 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. Offline entry is also done by the CMs in Bijli mobile application • Cash collected is deposited in bank accounts on a daily basis. • Overdue statement is prepared every day and BM guides overall course of action for collection of overdue after informing MF Coordinator. • All the members are compulsorily required to repay the dues at the end of each week. Advance payments are accepted and discount on interest can be availed. In case of inability of a person to pay her installment, the other members of the group encourage the defaulting member to pay. But they are not jointly liable. • Prompt reporting is done in the credit bureau if a borrower fails to pay even one installment. The repayments are simultaneously updated in the individual passbooks of the members. In case of a default, the defaulting member is called to the group leader's place or is visited plus there are monthly meetings with all the members in which the FO can cross check with the members in case of default.
<p>Overdue management process</p>	<ul style="list-style-type: none"> • If the members fail to repay during the meeting the loan officer immediately reports the same to the concerned branch-office. • Branch Manager, after informing MF Coordinator guides overall course of action for collection of overdue. No separate team for collection of delinquent loans. 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.
<p>Management Information Systems</p>	<ul style="list-style-type: none"> • The organisation had introduced cloud based Bijli Software for automation of operation, MIS and key performance indicator of Microfinance program in November 2017. The said software has been developed by and purchased from Force Ten Technologies having its office at Kolkata. It is used to generate all kinds of MIS reports. • The reports generated by MIS: <ul style="list-style-type: none"> ○ Demand and Collection Sheet ○ Client Profile report ○ Monitoring Report

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	<ul style="list-style-type: none"> ○ Purpose wise Portfolio ○ PAR report ● MIS is maintained at both branch level and HO level. The two systems are connected on a real time basis through the cloud based software. ● STEP has also availed the customized mobile application for field officers. Collection details are updated offline on mobile at the time of collection and is instantly updated on the server upon internet access. ● STEP has also entered into an AMC contract with Force Ten technologies for backup of all its data. ● Currently, STEP is using Tally for its accounts but plans to move to Bijli for the same going forward.
Cash management systems	<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. ● 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 through SMS upon deposits. Daily cash monitoring is done at the administrative office and head office through the online mode.
Insurance	<ul style="list-style-type: none"> ● STEP has tied up with DHFL Pramerica for providing life insurance cover to its borrowers and one more person from the borrower's family. ● Insurance about cash in safe and cash in transit is absent.

SCALE OF OPERATIONS

STEP has built its microfinance portfolio since 2014. The details of the operational outreach are given in Annexure 5.

Key Factors	As on March 31, 2016
Client base (Number)	<ul style="list-style-type: none"> ● Women (100%) SHG in semi-urban and urban areas. ● Total number of active SHG groups was 1117 as on March 31, 2017 and 1102 as on December 31, 2017. ● Total number of active individual borrowers was 7823 borrowers as on March 31, 2017 and 8820 as on December 31, 2017.
Assets under management	<ul style="list-style-type: none"> ● Loan disbursed was Rs 10.80 crore during FY17 and Rs. 12.44 crore during 9MFY18. ● Outstanding portfolio stood at Rs 6.71 crore as on March 31, 2017 and Rs.9.63 crore as on December 31, 2017.
Geographical	<ul style="list-style-type: none"> ● The portfolio concentration in West Bengal is 100%

diversification	<ul style="list-style-type: none"> It has opened a new branch in the Hooghly district of West Bengal in Jan 2018 increasing its district outreach to 4.
Total income	<ul style="list-style-type: none"> Total income stood at Rs.1.53 crore in FY17 (audited) and Rs 1.71 crore in 9MFY18 (prov.). Major portion (80%in FY17 and 88.30% on 9MFY18) of the income is earned through interest on Micro credit loans.

SUSTAINABILITY

Financial Sustainability

Financial Performance	Unit	FY15	FY16	FY17
Net worth	Rs. Crore	1.28	1.45	1.53
Total income	Rs. Crore	0.95	1.21	1.35
Total operating expenses	Rs. Crore	0.74	0.90	0.94
Financial Cost	Rs. Crore	0.09	0.13	0.32
Depreciation	Rs. Crore	0.01	0.01	0.01
Net surplus	Rs. Crore	0.12	0.17	0.08
Loan outstanding –Own	Rs. crore	3.05	3.53	6.71
Loan outstanding –Managed	Rs. crore	-	-	-
Key ratios				
Growth Ratios,%				
Loan Portfolio (own)	%	82.74	15.51	90.28
Total Income	%	311.87	26.84	11.78
Solvency Ratios				
Overall Gearing (times)		0.73	0.97	3.54
Interest coverage (times)		2.36	2.26	1.26
CAR	%	41.28	42.69	31.65
Profitability & Operating Efficiency Ratios				
Interest income/Interest earning assets (A)	%	29.78	28.72	21.01
Interest / Avg. borrowed funds (B)	%	9.00	11.44	9.47
Interest spread (A-B)		18.35	11.44	9.47
Net Interest Margin (NIM)	%	38.76	24.64	14.68
Return on total assets	%	4.76	4.91	1.55
Return on capital employed	%	2.98	2.98	2.98
Operational Self- Sufficiency	%	115.16	117.16	107.07
Financial Self-Sufficiency	%	99.74	102.74	95.47
Operating expense/ Total Capital Employed	%	47.13	35.73	19.22
PAT/Total Income	%	12.25	14.00	6.22
Cost of Capital	%	5.38	5.29	6.60
PAR > 30 days	%	0.04	0.06	0.40
PAR > 90 days	%	0.04	0.02	0.32

Comments:

- The total income of STEP has improved from Rs.0.96 crore in FY15 to Rs.1.35 crore in FY17 and Rs 1.71 crore in 9MFY18. The total loan disbursed increased from Rs.7.07 crore in FY15 to Rs. 10.80 crore in FY17 and Rs 12.44 crore in 9MFY18

- The net surplus has increased from Rs.0.12 crore in FY15 to Rs.0.17 crore in FY16 and then decreased to Rs 0.08 crore in FY17. Although a lot of commercial borrowings was taken in H2FY17, their higher interest rate and processing costs led to the decline in profits. However, during 9MFY18 (prov.) has earned a surplus of Rs 0.15 crore.
- Total ROTA has decreased over the years 4.91% in FY16 to 1.55% in FY17. This was on account of relatively lower returns generated in FY17 against increased year end borrowings most of which were sanctioned from October 2017.

Operational Sustainability

<p>Second line of leadership</p>	<ul style="list-style-type: none"> • All members of the management understand the issues involved in day to day functioning. • 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.
<p>Competition</p>	<ul style="list-style-type: none"> • In its areas of operation, there is high penetration of other NBFC-MFIs and Banks extending individual and MFI loans such as Bandhan Bank, Arohan Financial Services and Bharat Financial Inclusion Services. • However, due to its social microfinance nature and encouraging pre payments and thereby decrease in interest burden STEP is gaining popularity and increasing client base.
<p>Loan Products</p>	<ul style="list-style-type: none"> • Step has 4 types of loan products- 1 income generating loan product: Business Loan and 3 non-income generating loans- Medical, Education and Housing Loan. These are further classified as per cycle of the loan. More than 90% of the portfolio comprises of Business Loan. Details attached in annexure 7
<p>Vision and outlook</p>	<ul style="list-style-type: none"> • A flourishing society where vulnerable families are empowered to improve and strengthen their standard of living. • To increase outreach by opening up of 2 new branches every year and reach up to 28000 active borrowers by 2022. • To improve institutional and financial autonomy by appointing 3 more directors, registration in second credit bureau, establish audit committee with 3 members, diversifying funding source and diversifying funding source

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	<ul style="list-style-type: none"> To build the professional skills of women to increase their capacity for wage or self-employment and to facilitate employability of domestic workers. To improve the social well-being of ultra-poor families and to set up micro business units.
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Annexures

Annexure 1: Profile of Senior Management of STEP

Name	Qualification	Designation	Experience in Microfinance
Mr Abhijit Bera	MSW	CEO/ Managing Director	13
Ms Arati Shaw	MA, MSW	Director/Operation Manager	12
Ms Mousumi Majumdar	B.Sc in Anthropology; MBA in Finance	Fin Admin Manager	7
Ms Suparna Das	B.A in political science; Pursuing MSW	NFS Manager	12
Ms Indira Roy	B.Com; Pursuing MBA	MF Coordinator	11
Ms Alpana Sil	B.Com; Pursuing MBA	MF Coordinator	9
Mr.Sakti Nath Halder	B.com; Pursuing Cost Accountancy	Internal Auditor	10
Chiranjit Das	B.Sc. Mathematics	Chief Accountant	10
Ruma Deb	B.Sc in IT; Diploma in Advanced Software Technology	MIS Coordinator	10

Annexure 2: Profile of governing body members of STEP

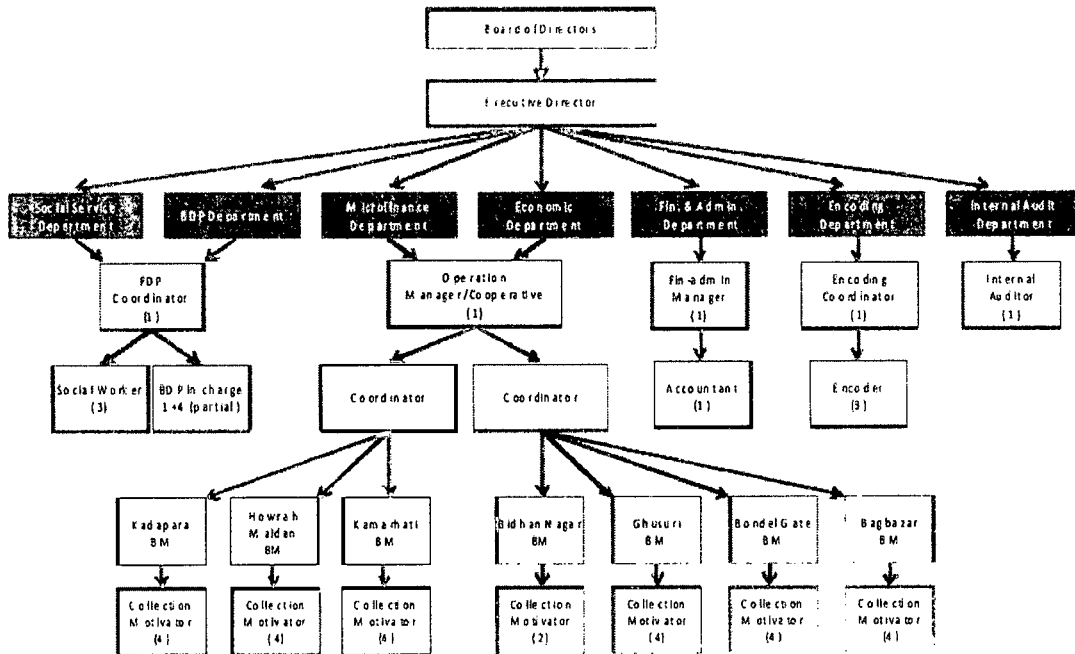
Name	Qualification	Brief profile	Experience in MFI Sector
Mr. Abhijit Bera, CEO/Managing Director	B.A, Masters in Social Work (MSW)	He started his career in a SWABHIMAAN; Pune based organization as operation manager. His role was to provide technical support to the local microfinance organization in Kolkata. Later on he joined as Executive Director of non-profit organization, NCRC. He ran the microfinance program for 5 years and developed a model of social microfinance organization that will focus not only providing access to financial services but also to provide various socio economic support without which the development of deprived families are limited. He was invited to describe his model in different country like, Cambodia, Philippines, Myanmar, Africa, Luxembourg and France. In 2010, he created STEP and since the inception he is leading the organization as CEO and Managing Director	11
Ms Arati Shaw, Director/Operation Manager	B.Ed, MA, MSW	She has vast experience in policy development and implementation in Microfinance. She worked as Operation Manager in a microfinance organization. She has attended seminar/conference on social microfinance in Cambodia, Philippines organized by EdM.	10
Mr. Jayanta Mitra, Independent Director	B.Com	He is an entrepreneur. He has more than 20 year of Business experience. He has is highly experienced in dealing with various administration. He has vast experience in association	20

		with social work.	
Mr. Abhijit Samanta, Independent Director	MBA, MSW	He is vast experience in social work. He worked earlier in a reputed microfinance company- 'Village welfare association'. Later he joined Govt. project. He is experienced on rural development, providing training to Panchayat development worker.	11

Annexure 3: Details on human resources

	Unit	FY15	FY16	FY17	9MFY18
Loan officers	No.	28	27	28	31
Total employees	No.	50	48	47	50
Employee productivity					
Loan per credit officer	Rs. Crore	0.11	0.13	0.24	0.31
Borrowers per credit officer	No.	229	212	279	285
Groups per credit officer	No.	38	35	40	36
Branch productivity					
Individual borrowers per branch	No.	915	817	1118	1260
Loan outstanding per branch	Rs. Crore	0.44	0.50	0.96	1.38

Annexure 4: Organizational Structure of STEP



Annexure 5: Operational Outreach

Particulars	Unit	FY15	FY16	FY17	9MFY18
Number of states	No.	1	1	1	1
Number of districts	No.	3	3	3	3
Branches	No.	7	7	7	7
Number of active SHG Groups	No.	1,065	950	1,117	1,102
Number of active SHG individual members	No.	6,407	5,717	7,823	8,820
Disbursement – Own#	Rs. Crore	7.07	8.42	10.80	12.44
Total Disbursement during year	Rs. Crore	7.07	8.42	10.80	12.44
Loan outstanding – Own	Rs. Crore	3.05	3.53	6.71	9.63
Loans repaid during the year	Rs. Crore	5.69	7.95	7.62	9.52

Particulars	Unit	FY15	FY16	FY17	9MFY18
Total Outstanding Loan portfolio*	Rs. Crore	3.05	3.53	6.71	9.63
PAR>30 days	%	0.04	0.06	0.40	0.42
PAR>90 days	%	0.04	0.02	0.32	0.20
CAR (Overall) %	%	41.28	42.69	31.65	

Annexure 6: Financial Statements

Income and Expenditure Statement

Rs crore

Year ended March 31,	FY15	FY16	FY17
	A	A	A
Income			
Interest From Micro Finance Loan	0.70	0.94	1.08
Processing Fees	0.06	0.07	0.11
Interest on Fixed Deposit	0.00	0.00	0.00
Other Income	0.18	0.19	0.17
Total Income	0.95	1.21	1.35
Financial Costs			
Total Interest expense	0.09	0.13	0.32
Total Financial Costs	0.09	0.13	0.32
Net Interest Income	0.62	0.81	0.75
Operating Expenses			
Employee Costs	0.53	0.63	0.69
Rent	0.04	0.05	0.06
Travelling and Conveyance	0.01	0.01	0.01
Training and Workshop	0.00	0.00	0.01
Printing and Stationery	0.02	0.03	0.03
Repair and Maintenance	0.00	0.00	0.01
Administrative Expenses	0.05	0.07	0.06
Miscellaneous Expenses	0.07	0.10	0.05
Depreciation	0.01	0.01	0.01
Loan Loss Provision	0.01	0.00	0.02
Total Operating Expenses	0.75	0.91	0.94
PBT	0.12	0.17	0.08
Tax	0.00	0.00	0.00
PAT	0.12	0.17	0.08

Balance Sheet

(Rs. Crore)

Particulars	FY15	FY16	FY17
	A	A	A
Liabilities			
Source of Funds			
Capital Fund	1.28	1.45	1.53
Total Networth	1.28	1.45	1.53
Term Liabilities			
Term loans from Bank/ FIs (Including short term borr.)	0.93	1.41	5.43
Total Debt	0.93	1.41	5.43
Total Capital Employed	2.21	2.86	6.97
Assets			
Application of funds			
Net fixed assets	0.01	0.01	0.01
Long Term Investments	0.00	0.00	0.00
Current assets			
Cash & bank balances	0.08	0.08	0.25

Particulars	FY15	FY16	FY17
Micro Finance Loans	3.05	3.53	6.71
Other current assets	0.06	0.09	0.19
Total Current Assets	3.19	3.69	7.16
Current liabilities and provisions (excluding short term borrowing)	0.99	0.84	0.20
Net Current Assets	2.20	2.85	6.96
Total Application of Funds	2.21	2.86	6.97

Annexure 7: Loan Products

Business Loans	Prathama Loan	Disha	Pragati	Sampurna
Loan Amount (Rs)	1000-15000	16000-20000	21000-30000	31000-50000
Loan ceiling* (Rs)	10000	10000	10000	10000
Interest Rate (reducing)	26 %	26 %	26 %	26 %
Processing Fees	1 %	1%	1%	1 %
Insurance fees (including spouse)	1%	1%	1%	1%
Tenure(Months)	9	12	18	24
Frequency of Repayment	Fortnightly	Fortnightly	Fortnightly	Fortnightly

*at the time of re-loan the maximum additional amount that can be sanctioned to a member is Rs.10000

Housing/ Medical/ Education Loan	1 st Loan	2 nd	3 rd
Loan Amount (Rs)	1000-20000	21000-30000	31000-50000
Loan ceiling	10000	10000	10000
Interest Rate (Reducing /Year)	26%	26%	26%
Processing Fees	1 % of loan amount	1 % of loan amount	1% of loan amount
Insurance fees (including spouse)	1%of loan amount	1%of loan amount %	1%of loan amount
Tenure(Months)	12 months	18 months	24 Months
Frequency of Repayment	Fortnightly	Fortnightly	Fortnightly

Annexure 8 - State-wise distribution of outstanding portfolio (Rs. Crore)

Sl. No	State	FY15	%	FY16	%	FY17	%	9MFY18	% of Total
1	West Bengal	3.05	100.00	3.52	100.00	3.52	100.00	9.63	100.00
	Total	3.05		3.52		3.52		9.63	

Annexure 9: District Wise Disbursement (Rs. Crore)

No	District	FY 15	%	FY16	%	FY17	%	9MFY18	%
1	Kolkata	4.22	59.60	4.66	55.34	5.90	54.58	7.07	56.79
2	Howrah	2.04	28.81	2.61	31.00	3.34	30.90	3.64	29.24
3	24 Parganas North	0.82	11.58	1.15	13.66	1.57	14.52	1.74	13.98
	Total	7.07	100.00	8.42	100.00	10.80	100.00	12.44	100.00

Annexure 10- Purpose-wise breakup of loan (Rs. Crore)

Category	FY15	%	FY16	%	FY17	%	9MFY18	%
Trade	1.77	57.88	2.29	64.85	3.66	54.55	5.31	55.31
Service	0.61	19.92	0.57	16.18	1.42	21.16	1.41	14.69
Production	0.67	22.03	0.66	18.83	1.34	19.97	1.40	14.58
Other	0.01	0.17	0.01	0.15	0.30	4.47	1.51	15.68
Total	3.05	100.00	3.53	100.00	6.71	100.00	9.63	100.00
Breakup								

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Annexure 11: Product wise Outstanding Report**(Rs. Crore)**

	FY15	%	FY16	%	FY17	%	9MFY18	%
Business	2.20	72.15	2.39	67.90	6.41	95.56	9.01	93.50
Entrepreneurship	0.84	27.59	1.13	31.97	0.00	0.00	0.00	0.00
Housing	0.00	0.00	0.00	0.00	0.22	3.27	0.39	4.00
Medical	0.01	0.17	0.00	0.02	0.02	0.29	0.05	0.50
Education	0.00	0.09	0.00	0.11	0.06	0.88	0.19	2.00
Total	3.05	100.00	3.53	100.00	6.71	100.00	9.63	100.00

Annexure 12: Loan Size wise exposure outstanding**(Rs crore)**

Period ended	FY15	%	FY16	%	FY17	%	9MFY18	%
24001 to 50000	0.01	0.47	0.14	3.89	0.53	17.44	1.68	55.05
14001 to 24000	0.51	16.61	0.96	27.20	3.44	112.83	6.24	204.44
10001 to 14000	0.53	17.38	0.85	24.15	1.88	61.73	1.54	50.54
5000 to 10000	1.99	65.29	1.58	44.70	0.85	27.77	0.17	5.47
<5000	0.01	0.25	0.00	0.05	0.00	0.02	0.00	0.01
	3.05	100.00	3.53	100.00	6.71	219.79	9.63	315.52

Annexure 13: Loan cycle wise loan outstanding**(Rs. crore)**

	FY15		FY16		FY17		9MFY18	
	Rs	%	Rs	%	Rs	%	Rs	%
1st loan cycle	1.01	3.18	0.78	22.24	2.80	41.74	2.96	30.76
2nd loan cycle	0.39	2.63	0.80	22.64	1.04	15.57	3.28	34.05
3rd loan cycle	0.32	0.36	0.29	8.33	0.82	12.24	0.98	10.17
>3rd loan cycle	1.34	3.83	1.65	46.79	2.04	30.45	2.41	25.02
Total	3.05	100.00	3.53	100.00	6.71	100.00	9.63	100.00

Annexure 14: MFI Grading Symbols

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

* There is no individual definition for each grading

Annexure 15: 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

Abbreviation	Full Form
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

DISCLAIMER

CARE's microfinance (MFI) grading is a one-time assessment and the grading is not kept under periodic surveillance. CARE's analysis draws heavily from the information provided by the microfinance institution as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE 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. It does not imply that CARE performs an audit function to detect fraud. In case of NGO MFIs, gradings apply only to their microfinance programs.

CARE's MFI grading is not a recommendation to buy, sell or hold any financial instrument issued by the MFI or to make loans/ donations/ grants to the MFI. It is not an assessment of the debt servicing ability of the MFI. The grading assigned by CARE cannot be used by the MFI in any form for mobilizing deposits/savings/thrift from its members or general public.

CARE's MFI grading also does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the microfinance grading.

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