



INFOMERICS VALUATION AND RATING PVT. LTD.
Integrated Financial Omnibus Metrics Research of International Corporate Systems

March 12, 2019

Dhosa Chandaneswar Bratyajana Samity
Block CB 35, Sector 1 Saltalke
Kolkata- 700064

CONFIDENTIAL

Dear Sir,

Grading of Micro Financing Institution (MFI)

1. Please refer to the Agreement dated November 30, 2018 signed and executed by you requesting for captioned grading of your organisation.
2. Our Grading Committee has assigned a grading of 'MFI – 3+' (Three Plus) to your organisation. This is the fourth grading on a eight point scale, with MFI – 1 being the highest and MFI – 5 being the lowest. Brief details of Infomerics' grading framework of Micro Financing Institution (MFI) is enclosed.
3. The rationale for the grading will be communicated to you separately.
4. Please send us a written confirmation regarding your acceptance of the grading assigned and use thereof, as early as possible, but in any case within two weeks from the date of this letter. Unless accepted, the grading cannot be used in any manner whatsoever.
5. This is a one-time assessment of the MFI which can be reviewed by Infomerics only upon specific request from your organisation and shall not be subject to any surveillance.
6. MFI grading is specific to your organisation and not specific to any debt instrument or borrowing programme.
7. MFI grading is meant for specific use of institutional investors/lenders and shall not be used for raising funds from the public. MFI grading shall not be disseminated to the public/media.

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Ans.

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Phone : +91-22-43471920 40036966 Email: mumbai@infomerics.com Website: www.infomerics.com
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Phone : +91-11-24601142, 24611910, 24649428 Fax : +91-11-2462 7549 Email : vma@infomerics.com

CIN : U32202DL1986PTC024575



8. **Infomerics' grading is an opinion of Infomerics on the relative capability of the organisation to undertake micro-financing activity and *does not* constitute a recommendation to buy, hold or sell any security issued by the organisation or lend any funds to the said organisation.**
9. If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Deepayan Ghosh

Deepayan Ghosh

(Analyst)

Aakanksha Banthia

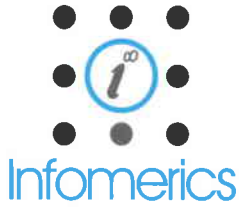
Aakanksha N. Banthia

(Analyst)

Grading Scale

The MFI grading is assigned on an eight point scale, the details of which are furnished below:

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



INFOMERICS VALUATION AND RATING PVT. LTD.
Integrated Financial Omnibus Metrics Research of International Corporate Systems

March 27, 2019

To,

Mr. Animesh Naiya

Secretary cum CEO

Dhosa Chandaneswar Bratyajana Samity (DCBS)

Block CB 35, Sector 1 Saltlake, Kolkata-700064

Dear Sir,

Assignment of grading to Dhosa Chandaneswar Bratyajana Samity

Please find attached herewith the Grading Rationale for grading assigned to Dhosa Chandaneswar Bratyajana Samity.

With Regards,

Deepayan Ghosh
Rating Analyst

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Rationale

Rating

| Instrument | Amount (Rs. crore) | Grading | Grading Action |
|-------------------|-------------------------------|--------------------|---------------------------|
| MFI Grading | NA | MFI-3+(Three Plus) | Assigned |
| Total | NA | | |

Grading

Infomerics Valuation And Rating Pvt. Ltd has assigned the grading of 'MFI-3+' (Three Plus) to Dhosa Chandaneswar Bratyajana Samity. This is the fourth grading on a eight point scale, with MFI – 1 being the highest and MFI – 5 being the lowest

Grading Rationale

The grading assigned to Dhosa Chandaneswar Bratyajana Samity (DCBS) derive comfort from its experienced management, comfortable capital adequacy ratio, stable asset quality, comfortable liquidity profile. The grading however are tempered by its small scale of operation, geographical concentration risk, weak resource profile, regulatory risks & socio-political risks inherent in the industry. Going forward, DCBS's ability to scale up operations, while maintaining adequate profitability will be critical from a grading perspective.

Company Background

Dhosa Chandaneswar Bratyajana Samity (DCBS) was established in the year 2003 at a remote village Dhosa of South 24 Parganas District under Sundarban of West Bengal for the welfare of rural poor people especially women and children. It was registered as a Society under the West Bengal Societies Registration Act (XXV1) of 1961 in 2003. It was initially started with the initiative of some enthusiastic youths. Though started to provide thrift services, gradually they realized the need to provide loans to the poor in order to make them self-dependent. DCBS follows a group based (JLG) approach to extend loans to individuals. While the loan given to a member of the group is not guaranteed by other members of the group, peer pressure among the group members acts a strong recovery tool.

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Key grading drivers

- **Experienced Management**

DCBS is managed by a seven member governing body headed by Mr. Santosh Kumar Haldar (President). All the governing body members are well versed with the intricacies of the society and operational environment. The day to day affairs are handled by Mr. Animesh Naiya (Secretary) having more than two decades of experience in the MFI sector.

- **Comfortable capital adequacy ratio**

DCBS has maintained a healthy capital adequacy ratio (CAR) over the years. As on March 31, 2018 CAR was healthy at 39.94% (44.54% as on March 31, 2017).

- **Stable asset quality**

The asset quality of DCBS has improved in FY18 which is witnessed by stable collection efficiency which was 94.47% in FY17 and 99.45% in FY18. Further, it did not have any NPA's as on March 31, 2018 which improved from 0.32% as on March 31, 2017.

- **Comfortable liquidity profile**

Liquidity position of DCBS, as on March 31, 2018 has been comfortable with positive cumulative mismatches in the short term (3-6 months) bucket.

- **Small scale of operations**

The scale of operations of DCBS remained small with a loan portfolio of Rs.12.01 crore as on March 31, 2018 and Rs.8.94 crore as on March 31, 2017.

- **Geographical concentration risk**

DCBS's operations are concentrated in the state of West Bengal and Bihar, with major focus in the state of West Bengal. Single state concentration exposes DCBS to high geographical concentration risk.

- **Weak resource profile**

Being a society, DCBS has a weak resource profile with limited options to attract funds.

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- **Regulatory risks & socio political risks inherent in the industry**

MFI industry is highly prone to regulatory risks & socio political risks mainly on account of its unique collateral free debt nature. Earlier events like demonetization have affected the industry to a great extent where the collection efficiency of the MFI's has got impacted. However given the market potential due to demand of micro loans in rural segments, the sector is likely to maintain its high growth.

Financials (Standalone):

| | (Rs. Crore) | | |
|--|--------------------|--------------------|--------------------|
| For the year ended | 31/03/16 (Aud.) | 31/03/17 (Aud.) | 31/03/18 (Aud.) |
| Operating Indicators | | | |
| Total Income | 2.25 | 2.24 | 2.71 |
| Interest Expense | 0.79 | 0.59 | 0.92 |
| Net Interest Income (NII) | 1.30 | 1.41 | 1.55 |
| Provision/write off for Loan Assets | 0.08 | 0.05 | 0.04 |
| PBT | 0.44 | 0.47 | 0.51 |
| PAT | 0.69 | 0.47 | 0.48 |
| Tangible Net worth | 3.26 | 3.77 | 4.04 |
| Total Debt | 5.63 | 6.41 | 9.64 |
| Total Debt (including margin form customers) | 5.63 | 6.41 | 9.64 |
| Total Loan Assets | 8.20 | 8.94 | 12.01 |
| Total Capital Employed | 8.94 | 10.18 | 13.66 |
| Total Assets | 9.35 | 10.43 | 13.93 |
| Ratios | | | |
| Growth (%) | | | |
| Total Income | 30.38 | (1.91) | 20.41 |
| PBT | 109.51 | 4.65 | 10.18 |
| PAT | 223.93 | (32.31) | 2.55 |
| Total Assets | (16.88) | 11.48 | 33.62 |
| Total Capital Employed | (5.36) | 13.81 | 34.25 |
| Tangible Net worth | 49.19 | 15.45 | 7.40 |
| Profitability (%) | | | |
| PBT / Total Income | 19.91 | 21.24 | 19.43 |

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| | | | |
|--|--------|--------|--------|
| PAT (after deferred tax) / Total Income | 19.91 | 21.24 | 18.09 |
| Interest Expense / Total Operating Income | 35.29 | 27.08 | 34.79 |
| Operating Expenses/ Total Operating Income | 42.20 | 51.79 | 47.06 |
| ROCE | 13.16 | 10.48 | 11.40 |
| RONW | 16.33 | 13.25 | 12.23 |
| Interest / Avg. Interest earning assets | 21.42 | 22.34 | 23.18 |
| Interest / Avg. Borrowed funds | 12.27 | 9.86 | 11.44 |
| Interest / Avg. capital employed | 8.58 | 6.21 | 7.70 |
| Expenses / Avg. capital employed | 10.26 | 11.88 | 10.42 |
| Cost of capital | 8.58 | 6.21 | 7.70 |
| Net spread | 4.58 | 4.27 | 3.70 |
| Net Interest Margin | 13.84 | 16.45 | 14.82 |
| Operating Expenses (before prov.& write-offs) / Average capital employed | 10.26 | 11.88 | 10.42 |
| Operating Expenses (before prov.& write-offs) / Average total assets | 9.15 | 11.48 | 10.20 |
| Interest Spread (%) | 9.16 | 12.49 | 11.74 |
| ROTA (before provision)% | 5.11 | 5.26 | 4.23 |
| Return on Total Assets (ROTA) (%) | 4.32 | 4.71 | 3.92 |
| Cost to Income Ratio | 65.20 | 71.02 | 72.17 |
| Overall gearing (including customer advances) | 1.73 | 1.70 | 2.38 |
| Overall Gearing Ratio | 1.73 | 1.70 | 2.38 |
| Interest coverage (after provision & write offs) | 1.53 | 1.69 | 1.48 |
| Interest coverage (before provision & write offs) | 1.64 | 1.78 | 1.52 |
| Reported CAR (standalone) | 43.32% | 44.54% | 39.94% |
| Tier-1 CAR (standalone) | 35.31% | 44.54% | 39.94% |
| Provision & bad-debts written off as % of average assets | 0.88 | 0.64 | 0.36 |
| Net NPA(%) | 0.71% | 0.32% | 0.00% |
| Net NPA / Net worth (%) | 1.78% | 0.75% | 0% |
| Net NPA | 0.06 | 0.03 | 0.00 |

^Classification as per Infomerics standards.

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Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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