



BHARAT
Financial Inclusion Ltd

Prayaas se pragati

UPDATE ON IMPACT OF DEMONETISATION EVENT

Sab se Sastha loan



BFIL's lowest interest rate benefits 50 lakh women in 1 lakh villages

NOV 2016

BHARAT FINANCIAL INCLUSION LIMITED
(Formerly known as 'SKS Microfinance Limited')

BSE: 533228 • NSE: BHARATFIN

Corporate Identity No. L65999MH2003PLC250504

www.bfil.co.in

CONTENTS

Particulars	Slide No.
CORE STRENGTH	3
IMPACT OF DEMONETISATION EVENT	5
RISK MANAGEMENT	9
SOLVENCY AND LIQUIDITY	12
ANALYSIS OF PAST EVENTS	14
UPDATE ON EKYC & CASHLESS DISBURSEMENT	17

CORE STRENGTH

STRENGTHS OF OUR UNIQUE OPERATING MODEL AND DIVERSIFIED PRESENCE IS HELPING US TO NAVIGATE THROUGH THE CURRENT CHALLENGES RELATED TO DEMONETISATION

Strengths of our Operating Model*

- 100% **Joint Liability Group** lending (Disbursements to individuals but collections from Groups)
- All transactions at **centre meetings** (public place)
- Small **Weekly Installments**
- 99% Loans for **Income generating** activities and most of our customers undertake economic activities, which cater to **non-discretionary** spending in the local milieu (Livestock (Eg:Milk) -33%, Grocery -10%, Eateries -4% etc.)
- **Lowest Offtake** among top 5 MFIs of Rs. 17,744

Diversified Presence*

- Present in **315 Districts** (Highest in Industry)
- **2,13,298 Centers** in Non-A.P
- Concentration Norms
 - < 15% of Disbursements in one state (Karnataka and Orissa <20%)
 - < 3% of Disbursements in one district (Karnataka and Orissa <4%)
 - < 1% of Disbursements in one branch (Karnataka and Orissa <1.25%)

* Data for Q2FY17

IMPACT OF DEMONETISATION EVENT

CLIENT PROTECTION PRINCIPLES AT WORK

DO's

- Give customers time to repay
- Educating customers to exchange High Denomination Notes at nearby Banks, Post offices
- Continue to meet customers in centers meetings (i.e. conducted at public locations)
- Robust Grievance redressal (toll free numbers) to address customers doubts

DONT's

- Forcing customers to repay (Zero Tolerance policy)
- Door to door collections
- Collections of old Rs.500 and Rs.1,000 notes

COLLECTION EFFICIENCY OF 97% WITH A LAG OF 2 WEEKS

Amount INR Cr

	11- Nov-16	14- Nov-16	15- Nov-16	16- Nov-16	17- Nov-16	18- Nov-16	21- Nov-16	22- Nov-16	23- Nov-16	24- Nov-16	25- Nov-16
Due (A)	59	59	65	67	66	58	59	65	67	66	59
Collections (B)	6**	18	27	42	48	92	84	88	79	73	60
Collections against due (C)#	6	18	27	42	48	45	48	54	57	57	47
Collections against overdue (Week 2) (D)#	47 (18 th Nov)	37 (21 st Nov)	34 (22 nd Nov)	22 (23 rd Nov)	15 (24 th Nov)	9 (25 th Nov)	NA	NA	NA	NA	NA
Collections against overdue (Week 3) (E)#	3 (25 th Nov)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Collection (C+D+E)	57	55	61	64	63	54	NA	NA	NA	NA	NA
Collection % (Incl. week 2&3) (C+D+E)/A	97.1%	93.2%	93.6%	95.3%	95.9%	92.6%	NA	NA	NA	NA	NA
Overdue >1 week (A-C-D-E)	2^	4	4	3	3	4	NA	NA	NA	NA	NA
Cumulative Overdue* > 1 week	2^	6	10	13	16	20	NA	NA	NA	NA	NA

* Only for due amount from 11th Nov, 2016

^ 2 weeks overdue

Group Collections

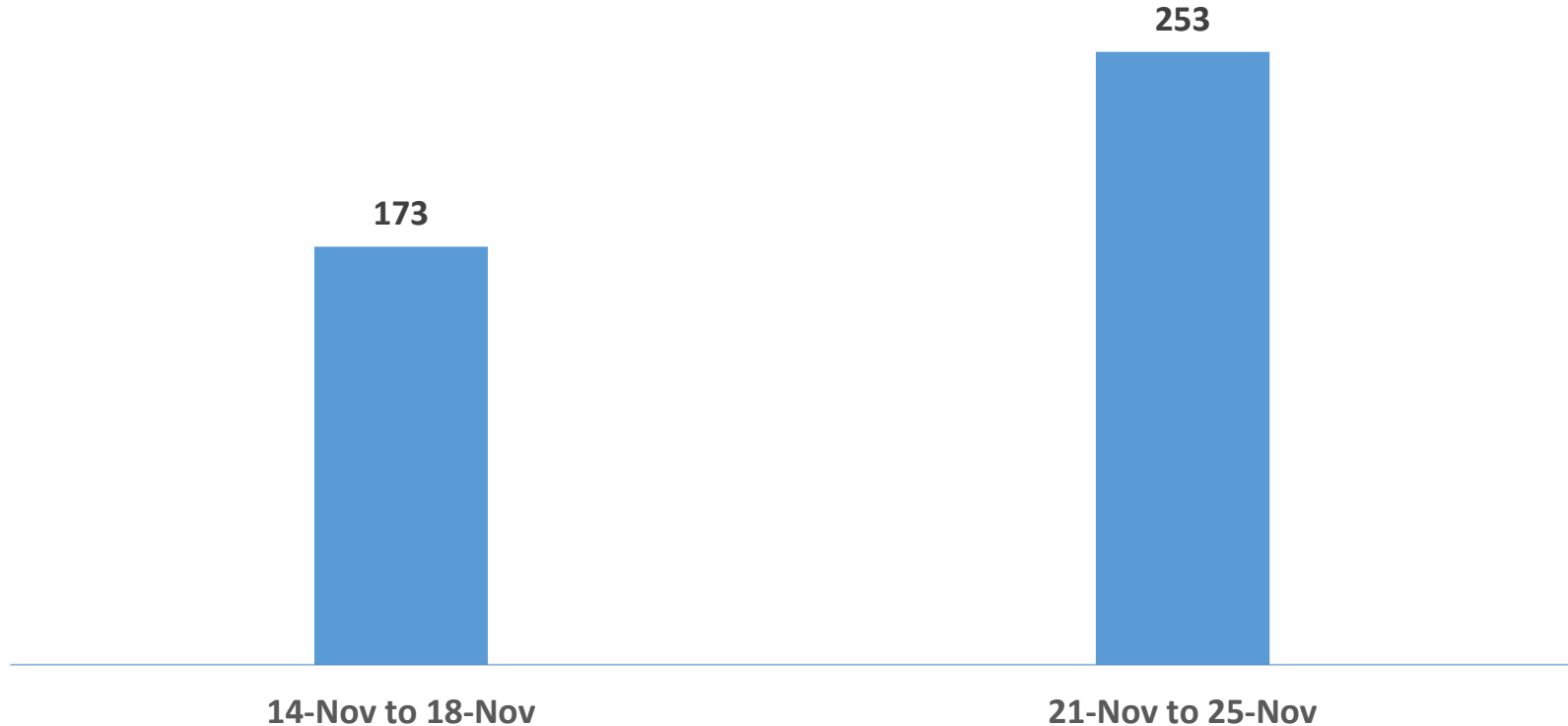
** Moratorium was declared in 92% of the branches for 11th Nov due

NA: Not Applicable

DISBURSEMENTS TREND

DISBURSEMENTS

INR Crores

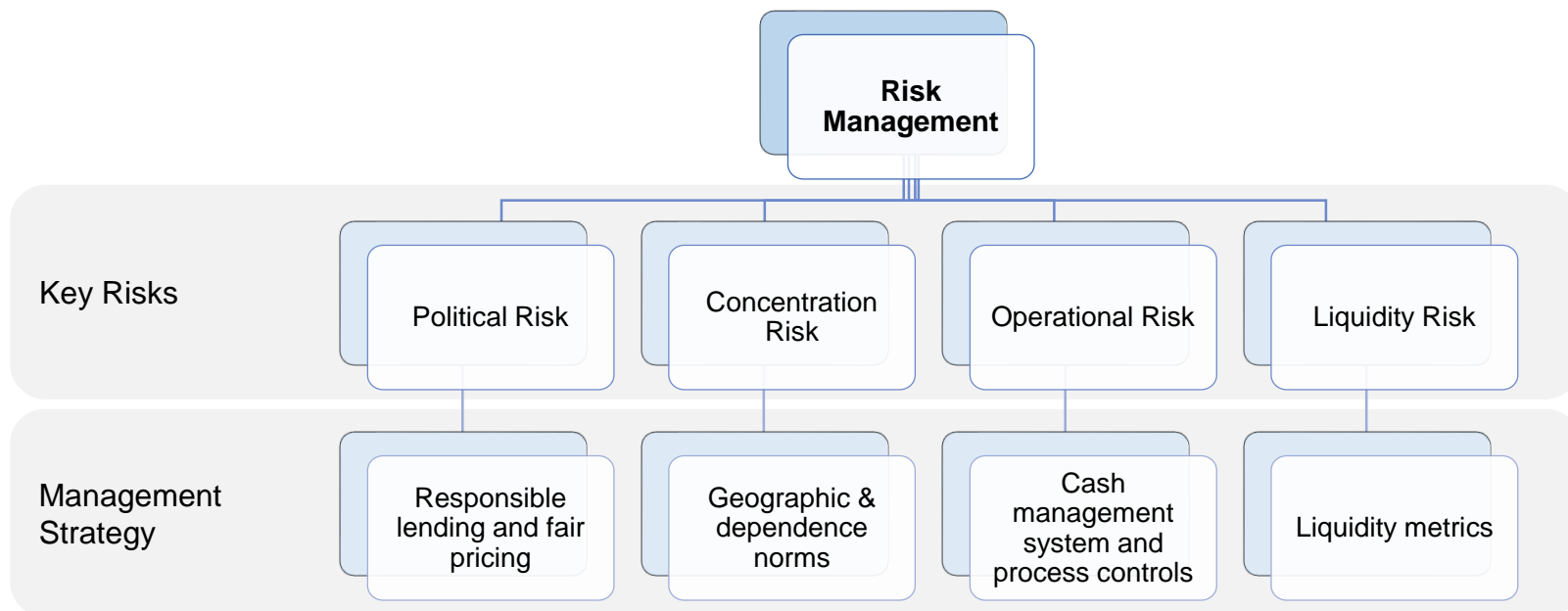


We continue to disburse in centers, only if the collection efficiency of that center is 100%

Note: We continue to disburse by recycling cash collections, as there are restrictions on current account withdrawals (up to Rs. 50,000/week). Disbursement to customer bank accounts are also limited due to ATM withdrawal limits and limited availability of cash at bank branches.

RISK MANAGEMENT

KEY RISKS AND MANAGEMENT STRATEGIES



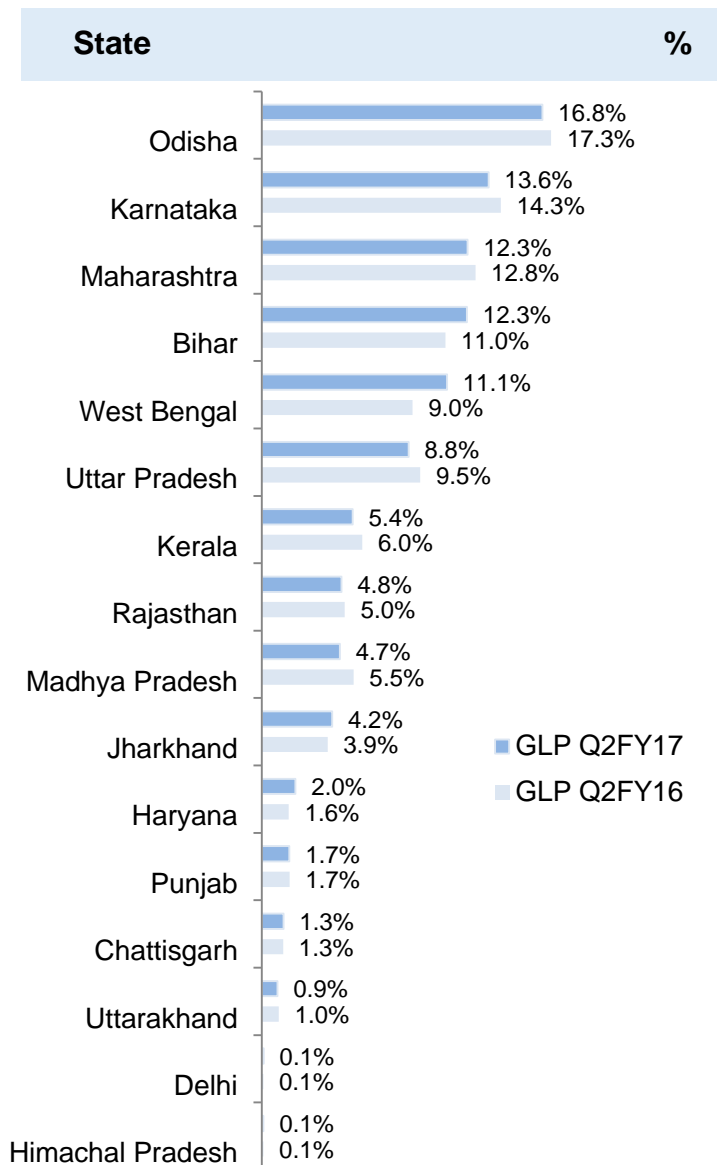
- Low cost lender
- Voluntary Cap on RoA from core lending
- Robust Customer grievance redressal (CGR) Mechanism with Ombudsman
- Calibrated Growth

- Geographic concentration norms
 - *Disbursement Related Caps*
 - *Portfolio Outstanding Related Caps*
- *Borrowing dependence norms*
 - *Cap on borrowing from any single credit granter (15% of funding requirement)*

- Integrated cash management system
- Product and process Design
- ISO Certified Internal audit

- Well defined metrics for
 - *Cash burn*
 - *Business continuity*
 - *Growth*

PORTFOLIO MIX



Note: Portfolio percentage are based on proportion of gross loan portfolio of respective states.

CONCENTRATION NORMS

Metric	% Cap on Disbursement*	POS % Cap of Networth*
State	<ul style="list-style-type: none"> <15% (20% for Karnataka & Odisha) 	<ul style="list-style-type: none"> 75% (100% for the state of Odisha, Karnataka and Maharashtra)
District	<ul style="list-style-type: none"> <3 % (4% for Karnataka & Odisha) 	<ul style="list-style-type: none"> 5% (Only 5% of total operating districts can go up to 10% of Networth)
Branch	<ul style="list-style-type: none"> <1 % (1.25 % for Karnataka & Odisha) 	<ul style="list-style-type: none"> 1% (Only 5% of the total operating branches can go up to 2% of Networth)
NPA	<ul style="list-style-type: none"> No disbursement to a branch with NPA > 1 % 	
Collection efficiency	<ul style="list-style-type: none"> No disbursement to a branch with on-time collection efficiency of < 95% 	
15% Cap on portfolio outstanding for each state (20% for Karnataka and Odisha)		

*Subject to tolerance of 10%

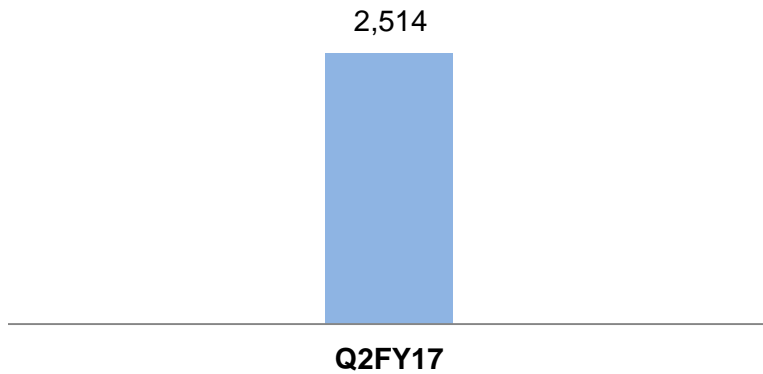
Odisha, Karnataka and Maharashtra exposure are at 60%, 49% and 44% respectively of our networth.

SOLVENCY AND LIQUIDITY

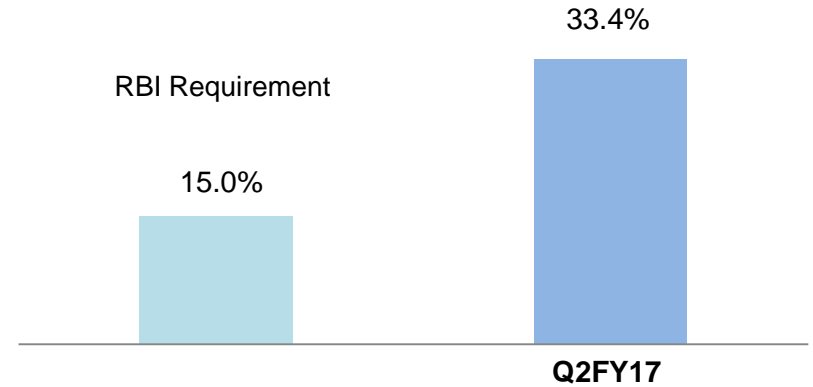
STRONG SOLVENCY AND SUFFICIENT LIQUIDITY

INR Crs.

Networth



Capital Adequacy



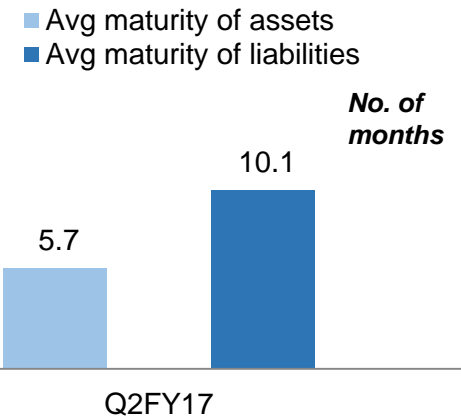
Cash and Cash Equivalent[^]



Sanctions in Hand^{*}



Positive ALM



[^] Excluding security deposit

^{*} Excluding undrawn cash credit limit of Rs. 119 Crs

ANALYSIS OF PAST EVENTS

COLLECTIONS GET BACK TO PRE-MORATORIUM LEVELS WITHIN 2-3 WEEKS OF MORATORIUM GETTING OVER

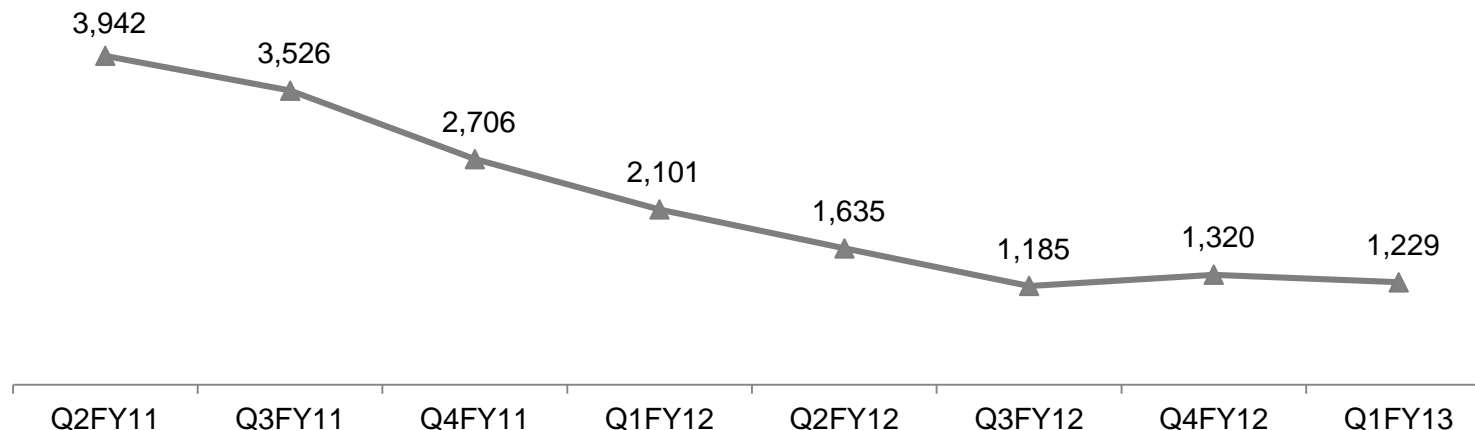
Moratorium period	Duration	State/Region	Reason	No of clients covered	Repayments back to pre-moratorium levels in
Oct'16	▪ 1 weeks	▪ West Bengal	▪ Durga Pooja	▪ 6.4 lakhs	▪ One week
Sep'16	▪ 2 weeks	▪ Bhagalpur	▪ Floods	▪ 2,619	▪ Four weeks
Aug'16	▪ 2 weeks	▪ Kolkata	▪ Floods	▪ 5421	▪ One week
Oct'15	▪ 2 weeks	▪ BR, JH, KA, MP, MH, WB	▪ Dussehra	▪ 22.16 lakhs	▪ One week
Oct'13	▪ 2 weeks	▪ Odisha	▪ Floods	▪ 57,381	▪ Three weeks
Oct'13	▪ 2 weeks	▪ West Bengal	▪ Durga Pooja	▪ 44,236	▪ One week
Sep'13	▪ 1 weeks	▪ UP	▪ Riots	▪ 2,368	▪ Three weeks

DURING WIND-DOWN MODE OVER 2 YEARS, WE HAD 97% COLLECTION EFFICIENCY

Collection efficiency of 97% during wind-down mode dispels ever greening myth

INR crs

Non-AP
Loan
Portfolio



1.9 million borrowers repaid loans without incremental lending

in Millions

No. of non-AP borrowers who repaid on-time during this period	5.2
No. of non-AP members who availed loans during this period	3.3
No. of non-AP members who didn't receive any incremental credit from BFIL during this period	1.9

Internal generation -- and not incremental debt -- aids prompt repayment

MFI Industry non- AP Portfolio Outstanding (Rs Cr)

Oct'10	28,300
June'12	14,600

UPDATE ON EKYC AND CASHLESS DISBURSEMENTS

PRESENT STATUS AND PLAN FOR EKYC

Current Pilot

Aadhaar biometric EKYC:

- Authenticating the client on-boarding using biometrics
- Instant loan approval
- Reduces center meeting time by 10 minute, Sangam Manager can handle one additional center per day
- High quality KYC data for Credit Bureau enquiries
- Will lead to customer delight on instant approval and possibility of same day credit into bank account

Rollout Plan

- Starting Jan 1st 2017- 400 branches per quarter
- Full Rollout to be completed by June 2017

PRESENT STATUS AND PLAN FOR DISBURSEMENTS IN BANK A/Cs

PRESENT STATUS

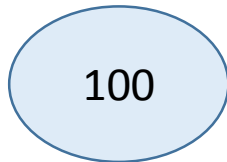
	#	%
Clients mapped with bank A/Cs	66,265	52%
Loans disbursed	40,625	30%
Amount Disbursed (Rs. Cr)	93	33%

Note: The above data is from Apr-16 to Oct-16 and for 37 branches pilot .

We have now rolled this initiative to 616 branches.

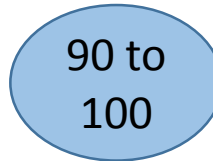
IMMEDIATE (Till 31st Dec)*

Cash Collections[^]

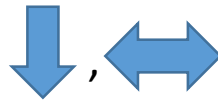


Recycle

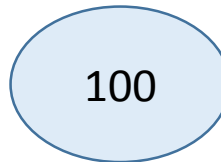
Cash Disbursements



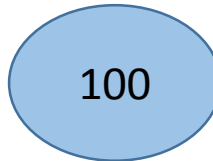
Bank A/C Disbursements POS Growth (QoQ)



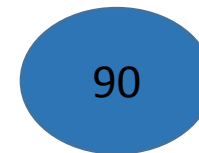
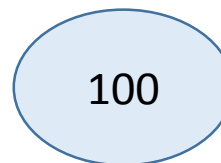
SHORT TERM PLAN



Recycle



MEDIUM TERM PLAN



* Assuming Current restrictions on current account and ATM withdrawals continue

[^] Principal Collections



THANK YOU