



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

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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

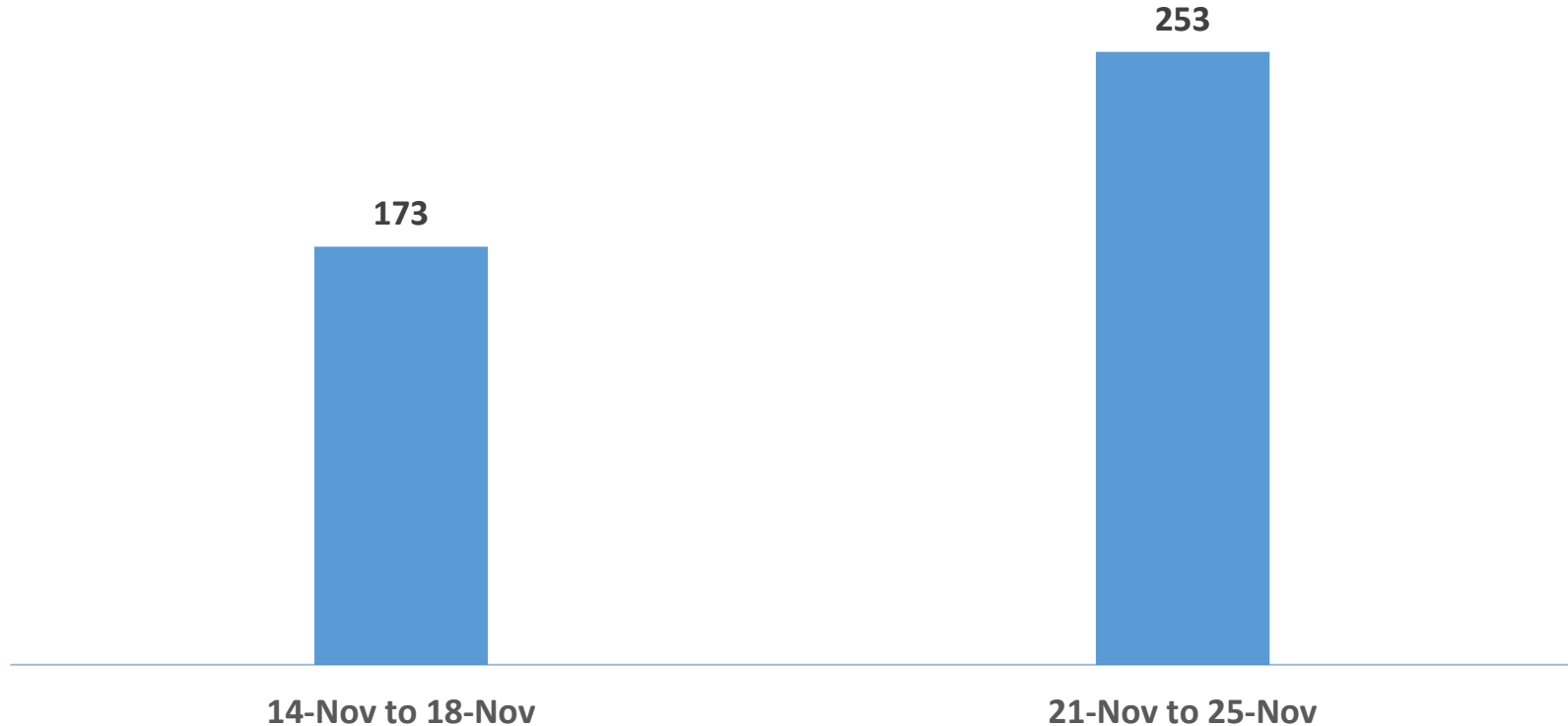
** Moratorium was declared in 92% of the branches for 11th Nov due

NA: Not Applicable

DISBURSEMENTS TREND

DISBURSEMENTS

INR Crores

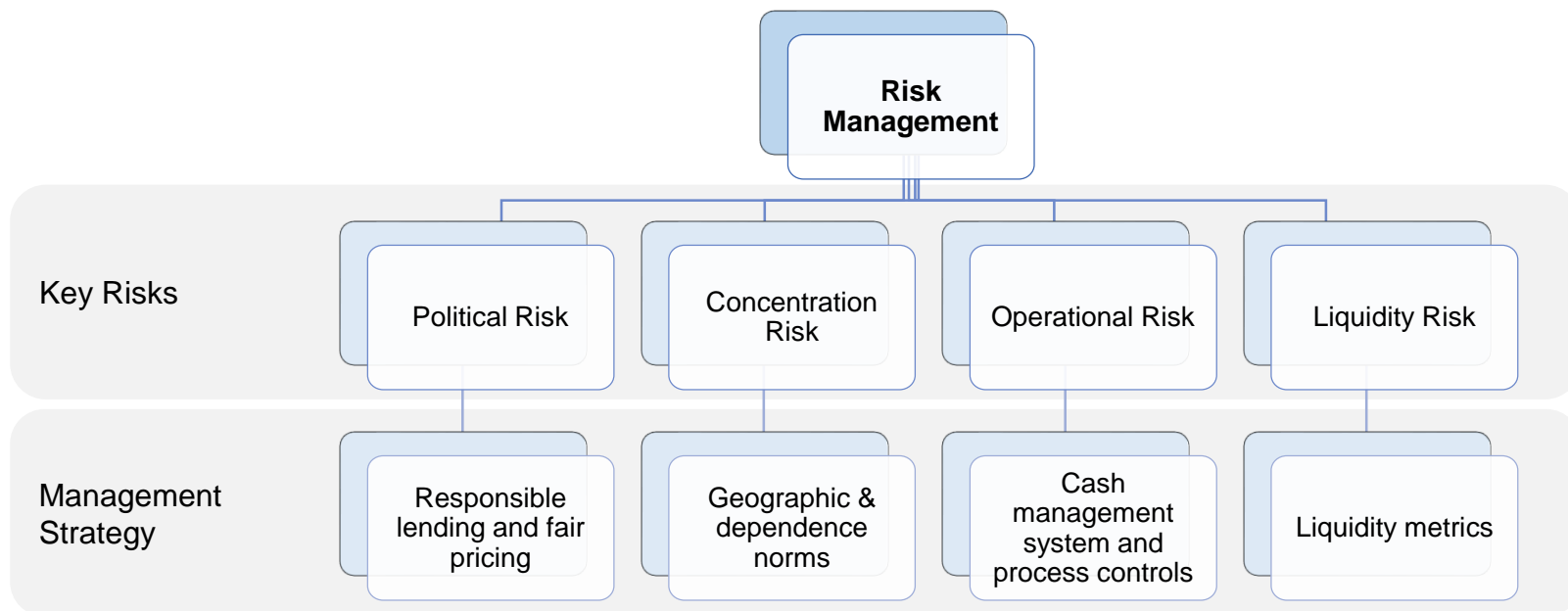


We continue to disburse in centers, only if the collection efficiency of that center is 100%

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



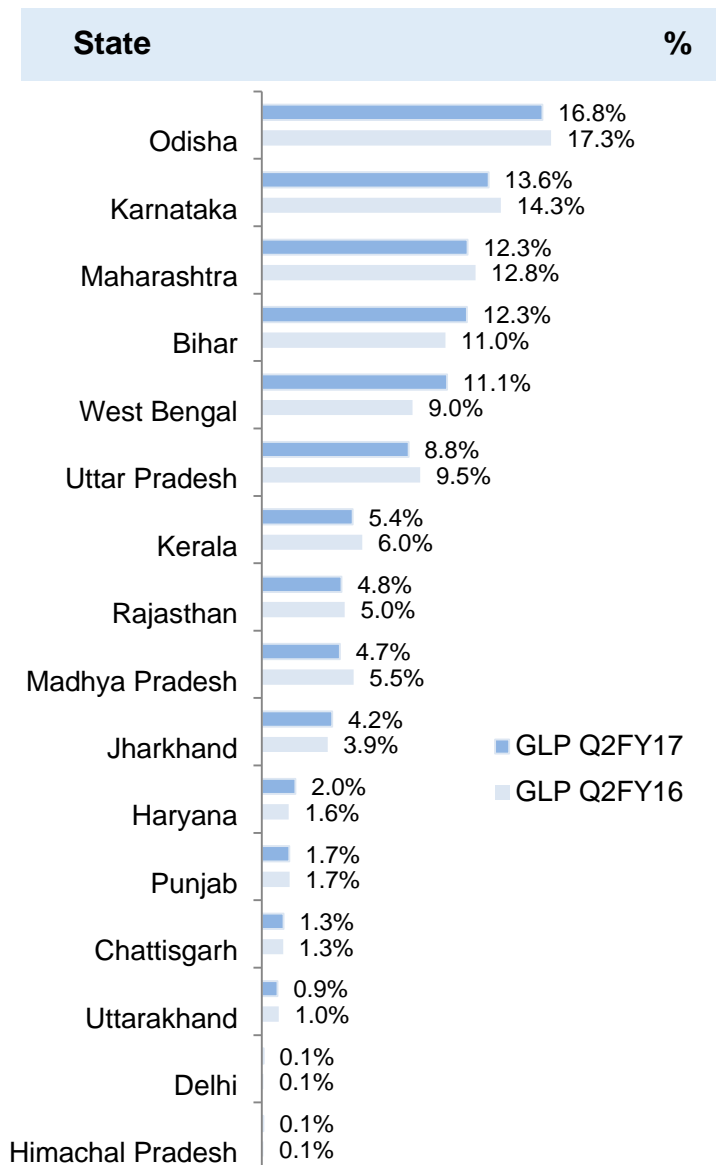
- Low cost lender
- Voluntary Cap on RoA from core lending
- Robust Customer grievance redressal (CGR) Mechanism with Ombudsman
- Calibrated Growth

- 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%

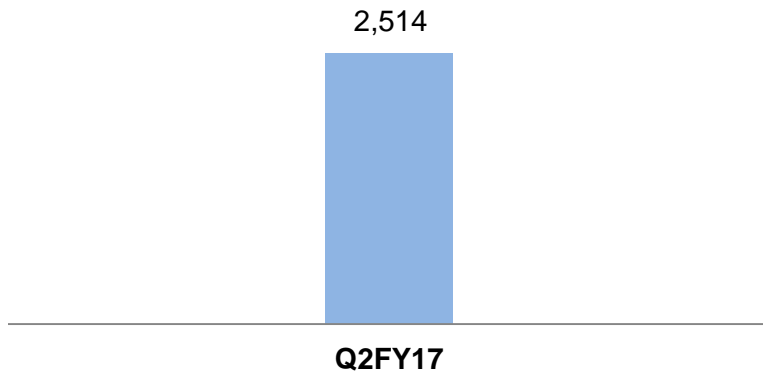
Odisha, Karnataka and Maharashtra exposure are at 60%, 49% and 44% respectively of our networth.

SOLVENCY AND LIQUIDITY

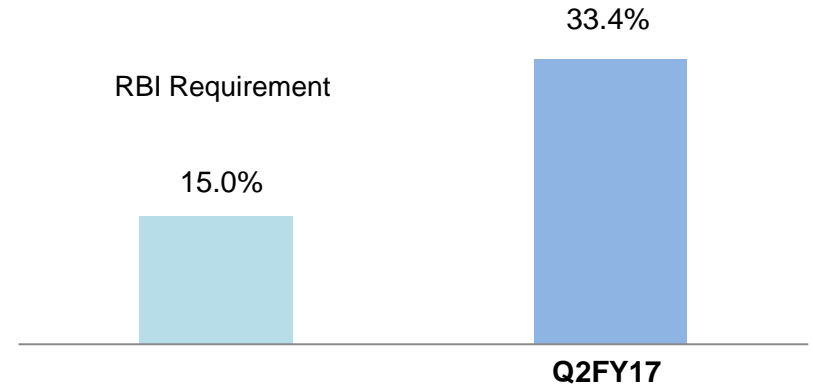
STRONG SOLVENCY AND SUFFICIENT LIQUIDITY

INR Crs.

Networth



Capital Adequacy



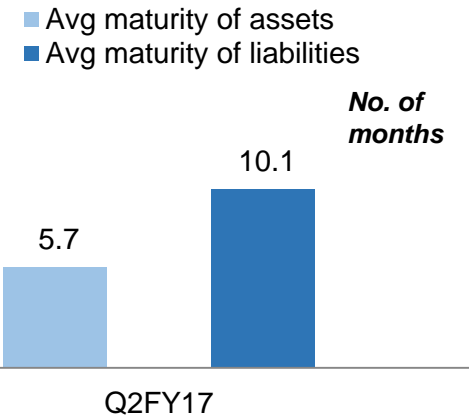
Cash and Cash Equivalent[^]



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

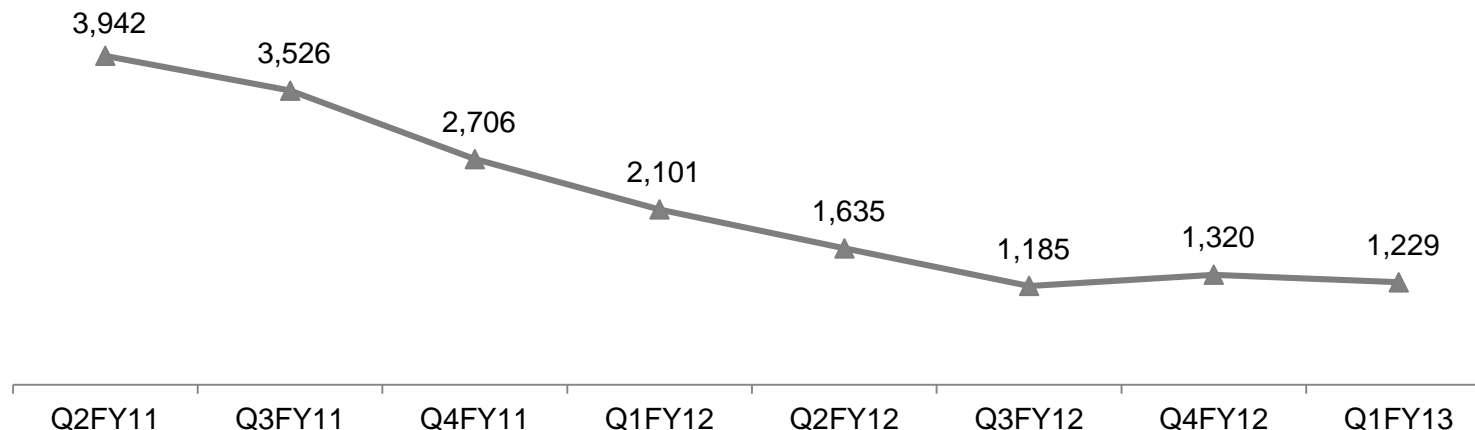
Moratorium period	Duration	State/Region	Reason	No of clients covered	Repayments back to pre-moratorium levels in
Oct'16	▪ 1 weeks	▪ West Bengal	▪ Durga Pooja	▪ 6.4 lakhs	▪ One week
Sep'16	▪ 2 weeks	▪ Bhagalpur	▪ Floods	▪ 2,619	▪ Four weeks
Aug'16	▪ 2 weeks	▪ Kolkata	▪ Floods	▪ 5421	▪ One week
Oct'15	▪ 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

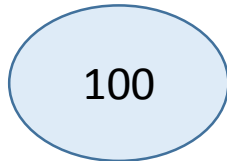
	#	%
Clients mapped with bank A/Cs	66,265	52%
Loans disbursed	40,625	30%
Amount Disbursed (Rs. Cr)	93	33%

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[^]

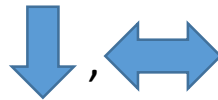


Recycle

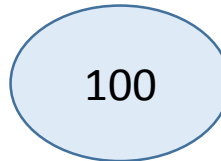
Cash Disbursements



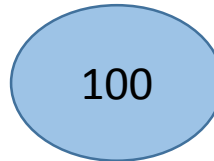
Bank A/C Disbursements POS Growth (QoQ)



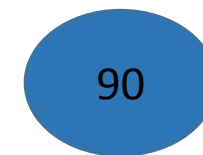
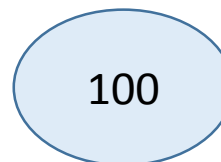
SHORT TERM PLAN



Recycle



MEDIUM TERM PLAN



* Assuming Current restrictions on current account and ATM withdrawals continue

[^] Principal Collections



THANK YOU