



**BHARAT**  
Financial Inclusion Ltd

Prayaas se pragati

(Formerly known as 'SKS Microfinance Limited')

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Corporate Identity Number: L65999MH2003PLC250504

Registered Office: Unit No. 410, Madhava, Bandra-Kurla Complex  
Bandra (East), Mumbai - 400 051, Maharashtra, India T: +91 22 2659 2375

August 29, 2016

The Secretary  
**BSE Limited**  
Phiroze Jeejeeboy Towers  
Dalal Street  
Mumbai-400001.

The Vice President - Listing  
**National Stock Exchange of India Limited**  
Exchange Plaza,  
Bandra - Kurla Complex  
Mumbai - 400 051

Dear Sir / Madam,

**Sub: Analyst Meet Presentation**

We wish to submit copy of presentation made at the Analyst Meet held today and the same is also available on our website [www.bfil.co.in](http://www.bfil.co.in) for your information and records.

We request you to take the above on record.

Thanking You.

Yours faithfully,  
for **Bharat Financial Inclusion Limited**  
(formerly known as "SKS Microfinance Limited")

**Sudershan Pallap**  
Dy. Company Secretary



Encl: As above.



**BHARAT**  
Financial Inclusion Ltd

Prayaas se pragati

## BFIL ANALYST MEET

### Sab se Sastha loan



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

**AUG 2016**

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

BSE: 533228 • NSE: BHARATFIN

Corporate Identity No. L65999MH2003PLC250504

[www.bfil.co.in](http://www.bfil.co.in)

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*Figures rounded off to the nearest digit across the presentation. Figures and ratios have been regrouped wherever necessary.*

# OPERATIONS

# BFIL USES GRAMEEN MODEL TO PROVIDE UNSECURED CREDIT AT THE DOORSTEP OF LOW INCOME HOUSEHOLDS



## Survey a village

- Number of Households
- Political situation and Communal sensitivity
- Road Accessibility
- Activities in Village
- Number of MFI Lenders



## Recruit Members

Conduct projection meetings

- Lend only to women
- Group of 5
- Lend only for income generating activities
- Joint Liability
- Weekly instalments
- Primarily Non-Agri



## Deliver Doorstep service

- Conduct Centre meetings at a common public location
- Centre meetings conducted between 7 A.M to 10 A.M to avoid disturbance to work schedule



## Provide Training

- CGT\* and GRT\* are conducted
- Group formation policy (avoid relatives and stay closely)
- Financial literacy training on products, interest rates

# OUR RELENTLESS FOCUS ON OPERATING MODEL IS THE KEY DIFFERENTIATOR

	Parameter	Status
<b>Grameen Operating Model</b>	<ul style="list-style-type: none"> <li>▪ <b>Women</b> Customers</li> <li>▪ Group Lending - <b>JLG</b></li> <li>▪ Loans for <b>Income generating</b> activities</li> <li>▪ <b>Rural</b> customer base</li> <li>▪ Loans for <b>Non-Agri</b> activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ 100%</li> <li>▪ 100%</li> <li>▪ 99%</li> <li>▪ ~75%</li> <li>▪ 92%</li> </ul>
<b>Growth Anatomy</b>	<ul style="list-style-type: none"> <li>▪ Geographic Focus</li> <li>▪ Rural Focus</li> <li>▪ Borrower growth higher than Ticket Size Growth</li> <li>▪ Loan Offtake</li> </ul>	<ul style="list-style-type: none"> <li>▪ We grew slower than sector in 6 out of top 10 states. Nil exposure in top 3 SHG concentrated states.</li> <li>▪ We remain rural focused (75%) while Industry growth is skewed towards urban (60%)</li> <li>▪ 21% &amp; 10% (3 yrs. CAGR)</li> <li>▪ Rs. 15,024 (FY16) lowest in Industry</li> </ul>
<b>Extensive Reach*</b>	<ul style="list-style-type: none"> <li>▪ No. of districts</li> <li>▪ No. of customers</li> <li>▪ Average Vintage of Branches</li> </ul>	<ul style="list-style-type: none"> <li>▪ 314 (Highest in Industry). Present in 210 out of 296 underbanked districts defined by RBI</li> <li>▪ 5.7 Mn (Highest in Industry)</li> <li>▪ 7.1 Yrs</li> </ul>
<b>Efficiency*</b>	<ul style="list-style-type: none"> <li>▪ Borrowers managed per Sangam Manager</li> </ul>	<ul style="list-style-type: none"> <li>▪ 690 (Highest in Industry for Weekly model)</li> </ul>
<b>Lowest Cost Producer</b>	<ul style="list-style-type: none"> <li>▪ Interest rate</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lowest interest rate of 19.75% among global private sector MFI</li> </ul>

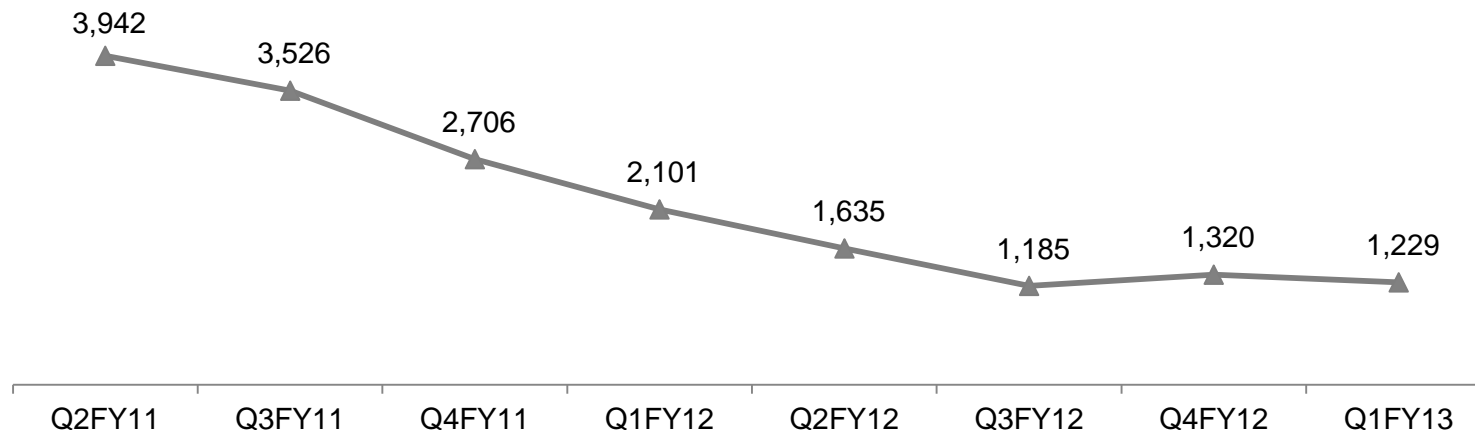
\*As on 30<sup>th</sup> June 2016

# OPERATING MODEL VAILIDITY ESTABLISHED

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

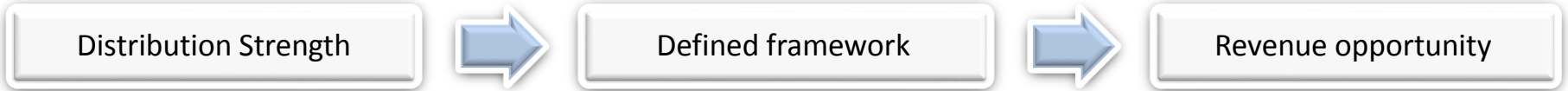
No. of non-AP borrowers who repaid on-time during this period	5.2
No. of non-AP members who availed loans during this period	3.3
<b>No. of non-AP members who didn't receive any incremental credit from BFIL during this period</b>	<b>1.9</b>

**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

# LEVERAGING THE DISTRIBUTION STRENGTH



## FY16

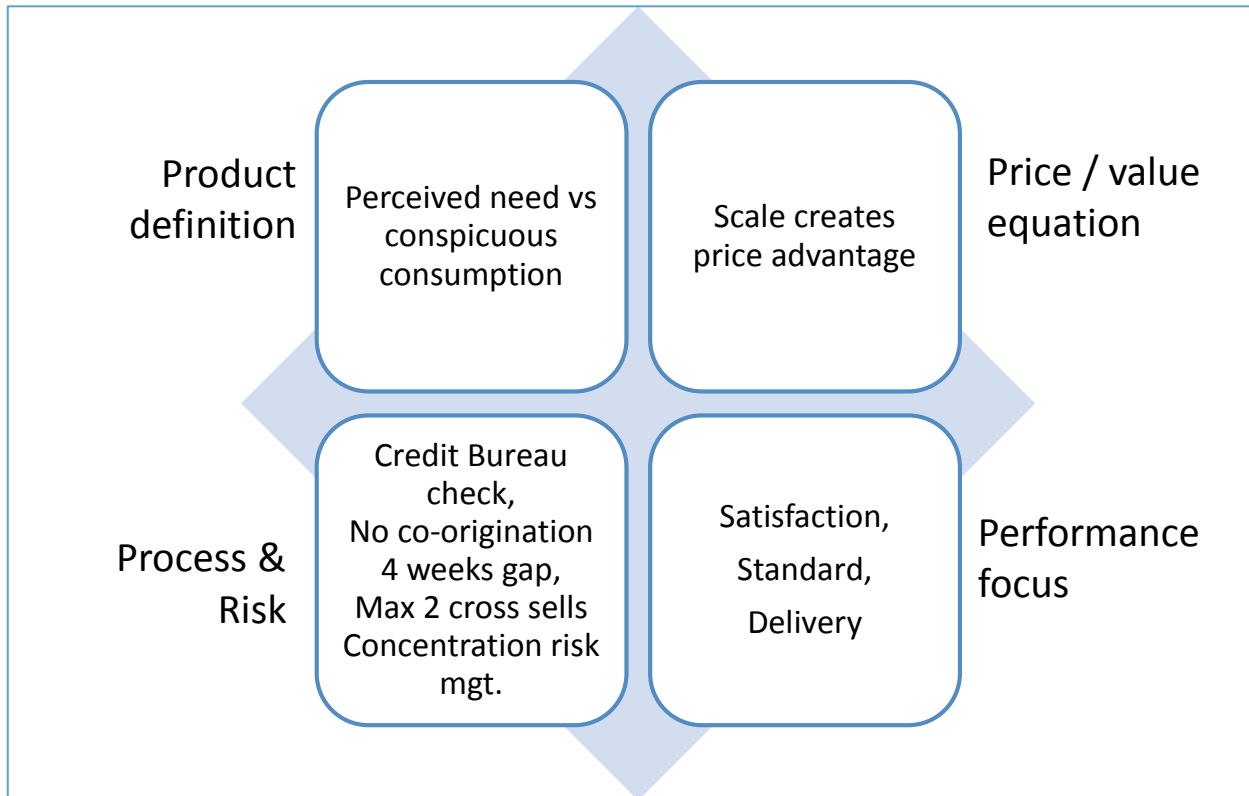
- Asset: 1.3%\*
- Revenue: 3.8%\*
- Earning: 9.3%\*

## Medium Term plan

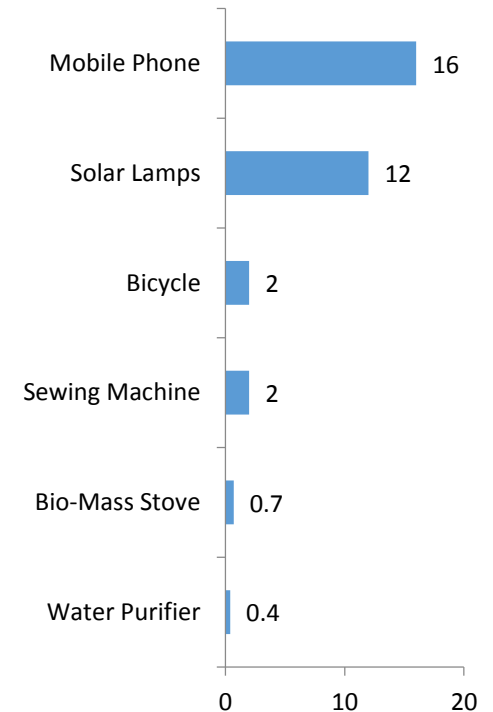


- Asset: 5%
- Revenue: 10%
- Earning: 15%

## GOVERNANCE MODEL DEFINING THE FRAMEWORK:



## Cumulative units facilitated^ (Lakhs)

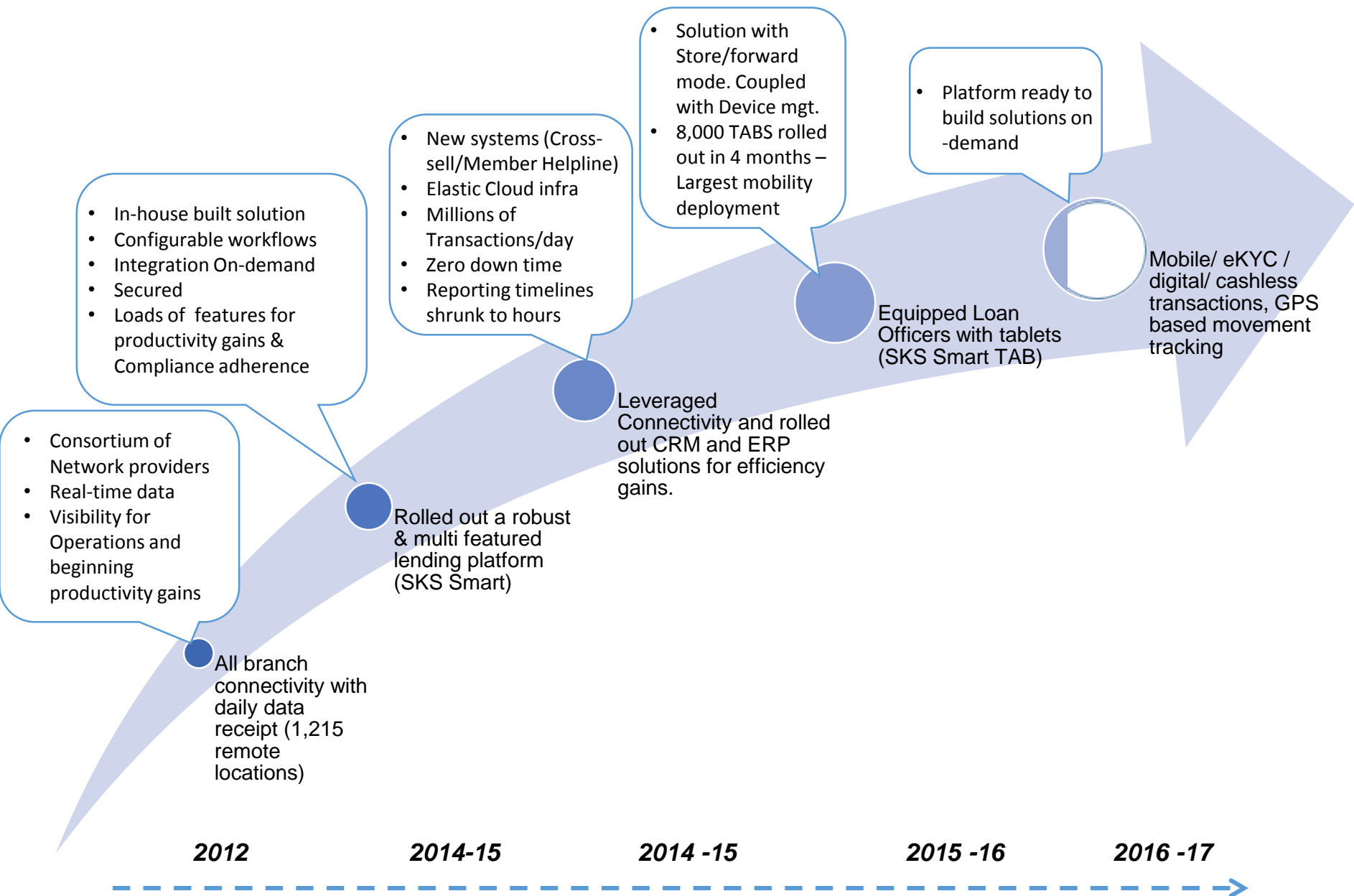


\* % contribution of Cross-sell, ^FY12 onwards



**INFORMATION TECHNOLOGY &  
ORGANIZATION EXCELLENCE AND SERVICE  
QUALITY (OESQ)**

# PROCESS AND TECHNOLOGY EVOLUTION



# OESQ\*: MINIMIZING RISK, MAXIMIZING CUSTOMER SATISFACTION AND EFFICIENCIES

## Maximizing customer satisfaction through customer connect

- Best in class Inbound call center which services more than 50K inbound enquiries and service requests per month
- Out bound VOC^ program which connects to 10K clients per month for feedback and suggestions
- Only MFI to have an Ombudsman who oversees the client protection framework

## Maximizing Efficiencies

- Paperless transactions through tablets
  - Moving from dual data entry to single data entry
  - Saving one man-day per week per person
  - Center meeting time reduction
- Distance travel optimization through digital route mapping (first phase of roll out in 56 branches)
  - Reduction in travel time
  - Improvement in Sangam Manager time utilization

## Minimizing risk

- [Cashless disbursement](#) into Bank accounts (first phase of roll out in 50 branches)
- Meeting the maximum norms on KYC, data quality and credit bureau compliances
- Operational safeguards
  - Supervisory monitoring being tracked centrally
  - Checkers in branch ensuring 100% KYC compliance

## Pilot initiatives

- Currently piloting Aadhaar biometric EKYC
  - To identify the client using biometrics
  - Instant loan approval
  - Further reduces center meeting time by 10 minute, Sangam Manager can handle one additional center per day
  - High quality KYC data for Credit Bureau enquiries
- Resultant customer delight on instant approval and possibility of same day credit into bank account

# SETTING BENCHMARKS ON KYC AND CREDIT BUREAU COMPLIANCES

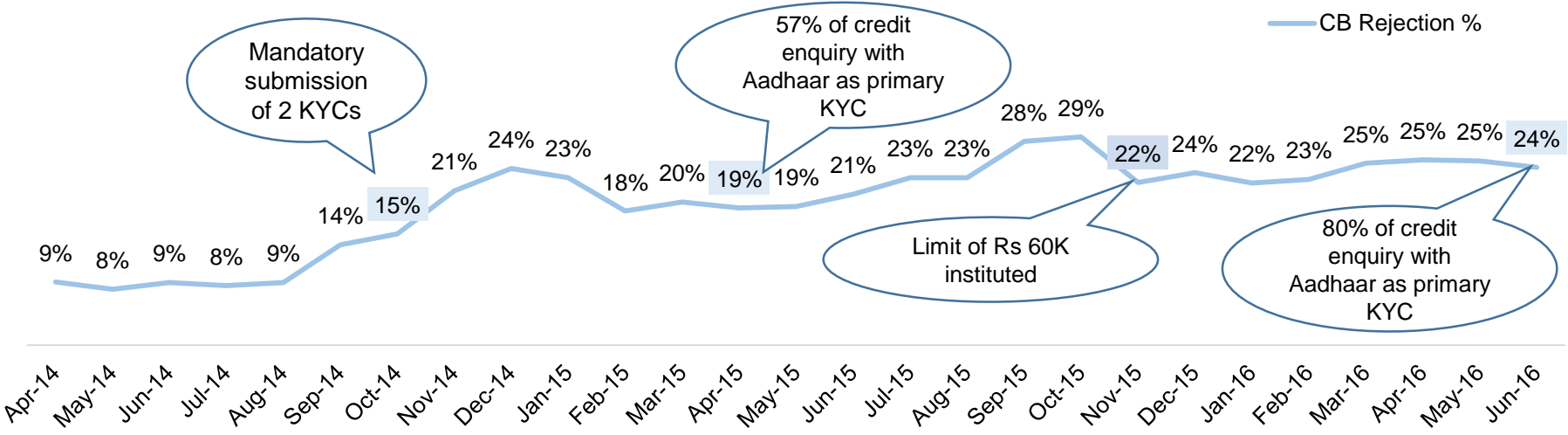
## Robust KYC norms

- All enquiries are with either Voter ID or with Aadhaar which are two most reliable IDs for this segment (Maximum among the large MFIs, as per MFIN)
  - 100% loan clients have either Aadhaar (82%) or Voter ID (81%), 64% clients have both

## Setting benchmarks in credit compliance

- Consider all lenders (incl. Banks BC portfolio, NBFCs, MFIs) for the 2 MFI criteria
- 100% bureau enquiries sent with 2 IDs: First in the industry (started in Oct'14)
- Weekly submission to all 4 bureaus (Equifax, Highmark, CIBIL, Experian)

CB REJECTIONS TREND



# INTERNAL AUDIT

# INTERNAL AUDIT PLAYS A CRITICAL ROLE IN ASSESSING PROCESS CONTROLS

## Strengths

- 219 strong headcount
- ISO 9001:2008 certified process
- All branches are inspected monthly based on a 4 tier grading system
- Grading linked to incentives/appraisals of field staff
- Special audits viz. headcount, fixed assets verification, 100% document check etc.

## Governance model

- Independent function
- Reports to the Audit Committee of the Board of Directors
- Head Office audit by KPMG

Audit area	Frequency	Scope of Audit								
		Client Acquisition	Center Meeting Processes	Document verification (KYC, Loan utilization check etc.)	Monitoring process by supervisors	Adherence to Process / Policies	Statutory Requirements (Credit bureau, Fair practices etc.)	Client Visits *	High Risk items (Frauds etc.)	Fixed Assets verification^
IGL Branches	Monthly	√	√	√	√	√	√	√	√	√
Regional Offices	Once in a quarter, distributed monthly	-	-	-	-	√	√	-	√	√
Head office	Quarterly	-	-	-	-	√	√	-	-	√

### Note:

\* Approximately 30% of the clients are covered by Internal Audit in an year during the branch audits. Clients visited on a sample basis to check for Loan confirmations, Loan utilization (LUC) , arrears and awareness on Client Protection Principles (CPP)

^ Fixed Assets are verified on Annual basis

# **RISK MANAGEMENT**

# KEY RISKS AND MANAGEMENT STRATEGIES



## Key Risks

Political Risk

Concentration Risk

Operational Risk

Liquidity Risk

## Management Strategy

Responsible lending and fair pricing

Geographic & dependence norms

Cash management system and process controls

Liquidity metrics

- 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

## GEOGRAPHIC CONCENTRATION NORMS

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

\*Subject to tolerance of 10%

As on 30<sup>th</sup> June, 2016 - Odisha, Karnataka and Maharashtra exposure are at 89%, 72% and 64% respectively of our network.



# HUMAN RESOURCES

# RETAINING AND ATTRACTING THE TALENT AT THE FIELD LEVEL

**Strong & stable team helps sustain and scale**

Senior management - Avg. tenure 7.2 Years

Middle management - Avg. tenure 8.6 Years

Branch management - Avg. tenure 6.9 Years (Incl. promoted SMs\*)

Sangam Manager - Avg. tenure 2.5 Years (48% joined in last 1 year)

**Talent Attraction strategy:**

**Best In class  
Total Value Proposition**

Competitive fixed salary, coupled with attractive incentive scheme and top of the industry employee benefits

**Job with personal growth  
and customer impact**

Highly respectable and responsible job for a 20 years old youth, making tangible impact on our customer.

**Training and retention strategy:**

**Extensive process and  
product training**

- A dedicated training team of 86 trainers
- Focused 60 days boot camp for entry level trainees
- 60 hours of 3Ps training & certification annually to our Sangam Managers
- 96% of the training investment is done on the field staff

**Retention Strategy**

High growth career path - No lateral recruitments till 4 levels above Sangam Manager. Coupled with significant increase in 'Employability'

# MEDIUM TERM PLAN

# ON TRACK TO MEET GUIDANCE FOR FY17 AND MEDIUM TERM PLAN

## BUSINESS HIGHLIGHTS

- Debt raising as per guidance
  - Recent transactions Post Aug 1, 2016
    - Completed securitisation transaction of Rs. 531 Crs
    - Raised Rs. 75 Crs through commercial papers
    - Raised Rs. 425 Crs through Term loans
- Disbursements/Operations are as per plan

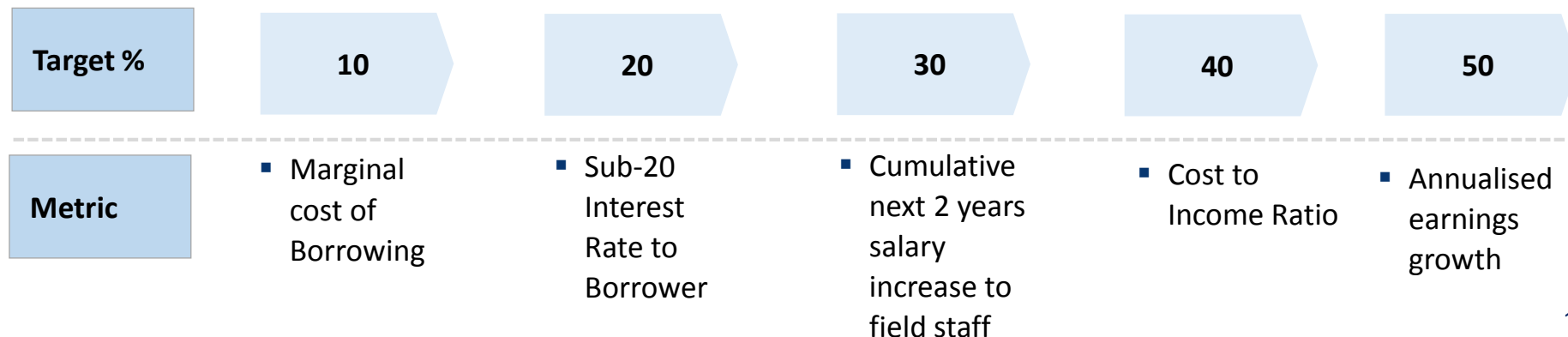
## GUIDANCE FOR FY17

INR Crs.

	FY16	FY17
	Actual	Guidance
Incremental debt requirement	8,385	10,000
Non-AP Disbursement	12,063	16,500
Non-AP Gross Loan Portfolio	7,677	11,000
Profit After Tax (Post MAT @ 21%)	303	450 <sup>^</sup>

<sup>^</sup>Excludes MAT credit recognition

## Medium Term Plan



# **CORE MANAGEMENT TEAM**




# CORE MANAGEMENT TEAM

## Mr. M. Ramachandra Rao, Managing Director & Chief Executive Officer



MR's expertise lies in managing operations in a large business environment, formulating business strategies and identifying new markets. An alumni of BITS Pilani, he has over 26 years of experience in Profit Centre Management, setting up distribution in Insurance, Retail Banking and Consumer Finance. Prior to BFIL, he was associated with ING Vysya Life Insurance, American Express, Standard Chartered Bank and Esanda Finanz & Leasing Limited. He joined BFIL in October 2006 and has been at the forefront, driving its rural distribution reach and scale-up. MR shouldered the responsibility of combating the AP MFI crisis and insulating the non-AP operations from the contagion risk. He held the executive management team together.

## OPERATIONS

Name	Role	Experience Highlights	Educational Qualification	Overall experience	BFIL experience	Financial Services experience	Rural experience
 <b>K.V. Rao</b>	Chief Operating Officer	<ul style="list-style-type: none"> <li>Headed the fields of Logistics, Pharmaceutical products, Retail Banking Products and Housing Loans</li> <li>Previously associated with Bluedart, Esanda Finanz (wholly owned subsidiary of ANZ Grindlays), Standard Chartered and Sundaram Home Finance</li> </ul>	MBA	29 years	9 years	✓	✓
 <b>Ritesh Chatterjee</b>	Chief Process and Quality Officer	<ul style="list-style-type: none"> <li>Strategic quality and Business Transformation Management lifecycle, Customer insights generation, Lean Six Sigma deployment with hands-on implementation</li> <li>Previously with ICICI Bank Ltd, HDFC Bank Ltd and First Gulf Bank Abu Dhabi</li> </ul>	MBA General management Programme (IIM-A) Master Black Belt Six Sigma	21 years	3 years	✓	✓
 <b>Vikas Muttoo</b>	Executive Vice President	<ul style="list-style-type: none"> <li>Business Head Roles, Retail &amp; Commercial Banking, Consumer Finance, Distribution Management, Risk Management, P &amp; L Ownership and Change Management</li> <li>Previously worked with 4 foreign banks ANZ Grindlays, Standard Chartered, ABN AMRO and RBS in domestic and international markets</li> </ul>	MBA (Marketing & Finance)	20 years	3 years	✓	✓





# CORE MANAGEMENT TEAM

## FINANCE

Name	Role	Experience Highlights	Educational Qualification	Overall experience	BFIL experience	Financial Services experience	Rural experience
 <b>Ashish Damani</b>	Chief Financial Officer	<ul style="list-style-type: none"> <li>Experience in Business Planning, Fund raising, including Structured Finance &amp; Equity, Risk Management, Accounts and Audit</li> <li>Previously associated with Fullerton India</li> </ul>	MBA (PGDA)	16 years	14 years	✓	✓
 <b>R. Pratap</b>	Deputy Chief Financial Officer	<ul style="list-style-type: none"> <li>Fund raising, Audit, Risk management, Taxation, Profit center management and equity research</li> <li>Previously associated with CRISIL</li> </ul>	Chartered Accountant, MBA (PGPM) from ISB	17 years	6 years	✓	✓
 <b>Ashish Pipaliya</b>	EVP – Investor Relations & New Initiatives	<ul style="list-style-type: none"> <li>Investor Relations, Fund raising, Corporate Planning, Cost control</li> <li>Previously associated with Motilal Oswal and Grasim Industries</li> </ul>	PGDM, Passed all three levels of the CFA Program	13 years	7 years	✓	✓
 <b>PV Kalyana chakrawarthy</b>	Sr. Vice President F&A	<ul style="list-style-type: none"> <li>Treasury Management and Fund Raising</li> <li>Previously associated with Dabur India Ltd. and Varalakshmi International Limited.</li> </ul>	Bachelors in Commerce, MBA - Finance	19 years	15 years	✓	✓

# CORE MANAGEMENT TEAM

## INTERNAL AUDIT, HR & ADMIN, IT & LEGAL AND COMPLIANCE

Name	Role	Experience Highlights	Educational Qualification	Overall experience	BFIL experience	Financial Services experience	Rural experience
 <b>Kanchan Pandhre</b>	Chief Officer, Internal Audit	<ul style="list-style-type: none"> <li>Corporate Finance, Accounts, Domestic &amp; International Taxation, Auditing &amp; Accounting and Business Advisory Services</li> <li>Previously associated with BASIX &amp; Trans Cibermet</li> </ul>	Chartered Accountant	17 years	9 years	✓	✓
 <b>Srinivas Vudumula</b>	Chief People Officer	<ul style="list-style-type: none"> <li>All aspects of Human Capital Mgmt., Turning around organizations, Building Scale and Corporate social outreach / responsibility etc.</li> <li>Worked across many industries and countries</li> <li>Previously with companies such as Tavant Technologies, Dell India, and Godrej &amp; Boyce</li> </ul>	MBA (PGDM) from XLRI and B. Tech(ECE) from OU	26 years	6 years	✓	✓
 <b>Srinivas Peddada</b>	Chief Information Officer	<ul style="list-style-type: none"> <li>Experience in delivering \$MM high-performance Applications and IT Infrastructure</li> <li>Previously associated with D&amp;B, AIG, GE Money and IBM</li> </ul>	MBA (RPI – New York), IBM Certified Enterprise Architect, Project Management Professional	24 years	4 years	✓	✓
 <b>Rajendra Patil</b>	Company Secretary, Senior Vice President – Legal & Secretarial	<ul style="list-style-type: none"> <li>Experience in Legal &amp; Secretarial domain at companies including the Ratnakar Bank Limited, IDFC Limited, CRISIL Limited, ICICI Bank Limited, Sylea Automotive (I) Limited, Godrej Foods Limited.</li> </ul>	ACS, LLM, LLB	14 years	2 years	✓	✓





**THANK YOU**