

**ANNUAL REPORT**  
**2008 - 2009**



 Build A Better Life

**Ujjivan Financial Services Private Limited**

Ujjivan ranked first as the best company to work for in the microfinance industry by The Great Place to Work Institute, India and The Economic Times



# Letter from the Managing Director

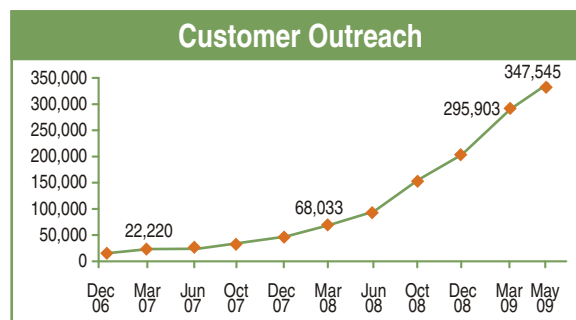
The 2008-2009 year was an expansion phase in our life cycle almost unhindered by the difficult economic environment following the September 2008 international financial crisis. We have substantially increased our geographic footprint and now operate in all four regions. We are balancing our growth with viability of the organization, as we achieved a month on month break-even in January 2009 and in the last quarter of the financial year we posted a Profit after Taxes (PAT) of Rs. 1.7 Crores. This trend has continued through the new year and in the first two months our PAT has been Rs. 1.33 Crores. The major regions (South & East) have already broken even and as of May 31, 2009, 96 out of 145 branches (66%) were profitable on a fully allocated basis. We expect to clear our accumulated losses within the third quarter of the financial year 2009-2010.

## Business Snapshot

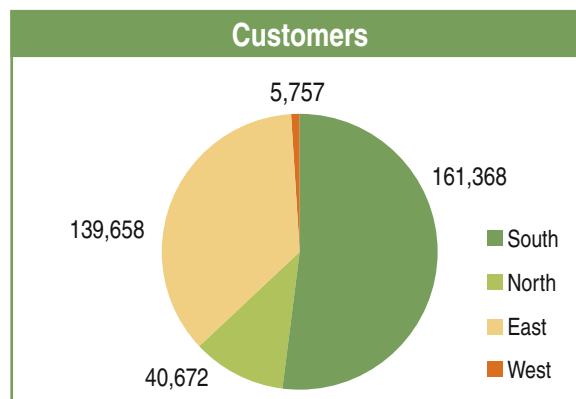
Particulars	31/03/07	31/03/08	31/03/09	Growth 2009
Customers	22,220	68,033	295,903	335%
Disbursement (Rs. Crores)	12.0	63.5	312.8	393%
Outstanding (Rs. Crores)	8.0	36.5	169.0	362%
Employees	197	551	1,691	207%
Branches	13	38	127	234%
Repayment Rate	97.57%	99.22%	99.65%	n/a

In this financial year alone, Ujjivan has entered seven new states, started a new regional office in Pune, opened 90 branches all over India, acquired over 2,20,000 customers and disbursed about Rs. 250 Crores to the urban and semi-urban poor in India. Just 176 days after achieving 100,000

customers, we doubled to 200,000 customers, and a mere 98 days after that, we soared to 300,000 customers.



While our South operations are currently the largest, we have significantly expanded our operations in other regions so that our risk is diversified. We are now present in twelve states across India: Karnataka, Tamil Nadu, New Delhi, West Bengal, Rajasthan, Uttar Pradesh, Haryana, Jharkhand, Orissa, Maharashtra, Bihar, and most recently Uttarakhand. The region wise breakdown of customers as of May 31, 2009 is as follows:



## Product Initiatives

Ujjivan has successfully completed its one year long pilot of the Individual Business Loan (IBL) with the guidance and support from Women's World Banking, and after review and revision, it has launched the product in 10 different branches across Urban and Semi-Urban Karnataka. Individual business loans ranging from Rs 10,000 - 50,000 are being offered to existing Ujjivan customers and their family members who have a running business and require funds for working capital and/or capital investment. Ujjivan intends on launching IBL in over 30 branches in the South region and 20 branches in the East region in the coming financial year.

Ujjivan launched the education loan nationwide this year to cater to the needs of our customers' children. There are typically three types of expenses that customers incur: annual/monthly education fees, uniforms, and textbooks. After completing surveys in each region, we developed a product that would give customers access to the capital required to send their children to the best schools possible.

For many of our semi-urban customers, our group loans are not large enough to cover the full outlay for purchasing cows / buffalos essential to their livelihoods and they resort to expensive borrowing for the remaining portion. We are conducting a pilot of the Livestock Loan, in which we evaluate the value of the animal they wish to purchase and give them a loan to buy the animal. We plan to roll this product out to all relevant regions in the coming financial year.





## Life Insurance

It is mandatory for all Ujjivan's customers to be covered with life insurance. We were previously partnering with Life Insurance Corporation (LIC) to provide this coverage, but due to the high cost of servicing customers from beginning to end and negligible reimbursement, we found that this scheme was not sustainable given our expansive and rapid growth plans. After evaluating a number of options, we have moved forward and are now providing life insurance coverage through ICICI Prudential to all our customers with the option to cover their spouses. With minimal documentation requirements, quick turnaround time on claims, and reimbursement of expenses incurred, Ujjivan has started providing higher quality insurance services to its customers.

## Microfinance Plus

The Parinaam Foundation, in collaboration with outside organizations, has successfully provided eye, ENT, and dental camps to branches across the South and East regions. To date, over 35 camps have been conducted, with 9,575 attendees and over 1,000 referrals for further treatment. In partnership with Vittala International Institute of Ophthalmology, a fund has been created to assist customers who are unable to pay for further required treatments.

Parinaam's vocational training program, in partnership with UNNATI, has received 104 applications, and will provide training in specialty jobs for BPL school dropouts. Its partnership with LabourNet for skill enhancement has placed 32 applicants in training and provided insurance, bank accounts, and assured employment.

Parinaam has been working on developing an Ultra Poor Program for those people outside the scope of typical microfinance activities. The program will focus on providing health initiatives, childcare support, livelihood development, financial literacy, and social development to bring these families to a more manageable level of poverty. The end goal is to migrate these families to microfinance services. The pilot, one of the first of its kind in the urban sector, will be launched for 200 urban ultra poor families in the coming financial year.

## Processes & Procedures

In November 2008, Ujjivan was awarded the Microfinance Process Excellence Award in the South region in the mature company category after an extensive application and evaluation process.

Ujjivan has begun giving each individual customer a loan agreement outlining all of the terms and conditions of the loan they have availed per the RBI's Fair Practice Code. The new process that we have adopted is a step in the right direction towards getting customers more familiar with how formal financial institutions operate and it also increases our internal operational efficiencies.

One challenge Ujjivan faced in the last financial year was acquiring customers outside of our target profile. This year we focused on putting controls in place to ensure that we are acquiring customers who fit our requirements. We recognize that financial data can be very subjective when first meeting a customer, so we have begun using non-financial parameters like housing conditions, occupation, and lifestyle (assets) to

assess both their need and repayment capacity. Using these parameters, our Distribution Supervisory Team approves first loans in the field. This also enables us to reduce our turnaround time, resulting in higher quality and faster service for our customers.

In an effort to maintain high levels of customer interaction, we have instituted bi-monthly center leader meetings across all branches. Every two months, all the center leaders are invited to the branch to meet with the CRM and departmental representatives from the Regional Office. This creates a forum for center leaders to meet each other, get updated on all Ujjivan news, policies and procedures, discuss any issues that have arisen in their areas and give feedback/suggestions.

## Capital

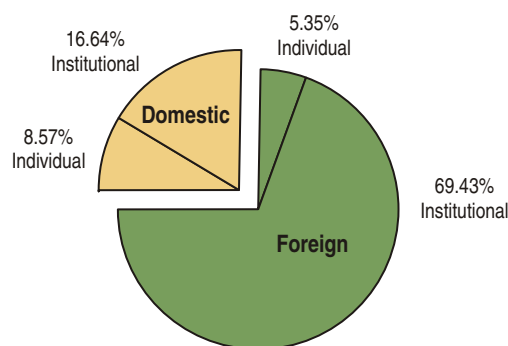
In November 2008, Ujjivan completed its fourth round of capital raising, during which we brought in four new investors: Sequoia Capital India Investments III, Lok Capital LLC, Elevar Unitus Corporation and India Financial Inclusion Fund. To ensure that Ujjivan has greater access to capital and the social mission is not diluted, Ujjivan chose a mix of social and market driven investors.

Originally planning for Rs. 75 Crores, we were oversubscribed and raised Rs. 87.8 Crores in total. Ujjivan's ability to attract high-quality investors and to be oversubscribed during a period when the world was going through one of the gravest financial crises of recent times is a testament to the future of microfinance in India. A unique feature of this deal was that Ujjivan, in collaboration with

Bellwether Microfinance Fund and UEF, was able to give its individual investors the option of liquidity by offering to buy out part or all of their investment in Ujjivan. This is the first time a microfinance institution has been able to offer a market determined exit to individual investors, which will create a secondary market for shares of microfinance companies.

Our shareholding pattern as on March 31, 2009 is as below:

Shareholding Entity	No of Shares	Share Capital
Domestic Individual	298,543	42,229,050
Domestic Institutional	579,938	125,213,275
Foreign Individual	186,510	35,316,000
Foreign Institutional	2,419,255	822,455,675
Total	3,484,246	1,025,214,000



## Human Resources Initiatives

A total of 204 employees from all regions were eligible under the ESOP 2008 Plan. The total number of options granted under the ESOP 2008 Plan is 39,668. Eligibility criteria and other terms and conditions are as per the approved plan.

The first batch of Management Trainees have successfully completed one year with Ujjivan in various departments across all regions. The second Management Development Program was conducted this spring with trainees from Business Schools and Agricultural Universities across the country. The training program is based on the concept of "believing by seeing and doing," which involves field exposure, classroom sessions and interactive projects/presentations to encourages trainees to think about how to improve Ujjivan long-term. Along with this program, we had another 'Leadership Talk Series' featuring eminent leaders and pioneers from the business, financial and social sectors, who shared their life experiences and lessons with Ujjivan staff.

As we are expanding rapidly and a majority of our employees are working at branches in the field, we are taking extra measures to ensure that they are aware of all that is going on from product & policy changes to Ujjivan recognition and achievements. Ujjivan has begun implementing a 'Train the Trainer' program with the Distribution Supervisory Team to ensure that information is being effectively communicated to all field staff in a timely manner.

Ujjivan is also conducting a first level supervisory training program that is divided into three levels and is conducted over a period of 8 days in total. It focuses on enabling the participants to develop their managerial skills and improve interpersonal communication. It also emphasizes phases of team development and helps analyze the essential components of leadership like motivating and coaching a team. It is an Instructor Led Training, where the participants learn and practice important concepts, including the usage of

templates and checklists. The modules and the objectives have been designed while keeping in mind the role of branch managers at MFIs and their interactions with stakeholders as well as superiors and subordinates.

Ujjivan was ranked first as the best place to work for in the microfinance industry by The Great Place to Work Institute, India and The Economic Times in their acclaimed annual survey.

## Coming of Age of Indian Microfinance in Uncertain Times

There are a number of signs that microfinance in India at long last is coming of age. Over 10,000,000 customers are served by MFIs. At least half a dozen NBFC-MFIs have a million plus customers, and two dozen NBFC-MFIs would be categorized by the RBI as 'systemically important' with an asset base over Rs.100 Crores. Despite the worldwide financial crisis post September 2008, the microfinance industry was identified by investors as a high growth area. MFIs were relatively unaffected both in terms of access to capital and debt.

Perversely, another acknowledgment of the coming of age of microfinance is the problems currently faced in Karnataka. The impact of microfinance is being felt among the poor Muslim communities where women have been extremely tradition bound. With half a dozen MFIs aggressively serving these markets in the silk growing districts of Karnataka, the women are not only freeing themselves from the clutches of money lenders but also from employers in the silk reeling business where working conditions are abhorrent. The vested interest is now striking back under the guise of communal threat, and confrontations like these will become the norm. It is important for



the microfinance industry to keep the administration, press, politicians, regulators and society at large well informed and on our side.

Even though the un-served market is 80% or more, multiple MFIs are competing increasingly in narrow trenches. This is also leading to problems of over lending to customers. Additionally, the down turn in the economy will have a particular impact on the urban and semi-urban customers, leading to deterioration of portfolio quality. This calls for more disciplined growth in terms of branch expansion and credit extension. MFIs will have to look for virgin markets to extend their branch networks and they will need to put in place credit extension policies where they protect the customers in danger of over borrowing. Group liability, abandoned by Grameen Bank close to a decade ago, is religiously practiced by MFIs in India. This practice will come under severe strain. Unsavory collection practices will not be accepted and MFIs with these practices will be targeted by customers. MFIs will have to institute client protection measures as customers will also demand product differentiation and good customer service.

Finally, Sa-Dhan will have to evolve into an industry organization like the Confederation of Indian Industries or the Indian Bank's Association. Its role will have to be transformed to a Self Regulatory Organization and a full fledged industry organization that lobbies with other regulators and government.

## Looking Forward

As microfinance has spread so quickly across India, one of the biggest challenges is multiple lending by aggressive microfinance institutions. As an industry, we are working to combat these problems through education of our customers and communication amongst each other. As a company, Ujjivan is putting in place strict controls with respect to area and customer selection to ensure that we are helping customers and not propagating over-indebtedness. In this effort, Ujjivan is also part of the international steering committee of the Campaign for Client Protection in Microfinance.

Our products and services are based and focused on meeting our customers' needs. The largest need of our customers is a savings facility, which we are currently not allowed to provide them due to RBI Act Section 45 (bb). Ujjivan and other MFIs hope to work with the regulatory bodies to find a solution to this problem and begin providing a safe and secure vehicle for customers to make small savings of Rs. 10-20 per week.

Ujjivan recognizes that technology is important in increasing operational efficiencies and plans to introduce a variety of initiatives to enable field staff to serve customers more efficiently. We are implementing an ERP core banking system that is customized for Ujjivan's specific operations and in conjunction, implementing open source/Linux technology at all of our branches. We will be setting up a

document management system incorporating scanning and digital imaging to increase workflow & storage/retrieval efficiencies. Also in the pipeline are SMS & mobile technology to accelerate operational processes as well as GIS technology to map and better manage our branches and centers.

Ujjivan believes that in addition to its financial shareholders, its customers and staff have a stake in the company. As a social enterprise, in addition to our 'financial' bottom line, Ujjivan has planned for a 'social' bottom line as well. After achieving annual financial break-even, we will provide 10% of Profit after Taxes (PAT) and dividends payable as a budget in the following financial year towards programs for poverty alleviation for customers and their immediate family members, which will be increased to 20% per annum thereafter. Given that many of our staff are from the same economic background as our customers, we will also set aside 5% of PAT and dividends payable for the staff (excluding officers) and immediate family members, which will be increased to 10% per annum thereafter.

We look forward to our next phase of focused growth and expansion with a strong emphasis on service quality to our customers.

**Samit Ghosh**  
June 12, 2009



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# Company Profile

Ujjivan is a Bengaluru based microfinance institution with the mission of providing financial services to the economically active urban and semi-urban poor to enable them to lead a better life. It is a Non Banking Financial Company holding a valid Certificate of Registration dated 31-10-2005 issued by the Reserve Bank of India\* under section 45 1A of the Reserve Bank of India Act, 1934.

Ujjivan is a pioneer in extending microfinance services to India's urban poor. We offer a holistic range of products and services to cover a variety of our customers' needs throughout their life-cycle. Ujjivan is a Grameen replicator and applies the Grameen model that has been tried and tested over a period of almost 30 years. Ujjivan adopts the most effective microfinance and banking methodologies and modifies them to suit our operations.

## Our Goals

1. Free our customers of poverty within 5 years of taking the first loan
2. Serve 2,000,000 customer within 6 years of operations
3. Open 500 branches nationwide with 4 hubs: Bengaluru, Delhi, Kolkata and Pune
4. Operate a viable business and provide a long term ROE of 15%

\*However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits/discharge of liabilities by the company.

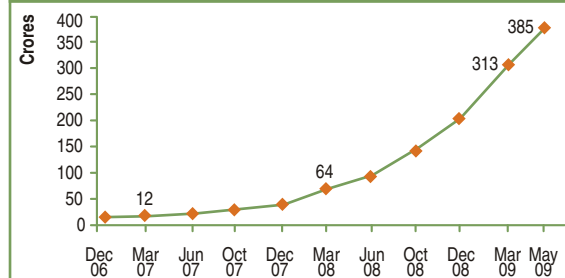
5. Offer employees a rewarding career
6. Partner with Parinaam Foundation to provide a holistic approach to poverty eradication.

## Outreach Snapshot (as of May 31, 2009):

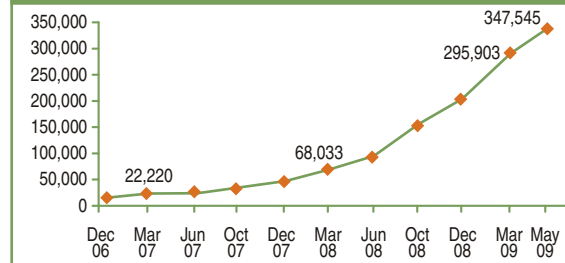
Number of Customers	3,47,545
Loan Disbursements	Rs. 385.1 Crores
Repayment Rate	99.41%
Staff Strength	1,905
Regional Hubs	4
Number of Branches	145
No of Life Insurance Policies Issued	289,916

Ujjivan has grown rapidly since inception in terms of both customer acquisition and loan disbursement.

## Disbursement (in Rs.)



## Customer Outreach



## My Story



Customer Name : Asha  
Occupation : Chat shop  
Region : East

Asha has been running a small chat shop for the last 3 years to supplement her husband's Rs. 4,000 monthly income from the gas factory. Although her business was established, her income was Rs.100 per day because she didn't have enough to invest back into the business.

She availed a Rs. 8,000 loan from Ujjivan and used it to expand her product offering. A few months later, she was able to increase her income to Rs. 150-200 per day!

She has three sons, one in college and two in school. All are studying and doing well in school, so she wants to take an Education Loan from Ujjivan to help with education expenses. Asha is very satisfied with Ujjivan's services, particularly with staff behavior, and is looking forward to a long relationship with the company.



## My Story



Customer Name : Brahmani Devi  
Occupation : Milk Business  
Region : East

Brahmani Devi availed a loan of Rs. 7,000 from Ujjivan and used it to purchase a mid-sized, mixed breed Jersey. She now supplies approximately 90% of her milk to OMFED (Orissa Milk Marketing Federation). From this income, she is able to pay off the interest on the loan she previously took from a money lender for her daughter's marriage. She is also able to save a little every week and she is confident that she will be economically stable enough to get her second daughter married soon.

Ujjivan currently operates out of four regional offices in Bengaluru, Kolkata, Delhi and Pune with 149 branches, serving over 340,000 customers.

### SOUTH REGION KARNATAKA

Anekal  
Bailhongal  
Belgaum  
Bhadravathi  
BR Pura  
Chamrajpet  
Chandra Layout  
Challakere  
Channapatna  
Chikkaballapur  
Chikkabanavara  
Chintamani  
Chitradurga  
Davangere North  
Davangere South  
Devaiah Park  
Dharwad North  
Dommasandra  
Gadag  
Gauribidanur  
Gokak  
Haveri  
HAL  
Harihara

Hubli North  
Hubli Old  
Jakkasandra  
Kavalbysandra  
Koramangala  
Kothanur  
KR Puram  
Lingarajpuram  
Maddur  
Magadi Road  
Mysore  
Brindavan  
Mysore  
Chamundi  
Nanjangud  
Peenya  
Ramanagar  
Ranibennur  
Shimoga  
Siddalghatta  
Sira  
Tiptur  
Tumkur  
Uttarahalli  
Whitefield  
Yeshwantpur  
Yelahanka

### TAMIL NADU

Ambur  
Dharmapuri  
Erode Kaveri  
Gudiyatham  
Hosur  
Hosur Zuzvadi

Krishnagiri  
Palacode  
Tirupathur  
Vaniambadi  
Vellore Fort  
Vellore Katpadi

### Geographical Business Diversification

(Rupees in Crores)

Region	Number of Branches	Number of Customers	Amount of Loans Outstanding
<b>South</b>	<b>61</b>	<b>161,368</b>	<b>102.9</b>
Karnataka	49	142,523	89.5
Tamil Nadu	12	18,845	13.4
<b>East</b>	<b>51</b>	<b>139,658</b>	<b>72.6</b>
West Bengal	33	114,284	59.3
Jharkhand	11	17,277	9.9
Orissa	4	6,730	3.5
Bihar	3	1,367	0.9
<b>North</b>	<b>28</b>	<b>40,762</b>	<b>21.1</b>
New Delhi	7	14,051	5.4
Rajasthan	12	12,523	7.7
Uttar Pradesh	6	12,808	7.1
Uttarakhand	2	0	0
Haryana	1	1,380	0.9
<b>West</b>	<b>5</b>	<b>5,757</b>	<b>3.8</b>
Maharashtra	5	5,757	3.8
<b>Ujjivan</b>	<b>145</b>	<b>347,545</b>	<b>201.3</b>

## EAST REGION

### West Bengal

Bally  
Bagnan  
Bandel  
Barasat  
Baruipur  
Batanagar  
Bidhan Nagar  
Chakdaha  
Chandannagar  
Dakshineswar  
Domjur  
Dumdum  
Garcha  
Garia  
Habra  
Halisahar  
Kalighat  
Kasba  
Krishnanagar  
Panskura  
ParkCircus  
Salkia  
Sankrail  
Shantipur  
Shibpur  
Shyamnagar  
Sodepur  
Sreerampore

Subhasgram

Thakurpukur

Tribeni

Tollygunge

Uluberia

### Jharkhand

Adityapur

Baridih

Dhanbad

Ghatshila

Govindpur

Katras

Kokar

Hinoo

Mango

Parsudih

Ratu Road

### Orissa

Baramunda

Chandrashekarapur

Khurdha

Samantarapur

### Bihar

Danapur

Hajipur

Patna city

## NORTH REGION

### New Delhi

Jahangirpuri

Madangir

Mangolpuri

Nangloi

Sultanpuri

Trilok Puri

Wazirpurpur

### Rajasthan

Ajmer

Alwar

Bharatpur

Bundi

Dausa

Jaipur

Kishangarh

Kota

Pawta

Pratapnagar

Sawai Madhopur

Tonk

### Uttar Pradesh

Aligarh

Bulandsehar

Khurja

Meerut

Vijay Nagar

Yamuna Vihar

## Uttarakhand

Haridwar

Roorkee

## Haryana

Faridabad

## WEST REGION

### Maharashtra

Aundh

PCMC

Pune - North

Pune - South

Pune - East

## My Story



Customer Name : Kausar Parveen  
Occupation : Catering Business  
Region : South

Kausar grew up in Bangalore with her parents and four sisters. Her mother had a small saree business and her father a beedi stall. She attended school and passed SSLC while also cutting beedi at home in the evenings from a very young age to help her father.

After getting married, she began helping her husband with his canteen business, which they have slowly grown into a small catering business. Both Kausar and her husband do the cooking, rent crockery to serve the food and serve at various events. She heard about Ujjivan about one year ago and has availed a Rs. 10,000 loan. With this money, they have now purchased their own crockery items, eliminating the recurring expense of renting and also hired people to wash the dishes and vessels after they cook. After this investment, they hope to see an increase in the profits. Kausar looks forward to availing future loans from Ujjivan to expand their catering business even further.





## Key Milestones

### 2006

- January - First loans disbursed
- May - Increased share capital to Rs. 5.5 Crores, with the induction of new investors: non-resident Indians, Unitus and Michael & Susan Dell Foundation
- November - Reached 10,000 customers in Bangalore
- November - Released a Market Research publication entitled "A Study of the Economically Active Poor Women in Bangalore 2005"
- December - Microfinance Plus programs launched with first eye care camp held in one of our Bangalore branches

### 2007

- February - Operations began in Delhi and Kolkata
- April - 18 month pilot completed in Bangalore
- April - Became the first Indian MFI to grant stock options to employees
- May - Delhi and Kolkata Regional Offices disbursed first loans
- June - First Housing Loans disbursed
- June - Healthcare program launched at Koramangala Branch

- September - Became founding member of the Association of Karnataka Microfinance Institutions (AKMI)
- October - Dutch Royal Family visited Ujjivan's head office
- October - Selected from Unitus' 16 global MFI partners to receive their first ever Unitus Accelerator Award

- November - Third round of equity raising completed
- December - Reached 50,000 customers nation-wide

### 2008

- February - Went live with regional operations, localizing data processing in the North and East regions
- March - Conducted first ever management trainee program to prepare recent graduates for leadership roles within the company
- July - Reached 1,00,000 customers, Rs. 100 Crores of loan disbursement and 1,000 employees nationwide
- August - Rs. 1 Billion loans disbursed
- August - Became member of Women's World Banking Network
- October - Celebrated crossing 1,00,000 customers with staff and customers

- November - Raised fourth round of equity (Rs.87.8 Crores)
- November - Won Microfinance Process Excellence Award for South Region
- November - Opened 100th branch at Nanjangud
- December - Launched 4th regional office in Pune, Maharashtra

### 2009

- January - Introduced life insurance through ICICI Prudential to customers and their spouses
- February - Representative from India on the steering committee of the 'Coalition for Client Protection in Microfinance'
- April - First Annual Business Retreat held in South and East regions
- June - Ranked #1 in microfinance industry as Best Place to Work by Great Place to Work Institute, India and the Economic Times

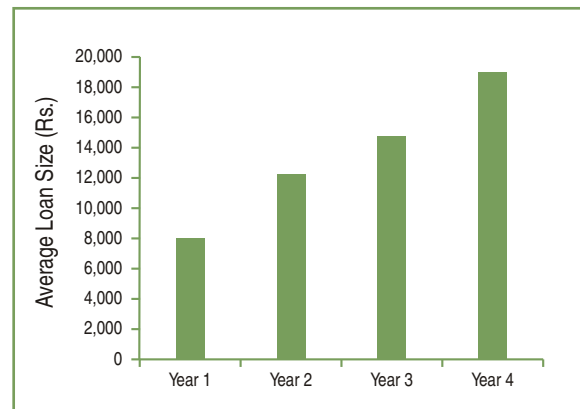
# Customer Profile

Ujjivan's customers are industrious, hard-working women currently living and working in India's urban and semi-urban areas. They hold a variety of occupations, often owning small shops, tailoring businesses or restaurants or are employed as housemaids or factory workers.

## Top 10 Occupations for Ujjivan Customers

Tailors	Saree Sellers
Housemaids	Beedi Rollers
Flower Vendors	Factory Workers
Vegetable Vendors	Agarbatti Workers
Chamki (embroidery workers)	Petty Shop Owners

## Customer Breakdown by Loans Taken

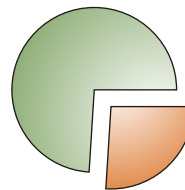


## Customer Breakdown by Occupation

Region wise breakdown



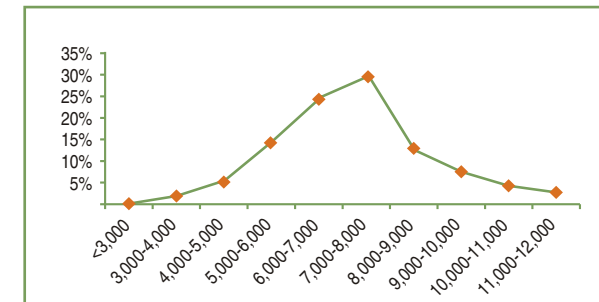
Breakdown of salaried vs. self-employed customers



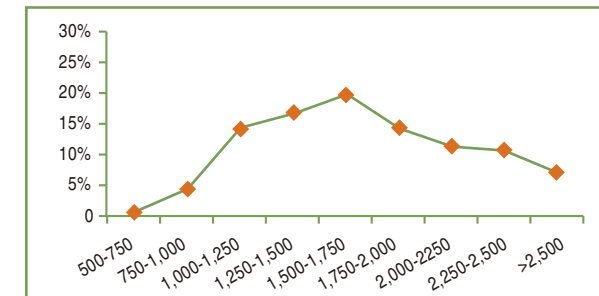
79% Self Employed	21% Salaried
- Tailors	- Housemaids
- Saree sellers	- Beedi rollers
- Flower vendors	- Agarbatti rollers
- Vegetable/fruit vendors	- Factory workers
- Petty shop owners	

## Customer Breakdown by Income

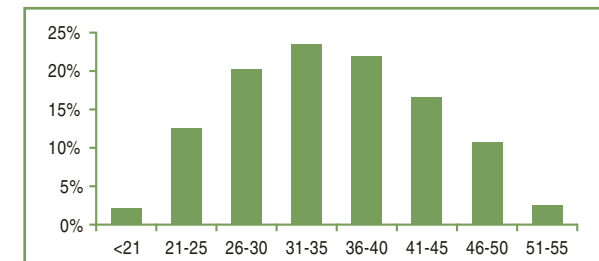
Household Income (Rs.)



Per Capita Income (Rs.)



## Customer Breakdown by Age



## My Story



Customer Name : Vasu  
Occupation : Potato Chips Maker  
Region : South

Vasu grew up in a family of ten with his parents and seven siblings in Bangalore. His father worked at the HAL Airport and his mother was a housewife who looked after her eight children. When Vasu was fourteen, he stopped school and began a salaried job doing silk power loom work. In one week, he would make approximately 3-4 sarees and earn around Rs. 600.

Ten years ago, his silk business took a downturn and he decided to start his own potato chip business. He took an area next to his house and set up place to prepare the potatoes and cook the chips. He was selling around 35 kg of chips per day at Rs. 90 per kg. His sales per day totaled approx. Rs. 3,000 and with a 25-30% margin, his income was around Rs. 750 per day. His daily routine is to go to the market in the mornings between 9 am and 12 pm to purchase oil, chili powder and covers, spend the afternoon and early evening from 1 pm to 8 pm making the chips and preparing the packets, and then sell and make deliveries in the evenings after 8 pm. He has four children, two are in college and two are in school, the eldest of which helps him with sales in the evenings.

His wife helps him run the business and heard of Ujjivan. She took a Business Loan of Rs. 8,000 and a Top Up Loan six months later of Rs. 5,500 to improve their production area. They built a roof and erected siding to protect the area with the loans she availed. After some time, Ujjivan began offering Individual Business Loans and Vasu applied for Rs. 25,000 to purchase a potato peeling machine and meter connection required for the same. This machine has enabled him to increase his production output as it peels potatoes quicker than before. Instead of 35 kg per day, he is able to produce 45 kg per day, which has increased his daily sales by almost Rs. 1,500.

Vasu is looking into expanding and employing workers to help him increase production. He is motivated to continue working so that he can send his children to good schools and colleges so that they can move ahead in their lives.

## My Story



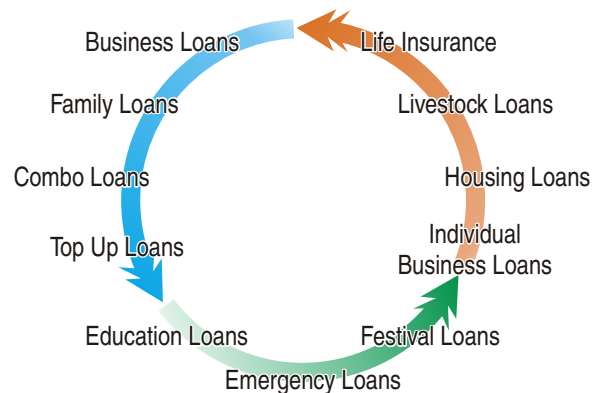
Customer Name : Maya Devi  
Occupation : Vegetable Vendor  
Region : North

Maya Devi is a living example of how one can keep fighting her failure and pave a path towards success. Both Maya Devi and her husband were involved in a wholesale fruit business. They suffered huge losses, forcing her husband to quit and begin working as a laborer in a local market. She felt as though she couldn't do anything for her family and was ashamed that it had come to this. At that time, she heard about Ujjivan and its mission to provide financial services to people of her economic profile. She decided to avail a Rs. 8,000 business loan from Ujjivan and began selling bananas in a local market; this has enabled her to earn Rs. 150-200 per day for the last year. She has recently taken a second cycle loan of Rs. 10,000 for purchasing a new handcart to increase her business volumes. Asking about her future plans, she would eventually like to get back into the wholesale business. She says, "Agar hame Ujjivan se 70-80 hazaar rupay mil jaye, to hum dobara apni wholesale wali business shuru karenge." (Translation: If Ujjivan will give us around Rs. 70-80,000, then we can start our wholesale business again).



# Products & Services

Ujjivan provides a myriad of products to meet a wide range of customer needs. Products are continually designed and developed to meet the needs of our customers while protecting them from various spikes in their cash flow.



## Business Loan

This loan gives self-employed women access to financing to support their businesses (including selling fruits / vegetables/ flowers, running petty shops, tailoring, etc.) Customers typically use this loan to finance diverse business needs, including: working capital, capital equipment, vocational training, and the repayment of high-cost debt previously taken for a business purpose.

- Loan Amount: Rs. 6,000 – 10,000 in the 1st year, increasing in subsequent years.
- Interest Rate: 25.0% p.a. declining, 1.17% flat monthly
- Tenure: 12 months, 48 weeks (depending on cash flow)

## Family Loan

This allows economically active (salaried or self employed) women to avail loans to finance a range of family needs, including children's school expenses, medical care, house repairs, social and religious obligations, consumer durables, and the repayment of high-cost debt previously taken for family needs.

- Loan Amount: Rs. 6,000 – 10,000 in the 1st year, increasing in subsequent years
- Interest Rate: 26.9% p.a. declining, 1.25% flat monthly
- Tenure: 12 months, 48 weeks (depending on cash flow)

## Combo Loan

Many of our customers need money for both family and business needs, so this loan provides the flexibility for women finance a combination of the two.

- Loan Amount: Rs. 6,000 – 10,000 in the 1st year, increasing in subsequent years
- Interest Rate: 25.0% p.a. declining, 1.17% flat monthly
- Tenure: 12 months, 48 weeks (depending on cash flow)

## Top Up Loan

Customers many times need a periodic infusion of capital instead of just once a year, typically to finance the working capital needs of a business. This loan provides access to additional financing of 10-20% over their initial loan size every six months, based on satisfactory credit history and discipline.

## My Story



Customer Name : Rajkumari  
Occupation : Papad Maker  
Region : North

Rajkumari has been living in difficult conditions with her two daughters (studying in class 8 and 3) after her husband passed away. He was the sole breadwinner of the family, so after his passing, she turned to her skill of papad making and began selling to the local market. Even though she worked hard, her income was very low and many times she left the market empty handed with no income because of the lack of variety. Her family was barely able to survive on her income, let alone generate extra income to reinvest into her business.

Rajkumari met a CRS from Bharatpur branch and attended a projection meeting, where she learned more about Ujjivan. She joined a group of close friends and availed her first loan of Rs. 8,000. With this money, she bought raw materials and a special kind of machine to make varied papads. This helped increase her daily average income from approximately Rs. 100 to almost Rs. 200 – 250 per day. She now even takes orders to supply papads for special occasions and earns a large amount at one time.

She is very disciplined about Ujjivan's rules and regulations and is planning on taking a larger loan to expand her business further. She says, "I was tired of selling only one kind of papad, but thanks to Ujjivan for providing an affordable loan at my door step, I have now expanded my business and can provide better for my family."

- Loan Amount: Dependent on principal repaid and original loan
- Interest Rate: For the purpose of the top up loan, not the original loan
- Tenure: 12 months, 48 weeks; Loan rescheduled for customer convenience to reduce required cash outflow

### Emergency Loan

This loan is designed to meet the unforeseen emergency requirements of customers, and is disbursed within 24 hours of the request.

- Loan Amount: Rs. 1,500–3,000
- Interest Rate: 26.9% p.a. declining, 1.25% flat monthly
- Tenure: 6 months, 24 weeks (depending on cash flow)

### Festival Loan

This value-add loan gives customers assistance in covering additional expenses they might incur during important festivals throughout the year.

- Loan Amount: Rs. 1,500–3,000
- Interest Rate: 26.9% p.a. declining, 1.25% flat monthly
- Tenure: 6 months, 24 weeks (depending on cash flow)

### Education Loan

This loan is designed to finance the education expenses (admissions fees, text books, uniforms) of children of existing Ujjivan customers studying from LKG to 2nd PUC.

- Loan Amount: Rs. 5,000–10,000
- Interest Rate: 25.0% p.a. declining, 1.17% flat monthly
- Tenure: 12 months, 48 weeks (depending on cash flow)

As customers graduate to larger loan sizes, customers from higher economic segments will be viable candidates for individual lending products. To this end, Ujjivan has begun introducing individual loans that are designed to help transition customers into the traditional financial sector.

### Housing Loan

Ujjivan provides an individual loan to help women pay for rental deposits, lease amounts, or home improvements.

- Loan Amount: Rs. 15,000–30,000
- Interest Rate: 24.0% p.a. declining
- Tenure: 12-36 months

### Individual Business Loan

This loan gives both female and male business owners access to financing for capital expansion and asset improvement of their businesses.

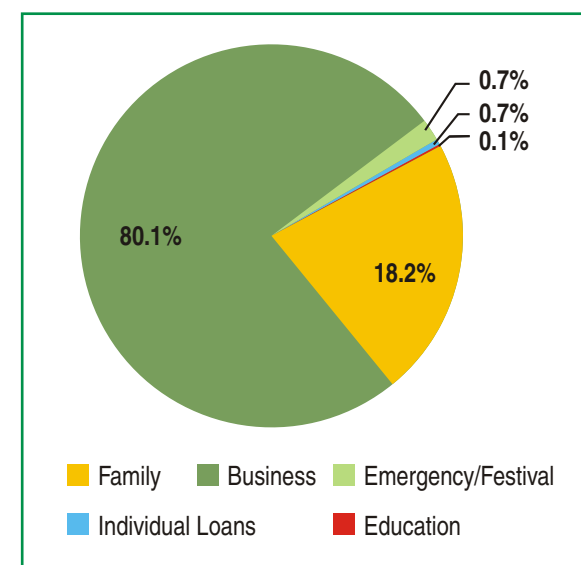
- Loan Amount: Rs. 10,000 - 50,000
- Interest Rate: 28.0% p.a. declining
- Tenure: 6-24 months

### Livestock Loan

This loan provides customers with capital to purchase cows and buffalos for their dairy businesses.

- Loan Amount: Rs. 12,000–23,000 (+ premium)
- Interest Rate: 25.0% p.a. declining, 1.17% flat monthly
- Tenure: 18 months

### Portfolio Breakdown



# Parinaam Foundation



## Background

In 2008, the founders of Ujjivan realized that unless they took a holistic approach towards the disadvantaged, they would only provide a partial solution to poverty alleviation. Parinaam Foundation was registered on March 31, 2008 under Section 25 of "The Companies Act, 1956" as a not-for-profit company, to cover critical initiatives outside the scope of microfinance. Ujjivan has partnered with Parinaam to deliver the micro credit "plus" programs to its customers across India.

Parinaam intends to provide access to quality healthcare and education, practical vocational training and job enhancement, basic community services and capacity building initiatives for Ujjivan customers and families, as well as BPL families outside the typical scope of micro lending. We hope to impact the lives of the poor with multiple initiatives in the next six years, and to execute programs that ensure high levels of efficiency with minimized costs.

## Strategy

- Programs offered will be based on research to identify the key needs of the poor.
- Ujjivan's unique distribution channel will be leveraged to maximize outreach and impact.
- Programs will be devised through strategic partnerships with like-minded organizations and will be financially supported through grants, donations and/or with direct interventions from the supporting institutions.
- Programs will be developed and executed independently where no other or minimal other programs exist.

## Eye Camps

Parinaam's Eye Camp program was launched in December 2006 in collaboration with Vittala International Institute of Ophthalmology, and is now running twice monthly at branches in Ujjivan's South and East divisions in partnerships with local hospitals and clinics. The camps provide free screenings by ophthalmologists for Ujjivan customers and their families, and work to provide follow-up care for patients who have a variety of vision problems, including glaucoma, cataracts, the need for eye glasses, and others. To date, there have been 9,200 customers at the camps, and we have prescribed almost 3,000 pairs of eyeglasses and sent 103 patients for cataract surgery.

In December of 2008, we added ENT screening to our camps, and to date have recommended 66 patients for surgery. In March of this year, we expanded to include dental screening, and have referred 185 patients for root canals, extractions, dentures, and other dental procedures. Additionally, we have established a private fund in partnership with Vittala to assist customers who are unable to pay for their treatments.







### **Vocational Training and Livelihood Enhancement Facilities**

Through a partnership with a local NGO, Parinaam provides vocational training to BPL school dropouts. This training provides education in conversational English, basic computer skills, and a specialty in guest services, industrial painting, industrial tailoring, driving, security services, or BPO/call center support. Additionally, Parinaam works with Ujjivan customers and their families to assist them in enrolling with another organization that provides workers from the informal sector with training, accident insurance, bank accounts, and job opportunities at fair market rates.

Parinaam provides counseling for potential enrollees in both programs, assisting them with the enrollment process and encouraging them to complete the training.

### **Urban Ultra Poor Program**

Parinaam is currently developing an urban ultra poor program in order to target those living in urban poverty who are outside the scope of typical microfinance activities. The program will focus on providing health initiatives, childcare support, livelihood development, financial literacy, and social development to bring these families to a more manageable level of poverty.

Enrollees will receive basic financial training in order to learn long-term budgeting skills, and will be required to establish a small monthly savings account. Additionally, the program will work to provide basic income generating assets and healthcare. Parinaam plans to launch the initial pilot of this program with 200 women in September. The end goal is to migrate these families to microfinance services.

### **Healthcare Management Program**

Having observed the lack of availability and quality among existing health insurance schemes aimed at the poor, Parinaam has initiated development of an end-to-end healthcare management program. This program will focus on a holistic approach to healthcare, ranging from preventative care to tertiary care. The program will eventually provide affordable and high-quality healthcare to all Ujjivan customers and their families.

Parinaam will train Community Health Workers to provide basic primary and preventative care within client communities. These workers will provide services ranging from health education and general check-ups to referrals and more specialized clinics. Additionally, Ujjivan customers will receive extensive secondary and tertiary coverage in exchange for a small membership fee.

The Parinaam Foundation is proud of its achievements in its first year, and hopes to expand its outreach significantly in 2009. While our approach has evolved, our mission remains the same: to provide basic necessities of life to the millions of urban poor in India, always with our bench mark of "Quality and Customer Satisfaction".

## My Story



Customer Name : Rangamma  
Occupation : Basket Weaver  
Region : South

Rangamma is a bamboo basket weaver in Ramanagar.

Rangamma grew up in Maddur with her parents and two brothers, who all were also in the same business. Neither she nor her brothers attended much school and by the age of twelve, Rangamma started working and helping her parents with their basket weaving business.

About thirty years ago, Rangamma got married and moved to her husband's native place, Ramanagar. They have four children – two girls and two boys. As she didn't grow up with education, Rangamma took special care to send her children to school; both boys have passed PUC, one daughter passed SSLC and the other finished her BA. She and her husband both are in the same business and work together to supply different kinds of bamboo baskets mostly to the silk workers in the surrounding areas. They typically each make 4-5 baskets a day, which they can sell from Rs.50-100 each depending on the size. Many families living close by are into the same business, so they all pool together, hire a vehicle and bring an installment of bamboo from Bangalore every week.

Rangamma has been an Ujjivan customer for three years now. She first took a business loan of Rs. 10,000, then Rs. 12,000 as well as a housing loan for Rs. 25,000. With this low-cost source of capital, she was able to do two things to help her business:

1. Prior to taking the loan, she would buy the raw materials (bamboo) on credit and end up paying a much higher price. With the Ujjivan loan, she is able to finance the bamboo herself and recycle her earnings now so she doesn't have to rely on high cost creditors.
2. With the housing loan, she was able to procure extra space for storing her baskets. With the extra space, she eliminated her production constraint and is now able to make more to stock up for festival and other busy times of the year.

## My Story



Customer Name : Meenakshi  
Occupation : Tailor/Saree Business  
Region : South

Meenakshi grew up in Kolar with her parents and two brothers doing sericulture work. She got married at 19 years old to a man from Andhra and they moved to Bangalore in search of work. They have three young children who they send to private schools to get an education.

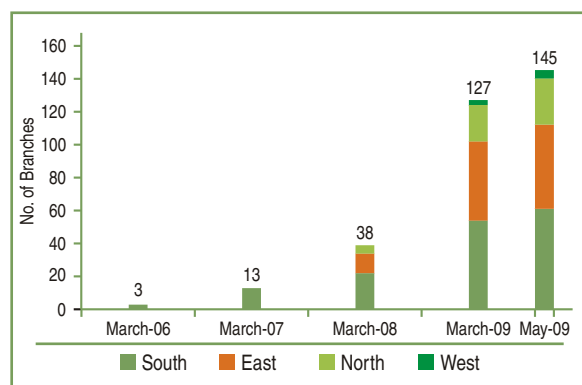
While her husband worked, she began tailoring at home, making suits for Rs. 150 each. She heard about Ujjivan and availed a Rs. 8,000 loan three years ago to buy a zigzag sewing machine to expand her business. With her subsequent two loans she began buying sarees wholesale from Chikpet and selling them to customers. With more money to purchase in bulk, she is able to cut down on costs and increase her profits.



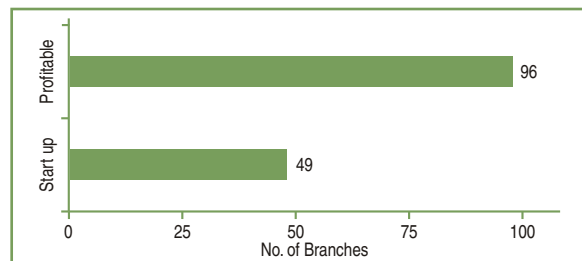
# Performance Statistics

Ujjivan has expanded substantially in the past year reaching out to a total of 347,545 customers and disbursing a total of Rs. 385 Crores as of May 31, 2009. Ujjivan is able to experience this growth because of its focus on opening new branches and providing existing customers with high quality service and access to a variety of products.

## Ujjivan Branch Network Expansion

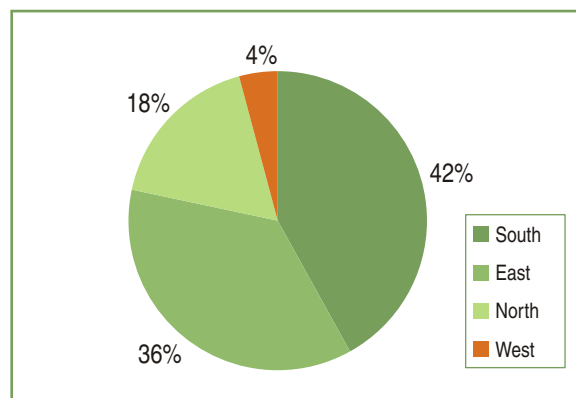


## Start up & Profitable Branches as of May 31, 2009



Region	Branches	Customers
South	61	161,368
East	51	139,658
North	28	40,762
West	5	5,757

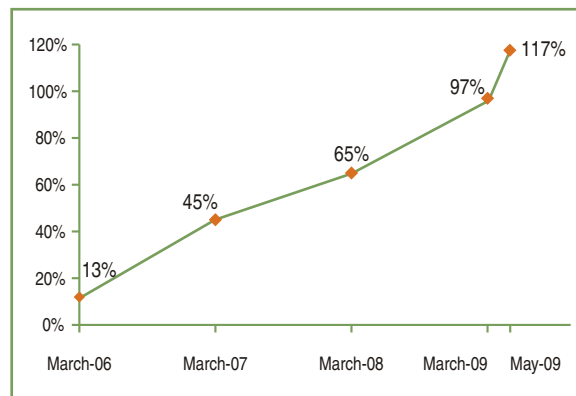
## Region Wise Staff Distribution



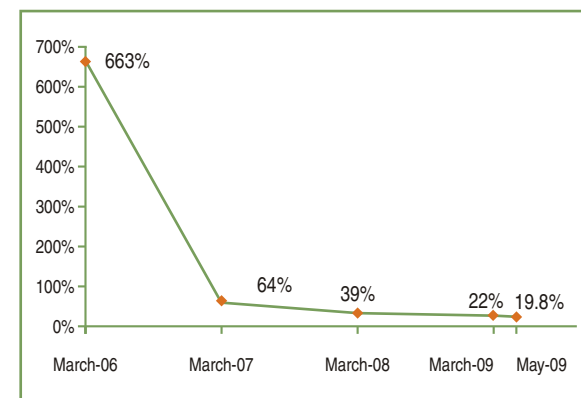
## Financial Ratios

### Operational Self Sufficiency Ratio (OSS)

= (Income from Operations & Investments)/Total Expenses

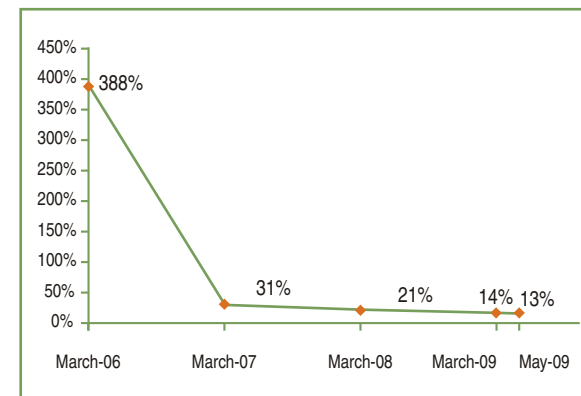


**Operating Expense Ratio** = (Personnel Cost+ Admin. Cost + Depreciation)/Average Loan Outstanding



### Personnel Expense Ratio

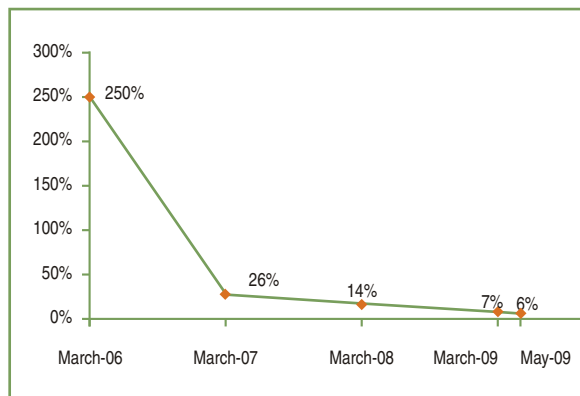
= Personnel Cost/Average Loan Outstanding





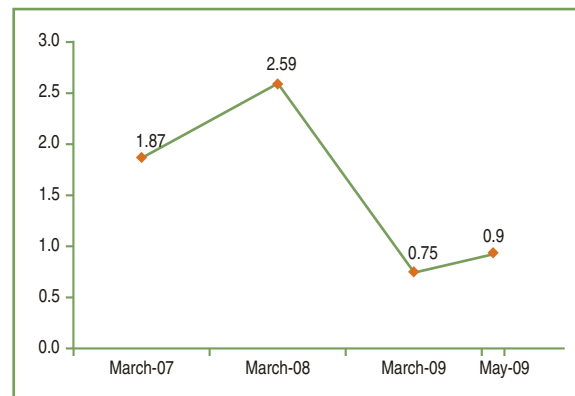
### Administrative Expense Ratio

= Administrative Expense/Average Loan Outstanding



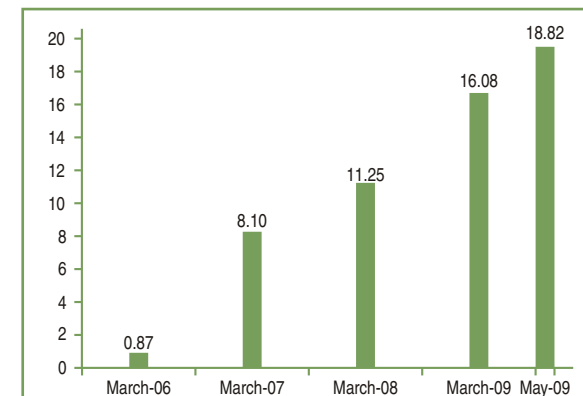
### Debt to Equity Ratio

= Debt / Equity



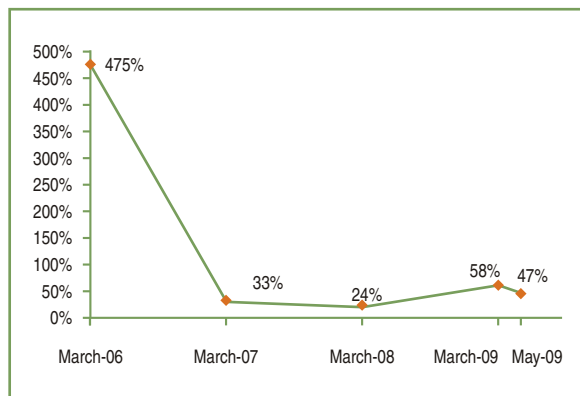
### Productivity Ratios

Loan Outstanding Per CRS: (Rupees in Lacs)



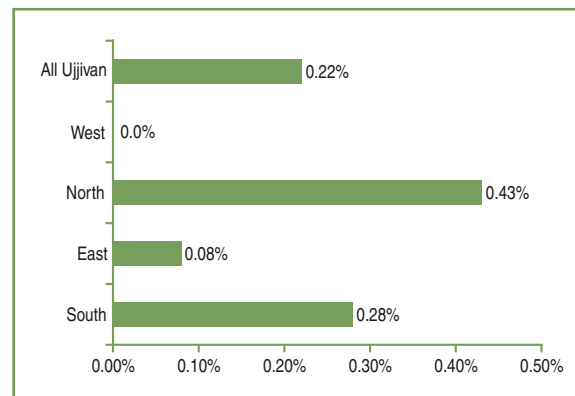
### Capital Adequacy Ratio (CAR)

= Net Worth/ (Total Asset – Cash at Hand)

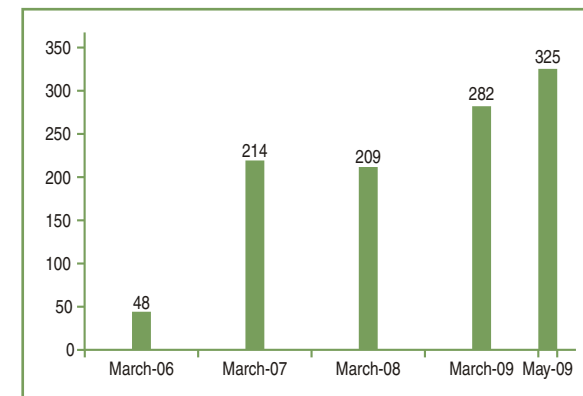


### Portfolio at Risk = Overdues past 30 days/Corresponding

Principal Outstanding as of May 31, 2009



Number of Customers per CRS:



# The Ujjivan Team

## National Leadership Team

Ujjivan's National Leadership Team is comprised of 11 professionals that bring together decades of diverse experience from the social, microfinance, IT and financial services sectors.

**Samit Ghosh**, Chief Executive Officer & Managing Director

He pioneered consumer banking in India with Ravindra Bahl and Jaitirth Rao at Citibank in 1985. He subsequently led the launch of retail banking for Standard Chartered in the Middle East and South Asia and for HDFC Bank in India. His last commercial assignment was Chief Executive, India of Bank Muscat. He has had international banking experience for over thirty years now. Alumnus of Jadavpur University and Wharton School.

**Carol Furtado**, Chief Operating Officer – South

She is a banker with 10 years of experience with ANZ Grindlays Bank and Bank Muscat, where she specialized in modern retail operations. She has an M.B.A. from Mount Carmel Institute of Management, Bangalore.

**Gautam Gan**, Chief Operating Officer – East

He has 34 years of experience in 10 different banking institutions, most recently in retail banking as Senior Vice President of Development Credit Bank (DCB), where he streamlined its retail operations through relocation and renovation of branches across India. Alumnus of Calcutta University and Jadavpur University.

**Manoj Dwivedi**, Chief Operating Officer – North

He is a microfinance professional with 7 years of experience at various levels of management. He worked for 5 years with BASIX, a leading MFI of India known for its system development in the microfinance sector. He has an MBA from VAMNICOM, Pune (institute of cooperative Management).

**Jolly Zachariah**, Chief Operating Officer – West

He has over twenty years of international banking experience with Citicorp/Citibank. He has managed Consumer Banking and Credit Card businesses across India, Middle East, Africa and the United States of America before returning to India.

**Brian Frazier**, Head of Operations

He has 7 years of experience in engineering and project management with Marathon Oil and has now served 2 years in Operations for Ujjivan. He received a B.S. in Petroleum Engineering from Texas A&M University and an MBA from the University of Houston.

## My Story



Employee Name : Kausalya Sirgire  
Region : West  
Designation : Customer Relationship Manager

Kausalya completed her graduation in Economics and her attraction to social work led her to pursue her Masters in Social Work. She supported her education by concurrently working to finance her studies. With her educational background, she was interested in issues pertaining to women, street children, prostitutes and child labor. She realized that combating these matters would require a methodical scalable approach, which is when she began talking to Ujjivan.

She is one of the first Customer Relationship Managers in Ujjivan's Western region and she has set a fine example for others. In addition to her work at Ujjivan, she continues to do volunteer and social work, including education camps and workshops for children. Kausalya would eventually like to pursue her PhD and go on to create a model to generate more employment for the underprivileged.

## My Story



**Employee Name :** Rani  
**Region :** North  
**Designation :** Audit Executive

Rani is a part of a joint family of seven, where she and her husband are the only earning members. Six years back, their lives were difficult and as community workers in an NGO, their income was not sufficient for a joint family. While she needed to find employment that provided higher compensation, she felt that working with the underprivileged was rewarding.

When Ujjivan opened its branch in Dakshinipuri, Rani's husband interviewed and was selected as CRM for the branch. He was eager for Rani to take a job with Ujjivan, so he declined. Rani was then interviewed and became a Cashier in Mangolpuri. Although apprehensive as she had very little experience with SHGs and the Grameen model, she worked very hard and was promoted to CRM of Nangloi branch within eight months. Management saw scope for her to achieve more with the company and she is now working as an Audit Executive covering the entire North region.

Rani aspires to continue serving Ujjivan and its customers with honesty and integrity. Through her hard work and devotion, she hopes to take on more responsibility and move up in the organization. She wants to help Ujjivan become the #1 MFI in India!

## National Leadership Team (Continued)

**Sudha Suresh**, Chief Financial Officer

She is a Chartered Accountant with a rich corporate career. Her corporate expertise & contributions span areas of fiscal management, strategic planning, capital & debt syndication, MIS & compliance in private and public limited companies. She is also a qualified Cost Accountant and Company Secretary.

**Lt. Col. Murthy Rajan**, Head of Human Resources

He served for nearly 23 years in the Armed Forces, was with the Akshara Foundation for 6 years where he served as Chief Operating Officer, and has been with Ujjivan since August 2007. He is an engineer in telecommunications and holds a Masters in Personnel Management.

**S. Lalita Rao**, Head of Audit

She has over 20 years of experience across departments at IDBI and SIDBI, including 4 years as AGM (Microfinance), SIDBI, Bangalore. Subsequently, she was an advisor to two MFIs and a freelance microfinance consultant for over 4 years. She is a Certified Portfolio Auditor, Microsave.

**Deepak Ayare**, Chief Technology Officer

He is an IT professional with 20 years of experience in different aspects of Technology, who has worked in the Gulf and Africa for 14 years. His core strengths are implementing ERP and developing business systems for organizations with different verticals.

**G. Premkumar**, Head of Administration

In addition to working as Ujjivan's Regional Administration Manager (South) for 2 years, he brings to Ujjivan over 10 years of experience in similar positions with One World Hospital and Paul D'Souza & Associates, a leading law firm in Bangalore.

## Internships

Ujjivan offers internships to qualified students from top academic institutions across the world to give them exposure to microfinance and urban poverty. The program is year-round, depending on students' schedules and the Company's need. During an intern's tenure with Ujjivan, he/she is paired with a mentor and given a project based on their interest and background. Many interns work on process innovations that have been successfully implemented and carried forward as a vital part of the





business. Ujjivan strives to give interns a well-rounded experience with proper exposure to urban microfinance and looks for talent to bring back in the future.

## Training Programs

Ujjivan views training as an avenue to help employees develop their careers and skills. All field staff undergoes a thorough 12 day Basic Training, during which they learn about all products, services, processes, job responsibilities, etc. The training is dynamic, including classroom sessions, role playing, case studies and demonstrations, as well as field exposure to ensure that field staff has a thorough understanding of how to fulfill their responsibilities. All branch managers and cashiers receive additional training on computers, managing branch staff and other functions necessary for their jobs.

The second annual Management Trainee program was completed recently, during which recruits from business and agriculture universities across India were trained across all departmental functions. After completing this program, they have been placed in various departments across Ujjivan's four regions based on individual assessments of their skills and interests. The Management Trainees from last year's program are currently re-evaluating their roles and rotating departments to get varied exposure and experience.

Employee Name : Lakshmi  
Region : South  
Designation : CRS, Maddur Branch

*My Story*



Lakshmi was awarded the National Best CRS Award as well as the South Region Best CRS Award First Prize!

Lakshmi began working with Ujjivan almost two years ago when the NGO she was working with went out of business. As the first CRS in the Maddur Branch, she was initially very disheartened because she wasn't able to get customers. She even considered leaving because she felt she wasn't performing well. The CRM at the time inspired her and helped her find customers by looking into different working areas. At that time, there weren't even buses going to some areas, so Lakshmi would walk 5-6 kilometres each day to find customers to serve. With hard work and determination, she was able to start achieving her targets. After ten months, she had surpassed her targets and acquired 650 customers, after which she proceeded to help other CRS who were struggling with customer acquisition.

She would not have been able to succeed so much without the continued support of her husband and guidance from her branch manager. Her advice to other CRS is, "You have to be very dedicated and loyal to Ujjivan as a whole. Be concerned not only for your targets, but also for your colleagues and your branch."

She has won the branch Best CRS award five times to date. When she was told of winning the National Best CRS award, she was so happy and touched she began to cry. She is now being promoted to CRM of a sub branch near Maddur and aspires to reach out to 1,000 customers in 3 months!

Employee Name : Dinaker  
Region : South  
Designation : Audit Team Leader

*My Story*



Dinaker grew up in Mysore with his parents, brother and two sisters. His father was a stenographer and his mother a housewife. After completing his engineering, he began his career as a technician in Nanjangud. He spent the next few years working at various companies and even started his own venture with his family on the side. He spent about a year and half as a supervisor in a factory, during which he began learning more about SHG's and microfinance. The concept intrigued him and upon hearing about Ujjivan, he decided to try a change in career and move into the social sector.

Dinaker actually took a reduction in pay from his previous job and started as a CRS in Ujjivan's Magadi Road branch in March of 2006. After performing well for eight months, he was promoted to the Audit Department in January 2007. His group of 5-6 colleagues trusted him and gave him the opportunity to

work independently and learn on the job. With frequent feedback and guidance, he was able to progress rapidly and within a year, he was promoted to Audit Team Leader.

Dinaker was attracted to Ujjivan because of its professionalism and growth potential and hopes to continue to grow with the company until his retirement!

## My Story



**Employee Name :** Hemavathi  
**Region :** South  
**Designation :** CRS, Chamrajpet Branch

After completing her schooling, Hemavathi began taking tuitions for children at her residence. Her mother noticed women traveling for centre meetings and learned about Ujjivan. Hemavathi saw this as an opportunity to increase her income through a side business. She used her loan to buy a tailoring machine, and was able to earn more with two sources of income.

Hemavathi got married and moved near Chandra Layout, where her husband was a factory worker. Unfortunately, the factory shut down and he became a freelance electrician. With two children in school, they found it very difficult to make ends meet. Hemavathi then inquired in the local Chandra Layout branch about job opportunities, interviewed, and was hired as a CRS in Chamrajpet.

After joining Ujjivan, her family has benefitted from the additional source of income, and she also has the satisfaction of helping women who are of a similar background as herself. She has now been working at Ujjivan for nearly 19 months and currently handles 580 customers. She aspires to continue performing well and progress higher in her career.

## Board of Directors

- Mr. K R Ramamoorthy - Non-Executive Chairman of ING Vysya Bank and Former Chairman and CEO of Corporation Bank
- Ravindra Bahl - Managing Director, ChrysCapital
- S. Viswanatha Prasad\*\* - Fund Manager, Bellwether
- Raghvendra Singh - Michael and Susan Dell Foundation, Global Microfinance Initiative
- Sandeep Farias\* - Chief Innovation Officer and India Country Director, Mauritius Unitus Corporation
- Sunil Patel\*\* - Chartered Accountant and Management Consultant
- Samit Ghosh - Chief Executive Officer & Managing Director of Ujjivan
- A. Vikraman - Former Chief General Manager of SIDBI
- Mohit Bhatnagar\* - Operating Partner, Sequoia Capital India Investment III
- Venkatesh Natarajan\*\* - Lok Capital LLC

\* Member of HR & Compensation sub-committee, which makes decisions on all HR related issues including compensation and ESOP

\*\* Member of Audit & Information Technology sub-committee, which does a review of Internal Audit, financial review, budgets & ALM as well as IT related issues on systems, ERP, hardware & software

## Advisory Group

- Jaithirth (Jerry) Rao - Ex- Chairman and CEO, Mphasis
- Vijay Mahajan - Chairman, BASIX
- Bhaskar Menon - Private Equity Professional
- Vishnu R. Dusad - Founder and Managing Director of Nucleus Software Exports Limited

## Auditors

- Deloitte Haskins & Sells (Statutory)
- Varma & Varma (Internal)

## Legal Counsel

- Universal Legal

## Banks and Financial Institutions

- Axis Bank
- HDFC Bank
- Corporation Bank
- Grameen Trust
- Friends of Women's World Banking
- ABN AMRO Bank
- Yes Bank Ltd.
- SIDBI
- HDFC Ltd.
- DCB
- Union Bank of India
- Maanaveeya Holdings & Investments Pvt. Ltd.

## Network

- Unitus
- Sa-Dhan
- Women's World Banking
- Association of Karnataka Microfinance Institutions
- Grameen Trust



# Recognition

## Process Excellence Award

Ujjivan was awarded the Microfinance Process Excellence Award for the South Region in the Fire category. This award recognizes microfinance institutions for excellence in process management. The awards were classified into three categories according to the size of competing institutions:

- Flint - young and emerging
- Flame - mid-size/established preparing for rapid growth
- Fire - large/established setting scorching standards

The award selection was a six month long process, which involved an extensive application process and panel evaluation in Process Mapping and Risk Analysis.

The awards were sponsored by the Royal Bank of Scotland in partnership with Planet Finance India and Microsave.

Other finalists included SKS, Grameen Koota and Equitas among others.

## Great Place to Work Award

The Great Place to Work Institute, India and The Economic Times conducts a study every year to select the best companies to work for in India. This is the first year that Ujjivan participated in this study. Three factors are used to evaluate a company:

- Relationship between the employer and employee
- Employee pride in his/her work
- Teamwork among employees

Approximately one third of Ujjivan's employees were randomly selected and surveyed with a 59 question form. Based on the surveys, employee satisfaction and company culture were evaluated and rankings were given by category.

Upon completion of the surveys for all participating companies, Ujjivan ranked first in the microfinance industry!

MD/CEO Samit Ghosh, Head of HR Col. Murthy Rajan, COO-West Jolly Zachariah and COO-East Gautam Gan attended a ceremony on 9th June 2009 in Pune to accept the award.



Name : Parvati Devi  
Occupation : Fish business  
Region : East

## My Story



Parvati Devi and her family are into the fish business. Her husband and two sons cast nets and catch fish in the Ganga River while Parvati and her mother-in-law clean and process the fish. Parvati then takes the fish to the market to sell every day.

Parvati had to take a loan from a local money lender for her daughter's marriage and was charged an exorbitant 15% per month. Her family struggled to make ends meet for quite some time. She then learned about Ujjivan and availed a family loan to repay a part of the loan to the money lender. With the money they were now saving, her husband and sons reinvested their income in their business and have subsequently increased their daily catch.

Parvati is looking forward to taking a Top Up loan to further expand their business; her success is inspiring other fishing families to look into Ujjivan.

# Financial Reports

## Directors' Report

Your Directors have pleasure in presenting the Fourth Annual Report together with the audited accounts for the year ended March 31, 2009.

(Amount In Rupees)

Particulars	FY 2008-09	FY 2007-08
Operating Income	274,733,412	52,180,167
Other Income	5,614,596	1,154,352
Total Income	280,348,008	53,334,520
Less:		
Operational Expenses	-	221,112
Personnel Expenses	143,881,823	38,291,586
Administrative Expenses	71,346,862	25,859,415
Finance Charges	65,638,874	11,539,464
Depreciation	6,624,533	5,364,766
Provision For Doubtful Debts	826,967	1,053,362
Profit/Loss Before Tax	(7,971,051)	(28,995,185)
Excess Depreciation of Earlier Years	3,061,800	-
Loss For The Period	(4,909,251)	-
Less:		
Provision for Fringe Benefit Tax	1,769,480	689,348
Loss After Tax	(6,678,731)	(29,684,533)

## Management Discussion And Analysis

### Financial and Operations Review

Despite the economic crisis our growth in the year gone by has been spectacular. Ujjivan's footprint is spreading across India. The Company has recorded excellent growth in its business, both in terms of customer acquisition and loan

disbursement. The number of customers as on March 31, 2009 was 295,903 of which 261,993 were borrowers.

The cumulative disbursements were Rs. 3128 million and the loan book grew to Rs. 1689 million as at March 31, 2009. The Company had a turn around in terms of monthly break even from January 2009, and has posted a marginal loss of Rs. 6.6 million for this financial year after posting a profit of Rs 17.1 Million for the last quarter of 2008-09.

During the first nine months of the current financial year, the client base has crossed the 2 lac mark and the cumulative disbursement as of December 31, 2008 stood at Rs. 2058 Million. The Company has also crossed Rs. 1000 Million (Rs. 100 Crores) asset base during the financial year. The Company laid ambitious targets for the last quarter of 2008-09 based on healthy business demand for increased loans and its confidence of reaching monthly break even.

The Capital Adequacy ratio was 58.49% as of March 31, 2009 against the revised RBI CAR requirement of 10%.

### Credit Rating

CRISIL has enhanced the Company's grading to mfr3. The Company is also planning to acquire the CRISIL Rating (as per Basel II Norms) shortly.

## Awards

### Process Excellence Award

Ujjivan was awarded the Microfinance Process Excellence Award [South, Fire Category] for excellence in process management among Micro Finance Institutions. The awards were sponsored by the Royal Bank of Scotland and in partnership with Planet Finance India and Microsave. The

award was part of a six month long process, involving an extensive application and compliance procedures in Process Mapping and Risk Analysis, culminating in the panel's evaluation of Ujjivan's business processes.

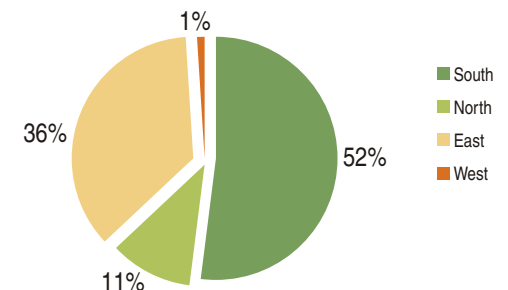
### Great Place to Work Award

Ujjivan has the remarkable distinction of being ranked 1st as the Best Company to Work For in the Micro Finance sector in April 2009, based on an employee survey conducted by the Great Place to Work Institute, India and Economic Times.

## Geographical Diversification

The Company has seen robust growth as the number of branches increased from 38 to 127 during the financial year. Ujjivan has expanded its business in the Western Region with Pune as the hub. During the last financial year, Ujjivan entered three states in the East (Orissa, Bihar, & Jharkhand) and another two in the North (Rajasthan & Haryana), bringing our national footprint up to eleven states. The following data shows the regional breakdown of branches and portfolio outstanding:

### Regional Breakup of Portfolio Outstanding





Regions	No. of Branches
South	54
North	22
East	48
West	3
Total	127

## Resource Mobilization

### Equity Infusion

Ujjivan commenced its fourth round of equity raising during September 2008 despite the alarming financial crisis. Originally planned for Rs. 750 Million, the equity round was over-subscribed and it gloriously succeeded in raising Rs. 878 Million. Ujjivan is earnestly thankful to all its existing and new investors for their continuous support & interest in the company. The four new investors in this private placement transaction include: Sequoia Capital India Investments III, Lok Capital LLC, Elevar Unitus Corporation and India Financial Inclusion Fund.

Ujjivan is the first MFI to offer a market determined exit to its investors and will go a long way to create a secondary market for shares of microfinance companies.

### Debt Funding

With this strong equity base, the Company can leverage excellently on debt capital including term loans and other debt instruments in the ensuing financial year. Ujjivan has also raised term loans to the tune of Rs. 758 Million from financial institutions. The resources raised during the year have been utilized for the purposes as mentioned in the respective agreements.

## Code of Conduct, Transparency & Client Protection

Ujjivan is in the process of revising customer documentation and all communication media such that we are fully compliant with the Reserve Bank of India's Code of Conduct guidelines.

Ujjivan is proud to be the sole representative of the micro-finance institutions in India on the international steering committee for the Campaign for Client Protection in Microfinance initiated by Accion International and CGAP (World Bank).

## Opportunities, Threats And Risk

### Opportunities

Ujjivan has successfully completed the one year pilot of the Individual Business Loan and has plans to expand aggressively in this market across regions during the ensuing financial year. The Company is currently working to serve the needs of a different segment of customers by piloting the Livestock Loan and plans to launch the product across regions in the coming year.

This year the Company's priorities are to balance growth with profitability, build higher levels of efficiency, introduce Service Quality & Client Protection, manage portfolio quality and protect its customers in a difficult economic environment.

### Threats and Risk

The main threats arise out of:

- Portfolio quality under the present difficult economic environment.

- Threat of a hostile social & political environment in some states where vested interests create problems for the microfinance industry like currently in Karnataka.
- Risks associated with cash handling which forms part of and is inherent in the transactions in the normal course of company's business

## Control Systems and Risk Management

The Audit Committee of the Board approves the audit plan in the beginning of the financial year in consultation with the Head of Audit. The internal audits are conducted with a view to periodically evaluate adequacy of internal control systems in all spheres of the company's operations. This is carried out on an ongoing basis in two tiers:

- Ujjivan has an internal field audit team to carry out audit of the field operations and the branch offices. It has introduced internationally practiced Microsave's Portfolio Audit Process. The audit findings are presented to the Audit committee (comprised of one independent director, the Managing Director, and the Head of Audit). Suggestions arising from these are implemented, in consultation with the relevant functional heads.
- The Company has sourced the services of an independent audit firm to carry out internal audit of the back office processes, such as Credit, Human Resources and Financial Accounting.

Risk Management is an integral part of the business process. The Audit team has developed a comprehensive system of risk rating the branches. Measures have been put in place to manage these risks, which will be periodically reviewed by the Audit Committee.

## Human Resources Development

Ujjivan believes that personnel are the key foundation to sustainable competitive advantage and the company has pioneered some of the best practices in the industry. Ujjivan has 1691 employees as of the financial year end. It completed its first Management Development Program for its Management trainees and inducted them in various departments successfully. Along with Unitus & NIS Sparta, Ujjivan has piloted first level supervisory skills training for branch managers & department heads (designed specifically for the microfinance industry) which is being rolled out across the country this year. Ujjivan and a number of major microfinance institutions participated in a landmark compensation survey done by Hewitt Associates. This study has been utilized to benchmark our compensation levels.

The Company has new HR initiatives round the year enabling it to train, motivate, empower & satisfy its employees. It believes in a holistic approach in its overall development. It follows a structured process of appraisals, review, grading, promotions and incentives which is transparent and well appreciated by its members.

## Deposits

The Company has not accepted any fixed deposits from the public during the year.

Particulars with respect to the conservation of energy, technology absorption and foreign exchange earnings and outgo as per Sec 217(1)(e) of The Companies Act 1956 read with the Companies (Disclosure of particulars in the report of Directors) Rules, 1988.

Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption as stipulated in the above Rules are not applicable.

## Foreign Exchange Inflow And Outflow

The Foreign Exchange Inflow and Outflow of the Company during the year are as follows:

- The Foreign Exchange Inflow during the year towards Share Application Money is Rs. 826 million (including share premium) /-(Previous Year: Rs. 42.3 million).
- The Foreign Exchange outflow during the year towards revenue expenses is Nil (Previous year Nil)

## Particulars of Employees Under Section 217 (2A) of The Companies Act, 1956

During the Financial year, the company has not employed any person with the aggregate remuneration for Rs. 24 lacs per annum if employed throughout the year or Rs. 2 lacs per month if employed for part of the year. None of the employees hold alone or along with spouse or dependent children 2% or more of equity shares of the company.

## Cautionary Statement

The information and opinion expressed in this report may contain certain forward looking statements, which the management believes are true to the best of its knowledge at the time of its preparation. Actual results may differ materially from those expressed or implied in this report.

## Directors' Responsibility Statement

Pursuant to Section 217(2AA) of The Companies Act, 1956, the directors hereby confirm that they have

- Followed the applicable accounting standards in the preparation of the annual accounts;
- Selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the year under review;
- Took proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 1956, for safeguarding the assets of the Company and detecting fraud and other irregularities.

## Directors

During the financial year, Executive Director Mr. Ajit Grewal resigned from the Board in November 2008. Your directors wish to place on record their sincere appreciation for the excellent contribution made by him towards the organizational growth since its inception. The Board composition also witnessed the inclusion of 3 new Directors, Mr. Mohit Bhatnagar (Nominee Director of Sequoia Capital India Investments III), Mr. Venkatesh Natarajan (Nominee Director of Lok Capital LLC) and Mr. A Vikraman (Independent Director).



The Board of Directors of the Company consists of the following Directors as on March 31, 2009. The details of board meetings eligible to be attended and actually attended are also indicated hereunder:

Directors	No of meetings eligible to attend	No of meetings attended
Mr. K.R. Ramamoorthy	6	5
Mr. Samit Ghosh	6	6
Mr. Ravindra Bahl	6	-
Mr. Ajit Grewal	3	3
Mr. Vishnu Dusad	6	-
Mr. Viswanatha Prasad	6	6
Mr. Sandeep Farias	6	5
Mr. Sunil Patel	6	5
Mr. Raghavendra Singh	6	2
Mr. A. Vikraman	4	2
Mr. Mohit Bhatnagar	3	3
Mr. Venkatesh Natarajan	3	3

## Related Party Disclosures

### A. Details of Related Parties are given below

- 1) Holding Companies : Nil
- 2) Subsidiary Companies : Nil
- 3) Key Management Personnel : Mr.Samit Ghosh,  
Managing Director  
  
Mr.Ajit Grewal  
Executive Director  
till 8th November 2008
- 4) Common Control : Nil

### B. Summary of Transactions with Related Parties during the year is as below (Amounts in Rupees)

Particulars	Samit Ghosh	Ajit Grewal	Sunil Patel	A. Vikraman
Remuneration Paid	1,200,000	642,618	Nil	Nil
Sitting Fee Paid	Nil	Nil	120,000	20,000
No. of Shares Allotted	13,334	Nil	Nil	Nil
No. of Shares (March 31, 2009)	83,334	Nil	Nil	Nil
	(70,000)*	Nil	Nil	Nil

(Figures in brackets pertain to previous year)

\* Includes shares held jointly with Spouse

## Employee Stock Options

The Company has granted options under the Employee Stock Options 2007 which is in continuation with the Employee Stock options 2006. The information pertaining to the ESOP 2006 & ESOP 2007 is contained in the Notes to Accounts. The Company has also issued an ESOP 2008 Plan during the year duly approved by the Board.

## Auditors

M/s Deloitte Haskins and Sells, Chartered Accountants, Bangalore will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Members are requested to consider their re-appointment on remuneration to be decided by the Board.

## Acknowledgements

The Board of Directors wishes to gratefully acknowledge the assistance and guidance received from the Investors, Lawyers, Accountants, Suppliers, Partner NGOs, Institutions & Foundations, Police & Government Departments, Advisors and all our well wishers. The Board also wishes to place on record their warm appreciation for the creative and dedicated efforts of staff at all levels.

By Order of the Board of Directors



Place : Bangalore  
Date : June 12, 2009

**Samit Ghosh**  
Managing Director

**Sunil Patel**  
Director

## Auditors' Report

### TO THE MEMBERS OF UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

1. We have audited the attached Balance Sheet of UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED (the "Company") as at March 31, 2009, the Profit and Loss Account and the Cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

- a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
- c. the Balance Sheet, the Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account;
- d. in our opinion the Balance Sheet, the Profit and Loss Account and the Cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. on the basis of the written representations received from the directors of the Company, as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of subsection (1) of Section 274 of the Companies Act, 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes there on give the information required by the

Companies Act, 1956, in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
- ii. in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
- iii. in the case of the Cash flow statement, of the cash flows for the year ended on that date.

for **Deloitte Haskins & Sells**  
Chartered Accountants



*S. Sundaresan*

**S. Sundaresan**  
Partner  
M.No. 25776

Place : Bangalore  
Date : June 12, 2009





## Annexure to The Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. The nature of the Company's business/activities during the year is such that clauses ii, iii (b) to (d), (f) & (g), v (b), vi, viii, ix (b), x, xii, xiii, xiv, xv, xviii, xix and xx are not applicable to the company.
2. In respect of its fixed assets,
  - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b. Some of the fixed assets were physically verified during the period by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c. The fixed assets disposed off during the year, in our opinion do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern of the Company.
3. According to the information and explanations given to us, there are no loans, secured or unsecured, granted or taken, by the Company to or from Companies, firm or other parties covered in the register mentioned under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal

control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for sale of goods and services and we have not observed any continuing failure to correct major weakness in such internal controls. As informed, there were no purchase of inventory or sale of goods during the year.

5. To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements that needed to be entered into the register maintained under the section 301 of the Companies Act, 1956.
6. In our opinion, the Company has an internal audit system, the scope and coverage of which is fairly adequate and commensurate with the size of the Company and the nature of its business.
7. In respect of statutory dues, according to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities during the year *except for certain delays in remittance of provident fund, employee state insurance and professional tax*. There are no undisputed statutory dues as noted above outstanding for a period more than six months from the date they became payable
8. In our opinion and according to the information and explanations given to us, the company has not defaulted in the repayment of dues to financial institutions and

banks. Further the Company has not issued any debentures and hence there are no dues payable to debenture holders.

9. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
10. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the period for long term investment.
11. According to the information and explanations given to us, certain employees have misappropriated funds as identified by the management, which is estimated to be Rs. 206,533/-, and the same has been recovered as on the balance sheet date.

for **Deloitte Haskins & Sells**  
Chartered Accountants



*S. Sundaresan*

**S. Sundaresan**  
Partner  
M.No. 25776

Place : Bangalore

Date : June 12, 2009

## UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

### Balance Sheet as at March 31, 2009

(Amount in Rupees)

Particulars	Schedule	As at March 31, 2009	As at March 31, 2008
<b>I. SOURCES OF FUNDS</b>			
(1). <i>Share Holders Funds:</i>			
Share Capital	1	348,424,600	123,301,800
Reserves and surplus	2	678,089,400	23,352,850
Share application Money		38,424,402	24,944
(2). <i>Loan Funds:</i>			
Secured Loans	3	716,166,438	241,910,925
Unsecured Loans	4	5,572,686	5,486,253
<b>TOTAL</b>		<b>1,786,677,526</b>	<b>394,076,772</b>
<b>II. APPLICATION OF FUNDS</b>			
(1). <i>Fixed Assets:</i>	5		
(a) Gross Block		46,184,537	23,589,066
(b) Less: Depreciation		11,528,079	7,988,958
(c) Net Block		34,656,458	15,600,108
(d) Capital Work in Progress		7,250,000	-
		<b>41,906,458</b>	<b>15,600,108</b>
(2). <i>Loans</i>	6	1,689,769,550	365,726,824
(3). <i>Current Assets, Loans &amp; Advance</i>			
(a) Cash & Bank Balances	7	189,857,137	16,428,292
(b) Other current assets	8	9,660,615	2,838,757
(c) Loans & Advances	9	21,490,853	10,426,547
		<b>221,008,605</b>	<b>29,693,596</b>

(Amount in Rupees)

Particulars	Schedule	As at March 31, 2009	As at March 31, 2008
(continued)			
<i>Less: Current liabilities &amp; Provisions</i>	10		
(a) Current liabilities		218,342,205	66,627,593
(b) Provisions		6,147,786	2,120,334
		<b>224,489,991</b>	<b>68,747,927</b>
<i>Net current assets</i>		(3,481,386)	(39,054,331)
Debit balance in Profit and loss account		58,482,904	51,804,171
<b>TOTAL</b>		<b>1,786,677,526</b>	<b>394,076,772</b>

Significant accounting policies &  
notes to accounts

17

Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board of Directors

*S. Sundaresan*

**S. Sundaresan**  
Partner



Place : Bangalore  
Date : June 12, 2009

*Sammit Ghosh*

**Samit Ghosh**  
Managing Director



*Sunil Patel*

**Sunil Patel**  
Director



## UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

### Profit and Loss Account for the year ended March 31, 2009

(Amount in Rupees)

Particulars	Schedule	Year ended March 31, 2009	Year ended March 31, 2008
<b>A.INCOME</b>			
Income from Operations	11	274,733,412	52,180,168
Other Income	12	5,614,596	1,154,352
<b>Total Income ( A )</b>		<b>280,348,008</b>	<b>53,334,520</b>
<b>B.EXPENDITURE</b>			
Operational expenses	13	-	221,112
Personnel Expenses	14	144,704,256	38,686,471
Administrative & Other Expenses	15	70,524,431	24,183,676
Finance charges	16	65,638,874	12,820,318
Depreciation	5	6,624,533	5,364,766
Provision for Doubtful Loans		826,967	1,053,362
<b>Total Expenditure (B)</b>		<b>288,319,061</b>	<b>82,329,705</b>
<b>Loss Before Tax (A - B)</b>		<b>(7,971,053)</b>	<b>(28,995,185)</b>
Excess depreciation of earlier years (Refer Note 17 B 4)		3,061,800	-
<b>Loss for the period</b>		<b>(4,909,253)</b>	<b>(28,995,185)</b>
Income tax		-	-
Fringe benefit tax		1,769,480	689,348
<b>Loss After Tax</b>		<b>(6,678,733)</b>	<b>(29,684,533)</b>
Loss Carried forward from previous year		(51,804,171)	(22,119,638)
<b>Loss carried forward to Balance Sheet</b>		<b>(58,482,904)</b>	<b>(51,804,171)</b>

(Amount in Rupees)

Particulars	Schedule	Year ended March 31, 2009	Year ended March 31, 2008
(continued)			
<b>Basic and Diluted Earnings per Share</b>			
Loss for the period		(6,678,733)	(29,684,533)
Wght. Avg. no of Equity Shares (face value of Rs. 100/- each)		1,698,503	822,987
Basic and Diluted Earnings per Share (Refer Note. 17 B 10)		(3.93)	(36.07)
<b>Significant accounting policies &amp; notes to accounts</b>	<b>17</b>		

Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board of Directors

*S. Sundaresan*

**S. Sundaresan**  
Partner



Place : Bangalore  
Date : June 12, 2009

*Samit Ghosh*

**Samit Ghosh**  
Managing Director



*Sunil Patel*

**Sunil Patel**  
Director

## UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

### Cash Flow Statement for the year ended March 31, 2009

(Amount in Rupees)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
<b>Net Profit / ( Loss ) as per Profit &amp; Loss Account</b>	<b>(4,909,253)</b>	<b>(28,995,185)</b>
<b>Adjustments for</b>		
Depreciation (net of reversal - refer note 17.B.4)	3,562,733	5,364,766
Interest Income	(3,175,536)	(1,005,107)
Income from investments	(1,078,712)	-
Assets written off	589,388	565,388
<b>Operating Profit before Working capital changes</b>	<b>(5,011,380)</b>	<b>(24,070,138)</b>
Loans to customers	(1,324,042,726)	(281,427,366)
Loans and Advances and Interest accrued	(17,383,563)	(7,903,762)
Trade and other payables	154,805,903	47,601,476
Provision for doubtful loans	826,967	1,053,362
<b>Cash flow from operations</b>	<b>(1,190,804,799)</b>	<b>(264,746,428)</b>
Fringe benefit tax paid	(2,162,887)	(537,388)
<b>Net Cash from operating activities</b>	<b>(1,192,967,686)</b>	<b>(265,283,816)</b>
<b>Cash flows from Investing activities</b>		
Purchase of Fixed Assets	(30,458,471)	(11,182,789)
Interest Income	3,175,536	1,005,107
Income from investments	1,078,712	-
<b>Net Cash from investing activities</b>	<b>(26,204,223)</b>	<b>(10,177,682)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares & share application money	263,522,258	68,344,744
Share premium on issue of shares	653,736,550	23,052,850

(Amount in Rupees)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
(continued)		
Revolving Credit Grant	1,000,000	300,000
Borrowings from banks/others	749,521,503	235,042,537
Repayment of Borrowings	(275,179,557)	(49,210,646)
<b>Net Cash from financing activities</b>	<b>1,392,600,754</b>	<b>277,529,485</b>
Net increase/(decrease) in cash & cash equivalents	173,428,845	2,067,987
Balance of cash as at 31.03.2008	16,428,292	14,360,305
Balance of cash as at 31.03.2009	189,857,137	16,428,292

#### Notes

1. The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statements.

2. Cash & cash equivalents at year end includes Rs.17,454,055/- (P.Y.2,250,000/-) in term deposits with banks, under lien against loans availed by the Company.

As per our report of even date

For Deloitte Haskins & Sells  
Chartered Accountants

*S. Sundaresan*

**S. Sundaresan**  
Partner

Place : Bangalore  
Date : June 12, 2009



For and on behalf of the Board of Directors

*Samit Ghosh*

**Samit Ghosh**  
Managing Director

*Sunil Patel*

**Sunil Patel**  
Director





## UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

### Schedules forming part of Balance Sheet

(Amount in Rupees)

Particulars	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
4,000,000 Equity Shares of Rs.100/- each (Previous Year 1,250,000 Equity Shares of Rs.100/- each)	400,000,000	125,000,000
	<b>400,000,000</b>	<b>125,000,000</b>
<b>Issued, Subscribed &amp; Paid up Capital</b>		
3,484,246 Equity Shares of Rs.100/- each (Previous Year 1,233,018 Equity Shares of Rs.100/- each)	348,424,600	123,301,800
	<b>348,424,600</b>	<b>123,301,800</b>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Securities Premium Account</b>		
Opening Balance	23,052,850	-
Additions on issue of shares during the year	653,736,550	23,052,850
	<b>676,789,400</b>	<b>23,052,850</b>
<b>Employee Loan Grant</b>		
Opening Balance	300,000	-
Additional grant during the year	1,000,000	300,000
	<b>1,300,000</b>	<b>300,000</b>
	<b>678,089,400</b>	<b>23,352,850</b>

(Amount in Rupees)

Particulars	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>From scheduled Banks</b>		
Term Loan	564,457,400	184,410,658
Cash credit	-	3,195,477
<b>From Financial Institutions</b>		
Term Loan	151,709,038	54,304,790
[Repayable within 1 year Rs.461,559,781/- (P.Y.Rs.140,372,473/-)]		
(Above loans are secured by way of hypothecation of book debts and/or term deposits)		
	<b>716,166,438</b>	<b>241,910,925</b>
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
Others	5,572,686	3,702,937
[Repayable within 1 year Rs. 4,27,624 (P.Y.Rs. 847,689)]		
Overdraft in current account With Scheduled banks	-	1,783,316
	<b>5,572,686</b>	<b>5,486,253</b>



## UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

### Schedules forming part of Financial Statement

#### SCHEDULE - 5 FIXED ASSETS

(Amount in Rupees)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 1, 2008	Additions	Adjustment / Deletions	As at March 31, 2009	Up to March 31, 2008	For the Year	Adjustment / Deletions *	Up to March 31, 2009	As at March 31, 2009	As at March 31, 2008
Office Equipments	3,869,633	4,240,600	-	8,110,233	879,076	537,597	246,148	1,170,525	6,939,708	2,990,557
Computers, Printers & Peripherals / networking	5,566,757	6,634,388	-	12,201,145	1,822,340	1,456,208	936,159	2,342,389	9,858,756	3,744,417
Software	3,787,893	3,035,383	-	6,823,276	1,407,959	903,864	740,899	1,570,924	5,252,352	2,379,934
Furniture & Fixtures	5,184,141	2,698,028	-	7,882,169	2,523,318	358,238	1,026,286	1,855,270	6,026,899	2,660,823
Motor Vehicles	619,945	613,000	613,000	619,945	186,109	82,508	135,920	132,697	487,248	433,836
Cycles	182,926	438,224	-	621,150	182,926	438,224	-	621,150	-	-
Leasehold Improvements	4,377,771	5,548,848	-	9,926,619	987,230	2,847,894	-	3,835,124	6,091,495	3,390,541
<b>Grand Total</b>	<b>23,589,066</b>	<b>23,208,471</b>	<b>613,000</b>	<b>46,184,537</b>	<b>7,988,958</b>	<b>6,624,533</b>	<b>3,085,412</b>	<b>11,528,079</b>	<b>34,656,458</b>	<b>15,600,108</b>
Previous Year	13,017,398	11,182,789	611,121	23,589,066	2,669,925	5,364,766	45,733	7,988,958	15,600,108	

\* includes reversal of depreciation Rs. 3,061,800/- of earlier years due to change in company policy (Refer 17 B 4)

Particulars	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 6</b>		
<b>LOANS</b>		
Business loans	1,357,903,904	262,636,274
Family loans	317,528,301	102,703,780
Housing loans	11,415,038	386,770
Individual Business loans	2,922,307	-
	<b>1,689,769,550</b>	<b>365,726,824</b>

Particulars	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 7</b>		
<b>CASH AND BANK BALANCES</b>		
Cash balance on hand	7,384,129	1,502,568
Bank balances with Scheduled banks		
in current accounts	85,018,953	12,610,948
in deposit accounts	97,454,055	2,314,776
(includes deposits under lien Rs.17,454,055/ -(P.Y.Rs. 2,250,000/-)		
	<b>189,857,137</b>	<b>16,428,292</b>



## UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

### Schedules forming part of Balance Sheet

(Amount in Rupees)

Particulars	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 8</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest receivable on loan	9,210,291	2,742,571
Interest accrued on term deposits	450,324	96,186
	<b>9,660,615</b>	<b>2,838,757</b>
<b>SCHEDULE 9</b>		
<b>LOANS &amp; ADVANCES</b> (Unsecured, Considered Good unless otherwise mentioned)		
Advances Recoverable in cash or kind or for value to be received	7,474,878	4,111,617
Deposits	13,165,072	5,966,628
Tax deducted at source receivable	850,903	348,302
	<b>21,490,853</b>	<b>10,426,547</b>

(Amount in Rupees)

Particulars	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 10</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Dues to micro and small enterprises (refer Note 17 B 18)	-	-
Dues to other than micro & small enterprises	6,932,910	3,322,915
Interest accrued but not due	2,706,228	186,856
Deposit from vendors	100,000	-
Other Liabilities	5,319,490	2,672,255
Security deposits from customer	203,283,577	60,445,567
	<b>218,342,205</b>	<b>66,627,593</b>
<b>Provisions</b>		
Provision for employee benefits	3,979,701	888,410
Fringe Benefit Tax payable [net of Advance Tax Rs. 2,151,557/- (P.Y.Rs.491,271/-)]	282,923	173,729
Provision for doubtful loans	1,885,162	1,058,195
	<b>6,147,786</b>	<b>2,120,334</b>



## UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

### Schedules forming part of Profit and Loss Account

(Amount in Rupees)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
<b>SCHEDULE 11</b>		
<b>INCOME FROM OPERATIONS</b>		
Interest on Loans	227,071,111	42,559,315
Customer training reimbursement	5,314,690	2,659,240
Loan documentation & meeting charges	42,347,611	6,961,613
	<b>274,733,412</b>	<b>52,180,168</b>
<b>SCHEDULE 12</b>		
<b>OTHER INCOME</b>		
Interest on fixed deposit *	3,175,536	1,005,107
Income from Mutual Fund	1,078,712	-
Sponsorship fee	796,500	-
Miscellaneous Income	563,848	103,512
Excess depreciation for earlier years written back	-	45,733
	<b>5,614,596</b>	<b>1,154,352</b>
*Tax deducted at source	650,106	200,797
<b>SCHEDULE 13</b>		
<b>OPERATIONAL EXPENSES</b>		
Interest on Security Deposit	-	221,112
	-	<b>221,112</b>
<b>SCHEDULE 14</b>		
<b>PERSONNEL EXPENSES</b>		
Salaries & Bonus	121,208,530	32,832,305
Employee benefits	3,627,459	850,178
Contribution to provident and other funds	7,567,653	1,609,179
Staff welfare	12,300,614	3,394,809
	<b>144,704,256</b>	<b>38,686,471</b>



(Amount in Rupees)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
<b>SCHEDULE 15</b>		
<b>ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Electricity & Water Charges	2,023,630	1,412,182
Rent	14,635,068	4,680,246
Repairs & Maintenance		
Buildings	96,862	69,504
Others	3,997,711	1,957,042
Office Maintenance	3,624,999	1,474,329
Insurance	272,193	150,070
Rates & Taxes (includes Rs. 961,354/- pertaining to earlier years)	5,284,862	643,486
Audit Fees	714,761	352,732
Professional Charges	7,789,125	2,902,755
Sitting fee	140,000	-
Foreclosure Rebate	1,201,961	68,920
Postage & Courier	1,478,826	283,633
Printing & Stationery	7,913,270	2,389,225
Recruitment Expenses	724,837	231,055
Telephone Charges	5,420,646	1,684,022
Training & Conference Charges	2,264,339	1,008,177
Traveling & Conveyance Expenses	8,804,705	2,910,546
Miscellaneous Expenses	3,015,399	1,750,433
Assets written off	93,670	-
Bad Debts written off	1,027,567	215,319
	<b>70,524,431</b>	<b>24,183,676</b>
<b>SCHEDULE 16</b>		
<b>FINANCE CHARGES</b>		
Interest on Term Loan	60,323,530	11,539,464
Loan processing fees and Bank Charges	5,315,344	1,280,854
	<b>65,638,874</b>	<b>12,820,318</b>





## SCHEDULE – 17

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. Significant Accounting Policies:

##### 1. Basis of preparation

The financial statements are prepared under historical cost convention on an accrual basis and in accordance with the applicable mandatory accounting standards and the provisions of the Companies Act 1956 and the directions issued by the Reserve Bank of India (RBI) to the extent applicable to the Company.

##### 2. Use of estimates

The presentation of financial statements in conformity with Indian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Although such estimates are made on a reasonable and prudent basis taking into account all available information, actual results could differ from those estimates.

##### 3. Cash flow statement

The Cash Flow Statement is prepared in accordance with the indirect method prescribed in Accounting Standard 3.

##### 4. Fixed Assets

Fixed assets are stated at cost net of depreciation. The cost of an asset comprises its purchase price (net of capital

grants) and any cost directly attributable for bringing the asset to its working condition and location for its intended use.

##### 5. Depreciation

During the period, based on an internal study and on approval of the Board, the company has changed the accounting policy with regard to method of charging depreciation from written down value method to straight-line method.

Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner specified in the Schedule XIV of the Companies Act, 1956. Leasehold improvements are depreciated over the primary lease period.

Depreciation on additions is charged proportionately from the date of acquisition / installation. Individual assets costing less than Rs.5,000/- are depreciated in full, in the year of acquisition.

##### 6. Loans

Loans to customers include Business Loans, Family Loans, Housing Loans and Individual Business Loans. Loans are classified into 'Performing and Non-Performing' assets in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 issued by the Reserve Bank of India as amended from time to time.

##### 7. Revenue Recognition

Revenue from Interest on loans financed by the company is recognized on accrual basis, considering the directions issued by the Reserve Bank of India from time to time in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. Loans are classified into 'Performing and Non-Performing' assets in terms of the said Directions.

Revenue from interest income on Fixed Deposits with Banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

##### 8. Grants

Grants received towards acquisition of fixed assets are adjusted against the cost of the assets. Grants related to revenue are deducted from the related expenses. Grants against employee loans are included in Reserves and Surplus.

##### 9. Employee benefits

- a. Short term employee benefits including salaries, social security contributions, short term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non monetary benefits (such as medical care) for current employees are estimated and measured on an undiscounted basis.
- b. Defined Contribution Plan

Company's contributions paid / payable during the year to Provident Fund and Pension fund are recognised in the Profit and Loss Account.



c. Defined Benefit Plan

Liabilities for gratuity funded in terms of a scheme administered by the Life Insurance Corporation of India, are determined by Actuarial Valuation on Projected Unit Credit Method made at the end of each financial year. Provision for liabilities pending remittance to the fund is carried in the Balance Sheet.

- d. Liability for compensated absences is provided based on actuarial valuation carried out at the end of each financial year using Projected Unit Credit Method and is not funded.

Actuarial gains and losses are recognized immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

10. Lease

Assets taken on finance lease are capitalized, while lease charges on assets taken on operating lease are expensed to revenue.

11. Earnings per share

In determining the earnings per share the company considers the net profit / (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earning per share comprises the weighted average shares considered for deriving basic earning per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

12. Income taxes & Deferred taxes

Provision for current year tax is made after taking into consideration benefits/disallowances admissible under the provisions of the Income Tax Act, 1961.

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, on timing difference, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized only if there is virtual certainty that they will be realized and are reviewed every year. The tax effect is calculated on the accumulated timing differences at the end of the year based on enacted or substantially enacted tax rates.

Provision for Fringe Benefit Tax has been made as per provisions of the Income Tax Act, 1961.

13. Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

14. Employee Stock Option Plan

The Company has Employee Stock Option Plans for the benefit of its employees. Options granted in terms of the Stock option plans on or after April 1, 2005 are accounted in accordance with the Guidance Note on Accounting for Employee Share Based Payment Plans issued by the Institute of Chartered Accountants of India (ICAI). The difference between the fair value of the stock option granted on or after April 1, 2005 and exercise price, if any, is expensed as "Employee Compensation" over the period of vesting.

15. Rebate to customers

The Company grants rebate to customers for prompt repayment of the installments and in certain cases waiver of balance outstanding on the closure of the loan accounts. These amounts are disclosed as foreclosure rebate under administrative expenses.



## B. NOTES ON ACCOUNTS

1. Contingent liabilities - Rs. Nil. (PY. Rs. Nil).

2. Capital commitment as at March 31, 2009 Rs. 9,349,477/- (PY. Rs. 26,206/-).

3. Since the company has incurred losses during the period, no amount has been transferred to the Statutory Reserve Fund for the period in accordance with the provisions of Section 45-IC of the Reserve Bank of India Act, 1934.

4. During the year, based on an internal study and on approval of Board, the company has changed the accounting policy with regard to method of charging depreciation from written down value method to straight line method and accordingly depreciation aggregating to Rs.3,061,800/- pertaining to earlier years has been reversed, depreciation for the year is lower by Rs. 4,071,496/- and consequently the loss for the year is lower by Rs. 7,133,296/-

### 5. Employee Benefits:

The details of employee benefits are as given below:

#### I. Defined Contribution Plans

During the year, the Company has recognized the following amounts in the Profit and Loss Account

(Amounts in Rupees)

Particulars	March 31, 2009	March 31, 2008
Employers' Contribution to Provident & Pension Fund	4,827,993	1,205,642
Employers Contribution to Employees State Insurance	2,739,660	403,537

Included in Contribution to Provident and other funds (Refer Schedule 14)

#### II. Defined Benefit Plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

(Amount in Rupees)

Sl. No.	Particulars	March 31, 2009	March 31, 2008
<b>I</b>	<b>Components of employer expense</b>		
	Current Service cost	425,427	425,427
	Interest cost	48,915	14,504
	Expected return on plan assets	(39,644)	-
	Actuarial Losses/(Gains)	99,221	(9,798)
	<b>Total expense/(income) recognized in the Statement of Profit &amp; Loss Account</b>	<b>533,919</b>	<b>430,133</b>
<b>II</b>	<b>Actual Contribution and Benefit Payments for the year ended</b>		
	Actual benefit payments	-	-
	Actual Contributions	175,350	233,083
<b>III</b>	<b>Net asset/(liability) recognized in balance sheet as at</b>		
	Fair value of plan assets	603,120	388,126
	Present Value of Defined Benefit Obligation	1,185,000	611,437
	Excess of plan assets over present value of obligation	-	-
	<b>Net (liability) recognized in balance sheet</b>	<b>(581,880)</b>	<b>(223,311)</b>
<b>IV</b>	<b>Change in Defined Benefit Obligation (DBO) during the year ended</b>		
	Present Value of DBO at the beginning of the year	611,437	181,304
	Current service cost	425,427	425,427
	Interest cost	48,915	14,504
	Actuarial (gains)/losses	99,221	(9,798)
	Benefits paid	-	-
	<b>Present Value of DBO at the end of the period</b>	<b>1,185,000</b>	<b>611,437</b>



(Amount in Rupees)

Sl. No.	Particulars	March 31, 2009	March 31, 2008
<b>V</b>	<b>Change in Fair Value of Assets during the year ended</b>		
	Plan assets at the beginning of the period	388,126	142,241
	Expected return on plan assets	39,644	12,802
	Actuarial gain/(losses)	-	-
	Actual Company Contributions	175,350	233,083
	Benefit Paid (estimated)	-	-
	<b>Plan assets at the end of the period</b>	<b>603,120</b>	<b>388,126</b>
<b>VI</b>	<b>Actuarial Assumptions</b>		
	Interest Rate	-	-
	Discount Rate	8.00%	8.00%
	Expected Return on plan assets	9.00%	8.00%
	Rate of increase in compensation	5.00%	6.00%
	Attrition rate	20.00%	5.00%
	Retirement age	58	58

Investment details of plan assets as at March 31, 2009

Government Securities	20%
Government Securities or other approved securities	40%
Approved investment	Not exceeding 60%

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

### III. Other Employee Benefits

Leave encashment benefit expensed in the Profit & Loss Account for the year was Rs. 3,093,540/- (P.Y. Rs. 420,045/-)

## 6. Segment Reporting

The Company's business segment is micro finance services and the principal geographical segment is India. Accordingly, no separate disclosure is required to be made under Accounting Standard 17, Segment Reporting.

## 7. Related Party Disclosures

A. List of Related Parties are given below:

Key Management Personnel

- Mr. Samit Ghosh  
Managing Director
- Mr. Ajit Grewal  
Executive Director (upto 8.11.2008)

B. Transactions with Related Parties during the year:

Particulars	Key Management Personnel	
	March 31, 2009	March 31, 2008
Remuneration		
Samit Ghosh	1,200,000	690,000
Ajit Grewal	642,618	690,000
Shares purchased		
Samit Ghosh	5,000,250	7,875,000
Outstanding Balances		
Due from	-	-
Due to	-	-





**8. Auditor's Remuneration**

(Amount in Rupees)

Particulars	March 31, 2009	March 31, 2008
For Statutory Audit	400,000	150,000
For Tax Audit	100,000	100,000
Other attest services	200,000	98,316
Out of pocket expenses	14,761	4,416
<b>Total</b>	<b>714,761</b>	<b>352,732</b>

9. The Company has taken on operating lease premises for a period ranging from 12 months to 44 months which are non-cancellable for the period as reflected in the agreement. The total minimum lease payments for the current year, in respect thereof, included under rent, aggregates to Rs. 4,091,183/- (P.Y.Rs.1,601,771/-)

The future lease payments in respect of the above are as follows:

(Amount in Rupees)

Particulars	March 31, 2009	March 31, 2008
Not later than one year	4,479,573	2,017,533
Later than one year but not later than five years	10,614,207	3,91,190
Later than 5 years	-	-

**10. Earnings Per Share**

(Amount in Rupees)

Particulars	March 31, 2009	March 31, 2008
Net loss after tax (Rs.)	(6,678,733)	(29,684,533)
Weighted average shares outstanding - Basic (Nos.)	1,698,503	822,987
Weighted average shares outstanding - Diluted (Nos.)	1,718,659	827,006
Earnings / (loss) per share - Basic & Diluted (Rs.)	(3.93)	(36.07)

Nominal value of equity shares - Rs. 100/-

\* As the effect of potential equity shares, on Ujjivan Employee Stock Option Plan and share application money pending allotment, is anti-dilutive, the effect of such anti-dilutive potential equity shares have been ignored in calculating diluted loss per share.

The company has received Rs.38,424,402/- (Rs.24,944/-) towards share application money. The Board of Directors is yet to decide about the allotment of share and per share rate. In the absence of such information, the diluted Earnings per share has not been computed and disclosed.

**11. Deferred Tax**

The timing difference relating mainly to depreciation, provision for employee benefits and unabsorbed losses for the year ended March 31, 2009 results in net deferred tax asset. As a measure of prudence, the net deferred tax asset relating to the above have not been recognized in the accounts.

**12. Employee Stock Option Plan**

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007 and ESOP 2008. The Company has granted options under the ESOP 2007 plan during the year. Each option shall be exercisable for one equity share of Rs. 100 each fully paid up on payment to the Company after a vesting period of one year after the grant date. The exercise period of the options is a period of upto five years after the vesting of the options.

Option activity under the plans is as given as below:

Particulars	Nos.	
	March 31, 2009	March 31, 2008
Options granted, beginning of year	4,019	5799
Granted during the year	18,943	-
Exercised during the year	189	24
Forfeited/Expired during the year	2,617	1,756
Options granted, end of year	20,156	4,019
Option exercisable at the year end	20,156	4,019
Weighted average remaining contractual life (years) at the year end	2	3

The Company has accounted the above options using the intrinsic value method. The exercise price noted by the ESOP



Committee is the par value of Rs. 100/- if the Company's net profit after tax is a loss number on the date of allotment. Thus there is no stock compensation expense under the intrinsic value method for the options granted.

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method. Had the Company accounted the option under fair value method, amortising the stock compensation expense there on over the vesting period, there would have been no impact on the reported loss and the basic EPS and the effect on diluted EPS

being anti-dilutive has been ignored.

The fair value of the stock option granted during the period is calculated at Rs. 9.65 per option through the use of option pricing models, requiring subjective assumptions which greatly affect the calculated values. The said fair value of the options have been calculated using Black-Scholes option pricing model, considering the expected term of the options to be 3 years, a risk free rate of 6.5%, no volatility in the share price since the company being closely held and its shares not being freely traded and the company does not expect to pay dividend being the initial year of operations. The Company's calculations are based on a single option valuation approach,

and forfeitures are recognized as they occur.

### 13. Asset Classification & Provisioning

The Company follows Prudential Norms of the Reserve Bank of India (RBI) with regard to classification in respect of all loans extended to its customers. The loans inclusive of unpaid interest, when the installment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more is treated as Non performing assets. Provision is made for loan assets as per the Company's policy which is higher than the provision required under the prudential norms.

Classification of Loans and Provision made for Standard / Doubtful Assets are as given below:

(Amount in Rupees)

Classification of Assets	March 31, 2009				March 31, 2008			
	Family & other Loans	Housing Loan	Individual Business Loan	Total	Family & other Loans	Housing Loan	Individual Business Loan	Total
Standard assets	1,675,285,810	11,415,038	2,922,307	1,689,623,155	365,174,972	386,770	-	365,561,742
Sub-standard assets	146,395	-	-	146,395	165,082	-	-	165,082
Doubtful assets	-	-	-	-	-	-	-	-
Loss assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,675,432,205</b>	<b>11,415,038</b>	<b>2,922,307</b>	<b>1,689,769,550</b>	<b>365,340,054</b>	<b>386,770</b>	<b>-</b>	<b>365,726,824</b>
<b>Provision for doubtful loans</b>								
Standard assets*	1,839,448	1,080	29,995	1,870,523	1,041,687	-	-	1,041,687
Sub-standard assets	14,639	-	-	14,639	16,508	-	-	16,508
Doubtful assets	-	-	-	-	-	-	-	-
Loss assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,854,087</b>	<b>1,080</b>	<b>29,995</b>	<b>1,885,162</b>	<b>1,058,195</b>	<b>-</b>	<b>-</b>	<b>1,058,195</b>

\* Provision on Standard Assets as per Company policy.



During the period based on an internal study and approval of the Board, the Company has changed its estimate with regard to provisioning for non performing assets, which has resulted in provision being lower by Rs.487,565/- and loss for the period is lower to such extent.

#### 14. Details of investments purchased and sold during the year.

(Amount in Rupees)

Mutual fund	Units Purchased	Amount Invested	Units Sold	Sale Proceeds
LIC MF Liquid Fund - Growth	6,926,499	110,000,000	6,926,499	110,024,496
LIC MF Income Plus Fund - Growth	9,478,709	110,024,496	9,478,709	110,769,048
UTI Liquid Fund - Institutional Plan - Growth	21,019	30,000,000	21,019	30,005,786
UTI Treasury Advantage Fund - Institutional Plan (Growth)	25,843	30,005,786	25,843	30,213,712
HDFC Cash Management Fund - Savings Plan - Growth	1,102,366	20,000,000	1,102,366	20,004,189
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Growth	3,684,840	70,004,189	3,684,840	70,095,952
<b>TOTAL</b>	<b>21,239,276</b>	<b>370,034,471</b>	<b>21,239,276</b>	<b>371,113,183</b>

#### 15. Director's Remuneration

(Amount in Rupees)

Particulars	March 31, 2009	March 31, 2008
Salaries and Allowances	1,827,018	1,361,280
Contribution to provident & other fund *	15,600	18,720
<b>Total</b>	<b>1,842,618</b>	<b>1,380,000</b>

\*Contribution towards Gratuity fund and Leave encashment are not included as the same is recognized based on actuarial valuation of all employees and hence identifying to an individual is not possible.

#### 16. Disclosure on foreign currency exposure:

Foreign Currency Exposure as at March 31, 2009, that have not been hedged by a derivative instrument or otherwise:

Particulars	Amounts in Rs. March 31 2009	Amounts USD March 31 2009	Amounts in Rs. March 31 2008	Amounts USD March 31 2008
Advances Received	-	-	684,860	17,164

17. The company has made necessary application to the Reserve Bank of India (RBI) for regularization of its certificate of registration which is pending for approval.

18. There are no Micro, small and medium enterprises to whom the company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The information regarding, Micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

19. The Company's objectives is to provide micro finance and hence the particulars under clauses 4, 4A, 4C, 4D of part II of schedule VI of the Companies Act 1956, are not applicable to the Company.

20. Earnings/ inflow in foreign currency - Rs.1,509,334/- (PY.Rs.1,195,998/-)

21. Expenditure in foreign currency – Rs. Nil (PY.Rs. Nil)

22. Previous year's figures have been regrouped / reclassified to conform with the current year grouping / classification.

For and on behalf of the Board of Directors



**Samit Ghosh**  
Managing Director



**Sunil Patel**  
Director



Place : Bangalore  
Date : June 12, 2009

## Part IV of Schedule VI of the Companies Act, 1956 ( As Amended) Balance Sheet Abstract and Company's General Business Profile

### I Registration Details

Registration No. :  State Code :

Balance Sheet Date :

### II Capital raised during the year (Rs. in thousands)

Publish Issue :  Right Issue :

Bonus Issue :  Private Placement :

### III Position of Mobilisation and Deployment of Funds (Rs. in thousands)

Total Liabilities :  Total Assets :

#### Sources of Funds

Paid-up Capital :  Reserves & Surplus :

Secured Loans :  Unsecured Loans :

#### Application of Funds

Nex Fixed Assets :  Investments :

Net Current Assets :  Misc Expenditure :

Accumulated Losses :

### IV Performance of Company (Rs. in thousands)

Turnover :  Total Expenditure :

Profit Before Tax :  Profit (Loss) After Tax :

Earning per Share (in Rs.) :  Dividend Rate :

### V Generic Names of the Principal Products / Services of Company (as per monetary terms)

Item Code No. ITC Code) :

Product Description :

For and on behalf of the Board of Directors



**Samit Ghosh**  
Managing Director





**Sunil Patel**  
Director

Place: Bangalore  
Date: June 12, 2009





**Schedule to the Balance Sheet of Ujjivan Financial Services Pvt Ltd-a Non Deposit taking Non Banking Financial Company (as required in terms of Paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding) companies Prudential Norms (Reserve Bank) Directions,2007)**

(Rupees in Lacs)				(Rupees in Lacs)			
	Particulars	Amount outstanding	Amount Overdue		Particulars	Amount outstanding	Amount Overdue
1	<b>Liabilities Side:</b>				(ii) Stock on assets including hire charges under Sundry Debtors		
	<b>Loans and advances availed by the Non Banking finance company inclusive of interest accrued thereon but not paid</b>				a) Assets on Hire		Nil
	a) Debentures - Secured	NA	NA		b) Repossessed Assets		Nil
	- Unsecured	NA	NA		(iii) Other loans counting towards AFC activities		
	(other than falling within the meaning of public deposits)				a) Loans where assets have been repossessed		Nil
	b) Deferred Credits	NA	NA		b) Loans other than (a) above		Nil
	c) Term Loans	7,244.45	Nil	4	<b>Break up of Investments</b>		
	d) Inter corporate Loans and borrowing	NA	NA		<b>Current Investments</b>		Nil
	e) Commercial Paper	NA	NA		<b>1. Quoted</b>		
	f) Other loans (specify nature)	Nil	NA		(i) Shares - a. Equity		
2	<b>Assets Side:</b>				b. Preference		
	<b>Break up of Loans and advances including Bills Receivables (Other than those included in 4 below:)</b>				(ii) Debentures and bonds		
	a) Secured				(iii) Units of mutual funds		
	i) Loans to Customers	16,897.70			(iv) Government Securities		
	b) Unsecured				(v) Others		
	i) Rental & other deposits	131.65			<b>2. Unquoted</b>		
	ii) Advances Recoverable in cash or kind or for value to be received	74.75			(i) Shares - a. Equity		
	iii) Interest accrued on Term Deposits and Loans	96.61			b. Preference		
	iv) Advance Tax Including TDS	8.51			(ii) Debentures and bonds		
					(iii) Units of mutual funds		
3	<b>Break up of Leased assets and stock on hire and other assets counting towards AFC activities</b>				(iv) Government Securities		
	(i) Lease assets including lease rentals under Sundry Debtors				(v) Others		
	(a) Financial Lease		Nil		<b>Long term investments</b>		Nil
	(b) Operating Lease		Nil		<b>1. Quoted</b>		
					(i) Shares - a. Equity		
					b. Preference		
					(ii) Debentures and bonds		
					(iii) Units of mutual funds		
					(iv) Government Securities		
					(v) Others		

	Particulars		
		Amount outstanding	Amount Overdue
4	<b>Long term investments</b> (continued)		Nil
	<b>2. Unquoted</b>		
	(i) Shares - a. Equity		
	b. Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		

**5 Borrower Group wise classification of assets financed as in (2) & (3) above**  
Please see note 2 below

Category	Amount Net of Provisions		
	Secured	Unsecured	Total
1. Related parties**			
a. Subsidiaries	Nil	Nil	Nil
b. Companies in the Same Group	Nil	Nil	Nil
c. Other related parties	Nil	Nil	Nil
2. Other than related parties	16,878.84	Nil	16,878.84
Total	16,878.84	Nil	16,878.84

**6 Investor Group wise classification of all investments (Current and long term) in shares and securities**  
(both quoted and unquoted) please see note 3 below

Category	Market value/Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related parties**		
a. Subsidiaries	Nil	Nil
b. Companies in the Same Group	Nil	Nil
c. Other related parties	Nil	Nil
2. Other than related parties		
Total	Nil	Nil

	Particulars	
7	<b>Other information</b>	
	1. Gross Non performing Assets	
	a. Related parties	Nil
	b. Other than related parties	1.46
	2. Net Non performing Assets	
	a. Related parties	Nil
	b. Other than related parties	1.32
	3. Assets acquired in satisfaction of debt	Nil

\*\* As per accounting standard of ICAI (Please see note 3 )

**Notes :**

- As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance in public Deposit (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in Non-Banking Financial(non-Deposit Accepting or Holding) companies Prudential Norms(Reserve Bank) directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

For and on behalf of the Board of Directors

Place: Bangalore  
Date : June 12, 2009

**Samit Ghosh**  
Managing Director

**Sunil Patel**  
Director



**Additional Information on Liquidity, Capital Adequacy and Exposure to real estate sector as per the RBI Guidelines for Systemically Important Non-Deposit taking NBFC  
(as the Company is now a Systemically Important Non-Deposit taking NBFC)**

**Asset Liability Management (Maturity pattern of certain items of Assets and Liabilities as at March 31, 2009)**

(Amount in Rupees)

Particulars	1 day up to 1 month	Over 1 month up to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from Banks	27,766,271	21,248,414	78,356,052	123,486,633	205,092,730	257,217,224	8,571,800	-	721,739,124
Market Borrowings	-	-	-	-	-	-	-	-	-
<b>Assets</b>									
Advances	177,677,394	132,741,366	265,482,732	540,251,217	560,102,654	13,514,188	-	-	1,689,769,550
Investments	-	-	-	-	-	-	-	-	-

**Exposures to Real Estate Sector**

(Amount in Rupees)

Category	March 31,2009	March 31,2008
<b>a) DIRECT EXPOSURE</b>		
i Residential Mortgage Lending Fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented: (individual housing loans up to Rs. 15 Lacs may be shown separately)	-	-
ii Commercial Real Estate Lending secured by mortgages on commercial real estates (office building, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc) Exposure would also include non-fund based (NFB) limits	-	-
iii Investments in Mortgage Backed Securities (MBS) and other securitised exposures a Residential b Commercial Real Estate	-	-
<b>b) INDIRECT EXPOSURE</b>		
Fund Based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	50,00,000	20,00,000

**CRAR**

Items	March 31,2009	March 31,2008
i CRAR (%)	58.49%	32.90%
ii CRAR - Tier I Capital (%)	58.49%	32.90%
iii CRAR - Tier II Capital (%)	-	-

For and on behalf of the Board of Directors



**Samit Ghosh**  
Managing Director  
Place: Bangalore  
Date: June 12, 2009





**Sunil Patel**  
Director

## Legal & Regulatory Framework

Ujjivan Financial Services Pvt. Ltd. is licensed as a Non-Banking Financial Company (NBFC)  
We received our license from the Reserve Bank of India (RBI) on October 31, 2005.

"The Company is having a valid Certificate of Registration dated October 31, 2005 issued by the Reserve Bank of India under Section 45 IA of the Reserve Bank of India Act, 1934. However, the RBI does not accept any responsibility of guarantee about the present positions as to the financial soundness of the company or for the correctness of any of the statement of representations made or opinions expressed by the company and for repayment of deposits / discharge of liabilities of company"



### Registered Office

### Ujjivan Financial Services Private Limited

93 Jakkasandra Extension, Sarjapur Main Cross Road

Koramangala 1st Block, Bangalore 560 034 India

Phone : (080) 4071 2121 Fax : (080) 4146 8700

\* Cover and starred pictures by Nihal Ghosh



Ujjivan represents Indian MFIs on the steering committee for



### Join the Campaign & Endorse the Six Principles

1. Avoidance of over-indebtedness
2. Transparent pricing
3. Appropriate collections practices
4. Ethical staff behavior
5. Mechanisms for redress of grievances
6. Privacy of client data