

ANNUAL REPORT 2009 - 2010



Ujjivan Financial Services Private Limited



Ranked #1 as the Best
Company to work for in
the Microfinance Industry
by Great Place to Work™
Institute, India and
The Economic Times

Legal & Regulatory Framework

Ujjivan Financial Services Pvt. Ltd. is registered as a Non Banking Financial Company.

The Company is having 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. 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 repayments of deposits / discharge of liabilities by the company.

TABLE OF CONTENTS

Chapters	Page No.
Letter from Managing Director	1
Company Profile	4
Our Customers.....	7
Key Milestones	8
Products & Services.....	11
Recognition.....	15
Human Resources & Training	16
Ujjivan Team	18
Parinaam Foundation	21
Director's Report	26
Management Discussion & Analysis	29
Corporate Governance.....	33
Auditors' Report.....	36
Financial Reports	39



Letter from Managing Director

The Year: 2009-10

The year marked a major turning point in the life of Ujjivan. The start up phase where the mantra was to **grow, grow, grow and breakeven**, has been achieved. It took us 4 years to build a solid foundation with four regional hubs servicing 230 branches spread across 13 states. Ujjivan now ranks among the top ten Microfinance Institutions (MFIs) in India in terms of size. Here is a snap shot of our business growth numbers:

Particulars	Mar-08	Mar-09	Mar-10	Growth 2009-10
Customers	68,033	295,903	620,624	110%
Disbursement (Rs. Mn.)	635	3,130	9,319	198%
Outstanding (Rs. Mn.)	365	1,689	3,700	119%
Employees	551	1,691	2,830	67%
Branches	38	127	230	81%
Repayment Rate	99.22%	99.65%	98.96%	n/a

One major lesson was the mass default of customers from a minority community in a pocket of Karnataka. The branches affected were Ramnagara, Siddlaghata & Mysore. It vindicated our strategy of geographical diversification across the country. Our total portfolio was very marginally affected and our investors and bankers did not even have to blink an eyelid. The business in this area is slowly coming back to normal. The Association of Karnataka Microfinance Institutions (AKMI), as recommended by the Reserve Bank of India, has engaged EDA Rural and CGAP to conduct an independent study of this crisis, which will identify the root causes and will provide valuable lessons for all the parties involved. This report will be completed next month.

Ujjivan has been posting a profit month on month from January 2009 and closed the year with Profit after Taxes of Rs. 96.4 Million. This has enabled us to wipe out all the accumulated losses of the four start-up years, transfer Rs.19.28 Million to our Statutory Reserve and post a Cumulative Profit of Rs.18.63 Million. Accomplishing high business growth, widening the geographical spread and reaching commercial viability in four full years of operations is a unique achievement for a microfinance institution.

The Board and Management of Ujjivan have decided / recommended on the following course of actions for the three major stakeholders of Ujjivan – Employees, Customers and the Shareholders:

- Bonus for its employees who have built the Company over the last 5 years,
- Rs. 3.15 Million allocated to a social development fund for projects to be undertaken by the branches along with the customers, and
- A maiden token dividend of 2% subject to shareholders' approval

There were two other major positive developments during the year:

First, is the establishment of the Microfinance Institutions Network (MFIN) which is an association of thirty plus major Non Banking Finance Company (NBFC) MFIs. The association has two major objectives: 1) A Self Regulatory Organization (SRO), it has already put in place a code of conduct which sets out rules on overextension of credit, transparency, collection and also on human resource practices. As a part of the endeavour to reduce overextension of credit, MFIN has also initiated a process to provide the services of two credit bureaus for all MFIs. 2) MFIN is to pattern itself on NASSCOM of the Indian Information Technology industry and take us forward to provide full financial inclusion to 100 million poor households by 2020. Full financial inclusion would mean providing them at least three of the four major financial services: Loans, Savings, Remittances & Insurance. MFIN has already initiated a number of dialogues with the Reserve Bank of India, bankers, financial institutions, investors and rating agencies. We are a leading member of MFIN and are represented on the board.

Second, Ujjivan is supporting Parinaam Foundation to carry out a pilot program for the urban ultra poor in Bangalore. Parinaam has developed a holistic approach to provide support to these families in all aspects which keep them in utter poverty. You can read more about the program in a later section of this report.

The future

Ujjivan will continue to grow at an accelerated rate to reach out to the wide open spaces. Successfully launching in Mumbai, the largest metropolitan city is one of our goals for this year. In our existing structure, the primary strategy has to change to that of managing a mature business. The priority will be on managing each branch as a business unit focussing on profitability, customer retention, and service quality, deepening our relationship with customers with customized products for each major segment. In order to achieve this we have launched a mature branch plan and a service quality program including financial literacy. Along with this we will also focus on effective remedial measures in branches where we face portfolio problems, which is inevitable in the nature of this business.

The second challenge is to build a successful social enterprise for which there is no clear path and we need to pave the way as we go along. The regulators are nudging us, as we achieve profitability and scale, to pass on the benefits not only to our investors & employees but also primarily to our customers through reduced interest rates. We will certainly fulfil that objective.

We expect turbulent times for MFIs in the near future: pressure on interest rate margins; changes in the primary sources of funding; and bad press, as some of the poor business practices & governance of some MFIs come to light. As microfinance makes deeper inroads we can also expect disruptive reactions from those who have vested interests in maintaining the status quo; and most importantly, if we are not able to change many of our practices in customer selection, extension of credit and collection, it will create a climate of mass defaults from our customers. Under these

circumstances building a solid foundation, following sound business & human resource practices and ensuring good governance of our enterprises will be essential for survival & success.

Microfinance in India is a high growth industry with vast open spaces to expand. However, recourse to mass violence and terrorism from the poorest segments of our society - the tribal population and the poor minorities – underlines the pressing need for financial inclusion for equity and progress of our country. **‘Ab Aur Waqt Nahi (Running Out of Time)’**

If we successfully provide the financial inclusion services which is urgently required by the disenfranchised poor, we will be able to establish a successful industry comprising MFIs, each with their own approach. These businesses will certainly be able to satisfy all their stake holders.



Samit Ghosh

May 24th, 2010





Company Profile

Ujjivan is a Microfinance Institution serving the economically active urban and semi-urban poor. 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 has its headquarters in Bangalore, with regional offices in New Delhi, Kolkata & Pune. It has 250 branches in sixteen states across India.

Mission

To provide financial services to the economically active poor, to enable them to lead a 'better life'

Goals

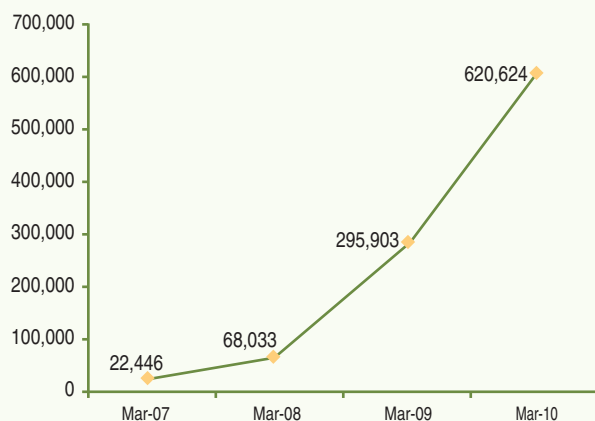
- Provide financial services to enable customers to lead a better life and get out of the poverty cycle
- Expand nationally in both urban and rural areas and serve 2,000,000 by 2012-13 with 500 branches
- Operate a viable business and target 15% ROE over a 5 year period

- Provide professionally and financially rewarding careers to employees and attract and retain top quality talent
- Participate in a holistic approach to poverty reduction through a partnership with Parinaam Foundation, an NGO with a focus on education, health, vocational training and community development

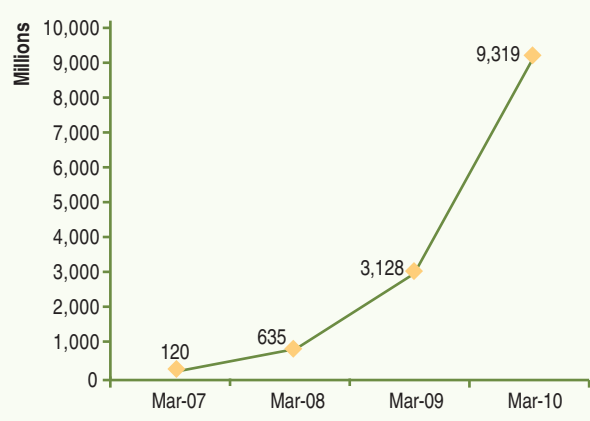
Ujjivan provides a range of financial products and services to cover our customers' needs. It combines the unique Grameen Bank methodology of selecting, training, selling to & servicing customers in the front end with that of technology, processes & disciplines of modern retail banking in the back end.

Ujjivan after completing its 18 month pilot in Bangalore in 2006 has expanded exponentially in the past few years reaching out to a total of 620,624 customers and disbursing a total of Rs. 9319 Million as of 31st March 2010. The Company broke even month on month in January 2010 after 50 months of operations, wiped out the entire accumulated losses, and posted a profit for the year 2009-10. It has 2830 employees across the country.

Customer Growth

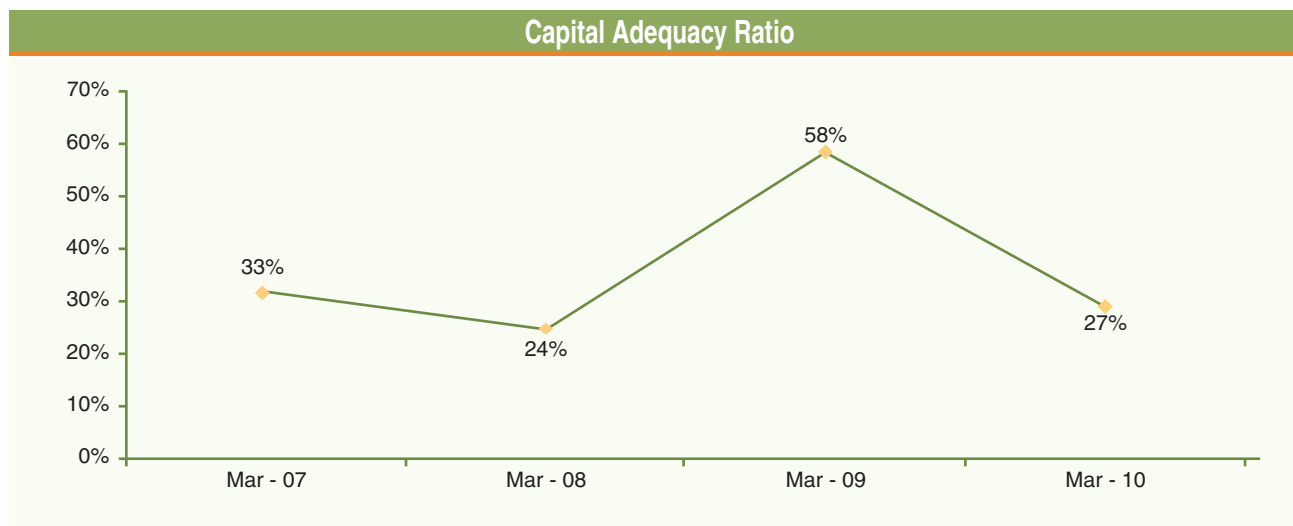


Loan Disbursement Growth

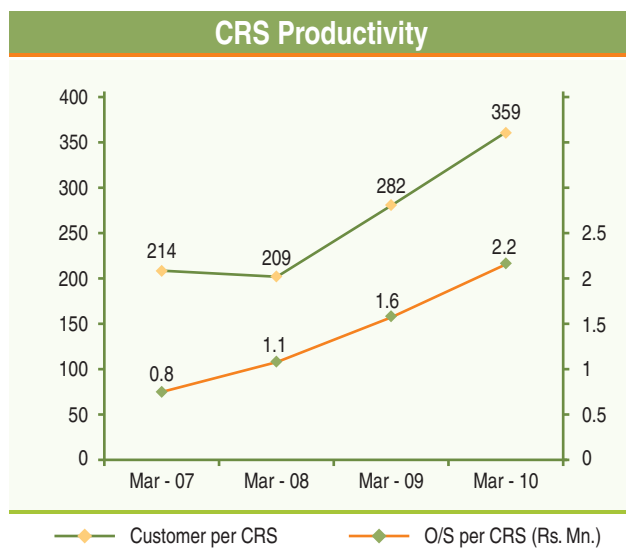


Financials & Productivity

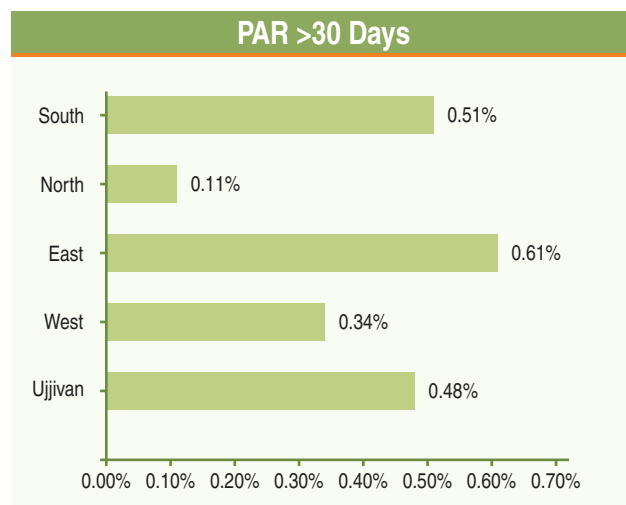
Capital Adequacy Ratio (CAR) = Net Worth / (Total Assets – Cash at Hand)



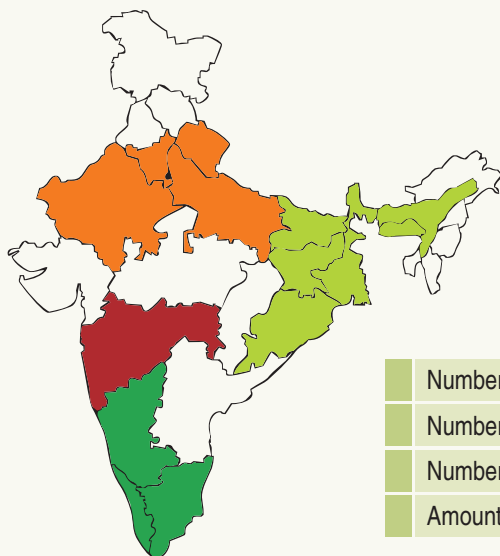
Customers and Loan Outstanding
per CRS (Customer Relation Staff):



Portfolio at Risk (PAR) = Over dues above 30 days/ Corresponding
Principal Outstanding



Geographical Outreach



Number of States	13
Number of Branches	230
Number of Customers	620,624
Amount of Loans Disbursed	Rs. 9319 Million

[As of 30th April 2010, Ujjivan had 250 branches in 16 states and disbursed over Rs. 10,000 Million, serving more than 650,000 customers]

Region	Branches	Customers	Amount of Loans Disbursed
South	87	238,040	Rs. 4342 Million
East	89	262,819	Rs. 3460 Million
North	31	83,900	Rs. 1155 Million
West	23	35,865	Rs. 361 Million

North

Chandigarh
New Delhi
Rajasthan
Uttarakhand
Uttar Pradesh

East

Assam
Bihar
Jharkhand
Meghalaya
Orissa
West Bengal

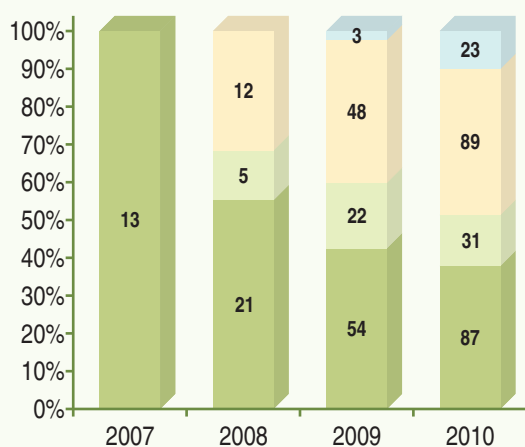
South

Karnataka
Kerala
Puducherry
Tamil Nadu

West

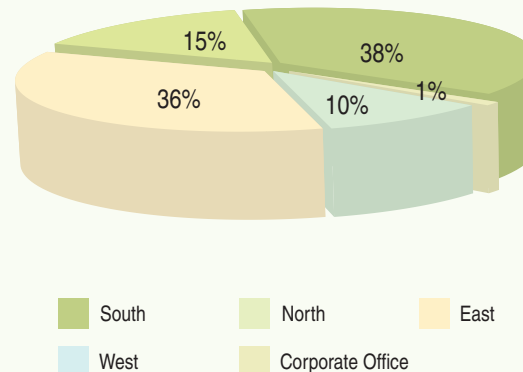
Maharashtra

Branch Expansion



South North East West

Region Wise Staff Distribution



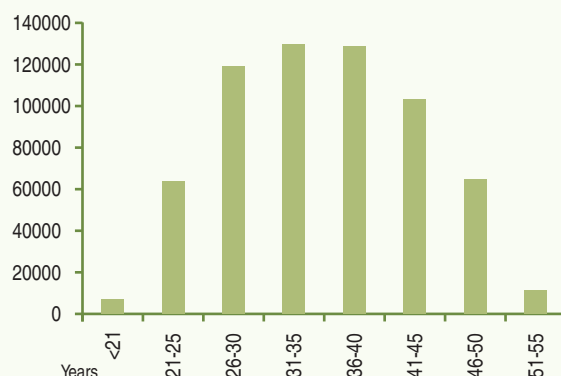
Our Customers

Ujjivan's customers are industrious, hard-working women from India's urban and semi-urban areas. They hold a variety of occupations, often owning small shops and tailoring businesses or are employed as housemaids or as piece rate workers in garment factories.

Some top occupations of Ujjivan Customers

- Agarbatti (incense) rolling workers
- Flower vendors
- Beedi (mini tobacco) making workers
- Housemaids
- Saree Sellers
- Factory workers
- Tailors

Customer Breakdown by Age



Customer Breakdown by Monthly Household Income



Customer Breakdown by Occupation

