

Strategic Responses of a Social Business: the Case of an Urban Micro-Finance Institution

M. R. Suresh & Ullas Rao

Background of Ujjivan

In an address to students of a leading management institute, Samit Ghosh, the Chief Executive Officer and Managing Director of Ujjivan Financial Services Private Limited, highlighted as to how his company responded to a changing business environment and was not negatively impacted by the changes as it happened to other firms in the industry. He highlighted the strategic choices made by his organisation and highlighted the contours of the future challenges.

Ujjivan was started by Samit Ghosh in 2005 with Bangalore as its head quarters. Samit Ghosh had several years of experience in banking and was also part of a team that pioneered consumer banking in India in Citibank. He decided to start Ujjivan with the aim of making banking inclusive. In India often inclusive banking stopped with opening an Savings Bank Account and often the account holder did not have access to other financial products such as loans, insurance etc. This limited the progress of the poor. Ujjivan sought to correct this anomaly. Unlike other firms in the micro-finance business Ujjivan by design focused on the urban poor. Ujjivan was set up with the mission of “Providing Financial Inclusion of the urban and semi-urban poor” (Presentation at India Urban Conference, Nov. 2011). Ujjivan derived from the phrase “Uttam Jeevan” the meaning of which is “Better Life”.



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Research Centre for Management Studies (SDM RCMS),
SDMIMD, Mysore

The case writer(s) M. R. Suresh, Associate Professor - Marketing and Ullas Rao, Assistant Professor - Finance, may be reached at suresh@sdmimd.ac.in and ullasrao@sdmimd.ac.in respectively. Author(s) have prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of the situation. This case is fictionalized and any resemblance to actual person or entities is coincidental. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of SDMRCMS, SDMIMD, Mysore. For Teaching Notes please contact sdmrcms@sdmimd.ac.in.

Goals of Ujjivan in the Initial Years

Ujjivan identified the following goals for itself (Annual Report, Ujjivan 2007, pp.2)

- Customers free of poverty in 5 years.
- Serve 500,000 customers within six years of operations.
- Break even in 3 years and provide a long term ROE of 15%.
- Participate in a holistic approach to poverty reduction by collaborating with institutions

offering services in Child Care, Education, Health, Vocational Training, Community Development, Shelter and Disaster relief

Key Milestones and Achievements of Ujjivan

Ujjivan's significant milestones are summarised in Table I.

Table I :
Significant Milestones of Ujjivan

Month / Year	Milestones
January 2006	<ul style="list-style-type: none"> • First loans disbursed in Bangalore.
May 2006	<ul style="list-style-type: none"> • Increased its share capital to Rs.5.5 crores with induction of investors like Unitus and Susan Dell Foundation.
November 2006	<ul style="list-style-type: none"> • Ujjivan reached 10,000 customers in Bangalore. • Released a market research publication entitled "A Study of Economically Poor Women in Bangalore 2005".
December 2006	<ul style="list-style-type: none"> • Micro-finance plus programmes launched with first eye-care camp held in Bangalore.

January 2007	<ul style="list-style-type: none"> • Ujjivan opened first semi-urban branch in Ramanagaram.
February 2007	<ul style="list-style-type: none"> • Operations started in Delhi and Kolkata.
April 2007	<ul style="list-style-type: none"> • Completion of 18 month pilot programme in Bangalore. • Ujjivan becomes the first Indian Micro-finance institution (MFI) to grant employer stock options.
May 2007	<ul style="list-style-type: none"> • Delhi and Kolkata regional offices disbursed first loans.
June 2007	<ul style="list-style-type: none"> • First housing loans disbursed in Bangalore. Also healthcare programmes launched in Bangalore.
October 2008	<ul style="list-style-type: none"> • 100,000 customers, Rs.1000 million loans disbursed.
December 2009	<ul style="list-style-type: none"> • Operations launched in Mumbai.
January 2010	<ul style="list-style-type: none"> • 5 Diamond rating by MIX Market.
December 2010	<ul style="list-style-type: none"> • Wins “Micro-finance Organisation of the Year” award.
June 2011	<ul style="list-style-type: none"> • 14th among India’s best companies to work for and #1 in the micro-finance industry.
February 2012	<ul style="list-style-type: none"> • Wins first edition Platinum award for Social Performance reporting

(Source: Annual Report, Ujjivan 2012, pp.3)

By June 2007, Ujjivan had established 19 branches in cities with 28,190 customers. The MFI had disbursed Rs.173 million loans disbursed and Rs.116.8 million loans outstanding. It had seven loan products and 24,438 customers also benefitted from the life insurance coverage.

By June 2013, Ujjivan had more than 1,10,49,32 customers and had operations in 20 states and 48 unbanked districts. The MFI had 301 branches and disbursed more than Rs.46, 967 million, had Rs.11, 260 million outstanding and it had achieved a repayment rate of around 99,73%. By May 2013 Ujjivan had achieved a Profit Before Tax (PBT) of Rs.49 crores.

Industry Environment of Ujjivan

The size of the micro-finance industry in India in 2012 was an estimated Rs. 4, 09,809.94 crores. The evolution of micro-finance followed multiple strands. Many NGOs entered the micro-finance sector when the development sector organisations saw the sector as an important intervention. NGOs also viewed the same as an intervention appealing to people yet easy to implement. Many government agencies such as NABARD, CAPART, Rashtriya Gramin Vikas Nidhi actively aided the development of micro-finance sector through a variety of initiatives ranging from policy support to capacity building of bank officials. International aid agencies also contributed to this sector by supporting micro-finance endeavours. Micro-finance tended to be a women-oriented programme and access to credit seemed to have some sort of an inherent appeal for women.

1. There were various models of micro-finance that emerged in India. In general there were models that were prevalent in the Indian micro-finance sector (Srinivasan, R and Sriram., M.S., June 2003).
 - a) **Grameen Bank Model:** This involved forming groups of five, eight groups federated as a centre, with systematic savings by members and loans to individuals were approved by the centre, to be repaid in certain number of equal instalments.
 - b) **SHG (Self-help Group) Model:** It had certain additional flexibilities built into it through formation of homogeneous affinity groups and access to external funds from mainstream banks. Lending decisions were taken by the group. SHG model emphasised on group savings as a base. This model was popular with banking

institutions, emphasised leadership development and was stated to work well in regions where there was a banking and credit culture.

- c) **Individual Banking:** In this model there were two variations, one that required joint liability group offering a social collateral to the lending agency and another that provided individual loans to seekers.

There were many issues that the micro-finance sector faced:

- Each model of lending had variations
- Certain models assumed that loans were required only for commercial or income-generation purposes and not for other purposes which had no link to income generation
- Role of NGOs that sponsored the micro-finance initiative
- The linkage between self-help groups and banks
- Role of governments, both at the centre and at the state levels
- Policies formulated by RBI, NABARD
- Issues pertaining to technology, computerisation etc.,
- The conflict of choice of beneficiaries to focus on, the poorest or individuals with relatively higher incomes
- Regional variations in credit culture
- Irrespective of the model followed the need to offer financial services went beyond micro-credit such as insurance products
- Linkages with other institutions such as agri-input, FMCG/ Consumer durable companies, hospitals (in the context of health insurance)
- Linkage of micro-finance with other developmental issues such as education, health, women's empowerment etc.

Ujjivan's Approach to Lending

In 2007, Ujjivan developed an approach to its lending (Annual report 2006-07, pp.6). Its customers were all poor working women, with just an average income range of Rs.4000 to Rs.6000 per month with around 15% having an income of less Rs.4000 per month. Ujjivan's customers were self-employed women such as fruits and vegetable vendors, tailors, small kirana shop owners, women with fixed monthly income such as maid servants, sweepers, teachers and women who work for piece-rate jobs such as agarbathi rolling, beedi rolling and garlic peeling. For such families household expenses such as food, housing, medical costs, repayments of debt and social obligations constituted major expense heads and were in the range of Rs.2000-Rs.4000 per month. It was for women in this category Ujjivan formulated various products.

Eligibility Requirements of Customers

Given the focus of Ujjivan on poor women, the company formulated the customer eligibility requirements as in Table II.

Table 2:
Customer Eligibility Requirements

- | |
|---|
| <ul style="list-style-type: none"> • Women between 18 – 55 years of age. • Economically active, i.e, working either salaried or self-employed. • Married, widowed or separated. • Resident of same area for 5 years. • Household income between Rs.2000 – Rs.8000 per month. • Per capita income of less than Rs.1000 per month. • Must form a group of 5 women and agree to join responsibility for all loans. • Must complete 6 day customer group training course and pass Group recognition test. |
|---|

(Source: Annual Report, Ujjivan 2007, pp.6)

The unique business model adopted by Ujjivan obviated the need to maintain complicated procedures for assessing the creditworthiness of its borrowers. Unlike most of the other MFIs operating in India, Ujjivan sought to meet the financial aspirations of the borrowers residing in urban areas that are classified as '*economically active poor*'. The entire loan disbursement process was facilitated by a customer relationship officer (CRO) entrusted with the responsibility of administering the loan application. Besides seeking general information, loan application required the prospective borrower to indicate the precise purpose and utilisation of the loan amount. Here, the CRO sought to understand the potential income generation activity with which the borrower was expected to be engaged subsequent to the disbursal of loan. Loan amounts were normally restricted to below INR 120,000 thereby minimising excessive exposure to a single loan account. These filled-in loan application forms along with the observations made by CRO were sent to the Head Office (HO) where the same was entered into a database for generation of credit score. Only upon the generation of sufficiently high credit score, the HO sanctioned the loan amount, which was then disbursed to the borrower through the CRO. Being technology savvy helped Ujjivan as incidents of misappropriation at the employee level were minimised. Consequently, each CRO was given an electronic hand-held device where all the operations relating to receipts and payments were entered electronically enabling the CRO to issue printed receipt for every transaction made by the borrower.

Loan Products of Ujjivan

Given the various segments of its urban (poor) customers, Ujjivan developed a "unique multiproduct framework" offering seven loans customised to its customer requirements. Ujjivan offered the following loan products: (Annual Report, Ujjivan 2012, pp.8-9). They were as below:

Basic Loans

- Business Loans
- Family Loans
- Combo Loans
- Business top-up loans

Value Added Loans

- Emergency Loans
- Education loans
- Safe water (Pure-it) loan

Individual Loans

- Individual Business loans
- Housing loans
- Livestock loan
- Bazaar loan

Financial Dimensions of Ujjivan

With an eye clearly set of the fundamental rules that governed a micro- finance business, Ujjivan had been careful in resisting the temptation to metamorphose into a larger financial unit by continuing to focus singularly on MFI business. This arose from the cherished goal of Ujjivan's board, of *'profit motive with a social mission'*.

With a repayment success rate of 99.73%, Ujjivan established itself as the undisputed market leader leaving even its rival banking counterparts such as HDFC Bank behind. In recognition of the stupendous results, Ujjivan recently received the coveted *'Micro-Finance Organisation of the year'* in 2011 presented at the Micro-Finance India Summit in Delhi.

Table III reflected the operational performance of Ujjivan over the period March 2007 – March 2012

Table 3:
Key Operational Statistics

Parameters	March' 07	March' 12	CAGR
Loan disbursement (in millions of INR)	120	31558	204.78%
Customers	22220	10,41,246	115.85%
Branches	13	299	87.22%

(Source: Annual Report, Ujjivan 2012 & Capitaline database)

Loan disbursement

Ujjivan recorded an extremely healthy compounded annual growth rate (CAGR) of 205% over the years March 07-12. This was evident with the company making inroads into new geographies and identifying new customers distributed across different urban cities

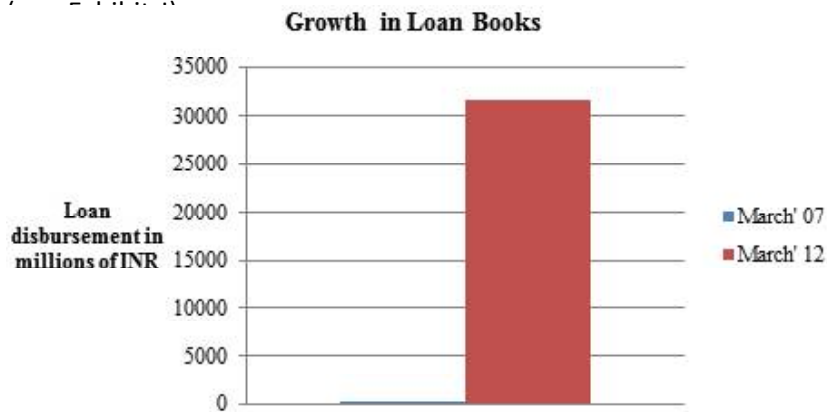


Exhibit I: Growth in Loan Books

Customers

Customer base also witnessed a robust CAGR of 116% over the period March' 07 – March' 12, bearing testimony to acceptability of Ujjivan as a leading player in the MFI segment in India (see Exhibit II)

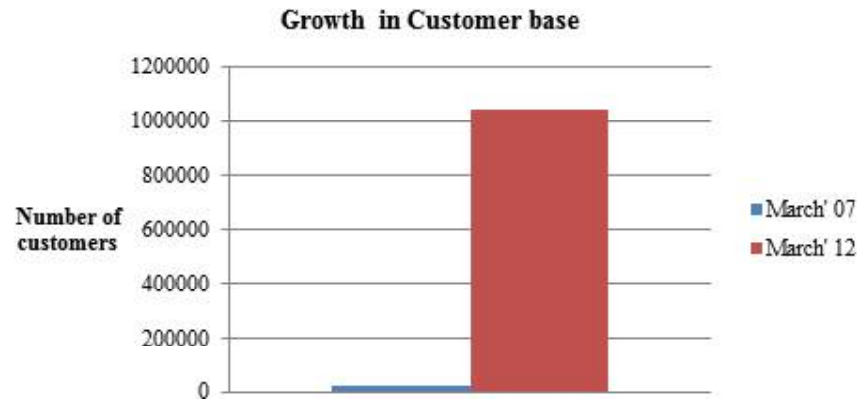


Exhibit 2: Growth in Customer base

Branches

From a single branch in Bangalore, Karnataka in 2006, Ujjivan today boasted of an enviable branch size of 299 as on March' 12 with presence in almost all the major states in India (see Exhibit III).

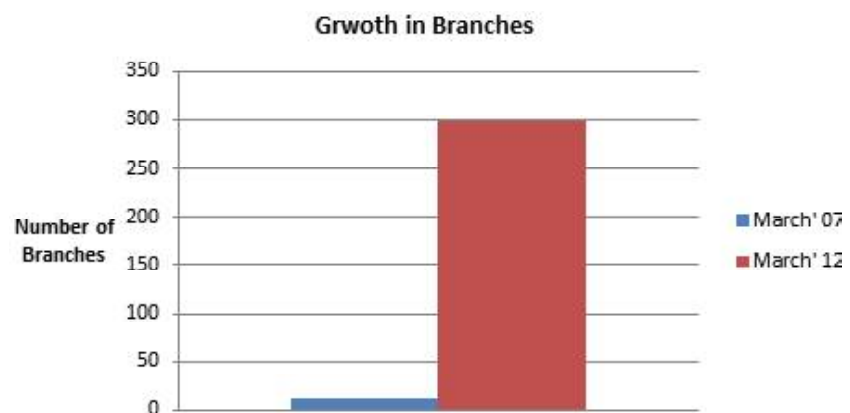


Exhibit 3: Growth in Branches

Financial Performance

A useful parameter to measure the performance of a typical bank or financial institution is reflected by the total asset size. The total asset size of Ujjivan over the financial year March 11-12 recorded a

healthy CAGR of 26.11%. It is also useful to compare the key financial ratios of Ujjivan with its nearest competitor, SKS Micro- Finance (Table IV).

Table 4:
Key Financial Ratios – Ujjivan vis-à-vis SKS Micro- Finance

Ratio	Ujjivan		SKS Micro- Finance	
	March'09	March'11	March'09	March'11
EBITDA margin	23.73%	43.47%	59.45%	42.26%
Interest coverage	0.93	1.37	1.64	1.49
RONW	9.35%	10.29%	18.49%	8.15%

(Source: Capitaline database)

EBITDA Margin

A healthy increase in EBITDA margin of 1,974 basis points over March' 09 – March' 11 pointed out to the fact that operational efficiencies remained firmly ingrained in Ujjivan's business. The same was not the case for SKS Micro- Finance, having witnessed drop in EBITDA margin by 1,719 basis points (see Exhibit IV).

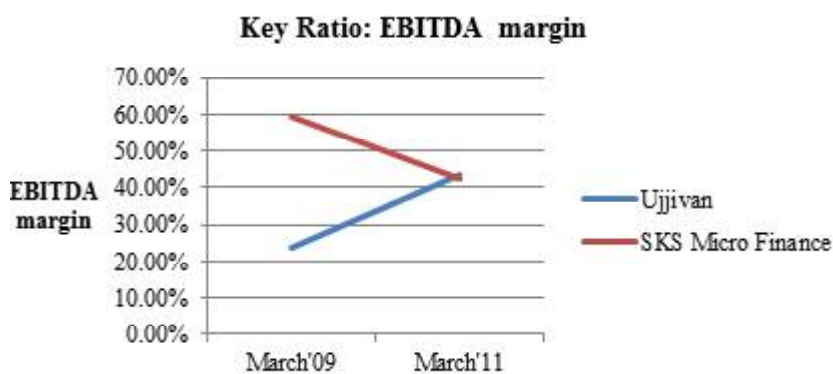


Exhibit 4: Ujjivan vs. SKS Micro- Finance – EBITDA margin

Interest Coverage

This measure sought to capture the availability of operating income to meet interest commitments. Higher the interest coverage, better disposed was the firm to meet its interest payment obligations. Ujjivan witnessed an increase in the same from 0.93 in 2009 to 1.37 in 2011 signifying an improvement. For SKS Micro- Finance, a decrement in performance was witnessed (see Exhibit V).

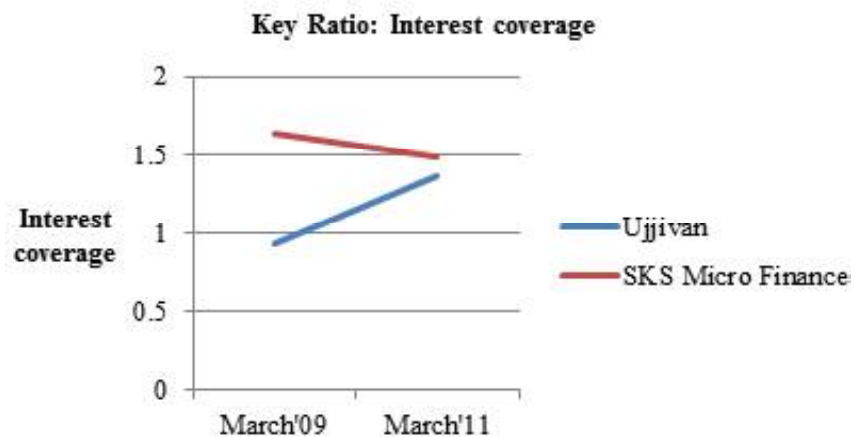


Exhibit 5: Ujjivan vs. SKS Micro- Finance – Interest coverage

Return on Networth (RONW)

This a significant ratio that sought to capture the returns earned by shareholders on their investment. A steady increase in RONW was indicative of maximization of the interests of shareholders. Ujjivan achieved a healthy increase from 9.35% for March' 09 to 10.29% for March' 2011, representing an increase by 94 basis points. For SKS Micro- Finance, as evidence to the financial troubles surrounding the company, there was a steep decline in RONW from 18.49% for March' 09 to 8.15% for March' 11 representing drop of 1,034 basis points (see Exhibit VI).

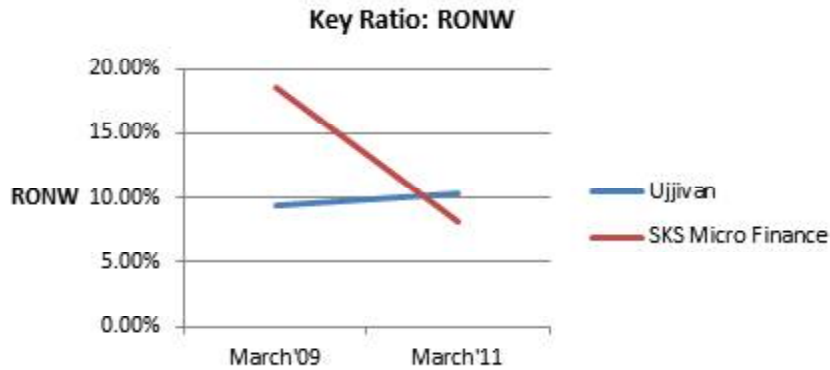


Exhibit 6: Ujjivan vs. SKS Micro- Finance – RONW

Capital Adequacy

The capital structure of Ujjivan augured favourably evidenced by equity infusions from prominent institutional investors and NGOs in recent times. The venerable list of investors holding shareholding in excess of 5% in Ujjivan included the following.

- 1) International Finance Corporation (private arm of the World Bank)
- 2) Sequoia Capital
- 3) FMO Netherlands
- 4) Bellwether Micro-finance Fund
- 5) Michael & Susan Dell Foundation

An enhancement in equity component of capital enabled Ujjivan to maintain a robust capital adequacy ratio (CAR) of 33.09% as on March 2012 against the RBI stipulated requirement of 15%. Financial statements of Ujjivan are given in Annexure.

Strategic Responses of Ujjivan

It is interesting to note that Ujjivan has added more loan products by 2012 to its portfolio of products in 2007. In addition, in 2009, Ujjivan introduced life insurance policies in collaboration with Bajaj Allianz Life Insurance. By 2012, Ujjivan had progressed considerably from its moderate start in 2005. The key metrics were as per Table V.

Table 5:
Performance on Key Parameters

Key Metrics	2006-07	2011-12
Loans (Rs. Crores)	8.4	3155.8
Customers	1110	1,041,246
Branches	3	299
States	1	20

(Source: Annual Report, Ujjivan 2012, pp.5)

Ujjivan had operations urban and semi-urban areas in 48 unbanked districts of India except the state of Andhra Pradesh.

The following are a few of the strategic responses of Ujjivan over the years:

- Introduction of more loan products and financial services
- Expansion into many states and setting up of multiple branches
- Raising finance through equity funding
- Launch of “Brand Ujjivan” (this included creating a corporate communication network, designing a logo, logo in regional languages, creating model branches).
- Dissemination of customer data through Credit Bureau
- Usage of social media.
- Avoiding entry into Andhra Pradesh
- Leadership development at various levels
- Choosing technology and creating IT infrastructure (Core Banking Solutions, upgrading to BR Net, Document Management System)
- Strong HR practices for productivity and for excellent workplace engagement

- Pilot initiatives such as hand-held devices for use by field staff to improve productivity and to reduce loan turnaround time.
- Retention of customers through service quality program

Through the strategic responses as noted above, Ujjivan aimed at meeting a major challenge in India; that of providing a full range of financial services to the poor.

Changes in the Business Environment

RBI formulated a regulatory framework to protect customers and the micro-finance industry. The micro-finance industry has remained elusive to the Micro-finance Institutions (MFI) bill that seeks to regulate the activities of the different MFI players besides creating a regulator on the lines of RBI⁴. Credit bureaus were set up to maintain Credit records. Specialised micro-housing institutions emerged. Government also initiated a micro-pension scheme. Raghuram Rajan Committee set up by the Government also recommended the issue of licenses for small / limited service banking. The committee also recommended linking micro-finance sector with mobile banking. The Government also gave a major push to the Aadhar programme of assigning Unique Identification Number to all Indians and linking it with opening of a no-frills account for those who had not been included in the banking service network.

In 2010, the micro-finance industry hit a crisis. Some micro-finance institutions were accused of charging high interest rates and using strong arm tactics for recovery. There were reports of excessive commercialisation, lending to the same person by multiple agencies specifically in Andhra Pradesh to achieve growth and issues of governance in certain well-known MFIs. The press was undertaking investigations into the activities of micro-finance institutions and it seemed that the issues raised went beyond the geography of Andhra Pradesh. The state government of Andhra Pradesh came up with an ordinance to protect women self-help groups from exploitation by micro-finance institutions and sought to regulate them (Sriram 2012).

⁴ The bill has not yet been presented in Parliament owing to various reasons. The Bill, once enacted, will help in better monitoring and regulation of entities involved in offering products and services in the micro-finance sector.

There was a possibility of bankruptcy by certain institutions that had a large exposure in Andhra Pradesh micro-finance business.

Ujjivan came out unscathed from the crisis by following a certain prudent strategies as below (Presentation at India Urban Conference, 2011):

- Avoiding of Andhra Pradesh and other vulnerable areas from its operations
- Cautious and careful cash management
- Strong HR practices to manage and motivate the Ujjivan team: Recognition in the Great Place to Work Award.
- Strong customer and community connect through a variety of practices such as customer care representatives in mature branches to handle grievances and customer help desks in regional offices.

Beyond Micro-Finance and Mission and Goals of Ujjivan in 2012

Ujjivan went beyond the call of micro-finance by contributing a part of its profits to social development programmes in view of the realisation that the disadvantaged sections of the society needed more than micro-finance. It set up the Parinaam Foundation under Section 25 of the Indian Companies Act. Parinaam Foundation implemented social development programmes such as eye camps, healthcare management, vocational training and other activities. The foundation leveraged the distribution network of Ujjivan and other like-minded organisations. It also developed systems and processes to institutionalise social performance through Social Performance Management (SPM) monitoring and evaluation. In 2012, Ujjivan identified its missions and goals as below (Annual Report, Ujjivan 2012, pp.4):

Mission

- Provide financial services to the economically active poor

Goals:

- Provide full range of financial services required by the customers.
- Build an institution which is best in class in all aspects: customer service, innovation, efficiency, work place engagement, leadership, governance and reputation
- Operate a viable business to provide satisfactory returns for investors
- Provide professionally rewarding careers to employees and, attract and retain quality talent
- Holistically approach poverty reduction, in partnership with Parinaam Foundation, through social welfare; healthcare, education, vocational training, community development, shelter, and disaster relief, to enable customers lead a “better life”

Challenges Ahead for Ujjivan

Ujjivan faced many challenges in the years to come. Should Ujjivan offer loans and other financial services to individuals with higher incomes, small businesses and men? While this might improve business viability but can impact their social mission. How can they blend their social mission with business viability? In addition, given the need to become a full-fledged bank for the urban poor, can Ujjivan rise up to the challenge. This also called for strong human resources management. Technology is becoming major dimension in banking and goes beyond just IT for record keeping and includes the entire gamut of mobile phone based banking services for the urban poor. Ujjivan has to address this issue strategically. What are the additional financial products and services that can be offered to the urban poor? These have to be developed by piloting innovation projects and calls for high product management competencies. Region-specific

customisation is also essential given the vastness of the country and socio-cultural variations across India. What are the ways by which Ujjivan can blend its activities and services with that of the Parinaam Foundation and work for overall poverty alleviation of its customers? Ujjivan also has to contribute to the industry as a whole by inspiring the micro-finance industry through sustained sterling performance and by providing thought leadership to the micro-finance industry associations. For all the above, Ujjivan has to develop leadership capabilities at all levels. Strategic Leadership today is provided by Samit Ghosh. How can leadership competencies developed in the organisation?

As Samit Ghosh stated in the Annual Report 2012, “Can we provide the full gamut of financial services to the 600 million excluded in India: Credit, savings, remittance, insurance and pension by 2020?”. This was goal committed by all countries as a Millennium Development Goal and India has many people still unserved by banking. In a letter, as part of the Annual Report 2012, Samit Ghosh, in his capacity as Managing Director, stated “we have created the base; we only need to take the leap”. Emphasising that Ujjivan will not move away from its mission of providing financial services to the poor, Samit Ghosh also stated that Ujjivan would endeavour to string together different dimensions to provide the entire gamut of financial services to the poor to enhance their lives.

Annexure: Financial Statements of Ujjivan for the years ending 2011-12

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED			
Statement of Profit and Loss for the Year Ended March 31, 2012			
(Amount in Rupees)			
Particulars	Note No.	Year ended March 31, 2012	Year ended March 31, 2011
A. INCOME			
(a) Income from Operations	19	1,482,431,244	1,518,933,594
(b) Other Income	20	80,600,649	45,497,324
Total Income (A)		1,563,031,893	1,564,430,918
B. EXPENDITURE			
(a) Employee benefits expense	21	601,677,317	553,832,794
(b) Administrative and Other Expenses	22	271,893,415	285,193,865
(c) Finance cost	23	585,869,855	476,604,812
(d) Depreciation and amortisation expenses	11	24,035,704	26,145,855
(e) Provision/write off for receivables under financing activity	24	57,624,664	45,374,014
Total Expenditure (B)		1,541,100,955	1,387,151,340
Profit Before Tax (A - B)		21,930,938	177,279,578
Tax expenses			
(a) Current tax expenses for current year		15,800,000	73,000,000
(b) Current tax expenses relating to prior years		-	6,000,000
(c) Deferred Tax	26.6	(11,017,456)	(15,812,738)
Profit / (Loss) for the year		17,148,394	114,092,316
Earnings per Equity Share:	26.5		
(a) Basic		0.44	3.27
(b) Diluted		0.41	3.02
See accompanying notes forming part of the financial statements			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

S. Ganesh
S. Ganesh
Partner
Place : Bangalore
Date : May 15, 2012



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					
Balance Sheet as at March 31, 2012					
(Amount in Rupees)					
Particulars	Note No.	As at March 31, 2012		As at March 31, 2011	
I. EQUITY AND LIABILITIES					
(1) Share Holder's Funds:					
(a) Share Capital	3	572,866,260		348,424,600	
(b) Reserves and Surplus	4	1,854,458,522	2,427,324,782	813,866,016	1,162,290,616
(2) Non-Current Liabilities					
(a) Long-term borrowings	5	2,550,409,112		1,671,054,877	
(b) Long term provisions	6	19,216,057	2,569,625,169	14,536,324	1,685,591,201
(3) Current Liabilities					
(a) Short-term borrowings	7	-		8,791,510	
(b) Trade payables	8	40,914,875		42,875,788	
(c) Other current liabilities	9	3,833,873,703		4,139,676,699	
(d) Short-term provisions	10	103,458,920	3,978,247,498	77,465,242	4,268,809,239
Total			8,975,197,449		7,116,691,056
II. ASSETS					
(1) Non-current assets					
(a) Fixed assets					
(i) Tangible assets	11A	87,322,956		87,927,575	
(ii) Intangible assets	11B	24,247,543	111,570,499	9,667,365	97,594,940
(b) Non-current investments	12	1,000,000		1,000,000	
(c) Deferred tax assets (net)	26.6	32,203,038		21,185,582	
(d) Long term loans and advances	13	29,622,518		36,358,193	
(e) Other non-current assets	14	479,283,645	542,109,201	175,791,999	234,335,774
(2) Current assets					
(a) Receivables under financing activity	15	6,530,735,848		6,180,056,281	
(b) Cash and Bank Balances	16	1,614,524,881		511,725,465	
(c) Short-term loans and advances	17	22,210,804		19,981,790	
(d) Other current assets	18	154,046,216	8,321,517,749	72,996,806	6,784,760,342
Total			8,975,197,449		7,116,691,056
See accompanying notes forming part of the financial statements					
In terms of our report attached					
For Deloitte Haskins & Sells Chartered Accountants		For and on behalf of the Board of Directors			
S. Ganesh Partner		Samit Ghosh Managing Director			
Place : Bangalore Date : May 15, 2012		Sunil Patel Director			
Annual Report 2011-2012					

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED
Cash Flow Statement For The Year Ended March 31, 2012

(Amount in Rupees)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Net Profit / (Loss) as per Profit & Loss Account	21,930,938	177,279,578
Adjustments for		
Depreciation	24,035,704	26,145,855
Loss / (Income) from sale of investments	97,442	(8,808)
Dividend on Mutual Funds	(14,943,793)	(9,910,215)
Provision for Receivables under Financing Activities	35,497,445	37,915,257
Provision for advances	1,721,224	
Assets written off	89,220	5,171,916
Loss/Profit on sale of Fixed Assets	314,846	583,029
Operating Profit before Working capital changes	68,743,026	237,176,612
Changes in working capital:		
Receivables under Financing Activities (net)	(350,679,567)	(2,489,353,611)
Loans and advances	(3,375,317)	(22,382,554)
Other assets	(465,849,058)	(157,952,754)
Trade and other payables	(882,584,123)	529,728,608
Cash flow from operations	(1,633,745,039)	(1,902,783,699)
Tax paid	(18,272,134)	(75,975,658)
Net Cash from operating activities (A)	(1,652,017,173)	(1,978,759,357)
Cash flows from Investing activities		
Income from investments	-	8,808
Loss on investments	(97,442)	-
Purchase of Fixed Assets	(32,972,756)	(45,564,925)
Sale of Fixed Assets	718,181	415,465
Dividend from Mutual Funds	14,943,793	9,910,215
Net Cash from investing activities (B)	(17,408,224)	(35,230,437)
Cash flows from financing activities		
Proceeds from issue of share capital & securities premium (net)	1,247,885,772	-
Dividend and Dividend Tax Paid	(8,098,955)	(8,125,871)
Borrowings from banks / others	4,670,000,000	4,465,291,510
Repayment of Borrowings from banks / others	(3,218,870,008)	(2,113,564,361)
Net Cash from financing activities (C)	2,690,916,809	2,343,601,278
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C)	1,021,491,412	329,611,484
Balance of cash - Opening	509,133,469	179,521,985
Balance of cash - Closing	1,530,624,881	509,133,469


Notes :

- The above cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 Cash Flow Statements'.
- Cash & cash equivalents at year end includes Rs.267,370,692/- (P.Y.Rs.10,742,718/-) in term deposits with banks, under lien against loans availed by the Company.
- Refer note 16 for items included in cash & cash equivalents.

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of
Directors


S. Ganesh
Partner


Samit Ghosh
Managing Director


Sunil Patel
Director

Place : Bangalore
Date : May 15, 2012



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