CREDIT RATING REPORT
On
PEOPLE'S WELFARE FOUNDATION

REPORT: RR/47310/21

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's entity rating is valid one year for long-term rating and 6 months for short term rating. CRISL's Bank loan rating (blr) is valid one year for long term facilities and up-to 365 days (according to tenure of short term facilities) for short term facilities. After the above periods, these ratings will not carry any validity unless the entity goes for surveillance.
CRISL followed MF I Rating Methodology published in CRISL website www.crislbd.com

Date of Rating: November 10, 2021	Valid up to: November 09, 2022	
	Long Term	Short Term
Entity Rating	BBB	ST-3
Outlook	Stable	
Bank Facilities Rating		
Bank/FI	Mode of Exposures (Figures in million)	Bank Loan Ratings
Midland Bank Ltd.	Term Loan Outstanding of Tk. 5.80	blr BBB
Midas Financing Ltd.	Working Capital Loan Limit of Tk. 3.50	blr BBB
Mercantile Bank Limited	Term Loan Outstanding of Tk. 2.49	blr BBB

Address:
CRISL
Nakshi Homes
(4th & 5th Floor)
6/1A, Segunbagicha,
Dhaka-1000
Tel: 9530991-4
Fax: 88-02-9530995
Email:
crisldhk@crislbd.com

Rating Contact:
Tanzirul Islam
tanzir@crislbd.com

Analysts:
Dil Khadija Banu
beli@crislbd.com

Md Shahdat
shahdat@crislbd.com

Entity Rating

Long Term: BBB
Short Term: ST-3

Outlook: Stable

PEOPLE'S WELFARE FOUNDATION

ACTIVITY
Non-Governmental Organization

YEAR OF COMMENCEMENT
2004

CHAIRMAN
Md. Kazi Nazrul Islam

FUND
Tk. 8.93 million

ASSETS
Tk. 51.98 million

1.0 RATIONALE

CRISL has reaffirmed 'BBB' (pronounced as triple B) rating in the Long Term and 'ST-3' rating in the Short Term to People's Welfare Foundation (PWF) based on its financials and other relevant quantitative and qualitative information up to the date of rating. The above ratings have been assigned after due consideration to its fundamentals such as average capital adequacy, experienced management team etc. However, the above factors are constrained to some extent by moderate business performance, high NPL, shortfall in debt service cover ratio, liquidity ratio etc.

Micro Finance Institutions rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a MFI is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations. The Short Term rating indicates good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to financial markets is good with small risk factors.

CRISL also placed the entity with 'Stable' Outlook with an expectation of no extreme changes in economic or company situation within the rating validity period.

2.0 INSTITUTIONAL PROFILE

2.1 The Genesis

People's Welfare Foundation (PWF) is a Non-Profit and Non-Government Organization. It started its philanthropic and humanitarian journey in 2004 having a core vision of eradicating poverty and ensuring human rights for every individual under the prominent and proficient Founder Mr. Md. Emdadul Hoque. To achieve its ultimate vision the organization since it's inception focused on several need-based issues of community people under the micro finance programs. These programs are mainly initiated to contribute towards poverty alleviation along with education, literacy, training, health services, rehabilitation, agriculture and rural development, preservation and development of environmental issues, women empowerment, social development and behavioral changes in the community, research and publication under the technical and financial support of national and international development agencies as well as from individuals. For microcredit operation, generally its target clients are poor women. The corporate office of the organization is located at Village: Kaitra, P.O: Uttar Gazipur, Upazaila: Laksam, District: Comilla, Bangladesh.

For President & CEO
Tanzirul Islam
Vice President
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2.2 Chronicle of Registration

Registered by two bodies

PWF currently is registered under two (2) registering bodies and the details of it is shown in the following table:

Sl. No.	Registering bodies	Registration number	Date of Registration
1.	Society Act,1860	S-3663 (452)/2004	March 15, 2004
2.	Micro Credit Regulatory Authority Act (MRA)	00257-00066-00627	April 17, 2012

2.3 Operational Network

Small operational network

PWF has currently been operating with 4 micro credit branches in Comilla Districts, 6 Upazillas and 106 Villages with 2,719 group members. All microcredit operation are covered in Laksham, Borura, Sadar, Lalmai, Chauddagram, and Nangalkot Upazillas. All the branches are supervised and monitored by head office.

3.0 MICRO FINANCE PROGRAM

The Microfinance Program (MFP) of the organization, which began in 2004, has now been scaled up and winged with other projects to realize the availability of financial services for the poor households to reduce vulnerability and help the poor people to increase their income. The project has been focusing on increasing the income of rural poor through providing required financial support to the rural poor and vulnerable people. The micro credit loan disbursement is mainly made through three components namely Jagoron, Agrosor and Agriculture etc. A summary of micro credit program since inception has been given below:-

(Amount Tk. in million)

Name of Loan Product	Number of Beneficiary Since Inception (As on September 30, 2021)	Total Fund Disbursement Since Inception (As on September 30, 2021)	Total Deposit Collect Since Inception (As on September 30, 2021)	Total Fund Collection Since Inception (As on September 30, 2021)	Current Loan Receivable Position (As on September 30, 2021)
Agriculture	1,067	194.85	6.05	177.53	17.32
Jagoron	1,601	292.28	9.08	268.81	23.47
ME (Agrosor)	51	8.17	0.97	4.45	3.72
Total	**2,719**	**495.30**	**16.10**	**450.79**	**44.51**

Out of three microcredit programs, the major portion of loan disbursement consists of Jagoron program of Tk. 292.28 million and thereafter Agriculture of Tk. 194.85 million respectively. Therefore, deposit and fund collection is also high in Agriculture and Jagoron program in respect of disbursement.

4.0 OPERATIONAL PROCESS

4.1 Credit Policy

PWF implements programs through its branch offices and beneficiaries' organizations such as groups and centers. The head office provides guidance, supervision and also monitors the activities of the branch offices. The operation of the program of the organization runs under a center. The groups are federated into centers and two or more groups are formed in one area. A center is the centre of all activities at the area level. Each center has a Center Chief for smooth operation. Nineteen to forty like-minded people from the same village with similar economic status but not related to each other can form a group. The group members are required to undergo an intensive training program of 1-2 weeks on group management, group responsibility and credit discipline, role and procedures. The group members also need to pass a test on their integrity, seriousness, and understanding of principles and procedures of the credit program and must have the ability to write their names before the group is recognized for credit. If any client needs loan he/she has to discuss the matter with the group members

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and thereafter in the weekly meeting as well. When it is found that the use of loan will be beneficial to the applicant and the borrower will follow the rules and regulations of PWF, the decision is taken for granting loan. Afterwards respective officers give recommendation on the loan application and the loan is granted as per.

4.2 Savings Scheme

Having two savings scheme

Micro credit program is followed by savings scheme through group member. Each group consists of 15 members (not more than 40) and in every week they are organized together and discuss on various issues. The main objective of the program is to build up the habit of savings. There are mainly 2 types of savings scheme general mandatory savings scheme and voluntary savings scheme. All saving schemes provide 6% annual interest to its members.

5.0 MICRO FINANCE INDUSTRY IN BANGLADESH

Any agency that is not controlled by Government can be regarded as NGO. The public perception of Non Governmental Organizations (NGOs) is that, they are working for the common good of individuals or groups. The history of NGOs in Bangladesh could be traced way back to the British colonial period. Since the British era, NGOs in its traditional form have been working in Bangladesh as different religious trust-based schools, hospitals and orphanages. However, NGOs in Bangladesh got a radical transformation and turned into agents of development in the post-independence era. Since 1970s, NGOs therefore has become the part of the institutional framework of poverty alleviation in Bangladesh. The NGO sector in Bangladesh is an inseparable part of our society. Gradually, NGOs started to work in the field of group formation, credit, formal and non-formal education, health and nutrition, family planning and MCH (Mother and child Health) gender development, poultry and livestock, agriculture, sanitation, environment, human rights, advocacy, legal aids and many other fields. Untiring efforts and intrinsic zeal have led NGOs towards assisting the poor in poverty alleviation and to empower them in every aspect of social life.

Specially, a range of statutory and administrative regulations exists in Bangladesh for registration, prior review, project approval and utilization of foreign funds by NGOs, that is the real sources of NGO functioning. The legal framework has two major dimensions: one is laws for incorporation and providing legal entity to NGOs; and another is laws governing the relationship of NGOs with the Government. NGOs in Bangladesh are registered under different Acts. These are (1) The Societies Registration Act, 1860; (2) The Trust Act, 1882; (3) Voluntary Social Welfare Agencies (Regulation and Control) Ordinance 1961; (4) Co-operative Societies Act, 1925 and (5) The Companies Act, 1913 (amended in 1914). NGOs registered under these above mentioned acts are controlled in accordance with (1) The Voluntary Social Welfare Agencies (Regulation and Control) Ordinance 1961; (2) The Foreign Donation (voluntary activities) Regulation Ordinance, 1978 (amended in 1982) and (3) The Foreign Contribution (Regulation) Ordinance, 1982. The highest number of NGOs is registered under The Societies Registration Act, 1980. The NGO Affairs Bureau (NGOAB) was established in 1990 with the authority to register and regulate all NGOs operating with foreign funds in Bangladesh. With a large number of laws, ordinances, rules and regulations applying to NGO operations, difficulties and inconsistencies have emerged. The whole legal framework needs to be revamped to facilitate the promotion of a healthy NGO sector and strengthen the national context for increased Government-NGO collaboration and partnership in functioning for the betterment of the people.

Bangladesh is the breeding ground of some world renowned Non-Profit Organizations (NPO). NGOs mainly focus on Microfinance, Development Program and Solar Home System etc. The Microcredit Regulatory Authority (MRA), established by the Government in August, 2006 and all microfinance operation is regulated under MRA. Currently, 746 institutions (as of December 2020) have been licensed by MRA to operate Micro Credit Programs. But, Grameen Bank is out of the jurisdiction of MRA as it is operated under a distinct legislation- Grameen Bank Ordinance, 1983. Compared to other countries, Bangladeshi MFIs are doing exceptionally well in accountability. The MRA do an audit of MFI on quarterly basis, the PKSF does audit to their partners in every two months. This is not only a financial audit, it is a management audit too.

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These NGOs have to report to the DCs and UNOs. They also have to report to the NGO Affairs Bureau (NGOAB) of Prime Minister's Office of Bangladesh. The NGOAB also do an annual audit for each of their approved projects with regular field level monitoring.

In Bangladesh, 90% members are female in microcredit sector. Bangladesh is one of the poorest and densely populated countries of the world. Nearly half of the population lives under the poverty line, out of which 30 million are ultra poor. During the period of 2020, MFI share to 31.2 percent.

In Bangladesh total microfinance organization stood at 746 where total branches is 18,977 in FY2018-19. A details picture of micro credit situation under Microcredit Regulatory Authority (MRA) certified organization is as below:

Particulars	FY 2018-19	FY2017-18	FY2016-17	FY2015-16
Branch	18,977	18,196	17,120	16,204
Staff	162,175	1,53,919	1,39,526	1,22,335
Members (in millions)	32.37	31.22	29.90	27.58
Borrowers (in millions)	25.76	25.40	25.98	23.11
Loan Disbursement (in billions)	1403.17	1,201.91	1,045.78	782.67
Loan Receivable position (in billions)	787.58	673.90	583.62	454.01
Total Deposit collection (in billions)	306.19	262.95	216.71	170.67
Total Loan collection (in billions)	1,333.05	1,112.21	876.85	773.00

(Source: MRA-MIS database-2019)

A detail of Overall microcredit scenario of Bangladesh in FY2018-19 is as below:

Details	Member (in millions)	Borrower (in millions)	Receivables (in billions)	Savings (in billions)	Disbursement (in billions)
MRA	32.37	25.76	787.58	306.19	1403.17
Grameen Bank	8.31	8.31	158.51	210.31	251.37
Govt's Org./office/special program	1.26	0.87	25.31	14.47	18.76
Govt. and Non-govt. Bank	0.97	0.45	55.99	9.70	22.94
Total	**42.91**	**35.39**	**1027.39**	**540.67**	**1696.24**

In FY 2018-19, MRA institutions distributed total loan among SME beneficiaries of Tk. 1 lack 40 thousand 3 hundred 17 crore. Out of which top 10 MRA organizations distributed loan of Tk.95 thousand 8 hundred 40 crore, which contributed 68% of total disbursement loan. On the other hand, top ten MRA institutions held 71% of total collection portfolio and 70% of total savings portfolio. The top ten MFIs are: BRAC, ASA, Bureau Bangladesh, TMSS, SSS, Jagoroni Chokro Foundation, Podakhep, UDDIPAN, Sazeda Foundation, and Shakti Foundation.

Though NGOs play a vital role in Bangladesh to serve the poor people who are needy of financial support, they work under many constraints and challenges. One of the problems of the NGO industry is lack of transparency in NGOs along with very small number present information about their employees, processes of work and sources of grants, international donation, human resources management and HR development, democracy and good governance, lack of indigenous funding, competition among the NGOs, strategic management etc. In addition, some of challenges that NGOs are facing are: (a) lack of financial sustainability; (b) shortage of efficient employees and high employee attrition; (c) inadequate infrastructure; (d) undue interference and control by the government; (e) lengthy fund release process; (f) low level of inter-sect oral cooperation; (g) inadequate training and low level of true professionalism among employees often aggravated by lack of job security; (h) lack of information and relevant research; (i) religious conservatism and militancy, and threat of terrorism; (j) political pressure and political instability; k) Unfavorable tax regime; and (l) natural calamities.

The microfinance institutions (MFIs) in Bangladesh are facing a cash flow crisis amid the deadly Covid-19 pandemic. The MFIs did not collect loan installments from their clients for the last one and half months as the government halted nationwide operations. On the other hand, the rural people who make up majority of the clientele of these institutions did not get loans during

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that period despite a huge demand. Most of the mid and small levels MFIs are already facing hardships and difficulties in paying full salaries to their staff last month.

Under the situation, the MRA issued a circular for MFIs to operate on a limited scale until further notice. During the limited operation, microfinance institutions can distribute relief, pay back deposits, and provide loans from the stimulus package of Tk.3,000 crore for proper health safety measures.

The Asian Development Bank (ADB) tripled the size of its response to the novel coronavirus disease (COVID-19) pandemic to $20 billion and approved measures to streamline its operations for quicker and more flexible delivery of assistance. The package expands ADB's $6.5 billion initial adding $13.5 billion in resources to help ADB's developing member countries counter the severe macroeconomic and health impacts caused by COVID-19. This fund will be provided to help governments of developing member countries implement effective countercyclical expenditure programs to mitigate impacts of the COVID-19 pandemic, with a particular focus on the poor and the vulnerable. Grant resources will continue to be deployed quickly for providing medical and personal protective equipment and supplies from expanded procurement sources. Refinance scheme for micro finance loan should be operated with ultimate interest rate in a range of 5-7 per cent. NGOs and MFIs (microfinance institutions) should be entitled to any central bank refinance scheme directly rather than through scheduled commercial banks.

6.0 INSTITUTIONAL GOVERNANCE

6.1 General Council

General Council consist of 21 members

PWF follows a two-tier governing body which is composed of General Council and Executive Committee to efficiently carry out operational and strategic decision making activities of the organization. The general body consists of 21 members and they hold the supreme authority of the organization. They are also responsible to elect the 7 members for Executive Committee of PWF. The General Council regularly meets once in a year in the Annual General Meeting as per by-laws. There is also provision to meet on emergency special meeting as and when required. The General Body deals with policy issues and do not interfere in routine matters of the organization. The policy issues and specific issues are dealt in the annual general meeting. It also approves annual budget, annual report, funding strategy, management fee, annual financial reports of the organization, appoints external auditor, and elects the members of the Executive Committee.

6.2 Executive Committee

7 members in Executive Committee

Executive Committee (EC) of PWF consists of 7 members, elected by the General Council for three years term which provides policy guidelines to PWF and its institutions. The General Secretary (Chief Executive) of the EC takes care of constitutional affairs of PWF and convenes the meeting of GC and EC. Executive Committee meets on quarterly basis or bi-monthly if so required. Md. Kazi Nazrul Islam acts as the Chairman and Md. Emdadul Hoque acts as the Secretary of the PWF. The General Committee is entitled to elect the members of the Executive Committee with the responsibilities of supervising all the activities of the organization, assisting the Chairman in case of need, approving the budget of the organization as well as different projects under operation, deciding on any changes in the activities of the organization subject to the approval of the General Committee. It also evaluates the progress report on the activities of organization's projects and examines accounts, approves the policy of recruitment of the staff.

Executive Committee of PWF

Sl. No	Name	Age (in years)	Designation	Educational Qualification
1.	Md. Kazi Nazrul Islam	42	Chairman	BSC Engineering &MBA
2.	Md. Abdul Kader	52	Vice-Chairman	BA
3.	Md. Emdadul Hoque	52	Secretary	MCom& MBA
4.	Mohammed Anisur Rahman	45	Treasurer	MCom& MBA
5.	Md. Akramul Hoque	48	Member	B.Com
6.	Ms. Mahmuda Akter	37	Member	B.A (Honors)
7.	Ms. Rokeya Begum	40	Member	B.A, B.Ed

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6.3 Management Team

Experienced management team

PWF holds an experienced and efficient management team and it is controlled by the acting Chief Executive Officer, Mohammed Iqbal Hossain. The top-tier management team members are qualified and have long experience in Microfinance sector. They are committed to the organization's mission and vision. The management enjoys enough delegation for the smooth running of its activities.

Management Team of PWF

Sl. No	Name	Designation	Educational Qualification	Experience (in years)
1	Mohammed Iqbal Hossain	Acting Chief Executive Officer	MBA	21
2	Md. Habibul Hoque	Program Manager	M.Com	17
3	Md. Jahirul Hoque	Manager	B.A	16
4	Md.Mahatab Uddin	Manager	B.A	16
5	Md. Ismail Mia	Acting Manager	B.A	13
6	Md. Wazi Ullah	Manager	HSC	20

6.4 Human Resources Management

PWF pursues a set of Service Rules covering major aspects of HR practices and offers a congenial working environment to its human resources. The service terms as set forth, demonstrate a detail guideline and covers major aspects of HR practices. Initially to become permanent employee, a person has to sustain a probationary period and have to wait for the approval of the Management Committee. After the approval, the individual is entitled to receive competitive salary followed by two festival bonuses, annual increments, provident fund, gratuity, overtime allowance and daily allowance etc. Currently, the total number of employees in PWF stood at 19 as on September 30, 2021. Moreover, the organization follows a gender policy to ensure more women empowerment among the organization as well as in the society.

6.5 Management Information System (MIS) and Internal Control System

PWF is operating with an adequate technological infrastructure. For the last few years the organization is operating with fully automated MIS and AIS reporting system for all branches and central office. PWF maintained online automation system with "Grameen Communication". Using this software, the organization has capably maintained all donor funded project financial activities including inventory, HR, fixed assets & procurement etc. on the other hand, PWF does not any separate internal audit department to ensure effective internal control of the organization but the treasurer Mr. Mohammed Anisur Rahman monitors the organization internal control half yearly.

7.0 ANALYTICAL FRAMEWORK

The consolidated audited financial statement for the year ended June 30, 2021 has been considered for financial analysis of PWF. Financial statement of the organization has been audited by the Huda Hossain & Co. Chartered Accountants.

8.0 BUSINESS PERFORMANCE

Moderate business performance

Indicators	FY2020-21	FY2019-20	FY2018-19
Loan Disbursement (In million Tk. micro credit)	67.20	64.30	74.63
Total Borrower (No of Person) (Micro credit)	1,912	1976	2001
Loan Outstanding (In million Tk.)	41.59	40.71	38.76
Total Savings portfolio (In million Tk.)	18.06	19.40	17.94
Total Income (In million Tk.)	9.45	9.29	9.79
Total Expense (In million Tk.)	8.21	8.11	8.01
Net Surplus (In million Tk.)	1.24	1.17	1.77
Growth of Loan Disbursement (%)	(4.52)	(13.85)	23.00
Growth of Savings Portfolio (%)	(6.91)	8.15	45.79

**FY-information has taken from audited account*

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The operational performance of PWF in microfinance activities has been found to be moderate. Although the number of borrower decreased (from 1,976 in FY2019-20 to 1,912 in FY2020-21) the loan disbursement increased (from Tk. 64.30 million in FY 2019-20 to Tk. 67.20 million in FY 2020-21) in FY2020-21. The loan disbursement increased due to increase of average loan size per borrower (from Tk. 20,603 in FY 2019-20 to Tk. 21,753 in FY 2020-21). Moreover, the loan outstanding increased to Tk. 41.59 million in FY2020-21 from Tk. 40.71 million in FY2019-20 with a 2.16% growth in FY2020-21. When analyzing the savings portfolio, it has been found that total savings portfolio stood at Tk. 18.06 million in FY2020-21 from Tk. 19.40 million in FY2019-20 with a decrease of 6.91%. The member saving decreased in FY2020-21 due to the decrease of total number of member (from 2,765 in FY2019-20 to 2,605 in FY2020-21)

Particulars	FY2020-21		FY2019-20	
	Million Tk.	% of Total	Million Tk.	% of Total
Service Charge RMC	9.14	96.73	8.90	95.89
Bank Interest	0.02	0.23	0.03	0.24
Bank interest on FDR	0.12	1.26	0.25	2.71
Loan Processing Fee	0.01	0.13	0.01	0.13
Sale proceeds from Pass Book and Forms	0.02	0.21	0.02	0.21
Other Income	0.14	1.43	0.08	0.82
Total	**9.45**	**100.00**	**9.29**	**100.00**

When analyzing the operating income of the PWF, it has been found that total operating income stood at Tk. 9.45 million in FY2020-21 compared to Tk. 9.29 million in FY2019-20. Operating income is continuously dominated by the service charge on loan. Service charge on loan stood at Tk.9.14 million in FY2020-21 which is nearly 96.73% of total operating income compared to Tk. 8.90 million in FY2019-20. After deducting the all operational and financial expenses, the net surplus of the organization stood at Tk. 1.24 million in FY 2020-21 against Tk. 1.17 million in FY 2019-20. The net surplus of the organization increased in FY2020-21 due to increase of operating income.

9.0 OPERATIONAL EFFICIENCY

Indicators	FY2020-21	FY2019-20	FY2018-19
Operational self sufficiency (%)	115.10	114.47	122.10
Return on Average Assets (%)	2.53	2.61	4.36
Return on Average Capital fund (%)	14.90	16.51	31.42
Net Margin (%)	13.12	12.64	18.10
Return on average outstanding portfolio (%)	22.20	22.41	26.32
Cost on average outstanding portfolio (%)	19.94	20.41	22.45
Finance cost to total Operating income (%)	23.84	30.00	27.45
Average cost of fund (%)	6.10	8.04	8.50

The profitability indicators of PWF have been increased in FY 2020-21 due to increase in net surplus. Currently, the organization is operating with net surplus margin of 13.12% in FY2020-21 compared to 12.64% in FY2019-20. Cost of fund of the organization decreased in FY2020-21 due to decrease of finance cost and stood at 6.10% in FY2020-21 compared to 8.04% in FY2019-20.

10.0 ASSETS SIZE

Total assets of the PWF mostly are financed by the external liability. Total assets size of the organization stood at Tk. 51.98 million in FY2020-21, which was financed by 82.81% from current liabilities and 17.19% from capital fund. Most of the assets are concentrated in current assets which stood at Tk. 51.82 million.

When analyzing the compliance criteria of asset creation as per MRA guidelines, fixed assets (other than FDR) stood at Tk. 0.16 million which was 2.02% of cumulative surplus as on June 30, 2021 compared to 2.81% in FY2019-20. Maximum ceiling for fixed assets creation is 35%

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of cumulative surplus.

High NPL

Quality of Credit Portfolio

Particulars	FY2020-21		FY2019-20	
	Million Tk.	% of Total	Million Tk.	% of Total
Regular	37.12	89.25	38.85	95.42
Watchful	1.07	2.58	0.12	0.30
Sub-standard	1.70	4.08	0.04	0.09
Doubtful	0.33	0.79	0.13	0.34
Bad Loan	1.37	3.30	1.57	3.85
Total	41.59	100.00	**40.71**	**100.00**
Non Performing Loan (NPL) (%)	3.40	8.17	1.74	4.27
Loan Recovery Rate (%) (cumulative)		99.38		99.53

While analyzing it has been observed that the total micro credit portfolio of PWF stood at Tk. 41.59 million as on June 30, 2021. It is observed that regular loan stood at Tk. 37.12 million, watchful loan (1-30 days) stood at Tk. 1.07 million, sub-standard loan (31-180 days) stood at Tk. 1.70 million, doubtful (181 to 365 days) loan stood at Tk. 0.33 million and bad loan (above 365 days) stood at Tk. 1.37 million as on June 30, 2021. Non-performing loan to outstanding loan stood at Tk.3.40 million which is 8.17% in FY2020-21 compared to 4.27% in FY2019-20. NPL ratio increased in FY2020-21 due to increase in sub-standard and doubtful loan. On the other hand, the loan recovery performance of PWF has been found decreased due to above reason. The cumulative loan recovery rate of the organization stood at 99.38% in FY2020-21 and 99.53% in FY2019-20.

11.0 FUNDING AND LIQUIDITY

Moderate liquidity

Particulars	FY2020-21	FY2019-20	FY2018-19
Portfolio to Assets (%)	87.28	88.41	88.19
Current Ratio (Times)	1.14	1.20	1.17
Cash Ratio (%)	5.19	2.25	3.61
Liquidity ratio (%)	99.53	99.58	99.47

Being a non-profit organization, PWF has low equity stake. The main sources of funding of the organization are client's savings, capital fund, loan from commercial bank. The saving amount is low cost funding but is decreasing this year. The liquidity of the organization has been found moderate due to the low operating cash flows. The current ratio stood at 1.14 times in FY2020-21 against 1.20 times in FY2019-20, which are representing a moderate back up capacity to meet the current liabilities. Maximum portion of the current asset is loan to beneficiaries which comprised around 87.28% of total assets in FY2019-20. Liquidity ratio of the organization stood at 99.53% in FY2020-21 against 99.58% in FY2019-20.

12.0 LEVERAGE AND SOLVENCY

Debt based capital structure

Leverage and solvency	FY2020-21	FY2019-20	FY2018-19
Equity to total assets(X)	17.19	16.71	14.84
Total outside liability to total asset(X)	82.81	83.29	85.16
Debt service coverage ratio(X)	0.22	0.21	0.26
Total outside liability to equity(X)	4.82	4.98	5.74
Interest coverage ratio (X)	1.55	1.42	1.66
Capital adequacy ratio (%)	20.35	17.91	16.25
Debt to capital ratio (X)	4.35	4.53	5.27

Based on audited consolidated accounts for the year ended June 30

As a microfinance institute, PWF is a levered concern. All loans are financed by the bank, financial institution and member savings. The total liabilities stood at Tk. 43.05 million in FY2020-21 against Tk. 38.35 million in FY2019-20. The debt service coverage ratio of the organization slightly increased to 0.22 times in FY2020-21 from 0.21 times in FY2019-20 due to increase in net surplus. When analyzing the capital strength of the organization it has been found that Capital Adequacy Ratio (CAR) stood at 20.35% which is higher than the minimum

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requirement of MRA at 15%.

13.0 ELIGIBILITY CRITERIA COMPLIANCE

Fail to meet 3 MRA criteria

SL	Particulars of Ratio	Standard	FY2020-21	FY2019-20
1	Capital Adequacy (%)	15 (Min)	20.22	17.81
2	Debt Service Cover Ratio (Times)	1.25:1 (Min)	1.15:1	1.24:1
3	Current Ratio (Times)	2.00:1 (Min)	1.36:1	1.35:1
4	Debt to Capital (Times)	9:1 (Max)	4.54	4.53
5	Liquidity Ratio (%)	10% (Min)	9.53	9.58
6	Rate of Return of Capital Employed (%)	1% (Min)	14.19	16.51
7	Cumulative Recovery Ratio (%)	95.00 (Min)	99.38	99.53
8	On Time Realization (%)	92-100 (Min)	98.33	99.57

As per audited Eligibility Criteria Compliance Certification

When analyzing the Microcredit Regularity Authority (MRA) eligibility criteria compliance certifications, it has been observed that PWF has been maintaining all criteria adequately except debt services coverage ratio, current ratio and liquidity ratio in FY2019-20.

14.0 BANKING AND NON BANK FINANCIAL INSTITUTION RELATIONSHIP

14.1 Liability Position & Repayment Status

The total loan outstanding liabilities of PWF stood at Tk. 11.63 million. Details are shown in the following table:

(Tk. in mil.)

Name of the Bank / FIs	Details of Exposures				Classification Status
	Mode	Sanctioned / Disbursement	Loan Outstanding	Outstanding Dated as on	
Midland Bank Ltd.	Term Loan	12.50	5.80	30/09/21	UC
Midas Financing Ltd.	Short Term	3.50	3.34	30/09/21	UC
Mercantile Bank Limited	Term Loan	2.50	2.49	30/09/21	UC
Total		**18.50**	**11.63**		

14.2 Security Arrangement against Exposures

The mode of the security offered under each financing facilities are summarized below:

Sl.	Name of the Bank/FIs	Security Arrangement
1.	Midland Bank Ltd.	Securities: • Hypothecation of floating assets of enterprise credit finance receivables from micro credit finance program • Notarized IGPA to be executed by the bank • Lien & pledge of FDR-MDB sthaee equivalent to 10.40% of the loan amount i.e. Tk. 13.00 Lac • Loan agreement executed by bank • Personal Guarantee of Mr. Md. Emdadul Hoque • Repayment Guarantee to be submitted by the EC • One undated cheque • Standard charge documents
2	Midas Financing Ltd.	Securities: • Registered mortgage of 4 decimal land located at Comilla. • Hypothecation of floating assets of enterprise credit finance receivables from micro credit finance program • Lien & pledge of FDR- of Tk. 2.00 Lac • Personal Guarantee of all executive members • post dated cheques covering the all installment • Standard charge documents
3	Mercantile Bank Limited	Securities:

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		• Hypothecation of floating assets of enterprise credit finance receivables from micro credit finance program • Lien & pledge of FDR- of Tk. 5.00 Lac • Personal Guarantee of all executive members • post dated cheques covering the all installment • Standard charge documents

15.0 RISK MANAGEMENT

15.1 Sustainability Risk
The nature of the business of micro finance organization is to collect fund from various sources and give loan to beneficiaries. After giving the loan to beneficiaries, MFI's collects the loan amount on a weekly basis. But recently Covid-19 pandemic has caused the MFIs to face a cash flow crisis, as MFIs could not collect loan installments for around three months since Government declared general holiday to stop the spread of the disease. Besides, the rural people who make up the majority of the clientele of these institutions – did not get loans during this period despite a huge demand. As MFIs faced trouble in collecting loan installment timely, they could not give loan back to bank/FIs on a timely manner. On the other hand, most of the mid and small levels NGO-MFIs are also facing hardships in paying full salaries to their staff. Considering the current pandemic crisis, the microfinance organizations face sustainability risk for their operation.

15.2 Operational Risk
PWF is operating microfinance activities with its 4 branch offices in 1 district, where those offices need regular monitoring and controlling for their activities. Most of the fraudulent activities of the MFI occur from these branch office levels. Basically, these branch offices make many small, short-term loans to the clients, which need careful monitoring and controlling. But there are many errors and frauds that occur while handling these activities. So, the respective officers of these branches need to be active and responsible to handle work otherwise it might not be cost effective for the organization to handle the microfinance activity efficiently. The organization is thus exposed to operational risk.

15.3 Credit Risk
Credit risk encompasses both the loss of income resulting from the MFI's inability to collect anticipated interest earnings as well as the loss of principle resulting from loan defaults. The organization operates micro finance business in an organized manner as per organization's Credit and Savings Management Manual. It follows the set criteria for selection of borrowers. The organization follows the terms and conditions as laid down in the manual before approval and disbursement of loan. Attendance records in weekly meetings, past loan records, experience, results of investigation by Field Officer (FO) etc. are followed for selection of borrowers. On fulfilling the conditions as stated in loan approval manual, credit proposals are discussed and approved at the weekly meeting of clients. After getting recommendation from the Chairman of the Centre, Field Officer (FO) and Branch manager, then the loan is given to client. PWF maintains proper provisioning policy against non-performing loan. The organization always tries to avoid legal process for overdue collection rather persuasion and social pressure is their instrument to manage delinquency. If the borrowers default in installment payment, the clients become responsible for refund of loans.

15.4 Loan Recovery Risk
One of the major risks of Microfinance program is collection of installments with high frequency ranging from week to months. The above risk is further fuelled by the loan default culture prevailing in the banking sector although the banking institutions are stronger entities to collect installments due from clients through legal measures and selling collaterals. Under the above background, the MF programs being operated by the NGOs without collateral and with high frequency of loan repayments are yielding a recovery rate of above 95%. The MF organizers are offering micro finance through group guarantee with the incentive of further loan if there is no default in repaying the installments. The above system works favorably for the MFI institutions and assist them to maintain high recovery ratio.

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16.0 OBSERVATION SUMMARY

Rating Comforts:	Rating Concerns:
• Average capital adequacy • Experienced management team	• High NPL • Moderate business performance • Moderate liquidity • Marginally shortfall in debt services coverage ratio and liquidity ratio • Absence of internal audit department • Small network
Business Prospects:	**Business Challenges:**
• Enough untapped market • More deposit collection from client	• Competitive industry • Inadequate fund • Lack of low cost fund • Getting fund from donor

END OF THE REPORT

[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]

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SCALES AND DEFINITIONS
LONGTERM – MICRO FINANCE INSTITUTIONS

RATING	DEFINITION
AAA Triple A (Highest Safety)	**INVESTMENT GRADE** Micro Finance Institutions rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of MFIs.
AA+, AA, AA- (Double A) (High Safety)	Micro Finance Institutions rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
A+, A, A- Single A (Adequate Safety)	Micro Finance Institutions rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
BBB+, BBB, BBB- Triple B (Moderate Safety)	Micro Finance Institutions rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a MFI is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations.
BB+, BB, BB- Double B (Inadequate Safety)	**SPECULATIVE GRADE** Micro Finance Institutions rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates a MFI as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category.
B+, B, B- Single B (High Risk)	Micro Finance Institutions rated in this category are adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems, which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support.
C (Very High Risk)	Micro Finance Institutions rated in this category are adjudged to be with very high risk of timely repayment of financial obligations. This level of rating indicates entities with very serious problems and unless external support is provided, they would be unable to meet obligations in a timely fashion.
D (Default)	Micro Finance Institutions rated in this category are adjudged to be either currently in default or expected to be in default. This level of rating indicates that the entities are unlikely to meet maturing financial obligations and calls for immediate external support of a high order.

SHORT TERM – MICRO FINANCE INSTITUTIONS

ST-1	**Highest Grade** Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding, Safety is almost like risk free Government short-term obligations.
ST-2	**High Grade** High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
ST-3	**Good Grade** Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
ST-4	**Satisfactory Grade** Satisfactory liquidity and other protection factors qualify issues as to invest grade. Risk factors are larger and subject to more variation.
ST-5	**Non-Investment Grade** Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.
ST-6	**Default** Institution failed to meet financial obligations

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CRISL RATING SCALES AND DEFINITIONS
BANK LOAN/ FACILITY RATING SCALES AND DEFINITIONS- LONG-TERM

RATING	DEFINITION
*blr*AAA (*blr*Triple A) (Highest Safety)	**Investment Grade** Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have highest credit quality, offer highest safety and carry almost no risk. Risk factors are negligible and almost nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of loans/ facilities.
*blr*AA+, *blr*AA, *blr* AA- (Double A) (High Safety)	Bank Loan/ Facilities enjoyed by banking clients rated in this category are adjudged to have high credit quality, offer higher safety and have high credit quality. This level of rating indicates that the loan / facilities enjoyed by an entity has sound credit profile and without any significant problem. Risks are modest and may vary slightly from time to time because of economic conditions.
*blr*A+, *blr*A, *blr*A- Single A (Adequate Safety)	Bank Loan/ Facilities rated in this category are adjudged to carry adequate safety for timely repayment/ settlement. This level of rating indicates that the loan / facilities enjoyed by an entity have adequate and reliable credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories.
*blr*BBB+,*blr*BBB, *blr*BBB- Triple B (Moderate Safety)	Bank Loan/ Facilities rated in this category are adjudged to offer moderate degree of safety for timely repayment /fulfilling commitments. This level of rating indicates that the client enjoying loans/ facilities under-performing in some areas. However, these clients are considered to have the capability to overcome the above-mentioned limitations. Cash flows are irregular but the same is sufficient to service the loan/ fulfill commitments. Risk factors are more variable in periods of economic stress than those rated in the higher categories.
*blr*BB+, *blr*BB, *blr*BB- Duble B (Inadequate Safety)	**Speculative/ Non investment Grade** Bank Loan/ Facilities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates loans/ facilities enjoyed by a client are below investment grade. However, clients may discharge the obligation irregularly within reasonable time although they are in financial/ cash problem. These loans / facilities need strong monitoring from bankers side. There is possibility of overcoming the business situation with the support from group concerns/ owners. Overall quality may move up or down frequently within this category.
*blr*B+, *blr*B, *blr*B- Single B (Somewhat Risk)	Bank Loan/ Facilities rated in this category are adjudged to have weak protection factors. Timely repayment of financial obligations may be impaired by problems. Whilst a Bank loan rated in this category might be currently meeting obligations in time, continuance of this would depend upon favorable economic conditions or on some degree of external support. Special monitoring is needed from the financial institutions to recover the installments.
*blr*CCC+,*blr*CCC, *blr*CCC-Triple C (Risky)	**Risky Grade** Bank Loan/ Facilities rated in this category are adjudged to be in vulnerable status and the clients enjoying these loans/ facilities might fail to meet its repayments frequently or it may currently meeting obligations through creating external support/liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support. These loans / facilities need strong monitoring from bankers side for recovery.
*blr*CC+, *blr*CC, *blr*CC- Double C (High Risky)	Bank Loan/ Facilities rated in this category are adjudged to carry high risk. Client enjoying the loan/ facility might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support. These loans / facilities need strong monitoring from bankers side for recovery.
*blr*C+, *blr*C, *blr*C- (Extremely Speculative)	Bank Loan/ Facilities rated in this category are adjudged to be extremely risky in timely repayment/ fulfilling commitments. This level of rating indicates that the clients enjoying these loan/ facilities are with very serious problems and unless external support is provided, they would be unable to meet financial obligations.
*blr*D (Default)	**Default Grade** Entities rated in this category are adjudged to be either already in default or expected to be in default.

SHORT-TERM RATINGS

*blr*ST-1	**Highest Grade** Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding, Safety is almost like risk free Government short-term obligations.
*blr*ST-2	**High Grade** High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
*blr*ST-3	**Good Grade** Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.
*blr*ST-4	**Satisfactory Grade** Satisfactory liquidity and other protection factors qualify issues as to invest grade. Risk factors are larger and subject to more variation.
*blr*ST-5	**Non-Investment Grade** Speculative investment characteristics. Liquidity is not sufficient to insure against disruption in debt service. Operating factors and market access may be subject to a high degree of variation.
*blr*ST-6	**Default** Institution failed to meet financial obligations

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