

CHARTERED ACCOUNTANT'S CERTIFICATE
TO WHOMSOEVER IT MAY CONCERN

(1) Purpose and Use

This certificate is being issued to Cashpor Micro Credit, (a micro finance institution registered under section 25 of the Companies Act, 1956 and carrying out micro finance operations in Eastern U.P. and Bihar) hereinafter referred to as 'CMC', as required by it in accordance with RBI's circular no. RBI/2010-11/505 RPCD.CO.Plan.66 /04.09.01/2010-11 dated May 3, 2011, for the specific use by banks and financial institutions extending or intending to extend credit facilities to CMC on or after 1st April 2011 for on-lending to members of its JLG/SHG and as required in the aforementioned RBI circular for ensuring that CMC is in full compliance with regulations mentioned therein in carrying out its microfinance operations.

(2) Period Covered

In accordance with aforementioned circular, this certificate is being issued for 2nd quarter of the financial year 2011-12 covering the period commencing from 1st July 2011 and ending on 30th September 2011.

(3) Extent and Coverage of Verification-

(A) During the course of our professional verification and examination procedures and processes for the purpose of issuing this certificate, we checked, scrutinized, examined and verified followings of CMC, obtained explanations and representations from its management, to the extent which to the best of our professional knowledge, belief and judgment were required and were sufficient and adequate for the purpose of issuing this certificate-

- (1) Existing and applicable micro credit policies, standard micro credit operating processes and procedures, related internal control systems as contained in Operations Manual, internal circulars and office orders, etc. issued periodically and practiced and followed by CMC during the period covered under this certificate;



- (2) Records of different loan products of CMC with features relating to pricing, purpose, repayment frequency, moratorium period, tenure, etc. disbursed to its clients during the period covered under this certificate and related loan utilization check methodology and procedures followed by CMC for the period under this certificate;
 - (3) Existing and applicable clients' identification processes and procedures, methodology and procedures adopted and followed by the CMC for assessment of annual household income and indebtedness of its borrowers related to the period covered under this certificate;
 - (4) Existing and applicable methodology, processes and criteria followed by the CMC related to and during the period covered under this certificate for identification and ascertainment of Borrowers' households and their classification in to rural and non-rural (semi-urban and urban) based on their habitats;
 - (5) List and Electronic Records of existing borrowers of CMC as of 30th September 2011 relevant and required for our purpose and related financial records of borrowers who have settled their loans either or before maturity during the period covered under this certificate;
 - (6) Loan Application Forms, KYC documents, annual household Income and Indebtedness information and declarations obtained from borrowers related to and during the period covered under this certificate;
 - (7) Loan Documents executed by its borrowers with CMC in connection with their loans disbursed during the period related to and covered under this certificate;
 - (8) Passbooks issued to Borrowers;
 - (9) Internal MIS systems, procedures and related records required for our purpose;
 - (10) Financial Statements as of 30th September 2011, Trial Balances, Books of accounts, related financial and accounting records, documents and vouchers, related internal control processes and procedures for the period related to and covered under this certificate;
 - (11) Loan agreements executed by CMC with banks and financial institutions extending credit facilities to it.
- (B) During the course of our professional verification and examination process and procedures for the purpose of issuing this certificate, we also conducted survey, examination and physical verification of borrowers of CMC and their households, identified and selected on stratified random sample basis, in order to assess their



income and indebtedness and cross verify the records, documents, processes, assertions and representations made during documentary verification processes and procedures, which to the best of our professional knowledge, belief and judgment were necessary, adequate and sufficient for the purpose of this certificate.

(4) Certificate

On the basis of aforementioned professional examination and verification processes and procedures, we hereby certify as follows in respect of CMC-

- (1) As of 30th September 2011, **95.89%** of the total assets of CMC (excluding cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of 'Qualifying Assets', as defined in para 3 of RBI's circular no. RBI/2010-11/505 RPCD.CO.Plan.66 /04.09.01/2010-11 dated May 3, 2011, as being the loans disbursed which satisfy the following criteria-
 - i. The loan has been extended to the borrowers whose annual household income does not exceed Rs.60,000/- in case of rural areas and Rs.1,20,000/- in case of non-rural areas;
 - ii. The loan size does not exceed Rs. 35,000/- for first cycle and Rs.50,000/- for subsequent cycles;
 - iii. The total indebtedness of each of the CMC's borrower does not exceed Rs. 50,000/-.
 - iv. The loan tenure is not less than 24 months when the loan size is above Rs.15,000/- with borrower having the right to prepay without penalty;
 - v. The CMC's loan is not backed by any collateral security;
 - vi. The CMC's loan is repayable by weekly or fortnightly or monthly installments as per the Borrower's choice.
- (2) As of 30th September 2011, **92.29%** of the total loan portfolio of CMC comprise of the loans extended to borrowers for income generating activities only.
- (3) For the period covered under this certificate, the margin of CMC as computed in accordance with para 4 of aforementioned RBI circular is 11.39%, as per the details given herein below:

S.N.	Details	
1	Avg. fortnightly balance of outstanding borrowings (Rs.)	2,229,847,506
2	Interest expense (including upfront fees and other charges by banks) for the quarter (Rs.)	75,503,826

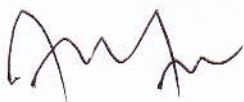


3	Interest cost on borrowings (Annualized) (2 as % of 1)	13.54%
4	Average fortnightly balance of outstanding loan portfolio (Rs.)	2,064,180,750
5	Interest income for the quarter (Rs.)	128,651,605
6	Interest income on average loan portfolio (5 as % of 4) (Annualized)	24.93%
7	Margin (6 – 3)	11.39%
(average fortnightly balance is average of the outstanding at the end of previous quarter, outstanding at the end of each fortnight during the quarter and outstanding at the end of the quarter)		

- (4) During the period covered under this certificate, the maximum interest (for weekly payment option) on loan products offered by the CMC is 23.94% and the upfront fee (inclusive of service tax) is not more than 1% of the loan amount disbursed.
- (5) During the period covered under this certificate, CMC has charged and collected from its borrowers only actual cost of insurance, i.e., actual cost of group insurance for life of borrower and spouse, and as per extant IRDA guidelines, CMC has not collected any administrative charge from borrowers.
- (6) The CMC has not charged and collected any penalty for delayed payment of loan installments falling due.
- (7) The CMC has neither taken any collateral security nor any other margin / security deposit from its borrowers in connection with loans extended to such borrowers.

As confirmed above, during the period covered under this certificate, CMC has fully complied with all the guidelines of the RBI as required in aforementioned circular RBI/2010-11/505 RPCD.CO.Plan.66/04.09.01/2010-11 dated 3rd May 2011.

FOR: ANZAR ALAM & CO.
CHARTERED ACCOUNTANTS



(CA. Anzar Alam Siddique)

Proprietor

M. No. 078374

Date: 09-12-2011

Place: Varanasi

