

RATING GRADE



 PERSPECTIVE¹

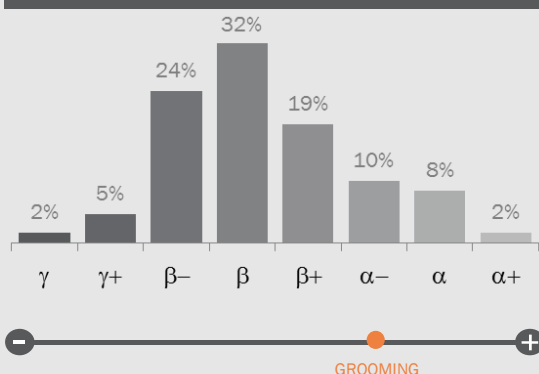
Stable



2015

Rating Validity date ²	Oct-16
Financial Profile ³	β+
Date of Visit	Oct-15
Date of Financial Information	Sep-15

MICROFINANCE INSTITUTIONAL RATINGS



MAIN PERFORMANCE INDICATORS

	Sep-14	Dec-14	Sep-15
Gross Loan Portfolio (US\$000)	\$93,181	\$90,865	\$98,209
Number of Borrowers	407,707	426,973	476,673
Total savings (US\$000)	\$29,347	\$29,706	\$33,326
Number of Savers	\$436,446	432,370	486,797
Average loan	\$229	\$213	\$206
Portfolio at Risk	0.7%	0.6%	0.5%
Write-offs	0.10%	0.4%	0.4%
Leverage	1.5	1.5	1.3
ROE*	40.9%	35.8%	20.7%

* Adjusted

GROOMING CENTRE

Grooming People for Better Livelihood Centre (Grooming) is an NGO founded in 2006, in Lagos (Nigeria). It covers, as of September 2015, 22 states (out of 36) with a network of 376 branches.

As of September 2015 the institution serves 476,673 borrowers using a mixed individual/group lending methodology, for a loan portfolio of US\$98 million and an average loan size of US\$206. Member deposits total US\$33 million.

RATING RATIONALE

Grooming is a strong microfinance institution that has been growing rapidly, based on strong profitability, an excellent management and staff, strong governance, and an excellent credit methodology. The financial profile with low indebtedness despite fast growth is remarkable.

The institution is well positioned as the second-largest MFI and serving the very low niche of the microfinance sector. It serves poor women-microentrepreneurs with high efficiency and excellent portfolio quality.

Apart from equity, savings mobilized from borrowers are the single most important source of funding, followed by loans from a number of prominent foreign lending institutions. All obligations are in local currency - there is no currency risk. Grooming hopes to obtain a license as a State Bank in the near future. This would allow mobilizing savings from the general public rather than from borrowers only. It would also end a situation where savings mobilization by this NGO is tolerated, but not expressly allowed.

HIGHLIGHTS

Strengths

- » Stable organization and excellent staff management
- » Excellent financial profile
- » Strong credit methodology and excellent portfolio quality

Risk Factors

- » High profitability, but decreasing
- » Group leaders are not rotated
- » Opportunity to improve parallel loans

¹ See Annex I.

² The rating is valid up to one year after the field visit. MicroRate reserves the right to modify the rating at any time due to changes that may occur.

³ See Annex 1.

ANNEX I: INSTITUTIONAL RATING GRADE DEFINITION

Institutional Rating	The Institutional Rating provides an opinion on the long-term institutional sustainability and creditworthiness of a microfinance institution (MFI) through a comprehensive assessment of risks and performance.
α+ α	<ul style="list-style-type: none"> » Financial Institutions with high long term sustainability and high creditworthiness. » Excellent performance. Low or well managed short- medium term risk.
α- β+	<ul style="list-style-type: none"> » Financial institutions with good long term sustainability and good creditworthiness. » Good performance. Modest or well-managed short- medium term risk.
β β-	<ul style="list-style-type: none"> » Financial institutions with moderate long term sustainability and moderate creditworthiness. » Fair performance. Moderate to medium-high risk.
γ+ γ	<ul style="list-style-type: none"> » Financial institutions with weak long term sustainability and poor creditworthiness. » Weak or poor performance. High to very high risk.
Financial Profile Rating	Opinion about the financial strength of the institution and the ability to repay their obligations.
Rating Outlook	Expected direction of the rating grade over the 12 months following the rating
Positive	The rating is expected to increase.
Stable	The rating is expected to remain unchanged.
Negative	The rating is not expected to remain unchanged.
Uncertain	Due to unpredictable factors, a rating outlook cannot be determined.

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