

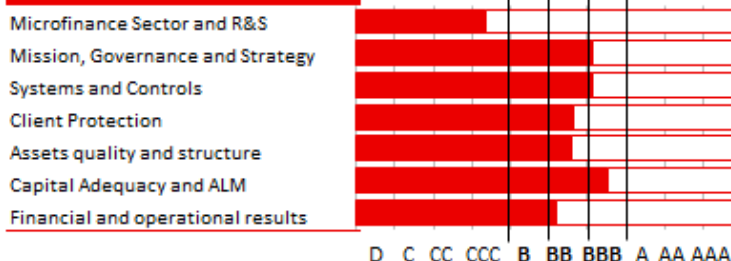
Tujijenge - Tanzania

FINAL RATING **BB+**

OUTLOOK **Stable**

Mission date: November 2014
Date Rating Committee : 13th March 2015
Validity: 1 year if no relevant changes in operations or in the external context occur
Previous Rating : C- (Planet Rating, 2010)

RATING SCORING BY AREA



RATING RATIONALE

FINANCIAL ANALYSIS AND CAPITAL ADEQUACY

Tujijenge posted positive profitability as from 2013 driven by efficiency gains, decreasing provisioning and funding expenses, coupled with sound portfolio growth. On the other hand, the operating expense ratio is still high and productivity levels leave room for improvement. The capital adequacy is good thanks to the capital injection in the past 2 years following changes in shareholding structure. Tujijenge also gained access to loan funds and presents room for further leverage, recovering from the liquidity crisis it faced in the recent past.

GOVERNANCE, RISK MANAGEMENT AND CLIENT PROTECTION

The ownership structure ensures financial support and the governance structure provides good strategic guidance, supervision and strong commitment to the mission. The risk management framework is not sufficiently developed however the main financial risk (foreign currency) is fairly managed while exposure to liquidity risk, interest rate and maturity risk is currently minimal. The internal control systems are adequate for the current level of decentralization and are expected to improve along with the upgrade of the MIS. Client protection could be further enhanced in terms of responsible pricing. The context of operations presents the risk of client over-indebtedness given the high incidence of multiple borrowing in Dar Es Salaam and stiff competition.

Legal form	NBFI
Ownership	Tujijenge Afrika, OikoCredit, Progression Capital, Individual shareholders
Year of inception	2006
Regulator / Supervisor	Not regulated
Networks of reference	Tanzania Association of Microfinance Institutions (TAMFI)
Area of intervention	Urban and rural
Financial Services	Credit
Credit methodology	Individual/Solidarity

Institutional data	Dec12	Dec13	Sep14
Active borrowers (#)	10.139	8.088	8.667
Active loans (#)	10.139	8.088	8.667
Branches (#)	5	5	5
Satellites (#)	2	2	2
Total staff (#)	98	90	104
Loan officers (#)	41	36	46
Gross outstanding portfolio (USD)	2.370.127	2.881.060	3.227.296
Total assets (USD)	3.359.232	3.726.707	4.646.322
Female borrowers	82,0%	65,0%	80,0%

Indicators	Dec12	Dec13	Sep14
Credit risk ratio	18.8%	5.8%	7.7%
PAR 30	3.0%	3.3%	4.8%
PAR 90	1.0%	2.7%	3.3%
Risk coverage ratio	106.7%	118.8%	100.0%
ROE	-72.5%	27.3%	24.3%
ROA	-7.4%	4.6%	6.8%
Portfolio yield	74.2%	81.7%	74.9%
Operating expense ratio	66.3%	59.6%	53.2%
Provision expense ratio	10.2%	3.4%	4.1%
Financial expense ratio	14.0%	10.2%	9.2%
LO productivity (borrow.)	na	225	188
Cash Ratio	7.7%	3.5%	33.9%
Capital Adequacy Ratio (MFR)	25.2%	28.1%	40.9%
Equity to Assets Ratio	18.6%	22.0%	32.0%
Client drop-out ratio	na	57.3%	66.7%
Average annual percentage rate (APR)			118%
Average transparency index			66%
Average loan balance/GDP pc	na	48.9%	49.2%
Average disbursed loan size	377	466	600

As of September 2014 data are annual.
na: not available

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Annex 8 –Rating Scale

The final rating grade does not consider the Country Sovereign Rating Risk, but it takes into account the effects of the political and economic context on MFI's performance.

Microfinance Rating PLUS		Common scale for microfinance rating agencies	
Grade	Definition	Classification	Definition
AAA	<i>Excellent capacity to manage risks. This capacity is not expected to be affected by a foreseeable deterioration of the operations or economic conditions. Extremely strong and stable fundamentals. Excellent client protection systems.</i>		
AA+, AA, AA-	<i>Very strong capacity to manage risks. This capacity may be slightly affected by a deterioration of the operations or economic conditions. Very strong and stable fundamentals. Excellent client protection systems.</i>	EXCELLENT	Low or well-managed short-medium term risk. Strong performance
A+, A, A-	<i>Strong capacity to manage risks. This capacity may be affected by a deterioration of the operations or economic conditions. Strong and stable fundamentals. Good client protection systems.</i>		
BBB+, BBB, BBB-	<i>Good capacity to manage risks. This capacity may be affected by a deterioration of the operations or economic conditions. Good fundamentals. Adequate client protection systems.</i>	GOOD	Modest or well-managed short-medium term risk. Good to moderate performance
BB+, BB, BB-	<i>Adequate capacity to manage risks. However, this capacity may be significantly affected by a deterioration of the operations or economic conditions. Adequate fundamentals. Adequate client protection systems.</i>		
B+, B, B-	<i>Moderate capacity to manage risks. This capacity is vulnerable to a deterioration of the operations or economic conditions. Moderate fundamentals. Moderate client protection systems.</i>	FAIR	Moderate to moderate-high risk Moderate performance
CCC+, CCC, CCC-	<i>Modest capacity to manage risks. This capacity is highly vulnerable to a deterioration of the operations or economic conditions. Modest fundamentals. Modest client protection systems.</i>		
CC+, CC, CC-	<i>Weak capacity to manage risks. Modest fundamentals. Poor client protection systems.</i>		
C	<i>Weak capacity to manage risks. Weak fundamentals. Poor client protection systems.</i>	POOR	High risk Poor performance
D	<i>Extremely weak capacity to manage risks. Extremely weak fundamentals. Poor client protection systems.</i>		
MODIFIERS	The modifiers "+" or "-" may be assigned to a rating to indicate relative status within a main rating category. The modifiers cannot be assigned to "AAA" and below "CC" grades.		
OUTLOOK	indicates the direction a GRADE is likely to move over a one year period		
POSITIVE	<i>Probable upgrade of the rating grade</i>		
STABLE	<i>Rating grade is not likely to change</i>		
NEGATIVE	<i>Probable downgrade of the rating grade</i>		
UNDER OBSERVATION	<i>The rating grade and/or outlook cannot be assigned, due to unexpected internal/external events or to insufficient information provided and it may be assigned only after a monitoring to be held in the short term.</i>		

The information used in the current rating has been partly provided by the institution subject to the evaluation process and partly collected during the meetings with the head executives. The analysis is based on audited financial statements and other official sources. MicroFinanza Rating cannot guarantee the reliability and integrity of the information, as it does not conduct auditing exercises, and therefore does not bear responsibility for any mistake or omission coming from the use of such information. The rating has to be considered as an external and independent opinion and it has not to be considered as a recommendation to realize investments in a specific institution.