



Update 2

October 11, 2004.

It's been more than a month since the last update. There has been a lot of progress but the pace of some have been a test of patience:

1. CAPITAL

- We have so far got commitments of Rs.1.65 Crores from 23 friends and well wishers. This can easily be stretched to Rs.2.00 Crores.
- We were pleasantly surprised to be invited to meet with SIDBI. We had a very positive meeting and there is a very strong possibility that SIDBI would invest Rs.1.00 Crore as sub-ordinated debt.
- We have also been in discussion with Aavishkar India, a micro venture capital fund. They are interested to invest Rs. 50 lakhs but SEBI regulations prohibit domestic VCs to invest in NBFCs with some exemptions! We are trying to seek the same exemptions for micro finance.
- We have also approached IFC, Ratan Tata Trusts and another VC – Lok Capital.

The objective is to start with a capital of around Rs.5 Crores to overcome the FDI issues.

2. LEGAL & REGULATORY ISSUES

- We have registered the company as a private limited company to avoid the regulatory & cost overload of trying to raise capital for a public company. The process of conversion to a public limited company is relatively simple and we shall go through it when it is required.
- We changed over to one of the top-flight lawyers, Fox Mandal for the drafting of the Memorandum, Articles of Association and Shareholders Agreement etc. of the Company. The whole process of Company formation was has been quite lengthy & tedious. We hope to have it completed this month.
- Karnataka State interest rate ceiling: We are initiating discussion with the State Government through Sa-Dhan and also directly.
- VC Funding: We are initiating a discussion with SEBI for Micro Finance organizations to get exemption from the ban similar to Equipment Leasing & Hire Purchase Companies.

3. STATUTORY AUDITORS

- We are pleased to inform you that Fraser & Ross has agreed to be our Statutory Auditors.

4. ORGANIZATION

- We have started the process of recruitment of the management team. We trying to source possible candidates from a number of sources: Mphasis, Deloitte, Haskin & Sells and a number of experts in individual areas like finance & IT. We have also posted the job profiles on websites of CGAP, IRMA & XLRI Alumni networks.
- In order to source the field staff we have got in touch with Dr. Ali Khwaja, who does extensive work in Bangalore among the deprived sections in training & counseling.

5. BRANDING

- Umesh Yadav & Anita Singh of Mphasis has done excellent work to develop the logo and the design for the stationary for Ujjivan.

6. BUSINESS MODEL

- Vijay Sood & Ajit Singh Grewal has started the initial work on refining the business model.

Thank for your patient support. This month we plan to accelerate the process.

Best Regards,

Samit