

INDLU FINANCE COMPANY	South Africa
<i>Limited Liability Company</i>	<i>Summary Rating Report as of August 2005</i>

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Synopsis

Indlu started operations in 2002 as part of the “Beehive Group” of companies (*please see the Group Structure section*). The company is a separate legal entity, but has common directors and shareholders. Indlu offers low income housing finance, primarily for incremental housing construction, to salaried individuals. The company has grown rapidly in the last year, and at 31 August 2005, had a gross loan portfolio of over \$2.2 million, with almost 1,800 active clients.

PERFORMANCE RATING	n.a.
RATING OUTLOOK	n.a.

Summary Rating Report
 This summary rating report serves as a supplement to the main “Beehive Group” rating report.

Date of visit	November 2005
Date of previous rating	n.a.
Previous rating	n.a.

Highlights

Indlu’s Performance Rating

MicroRate’s Performance Rating measures an institution’s excellence in microfinance. As Indlu does not practice microfinance, but instead housing finance, MicroRate has not accorded a Performance Rating.

- POSITIVE**
- Broke even for the first time, with returns on average equity and average assets of 49.4% and 6.1% respectively
 - Good and dedicated management and staff
 - High demand for low income housing finance

Main Performance Indicators		
	Aug '04	Aug '05
Gross Portfolio ('000's)	\$523	\$2,272
Number of active borrowers	480	1,768
ROE	(14.8%)	49.4%
Portfolio Yield	52.4%	47.0%
Portfolio at Risk	22.9%	2.5%
Operating Expense Ratio	34.7%	25.9%
Avg. Outstanding Loan Size	\$1,090	\$1,285
Borrowers per staff	69	104

- NEGATIVE**
- Productivity needs to be improved
 - High growth may mask a deterioration in portfolio quality
 - Constrained by a lack of equity

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