


LATEST DOMESTIC &  
INTERNATIONAL NEWS

1



LATEST AT IFMR CAPITAL

1



ARTICLE

2

## About IFMR Capital

IFMR Capital's objective is to provide liquidity and develop access to debt capital markets to institutions that impact low-income households. These include rural and urban micro finance institutions and small and medium enterprises. We aim to connect these institutions with capital markets and investors such as banks, insurance companies, and mutual funds through financial tools such as securitization, credit enhancement and debt structuring.

### LATEST AT IFMR CAPITAL

#### FIRST MUTUAL FUND INVESTMENT IN MICROFINANCE IN INDIA

A recent micro-loan securitisation, completed by IFMR Capital and Equitas Micro Finance, has enabled the first ever mutual fund investment into the Indian microfinance sector. The Rs. 480 million (\$10.4 million) transaction is backed by over 55,000 micro-loans originated by Equitas Micro Finance, a Chennai-based microfinance institution with approximately 700,000 low-income clients.

The transaction has been structured into three separately rated tranches to match investor risk-return profiles, thus expanding the range of institutions that can invest in the asset class. Primary credit enhancement is provided by Equitas in the form of cash collateral, and will absorb any realised losses up to 10.6% of the portfolio cash flows. For the senior and mezzanine tranches, additional credit enhancement is provided by the junior tranche, to which IFMR Capital subscribed.

ICICI Prudential Asset Management, India's third largest mutual fund, subscribed to the Senior A1 tranche of the securities. Axis Bank, Dhanalakshmi Bank, and IFMR Capital also subscribed. CRISIL (subsidiary of Standard & Poor's) rated the three tranches P1+ (so) (the highest possible rating for short term securities), AA (so), and BBB (so).

Nilesh Shah, Deputy Managing Director, ICICI Prudential Asset Management cited the fair price, high rating and adequate security provided as the reasons behind their investment. In fact, for mutual funds and other institutional investors, investing in the microfinance sector is quite attractive due to the high quality of the asset class and its low correlation with other asset classes.

For Microfinance institutions, like Equitas, that have transparent and robust systems in place, this transaction signals the opening up of a new cheaper funding option.

Download:

[IFMR\\_Capital\\_Equitas\\_Press\\_Release\\_20112009.pdf](#)

#### WORKSHOP ON "SECURITISATION FOR MICROFINANCE"

IFMR Capital in association with CRISIL is conducting a two day workshop on "Securitisation for Microfinance" on the 15th -16th of December, 09 at IFMR Campus, Chennai. This workshop intends to provide participants a sound knowledge on securitisation transactions, the benefits and risks associated with it and pre-requisites for securitisation for MFIs. More importantly, MFIs will carry with them an action plan with timelines that will guide them in future securitisation transactions. In addition, participants will take with them a variety of reading material and will gain from their interactions with industry experts.

### Domestic News

**India Financial Inclusion Fund Raises US\$ 90 Million (Nov 23rd, 09):** India Financial Inclusion Fund (IFIF), one of the largest funds focussed on investing in companies playing in the bottom-of-the-pyramid market, has raised \$90 million. Advised by Hyderabad-based Caspian Advisors, IFIF has raised commitments from the likes of UK's CDC Group, Global Microfinance Equity Fund and Switzerland's Social Investment Services. The fund, apart from microfinance institutions, also invests in "firms that enable the provision of financial services to the poor". These include companies in areas like housing finance, business correspondents to banks and technology companies in this sector.

[Read more...](#)

**Hand In Hand's Microfinance Wing Belstar gets US\$1.15 Million from IFC (Nov 27th,2009):** International Finance Corporation (IFC) of the World Bank group signed an agreement to provide equity of up to \$1.15 million to Hand in Hand's microfinance arm, Belstar Investment and Finance Ltd. Hand in Hand is an NGO engaged in reducing poverty by creating enterprises and jobs. The financing will enable Belstar to obtain support from international investors, domestic banks, and financial institutions. Bangalore-based Belstar's product offerings will focus on low-income households that are unable to access such services from commercial banks.

[Read more...](#)

**Soaring Microfinance Lures PE Investors (Nov 6th, 09):** The microfinance sector, which has doubled its outreach every year over the last five years, is seeing bigger private equity (PE) investments, as risk-wary investors rely more on rural demand than export-oriented markets. This year, Jan-Oct, saw about 11 PE deals worth \$143 million in the microfinance institution (MFI) sector against eight deals worth \$61 million in the same period last year.

[Read more...](#)

**ACCION International takes 49.5% Equity Stake in Saija Finance (Nov 12th, 09):** ACCION International has invested \$500,000 for a 49.5 percent equity stake in Saija Finance Private Limited, a microfinance start-up that provides financial services to micro entrepreneurs and low- and middle-income families in Bihar. The investment was made through ACCION's equity investment arm, the ACCION Gateway Fund, and represents the fund's fourth investment in India. Saija Finance Private Limited is based in Patna, Bihar and plans outreach to households in several of the poorest states in India: Bihar, Jharkhand, Chhattisgarh, Madhya Pradesh and Uttar Pradesh.

[Read more...](#)

### International News

**BancoSol Completes First Boliviano-Denominated Subordinated Bond Placement (Nov 10th, 09):** BancoSol on November 6 issued 50mn bolivianos (US\$7.12mn) in bonds on La Paz bourse BBV. The issue consisted of 5,000 7-year bonds at an average annual coupon of just under 3.99%. The issue was rated AA2 by Moody's, and funds raised will go directly to loans for the microenterprise segment of BancoSol, one of the biggest microfinance institutions in Bolivia.

[Read more...](#)

**Mozambican Govt. Provides US\$ 4.2 Million Fund for Rural FIs (Nov 9th, 09):** The Mozambican government is providing USD 4.2 million from the International Fund for Agricultural Development and the African Development Bank targeted exclusively at rural financial support programs. The program operates with 3 instruments: a US\$ 3.5 million credit line, US\$ 40,000 for technical assistance and a distribution donation of US\$ 750,000. Private Banks, Microfinance institutions, credit cooperatives, and savings banks are eligible for this funding.

[Read more...](#)

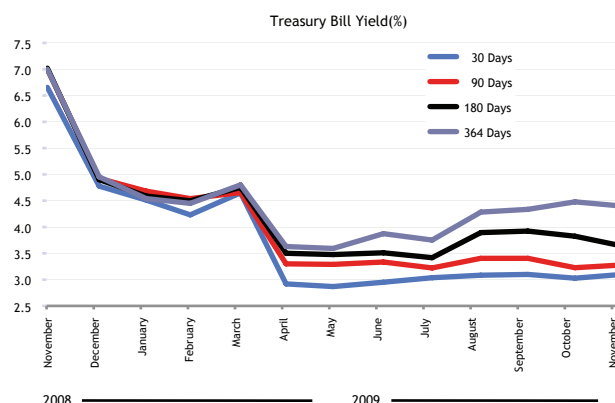
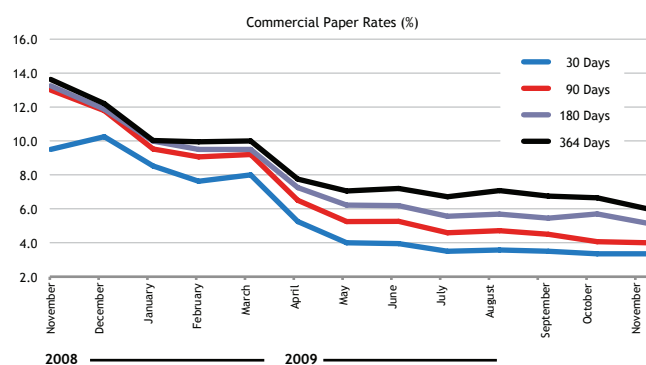
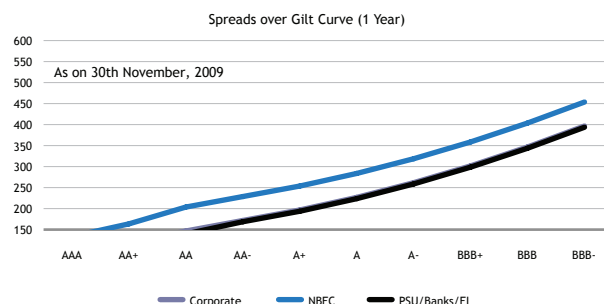
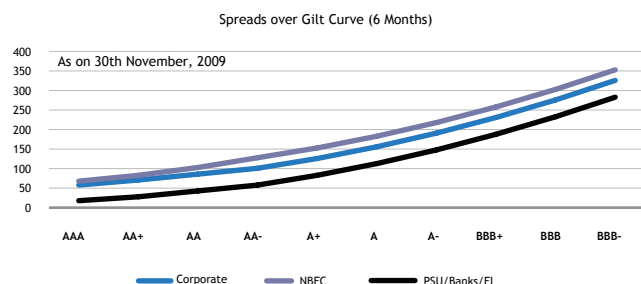
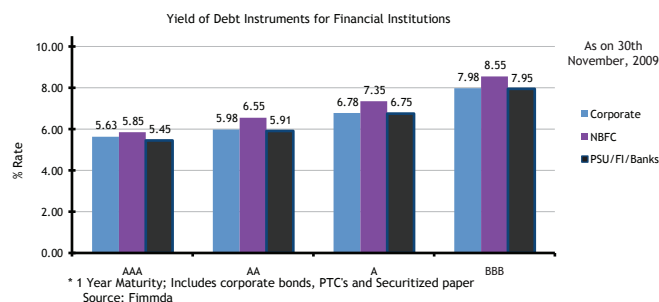
**Citi Arranges Syndicated Agricultural Term Loan For Bangladesh MFI (Nov 17th, 09):** Citibank, N.A. Bangladesh has arranged the country's first ever syndicated agricultural term financing facility of \$21.7 million (BDT 1.50 billion) for BURO Bangladesh, a leading microfinance institution (MFI). The 5-year local currency facility has been provided to the MFI to facilitate its expansion of micro-lending to the agriculture sector.

[Read more...](#)

**Deutsche Bank, Microfinance Group in a US\$ 21.2 Million CDO Scheme (Nov 11th, 09):** Finca International, a US-based microfinance organization, has sewn up a \$21.2m CDO with the help of Deutsche Bank. Its affiliates in places such as the Democratic Republic of Congo and Azerbaijan plan to leverage that money up another five times before lending it out in \$500 chunks to tiny start-ups and would-be entrepreneurs. By offering some tranches of debt that are protected from the first swathe of losses, Deutsche Bank - which structured, placed and managed the deal - said it was able to tap a new set of conservative investors, such as pension funds to enable the provision of an estimated additional 150,000 microloans through FINCA affiliates.

[Read more...](#)

# Rates at a glance...



## Article

### Microfinance in India - Changing Era

2009 has been a year of many firsts in Microfinance in India. Starting with the first rated securitisation of micro-loans originated by an Indian Microfinance Institution (MFI) in early March, and ending with the first Mutual Fund investment in Indian micro-loans backed paper in November. For the first time in June, social performance disclosure was recognised and awarded in the industry; and in October, the micro-loan backed securities issued in March received a significant ratings upgrade. Indeed, it seems that in the space of just a year, Indian Microfinance has travelled along a steep learning curve.

While the rated securitisation transaction brought out the importance of transparent and strong systems and sound financials, the investment by high security seeking investors like MFs into microfinance illustrated that efficient and reliable MFIs could now access lower cost funding. Being the first transactions of their kind, there are many keenly observing the progress and the three notch ratings upgrade that the initial securitised portfolio received has reaffirmed the belief that high quality microfinance institutions need not be reliant on donor funding or mandated [priority sector] lending requirements-led bank funding.

To reinforce that microfinance is a highly investible asset class, NABARD in India has also extended a scheme for financing rating/grading of MFIs so that more MFIs strengthen their systems and are motivated to go for ratings/grading that will allow them to access capital markets.

In fact, world over, the sources of funding to Microfinance have diversified and the rising importance of individual and institutional investors is hard to miss. A survey by CGAP, the policy and research centre operating under World Bank, notes that,

“..the [global financial] crisis is not deterring donors and investors in their continuing support of microfinance. If anything, the base of support is growing as investors are attracted to the social and financial benefits of microfinance and its role in promoting financial inclusion - the so-called double-bottom line.”

As pointed out, one of the reasons behind investments flowing to the microfinance sector, besides the fact that it has proven to be a highly investible asset class, is its avowed objective to aid inclusive growth by enhancing access to finance. This provides the context for the move towards social performance measurement and reporting. What are being stressed on here are effective social performance as well as sound financial performance.

To this end, CGAP's Social Performance Taskforce (SPTF) has developed a common reporting framework and introduced awards for MFIs that follow these standards in disclosing social impact intent, processes and performance. 147 MFIs from all over the world received the awards for the first time this year. The expectation is that just as making financial disclosure a norm resulted in improving financial performance dramatically; social performance disclosure would allow MFIs to compare their performance in reaching stated social goals and learn from the experiences of its peers in this area to make a real difference to the lives of the people they serve.

Adoption of transparency, high quality systems and more accountability towards social as well as investor goals are beginning to be more widely adopted and in our view reflect the maturing of the Microfinance sector in India and abroad.