

Innovative Bonds & Securitization Summit - 2015

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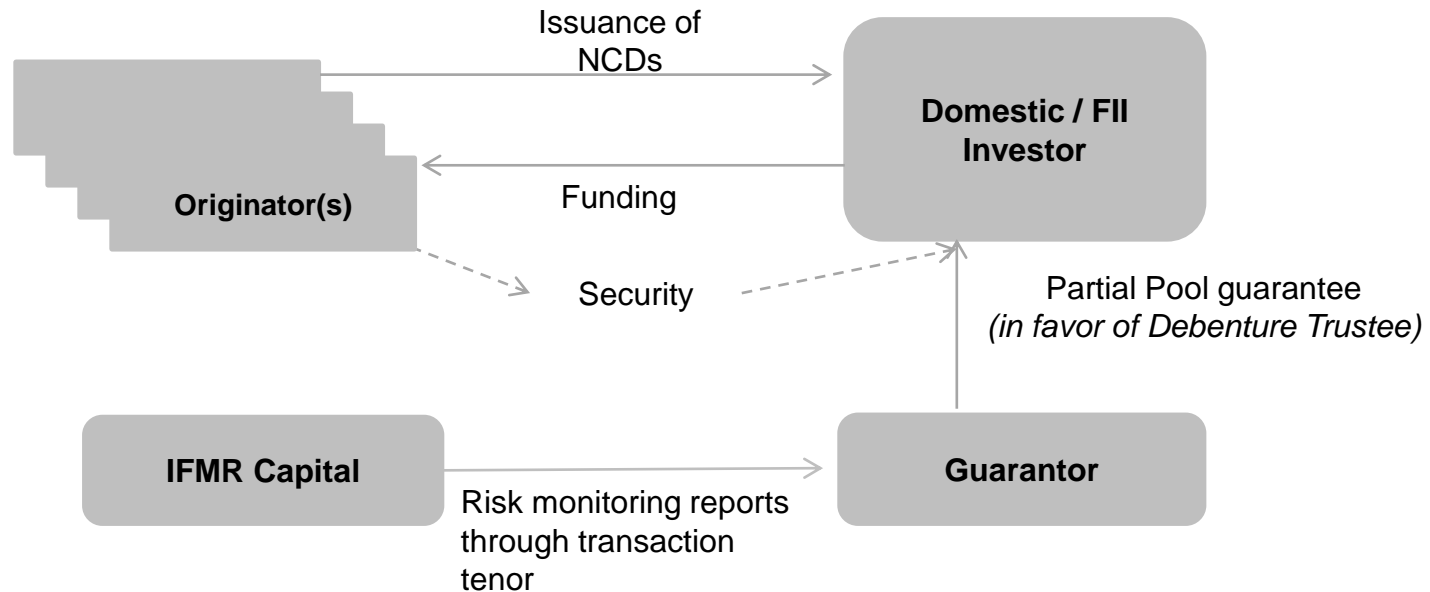
IFMR Capital - Introduction

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- IFMR Capital is an **A+ / A1+** rated, non-deposit taking Non Bank Finance Company, focused on providing debt capital markets access to originators that affect financially excluded households and enterprises
- **IFMR Capital has raised INR 150 billion for its clients with a zero delinquency track record till date**
- Balance sheet size and profitability grown significantly
- Completed over 600 rated capital market transactions in the last 8 years
- Ratings upgrades on over 130 tranches of securitizations till date
- IFMR Capital works closely with originators that cater to **financially excluded households and enterprises across the country.**
 - These originators could meet varying needs of its clients, including working capital, enterprise funding, short term needs, housing requirements etc.
 - IFMR Capital helps these institutions raise debt from capital markets
- Over the past 8 years, IFMR Capital has developed considerable competitive advantages in this space including:
 - Strong underwriting guidelines and entity selection criteria
 - Risk models to understand asset performance
 - High quality monitoring and surveillance team that monitors each and every credit multiple times a year
 - Deep relationships borne out of taking own exposure in each transaction
- Each investment decision is backed by strong underwriting capability. Each client of IFMR Capital is amongst the best in its class, capable of delivering strong, sustained performance
 - For this reason, transactions structured and arranged by IFMR Capital have witnessed nil overdues and significant rating upgrades since inception
- Currently, we cover the following asset classes - **microfinance, affordable housing finance, small business loans, commercial vehicle finance and agri finance**
- Our work has been supported by over 60 marquee investors

March 2009	IFMR Capital and Equitas conclude the first ever Microloan Securitization in India
January 2010	Structures the first ever Multi-Originator Securitization transaction backed by Microloans
July 2012	IFMR Capital concludes its first securitization transaction in the SME Finance space with Vistaar Financial Services Private Limited
Aug 2012	IFMR Capital partners with Asian Development Bank to structure first of its kind large scale partial guarantee program for MFIs in India.
January 2013	IFMR Capital lists first securitized debt on the BSE
March 2013	IFMR Capital closes the first Mosec to close the 100 crore mark – IFMR Capital Mosec XXX
October 2013	IFMR Capital closes first securitization transaction in the commercial vehicle finance space
December 2013	IFMR Capital closes first MOSEC in SBL
February 2014	IFMR Capital closes the first Tier II deal through preference shares
March 2014	IFMR Capital closes first CBO transaction and the first AHF PTC deal
December 2014	IFMR Capital closes first NCD transaction for MFI to be placed with Mutual Fund
June 2015	IFMR Capital closes first ever benchmarked linked floating rate Tier II issuance in Microfinance sector for Satin
July 2015	IFMR Capital closes first ever CBO to be placed with 3 Mutual Fund investors. This was significant market making for the microfinance sector.

Key Structures



- The Originators issue rated, listed non convertible debentures. IFMR Capital arranges for an investor to purchase the debentures in the primary market
- Guarantor (IFMRC and/or other FI) extends an irrevocable, unconditional, payable on demand partial guarantee as a percentage of principal value of NCDs.
- The guarantee is issued on a *Pool* basis – i.e. may be drawn down upon if any of the Originators default

Pooled Bond Issuance – Case Study

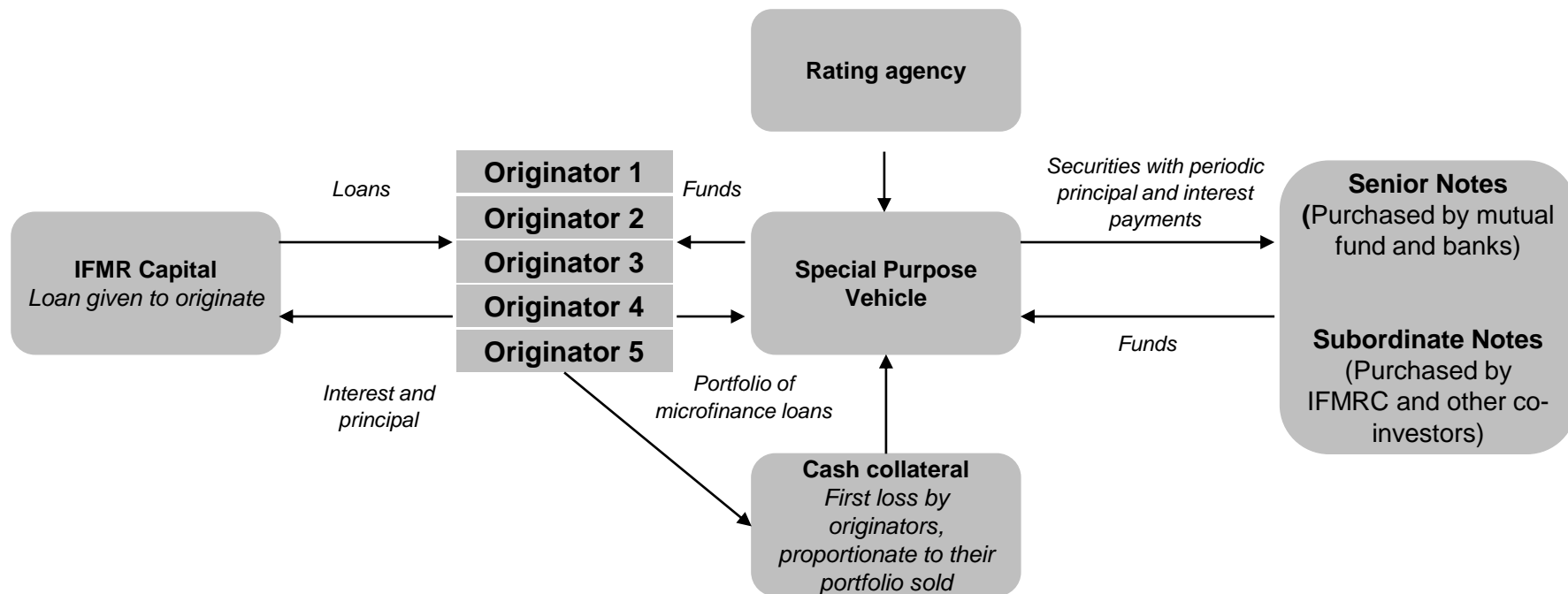
CBO Highlights:

- IFMRC has concluded 10 CBO deals thus far.
- 21 issuers have accessed capital markets thus far through this product.
- Almost all of these 21 issuers at the time of their first CBO issuance were first time issuers.
- IFMRC has also seen significant secondary market appetite in this product given the secured, credit-enhanced on balance sheet nature of this product.
- In July 2015, IFMRC closed the first CBO to be placed with Mutual Funds – 3 large MF houses invested in CBO IX.

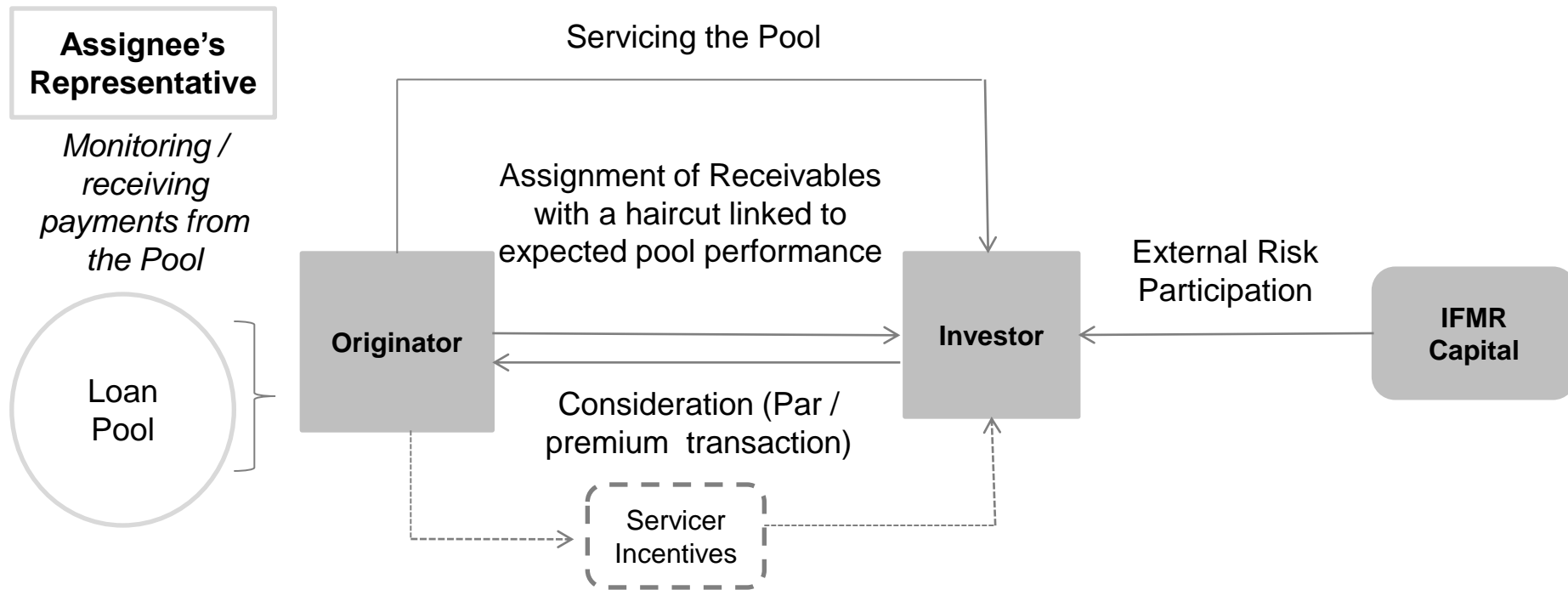
PBIs follow the principle of common guarantee based credit enhancement

- CBO I was the first such partially guaranteed pooled bond issuance in India – concluded in March 2014.
- 11 Issuers – all of whom were first-time bond issuers.
- The rating range of the CBO I issuers ranged from BB to BBB and had a couple of unrated issuers as well.
- CBO I was rated BBB+ (SO) by ICRA on the strength of the credit quality of the issuers, security cover of 1.1x on each pool and external credit enhancement in the form of a common corporate guarantee to the extent of 24%.
- Each issuer in CBO I issued secured, rated, listed, non-convertible debentures. All NCDs were listed on the BSE.
- CBO I represented break-through market making for these first-time issuers – bringing on board diversification of funding sources, a new product and an opportunity to tap into an investor base which is rating sensitive.
- As on date, IFMRC has concluded 10 CBOs – many small/medium sized originators continue to toe waters in listed debt capital market instruments via this route. This helps them build greater track record with the market and with the investor base in addition to providing process credibility due to the rigour of listed deals.

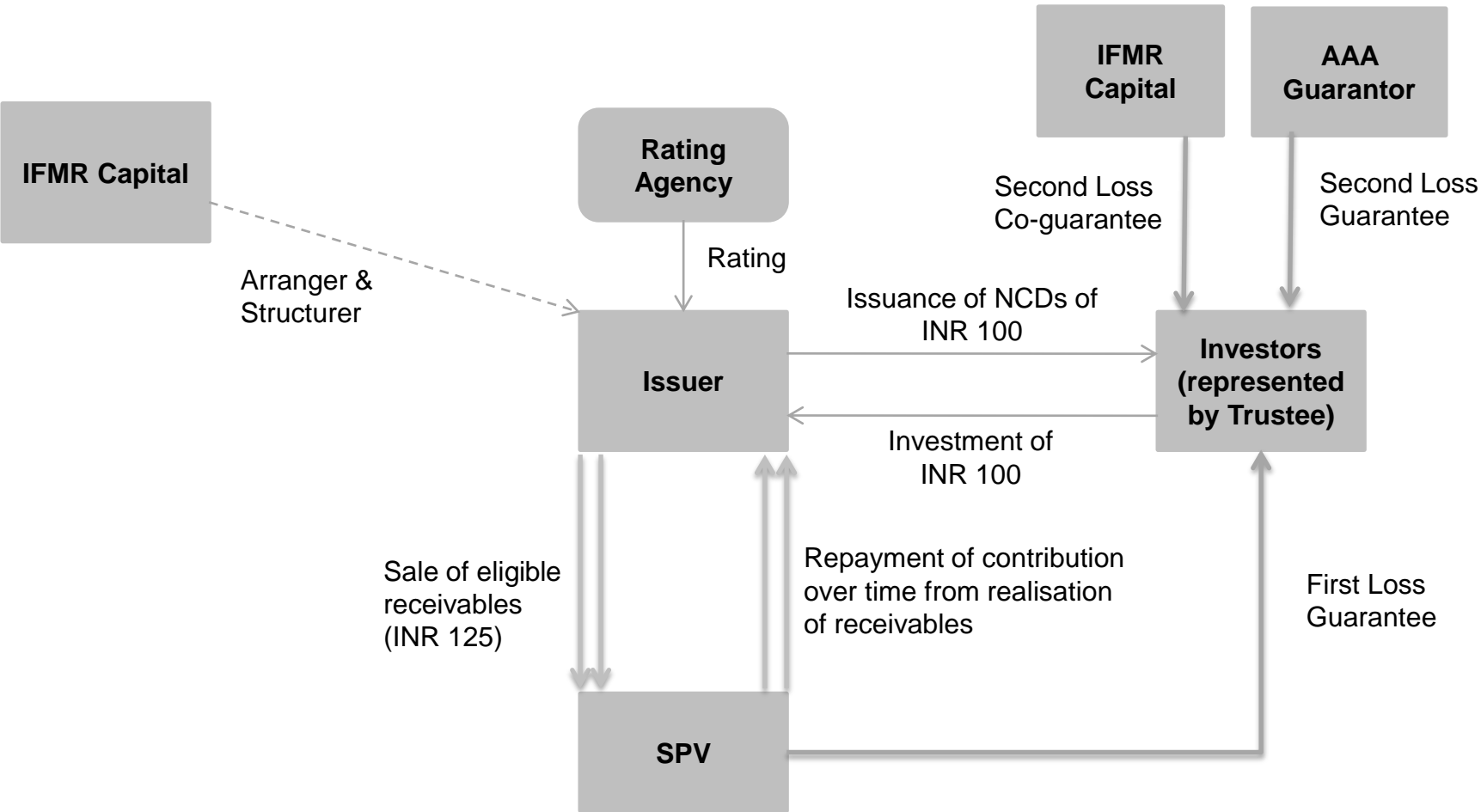
Structures (2/4) : Multi Originator Securitisation



- Multiple originators sell their portfolio of loans receivables to a SPV
- Respective originators provide cash collateral as a first loss credit enhancement. The amount of first loss is determined by the rating agency to achieve the desired rating of securities
- This portfolio is rated by an eligible rating agency
- The SPV issues PTCs
- Banks/MFs/Other FIs invest in senior notes, while IFMR Capital and other co-investors invest in the subordinate notes
- Elegant structure to enable small and medium sized originators to access capital market



- IFMR arranges for an investor to acquire receivables from an originator
 - This could be for PSL / commercial purposes
 - A very good alternative to “outsourced direct origination” – a model where large financial institutions originate from the branches of a smaller, localised originator
- IFMR Capital provides an external risk participation favouring the investor. IFMR Capital takes risk on the pool. This is quasi-second loss risk
- Servicer incentive built into the structure works to incentivise the servicer & ensures some protection from credit losses
- Value add to client in terms of capital relief and results in reduced buffer being built in from the haircut owing to the prohibition of credit enhancement from the Originator



- The Originators issue rated, listed non convertible debentures. IFMR Capital arranges for an investor to purchase the debentures in primary.
- Partial guarantee from domestic / foreign financial institution
- Assets ring fenced from issuer’s balance sheet to provide external first loss

THANK YOU