

FINANCIAL INCLUSION PLATFORM FINCARE CLOSES INR 500 CRORE TRANSACTION

Investors back fast growing rural focused financial inclusion platform

- TA Associates, True North, Tata Opportunities Fund, LeapFrog Investments, SIDBI, Kotak Mahindra Old Mutual Life Insurance Ltd, Edelweiss Tokio Life Insurance and other investors invest in Fincare Business Services Limited (Fincare)
- Disha Microfin, a Fincare group company, has received in-principle approval from the Reserve Bank of India to become a Small Finance Bank
- Fincare is a rural-centric financial inclusion platform, and has been one of the highest performing microfinance businesses in India, reporting a three-year annual growth rate of 79% - underscoring the high demand for financial products in the rural segment
- Indian banking sector is poised for high growth in the next decade: The World Bank estimates that only 6% of Indian adults over the age of 15 have borrowed from a financial institution, and only 9% have accessed credit for a farm or business

Bangalore, India, 06 March, 2017: Fincare Business Services Limited (Fincare), a rural-centric financial inclusion platform, today announced it has closed a INR 500 Crore transaction with investments from TA Associates, True North, Tata Opportunities Fund, LeapFrog Investments, SIDBI, Kotak Mahindra Old Mutual Life Insurance Ltd, Edelweiss Tokio Life Insurance offices and other investors. The transaction involves both primary and secondary components. Indium, an investor in Fincare group companies since 2010, will remain a shareholder in the platform, along with Fincare management and promoters of the group companies.

Edelweiss Financial Services Limited acted as the exclusive financial advisor to Fincare on the transaction.

Fincare is an umbrella holding company, managing financial services businesses that today provide microfinance loans, micro-enterprise loans, and bank partnership loans to emerging consumers at the base of the pyramid via its companies: Disha Microfin Limited, Future Financial Services Pvt Ltd and Lok Management Services Pvt Ltd.

Fincare is one of the fastest-growing microfinance platforms in India, reporting a 79% annual growth rate in its assets under management over the last three years. Its primary product, a joint-liability group loan, reaches over 12 lakh customers, 95% of whom are based in rural areas. The platform operates over 270 offices in seven states in South and West India.

“This investment is testament to the scale of the opportunity for financial inclusion in India, and underscores the ability of Fincare products to drive significant revenue expansion alongside social impact for India’s underserved rural communities”, said Rajeev Yadav, Group CEO, Fincare. “Today’s announcement will enable us to continue to build the infrastructure required to accelerate our growth, in line with our mission to facilitate a lifetime of progress at the base of the pyramid through financial and social inclusion.”

Disha Microfin, a Fincare group company, has received in-principle approval from the Reserve Bank of India to become a Small Finance Bank, a centrepiece of the government’s financial inclusion agenda. Set to undergo significant transformation and growth, its deeply experienced management team will oversee transition to a full-scale bank with deposit-taking functions. This will enable Fincare to continue on its strategic objective to partner with customers, expanding its product portfolio and meeting a full lifecycle of needs.

Sameer Nanavati, Founder of Disha Microfin, said, "This transaction will further strengthen the platform and I am sure, all of the stake holders would add further value in our journey of becoming an admired and respected small finance bank. It is very fulfilling to see the organisation that we started being endorsed and helped by multiple stakeholders in building a strong and everlasting institution."

"This transaction is a validation of the business institution that we have built over the years and for the vision of this institution going forward", said Mr. Dasaratha Reddy, Founder of Future Financial Services. He further added, "It is heartening to see that more stakeholders are joining us in this journey giving us the financial and intellectual backing to transform from an MFI platform to a small finance bank where we would be able to take our services to the masses benefitting larger communities."

Divya Sehgal, Partner, True North, stated, "Over the last 6 years, we have been witness to the remarkable transformation of a small micro finance business emerging from the Andhra crisis into a high quality technology driven, professionally managed, diversified financial services business focused on rural customers. We are excited to be part of Fincare's next phase of transformation into one of the most admired small finance banks in the country."

"Fincare is a geographically diversified business that we believe has demonstrated its ability to build scale and a sustainable business model around serving rural customers in an efficient manner. We are excited about the quality of the management team, led by Rajeev at the helm of the business, and look forward to partnering with them in the coming years", said Dhiraj Poddar, Country Head, TA Associates Advisory Pvt. Ltd.

Padmanabh (Paddy) Sinha, Managing Partner of Tata Opportunities Fund's advisory team in India, said, "The Tata Opportunities Fund is delighted to support Fincare's growth and success as an MFI through its ongoing conversion to a Small Finance Bank (SFB). While Fincare continues to facilitate financial inclusion for base of the pyramid customers in its microfinance business, the SFB platform is likely to provide Fincare a broader regulatory framework, the ability to offer a diversified loan product basket and deeper banking relationships (including deposit and savings products). Fincare's talented and experienced management team led by Rajeev should be well positioned to help the company realise its full potential, through a digitally enabled platform."

Michael Fernandes, Partner, LeapFrog, commented, "Fincare's excellent management team has built an outstanding high-growth, profitable and customer-centric model that reaches underserved people with essential financial services. This is a perfect example of a company improving the lives of the emerging consumer class and delivering strong returns."

Shri Manoj Mittal, DMD, SIDBI, commented, "SIDBI perceives great potential for SFBs to emerge as effective new age technology driven entities providing financial services for micro and small enterprises as well. It is heartening to note that Fincare, and Disha Microfin, which have been SIDBI partners in the MFI space, have achieved this important milestone in the process of transformation into an SFB. SIDBI remains committed to extending necessary support to SFBs in their pursuit of providing array of services to enterprises at the base of pyramid. SIDBI looks forward to its growth and success."

Satyen Shah, Head – Investment Banking, Edelweiss Financial Services Limited, said, "The consortium of blue chip investors that have partnered with Fincare in this round is a testimony to the quality of platform built by Indium and the management team on the back of clear vision, unique rural strategy and robust systems & processes. We are proud to be associated with Fincare & Indium."

India is one of the fastest growing emerging economies, with a developed financial sector. However, there is significant progress to be made in financial inclusion. According to the World Bank, just 6% of Indian adults over the age of 15 have borrowed from a financial institution, while only 9% have accessed credit for a farm or business.¹

The microfinance industry is projected to experience significant growth in the coming years to meet that demand, with the sector already reporting a 34% annual growth rate in lending in 2015-16, according to Sa-Dhan, the self-regulatory organisation of MFIs.²

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¹ <http://databank.worldbank.org/data/reports.aspx?source=1228> (2014 World Bank Findex)

² <https://www.pwc.in/assets/pdfs/publications/2016/shifting-trends-in-the-microfinance-ecosystem.pdf> p.6

About Fincare Business Services

Fincare group provides microfinance loans, microenterprise loans and bank partnership loans, serving households, businesses and banking institutions in rural and semi-urban India. Disha Microfin Limited, a Fincare group company, was granted in-principle approval by the Reserve Bank of India in 2015 to set up a Small Finance Bank. The Fincare platform today has INR 1735 crore in assets under management. Fincare is headquartered at Bangalore and serves over 10 lakh customers in seven states across West and South India. For more information, please visit www.fincare.com.

About TA Associates

TA Associates is one of the largest and most experienced global growth private equity firms. The firm has invested in more than 480 companies around the world and has raised USD 24 billion in capital. With offices in Boston, Menlo Park, London, Mumbai and Hong Kong, TA Associates leads buyouts and minority recapitalizations of profitable growth companies in the business services, consumer, financial services, healthcare and technology industries. More information about TA Associates can be found at www.ta.com.

About True North

True North was established in 1999 with a focus on investing in and transforming mid-sized profitable businesses into world-class, industry-leading businesses, built on a strong foundation of values. Steered since its inception by Vishal Nevatia, True North has over the years built deep knowledge and skills in the Indian markets and has successfully launched five separate investment funds with a combined corpus of ~USD 2 billion. For more information, please visit www.truenorthco.in.

About Tata Opportunities Fund

The Tata Opportunities Fund (TOF) is a third party private equity fund with a mandate to invest into exclusive situations with market leading businesses which benefit from TOF's relationship with the Tata group. TOF completed the final close of its fund in early 2013 with commitments of ~USD 600 million from marquee global investors. The investments made by the Fund include Ginger Hotels, Tata Sky, Varroc Engineering, Shriram Properties, Tata Projects, TVS Logistics and Uber Technologies. For more information about TOF, please visit http://www.tatacapital.com/private_equity/tof_overview.htm.

About LeapFrog Investments

LeapFrog invests in extraordinary businesses in Africa and Asia, partnering with their leaders to achieve leaps of growth, profitability and impact. LeapFrog companies now operate across 22 markets and reach 93.4 million people. Over 76.5 million are emerging consumers, often accessing insurance, savings, pensions, credit or healthcare for the first time. LeapFrog's other investments in India include IFMR Holdings, IFMR Capital, Magma Fincorp, Mahindra Insurance Brokers and Shriram CCL. www.leapfroginvest.com, @leapfroginvest

About SIDBI

Small Industries Development Bank of India (SIDBI), set up under an Act of Indian Parliament, is the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for Co-ordination of the functions of the institutions engaged in similar activities. SIDBI has been supporting the sector by direct financing of MSMEs, wholesale financing of intermediaries and creating specialized institutions. SIDBI has also been instrumental in nurturing Micro Finance Institutions [MFIs] to enable their emergence into viable enterprises for financial inclusion by way of support in the form of debt, equity and capacity building.