

**Press Release
For Immediate Release**

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IFMR Capital and Equitas conclude first-ever rated securitisation of micro loans in India

Mumbai: In a path breaking deal in the micro-finance sector, IFMR Capital and Equitas Micro Finance India Pvt Ltd (Equitas) have completed the first rated micro loan pool backed securitisation with a principal amount of pass-through certificates (PTCs or securities) equal to Rs. 157 million. The underlying loan portfolio comprises priority sector urban micro loans originated by Equitas with final maturity in October 2010. IFMR Capital structured and arranged the innovative securitisation transaction after a comprehensive analysis of Equitas and the loan portfolio, based on its underwriting guidelines.

Capital Structure of Securitisation

<i>PTC</i>	<i>Yield Terms</i>	<i>Principal (Rs. mn)</i>	<i>Principal %</i>	<i>Expected Maturity (Months)</i>	<i>Legal Final Maturity (Months)</i>	<i>Rating</i>
Series A1	Fixed	125.4	80%	14	20	AA(so)
Series A2	Residual	31.3	20%	20	20	BBB(so)
Cash Collateral		18.3	11.7% of issue size of PTCs	n/a	20	Unrated

CRISIL has rated the Series A1 and Series A2 pass through certificates, AA(so) and BBB(so), respectively. The PTCs will be issued by a special purpose vehicle, IFMR Trust Pioneer I (SPV), set up specifically for the purpose of this securitisation. The securities are backed by microfinance loan receivables originated by Equitas. The AA rated securities have been fully underwritten by a bank investor, while, IFMR Capital, the sole structurer and arranger, provides mezzanine financing in the form of an investment in 100% of the BBB(so) rated Series A2 securities.

For credit enhancement, Equitas provided a first loss facility in the form of cash collateral equal to 11.7% of the principal amount of the portfolio. This cash collateral together with the excess interest spread being trapped in the SPV are used to cover any shortfall in repayments on the AA(so) and BBB (so) securities. The investors in the AA (so) rated Series A1 PTCs are further protected by the junior BBB (so) rated Series A2 PTCs, which comprise 20% of the issue size.

This transaction is structured such that the interests of all parties: the originator, Equitas, the structurer and mezzanine finance provider, IFMR Capital and the senior bank investor are aligned to incentivise good due diligence and performance of the underlying micro-loan portfolio.

While unrated microloan portfolio buyouts have been a common source of financing for some MFIs, this landmark transaction represents the first rated securitisation of microfinance loans in India. This transaction is expected to open-up new sources of debt capital such as mutual funds, foreign banks and NBFCs, for microfinance institutions.

The senior AA(so) rated series A1 PTCs has evinced strong interest from domestic banks, which find this security attractive from a risk return perspective. Moreover, with the advent of the new



Basel -2 capital adequacy regime in 2010, we believe banks will find more and more value in these rated micro-loan securitised PTCs.

“The deal is in tune with IFMR Capital’s goal of “creating valuable new asset classes, increasing marketability of asset classes to a broader universe of investors and expanding access to capital for micro-finance institutions,” said Sucharita Mukherjee, Senior Vice President, IFMR Trust and CEO, IFMR Capital.

“This will be the blueprint for further securitisations and a benchmark for other MFIs,” she added.

On this occasion, S. Bhaskar, COO, Equitas said “This rated securitization transaction will help Equitas diversify its sources of funding and enable Equitas to offer micro-credit at reduced cost to a larger section of the population.”

About IFMR Capital

IFMR Capital is a non-banking finance company based in Chennai, whose mission is to provide efficient and reliable access to capital for institutions that impact poor households. IFMR Capital acts as a bridge to mainstream capital markets for under-served sectors such as microfinance institutions, small and medium enterprises and agri-commodity backed financing.

IFMR Capital will develop smooth and efficient access to capital markets by creating transparent criteria for evaluation of these new asset classes, standardizing investment structures, and using financial structuring tools to generate high quality assets leading to price discovery, liquidity and growth in these new markets. This will enable institutions in critically important sectors to reach out to new sets of investors thereby expanding the sources of capital available to them.

IFMR Capital is the trade name for Highland Leasing and Finance Private Limited, a private limited company registered under the Companies Act 1956, and an NBFC registered with the Reserve Bank of India and based out of Chennai.

About Equitas

Equitas Micro Finance India (P) Ltd aims to extend micro credit to people who are otherwise unable to access finance from the mainstream banking channels. Equitas commenced business in December 2007 with the objective of making available finance at reasonable cost and in a transparent manner to women who are engaged in micro enterprise activities.

Equitas has 65 branches with portfolio outstanding of Rs.1,850.7 million as on December 31, 2008, and net worth of Rs.630.2 million as on September 30, 2008. In the first year of operations, Equitas has crossed 300,000 clients and received an mFR3 grading from Crisil; the highest for a microfinance company in its first year of operations.

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