



Press Release

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IFMR Capital Structures Rs. 264.7 million Microloan Securitisation with Grameen Financial Services P. Ltd.

IFMR Capital recently structured and arranged a Rs. 264.7 million securitisation transaction. The transaction is backed by 25,446 microloans originated by well-known Bangalore based MFI, Grameen Financial Services P. Ltd., popularly known as Grameen Koota.

IFMR Capital Pioneer III, the Special Purpose Vehicle created for the transaction, has issued two tranches of securities rated by Crisil, India's foremost rating agency: an 80% senior tranche rated AA(so) that was subscribed to by IndusInd bank and a 20% subordinated junior tranche rated BBB(so) that was invested into by IFMR Capital. Both tranches have an expected maturity of 13 months.

According to Suresh Krishna, the MD of Grameen Koota, "This transaction is significant not only because it is the first time that Grameen Koota has done a securitisation of this scale, but also because this transaction allows us access to newer funding sources, which will be a robust support system for the lakhs of poor and low-income households that we serve, across India, through financial products and developmental services."

"This transaction proves that even in peak priority sector lending season, microfinance securitisation can be highly competitive", Sucharita Mukherjee, the CEO of IFMR Capital said pointing to the 300 basis points reduction in cost of funding for Grameen Koota that this transaction enabled. "This transaction also affirms that capital markets access for high quality microfinance institutions with sound systems is indeed robust."

The structure created by IFMR Capital ensures that the incentives of the originator, servicer and structure are aligned. While the originator and servicer, Grameen Koota, provides cash collateral of 11.9% of the pool principal, the structurer, IFMR Capital, has invested in the subordinated junior tranche. The cash collateral and the subordination of payments to junior tranche in the waterfall mechanism ensures that the senior investor is protected against losses upto Rs. 90.8 million and any first loss is borne by the originator and the second loss by the structurer.

Till date, IFMR Capital has completed microfinance securitisation transactions worth more than Rs. 1.2 billion. It recently concluded the landmark Rs 308 million multi-originator securitisation backed by microloans originated by four Indian MFIs.