

Lok Capital and Proparco invest \$5 million in IFMR Rural Channels & Services

- Lok Capital and Proparco, together invest \$5 million in IFMR Rural Channel & Services
- IFMR Rural Channels & Services, which operates the KGFS (Kshetriya Gramin Financial Services) model, is a full service rural financial institution providing a diverse portfolio of financial products and services together with a unique customer centric wealth management approach
- This is the first round of funding received by the company

Bangalore, March 2012: Lok Capital, one of the largest dedicated funds in India for businesses focused on serving the bottom of pyramid (BOP) customer segment, together with Proparco, the private sector investment arm of the French development agency AFD, have announced an investment of \$ 5 million in IFMR Rural Channels & Services Private Ltd. (IRCS). Proparco is also one of the key investors in Lok Capital II LLC.

IFMR Rural Channels & Services, the company which operates KGFS (Kshetriya Gramin Financial Services) model of providing a suite of financial services in remote rural locations, is a leader in rural financial services with a mission of ensuring that every individual and every enterprise in rural India has access to complete financial services. The company has already set up operations in Uttarakhand, Orissa and Tamil Nadu. The funds will be utilized to help the company grow in existing geographies while expanding in others, as well as diversify its portfolio of services and products.

Promoted by the IFMR Trust in 2008, the KGFS model provides a suite of products that includes loan products (group loans, retailer loans, asset backed loans, micro-enterprise and emergency loans), insurance (accident, life, livestock,), pensions, savings, remittances and investment products either directly or on behalf of regulated financial institutions, through a branch based structure. KGFS differentiates itself from other financial service providers through its unique wealth management approach providing customized financial services that involves a thorough



understanding of the financial position of the household, their assets and liabilities as well as income and expenditures together with mapping their long term financial goals.

IFMR Rural Channels and Services has 110 branches and around 200,000 customers. These branches have been set up in Tamil Nadu, Uttarakhand and Orissa and operates through local brand names – ‘Pudhuaaru KGFS’ (in Thanjavur, Tamil Nadu), ‘Dhanei KGFS’ (Orissa), ‘Sahastradhara KGFS’ (Uttarakhand), ‘Vellaruu KGFS’ (Ariyalur, Tamil Nadu) and ‘Thenaaruu KGFS’ (Pudukottai, Tamil Nadu).

Announcing the funding, Mr. Venky Natarajan, Managing Partner at Lok Advisory Services, said “Financial inclusion continues to be right on top of our agenda, given its considerable potential to effect social change. We are happy to back KGFS for their commitment to the cause, their unique customer centric approach, the robustness of their business model and the relevant product offerings that they have put together. This model can be scaled to cover deep rural geographies across the country and potentially change the way rural India gets access to finance. Operating entirely from branches and with very strong understanding of the customers, we believe that the KGFS model has the potential to mitigate many of the risks that we have seen in the different models of Microcredit”

Etienne Viard, CEO of Proparco said “Proparco supports initiatives that provide access to financial services to the people not being served by the formal financial sector. Proparco has been closely watching the rural financial services landscape in India and we feel that the KGFS model, executed by IFMR Rural Channels and Services, is robust and sustainable. The way KGFS model focuses on the design of a financial plan for each household sets them apart from other institutions and builds confidence in the consumers.

We would also like to thank Lok Capital for providing us an opportunity to co-invest with them in IRCS”

Mr. S.G. Anilkumar, CEO of IFMR Rural Channels and Services said, "Lok and Proparco's investment in IFMR Rural Channels and Services (IRCS) indicates their alignment with our mission of delivering high quality financial services in a way that has a profound impact on rural



households. This investment also validates the sustainability of the KGFS Model that believes in the core philosophy of adding value to the customer and thereby becoming valuable as a business. With this infusion, we envisage further expansion of the KGFS Model to other remote rural locations across the country in a phased manner."

About Lok Capital

Lok Capital is one of the most active venture capital funds investing in high potential financial inclusion and broader inclusion enterprises (Education, Healthcare, Livelihoods), serving the bottom of pyramid (BOP) segment. Lok Capital has under management currently, two funds with a corpus of over \$85mn. Lok Capital aims at impact investing; to promote inclusive growth by supporting the development of social enterprises to deliver basic services to serve the BOP segment in a scalable, affordable and commercially viable manner. Lok seeks to partner with visionary entrepreneurs to help take these social enterprises to new levels of sustainability, scalability and professionalism and thus multiply the 'impact' on the BOP segment.

Lok Capital was founded by Rajiv B. Lall in the year 2000 with a seed grant from the Rockefeller Foundation. Other co-founders include Donald Peck and Vishal Mehta. Lok has currently invested over \$25 million into businesses that seek to create a positive socio-economic impact. The Lok portfolio includes the likes of Ujjivan, Basix, Janalakshmi, Ashirwad, and RuralShores, among others.

About Proparco

PROPARCO is a Development Finance Institution jointly held by Agence Française de Développement (AFD) and public and private shareholders. Its mission is to catalyze private investment in emerging and developing countries with the aim of supporting growth, sustainable development and the achievement of the Millennium Development Goals (MDGs). PROPARCO finances investments that are economically viable, socially equitable, environmentally sustainable and financially profitable. PROPARCO is one of the main bilateral development finance institutions in the world. It invests on four continents encompassing the major emerging countries including India and the poorest countries, particularly in Africa, and has a high level of requirements in terms of social and environmental responsibility. www.proparco.fr