



PRESS RELEASE

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For Immediate Release

Indian Microfinance experiences its first serious consolidation as Intellecash Microfinance takes controlling stakes in Arohan

The INR 20,000 Cr plus Indian Microfinance industry has witnessed contrasting fortunes over the last two years. The new regulatory framework proposed by Reserve Bank of India in 2011 has brought in clarity to the sector, and strong advocacy by network institutions such as MFIN has established strong infrastructure for building a responsible and resilient Microfinance sector.

All changes in the sector have indicated the need for scale for Microfinance Institutions. Since March 2011, the sector has seen the return of investor interest with infusion of over INR 650 Cr. While the regulations have provided much-awaited structure and direction to the industry, requirements such as enhanced capital, margin caps, and higher provisioning have underlined the need for economies of scale to sustain business operations and create value.

Signifying a move in the consolidation space, Intellecash Microfinance Network Company (P) Limited, a subsidiary of the Intellec Group of companies, has taken a majority stake in Arohan Financial Services, a Kolkata-based MFI, and has consolidated the two businesses. Intellecash has been providing incubation services to fledgling MFIs globally since 2008 and has also created a retail portfolio of its own across low-income states in India.

This consolidation will enhance the equity base of Arohan and allow it to expand its retail presence across Bihar, Assam, West Bengal, and other low income states. The process will strengthen the management team at Arohan with Manoj Nambiar joining its Board and taking over as the Managing Director.

Speaking on the consolidation strategy, Manoj Nambiar, Managing Director and CEO of Intellecash said, "Intellecash had defined consolidation as a key expansion strategy for its own growth. In Arohan, we found an operationally strong MFI that could be our key vehicle to fulfill our aim of facilitating financial inclusion in low income states. Our belief is that we can add significant value to an excellent Arohan team led by CEO Shubhankar Sengupta and build a formidable microfinance institution focused on low income states."

Established in 2006, Arohan is one of the most respected MFIs in eastern India with a customer base of over 100,000 poor households. Arohan has been very innovative in launching various financial products to cater to different market segments and customer needs. Beyond group loans to women, Arohan has pioneered loans to small vendors, small enterprise loans, distribution of micro-pension products and life insurance distribution. In 2010, Arohan was adjudged the 'MFI of the Year' and the 'Most Transparent MFI' in different prestigious industry events.

Shubhankar Sengupta, CEO of Arohan adds, "We are very happy with the consolidation as this transaction not only gives the company a strong equity base much needed for our future growth, but also deepens our management capacity. Post consolidation we will have a strong equity base and portfolio spread across 3 states - Bihar, West Bengal and Assam. It is a perfect launch pad to achieve our aim of reaching a portfolio size of INR 100Cr by Mar 2013 and working towards crossing INR 1000 Cr in the next 5 years."

The unique series of back-to-back transactions in Intellecash and Arohan totaling to over INR 52 Cr was facilitated by Aavishkaar Goodwill II, a fund that has established several investing paradigms

in the Indian Microfinance space and has a continuing strategy focused on achieving consolidation in the industry. Commenting on the deal, P Pradeep, Partner of the lead investor Aavishkaar Goodwell said "Aavishkaar Goodwell has always believed that consolidation in the Indian Microfinance sector would create value for all stakeholders with the greatest focus on borrowers. As part of our strategic imperatives we see the Intellecash and Arohan consolidation as a critical tool to enhance value and it reinforces our belief that consolidation is not only possible in Indian Microfinance, but can also generate value for all stakeholders involved."

Existing Arohan investors India Financial Inclusion Fund (IFIF) and Michael & Susan Dell Foundation participated with additional investment in Arohan, endorsing the belief in Intellecash and Arohan teams' abilities, and also in the value of consolidation in the industry.

Sanjib Jha, CFO of the Intellecash Group, who led the transaction said, "Intellecash has anchored several capital raises in the Microfinance industry. However, the current deal signifies a new era for the advisor. As architect of the transaction and key shareholders, we are gratified with the conclusion of the consolidation effort and the creation of a stronger Arohan. We are clearly excited with the potential of the deal and are grateful to be given an opportunity to be part of the next phase of evolution of the industry."



About Aavishkaar Goodwell India Microfinance Development Company II Ltd.

Aavishkaar Goodwell India Microfinance Development Company II Ltd. is a fund that invests in entrepreneurial microfinance and financial inclusion businesses in India. It does this by developing and scaling up entrepreneurial businesses focused on financial inclusion and integrating them into the mainstream financial sector.



Arohan Financial Services Pvt. Ltd.

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India Financial Inclusion Fund

India Financial Inclusion Fund (IFIF) is an equity fund that invests in impact businesses including microfinance, MSME, affordable housing and last mile banking. IFIF is advised by Caspian Advisors, an India-based manager that invests exclusively in the impact space.



Intellectual Capital Advisory Services Pvt. Ltd.

Intellecash is a pioneer in providing innovative business solutions that help build and scale profitable and sustainable enterprises dedicated to social and environmental change. The company's unique positioning at the intersection of social and commercial business sectors allows it to attract and nurture intellectual capital that combines the business training of the commercial world with the passion and commitment of the social world to shape distinctive solutions. Intellecash was founded in 2002 and has more than 80 employees. Intellecash has worked with more than 60 clients on over 250 engagements across 15 countries.



Intellecash Microfinance Network Pvt. Ltd.

Intellecash incubates and invests in business models that have high potential to create, scale and improve financial and market access for the underserved. Created in 2008, Intellecash catalyzes the provision of microfinance services to low income households. Through its incubation services, Intellecash supports entrepreneurs and companies that seek to start microfinance operations in Asia and Africa. Through its retail operations, Intellecash extends micro loans in Bihar, one of the poorest states in India and works with partners such as the International Finance Corporation to design demand responsive products.

Till date, IntelleCash has worked with over 30 MFIs across India, Africa and Sri Lanka, aiding in disbursements of INR 700 Cr to over 700,000 customers.



Michael & Susan Dell Foundation

The Michael & Susan Dell Foundation is dedicated to improving the lives of children living in urban poverty around the world. With offices in Austin, TX and New Delhi, India, and Cape Town, South Africa, the Dell family foundation funds programs that foster high-quality public education and childhood health, and improve the economic stability of families living in poverty. The foundation has committed more than \$825 million to global children's issues and community initiatives to date.

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