

December 01, 2019

The General Manager  
Department of Corporate Services – Listing  
Department  
BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai 400001  
Scrip Code: **541770**

The Vice President, Listing Department  
National Stock Exchange of India Limited  
The Exchange Plaza  
Bandra Kurla Complex  
Bandra (East)  
Mumbai 400051  
Scrip Code: **CREDITACC**

Dear Sir,

**Sub: Investor Presentation**

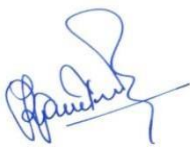
We hereby enclose the investor presentation on Acquisition of Madura Micro Finance by CreditAccess Grameen.

The aforesaid information is also being uploaded on the website of the Company on [www.grameenkoota.org](http://www.grameenkoota.org)

We request you to take note of the above on your record.

**Thanking You**

**CreditAccess Grameen Limited**



**Syam Kumar R**  
**Company Secretary**



The journey of transforming lives



CreditAccess Grameen and Madura Micro Finance  
Transaction Overview  
November 2019



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## ➤ Transaction Overview

- Introduction to Madura Micro Finance Ltd.
- Transaction Rationale
- Proforma Metrics

Note: The financials of Madura Micro Finance Ltd are based on I-GAAP standards

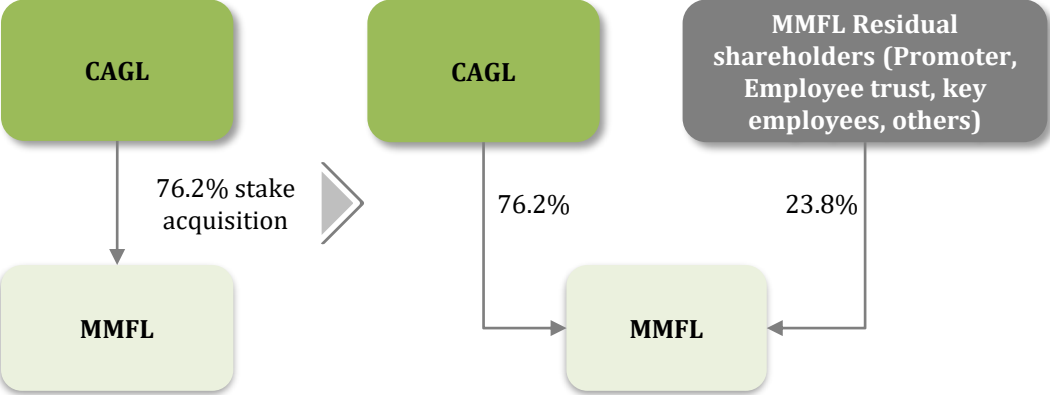
Key Highlights	Comments
<b>Overview of Madura Micro Finance Ltd. ("MMFL" or "Madura")</b>	<ul style="list-style-type: none"> <li>Established in 2006, MMFL is a leading rural focused NBFC-MFI headquartered in Chennai. Key metrics as of Sep-19: <ul style="list-style-type: none"> <li>Borrowers: 11.1 Lakh, GLP: Rs 2,053 Cr, Net Worth: Rs 368 Cr, H1 FY20 annualised PAT: Rs 95 Cr</li> <li>Presence in 82 districts across 6 states through 430 branches</li> </ul> </li> </ul>
<b>Transaction Overview</b>	<ul style="list-style-type: none"> <li>CAGL to acquire 100% stake (through cash and stock) from its existing shareholders, subject to regulatory approvals and fulfilment of conditions precedent</li> <li>MMFL to merge into CAGL under a Scheme of Arrangement as approved by the Board</li> </ul>
<b>Purchase Consideration and Valuation</b>	<ul style="list-style-type: none"> <li>100% Equity Valuation: Rs 875 Cr</li> <li>Valuation: Implied P/BV (Sep-19): 2.4x; Implied P/E (H1 FY20 annualised): 9.2x</li> </ul>
<b>Form of Consideration</b>	<ul style="list-style-type: none"> <li>76.2% of the consideration through cash (Rs 666.4 Cr)</li> <li>23.8% of the consideration through share swap, leading to ~ 1.85% dilution in CAGL</li> </ul>
<b>Transaction Funding</b>	<ul style="list-style-type: none"> <li>Cash portion of the purchase consideration to be funded through CAGL's own funds which will be generated through sale of CAGL's loan portfolio either by securitization or direct assignment to financial institutions</li> <li>CAGL has comfortable leverage position to support the transaction through its networth (Sep-19 GLP / NW: 3.1x)</li> </ul>
<b>Earnings Accretive Transaction</b>	<ul style="list-style-type: none"> <li>Transaction to be EPS accretive to CAGL from the start of consolidation</li> </ul>

Key Highlights	Comments
<b>Regulatory Approvals Required</b>	<ul style="list-style-type: none"> <li>• Reserve Bank of India (RBI)</li> <li>• Securities and Exchange Board of India / Stock exchanges (NSE and BSE)</li> <li>• National Company Law Tribunal (NCLT)</li> </ul>
<b>Other Approvals</b>	<ul style="list-style-type: none"> <li>• For both CAGL and MMFL: Lenders, Debenture Holders / Trustees, Trustee and Calculation Agents (for Off book transactions)</li> </ul>
<b>Transaction Advisors</b>	<ul style="list-style-type: none"> <li>• Transaction advisor - Spark Capital Advisors (India) Private Limited</li> <li>• Legal advisor - Cyril Amarchand Mangaldas</li> <li>• Financial, accounting and tax diligence advisor - PricewaterhouseCoopers Private Limited</li> </ul>
<b>Employees of MMFL</b>	<ul style="list-style-type: none"> <li>• All employees of MMFL to continue with their existing roles, with day to day responsibility of operations with existing management</li> <li>• All employees of MMFL to become part of CAGL once merger process is complete</li> </ul>



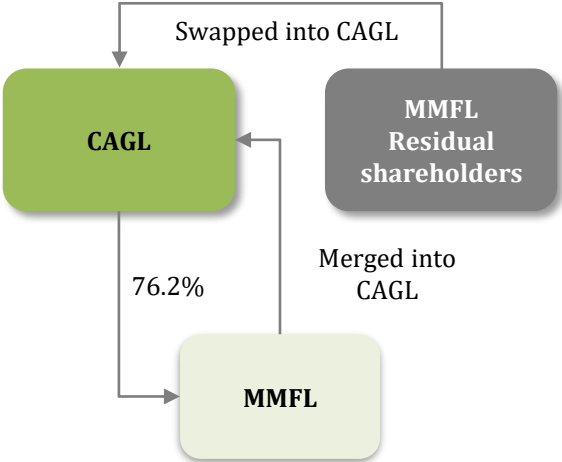
Transaction To Be Undertaken Through a 2 Step Process:

Step 1: Acquisition of ~ 76.2% Stake in MMFL



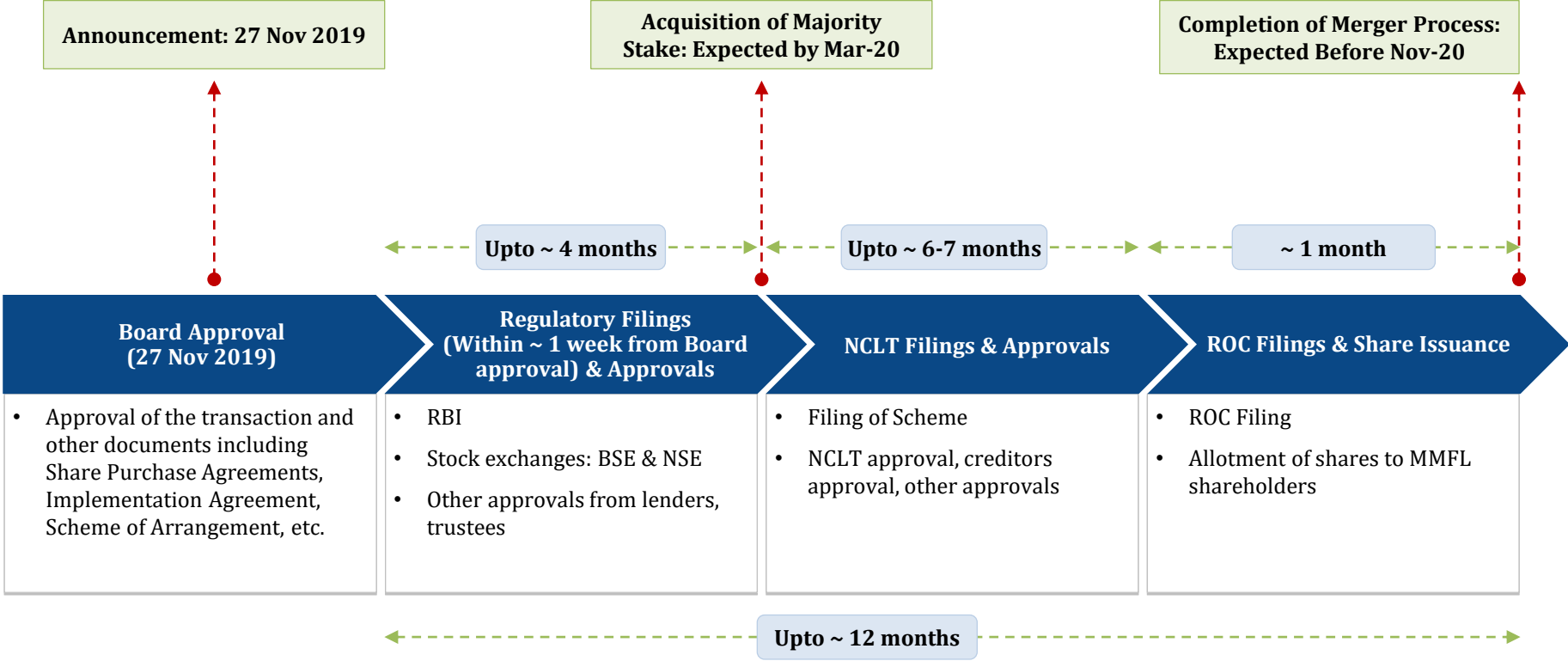
- Upon receipt of all regulatory approvals and fulfillment of conditions precedent, CAGL to acquire ~ 76.2% stake from existing shareholders
- Post acquisition, MMFL to operate as an independent entity with existing management

Step 2: Swap the Residual Shareholders into CAGL and Merger of MMFL into CAGL



- Upon receipt of NCLT approval and ROC filing, issue of CAGL shares to residual shareholders of MMFL
- Merger of MMFL into CAGL

# Indicative Transaction Timeline





➤ Transaction Overview

➤ **Introduction to Madura Micro Finance Ltd.**

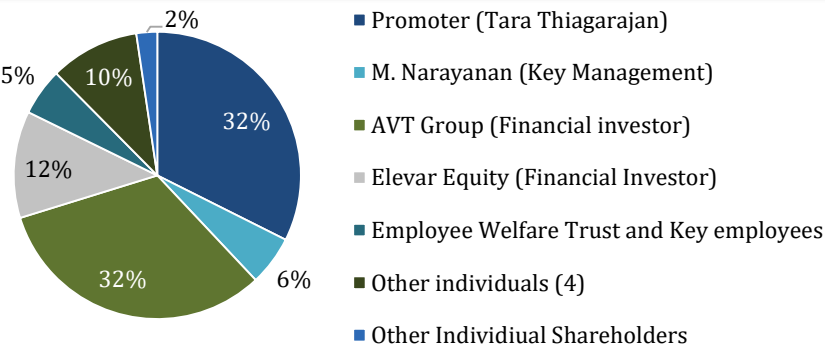
➤ Transaction Rationale

➤ Proforma Metrics

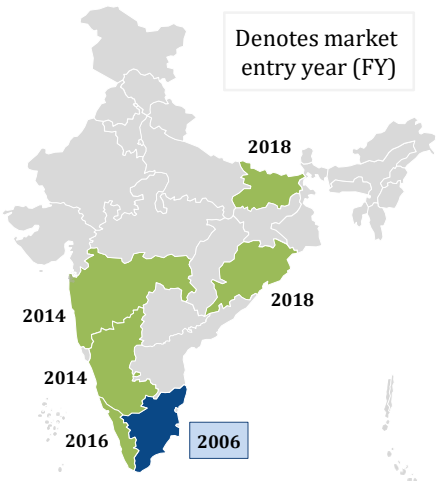
## Background

- MMFL was started by erstwhile promoters of Bank of Madura
- Bank of Madura started micro-lending in 1995 and merged with ICICI bank in 2001
- Post merger, the micro-lending business continued in a partnership model between ICICI Bank & Micro Credit Foundation of India (MCFI)
- MCFI transitioned into Madura Micro Finance Ltd, an NBFC in 2005
- MMFL started operations in 2006 and is based in Chennai and has evolved as rural focused MFI

## Shareholding



## Footprint



**GLP**  
Rs 2,053 Cr

**Branches**  
430

**Districts**  
82

**Borrowers**  
11.1 Lakh

As at Sep-19	Borrowers	Branches	GLP (Rs. Cr)	GLP mix
Tamil Nadu	794,683	256	1,433	70%
Maharashtra	86,434	57	174	8%
Odisha	66,107	31	134	7%
Bihar	55,431	30	119	6%
Kerala	56,792	30	101	5%
Karnataka	49,748	26	90	4%
Total	1,109,195	430	2,051*	100%

Note: \* Excluding Rs 2.0 Cr of co-lending portfolio

# MMFL: Overview (2)

## Product Portfolio

Product	Type	Typical Ticket Size (Rs.)	Tenor (Months)	Disbursement Mix (FY19)	Rate of Interest
Entry Level loan (ELL): First cycle loans	Group loans (10-20 members)	33,000	22 / 24 / 30	66%	~ 21.45%
Activity Term Loan (ATL) - 6 levels: Repeat loans		40,000 – 65,000	24 / 30	31%	
Certified ATL (CATL): ATL members who successfully completed the certified activity course	Top-up loans to existing members	12,000 – 15,000	20	3%	
Business Development Loan (BDL): Working capital		15,000	20 / 24		

## Key Financial Metrics

Rs Cr	FY17	FY18	FY19	H1 FY20		FY17	FY18	FY19	H1 FY20
GLP	822	1,184	1,860	2,053	ROGLP	4.4%	4.0%	5.3%	4.8%
Borrowers	5,15,104	6,88,543	9,61,000	11,09,195	ROE	21.4%	19.1%	28.7%	27.4%
PAT	30	40	81	47	GNPA (PAR 60/90)	1.0%/0.5%	0.9%/0.5%	2.0%/0.9% *	2.5%/1.5% *
Networth	176	240	321	368	NNPA	~ 0.0%	~ 0.0%	~ 0.0%	-0.1%

\* Higher due to impact of Gaja (cyclone). Excl. Gaja portfolio, H1 FY20 PAR 60 / 90 was ~ 1.2% / 0.7%

- Transaction Overview
- Introduction to Madura Micro Finance
- **Transaction Rationale**
- Proforma Metrics



# 1. Access to Large Client Base and Helps Achieve Geographic Diversification

1 Access to a borrower base of 11.1 Lakh with very limited overlap (only ~ 0.5 \* Lakh) in borrower base

2 Positions CAGL as a market leader in TN with a portfolio of ~ Rs 2,300 Cr (2.6x current portfolio)

3 Helps in portfolio diversification at an overall level, lowers Karnataka share from ~ 51% to ~ 41%

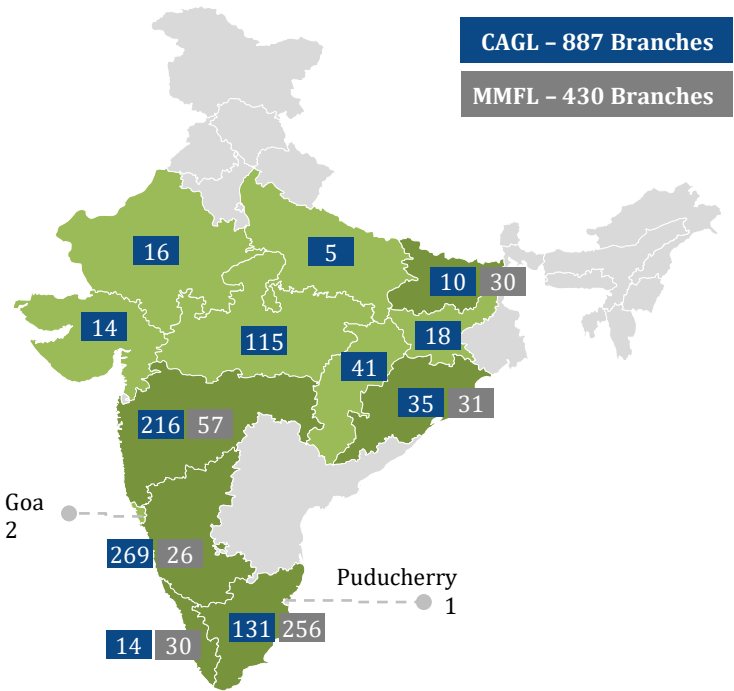
4 Scales up presence in existing markets and provides access to newer markets like Bihar, Odisha etc.

\* As of July 2019

# 1. Access to Large Client Base and Helps Achieve Geographic Diversification

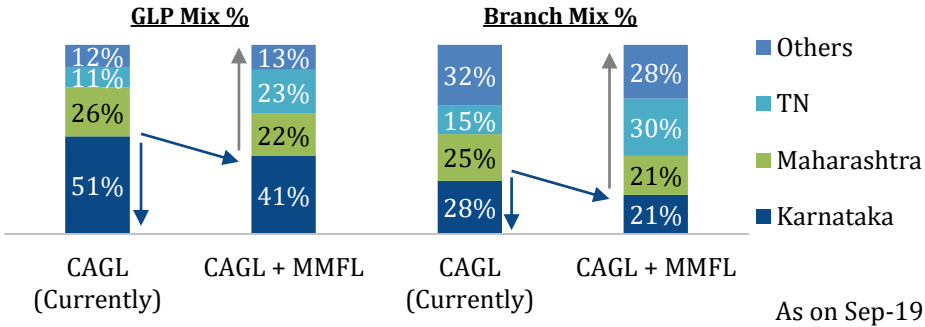
Strengthens Presence And Distribution In Existing Markets And Provides Access To Newer Markets

### Pan India Presence - 13 States / 1 UT



- Provides access to a borrower base of ~ 11.1 Lakh (overlap of only ~0.5 lakh)
- Positions CAGL as a market leader in TN with a portfolio of ~ Rs 2,300 Cr (2.6x current portfolio)
- Scales up presence in existing markets and provides access to newer markets like Bihar, Odisha, etc.. Leverage market learnings and manpower from each other to fast track expansion in these markets
  - Acquisition of a sizeable portfolio of Rs 618 cr in non TN geographies (~ 36% of incremental disbursements in H1 FY20 outside TN)

### Helps Achieve Geographic Diversification





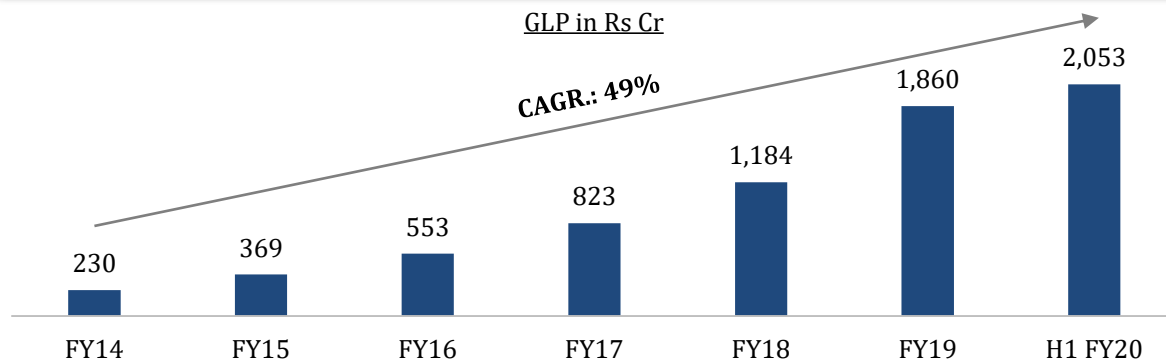
## 2. Opportunity To Acquire A High Quality Platform Well Poised For Growth And Scale

- 1 MMFL is the 11<sup>th</sup> largest NBFC-MFI \* in India with GLP of Rs 2,053 Cr & 11.1 Lakh borrowers (Sep-19)
- 2 Consistent track record of demonstrating high degree of profitability (Avg. FY16 – H1 FY20: ROE ~ 23.3%)
- 3 Demonstrated high growth in GLP and PAT (GLP CAGR of ~ 50% and PAT CAGR of ~ 61% in FY16-FY19)
- 4 Low cost structure (Opex: GLP ~ 5.2%) driven by salary structure, high vintage / productivity, operational efficiencies and technology intervention

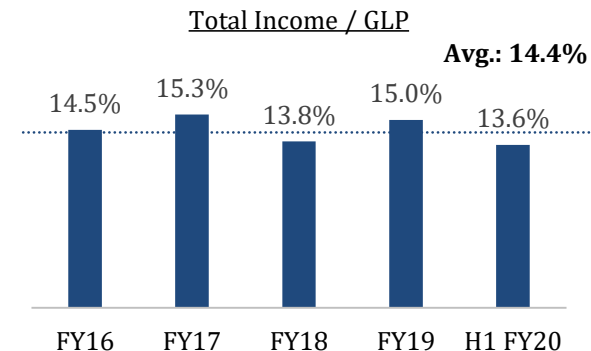
\* As of Sep-19, per MFIN

## 2. Opportunity To Acquire A High Quality Platform Well Poised For Growth And Scale

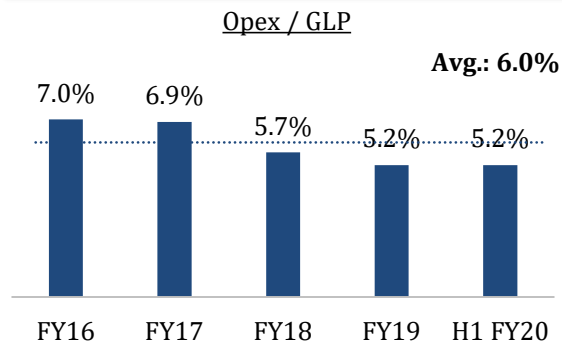
### Consistent History Of Delivering Quality Growth



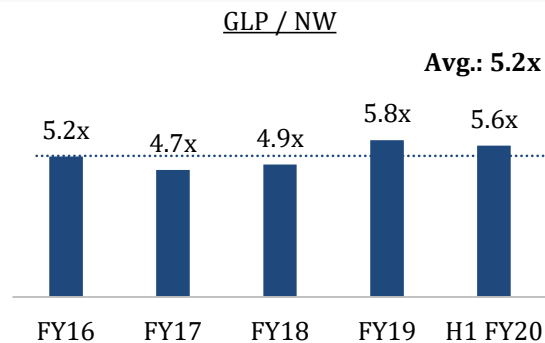
### Superior Income Profile



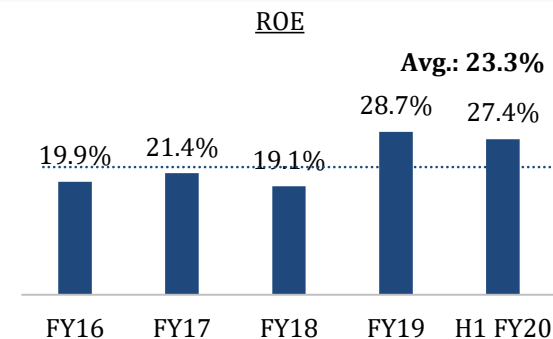
### Low Cost Structure



### Focus On Leveraging Network



### Industry Leading ROE Profile

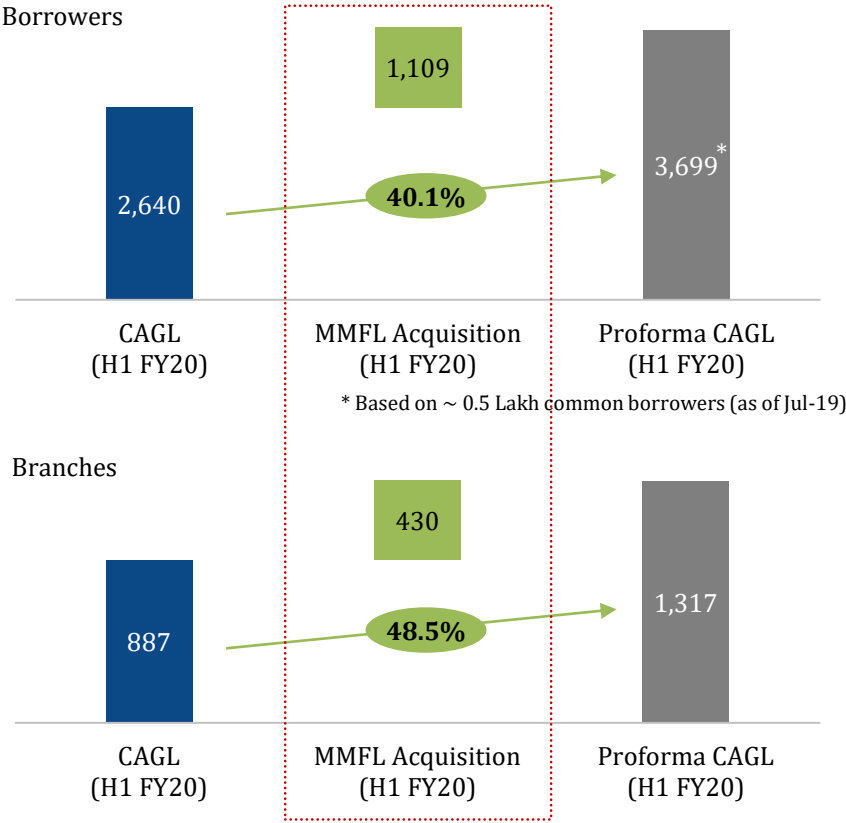


### 3. Accelerates CAGL's Growth And Helps Achieve Leverage

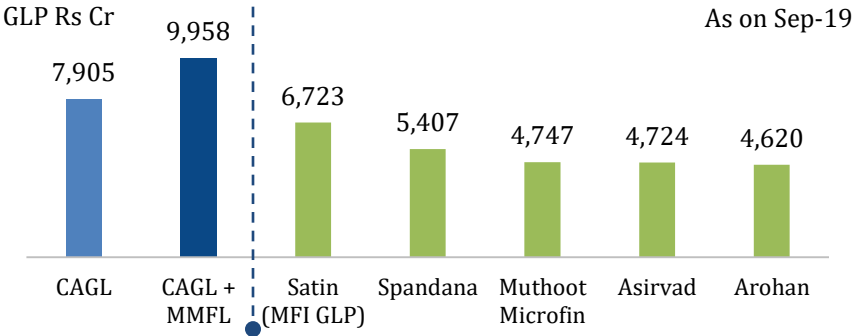
- 1 Transaction adds ~ 1 year of organic growth (Branches / Borrowers) - ~ 48% / 40% increase in H1 FY20 metrics from MMFL acquisition
- 2 Strengthens leadership position wrt. Competition (Proforma GLP 48% higher (H1 FY20) than the closest competitor vs. 18% currently)
- 3 Accelerates leverage at CAGL (Based on H1 FY20, GLP/ NW increases from 3.1x to 3.8x)
- 4 Improves ROE profile by more than 3.0%

# 3. Accelerates CAGL's Growth And Helps Achieve Leverage

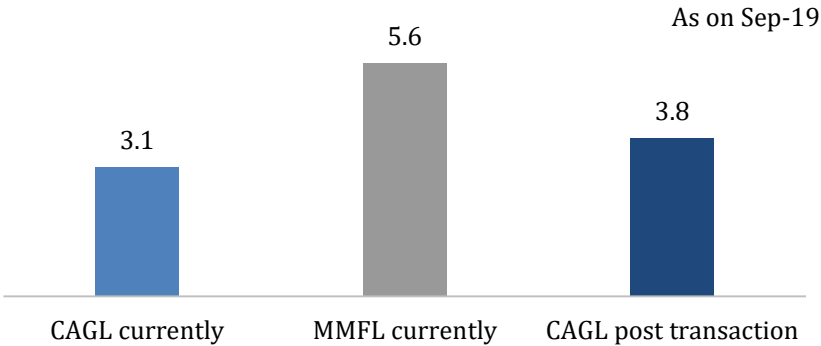
## Accelerates the Growth Story and Adds ~ 1 Year of Growth



## Positions CAGL Favourably w.r.t Competition



## Helps Achieve Faster Leverage (GLP / NW)



## 4. Significant Synergies Between the CAGL and MMFL Platforms

1

Increase in wallet share per MMFL's borrower driven by higher borrower retention through CAGL's customer centric approach and multi product strategy

2

Cost of Borrowing (COB): Potential to reduce COB by ~ 1.3% for MMFL over the medium term, which could also increase spread at CAGL

3

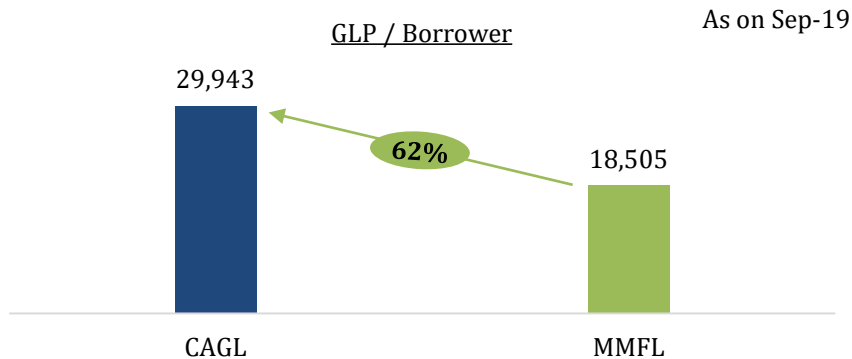
Opex savings: Through better borrower retention, future HO synergies, vendor costs and branch rationalisation

4

Deeper and faster penetration in geographies where CAGL and MMFL are co located

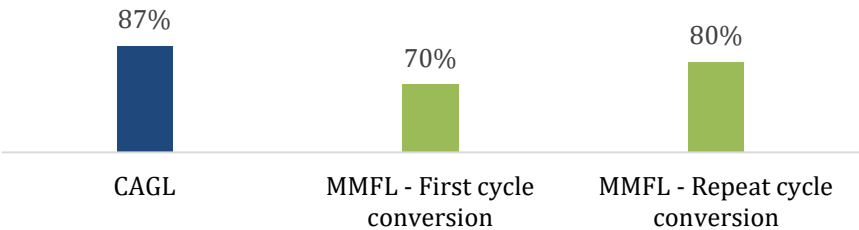
# 4. Significant Synergies Between the CAGL and MMFL Platforms

## CAGL Can Benefit From Driving Higher Revenue / Borrower in MMFL

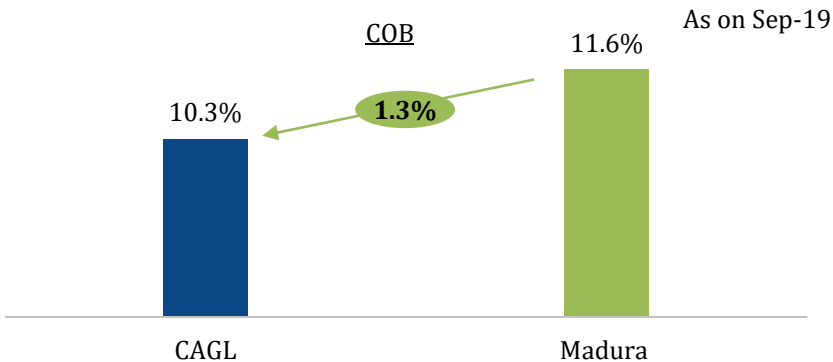


Focus on driving higher wallet share from existing borrower base without causing an increase in their aggregate leverage

## Drive Higher Borrower Retention



## MMFL Can Benefit From Lower Cost of Borrowings



## Opex Rationalization Of The Combined Entity

- Branch rationalization over medium term
- Vendor cost rationalization; Head office / supervisory cost synergies
- Higher throughput from larger combined branch network

## 5. Cultural Fit, Professionally Managed, Well-Aligned Thought Process

1

Cultural fit: Both organisations share common ethos of customer centricity, rural focus, employee first culture and a process driven approach. MMFL is a 'Great Place to Work ' certified organization.

2

Management familiarity and aligned mindset: both CAGL and MMFL are professionally run with a strong board level governance in place

3

Key management to continue with their current roles and functions

4

MMFL has a professional management team with average experience of over 2 decades, who will be able to add significant value to the combined organization



# 5. MMFL's Experienced Management Team With Aligned Mindset



**Tara Thiagarajan**

*Chairman, MD & Promoter*

- ❖ Tara is a scientist with a background spanning neuroscience, complex systems and mathematics
- ❖ She also has experience across multiple industries including textiles and pharma



**Mohan Eddy**

*Whole-time Director and Key Management*

- ❖ Responsible for People, Process and Data Excellence functions
- ❖ Serial entrepreneur who has built several companies across sectors



**M Narayanan**

*Chief Executive Officer*

- ❖ Responsible for Business, Credit, Finance and Accounting functions
- ❖ Founding CEO of MMFL; Bank of Madura veteran; Previous experience in ING Vysya, ICICI and GMR



**V Balakrishnan**

*Chief Financial Officer*

- 2+ decades experience
- Earlier worked with OPC Asset Solutions, Veda Corp Advisors, Ma FOI as CFO



**Rajeev Sundaresan**

*Advisor-Business Transformation*

- 3+ decades experience in Management & Technology Consulting
- Earlier worked with Ford Motor, Nissan, Merrill Lynch



**D Ravi Kumar**

*Sr. Vice President, Group Lending*

- 2+ decades experience.
- Earlier worked with Cholamandalam, Equitas and Tata Motors Finance solutions



**Rajiv RG**

*Vice President, Process Excellence*

- 2+ decades experience in Supply Chain, Operations, IT Consulting & Strategy, Digital Transformation
- Earlier worked with L&T, Ramco, Cognizant, CSC/DXC Technology



**Rajeshwari Ragav**

*Asst. Vice President, Data Excellence*

- 15+ years experience in Customer and Business Analytics
- Earlier worked with Nielsen, TNS, IMRB, Titan Industries



**Rajeena Thomas**

*Asst. Vice President, People Excellence*

- 10+ years experience in HR
- Earlier worked with L&T Finance and Thermax



**Samuel Mathews**

*Asst. Vice President, Finance*

- 10+ years experience in Finance and Accounts
- Earlier worked with Geojit, HDFC Life and Muthoot Mini group

## 6. Leverage MMFL's Strengths in Technology Integration

1

MMFL is at the forefront in technology integration across various facets of the business: CAGL can integrate best practices into the combined entity

2

Gain access to MMFL's Intellectual Property for enhanced data analytics and process excellence

3

Leverage technology for driving next phase of growth and managing risk

# 6. MMFL At The Forefront Of Technology Integration

## CAGL Can Leverage MMFL's Strengths In Technology

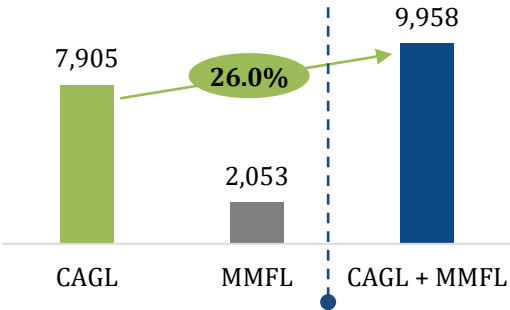
Key Aspect	Overview	Impact
Technology in Operations	<ul style="list-style-type: none"><li>Android mobile applications (with offline capability) for sourcing, meetings, collections, audit</li></ul>	<ul style="list-style-type: none"><li>Real-time information visibility for effective risk monitoring and control and fast decision making</li></ul>
Data Analytics	<ul style="list-style-type: none"><li>Data analytics using customer data, industry data, demographic data, psychometrics, transaction data</li></ul>	<ul style="list-style-type: none"><li>Customer analytics for future process/product innovations</li><li>Predictive analysis – collections and fraud</li></ul>
Scalable Technology Architecture	<ul style="list-style-type: none"><li>Unified technology architecture to drive efficiency and scalability</li></ul>	<ul style="list-style-type: none"><li>Provides flexibility &amp; scalability without increasing costs proportionally for growth</li></ul>

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- **Proforma Metrics**

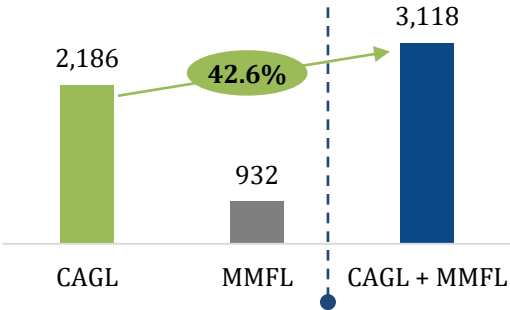
# Proforma Metrics: Scale and Footprint (H1 FY20)

As on Sep-19

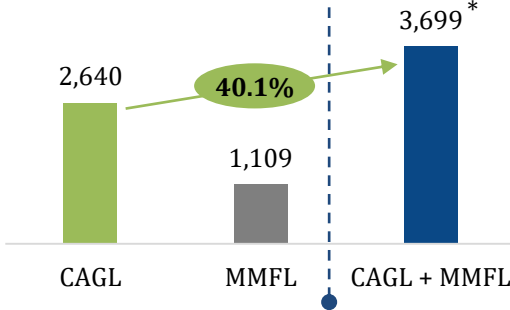
Gross Loan Portfolio (GLP) (Rs Cr)



Disbursement (Rs Cr)

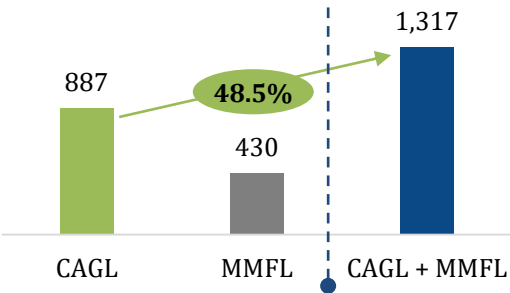


Borrowers ('000)

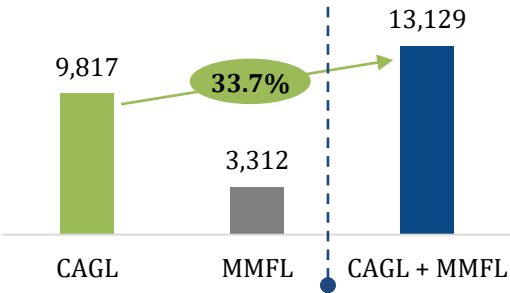


\* Based on ~ 0.5 Lakh common borrowers (as of Jul-19)

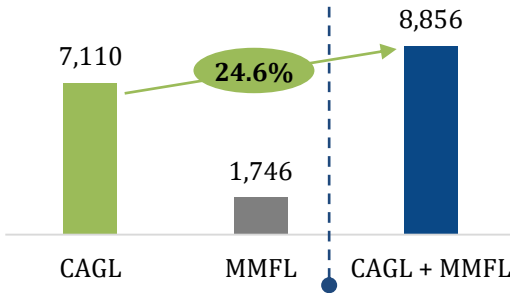
Branches



Employees

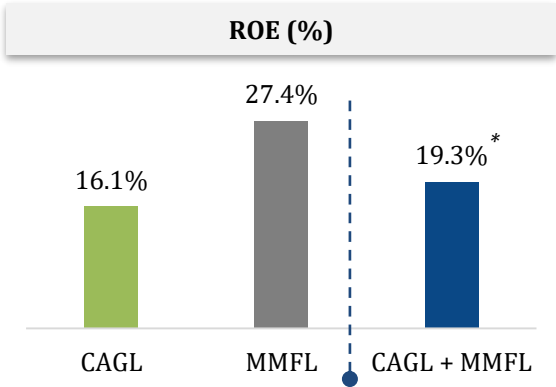
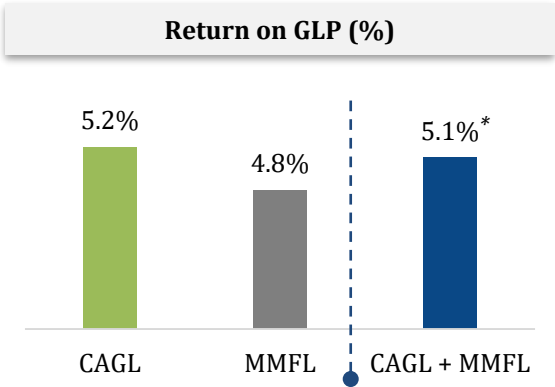
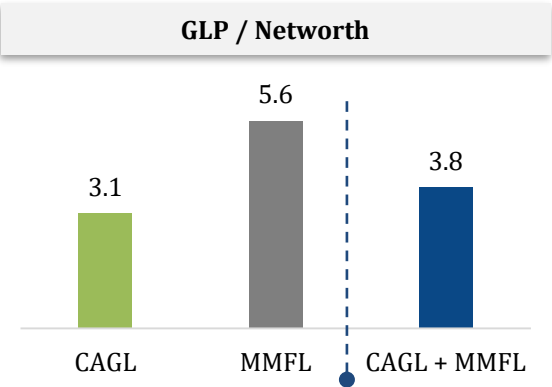
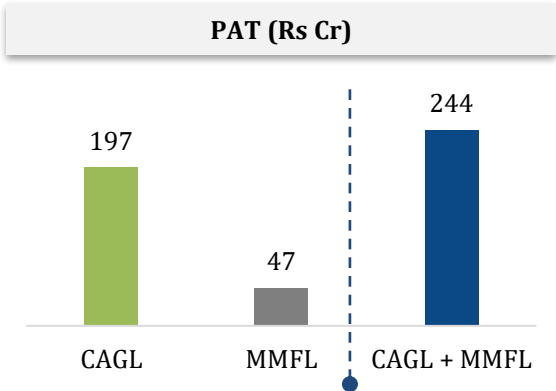
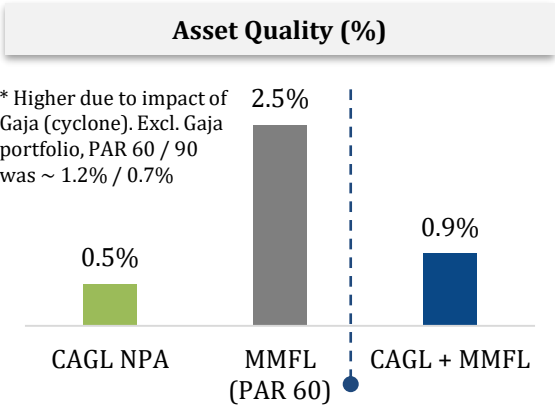
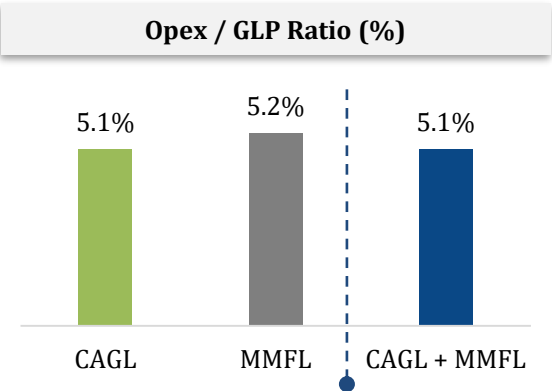


Loan Officers



# Proforma Metrics: Financials and Asset quality (H1 FY20)

As on Sep-19



\* Excluding any impact from financing costs from transaction

Note: MMFL's branches in certain districts in TN were affected by Cyclone Gaja which hit the northern coast of TN in Nov 2018, causing large scale devastation. These branches account for 17% of MMFL's GLP



**Thank You**

For any investor related queries , please mail to [investorrelations@grameenkoota.org](mailto:investorrelations@grameenkoota.org)