

# EQUITAS

## FROM START-UP INNOVATOR TO SUCCESSFUL IPO IN EIGHT YEARS

Equitas Small Finance Bank gives children, young people, families and business people in India a new way to bank. Begun in 2007 as a micro finance startup, Equitas, backed by Goodwell, grew from 3,700 clients in 2008 to 2.4 million in 2016. The company completed a successful IPO the same year and we exited from our involvement at the same time.

### What makes Equitas interesting

Equitas is transforming lives with micro-credit solutions for people who cannot access funds through mainstream channels. The company began as a microfinance innovator, but following India's 2010 microfinance crisis, it diversified into private and small-business vehicle finance and home finance. The company provides fair-rate microfinance to small enterprise companies in Tamil Nadu, and its vision is to serve 5% of India's approximately 250 million households by 2025. The company uses a joint liability model of loan repayment.

While Equitas's operations are similar to most industry players in this space, it stands out for its focus on a new form of governance and its social commitment. These include having a majority-independent board, no controlling shareholder, explicit social commitments, and a return on equity ceiling of 18-20%. It also has a minimum capital requirement of 20% (including off-balance sheet transactions). Equitas is one of the best performing financial inclusion companies in the industry and is known for its operational efficiency and industry-equivalent or higher asset quality.

Equitas's social commitments are wide and varied. They cover support for vocational training programs; creating food security by making bulk-purchases of food for low-income families; operating health camps for truck drivers and cleaners, forming partnerships with hospitals to offer subsidized healthcare; and organizing job fairs for unemployed young people.

### How Goodwell helped Equitas to grow

When we discovered, Equitas it was a promising young company with a strong focus on process efficiency and technology deployment, and a very strong sense for social impact. This dovetailed perfectly with our own belief in financial inclusion as a key driver for improving personal livelihoods and creating job opportunities. We believed Equitas was scalable and could deliver good investor returns while making a sustainable social impact.

We were the first external investor to provide capital (US\$ 1.5 million) to Equitas and helped it with its rollout plans and to access additional resources. This enabled Equitas to establish itself as something new and different in the microfinance space, and this in turn helped it to survive India's microfinance crisis, in 2010, and to successfully makes its subsequent switch to a diversified holding company. Over the period of our involvement, Equitas grew its active clients from 3,775 to 2.4 million and laid the foundation for its successful IPO, in 2016. Equitas was Goodwell's first investee company to go public.



## FAST FACTS \*

FOUNDED IN 2007



**\$ 1.5 million**  
Goodwell invested in US\$ 1.5 million 2008 and exited in 2016, on the company's IPO

**3.3 million**  
Equitas has touched the lives of 3.3 million households

Loan portfolio:  
**€924 million**  
average loan size  
**growth: 67%**

Equitas Small Finance Bank Ltd began as a microfinance startup, in 2007 and now employs some **550** people

Number of people reached by social activities:  
**7.2 million**

**97%** of borrowers are women and **83%** of transactions were online as of July 2017 [AB]

\*Figures from June 2017



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