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KSHAMA FERNANDES
CEO & Managing Director IFMR Capital

In the Business of Financial Inclusion

By ALEXIA FERNANDES

From academics to financial services, Goa-born Kshama Fernandes takes on the challenges of financial inclusion, head on; and is lauded for her leadership in the sector

IN TODAY'S WORLD business opportunities seem ample, yet a majority of the population remains on the fringe of the economic systems, living without access to key financial services.

Without access to financial services such as small loans or borrowings, the obstacles of overcoming poverty or attaining financial stability are insurmountable. There is however, an innovative solution that can connect small businesses to investment pools.

Kshama Fernandes, along with her talented and committed team, worked relentlessly at building a business structure that addressed one of the most challenging problems of the country – the problem of financial exclusion. “It is our mission to reach out to those Indians who find it difficult to get a housing loan or a business loan because they are not a part of the formal system. Banks and other financial institutions that have the capital, do not fully understand these segments. And hence originators that specialise working in these segments find it hard to raise finance. Our job is to bring in the capital to originators who provide finance to such informal sectors,” she says. Her dedication to the cause of financial inclusion and her impressive style of leadership has put her at the helm of financial innovation in the country.

Kshama has extensive experience across academia, financial advisory and consulting. She holds a PhD in Finance from Goa University and is a Certified Financial Risk Manager. She has worked on consulting assignments for a number of national and international institutions like the World Bank, the Chicago Mercantile Exchange,

the Ministry of Finance, Government of India, and NSEIT. She was a member of the High-Powered Committee that was set up to explore the possibility of making Mumbai an International Financial Centre. She also worked on developing the SEBI mandated certification programme for derivatives for the National Stock Exchange (NSE) and NCDEX. Kshama was featured by FMO, one of the largest Developed Financial Banks in the world, as a role model in the field of banking and won the ‘Women in Leadership’ Award by Dream Companies to Work for. She also won the prestigious international award in financial inclusion – the Ed Claugus Award by Accion in October 2016.

Kshama grew up in Goa, her early childhood spent along the coastal village of Cansaulim. Her parents later moved to Navelim where she went to school. She completed her B.Sc. in Mathematics and her Masters in Management Studies from Goa University; and is very proud about the fact that she did her entire education in Goa. She claims that her life in Goa provided her the inspiration and perseverance required to do a job of the nature that she is involved in. An adventure enthusiast, Kshama enjoys the outdoor thrilling world of

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sports and her hobbies include sailing, biking, trekking and skydiving. She rides a green single-seater 500 cc Royal Enfield. Kshama has trekked to the Everest Base Camp in Nepal, climbed the Kilimanjaro in Tanzania, walked across long distances in the Alps and extensively trekked through the Indian Himalayas, which she considers the most beautiful mountain range in the world. Kshama draws from one of her most memorable experience of a transatlantic voyage she made in 2016. “It was a fantastic experience in team building,” she recalls. The team of eight sailors cruised in a 40 feet sailing boat for 21 days from Las Palmas de Gran Canaria in Spain to Saint Lucia in the Caribbean. She was the only Indian to have attempted the Atlantic crossing this season. “When you are in the middle of a challenge, it's never about the individuals. It is about how you work together as a team. You may be the smartest sailor, but once you are out there in the middle of the ocean, your skills lie in making people around you come together as a team,” she says.

Kshama was Professor and Head of Finance at the Goa Institute of Management, before she joined Nachiket Mor and Bindu Ananth in their pursuit of financial inclusion. It was her deep understanding of risk management and keen interest in capital markets that impressed Dr. Mor and Ananth. Despite having no experience in running a financial institution, her academic capabilities enabled her to setup the core functions of the company. As Chief Risk Officer, Kshama was involved in setting up the risk function and in building the fundamentals of risk underwriting. In 2012, she took over as CEO and Managing Director of IFMR Capital.

Headquartered in Chennai, Tamil Nadu, IFMR Capital was founded in 2008 and is a part of the IFMR Trust Group of Companies, which were specifically created to drive financial inclusion in India. Initially, its activity was restricted to three or four states, but now the company has its presence in 530 districts of the country and has raised over a hundred million dollars in private equity investment. As a leading non-banking finance corporation, IFMR Capital is a vital link between debt capital markets and originators or NFBCs, who reach out to the emerging, yet underserved consumers and business owners on the fringes of the financial system.

Initially, IFMR Capital started off by foraying into the micro financing sector. It has now diversified across five other sectors, with micro finance accounting for about 35% of its volume. The company branched out into affordable housing finance, commercial vehicle finance, small business finance, corporate finance and agricultural finance. By allowing lenders in remote areas of India to lower the cost of borrowing for low income and financially excluded families and businesses, IFMR Capital's activities have benefitted over 20 million individuals.

The main source of income for IFMR Capital is the fees and interest acquired through institutional investors and originators. Over the last eight years, IFMR Capital has facilitated capital to around ₹40,000 crore to 100 plus originators serving 20 million end borrowers. In 2014, Leapfrog Investments came on board as an investor with the first external equity infusion, followed by Fidelity and Standard Chartered Private Equity in the last quarter of 2016.



The IFMR Capital senior team

Having employed some of the most talented capital market professionals with extensive experience, IFMR Capital smoothly delivers its proposal. The 100 member team at the organization is divided into three major functions – Origination, Markets and Risk Management, besides Legal, and Operations and Administration. The Origination team identifies new originators and maintains relationships with originators already on board. The Risk team does the analytics, modelling and monitoring on an ongoing basis. Using structured finance tools such as securitization, guarantees and credit enhancement, it creates products that match the risk profiles and requirements of investors across various categories.

When Kshama took over in 2012 as managing director and CEO, the overall financing enabled by the Company stood at ₹975 crore. By 2016, it had spiked up to ₹13,000 crores plus. Broadening the company's investment spectrum from just micro financing, she and her team brought in originators from newer sectors like small business finance, affordable housing

IFMR Capital continues to steadily expand its base of clients and sectors it operates in. Over the years IFMR Capital has emerged as a market leader and a pioneer of innovative structures like the Multi Originator Securitization (MOSEC), which remains its flagship product. The MOSEC offers institutional investor a simple avenue for investing in underlying Originators and sectors

finance, vehicle finance, agri finance and corporate finance. In just four years, the company tripled the number of originators from a mere thirty to well over a hundred. The Company also began to offer the investing community more products, in addition to the securitization product and the term loan product. They helped create sophisticated financial structures

such as the pooled bond issuance where a group of originators come together to issue loans, and the guaranteed non-convertible debenture structure. "Since 2012, we onboarded a large number of new Originators and created a range of debt capital market offering for our investors. It translated into robust growth numbers," she says.

With strong governance, risk management and reporting, and robust customer protection principles as part of its underwriting framework, the company helps their clients strengthen their businesses from a capital markets perspective and thus ensures that high quality products and services reach end borrowers. It identifies high quality originators across the five sectors and prepares comprehensive evaluation to ensure the originators adhere to its stringent framework. "We work with 110 originators across these sectors. We take these NBFCs, evaluate their systems, processes, governance, risk management and audit practices and connect them to mainstream capital market investors," she says. IFMR Capital now works with over



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100 investors in India and abroad and has enabled about 6 billion of financing with more than 500 capital markets rated listed transactions.

“What is common to all these originators is that they have developed capabilities to appraise the credit worthiness of their borrowers but face challenges in accessing capital,” she says. IFMR Capital places a strong emphasis on Management Information System and reporting. “We steer originators in certain directions advising them that if they adhere to high standards of MIS and reporting, transparency and governance, high quality operations etc., we can take you to capital markets which can provide deep pools of capital,” Kshama explains.

Once connected to the capital markets, the access to supply of debt becomes predictable and continuous enabling businesses to grow. “The moment the originators know they can access debt in a smooth and reliable manner, the way they plan their business changes. It works with a range of originators and thanks to IFMR Capital; these originators have seen their assets under management multiply several times in 3-4 years,” she adds. These originators, in turn, reach out to millions of underserved households and businesses across the length and breadth of India.

Through the structured finance

An adventure enthusiast, Kshama enjoys the outdoor thrilling world of sports and her hobbies include sailing, biking, trekking and skydiving. She rides a green single-seater 500 cc Royal Enfield and is very proud of it. She has trekked to the Everest Base Camp in Nepal, climbed the Kilimanjaro in Tanzania, walked across long distances in the Alps and extensively trekked through the Indian Himalayas which she considers the most beautiful mountain range in the world

approach, IFMR Capital gives its originators access to a number of mainstream investors. “Our investments span across securitizations, loans, guarantees, risk participation and various other forms of debt. This demonstrates our skin-in-the-game and reassures our investors of the quality of our diligence, the efficiency of our structuring and the robustness of our risk monitoring,”

says Kshama. IFMR Capital’s integrated approach to high quality origination and risk management has resulted in consistent track record across all sectors.

IFMR Capital continues to steadily expand its base of clients and sectors it operates in. Over the years, IFMR Capital has emerged as a market leader and a pioneer of innovative structures like the Multi Originator Securitization (MOSEC), which remains its flagship product. The MOSEC offers institutional investors a simple avenue for investing in underlying originators and sectors. The development for the MOSEC was led by Kshama and is a sought after structure by many international financial institutions in the world. IFMR Capital has prepared over 100 MOSEC structures worth an approximate ₹8,000 crore.

Using its vast origination experience, unmatched data analytics skills and risk management processes, IFMR Capital continues to deliver superior risk-adjusted returns to a growing client base of Indian and international investors keen to tap into a growing market opportunity. “As a team, we are aware of the challenging nature of the task that we have taken upon ourselves. But we are well geared to take on these challenges and excited about the opportunity to make a difference,” says Kshama about the future of her company.