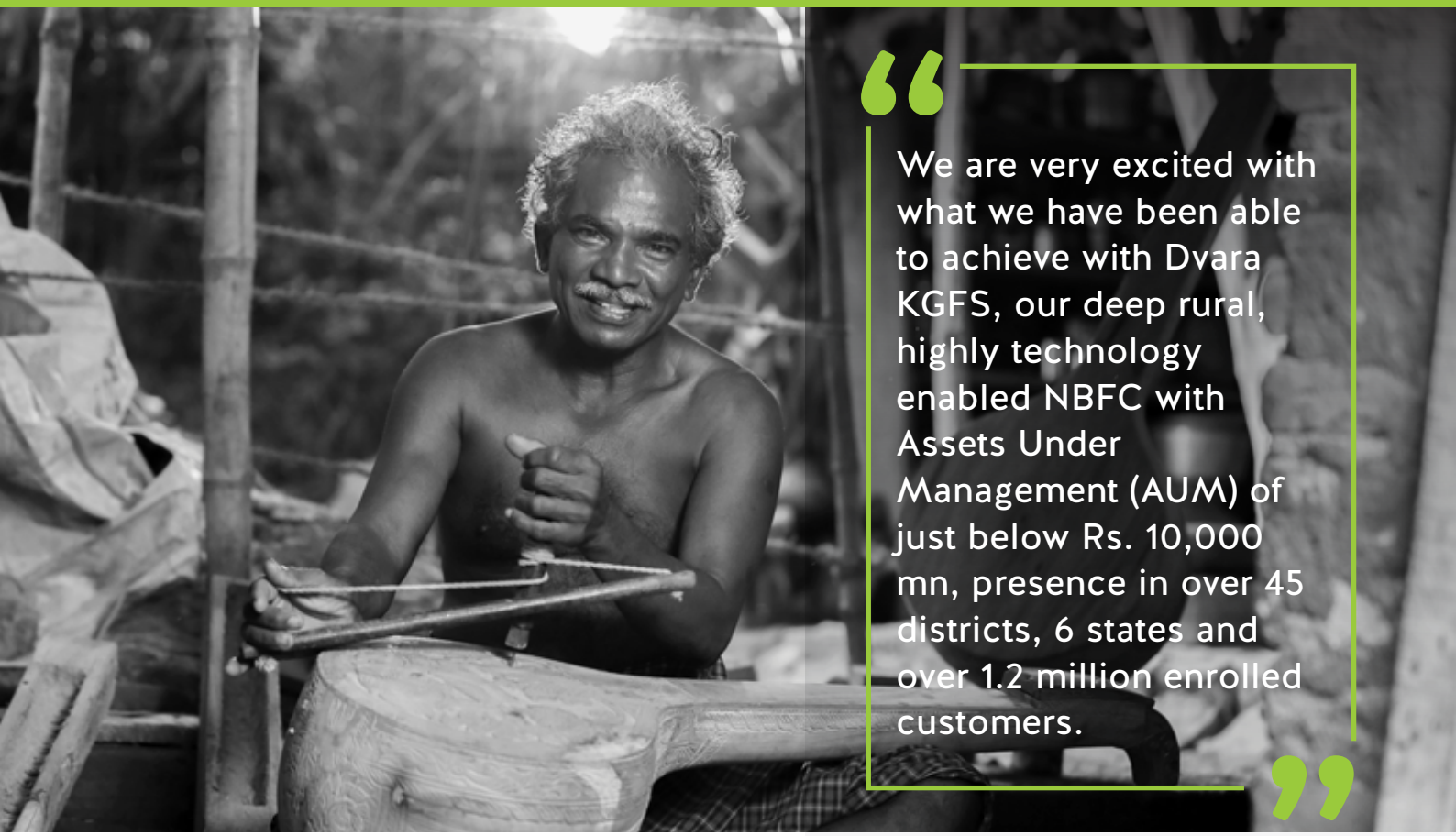
DVARA Trust

Newsletter

Volume I, June 2020



> We are very excited with what we have been able to achieve with Dvara KGFS, our deep rural, highly technology enabled NBFC with Assets Under Management (AUM) of just below Rs. 10,000 mn, presence in over 45 districts, 6 states and over 1.2 million enrolled customers.

Welcome to the First Issue

Dear Friends,

We are pleased to launch the first edition of our newsletter series aimed at the investor community.

Firstly, for many of you who may be familiar with the brand of IFMR…we are now Dvara. Dvara in Sanskrit denotes 'access'. Our mission to provide complete access to financial services remains stronger than ever before.

Our journey since 2008 has been very rewarding giving us the opportunity to have served over 47 million households in India through various group companies. We have raised capital of almost Rs 15 bn cumulatively from over 13 reputed investors in India and internationally. Our flagship companies, KGFS and NACL have consistently delivered returns of 25-30% (IRR) on our investments.

We are proud to have promoted Northern Arc Capital (erstwhile IFMR Capital), which is now a highly differentiated financial institution and India's leading Wholesale Non-Banking Finance Company (NBFC) in financial inclusion. We continue to work closely with Northern Arc to shape itself into a professionally-run, board- managed company with best in class governance standards.

We are very excited with what we have been able to achieve with Dvara KGFS, our deep rural, technology-enabled NBFC with over 1.2 million enrolled customers, Assets Under Management (AUM) of ~ Rs. 10 bn (USD 133 Mn), presence in over 45 districts and six states.. The recently concluded Impact Evaluation of the KGFS Model by Dr. Rohini Pande (Yale), Dr. Erica Field (Duke) and Dr Giorgia Barboni (Warwick) clearly identified that the KGFS Model had a pervasive positive impact on the entire population living in the KGFS villages with sharp decreases in poverty attributable to it. Dvara KGFS has clearly established itself as a high impact and profitable company serving rural India through its unique multi-product approach.

Being early advocates for adopting technology in financial inclusion, our technology company Dvara Solutions is on a mission to be a catalyst to high quality originators who aspire to maximise financial well-being of their customers. They have initiated a Series A capital raise round given the increased need for digitisation in this market segment. The customer centric technology platform approach of Dvara Solutions has helped its 23 customers grow their cumulative AUM to around Rs. 75 bn (USD 1 Bn).

Last year at Dvara, we re-started our incubation engine once again after the marathon effort in 2008. We looked at the financial inclusion landscape in India and identified several areas where a patient investor like Dvara could once again create differentiated institutions that bring about systemic change in financial services for the low income at population scale and with commercial sustainability. We are very excited to talk to you about our four new Entrepreneurs-in-residence (Dvara EIRs) who are building the next generation of institutions for financial services for the next billion….

Starting with farmer Narayan Das from Jajpur district in Odisha who owns a 0.3 acre of farm land and was able to raise his first formal system credit in his life using Dvara E-Registry's data and technology to improve his agricultural productivity, his access to financial services and hence, well being.

Or, Anjalai and Amudha from Sirukadampur village in Tamil Nadu who couldn't save consistently thus far and then Dvara SmartGold helping them save through minimal monthly digital gold based micro savings

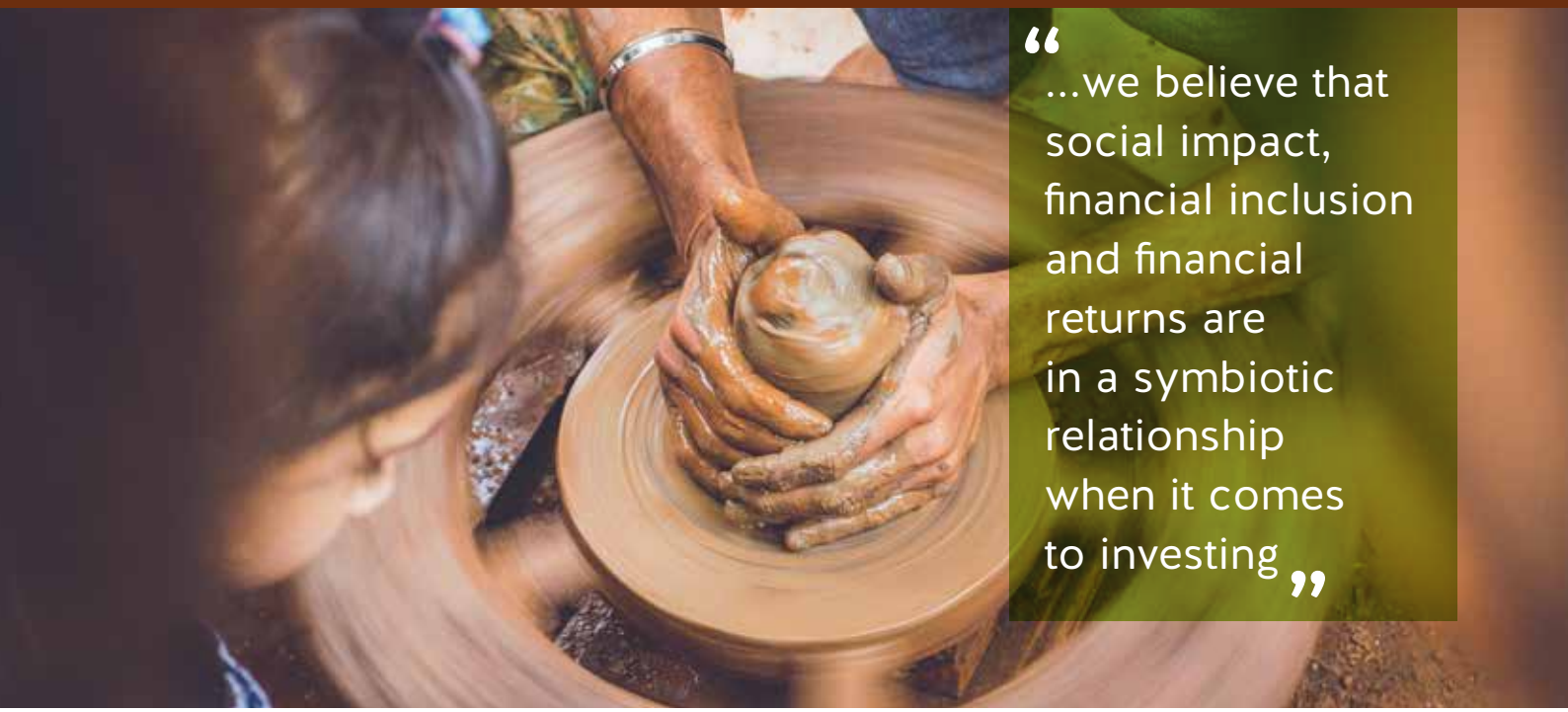
We have also catered to the urban population. Vishnudev, Bengaluru, Operations Support staff at a Logistics Company appreciated Dvara Money for nudging him on a regular savings path and stepping in when needed with additional money for an upskilling course. Dvara Money also provided instant credit based on his disciplined savings behaviour.

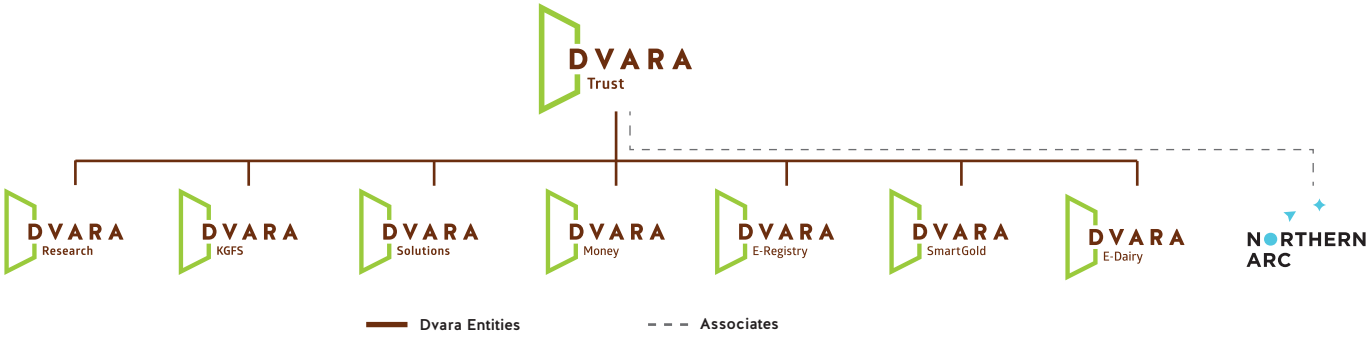
We have just gotten started with Dvara 2.0 and are deeply grateful to all our investor partners who have partnered with us every single step in our 12 year journey and look forward to talking to all of you about the work we do and invite you to join our journey…

We look forward to hearing from you.

Bindu
Chair & Trustee

Samir
Executive Vice-Chair & Trustee





More than 25% of the people worldwide have no access to basic financial products and services. Furthermore, 65 million or 40% of the micro, small and medium-sized enterprises (SMEs) in developing countries, which are one of the strongest drivers of economic development, innovation and employment, have unmet financing needs.

Setup in 2008, we started our journey as IFMR Trust. Our founders Bindu Ananth and Nachiket Mor had a vision to build an ecosystem for financial inclusion in India that comprised research, teaching, advocacy and commercial organizations that addressed market gaps. IFMR Trust, now rebranded as Dvara Trust, strives to convert many elements of that vision to reality. We strongly believe that access to finance, from opening a bank account or savings account to taking out loans or insurance, is vital for driving economic and social development, and personal development.

At Dvara Trust, we believe that social impact, financial inclusion and financial returns are in a symbiotic relationship when it comes to investing. We strategically invest with a strong conviction that positive, sustainable social impact enhances, rather than diminishes, the profitability of investments.

TRUST AS A KEY COMPONENT

The key component to generating impact on a large scale is trust. Strong, binding relationships are crucial not only between our companies and local communities, but between Dvara and its stakeholders. Obtaining the trust of previously underserved communities is not an easy task. Underlying trust, first and foremost, is sincerity. By targeting the most essential local needs, Dvara signals to local communities its commitment to improving local quality of life.

The deep, continuous exchange between Dvara group of companies and the communities in which they are embedded strengthens this foundation of mutual commitment, while Dvara's transparent impact strategies and monitoring practices secure the continued confidence of investors. The success of each investment thereby expands the possibilities for further investments, propelling us to build relationships with more communities and to bring positive, sustainable impact to more places around the world.

Our mission is thus, simple: To ensure that every individual and every enterprise has complete access to financial services. We are interested in systemic change and therefore undertake two kinds of activities: policy research and investing in/supporting commercial efforts where we believe there is a market gap.

THOUGHT LEADERSHIP

Our biggest USP has been that of inducing policy systems to benefit the masses. Dvara Research is one of the leading financial systems policy research institutions. Its overarching strategy is to bridge evidence gaps with rigorous research, generate policy-relevant insights and bring together a constructive coalition to deliver this vision. The Trust conducts advocacy focused on identifying and addressing policy bottlenecks of scaling inclusive business models in specific sectors. It acts as an extended arm and sole beneficiary of Dvara Trust and strongly believes in the deeply transformative power of finance in unlocking the potential of individuals, households, enterprises and local governments.

We believe that a good financial system should deliver on both inclusion as well as stability. We think a financial system that has the best chance of delivering on this mission would encourage specialisation and be characterised by the following pillars:

Know more: **https://www.dvara.com/**

DVARA Research

A policy research institution that has been part of several policy-making platforms in the financial inclusion space. It has worked with RBI, Ministry of Finance, SEBI, Insolvency and Bankruptcy Board of India, PFRDA, NABARD, Ministry of Urban Development, among others. It was the technical secretariat to the RBI Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households.

It championed 'suitability' as being the central principle underlying consumer protection in India, which eventually got enshrined as a right by the RBI. More recently it extensively liaised with the Justice Srikrishna Committee on Data Protection. Know more: **https://www.dvara.com/research/**

Championing Financial Inclusion in India Since 2008 In our more than decade long journey we have pioneered initiatives that have impacted the live of millions of low-income households in India. Our efforts are under two broad ambits - policy research and investing in/supporting commercial efforts where there is a believed market gap.

COMMERCIAL ENTITIES

NORTHERN ARC

47 Million
Lives Impacted

INR 825,000 Mn+
(USD 11,000 Mn+)
Finance enabled

INR 56,250 Mn
(USD 750 Mn)
AUM

Northern Arc, previously known as IFMR Capital, is the flagship company of our group originally promoted by us and now enjoys the backing of some prominent institutional investors such as Accion, Leapfrog, IIFL and Standard Chartered. It strives to be a trusted platform that enables the flow of finance from capital providers to users in a reliable and responsible manner. With a strong capital base, a deep reach across clients and debt investors, a wide offering of debt products and a diversified asset book, Northern Arc continues to grow from strength to strength.

Know more: **https://www.northernarc.com/**

Incorporated in 2008, Dvara Solutions is an ISO 9001:2015 certified technology platform with a mission to enable financial institutions to be highly customer centric in a cost-effective manner. Their flagship product – Perdix – is an integrated technology platform for digitizing comprehensively multi-asset class financial institutions processes. Perdix currently handles data of borrowings in excess of a billion dollars and has been successfully deployed for more than twenty financial institutions in India.

Know more:
https://www.dvara.com/solutions/about-us/

23
Financial Institutions Signed

3.5 Million
Customer base of clients

INR 75,000 Mn+
(USD 1,000 Mn+)
Total AUM of clients

Dvara Money is a digital platform that aims to provide a comprehensive neo wealth management offering to the urban underserved by leveraging technology, institutional partnerships and deep customer insights to deliver focused and curated solutions to their employees and members. Its solution, 'Spark', is a mobile-based application that provides its users with easy, flexible and tailored solutions to help them reach their financial goals.

Know more: **https://dvaramoney.com/**

12 partner institutions

DVARA SmartGold

Dvara SmartGold is one of the youngest entrants in our incubation hub tapping into the oldest asset class India has relied upon – Gold. It aims to provide a comprehensive phydigital investment vehicle to financially integrate every household in the country through a uniquely curated gold savings plan that allows savings in small flexible instalments allowing for the ability to use the holdings. SmartGold operates on a digital model retaining the physical asset and is intended to be a mobile solution for the middle and lower-income households to purchase gold in the most convenient, secure and cost-effective manner. It also allows the flexibility to use the holdings anytime for any un-planned requirements or emergencies through redemptions, credit and partnerships.

Know more: **https://www.dvarasmartgold.com/home**

Presence in **1800+** villages spread across 5 states

6,800+
Customers enrolled till date

Pilot to be deployed in June, 2020

DVARA E-Dairy

Dvara E-Dairy Solutions aims to empower every small and medium dairy farmer in India with comprehensive financial and cattle management solutions in order to help them participate and prosper in the growing dairy economy by providing them suitable digital solutions by leveraging new age technologies. The solutions would include an IoT as well as a mobile one.

https://twitter.com/dvaraedairy

DVARA E-Registry

A report by the national sample survey office claims that only 30% of all farmers borrow from formal sources, while 50% of small and marginal farmers are unable to borrow from any source at all. Banks are reluctant to offer credit to small and marginal farmers due to poor access, limited information, and an unpredictable policy environment.

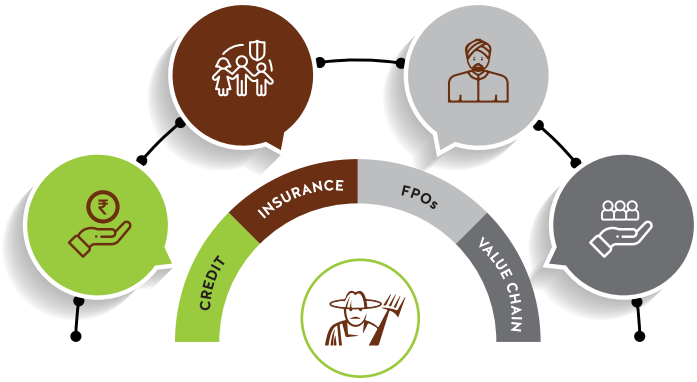
This obstacle brought the outset and enabled the vision of one of our cutting-edge incumbents, Dvara E-Registry which aims to help channel financial products to agricultural India using an intelligent blend of macro and micro alternative and traditional data to bridge the data asymmetries between clients and financial services providers.

The development of Doordrishti, which provides index-based land and crop analytics by leveraging the power of ML and AI on remote sensing data, weather data, GIS data and crop science has opened up avenues in Financial Institutions, Agri Value Chain like FPO's and massive interest from government and other institutions. The analytics will ensure the provision of real-time tech-enabled advisory and access to financial products like credit and insurance for farmers.

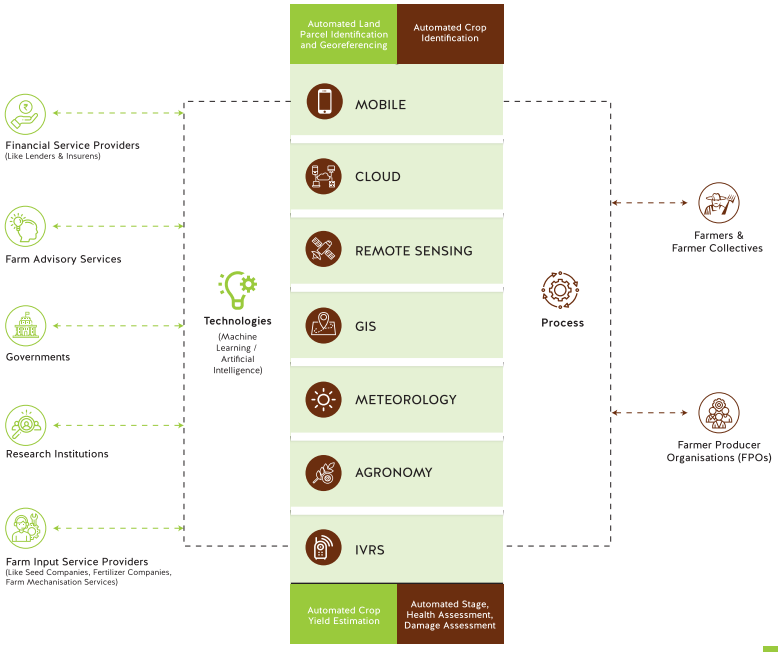
Strategic approach @ E-Registry

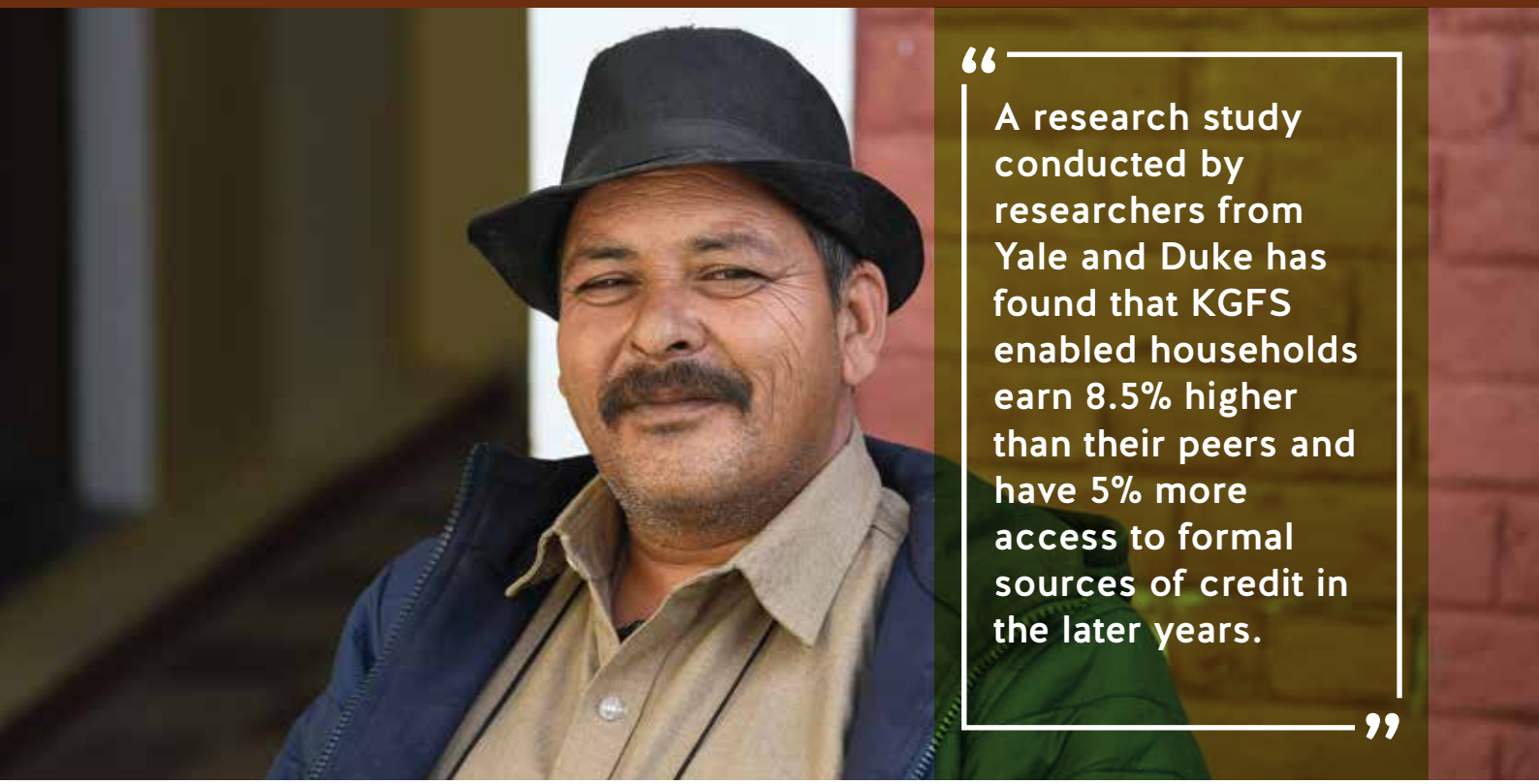
It is in direction to become the financial inclusion and productivity enhancing platform of choice for all stakeholders in the agricultural value chain by delivering farm and farmer centric analytics and actionable insights, harnessing the transformative power of artificial intelligence, remote sensing and other emerging technologies at scale.

Know more: **https://dvaraeregistry.com/**



44,000+
Farmers impacted till date





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DVARA KGFS

Founded in 2008, Dvara Kshetriya Grameen Financial Services (KGFS) has been our heritage. Over the course of more than a decade-long journey, we are proud to have served more than a million customers in remote rural locations of the country.

KGFS was born out of the need for timely and affordable credit to India's poor and low-income households. KGFS, set up as Pudhuaaru Financial Services was visualized by the erstwhile IFMR Trust in June 2008, with the core philosophy of enriching and empowering low-income Indian households by providing tailor-made financial products and solutions. The vision of the company is to maximize the financial wellbeing of every individual and every enterprise by providing complete access to financial services in remote rural India.

By adopting a customer centric business model, KGFS strives to balance economic growth with social responsibility to bring about a change that is sustainable and meaningful for those who face hardships and have little. In an effort to build the nation, we aim to open the doors of opportunity for the unserved and underserved and make them an integral part of the nation.

KGFS offers a unique wealth management solution, which is tailormade for the individual use of any customer and can cater to the financial well being much beyond the ambit of small value credit. While other micro-finance institutions have only minimal variations from its core Individual Loan, JLG Loans, Crop Loans and Micro Enterprise Loans, KGFS offers Insurance products, encourages savings through various other financial products, remittance and transfer facilities, mutual fund investments thereby being there for the customers at all times, and introducing them to financial independence and literacy.

Combined with the fact that it aims for a high saturation approach, which drives up economies of scale, KGFS is a game changer on many counts. A research survey conducted by representatives from Harvard and Yale have found that KGFS enabled households earn 8.5% higher than their peers and have 5% more access to formal sources of credit in the later years.

KGFS has been relatively insulated from the macro-economic factors affecting the financial services sector since it believes in lean and efficient credit operations and competitive pricing for its financial products and solutions. Acknowledging the growth, the management is shifting the focus from creating a social impact to creating financial products and solutions designed for social responsibility. By investing in the latest technologies and innovative ideas, KGFS strives to develop high quality financial products that will complement portfolio and financial deliveries.

The key features and strengths of the KGFS Model is as follows:

- Distinguished parentage, Experienced management team & strong governance
- Amongst the only true rural financial services franchises in India
- Multi-product wealth management platform for remote rural India
- 'Rural Centric High-Touch' - Developed differentiated Delivery Model across multiple Geographies
- Customer Centricity Across Processes Differentiates DVARA KGFS from Peers
- 'High-Tech' Strong Technology Platform
- Strong operating & financial metrics

Despite the ongoing Covid-19 pandemic, KGFS has showcased itself as a pillar of strength and supported its customers through various relief

measures and corporate initiatives. The results are seen in the support garnered and testimonials received. The management is confident that the future is bright and up for the taking.

Growing from strength to strength, we have started implementing KGFS Phase 2.0 to achieve our next targets of progress. The AEPS (Aadhar Enabled Payment System), one of our first initiatives in this phase is currently active in more than 65% of our branches. The Gold Savings Scheme which encourages small savings in one of the oldest asset class, has tremendous support from our customers with more than 5,500 customers signing up and an AUM of 850 grams achieved in just a quarter after launch. Digital Remittances, geo tagging KYC, NACH and UPI are in the final stages of implementation. With other product packages like Dvara Sampoorna Sampati Plan all set for launch, KGFS is set to continue its inroads in the financial inclusion space, touching the lives of many more millions of families and fulfilling its maxim of a complete focus on customer insight driven wealth management which is PLAY, GROW, PROTECT and DIVERSIFY.

Know more: **https://www.dvarakgfs.com/**

1.2 Mn+
No. of Borrowers (Lakhs)

300
Branches

INR 9,700 Mn+
(USD 127 Mn+) Gross Aum

48
Districts

2000+
Employees

0.5 Mn+
Active Customers

6
States

440K+
Lives Insured

7,000+
Villages

DVARA Trust

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