

MICROCAPITAL BRIEFS | TOP STORIES

Blackstone and Carlyle Considering Microfinance

According to The Economic Times of India, "the private equity interest in microfinance is reaching a crescendo with heavyweights such as the Blackstone Group and the Carlyle Group willing to invest in the sector." A source was quoted as stating that, "They are keen on making huge investments, but they are yet to decide on the MFIs [microfinance institutions]. Since most of the big MFIs are saturated with funds, they may need to look at multiple investments in smaller MFIs." The fat cats are in the game. October 12, 2007

Independencia of Mexico Plans IPO This Year

According to CCN, "Mexican microfinance lender Financiera Independencia SAB, in which HSBC Holdings Plc owns a minority stake, plans to list its shares on the local stock exchange later this year. In a prospectus filed with the Mexican Stock Exchange, Independencia said it plans to list up to 20 percent of the company, or 136 million shares including an over-allotment of 17.7 million shares, through primary and secondary offerings in Mexico and international markets. Although the date and initial share price weren't disclosed in the prospectus, Independencia provided an estimated price range of MXN 22 to MXN 30 a share, which would value the company at MXN 14.96 billion (USD 1.38 billion) to MXN 20.40 billion (USD 1.89 billion)... Independencia operates as a multiple-purpose finance company serving 695,000 clients in 86 cities." Since the Compartamos IPO earlier this year, the microfinance world has been humming with ambition to list on public exchanges. October 19, 2007

BRAC Launches \$90m Bond

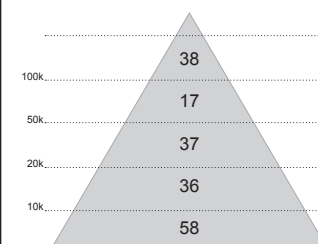
The Bangladesh Rural Advancement Committee has announced plans to issue a Tk 700 crore (USD 90 million) zero coupon tax free bond, with which it will loan money to small and tenant farmers in the Bangladeshi countryside. BRAC plans to issue the bond, known as the 'BRAC Bond for Agricultural Funding,' in either December 2007 or January 2008, with Citibank, N.A. Bangladesh acting as lead arranger. BRAC was founded as a non-profit, non-governmental organization (NGO) in 1972 and now has total assets of USD 394 million, a debt / equity ratio of 238 percent and a return on assets of 6.9 percent. Zero coupon bonds are bonds that do not pay interest during their lifetime. Instead, investors buy zero coupon bonds at a deep discount from their face value, which is the amount a bond will be worth when it matures. On maturity, the investor receives a lump sum equal to the initial investment plus interest that has accrued. The implicit interest on the BRAC bond is expected to be around 12 percent. BRAC is targeting the bond at commercial banks, insurance companies and other financial institutions, though it is also considering a public offering, with the possibility of raising the limit of the bond to Tk 1000 crore (USD 140 million). October 4, 2007



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SOUTH ASIA REGION (SA)

NUMBER OF MFIS BY TOTAL
NUMBER OF ACTIVE BORROWERS



MF INDICATORS - PAGE 3



MicroCapital would like to recognize the individuals at CGAP, The Microfinance Information Exchange (MIX), and microfinancegateway.org for their outstanding work disseminating information on microfinance. Thank you!

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MICROCAPITAL BRIEFS

Ugandan Government Subsidizes Solar Power with Microfinance

The Rural Electrification Agency (REA) of Uganda, a semi-autonomous public-private partnership created by the Ugandan Government, has announced a 45 percent subsidy, up from the current 14 percent, on all solar power equipment. The subsidy will be promoted through a network of rural microfinance institutions (MFIs) and non-government organisations (NGOs), who will be providing a cash payout to those who install the solar systems or a loan or a loan-offset. The new policy is part of the Energy for Rural Transformation (ERT) programme, a 10-year plan that aims to increase electricity access in rural areas. Only 5 percent of all Ugandan households and 3 percent of rural households have access to electricity... September 27, 2007

CDC Bets Big on Minlam and Considers Public Listing

The United Kingdom's CDC Group Plc, the UK government-backed private equity emerging markets fund-of-funds investor, is investing USD 30 million in a new microfinance hedge fund run by New York-based Minlam Asset Management LLC (MAM), Minlam Microfinance Offshore Fund. The fund, which has raised USD 40 million to date, will provide local currency credit to MFIs operating in emerging markets across Central & South America, Asia, CIS & Eastern Europe and Africa. The commitment to the Minlam Fund takes CDC's overall investment in microfinance-related funds to USD 42.7 million since 2004 and is by far the group's biggest investment in the microfinance arena. Since Morgan Stanley prepared a report on the group's strategic options, it has been rumored that CDC will be floated on the London Stock Exchange. Reports in the UK press

added that a partial flotation is the most likely option, with the government diluting its holding to a minority stake and giving CDC a market value of USD 4.1 billion to 5.1 billion. October 19, 2007

FX Consortium Launched

Major players in the US microfinance industry have founded the FX Consortium, a "Foreign Exchange Risk Mitigation Service." Its aim is to help MFIs use complex financial processes, such as hedging, to manage their hard currency foreign debt obligations. The founders and members of the steering committee which will oversee the project during its infancy are: Microrate, an agency which evaluates MFIs; Global Partnerships, a non-profit microfinance vehicle with over USD 10 million in fund assets; Linkwell Capital; ACCION International, a global non-profit organization that supports MFIs and has a USD 2 billion portfolio; Calvert Foundation, a non-profit microfinance vehicle with over USD 80 million in fund assets, and Calmeadow, a Canadian firm which runs two microfinance funds. The Consortium's role will be to aggregate the hedging needs of its MFI stakeholders and to organize a hedging service that provides a financial or possibly risk enhancement guarantee... October 3, 2007

Rickshaw Operators Cut Out Dealers with Microloans

An article in the Hindustan Times reports that a growing number of MFIs are lending to rickshaw operators and competing with local dealers who rent rickshaws to pullers. This growth is fueled by the fact that many dealers are obtaining very high returns on investment (up to 84 percent per annum), while MFIs are offering cheaper loans and promoting ownership. In the amount that pullers are paying to a dealer just in rent (USD 0.70 per day on average), they could afford to buy their own rickshaw (USD 127) in less than five months. Bandhan, for example, a Kolkata-based MFI, offers loans at an interest

LAUNCH OF 38 m USD MICROFINANCE INVESTMENT FUND TARGETING RURAL MFIs

RURAL IMPULSE FUND S.A. SICAV-FIS

impulse
RURAL

First clients

- Azercredit - Azerbaijan
- Caritas - Peru
- Espoir - Ecuador
- Pride - Tanzania

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MICROFINANCE MARKET INDICATORS: SOUTH ASIA REGION (SA)

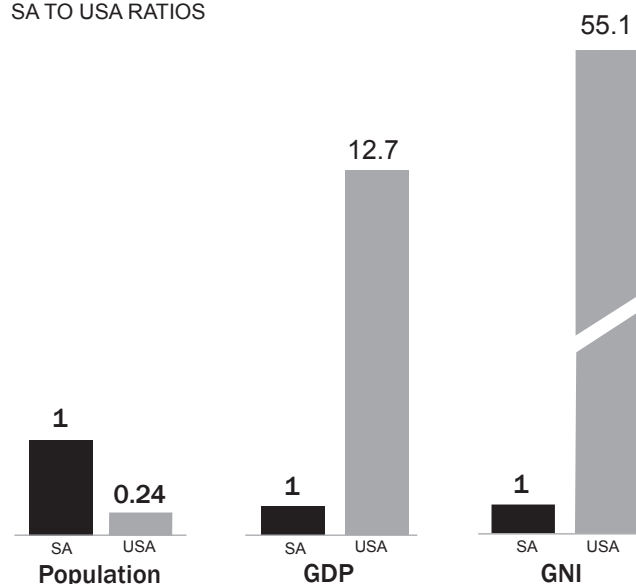
6 COUNTRIES | 186 MFIs REPORTING ¹

Afghanistan India Pakistan
Bangladesh Nepal Sri Lanka

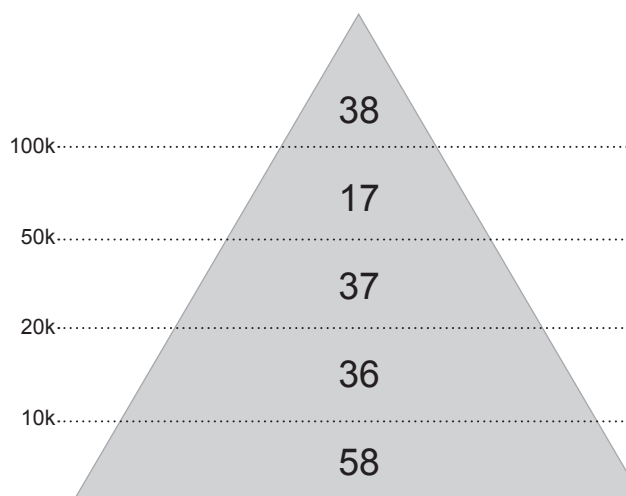


Total Population (m) ²	1464.5
Gross Domestic Product (USD m) ²	\$1,015,200
Average GNI Per Capita (USD) ^{2, 3, 4}	\$792.3
Average Population Density (inhab/sq km) ²	371.6
Microcredit Penetration ⁵	2%
Total Number of Active Borrowers (m)	29.21
Total Number of Voluntary Savers (m)	11.51
Voluntary Savings (USD m)	\$394.9
Average Loan Balance Per Borrower (USD) ⁶	\$136.9
Total Equity (USD m)	\$662
Gross Loan Portfolio (USD m)	\$2,523.7
Women Borrowers	84%

SA TO USA RATIOS



NUMBER OF MFIs BY TOTAL NUMBER OF ACTIVE BORROWERS



TOP 10 MFIs BY NUMBER OF BORROWERS

6,287,000	Grameen Bank, Bangladesh
5,121,561	ASA, Bangladesh
4,054,897	BRAC, Bangladesh
1,587,166	PROSHIKA, Bangladesh
916,261	Spandana, India
826,517	SHARE, India
512,963	SKS, India
501,523	TMSS, Bangladesh
449,214	Bandhan (Society and NBFC), India
443,532	SKDRDP, India

(1) Denotes only MFIs that report to Microbanking Bulletin (MBB) or MIX. (2) Represents total of 6 countries reporting to MIX as indicated at top of this page. (3) Based on World Development Indicators, 2005. Averages are weighted using total population. Only countries with MFIs reporting to MIX are considered.

(4) "GNI" indicates Gross National Income. (5) Calculated using ratio of Total MFI borrowers to Total Population. (6) Simple average over all MFIs in region.

Source: Microfinance Information eXchange, Inc. (MIX), Oct 2007
Based on MFIs reporting to MIX or Microbanking Bulletin (MBB).
2005 data used when 2006 data unavailable.
WWW.MIXMARKET.ORG

rate of 12.5 percent and has given out nearly 47,000 loans to help people purchase their own rickshaw. Under Bandhan's plan, a USD 127 rickshaw would ultimately cost the borrower USD 143 (INR 5,625), and would likely be fully paid off in just one year. Bandhan, founded in 2002, has 411 branches in India, 449,000 active borrowers and USD 31.7 million in total assets. October 12, 2007 ♦♦♦

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WHO'S WHO IN MICROCAPITAL

How do you get to know an organization? Learn about the people who manage and direct the players in microfinance. *This month: MicroCredit Enterprises.*

PAPER WRAP UP

Summaries and recommendations on the key papers. Save time and keep up to date. *4 papers reviewed this month.*

Consortium Director Position Available

FOREIGN EXCHANGE RISK MITIGATION SERVICE

The FX Consortium was founded to:

- Aggregate demand in the microfinance industry for FX hedging and disseminate information,
- Provide financial and/or risk enhancement and/or guarantees and
- Provide FX hedging services to MFIs and investors.

The Director's job description includes:

- Coordinating the efforts of the FX Consortium and its stakeholders,
- Designing and testing a complete business model for the FX Consortium,
- Developing a strategy to raise USD 10 to 20 million and facilitating this fundraising and
- Establishing the FX Consortium as an investment grade legal entity.

Click Here for Full Description

Application may be made to the Steering Committee until October 31, 2007, via tcxcoordinator@accion.org.

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