

Public Information Summary

Host Country(ies)	India
Name(s) of Borrower(s)/Guaranteed Party(ies)	Kotak Mahindra Bank Limited
Project Description	A 50% loan portfolio guaranty intended to strengthen the guaranteed party's ability to provide liquidity to non-bank financial companies for on-lending to small and medium enterprises in India that are integral to economic stabilization in the wake of the COVID-19 crisis, as well as integral to helping women remain in the workforce, succeed as entrepreneurs, and increase their economic empowerment.
Proposed DFC Loan/Guaranty	\$24,500,000
All-Source Funding Total	\$50,000,000
Policy Review	
U.S. Economic Impact	The Project is not expected to have an impact of the US economy.
Developmental Objectives	This Project is expected to be highly developmental through the expansion of the Project Company's loan portfolio servicing gender focused Non-Bank Financial Companies ("NBFC") in India, a lower-middle income country. The borrowing NBFCs provide loans to micro- small- and medium- sized enterprises ("MSME") and Microfinance Institutions ("MFI"). India's poverty is a well-documented development challenge. In India, over 21% of the population lives below the \$1.90 international poverty line compared to the average of 14% for lower-middle countries. The COVID-19 Pandemic is expected to exacerbate India's poverty by pushing up to 40 million additional individuals into poverty. The public health measures implemented to slow the COVID-19 Pandemic have led to decreased demand and a cash crunch for MSMEs. MSMEs play a crucial role in the Indian economy accounting for 29.8% of GDP and employing 124 million individuals. Yet, MSMEs often cannot access financing to fulfill their working capital needs or to make necessary capital expenditures to grow their businesses and increase productivity. The current SME financing gap in India stands at over \$230 billion. This is especially true for women-led or owned MSMEs as they are more than twice as likely (19%) to have their loan application be rejected than men (8%). Moreover, gender equality is a substantial economic challenge in India as women are more likely to be unemployed, less likely to participate in the labor force, and have a GNIPC which is less than one fourth of men. The Project will provide up to \$50 million of gender focused debt financing into the Indian SME financing space.
Environment and Social Assessment	Clearance is in process. The Project has been reviewed against the DFC's 2020 Environmental and Social Policies and Procedures manual ("ESPP") and has been determined to be categorically eligible. DFC loan portfolio guaranties for the expansion of

investments into Non-Bank Financial Companies (“NBFC”), which service micro- small- and medium-enterprises (“MSME”), and microfinance institution (“MFI”) portfolios impacted by COVID-19 in the manufacturing, general services, and agricultural sectors are screened as a Category C for environmental and social assessment. These downstream investments are expected to result in minimal adverse environmental and social impacts. Therefore, all of those downstream investments have been pre-screened as Category C and further review and consent is not required for these investments.

To ensure that the Guaranteed Party’s investments are consistent with the DFC’s statutory and policy requirements, the DFC loan portfolio guaranty will be subject to conditions regarding the use of proceeds. The primary environmental and social issues identified in this transaction relate to the need for an Environmental and Social Policy (“ESP”) that meets the 2012 IFC Performance Standards.

Under the DFC’s ESPP, the Guaranteed Party is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation’s Performance Standard (“PS”) 1 and 2. A desk-review based due diligence assessment indicates that because the Project will use DFC support for the support of investing micro- small- and medium-enterprises (“MSME”), and microfinance institution (“MFI”) portfolios impacted by COVID-19 in the manufacturing, general services, and agricultural sectors in India, significant adverse impacts concerning biodiversity, land acquisition and resettlement, indigenous people, and cultural heritage are not anticipated; therefore, PS 3, 5, 6, 7, and 8 are not triggered at this time. The Guaranteed Party does utilize unarmed private security guards and therefore, conditions under PS 5, community health and safety are triggered.

The Guaranteed Party has an environmental and social management policy (“ESP”), and various policies and procedures comprised of financial risk screening and an external grievance mechanism commensurate with its investment strategy. DFC will review the Guaranteed Party’s human resources policies to ensure they are aligned with DFC requirements. The Guaranteed Party will be required to strengthen its Environmental and Social Risk Policy, prior to receipt of DFC support.

