



Dutch Good Growth Fund

Notice proposed transaction: Electronica Finance Limited

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Taking into account the provisions for governing bodies that apply under the 'Freedom of Information Act' ('Wet openbaarheid van bestuur') and the 'Data Protection Act' ('Wet bescherming persoonsgegevens'), the Fund Manager of the DGGF part 'Financing local SMEs' will publish its anticipated transactions.

Views

Parties can express their views on the proposed transaction to the Fund Manager by contacting dggf@nl.pwc.com within 30 days after the publication date of the notice. After the transaction has been closed, or after it has become clear that the transaction will not take place, the Fund Manager will respond as soon as possible to these Parties concluding on the expressed views by these Parties.

Description (English)

Part of DGGF

Financing Local SMEs

Name of Financial Institution (FI)

Electronica Finance Limited

Domicile FI

India

Nature of the activities of the FI

Electronica Finance Limited (Electronica) was founded in 1990 as a Non-Deposit Taking Non-Banking Financial Company (NBFC) headquartered in Pune, Maharashtra. Electronica is the first NBFC catering to SMEs for machine finance. It is a part of SRP Electronica Group. The group is a pioneer in machine manufacturing and trading of (Computer Numerically Controlled) CNC metal cutting machines and first indigenous Electrical Discharge Machining (EDM). In 2005, Shilpa Phophale took over charge as Managing Director. The shareholders comprise of the Promoter Group (75%) and Encourage Capital (23%).

As on Sep-23, Assets Under Management (AUM) is EUR 378 Mn. The AUM comprises of 66% machine finance, 25% Micro and Regular LAP (Loan Against Property), 5% Solar Finance and rest is FIG (Institutional/NBFC) portfolio. It is present in 17 states with 190 branches. It caters to Tier II and Tier III customers which are majorly SME (78%), Retail (18%) and NBFCs (4%). They have an active customer base of ~37,000 customers. 100% of portfolio is secured with



Residential/Industrial property and machines. Average annual percentage rate of the overall book is 22.16% for a tenure of 60-72 months.

Size of proposed investment

DGGF will provide a senior loan to Electronica Finance Limited of EUR 5 million.

Intended transaction date

The Fund Manager aims to close the agreement with Electronica Finance Limited on or before January 31, 2024.

Expected financial results

A positive financial return on the investment is expected.

Expected impact

DGGF's 5-year senior loan will provide essential support to Electronica to grow its loan portfolio for rooftop solar panel funding. DGGF funding will be fully earmarked to newly disbursed solar loans to SMEs. The total addressable market, in solar funding in India is ~EUR 6.8 Bn. (source: research reports from rating agency, Bridge to India, Government of India) thereby demonstrating ample scope of penetration. Till Sep-23, Electronica led to savings of 59,248t CO₂ through its solar panel disbursements. Until Sep-23, they have disbursed ~EUR 24.3 Mn for solar panel installations in a span of 3.5 years. As on Sep-23, 5.24% (~EUR 19.8 Mn) of the loan portfolio is towards solar panel funding.

Over the long run, the strategy is to maintain at least 10% of the loan portfolio for solar product. DGGF's funding will be instrumental in supporting and channelising priority to the product growth. Electronica has expanded the solar panel ecosystem very well in industrial and commercial sector and piloted residential as well. With increasing geographical penetration and variations in solar product, we are confident that solar panel outreach will be substantial. Electronica can be considered a good fit as DGGF Green Growth Block III investment, because it is one of the very few NBFCs in India to have a strategic focus and alignment towards offering green products to SME customers for income generation purposes

ESG compliance

As part of the investment agreement, there are certain requirements that Electronica needs to fulfil in order to align with the DGGF's ESG (Environmental, Social, and Governance) policies. One of the key requirements is for Electronica to update their ESG policy to ensure that all relevant ESG risks are adequately covered and documented. This updated ESG policy should be in accordance with the DGGF ESG Policy and must be implemented within six (6) months after the signing date of the investment agreement.



In addition to updating their ESG policy, Electronica will be required to adopt the DGGF Exclusion list within one (1) month after the signing date. To support Electronica in understanding and managing potential environmental, social, and governance risks, DGGF will provide an ESG e-learning on these risks specifically related to the loan application process. This e-learning will help Electronica to identify and address any ESG risks that may arise during the loan application and approval process.

Tax compliance

Electronica Finance Limited is a limited company established in India and is subject to the statutory tax rates. Electronica Finance Limited solely provides financing to Indian SMEs, which will be normally taxed at the applicable rates. Electronica Finance Limited is not making use of artificial constructions to lower its taxation or the taxation of the SMEs it finances. DGGF's investment conditions focus on ascertaining this. Electronica Finance Limited requires SMEs that it finances to comply with local laws and regulations, amongst others, those regarding tax. DGGF will monitor whether Electronica Finance Limited meets its ongoing tax obligations and acts in accordance with the DGGF tax criteria.