

Media Release

Kotak Mahindra Bank Limited Announces Acquisition of Sonata Finance, a Leading Microfinance Institution

- Acquisition offers access to 502 branches across 10 states, adds ~9.0 lakh women customers
- Strong presence in rural & semi-urban markets in the northern states of India, complimentary to Kotak Bank microfinance network
- Augments Bank's outreach to underserved customers and drive financial inclusion

Mumbai, 10th February, 2023: Kotak Mahindra Bank ("KMBL" / "Bank") today announced that it has executed binding share purchase agreement(s) to acquire 100% of equity shares of Sonata Finance Private Limited ("SFPL"), a Non-Banking Finance Company, classified as an NBFC-MFI, from existing shareholders, subject to regulatory and other approvals, including from Reserve Bank of India.

Transaction Structure and Valuation

The acquisition is for an aggregate all-cash consideration of approximately ₹ 537 crore. With this acquisition, SFPL will be a wholly owned subsidiary of the Bank after receiving regulatory and other approvals.

Strategic Rationale

1. Financial inclusion: SFPL provides a strong platform to enable the Bank to become a significant player in the financial inclusion segment, catering to economically weaker and underserved households in a commercially viable manner.
2. Complementary branch network: As of Dec 31, 2022, SFPL has an Asset Under Management(AUM) of ~₹ 1,903 crore, servicing a customer base of ~9.0 lacs through a branch network of 502 branches across 10 states, which complements the Bank's microfinance network.
3. Potential to scale: The Transaction provides the Bank with the opportunity to scale up its operations in the rural & semi-urban markets in the northern states of India. SFPL is an established microfinance player with almost two decades of experience and a deep understanding of customers in these markets.
4. Value accretive: The acquisition is expected to be value accretive from inception given the economies of scale and unlocking of efficiencies along with the Bank's own distribution footprint and technology. The Bank will also leverage SFPL's network to provide a wider suite of banking products to SFPL's customer base matching their emerging banking needs.

Manish Kothari, President – Commercial Banking, Kotak Mahindra Bank said, *"Sonata is a leading microfinance player and has built a strong enterprise over the last two decades. This acquisition is in sync with our broad vision and strategy. We had successfully acquired BSS Microfinance in 2017 and since then have been able to integrate & steadily grow our presence in the financial inclusion segment with an advances book in excess of ₹ 5,300 crores serving ~1.3 million borrowers. There are significant potential synergies to be realized as a result of this acquisition and we look forward to continue serving the customers in a smooth and consistent manner and ensuring their needs are well-served going forward"*.

Mr Anup Kumar Singh, CEO and MD of SFPL said, *“I am extremely pleased that Sonata will be in trusted and experienced hands of the Kotak Mahindra Group. Sonata was started with the objective of providing financing to underserved customer segment. I believe this mission is best served in a scalable and sustainable manner on a big bank’s platform. The transaction will bring immense benefits to Sonata’s customers, employees and other stakeholders. I am pleased that current customer households of Sonata will benefit from Kotak Bank’s full range of products, and best-in-class digital services.”*

“ I would like to thank all my investors, customers, employees and other stakeholders who contributed in building the Company to this stage.”

About Kotak Mahindra Bank Limited

Established in 1985, Kotak Mahindra Group is one of India’s leading financial services conglomerates. In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the Group’s flagship company, received banking licence from the Reserve Bank of India (RBI), becoming the first non-banking finance company in India to convert into a bank - Kotak Mahindra Bank Ltd.

The Bank has four Strategic Business Units – Consumer Banking, Corporate Banking, Commercial Banking, and Treasury, which cater to retail and corporate customers across urban and rural India. The premise of Kotak Mahindra Group’s business model is *concentrated India, diversified financial services*. The bold vision that underscores the Group’s growth is an inclusive one, with a host of products and services designed to address the needs of the unbanked and insufficiently banked. As on 31st December, 2022, Kotak Mahindra Bank Ltd has a national footprint of 1,752 branches and 2,814 ATMs, and branches in GIFT City and DIFC (Dubai).

For more information, please visit the company’s website at <https://www.kotak.com/>.

About Sonata Finance Private Limited

Sonata Finance Private Limited is a Non-Banking Finance Company (NBFC) having its registered office at Lucknow. It was acquired by Mr Anup Kumar Singh in January 2006 and was converted to NBFC-MFI on 3rd December, 2013. The Company is present into advancing micro finance loans to economically weaker section of the society and in particular to women through Joint Liability Group (JLG) and individual lending (IL) model. The Company is operating in 10 states through 502 branches and has active loans of around 9 lakhs with 2,882 employees as of 31st December 2022.

For further information, please contact:

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