



The transformation of Capital First (2010 to 2018) has been remarkable. In 2010, the company focused on equity broking, foreign exchange, asset management and had a handful of real estate developer customers representing \$140m in loans. In 2010, the company defined a new mission and started to finance MSMEs, self-employed and consumers. Loans as low as \$300 to \$100,000 became the new focus. Green-field technologies were developed to provide financing to target markets. Despite slowing economic growth, high inflation, and rising interest rates, the company successfully underwent a leveraged MBO led by V Vaidyanathan. This involved an open public offer, fresh capital of \$15m, reconstitution of the board and the name-change to Capital First. Subsequently, the company has diversified its borrowing to 300 lenders, and reduced costs from a high of 14% to as low as 9%. Asset quality improved sharply with net non-performing reducing from 3.4% to 1.0%. The company has now financed seven million customers and over 40% of these were first-time borrowers. Retail loan book increased from \$14m to \$4b. Company losses of \$5m annually (2008 and 2009) turned into profitability of \$48m in financial year ending March 2018. Credit rating improved from A+ to AAA and capitalisation increased multi-fold to \$1.2b. In a 2018 breakthrough, Capital First obtained a banking licence by merging with an existing bank. Shareholders approved the deal with over 99.9% of votes in favour. The CFI.co judges agree that the Capital First management buyout story has resulted in an equally inspiring corporate transformation in India and the 2018 award is applauded.