



# Caspian Impact Investments

SOCIAL PERFORMANCE REPORT  
FY 2017



# Table of Contents

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Foreword.....3

Fund Profile and Timeline.....4

Annual Performance Highlights.....5

Investment Objectives.....6

The Process.....7

Food & Agriculture.....8

Small Business Finance.....12

Microfinance.....14

Healthcare.....17

Affordable Housing.....19

Clean Energy & Energy Efficiency.....22

Other Sectors.....24

Corporate Social Responsibility.....25

Caspian is a Certified B Corp.....26

Glossary and Acknowledgements.....27

# Foreword

Caspian Impact Investments (CII) completed four years as of March 2017. This is the third impact investing vehicle - and the first debt initiative - managed by Cas pian.

Our balance sheet has grown 6 times in four years. As of March 2017, we have deployed, cumulatively, INR 4.77 Bn / ~USD 75 Mn in 66 enterprises and 125 loans across multiple impact sectors.

Since 2004, Cas pian has been a pioneer equity investor in financial inclusion. Through our first fund, Bellwether, and our second, India Financial Inclusion Fund, we have invested INR 4.36 billion in 16 companies in microfinance, small business finance and affordable housing. In 2013, we set up our third investment vehicle, CII, as a multi-sector impact debt provider. The move to debt and to non-financial sectors was due to a clear market need that we identified and our intent to bring our capital and expertise to other equally critical sectors.



We did this gradually and deliberately, building networks and expertise in new sectors. With loans ranging from INR 10 Mn to INR 150 Mn, the portfolio has been carefully curated.

The direct impact of a lender like CII is that we are willing to make the loans that traditional financial institutions will not. Our capital provides the most lift in cases where other institutional debt is scarce, for lack of scale, collateral and/or profitability. Our thesis for CII was that relatively early stage SMEs could be deserving of non-collateralized debt, provided they are assessed appropriately and not force fit in to a standardized model suitable only for mature, asset-heavy businesses.

We were the first business lender to 17% of our investees. 41% of our investees were loss making when we first funded them. Only 5 out of the 125 loans we have made are backed by mortgage collateral. In all this, credit quality has remained excellent; our active portfolio companies have seen rapid revenue growth and equity infusion of more than INR 20 Bn during this past year, with several of them achieving month on month operational profitability following our loan. Our instruments have been varied – term loans, lines of credit, receivables finance, subordinated debt, securitized debt and, on occasion, venture debt – and are customized to the needs and risk profile of our investees.

We ended FY 2017 with ~INR 2.21 Bn in portfolio and 53 active client relationships. Today, we are active in financial inclusion, food & agriculture, healthcare, clean energy & energy efficiency, affordable housing, education, livelihoods, drinking water and tech4D.

During the year, we expanded the debt team significantly, in order to prepare for future growth as well as to strengthen our risk monitoring.

For every debt investment, we need to be convinced, as a team, about the impact of the enterprise's business model. The business must address a social or environmental problem that we at Cas pian are committed to help solve. This is the lens through which we view each potential investment. To further cement our commitment to using business as a force for good, Cas pian became a Certified B Corporation in June 2017.

This Report traces highlights of our journey this past year, the exciting businesses we have worked with and the impact of their work on the ground.

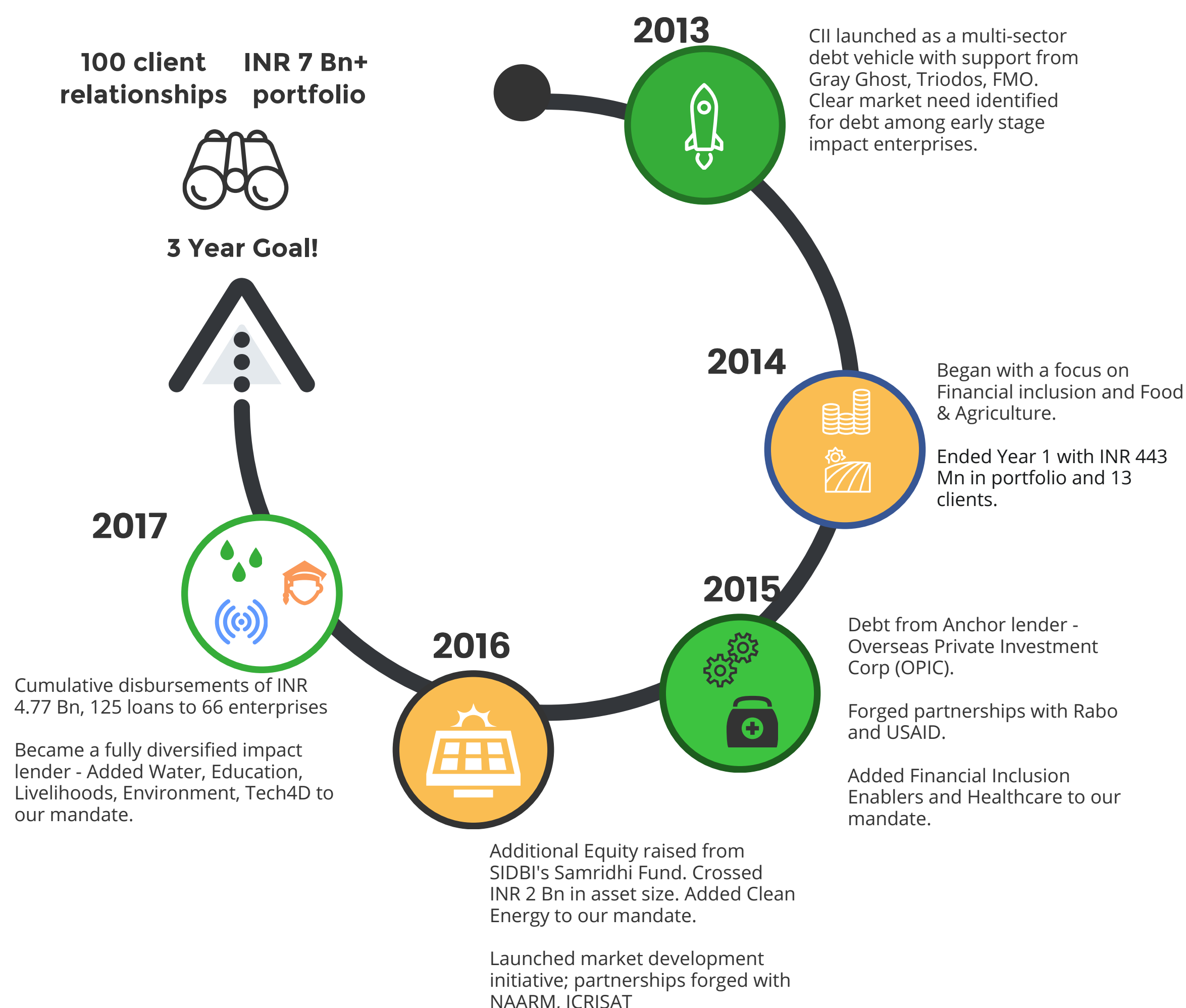
As always, we appreciate any feedback you may have.

S Viswanatha Prasad  
Managing Director

# Fund Profile

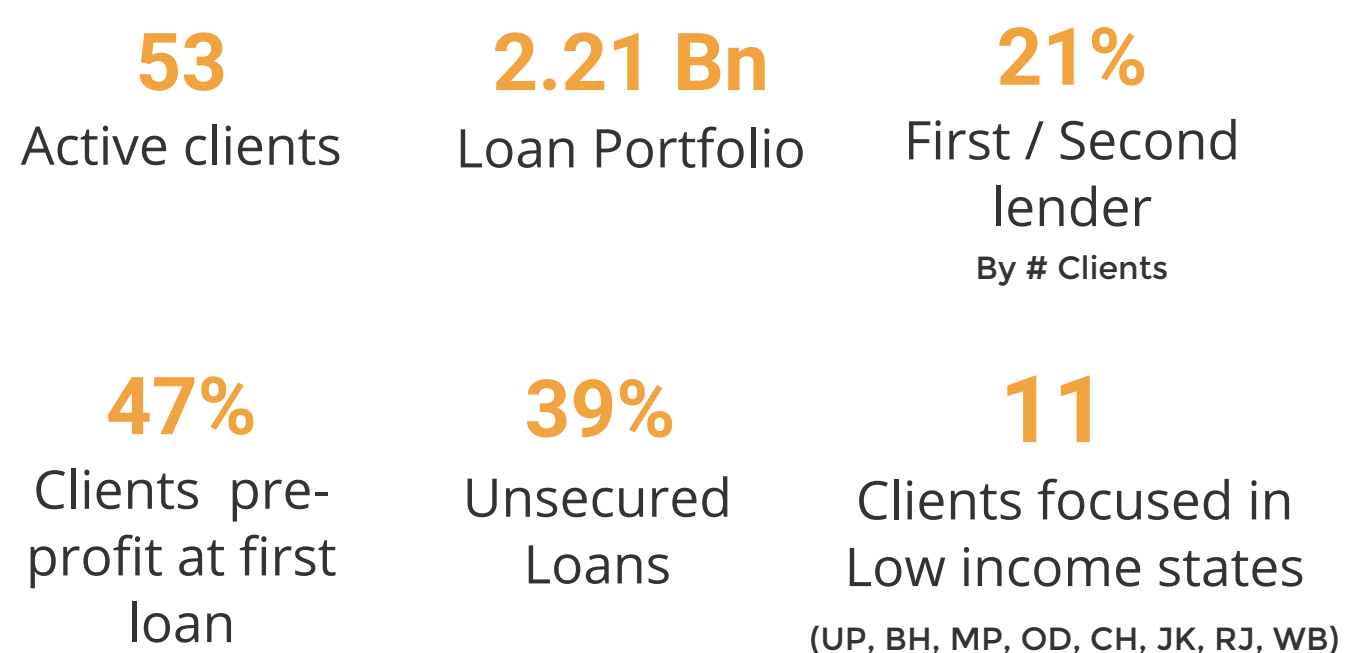
<b>Fund Name</b>	Caspian Impact Investments
<b>Vintage</b>	2013
<b>Legal Form</b>	Non-Banking finance company, regulated by the RBI
<b>Asset Class</b>	Debt
<b>Asset Size (FY 2017)</b>	INR 2.94 Billion / USD 45 Million
<b>Fund Term</b>	Open; no fixed term
<b>Manager</b>	Caspian Impact Investment Adviser

## Timeline



# Performance Highlights

## Portfolio Update (as on March 31, 2017)



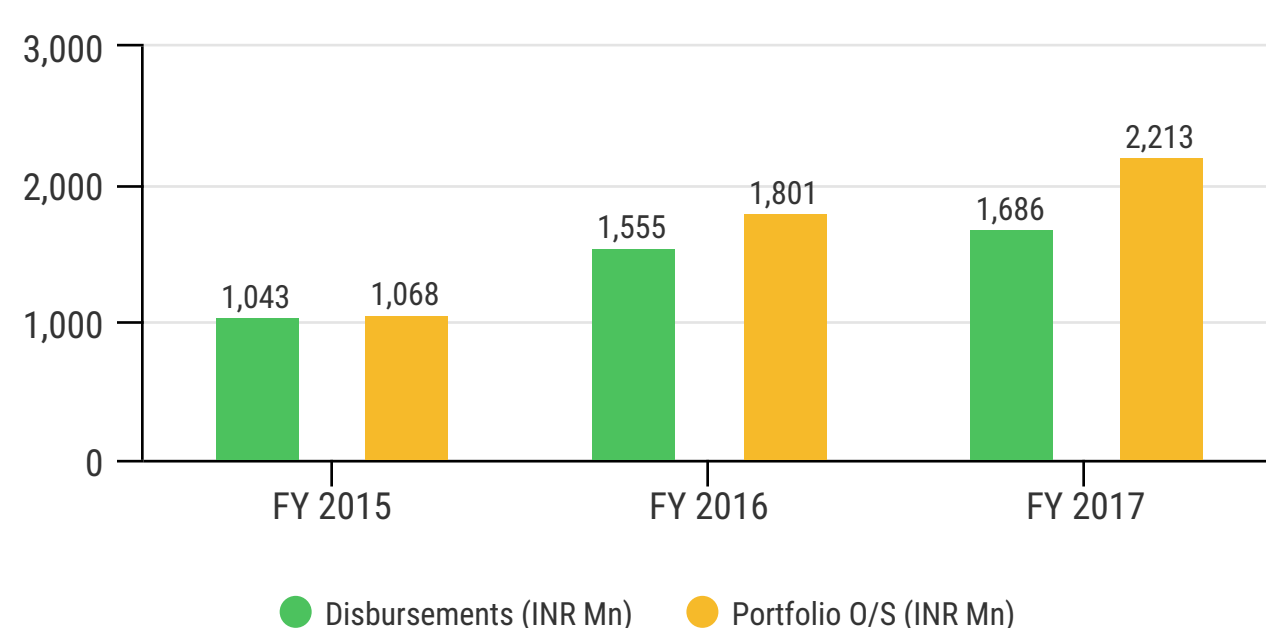
## Since inception (April 2013)

INR 4.7 Bn disbursed  
in 125 loans to  
66 Clients across

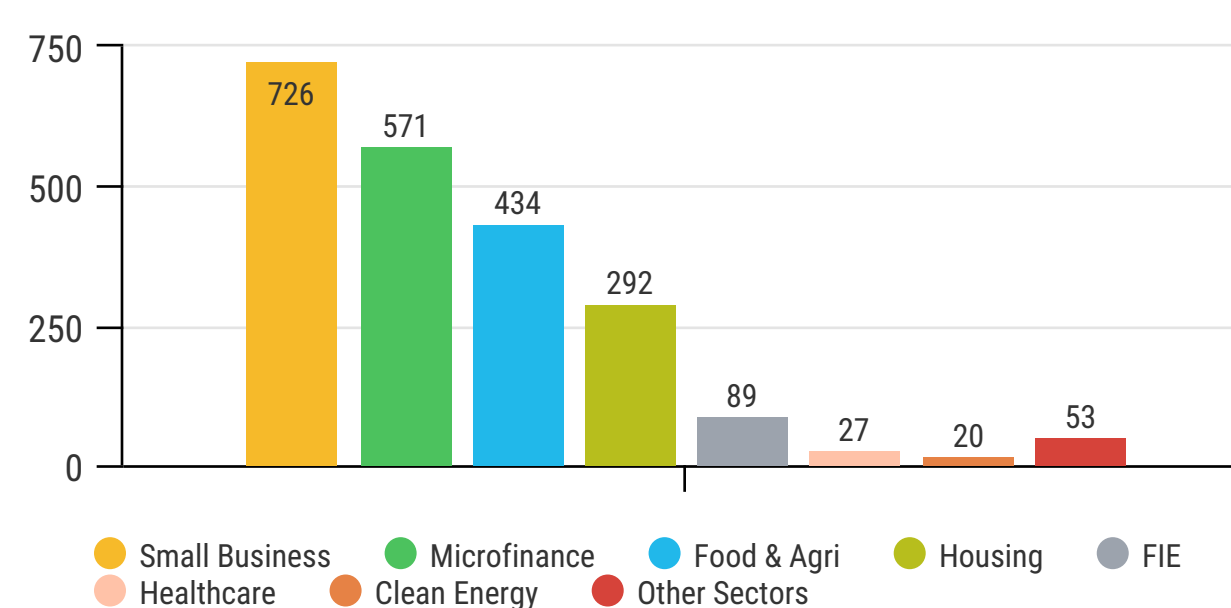


Food & Agri, Microfinance, Small Business Finance, Healthcare, Housing, Clean Energy & energy Efficiency, Education, Water & Sanitation, Livelihoods, Tech4D

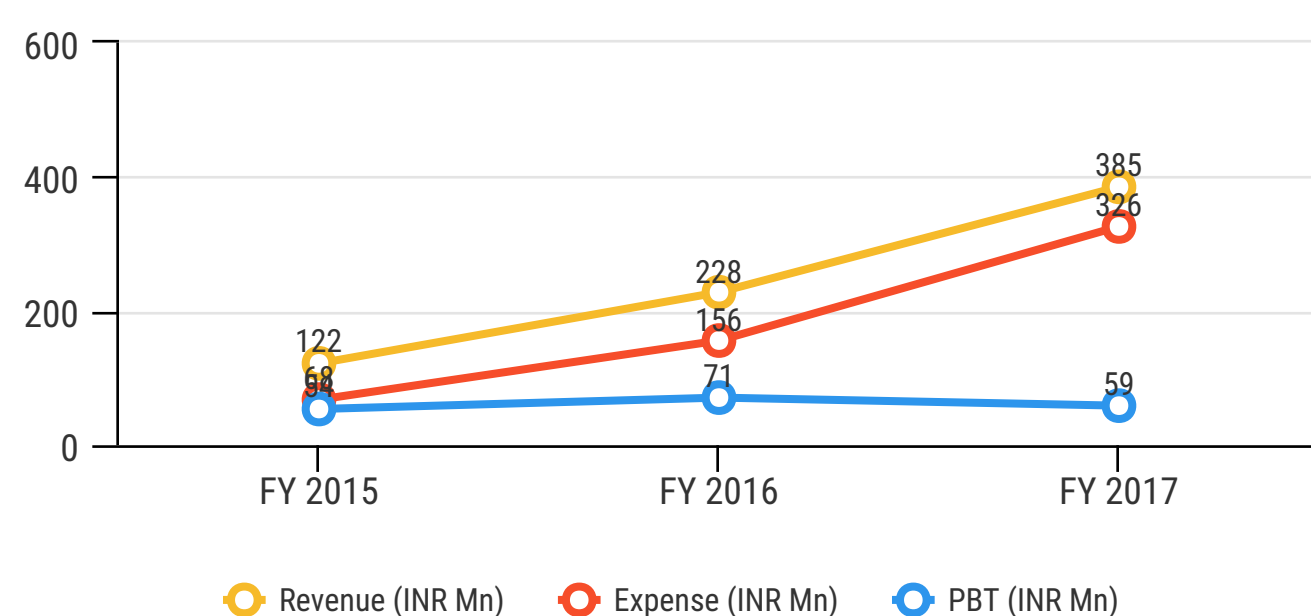
## Loans Disbursed and Outstanding



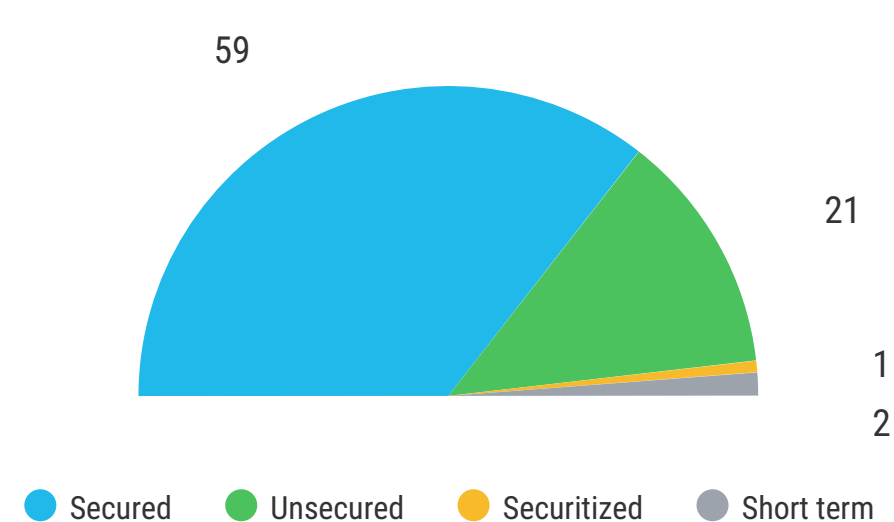
## Portfolio Distribution (INR Mn)



## Financial Performance



## Loan Type (by # of loans)



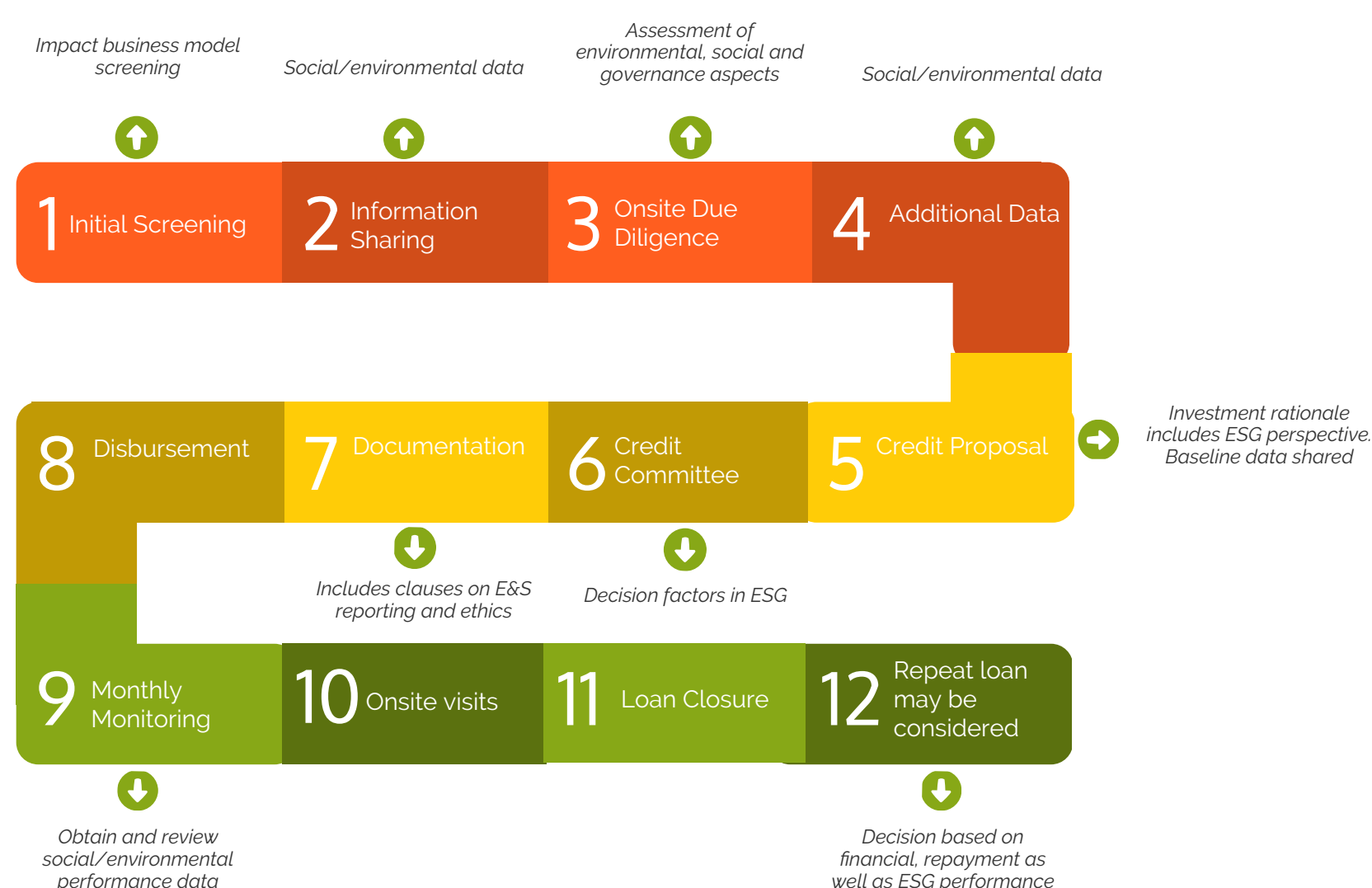


Our mission at CII is to enable the growth of enterprises that work towards creating social and/or environmental impact, in a responsible, transparent and sustainable manner. We use a variety of debt instruments to achieve this. We lend to sectors and companies where debt capital is scarce and much needed. Here, we can have the most impact. Beyond the standard secured loans, we extend unsecured loans and loans to pre-profit companies where we are convinced about the business model and profitability prospects. In many cases, we are an early (in some cases, the only) lender. We structure our instruments to suit the business needs of our portfolio companies. We continue working with the companies as they mature and their debt needs grow and change.

Our impact objectives are in line with some of the Sustainable Development Goals (SDGs) or the Global Goals, a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Achieving the SDGs requires the partnership of governments, the private sector (including investors like us and the enterprises we support), civil society and citizens to make sure we leave a better planet for future generations.



# The Process



At CII, the environmental & social performance evaluation is an integral part of the credit evaluation process.

## PRE-INVESTMENT

**Initial screening:** We apply a positive as well as a negative screen to each prospective portfolio company. The company must have a stated or demonstrated focus that is in line with our impact objectives. It must not be engaged in any of the activities on our Exclusion List. In sectors with greater risk of negative environmental impact, additional screens are applied.

**Scorecard:** We assess each company using a proprietary Due Diligence Scorecard and measure a “baseline” score. The scorecard has several components including: a) Mission and Impact Business Model; b) Governance; c) Internal controls and systems; d) Worker practices; e) Products; f) Client protection; g) Community; and h) Environment. Any external social/environmental ratings that the company may have obtained will also be taken into consideration.

## INVESTMENT DECISION

The Credit Committee evaluates the financial as well as the social/environmental rationale of every proposal. We consider favorably, companies that take proactive steps to improve their environmental, social and governance outcomes. If there are shortcomings in these areas that are highlighted following the due diligence process, we engage with the companies and assess their willingness to improve. Some mutually agreed plans and goals must be in place before the investment can go ahead.

At a minimum, we expect our portfolio companies to fully comply with all relevant laws and industry regulations. They are expected to meet professional standards for internal and external governance. In addition to these basics, we strongly prefer companies that go above and beyond the minimum legal requirement in improving their social, environmental and corporate governance practices.

**Documentation:** Social and environmental considerations are incorporated in to all investment documentation, for e.g., KPI reporting, participation in industry initiatives, covenants and exclusion lists. Quality and timelines of reporting is a key input in to decisions on repeat loans.

## POST-DISBURSAL MONITORING

Once a loan is made, portfolio companies are required to track and report data on a set of key performance metrics identified as being most appropriate for that company's business. While we agree that there are benefits to standardizing impact-related data and have been active participants in industry initiatives in this regard, the diversity in business models in some of the sectors we operate in (for ex, food & agri) makes this a challenge. In such cases, we track performance using customized metrics.

Capability to track and measure performance varies depending on the stage of the company and their internal capabilities. We continue to engage with our portfolio companies on improving measurement and reporting mechanisms. We will provide advice, support and encouragement to the company to improve its ESG performance.





## FOOD & AGRICULTURE



70% of rural households in India still depend primarily on agriculture for their livelihood. And yet, nearly a quarter of Indians do not get sufficient food to meet their daily nutritional needs.

As much as 67% of India's farmland is held by marginal farmers with holdings below one hectare (2.47 acres), against less than 1% in large holdings of 10 hectares and above. The average size of land holding is estimated as 1.15 hectares, showing a declining trend since 1970-71. The proportion of net irrigated area to net area sown was 45.70%, which means that for half the country's farmland, irrigation is yet to reach the farmers, who rely entirely on the rains for their crops.

Increased investments are needed to enhance agricultural productivity, improve supply chain infrastructure and introduce technological innovations across all stages in the supply chain. We need to improve the incomes of small and marginal farmers through productive resources and inputs, knowledge and timely information, access to financial services and markets. We need to identify ways to reduce wastage in the post harvest stage through technology and supply chain innovations to enable greater realization of value for the farmer.

From an environmental standpoint, we need to ensure sustainable food production and agricultural practices that increase productivity in a way that helps maintain ecosystems and conserve/improve land and soil quality.



# Food & Agriculture

**Our objective:** *To enable the growth of small and medium food & agribusiness enterprises that will increase the capacity and outreach of agriculture and allied sectors, promoting economic strength and stability in rural communities and food security.*

**With the aim of unlocking value across multiple supply chains, we invest in enterprises that:**

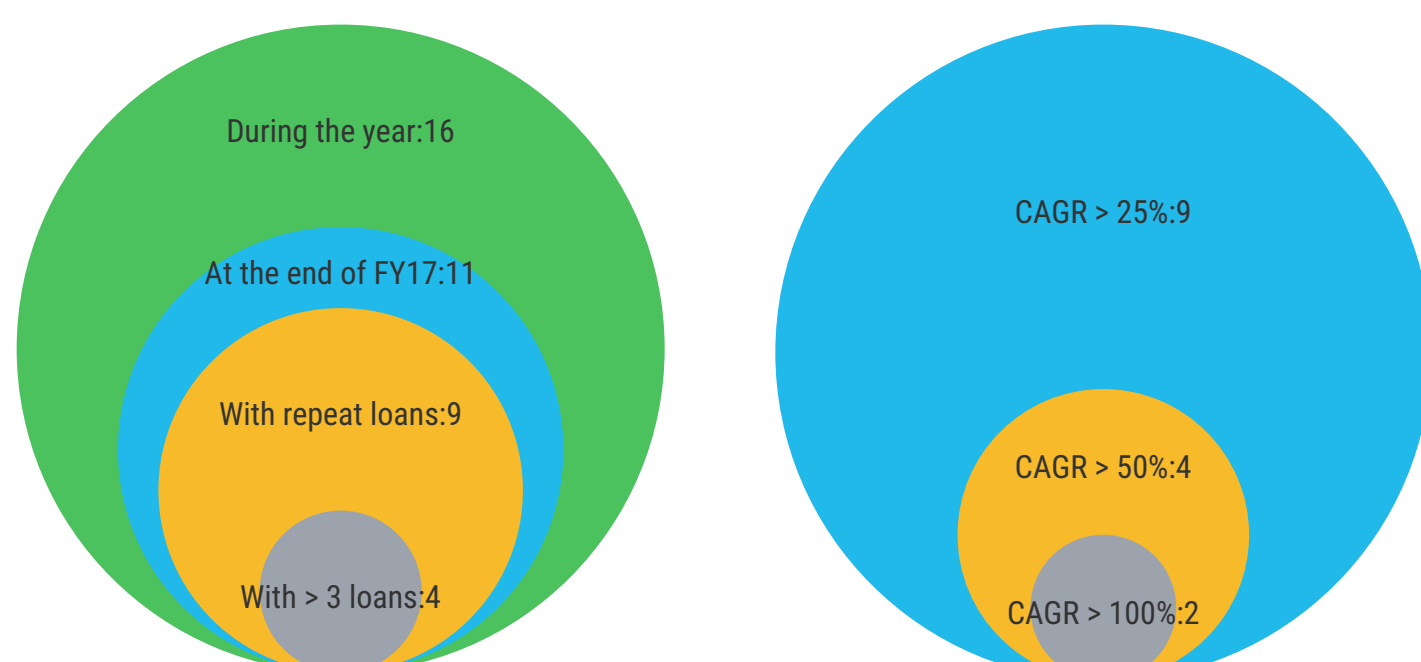
1. Aggregate, process and sell agricultural products;
2. Provide good quality affordable inputs to farmers; and
3. Strengthen the supply chain by providing support services (technology, storage, transportation, quality assessment, etc).

## Companies in our portfolio this year:

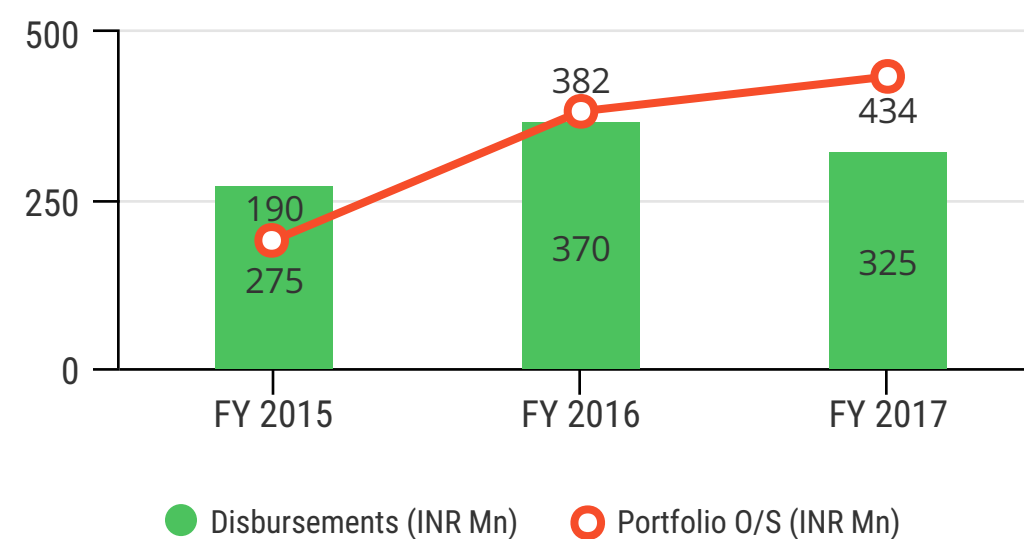
- operate across multiple supply chains (milk, fruits, pulses, vegetables and organic processed foods);
- provide cold chain solutions to reduce losses in the supply chain;
- use technology to enable real-time tracking of the supply chain;
- provide eco-friendly pest control solutions;
- enable productivity improvement by manufacturing low cost farming implements;
- use agribypproducts to make handicrafts thus providing employment to local artisans; and
- provide weather prediction, crop monitoring, yield forecasting, pest forecasting, UAV, remote sensing, GIS, agri input planning, etc.

9 of the 11 companies in our portfolio at the end of FY 17, were pre-profit when we made the first loan to them. Since their first loan, 5 of them had a CAGR between 25-50% and 2 of them had a CAGR above 100%. Together, these companies raised INR 672 Mn in equity during FY17.

## Number of Active Clients

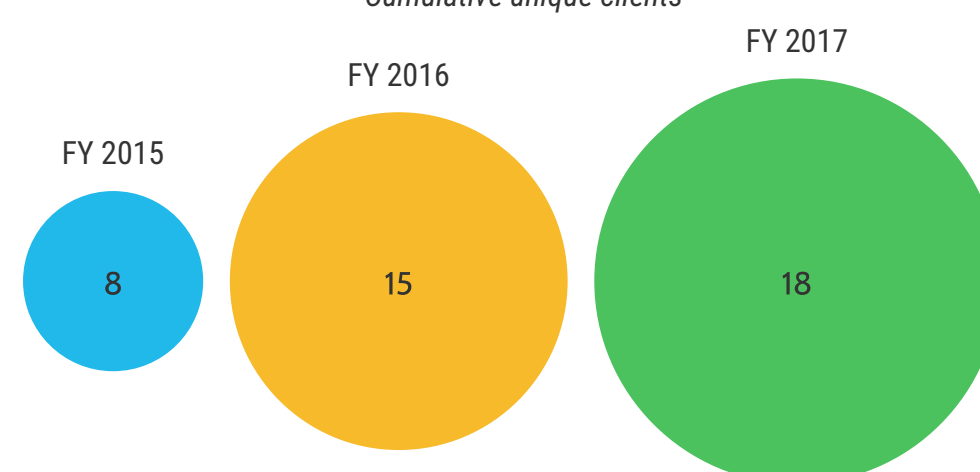


## CII Portfolio Growth



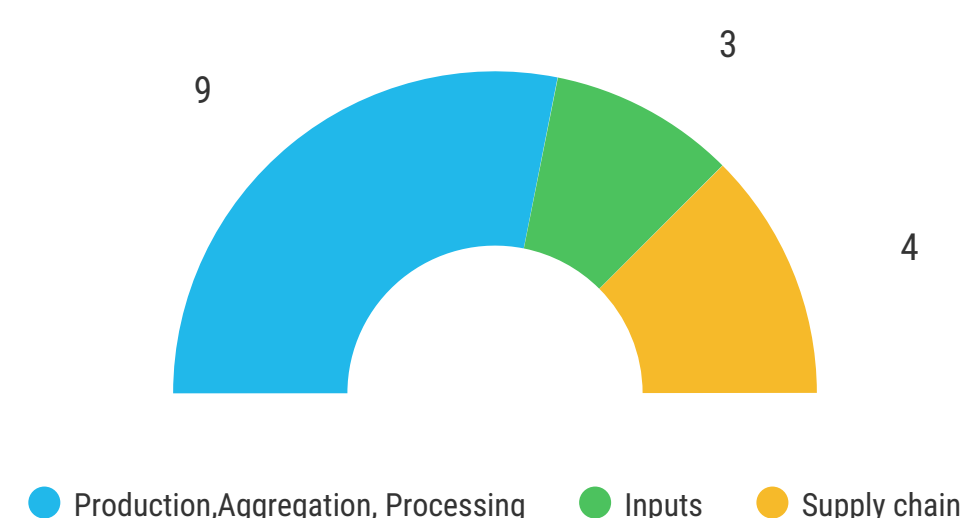
## Client Relationships

Cumulative unique clients



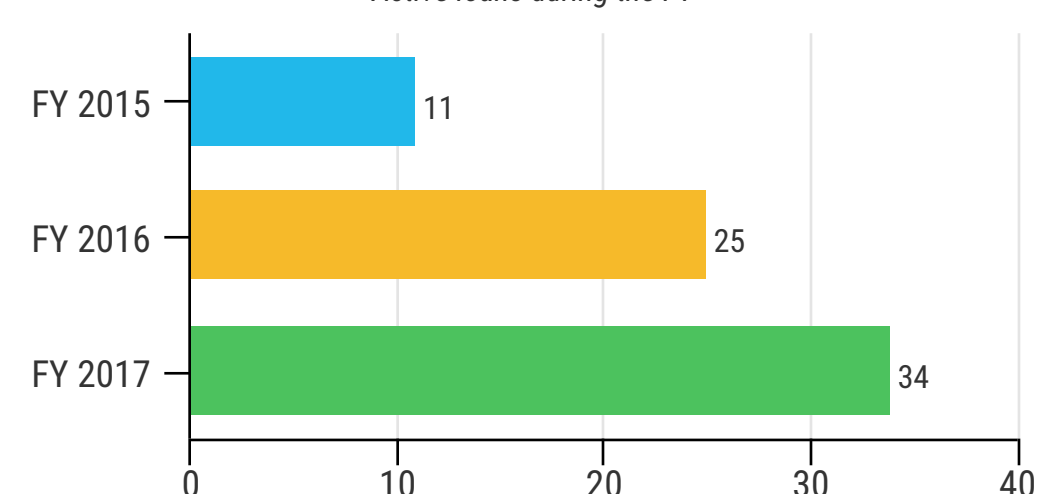
## Type of Companies

Clients with at least one active loan in FY17



## Number of Loans

Active loans during the FY

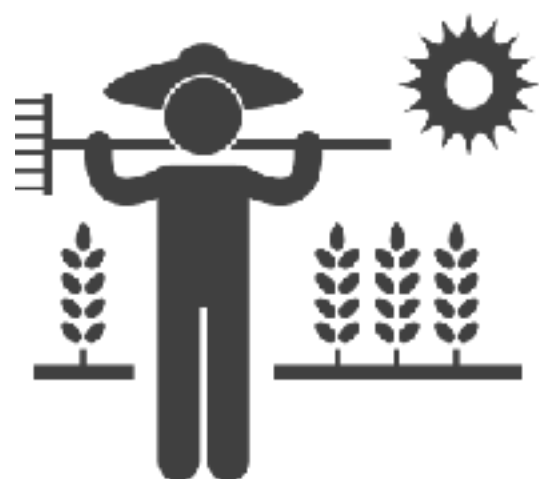




# Food & Agriculture: Snapshots

Our Food & Agri portfolio companies operate in various parts of the value chain and in a multitude of commodities. Here are a few snapshots from our portfolio that demonstrate the diversity of business models that we fund in this sector.

## Companies that aggregate, process, and sell agricultural produce



INI Farms is a horticulture company focused on pomegranates and bananas. It is deeply involved in the value chain all the way from cultivation to marketing. The company cultivates on its own farms and also carries out contract and partnership farming, advising farmers on improving production quality. The company sells packaged whole fruits and pomegranate seeds. Exports account for over 60% of revenue. The company has been Global G.A.P certified.

INI's advice helps farmers improve production quality and have better market linkages, all of which can result in a price advantage. Farmers in neighboring areas are also improving their farming practices in certain locations due to the presence of INI.



## Companies that provide inputs to farmers



BarrixAgro Sciences develops and patents Abbreviated New Pheromones (ANPs) and ANP Applications, which alleviate the problem of pests without using chemical pesticides. The pheromone solution reduces the use of chemical pesticides and encourages environmentally sustainable farming. The company operates across 12 states in India. More than 243,000 farmers and 813,000 acres have been covered by Barrix products.

Barrix has recently executed contracts with the state governments of Andhra Pradesh, Bihar and Jharkhand. The company exports to Bangladesh and Sri Lanka and is looking to further expand internationally. The company was recently awarded the TIME Start up Innovator of the Year (2017).



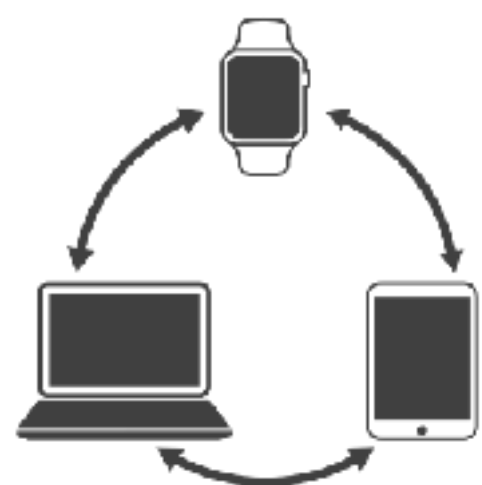
## Companies that strengthen the supply chain through support services



Ecozen manufactures affordable and efficient energy access products for the agriculture supply chain. Ecotron, the company's major revenue source, is a solar pump controller with a highly interactive web interface that allows the user to live-track the system's performance. Ecozen's analytics engine then helps ensure quick response times and reduces service costs.

The company also manufactures a solar-powered micro cold storage called Ecofrost. Given the mobility and remote monitoring capabilities of the product, this cold storage can be used for a variety of products and a variety of locations where grid electricity may not be adequate.

The company currently operates in 6 states. As of FY 2017, the Company sold more than 2400 solar pump controllers, 190 solar pumps and 13 cold storages.



Stellapps is an agri-tech "internet of things" company that provides end-to-end technology solutions for the dairy supply chain. It provides farm automation services as well as supply chain monitoring solutions for dairy farmers, dairy companies and co-operatives. It currently operates across Karnataka, Tamil Nadu, Kerala, Maharashtra, Gujarat and recently began operations in Rajasthan and Punjab.


The company's Smart Automatic Milk Collection Units, placed at the milk collection centres, test the milk and give the farmer a printed receipt of the quality and amount payable; a local language text message is also sent to the farmers. This type of system is typically used in co-operatives and private companies where milk is collected directly from farmers. The cloud-based backend allows the company to access real time information at a low cost.

Other offerings include 'Smart Farms' - integrated systems for the automated milking of cows in dairy farms - and 'Contrak' - remote sensing devices capable of tracking temperature, volume and any inflows or outflows in real time thus enabling remote monitoring of the supply chain.






# Food & Agriculture




INR 975 MILLION

Cumulative Disbursements since inception.




19%

of Annual Disbursements were to Food & Agri companies.




56%

of portfolio companies were repeat clients, taking more than one loan from CII, 28% availed of more than 3 loans till date.




18

Relationships since inception.



19%

of portfolio companies had CII as a first or second lender, before they could qualify for other institutional financing.



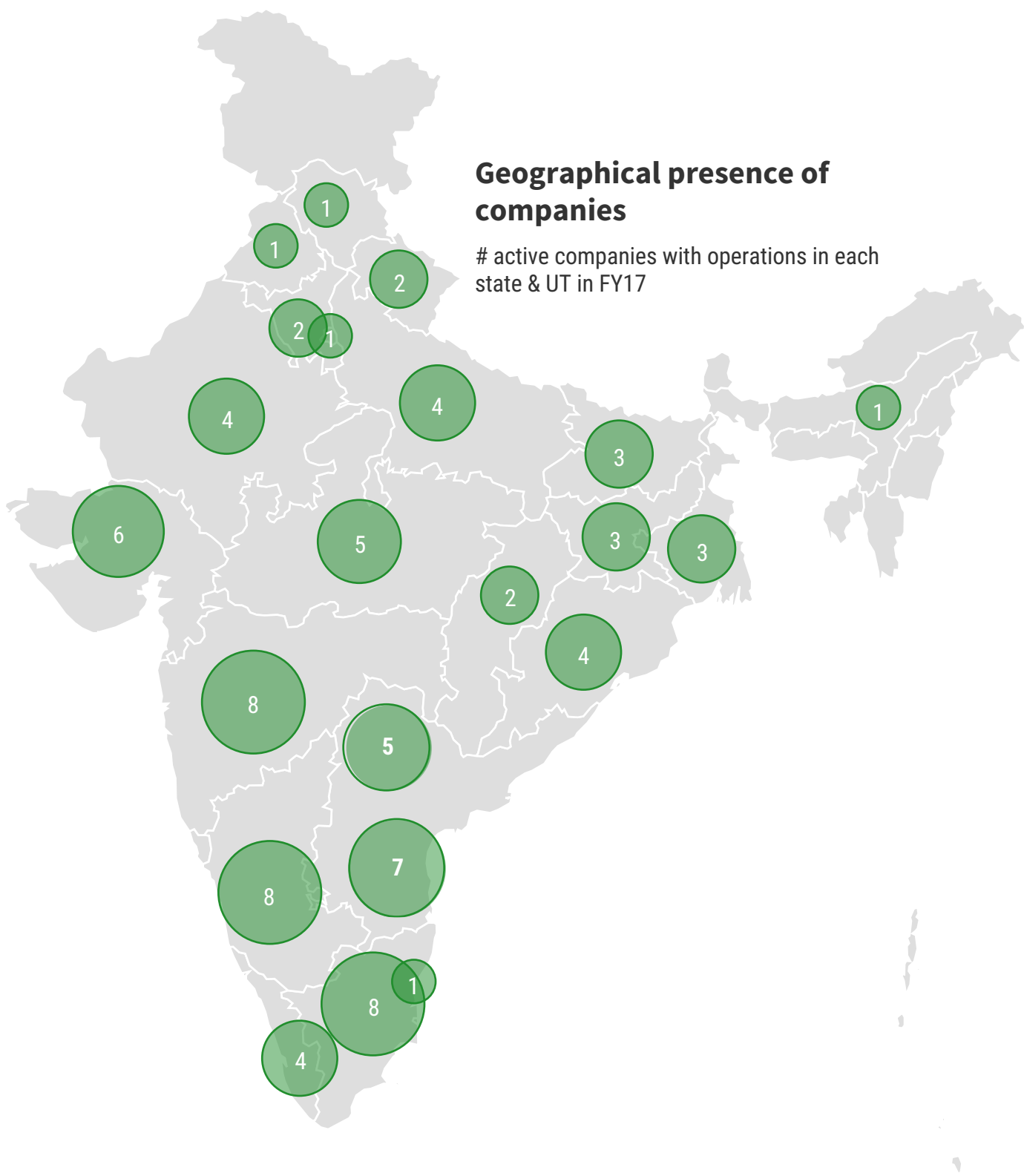
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out of 16 active portfolio companies in FY17 were EBITDA negative at the time of their first CII loan. 4 of them turned positive this year on a quarterly basis.

The portfolio continued to be well diversified across region and commodity. 6 portfolio companies operated across more than ten states while the remaining 10 operated mainly in the southern, central and western parts of India.

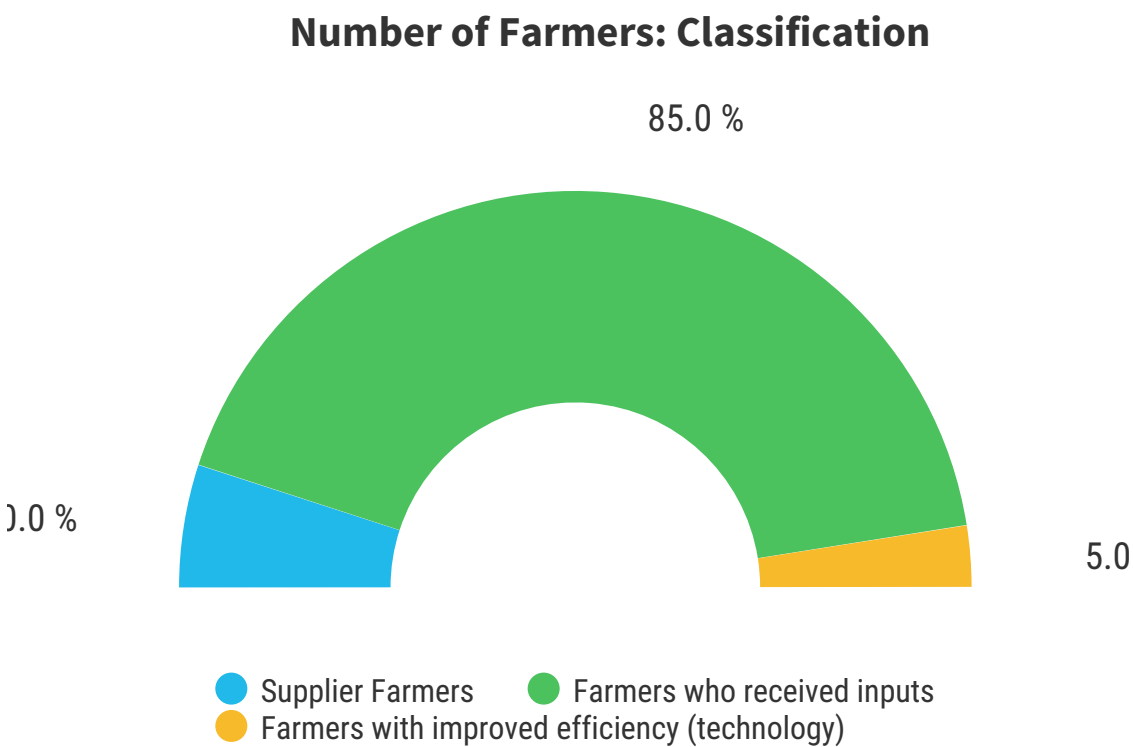
Farmer outreach increased by ~9%, due to the growth of our portfolio companies and the addition of 3 new clients this year.

8 of our 16 clients have certifications or external ratings covering different aspects of their operations. These include GLOBAL G.A.P, Sedex, HACCP, Organic Certification, Fair Trade Certification, and in one case, M-Cril.



Food and Agri Outreach				
Metrics	IRIS Metric	FY 2015	FY 2016	FY 2017
Number of Companies	NA	8	12	16
Number of Farmers*	NA	73,404	327,502	346,580
Area Cultivated (Acres)**	PI7403	107,637	691,451	1,053,091
Number of Full Time Employees	0I3160	2,080	1,750	3,191

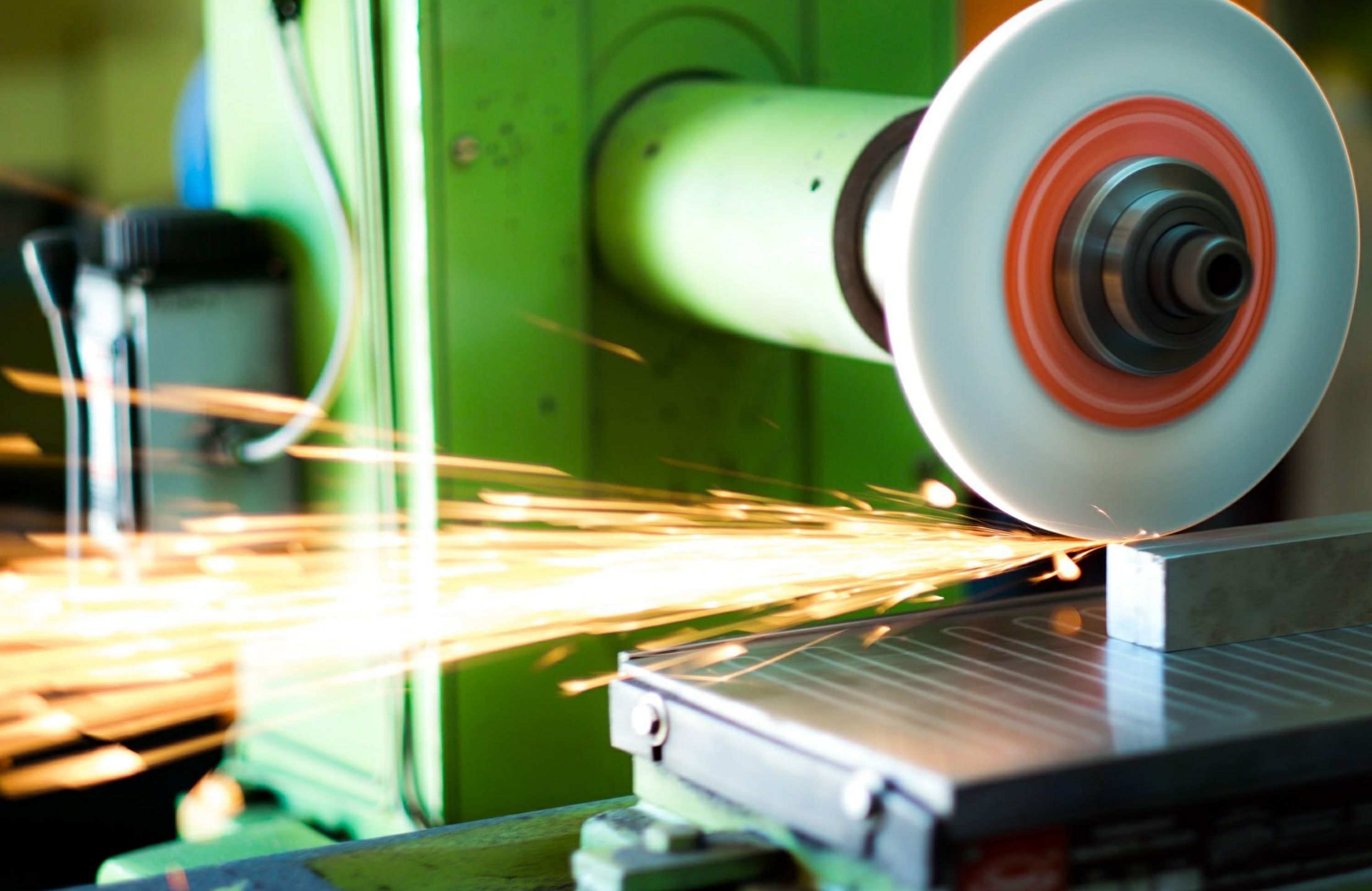
Aggregated data for all companies in our portfolio for the major part of FY17



\*Number of farmers is a broad outreach figure and includes farmers from whom our F&A companies purchase directly, farmers who receive inputs and advice from our companies, and those who purchase products and services from our clients. It refers to farmers in contact with the company as on the last date of the FY.

\*\*Area cultivated refers to total acreage under management during the FY, directly and indirectly. The land may produce crops for procurement, or may be covered using our clients' inputs.





## SMALL BUSINESS FINANCE



Micro, medium and small enterprises (MSMEs) contribute to more than 30% of India's GDP and are prolific job creators. There are an estimated 51 Mn MSMEs in India across various industries, employing 117 million people. And yet, a vast majority of them do not have access to adequate credit, for growth. Poor infrastructure and inadequate market linkages are the other key challenges that constrain the growth of this critical sector.

In order to achieve higher levels of economic productivity, we need to support productive activities, job creation, entrepreneurship and innovation. We need to encourage the formalization and growth of micro-, small and medium-sized enterprises, including through access to timely and appropriate financial services.



# Small Business Finance

**Our Objective:** *To support the growth of small enterprises in the informal segment, creating increased employment opportunities for low income communities.*

Over the past few years, the small business finance space has evolved significantly. Today, we have, in addition to conventional brick and mortar players, 'fintech' lenders that use data analytics to make lending decisions quickly, and other lending platforms that connect lenders with small business borrowers. Some lenders focus on specific SME segments while others are more diversified. The new small finance banks, most of which have commenced banking operations, will also lead to an increased focus on this space.

Our portfolio companies in this sector use a mix of technology and touch to lend to small businesses. Some lenders specialise in specific segments such as education, or specialise in geographical clusters, while others specialize in approach in terms of their product offering.

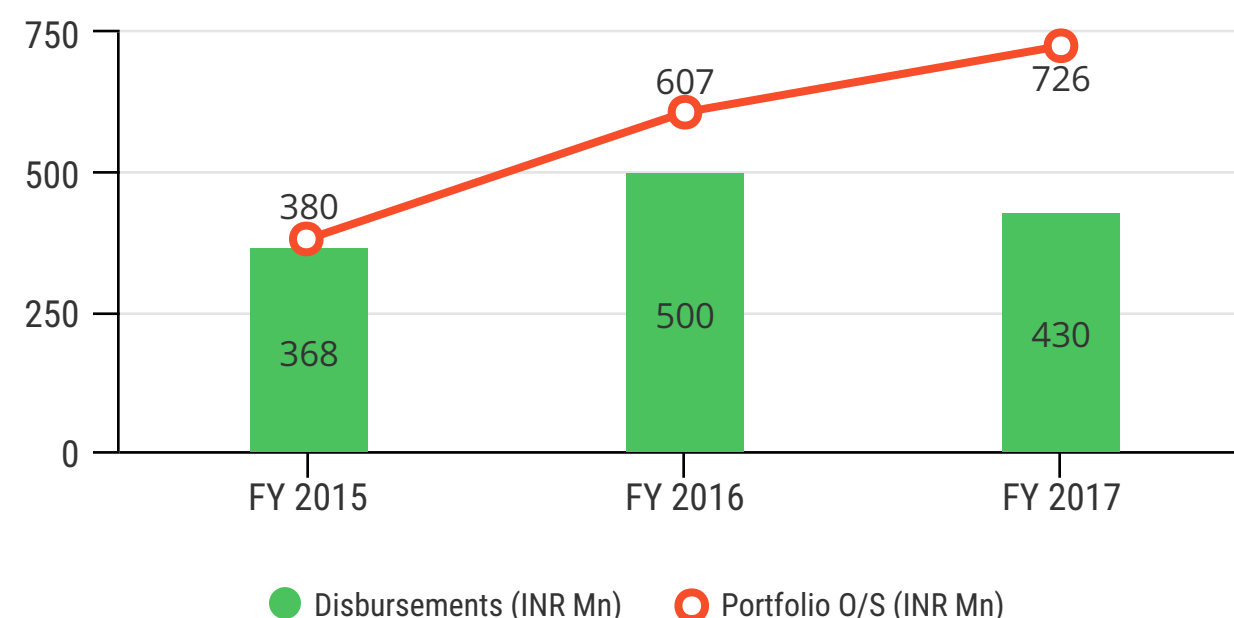
During the year, we financed 14 Small Business Lenders with a loan portfolio of INR 27,767 Mn and an active enterprise client base of 410,000.

## Small Business Finance Outreach

Metrics	IRIS Metric	FY 2015	FY 2016	FY 2017
Number of Portfolio Companies	NA	9	11	14
Number of MSMEs	PI9652	224,547	319,673	410,003
Portfolio at Risk > 90 days	FP6373	1.12%	2.05%	3.44%
Number of Full time Employees	OI3160	4,079	6,403	10,116
Number of Jobs in the underlying enterprises ('000s)	PI4874	351	350	533
Number of States covered	NA	16	20	27
Number of Branches	NA	528	1,058	1,208

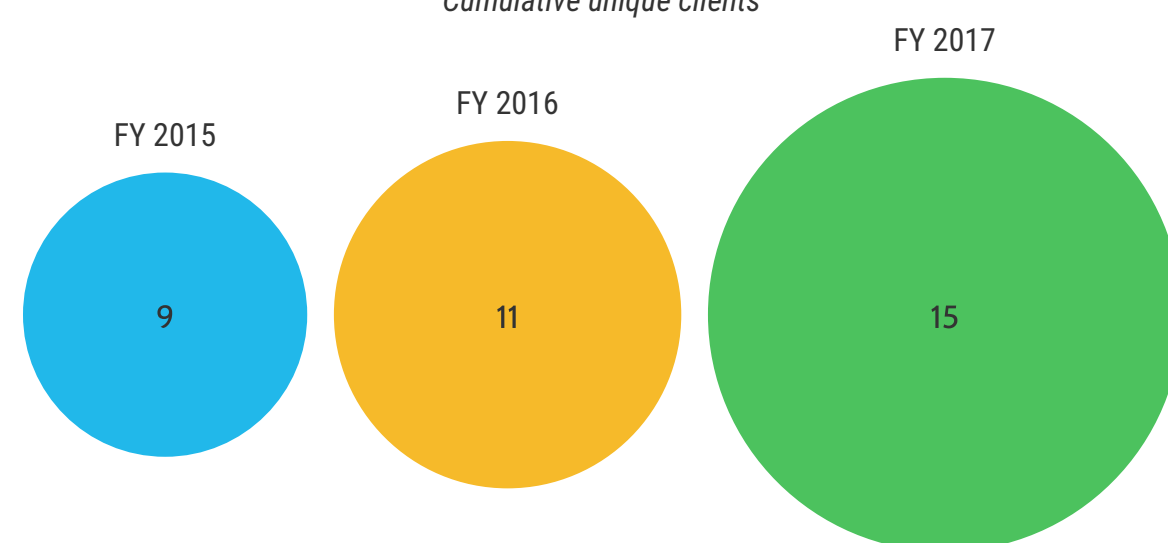
Our portfolio companies collectively earned revenues of INR 10,597 Mn and employed 10,116 full time employees while the underlying MSMEs that they lent to supported over half a million jobs.

## CII Portfolio Growth



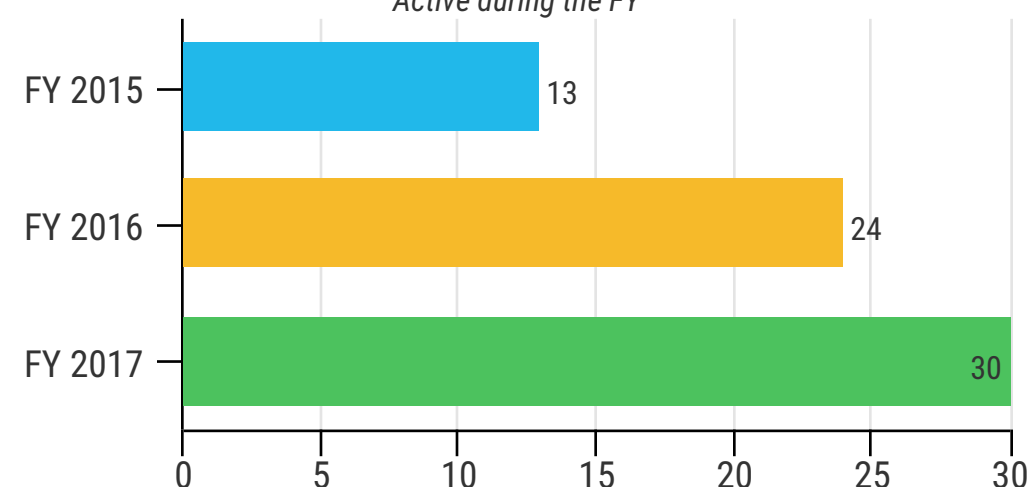
## Client Relationships

Cumulative unique clients

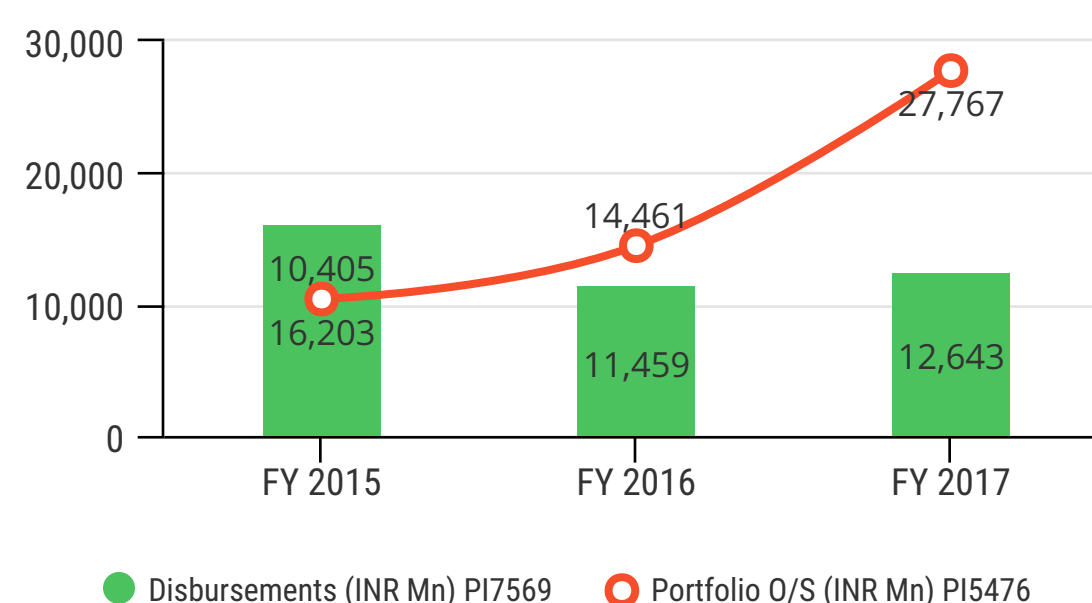


## Number of Loans

Active during the FY



## Small Business Finance On-lending Portfolio







## MICROFINANCE



Microfinance is today a mature industry in India with phenomenal growth over the past several years buoyed by increased capital flows in to the sector including from mainstream investors. The sector faced a major crisis in 2010, but recovered well and even thrived since then, aided by central bank regulation, self-regulation through industry bodies and the establishment of credit bureaus. In a significant development during the last fiscal year (FY15-16), 8 MFIs obtained small finance bank licences from the Reserve Bank (a total of 10 licences were issued).

At the end of FY 2017, the industry had a portfolio of INR 924 Bn /USD 14 Bn (excluding INR 145 Bn / USD 2.2 Bn of 6 SFBs), a growth of 26% over FY16. Approx. 39 million clients are served by NBFC-MFIs and SFBs.

During this year, the industry faced a significant hit from demonetization, given the largely cash-based nature of microfinance transactions. Most companies are still on the path back to normalcy.



# Microfinance

**Our Objective:** To enable increased access to financial services for the lower income, entrepreneurial poor and financially excluded segments of the population and enable them to better manage their financial resources and attain financial stability.

## Demonetisation and its impact:

During this financial year, Microfinance institutions across the country were impacted, some quite severely, by demonetisation (the Government's decision on Nov 8 to scrap certain high value currency notes (INR 500 and INR 1000). Given the predominantly cash-based operations, collections plummeted in the immediate aftermath of this announcement, with a few regional exceptions.

With gradually improved cash circulation, collections were expected to improve by March/April 2017. However some states (UP, UK, MH, HR, DL, PN, KA, MP) continued to show declining collections due to political factors and rumors of a loan waiver. As of March 2017 the industry PAR 30+ was 11% and PAR 90+ was 5%. With the RBI dispensation on NPA recognition\*, the full financial impact may only be felt in FY18.

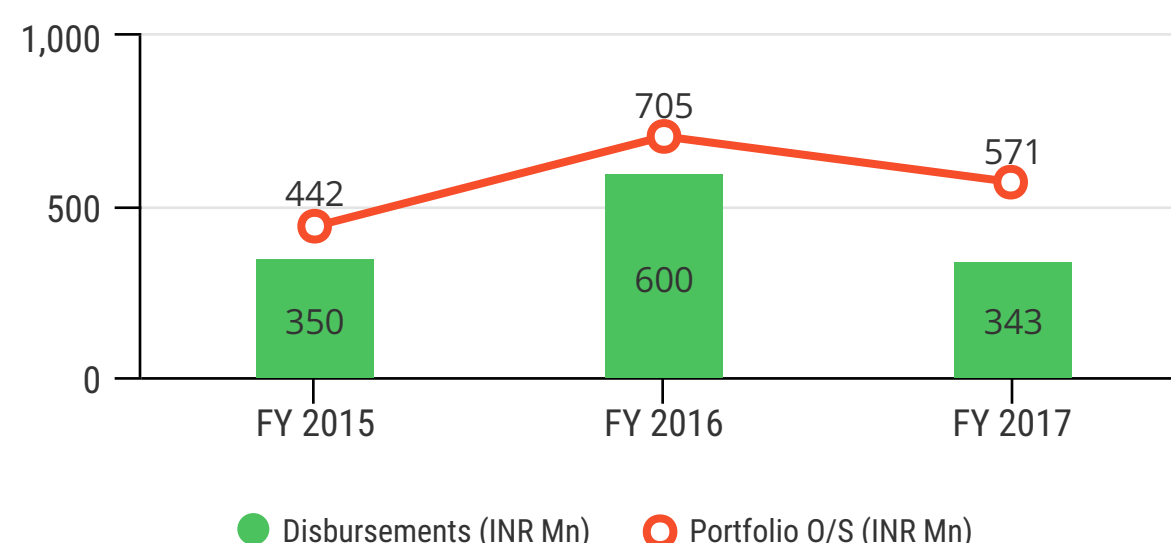
During FY 2017, the Gross Loan Portfolio of NBFC-MFIs grew by 25% over FY16 (YoY) and 5% over Q3FY17 (QoQ), the slowest in many years. As MFIs continue their efforts to stabilize, growth is expected to slow down in FY 2018, at 25-30%, compared to 50-60% annual growth achieved in the past few years.

## Our Microfinance Portfolio

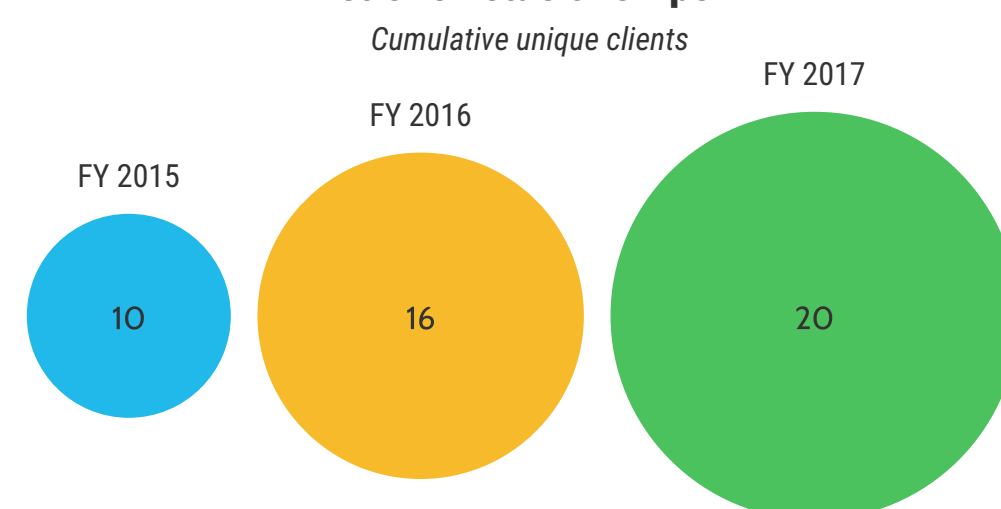
Microfinance formed 20% of our year-end portfolio and 20% of annual disbursements, a conscious reduction from previous years, in favor of a more diversified debt portfolio. We ended the year with 17 active microfinance relationships compared to 16 the previous year and the number of loans outstanding reduced from 24 at the end of FY16 to 22 at the end of FY17.

Starting FY16, we also lend to financial inclusion enablers. During this year, we had three such companies in our portfolio - two banking correspondents that source microfinance loans for banks and other partners and one rural-focused e-commerce company partnering with MFIs to deliver mobile phones to MFI clients.

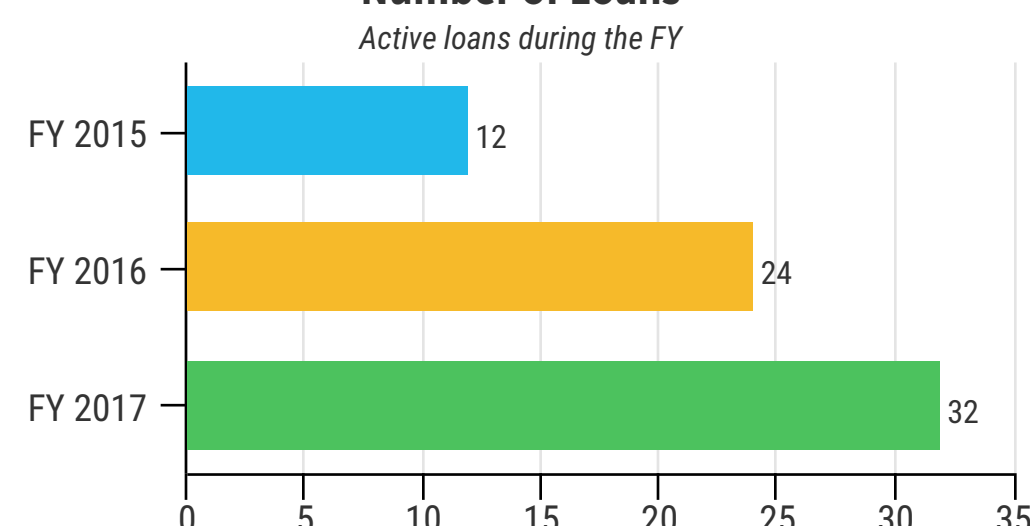
### CII Portfolio Growth



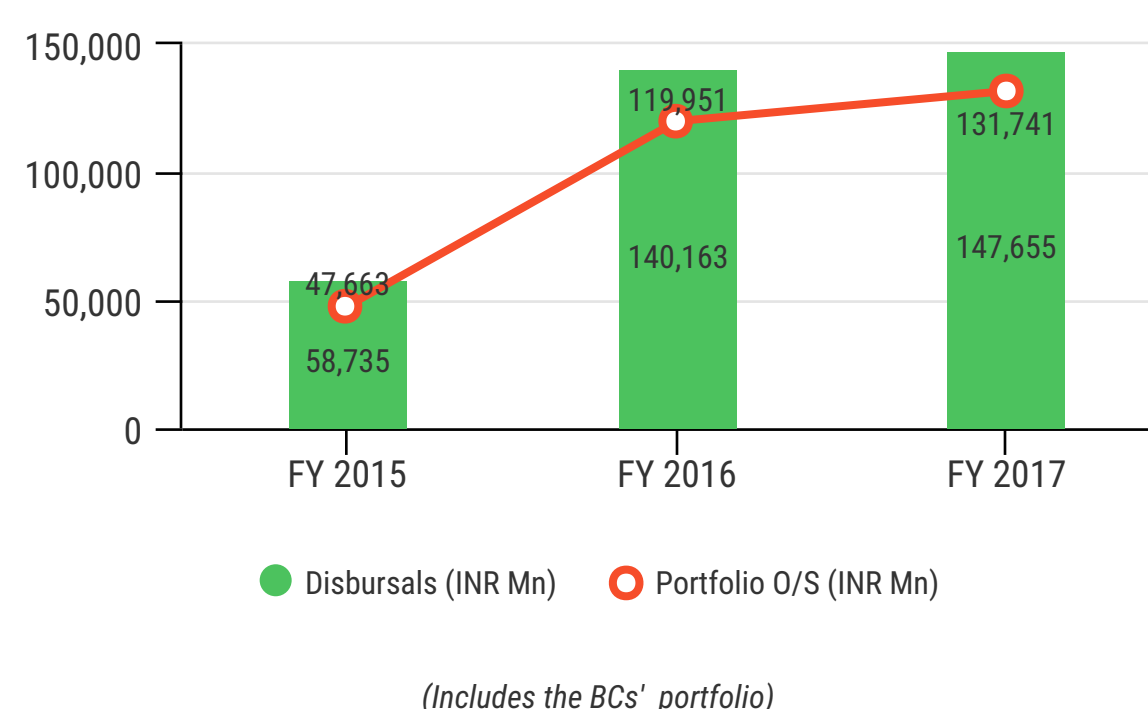
### Client Relationships



### Number of Loans



### Microfinance On-lending Portfolio



\*The RBI provided an additional period of 90 days to classify a loan account (up to 1 Cr) as a non-performing asset, for dues payable between November 1 and December 31, 2016



# Microfinance

The total number of active clients of the MFIs in our portfolio increased by ~43% to ~10 Mn. The number of employees grew by ~36% to 30,094.

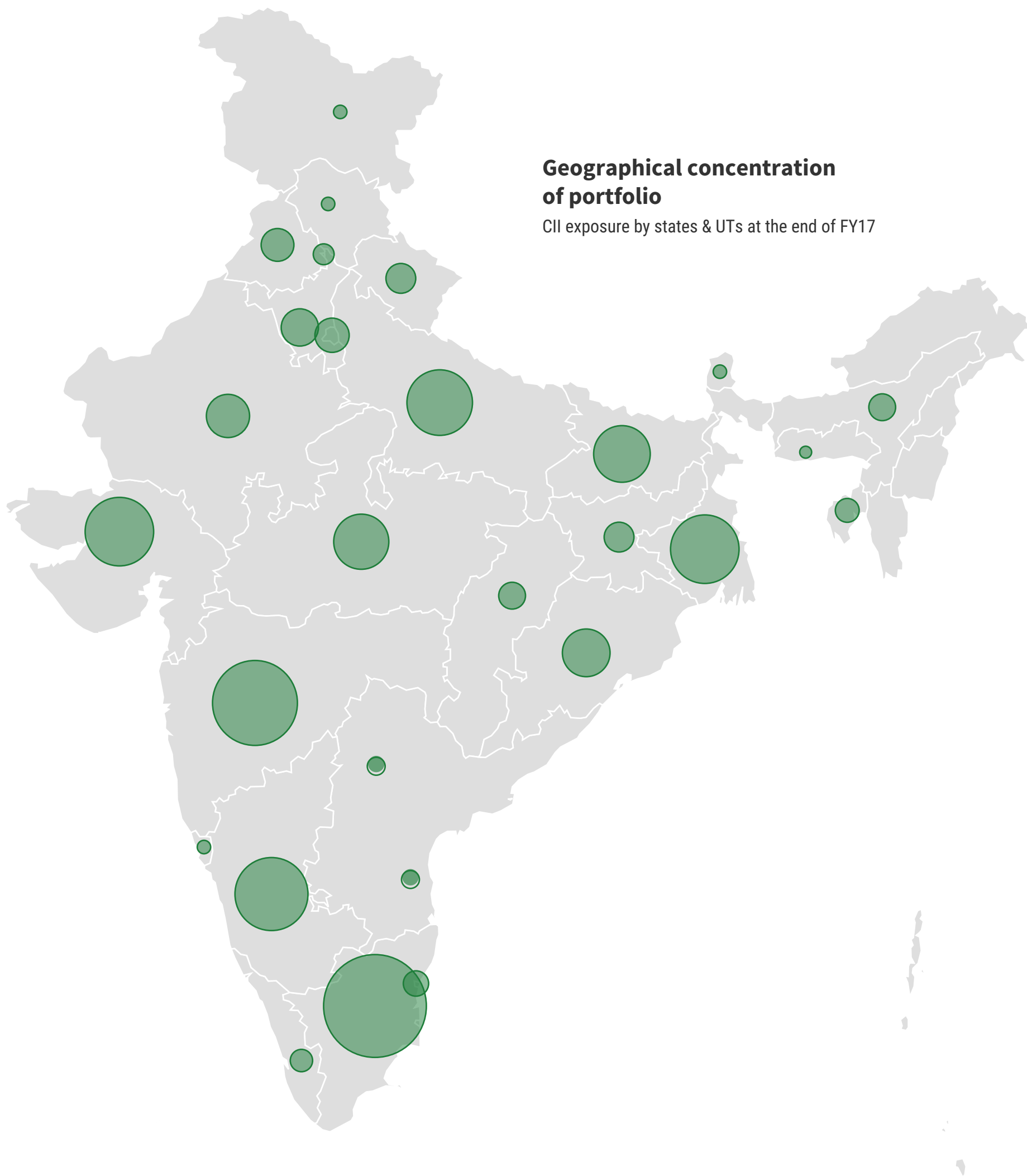
PAR>30 and PAR>90, at 16.99% and 7.81% respectively, have shown a sharp increase as a result of demonetization.

MFIs in our portfolio covered 25 states across the country. CII's maximum single state concentration was at 22% (Tamil Nadu).

All the NBFC-MFIs and SFBs in our portfolio reported to one or more Credit Bureaus during the year and are members of MFIN, the self-regulatory body. 5 of our clients have active SMART certifications.

## Microfinance Outreach

Metrics	IRIS Metrics	FY 2015	FY 2016	FY 2017
Number of Portfolio Companies	NA	10	12	16
Number of Active Clients ('000s)	PI9327	3,548	7,033	10,070
Women Clients %	PI8330	99.0%	97.8%	99.7%
Rural Clients %	PI1190	38.0%	60.2%	69.9%
Urban Clients %	PI6751	62.0%	39.8%	30.1
Portfolio at Risk (PAR) > 30	FP2635	0.16%	0.27%	16.99%
Portfolio at Risk (PAR) > 90	FP6373	0.11%	0.19%	7.81%
Number of Full Time Employees	OI3160	10,280	22,134	30,094
Average Loan Size	PI5160	13,435	16,830	13,066
Number of States & UTs covered	NA	19	26	28
Number of Branches	NA	1,254	2,629	3,823
Additional Equity Raised (INR Mn)	PI4142	3,980	4,273	13,492







## AFFORDABLE HOUSING



In recent decades, the world has experienced unprecedented urban growth. India is no exception with our urban population growing by 2.3% annually. Rapid urbanization brings enormous challenges, including growing numbers of slum dwellers and inadequate basic services and infrastructure. The most basic need, that of housing, is a vast unmet need. The current urban housing shortage in India is estimated to be 19 million homes, with the economically weaker sections and lower income groups accounting for 96% of this shortage.

In the past couple of years, the Government's reform agenda has broadened and a "Housing for All" program was launched in 2015 that aims to build 20 million urban homes by 2022. Various incentives are also being extended to the private sector to encourage a greater focus on affordable housing finance as well as housing development. The Real Estate (Regulation & Development) Act, 2016 came in to effect during the year, a regulation that applies to housing developers (hitherto unregulated) and aims to improve transparency and compliance.

Since 2009, when the first dedicated micro-mortgage company was set up (Micro Housing Finance Corporation, a Caspian greenfield investee through our equity fund), more than 17 other HFCs with a focus on affordable housing finance have been licensed with the National Housing Bank. While their share of the overall housing market remain very small, the favorable policy environment, the vast unmet demand and the excellent financial performance of these new companies thus far, is resulting in strong growth.



# Affordable Housing

**Our Objective:** Good quality housing has the potential to improve health, hygiene, education, and overall quality of life. By providing debt finance to affordable housing companies (finance, development, rentals), we support the scale up of affordable housing solutions for low income and informal segment households, enabling larger home ownership and/or an upgradation in existing housing conditions.

## Our Housing Portfolio

Affordable Housing formed ~13% of our year-end portfolio and ~24% of annual disbursements. Our cumulative disbursement in this sector since inception is INR 575 Mn.

The portfolio includes micro mortgage companies, home improvement companies, affordable housing developers and one rental housing provider.

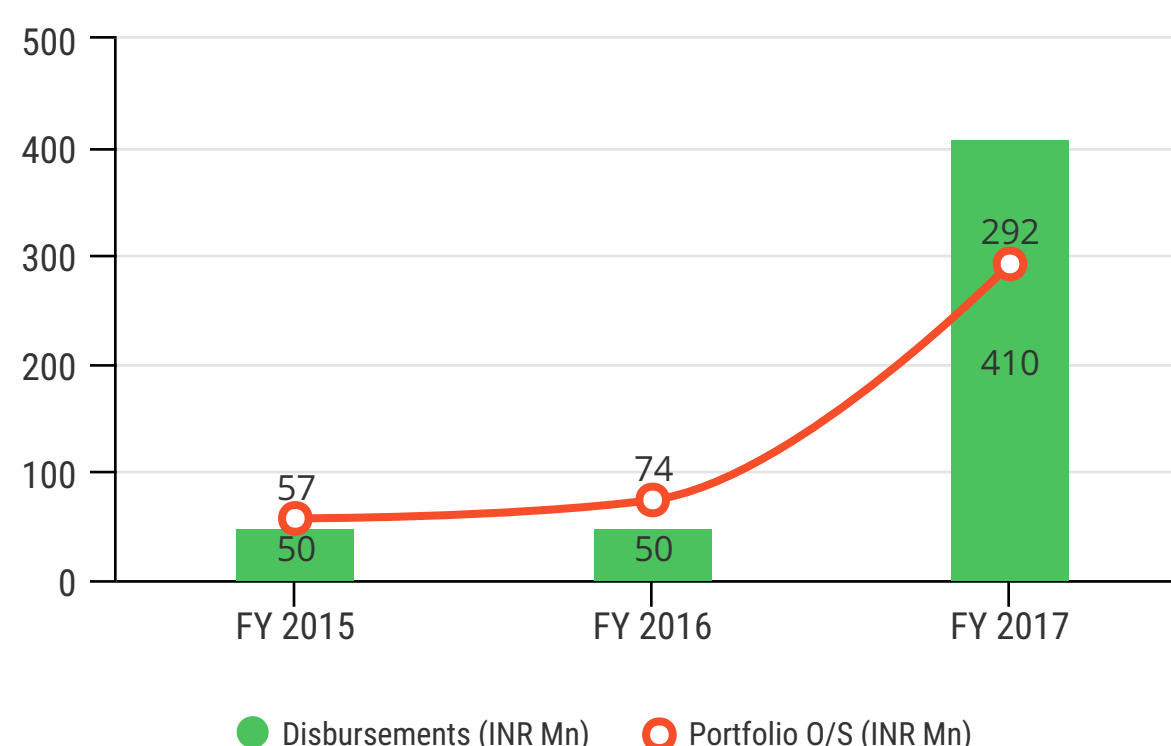
**Housing Finance:** We have one housing finance company in our portfolio this year which extended loans for home acquisition. It had 9,651 active clients at the end of the year, 56% of whom were women.

**Home Improvement:** We worked with a non-profit MFI based in Tamil Nadu that has worked almost exclusively in the water and sanitation space for over two decades. The MFI provides loans to low income rural and urban households for the purpose of constructing water and toilet facilities and had 23,278 active clients at the end of the year, 100% of whom were women.

**Housing Development:** The two housing development companies in our portfolio have launched the construction of 6,907 homes of which ~68% have been sold.

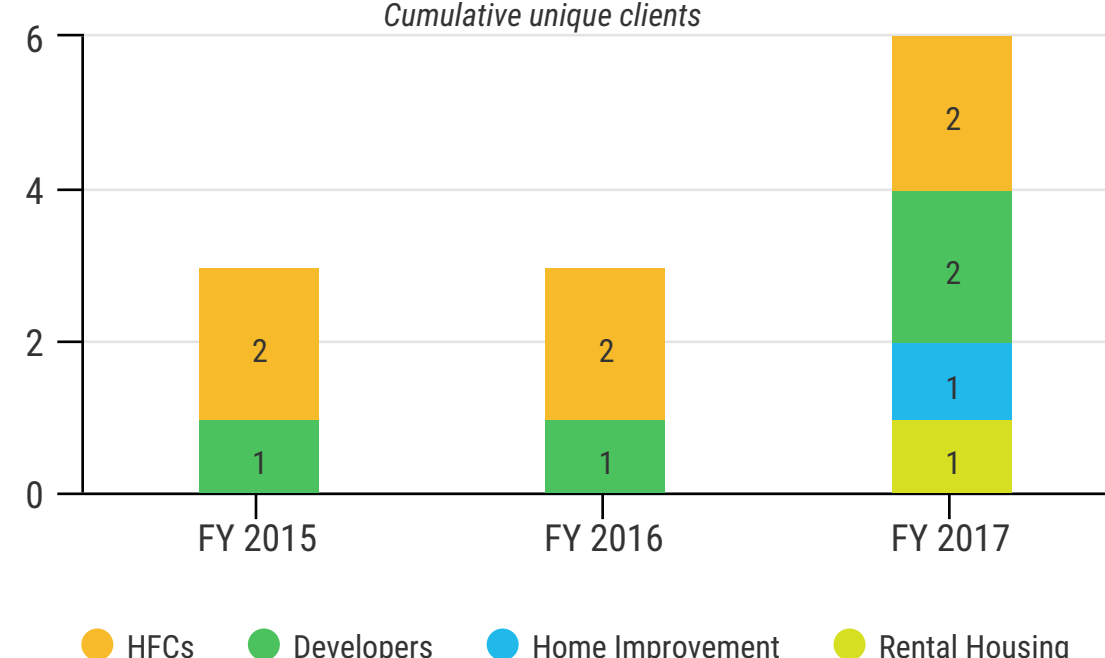
**Rental Housing:** Our portfolio company, Aarusha Homes provides good quality and short term rental housing solutions to urban migrants who move to the cities to work in the organized sector or for higher education. Aarusha offers good quality rooms, food, purified water, security and other amenities. The hostels are located in strategic locations to make it easier for their clients to commute. ~40% of their clients are women. As of March 2017, the company set up 21 hostels with 4,745 beds, with an occupancy rate of ~65%.

CII's Portfolio Growth

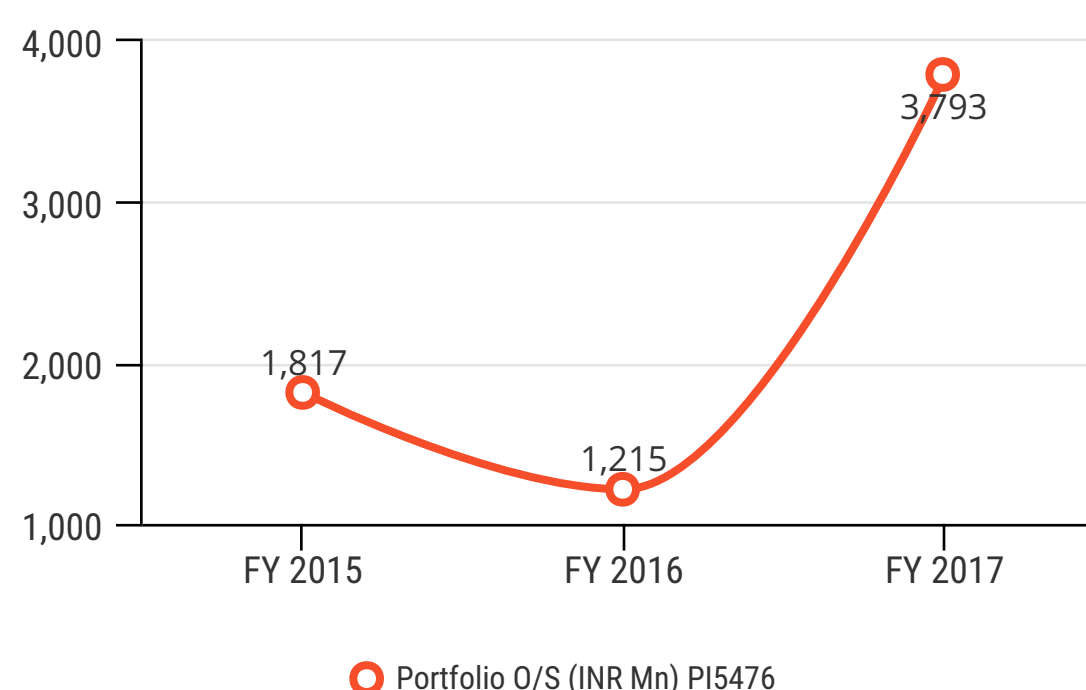


Number of Relationships

Cumulative unique clients



Housing Finance On-lending Portfolio



32,929

Client households received housing/home improvement loans



87%

of loan clients were women



3793 million

HFC and MFI Loan portfolio



6,907

Homes launched/under construction



584

Employees



# Affordable Housing: Client Snapshot

The two affordable housing project developers in our portfolio create housing stock at a price point accessible to the low and middle income segment where demand far outstrips current supply.

## DBS Affordable Home Strategy

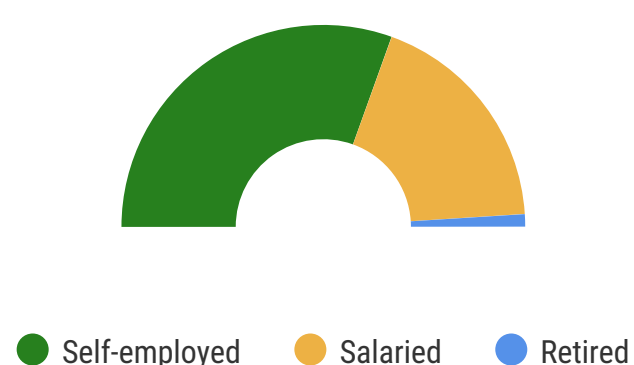
The mission of DBS is to make market-based and affordable housing solutions available to low income groups that have very limited or no access to the formal real estate market. Given the massive housing shortage in the country for low income populations, DBS is focused on putting in place a system of large scale mass production of affordable homes. The company's vision is to deliver 10,000 houses by 2019.

Our loan to DBS is for a project near an industrial area in Gujarat. Buyers are primarily blue-collar workers from nearby factories. In this project, the company is building 376 residential units of varying configurations - 87% of the units are 1-2 room apartments.

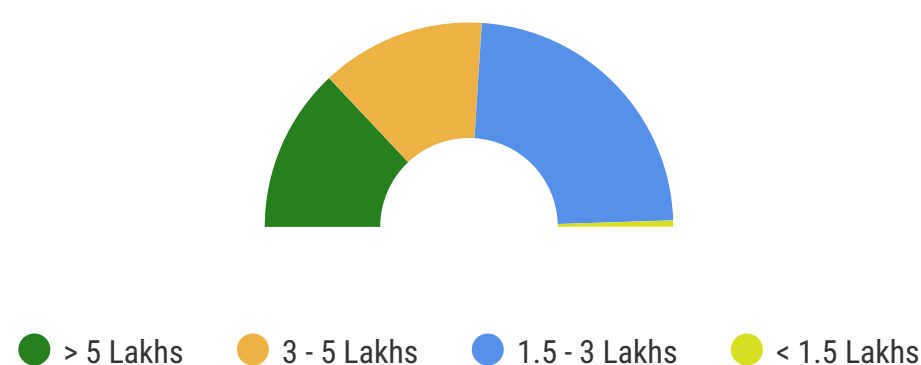
**61% of their buyers are self-employed and 73% have annual household income of less than INR 5 Lakh / ~USD 7500.**

The company works with partner-NGOs on marketing and financial literacy training and with housing finance companies to facilitate mortgage finance for the buyers. DBS Communities obtained a GIIRS rating in 2015 - the company got a 4 Star rating for Operations (ESG) and a Platinum rating for their Impact Business Model (IBM).

Buyer composition (%)



Buyer income profile (%)



## VBHC Value Homes

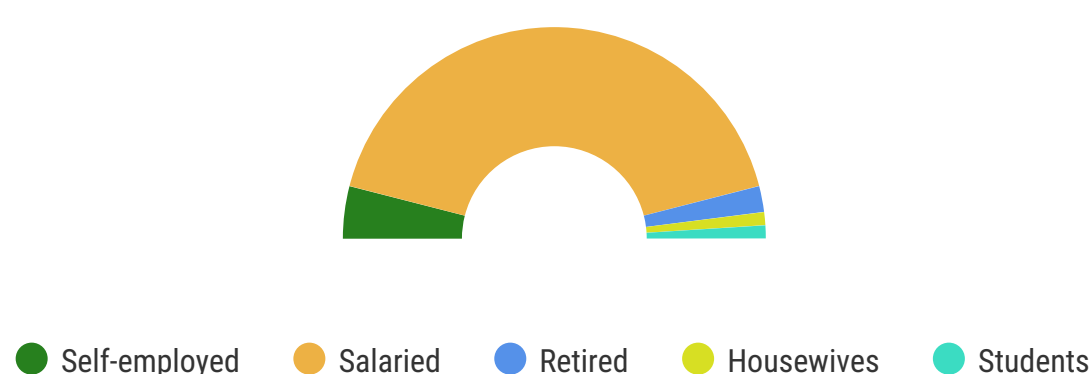
VBHC Value Homes provides affordable housing in the price range of INR 15 -35 lakhs in urban areas. The Company currently has projects in the suburban areas of Bangalore, Chennai, Mumbai, and National Capital Region ("NCR"). The company's focus on building high quality housing stock at an affordable price point on a large scale makes it a potential leader in this space. VBHC has been a Caspian equity investee since 2011.

A majority of its customer base comprises first time home buyers. 85% of Buyers are salaried individuals. **57% earn less than INR 5 Lakhs/USD 7,500 annually.**

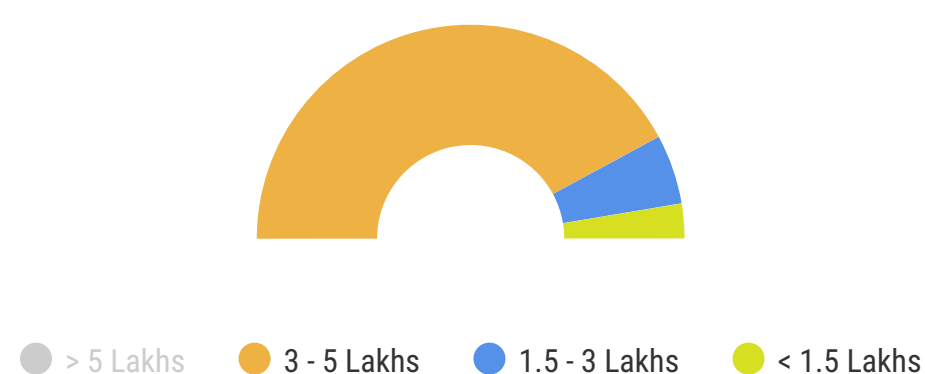
VBHC works on a unique model that considers land as inventory instead of a capital asset that appreciates with time and uses an assembly line approach to construction and development, with standardized design, materials, execution processes and control functions.

The company has a major focus on energy efficiency. Their project at Anekal (the company's first) is Asia's first Excellence in Design for Greater Efficiencies (EDGE) certified building, a Green standard adopted by IFC. To qualify for certification, a new building must achieve a 20% reduction in energy, water, and embodied energy in materials compared to a conventional building.

Buyer composition (%)



Buyer income profile (%)







# HEALTHCARE



Healthcare delivery in India has improved significantly but we continue to lag in terms of Key Health Indicators. In addition to the vast infrastructure gap (we need 3.5 million additional beds, 2-3 million doctors and 6 million nurses), there is a severe shortage of skilled manpower, especially in rural areas. 50% of the population travel more than 100 kms to access a higher level of care. Public expenditure on core healthcare is only 1% of GDP in India. There is also a clear urban bias: more than 80% of doctors are situated in urban areas.

Over the years, India has seen massive activity in the private sector to address the severe gaps in healthcare infrastructure and delivery. The private sector today dominates the healthcare delivery segment, with a 72% share in total healthcare spend, 74% of hospitals and 40% of hospital beds. The private sector has introduced a range of innovations in healthcare delivery - identifying key pain points in the supply chain and setting up initiatives that especially address the low income market.



# Healthcare

**Our Objective:** To enable improved access to quality healthcare at an affordable cost. While our focus is on enabling better healthcare access for low income populations, client profile (ex - blue collar workers) and region (Tier Y/Z locations) serve as a proxy for this.

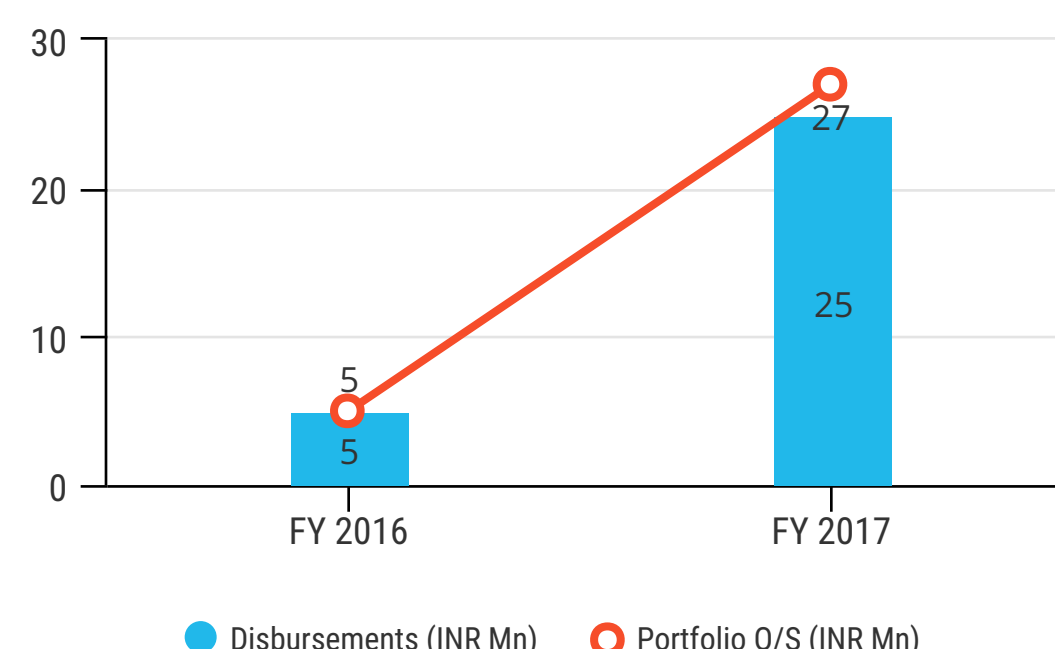
We added Healthcare to our mandate in FY 2016. We support the growth of commercially viable companies that provide improved access to healthcare for underserved populations by either building a physical healthcare distribution channel, or by using technology solutions that improve efficiency and reduce cost of delivery.

## Our Healthcare Portfolio

We ended FY 2017 with 3 healthcare companies in our portfolio. These companies have distinct business models:

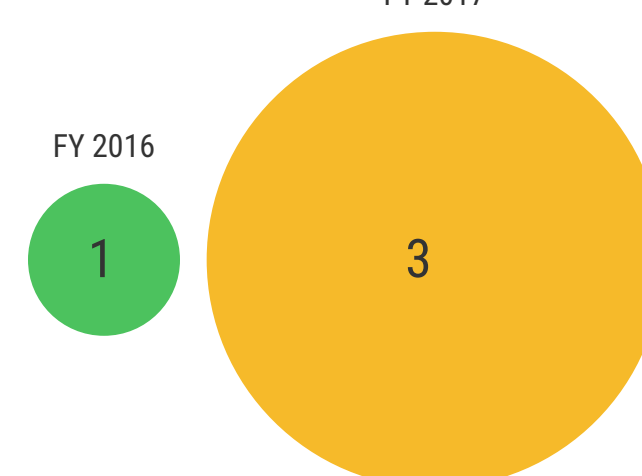
- 1) Providing primary healthcare access to workers by setting up and managing clinics in factories and other office locations;
- 2) Providing affordable eyecare in underserved regions by setting up fully equipped surgical hospitals in Tier Y or Z locations and primary eye care centres in smaller locations; and
- 3) Distributing medical devices and consumables to small and medium sized hospitals, nursing homes, single doctor clinics and resellers, primarily in non-Tier X locations where there is limited access to medical devices.

## CII Portfolio Growth



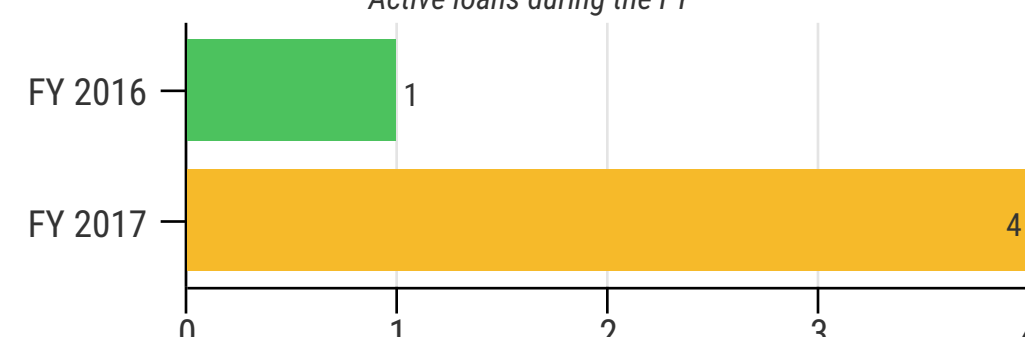
## Number of Relationships

Cumulative unique clients  
FY 2017



## Number of Loans

Active loans during the FY



## Primary Healthcare Outreach



312,677

Medical consultations during the FY



23

Factories where primary healthcare facilities are operational

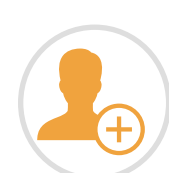


20

Primary Healthcare clinics operating in Tier Y/Z locations

(This data pertains to the 1 primary healthcare provider in the portfolio)

## Affordable Eye care Outreach



67,498

OPD eye care patients

42,063

Children treated/consulted



9

Eye care hospitals/clinics

170

Eye Camps conducted



671

Eye surgeries conducted

(This data pertains to the affordable eye care provider in the portfolio. Data pertains to operations in the last quarter of FY17)





## CLEAN ENERGY & ENERGY EFFICIENCY



Nearly ~50 million rural households in India have little or no access to grid-based electricity and rely instead on kerosene as their primary source of lighting, which results in environmental pollution from carbon emissions as well as chronic illnesses. Beyond electricity, these communities/households have scarce access to modern forms of cooking energy or energy for purposes like irrigation and other productive causes.

In addition to enabling access to those who lack access or have highly erratic access to grid power, a sustainable energy future requires transition from fossil fuel based energy sources to clean and renewable sources as well as large scale reduction in energy use through the adoption of energy efficient products across both households and other establishments.



# Clean Energy & Energy Efficiency

**Our Objective:** *To enable access to clean energy for segments of the population without access to the grid, to increase the adoption of renewable energy by the general population in order to reduce consumption of fossil-fuel based energy, and to support the adoption of energy efficient products and solutions.*

We added clean energy & energy efficiency to our mandate in December 2016. We lend to companies that:

- a) Provide clean energy access to un-served/ underserved households and businesses that either lack, or have erratic, grid access;
- b) Provide clean energy access to households and enterprises that have grid access but wish to adopt renewable sources;
- c) Operate in the energy efficiency space and through technological innovation, significantly reduce energy consumption.

As of March 2017, we had 1 energy efficiency company in the portfolio.

## Client Snapshot: Silvan Innovation Labs



Silvan Innovation Labs. Silvan is a home automation technology company that allows customers to control multiple home appliances and devices using their smartphones.

Product offerings include motion sensing smart lighting solutions and security solutions. Silvan caters to both the B2C and B2B business segments. Its products result in increased energy efficiency and a more judicious use of electricity.

**As of March 2017, Silvan has executed 41 energy efficiency projects and has installed its smart solutions in 382 homes.**











# Other Sectors

Towards the end of FY 2017, we added the following sectors to our mandate as part of our ongoing diversification strategy.

				
<b>Education and Skill Development</b>	<b>Water and Sanitation</b>	<b>Environment</b>	<b>Livelihoods</b>	<b>ICT &amp; Physical connectivity</b>
Delivery of good quality, affordable education and skill development training to lower income or underserved communities including the differently-abled.	Access to safe drinking water and sanitation, promoting better health and/or conservation of the environment.	Contribute towards a healthier planet by providing or adopting eco-friendly products or services.	Enable large scale job creation or improved income for unemployed or under-employed sections of society.	Develop ICT-based or physical channels that enable access to products, services and/or economic opportunities.
				

As of March 2017, we had 3 portfolio companies from among these five categories - two are featured below.

## Client Snapshots

<div><h3>Hippocampus Learning Centres</h3></div> <div><p>Hippocampus operates low cost, high quality pre-schools for children aged 3 to 6 years in small towns and villages. The schools have holistic curricula which focus on learning outcomes. The company has 300+ learning centres and 4 schools.</p></div> <div><div><div><div>9,215</div><div>Pre-school students</div></div></div><div><div><div><div>3,045</div><div>Students (own schools + partner schools using Hippocampus tools)</div></div></div><div><div><div><div>4</div><div>Schools</div></div></div><div><div><div><div>294</div><div>Learning Centres incl. 45 Franchisees</div></div></div></div><div><div><div><div>26</div><div>School Partners</div></div></div></div></div></div></div>	<div><h3>Waterlife</h3></div> <div><p>Waterlife provides potable water to rural communities by installing and operating community water purification plants. Capex is covered by government or CSR partnerships, while maintenance and operating costs are paid for by customers. Waterlife also creates jobs, by hiring and training operators from local villages to operate, maintain, and service the purification plants, and by establishing a distribution network of local entrepreneurs to deliver water to remote parts of the village.</p></div> <div><div><div><div><div>8</div><div>States covered</div></div></div><div><div><div><div>386</div><div>Water purification plants currently operational</div></div></div><div><div><div><div><div><div><div>175</div><div>Local Plant Operators</div></div></div><div><div><div>9%</div><div>Women Operators</div></div></div></div></div></div></div></div></div></div>
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# Corporate Social Responsibility (CSR)

The approach to CSR must integrate with the core business strategy, address the well-being of all stakeholders and not just the company's shareholders. Philanthropic activities are but a part of CSR.

By this measure, Caspian's core mission, strategy and focus reflect a deep commitment to corporate social responsibility. We have gone a step further in 2017 by becoming a Certified B Corporation (see section on B Corp).

In accordance with Schedule VII of the Companies Act, 2013, we chose Education as the focus for CII for FY 2017. We have worked with the following partner institutions during the year:

## 1. Sage Seva Society

Sage Seva Society is a non-profit founded in 2007 with the primary objective of providing quality Education to under privileged children in remote rural areas at an affordable cost.

The Sage Society currently runs two Schools, one each at Chennur and Medaripet, both in Adilabad district in Telangana - identified as one of the 50 most backward districts in the country by the Govt. of India. Tribals constitute a significant portion of the district population.

During this financial year, we have provided financial support to Sage for the purpose of improving the general infrastructure in these two schools including adding a library, improving audio-visual aids and computer facilities.

## 2. Parinaam Foundation

Parinaam's Academic Adoption Program is designed to transform the lives of desperately poor children by providing them access to high quality education in the English medium through academic scholarships. It is a program wherein generous patrons adopt a child to sponsor his/her studies until completion of school life.

We have sponsored the school education of 37 children under this program.

## 2. Janaagraha

Janaagraha is widely recognised as the country's leading advocate for large-scale urban reform and civic participation. Janaagraha works with citizens on catalysing active citizenship in neighbourhoods and with governments to institute reforms to city-systems across the following programmes.

Janaagraha believes that Good citizenry is the key to building healthy and vibrant cities. The children of today will be the adult citizens of tomorrow, and will play a vital role in developing our future communities.

Towards this, in 2001, Janaagraha started the Bala Janaagraha Program, a civic education program, which aims to transform today's children into informed, responsible and active citizens. The program is designed to enable critical thinking when it comes to addressing local civic challenges. In the long run, Janaagraha expects a multiplier effect that will lead to the creation of youth leaders, who can be agents of change in their homes and neighborhoods.

The Program is currently in its 15th year and has grown substantially. From 5 schools reaching 700 students in Bangalore in 2002, the program now covers 25 cities across India, with more than 40,000 students in 536 schools (including Hyderabad).

During FY 2017, we have provided financial support for the implementation of the Bala Janaagraha program across 16 schools in Hyderabad.

## 3. International Association for Human Values (IAHV):

IAHV provides access to free and holistic education to over 39,000 underprivileged children in slum, tribal and rural belts across the country. They have established > 400 schools in tribal, urban/slum and rural areas across the country including Jharkhand, West Bengal and Tripura (North East India).

We have worked with IAHV for the past three years, focusing on the schools they run in the three tribal villages of Dadika, Kalchiti and Chakdoha in Ghatsila, Jharkhand. In FY 2015, we contributed towards the installation of solar-powered digital classrooms in these tribal schools. In FY 2016, we funded the student mid-day meal program in the same schools.

During FY 2017, we continued our support of the student mid-day meal program.



# Caspian is a Certified B Corporation

**Certified**



**Corporation**



On June 20, 2017, Caspian became a Certified B Corporation.

B Corps are for-profit companies that use the power of business to solve social and environmental problems in an ethical and transparent manner.

Caspian is the first Indian Impact Investing firm to be granted a B Corp certification.

The B Corp certification by B Lab confirms that Caspian meets rigorous standards of social and environmental performance, accountability, and transparency. During the process, we have been evaluated on how our practices impact our employees, our community, the environment, and our customers. B Corp's measurement practices are dynamic (they are updated every two years) and tailored to size, industry and location.

The minimum qualifying score is 80 out of 200. Our score was 109.7. The median score for "Best for the World" B Corps is 131.

Today, there are over 2,100 Certified B Corps across 50 countries and 130 industries. We are proud to join them in redefining success in business and building a future where everyone uses business as a force for good.

The core values that Certified B Corps embody are in perfect alignment with the way we have conducted business at Caspian since we were founded in 2004. As an impact investment manager investing only in entrepreneurs and businesses that solve social or environmental problems, we hold ourselves, as well as our portfolio companies, to high standards of governance, transparency and ethics. We believe in working for the benefit of *all* stakeholders, including employees and the wider community.





# Glossary

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## **Abbreviations:**

1. G.A.P: Good Agricultural Practices.
2. GIIRS: Global Impact Investing Rating System (<http://b-analytics.net/giirs-funds>)
3. HACCP: Hazard Analysis and Critical Control Points
4. HFC: Housing Finance Company
5. MSME: Micro, Small & Medium Enterprises
6. MFI: Microfinance Institution
7. NBFC: Non Bank Finance Company
8. NBFC- MFI: Non Bank Finance Company- Microfinance
9. NHB: National Housing Bank
10. SBF: Small Business Finance
14. SDGs: Sustainable Development Goals or Global Goals (<https://sustainabledevelopment.un.org/sdgs>)
15. SME: Small & Medium Enterprises

## **Definitions:**

1. **Affordable Housing:** Per the Reserve Bank of India (RBI), the cost of affordable residential property should be less than Rs 65 lakh in the 6 metro cities and less than Rs 50 lakh in non-metros. Prior to 2014, the limit was up to Rs 25 lakh for metros and Rs 15 lakh for non-metros.
2. **EWS and LIG:** EWS households are defined as households having an annual income up to INR 3,00,000. States/Union Territories shall have the flexibility to redefine the annual income criteria as per local conditions in consultation with the Centre. LIG households are defined as households having an annual income between INR 3,00,000 and INR 6,00,000. States/Union Territories have the flexibility to redefine the annual income criteria as per local conditions in consultation with the Centre. ([http://mhupa.gov.in/writereaddata/HFA\\_guidelines\\_March2016-English.pdf](http://mhupa.gov.in/writereaddata/HFA_guidelines_March2016-English.pdf))
3. **Global GAP:** GLOBAL GAP is an internationally recognized set of farm standards dedicated to Good Agricultural Practices (GAP). Through certification, producers demonstrate their adherence to GLOBAL G.A.P. standards.
4. **IRIS Metrics:** IRIS is the catalog of generally-accepted performance metrics. IRIS is managed by the Global Impact Investing Network (GIIN), a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN offers IRIS as a free public good to support transparency, credibility, and accountability in impact measurement practices across the impact investing industry. <https://iris.thegiin.org>
5. **Low Income States:** Uttar Pradesh, Bihar, Madhya Pradesh, Odisha, Chhattisgarh, Jharkhand, Rajasthan, West Bengal
6. **Sedex:** Global collaborative platform for sharing responsible sourcing data on supply chains. Thousands of companies use Sedex to manage their performance around labour rights, health & safety, the environment and business ethics.
7. **SMART:** The Smart Campaign embodies a set of core principles for the treatment of clients - the minimum standards that clients should expect to receive when doing business with a financial institution.
9. **Tier Y/Z locations:** Cities/towns classified by the Government of India as such for the purpose of allowances to be paid to public servants. We use Tier Y and Z as a proxy to indicate towns/cities that are smaller, have a lower cost of living and are unserved or underserved with respect to essential products and services when compared to metropolitan (Tier X) cities.

## **Data Disclaimer**

*Data, unless specified otherwise, corresponds to the end of the financial year, i.e. March 31, 2017. While we have used our reasonable efforts to ensure the accuracy of the data used in this Report, data from our portfolio companies has not been audited or independently verified by Caspian. Data on certain metrics has been received from most but not all of our investee companies and hence any aggregated data does not necessarily include all the companies in the portfolio. In some cases, the most recently available data from a company has been included and relates as closely as possible to financial year end 2017. Data on jobs in underlying SME enterprises in our Small Business Finance portfolio includes estimates made by some of our SBF companies and should be read as being indicative of scale rather than exact figures.*

*Sectoral data at an all India level has been taken from government databases or other reliable international organizational sources. In certain cases, these data do not pertain to the current financial year and may pertain to immediately preceding years.*



# Acknowledgements

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**We gratefully acknowledge the following public sources for the macro/sectoral data in this report:**

1. The Agricultural Census 2010-11: <http://agcensus.nic.in/document/agcensus2010/completereport.pdf>
2. MFIN India: The MicroMeter for FY 2017: <http://mfinindia.org/latest-news/micrometer-issue-21-fy-16-17/>
3. Sa-Dhan: The Bharat Microfinance Report 2016: <http://indiamicrofinance.com/wp-content/uploads/2016/09/The-Bharat-Microfinance-Report-2016.pdf>
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<http://data.worldbank.org/indicator/SH.XPD.PUBL.ZS>
5. The Census 2011 : [http://censusindia.gov.in/2011-prov-results/paper2/data\\_files/india/Rural\\_Urban\\_2011.pdf](http://censusindia.gov.in/2011-prov-results/paper2/data_files/india/Rural_Urban_2011.pdf)
6. Report of the technical urban group on urban housing shortage 2012-2017 MOHUPA 2012
7. International Energy Agency: [https://www.iea.org/publications/freepublications/publication/IndiaEnergyOutlook\\_WEO2015.pdf](https://www.iea.org/publications/freepublications/publication/IndiaEnergyOutlook_WEO2015.pdf)
8. PWC: Funding Indian Healthcare: <http://www.pwc.in/assets/pdfs/publications/2017/funding-indian-healthcare-catalysing-the-next-wave-of-growth.pdf>
9. Indian Chamber of Commerce: Sector Brief - May 2015: <https://www.indianchamber.org/sectors/healthcare/healthcare-notes-may-2015/>
10. KPMG-OPPI: Report on Healthcare Access Initiatives: <https://home.kpmg.com/in/en/home/insights/2016/08/report-on-healthcare-access-initiatives.html>
11. Ministry of Micro, Small & Medium Enterprises: Annual Report 2015-16:  
<http://msme.gov.in/sites/default/files/MEME%20ANNUAL%20REPORT%202015-16%20ENG.pdf>
12. National Housing Bank: <http://www.nhb.org.in/List-of-HFCs-Registered-with-NHB-19-02-2016.pdf>

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