Caspian Debt

SOCIAL PERFORMANCE REPORT

2021

Foreword

Dear Friends

It gives me great pleasure to present to you our Social Performance Report 2021. It is that time of the year when we take stock of not only our financial performance but also evaluate our progress against our mission and purpose. As a group company of a certified B Corp, we evaluate if we balanced the interests of all the stakeholders in our business.

It gives me immense satisfaction to report that in spite of the devastating impact of COVID-19 on lives and businesses including our portfolio companies, our portfolio companies managed to not only survive but also thrive, with many of them reaching or surpassing their pre-covid levels of performance in the last quarter of the year. However, the beginning of the financial year was extremely difficult owing to the health uncertainties and the national lockdown. Majority of our clients across sectors, faced supply chain disruptions, labour shortages, challenges in reaching their customers and managing their employee wellbeing. On our part, we remained in touch with our clients watching their key financial parameters, selectively and objectively provided some of them with repayment moratorium, funded them through the Emergency Credit Line Guarantee Scheme of GOI, and selectively started lending. We managed to stay financially strong and liquid to ensure continued support to our clients. Our Excellent portfolio quality demonstrates the resilience of our customers during these times.

Through the last year our Board engaged with us intensively to understand how we were dealing with this unprecedented situation with our clients, lenders, employees and other stakeholders. We managed to balance the interests of our clients, employees and investors effectively. We neither asked or were offered a moratorium with any of our lenders. In hindsight, though it seemed difficult at that time, we managed to meet all our obligations while helping our clients maintain the cash flow discipline during this time.

This year also tested our employees who had to move to work from home with little advance notice. We were cognizant of the challenges faced by our team members balancing work pressures and managing homes during this year. We came together as a team to support and motivate each other to onboard our new tech platform DIGIT@C, manage all our processes remotely, reach the portfolio performance of pre-covid levels and complete the finalisation of our annual accounts and audit on time through this raging pandemic.

As I write, the second wave of pandemic continues unabated, it has the potential of severely disrupting hard fought stability in the business and is plunging people into a severe health crisis. The experience of the past year however gives me immense faith in the commitment of our entrepreneurs, support of our board members and tenacity of our teams. It has also brought into focus our strongly held belief that investing in businesses with social purpose makes for a good business. During the year, we also committed to contributing 33% of our investments to women- centric businesses in order to fulfil our commitments to the 2X Women's Initiative. Over the next few years, women impact business would be one of the key focus areas.

I hope you find this report insightful. We found it immensely satisfying to put this together for you.

Best wishes

S Viswanatha Prasad, Managing Director

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Who are we

We are a multisector debt funding company, providing customised debt to professionally managed small and mid-market transformational companies, which include social enterprises and startups that create positive social and environmental impact. Year 2021 marks the eighth year since our first loan. Over these eight years, we have deployed over INR 2 Bn to over 150 companies through 420 loans. Our portfolio companies have contributed to 13 UN Sustainable Development Goals (SDG).

Why we exist

Transformational companies that we serve are set up by first generation entrepreneurs with strong academic background and/or professional experience. They set up these companies with the intention to solve critical social and environmental problems. Such companies are commercially viable businesses that are designed for growth and usually raise external capital to grow.The credit needs of such enterprises are in the range of $0.5 to 2m but they lack the mortgage collateral that is required for them to access traditional bank funding. Retail MSME fintech lenders, banks and even venture lenders are not able to meet the funding requirements of such enterprises due to a variety of reasons. Solving for this credit gap has been our focus.

Our solution

Our belief is that customised credit is low risk. With loans ranging from USD 140,000 to USD 2 Mn (INR 10 Mn to INR 150 Mn), our portfolio has been carefully curated, combining an equity like due diligence, custom structuring, and risk management through close monitoring and sectoral diversification. Our credit quality even during pandemic is proof that our strategy has worked well so far.

Our difference

We have built a scalable solution to meet the credit needs for this segment of enterprises where operations are run by professionals. For this, innovation was needed across three areas: operating structure, sources of capital and approach to credit delivery and that has been our constant effort.

During our credit evaluation, we focus on the core business potential of the company and try to establish capability to pay the debt back as per a predefined repayment schedule. This is a significant departure from the collateral based evaluation that traditional lenders are known to do. In addition, we use a variety of debt instruments – term loans, revolving limits, purchase order or receivables finance, subordinated debt venture debt and guarantees– which are customized to the needs and risk profile of our investees.

Finally, what allowed us the freedom and flexibility to choose credit quality over exponential growth, measured diversification over aggressive expansion, has been the long-term vision and commitment of our investors and partners to help us build a high quality, resilient and durable fund vehicle that meets this critical funding gap. Our investors support us through a variety of financing instruments such as equity, debt, subordinated debt and credit enhancements. We also have knowledge partnerships with banks, incubators, accelerators and start-up ecosystem enablers.

We are supported by:

FMO Entrepreneurial Development Bank

Triodos Bank

Gray Ghost Ventures

DFC U.S. International Development Finance Corporation

sidbi VENTURE

Risk Sharing Partnerships:

DFC U.S. International Development Finance Corporation

Rabobank

Michael & Susan Dell Foundation

villgro possible.

Our Response to COVID-19

One sentence sums up that our approach to the crisis – tough times need hard decisions but with an objective and empathetic approach.

Customers

Last year, as a lender regulated by the Reserve Bank of India, we came face to face with a situation where the regulator "permitted" all lenders (banks and financial institutions) to consider deferment of instalments of their borrowers for a period of six months in light of the disruptions in businesses caused by the impact of COVID-19. It was a welcome move from the regulator enabling the lenders to give more time to borrowers. However, the RBI did not make it mandatory for the lenders to give a moratorium to all borrowers. This is because there is no financial system that has unlimited capacity to give moratoriums. Such actions put enormous stress on the financial institutions and participants. Every lender makes loans to their borrowers by borrowing from other lenders and in the case of banks, they use savings of their depositors. While some lenders can or would like to give moratoriums to their clients, their lenders may not give them the moratoriums, which is the situation that most lenders had to deal with. The RBI or the Government did not announce any measures like back-to-back moratorium or backstop guarantees for lenders to pass on moratorium benefits to all borrowers.

Lenders like us were left with the difficult and unenviable task of deciding who in our portfolio could be given moratoriums and who should not be given moratoriums, while ensuring that we kept ourselves solvent to repay our lenders on time. It brought forth the reality that we, as an organization, were always aware of - that we are not Superheroes.

We took an empathetic approach of requesting data from our borrowers who applied for a moratorium and then performed a detailed analysis of each company to decide whether the company can tide through the next few months without a moratorium. We used a combination of factors like cash availability, and the impact of COVID-19 on the business to make a decision on the moratoriums. It did result in some of our portfolio companies feeling aggrieved, but if it is of any worth, those who we declined the moratoriums should probably take pride in the fact that we considered them robust and equipped enough to handle this chaos and come out of this on their own. In addition, each entity that didn't get or take a moratorium enabled us to give moratoriums to businesses that really needed help. We gave a repayment moratorium to a significant number of our active clients for varying duration.

We work with fundamentally strong, high impact businesses but many of them were left weakened by the already existing economic stress in India and worsened by COVID-19. None of these businesses are fundamentally weak business models but some of them just needed the breathing space to start repaying later. Whilst doing so, we have also tried to make sure that we remain solvent to pay our lenders so that we can continue to support as many high impact entrepreneurial ventures as possible, because the harsh reality is that the traditional lenders will grow even more averse to lending to such ventures in the future. We were inspired by how supportive and understanding most of our customers were towards our approach.

We also held 6 webinars for sector experts and portfolio companies to come together and share experiences, strategies and identifying some future trends for the different sectors we work with. These webinars were a way to help our portfolio companies understand how other companies in the sector were coping, lessons learnt and how the sector was evolving post COVID-19.

Investors and other partnerships:

During the year we received a large round of tier-2 capital from US DFC which was timely enabling us to stay solvent and continue lending to the deserving companies. We also formed new risk sharing partnerships and scaled up existing ones to enable us to reach out to a much wider set of clients in such a year of crisis. We always knew that we couldn't do this alone and hence quickly worked on building multiple partnerships.

Caspian Debt enrolled as a member lending institution with National Credit Guarantee Trust Company (NCGTC) to provide loans under the Emergency Credit Line Guarantee Scheme (ECLGS) of Government of India to help our SME clients. We were able to provide ECLGS loans to 24 of our customers which helped them with the urgent liquidity requirements. Beyond this we formed partnerships with Michael & Susan Dell Foundation, Villgro and Rabobank that enabled us to reach out to several companies.

Caspian Team

We announced work from home even before the national lockdown was announced. The team was provided with an allowance to set up their home office. We honored all the 30 employment and internship offers made prior to covid. We onboarded all of them virtually during the year. We have not reduced our human resources cost because we firmly believe that it is only our human resources who have the capacity to help us deal with and emerge from the crisis.Anticipating the impact of COVID-19 on the mental health of the team, we onboarded a Counsellor on call for all our employees and they could avail her services throughout the year. We continued to virtually engage with our teams for work and recreation through the year. Our team came out stronger from this experience as we have worked remotely through the year without any significant loss of productivity or disengagement.

Board

For the very first time in the last 7 years, the first board meeting of the quarter for FY21 was held virtually. The board was apprehensive about the unfolding situation and engaged with us quite frequently in the early days with us to ensure we had adequate risk mitigation in place to deal with the situation. The frequency resumed to once in a quarter by the third quarter.We had 7 board meetings this year instead of mandatory 4 meetings in the year. We seamlessly held all board and committee meetings virtually and achieved 10 on 10 on our compliance calendar.

Vendors/Consultants

All our vendors and contract staff were treated with the same care as our own staff. Payments were made on time. Information was provided in a timely manner to help them complete the tasks they were entrusted with.

13 SDGs supported by the work of our clients

41 clients operating in **low income states**

100% clients were **MSMEs** at the time of their first loan

40% clients were loss making at the time of their loan from Caspian

24% of the SME have Caspian Debt as their first lender

46% of our disbursements this year were to our women led clients

28% of our clients have businesses which impact women.

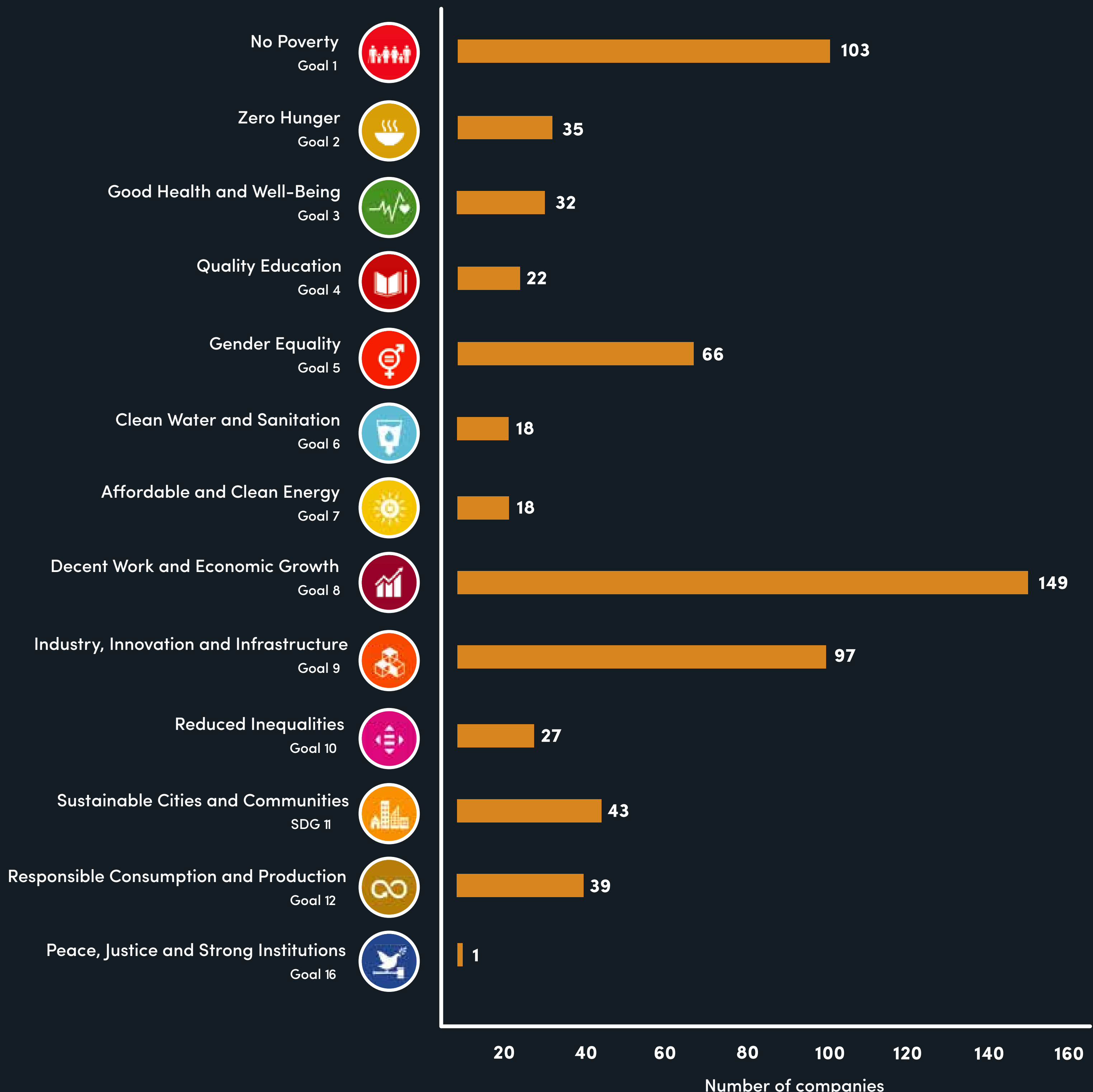
80000+ people employed full-time and 18.4Mn people by our portfolio clients as on 31st March 2021

1.07M MW Renewable energy generated by our portfolio companies

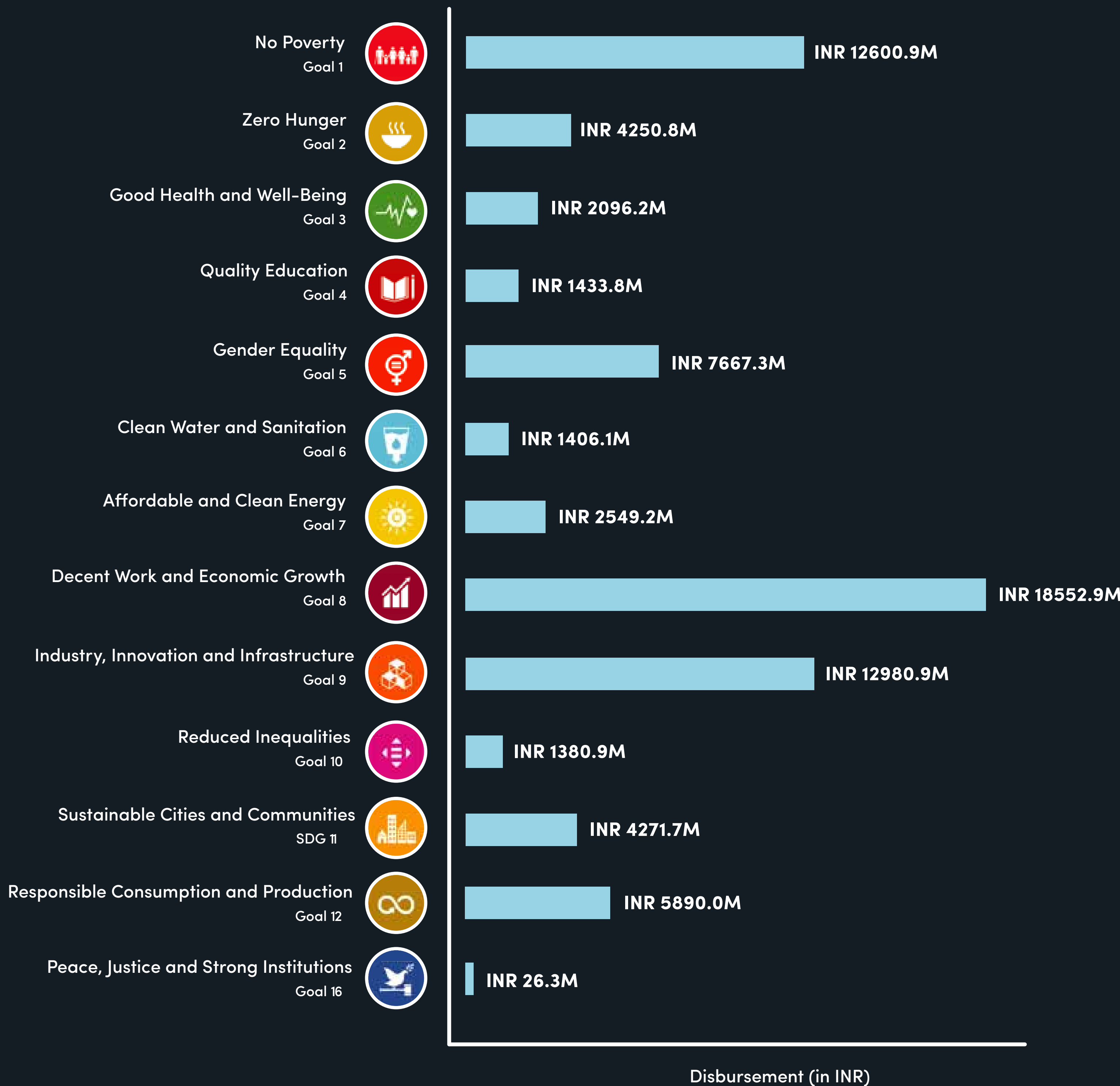
14.6M Mts of CO2 Emissions reduced

SDG IMPACT

Total number of SDGs supported



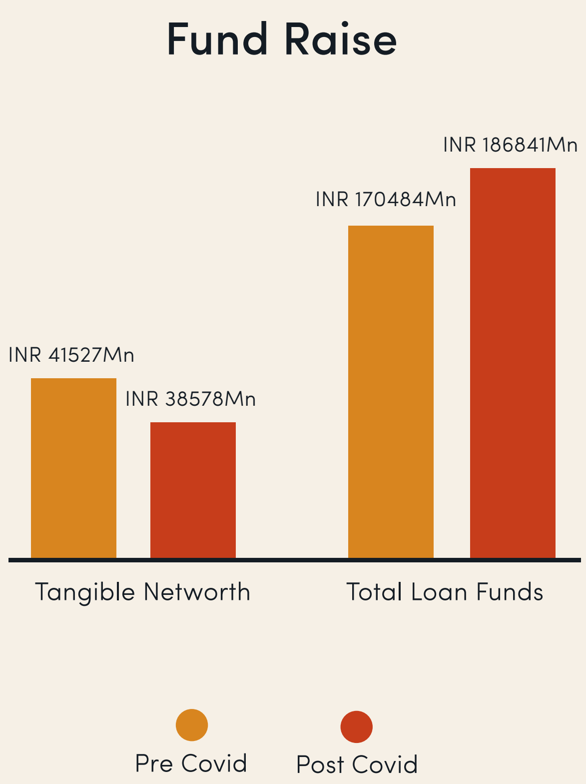
Total Investment in each SDG

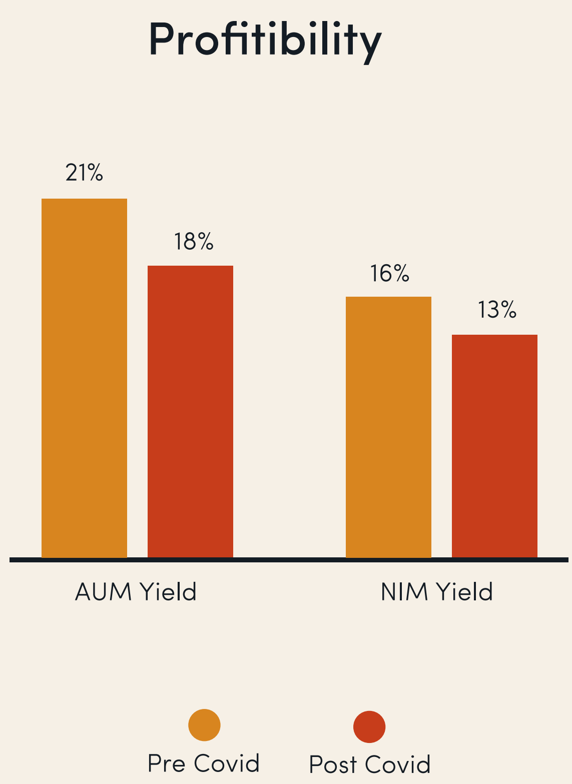


FI Highlights

To further understand and illustrate the social performance of our investments, we are going to analyse our investments by sector. We believe financial performance and social performance are interrelated.Our investments in the Financial Institutions space, which includes Microfinance Institutions (MFIs) and Small Business Finance (SBFs), contribute to several SDGs. Among these SDGs, our FI clients predominantly impact the SDGs of No Poverty, Decent Work and Economic Growth, and Industry, Innovation and Infrastructure. The analysis in the following sections is derived from the data reported by 46 financial institutions in our portfolio.

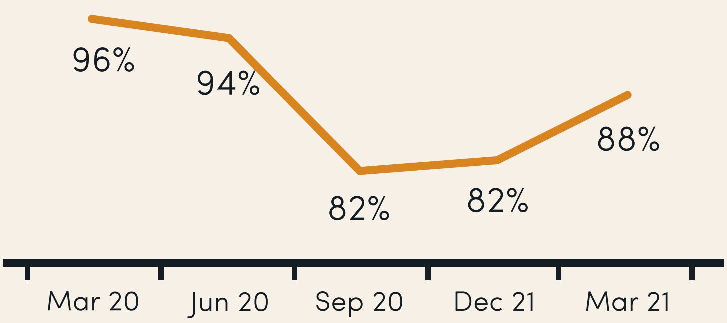
Caspian Debt's Financial Institution portfolio makes up 60% of overall Asset Under Management (AUM) as of 31st March 2021 and also made up 58% of the total disbursements made in FY 21.



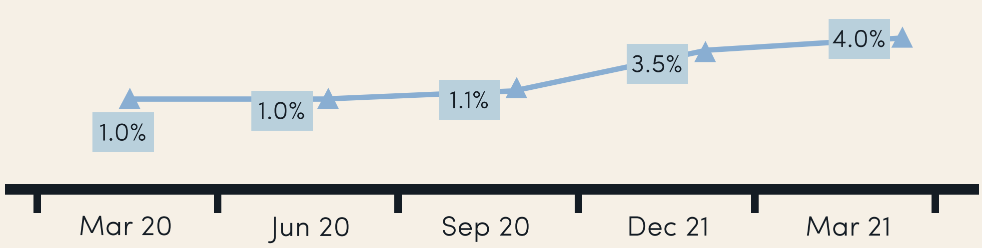


Post lockdown in Mar-20, as businesses came to a halt and financial Institutions faced hurdles, in repayment collections and in disbursing new loans.

Collection Rate

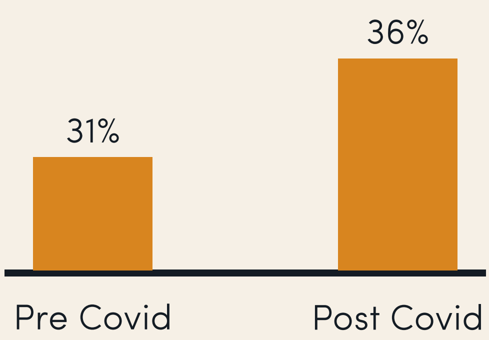


Caspian Debt FI PAR 90 Ratio - Median



As observed from the collection rate chart, the median collection rate fell until September and then improved as the moratorium was lifted at the end of August-20. This fall in collections is reflected in the PAR 90 days chart as businesses of the clients of our financial institution's portfolio companies continued to get affected. We see rise in PAR 90 days consequently as the accounts continued to be delinquent in Q3 and Q4 of FY 21.

Capital Adequacy



Anticipating the rise in this delinquency, Caspian Debt FI companies successfully raised capital as seen from the Capital Adequacy chart. This helped them absorb the losses on account of falling collections.

Microfinance Institutions

Total No. of companies
30

Total amount disbursed
INR 4390Mn

No. of people reached
11.0Mn

Average vintage
7.5 years

Average CAGR post CII investment
86%

Led by Women
63%

EBIDTA Negative at the time
14%

% of Caspian Portfolio
31%

Caspian has been one of the earliest supporters of microfinance from the year 2004 when Caspian (the promoting institution of Caspian Debt) was established. Over the years, we reduced our involvement in the microfinance sector, as funding to the sector from mainstream commercial sources became available at a large scale. However, FY 2021 was once again a year of great difficulty for the microfinance sector and hence we stepped back in to help the MFIs deal with the uncertain funding situation.

Nationwide lockdown in the wake of COVID-19 pandemic made a significant negative impact on the lives and livelihoods of the low income clients of microfinance institutions. The lockdown was devastating for millions of migrant workers who form the bulk of the urban microfinance clients. This led to immediate exodus to the villages they came from. The rural clients who have diversified income sources from agriculture and allied services were affected moderately and are expected to recover faster. However, MFI operations were severely affected. Disbursements and collections had been halted as microfinance operations mainly rely on in-person interactions with their customers and cash collections.Most of our clients had no collections during the lockdown period which lasted a little over two months. The industry associations of microfinance institutions managed to categorise microfinance operations as essential and the operations could begin after two months. Amid these testing times, Caspian Debt has regularly been in touch with clients to discuss potential solutions and has offered moratoriums to some of them who requested and were found to be deserving of the support..

We have funded 13 MFIs in FY 2021, many of whom have an edge over their peers in terms of on ground local presence, digitization and innovativeness of solutions offered. In aggregate, we have disbursed about INR 950 Mn in FY 2021 through 18 loans, despite COVID-19, as we believe in the resilience of our portfolio companies and their underlying clients. This resilience was demonstrated with microfinance collections increasing to over 90% in the last quarter with cautious disbursements. The extended moratoriums did not negatively impact the willingness to pay for the borrowers.

As we write, India is in the midst of its second wave of covid and we believe that this test will be one of the toughest for the MFIs. The organisations who are likely to see this through successfully are the ones who will find ways to digitalise collections while retaining strong client connections. The time has come to review the MFI model which has worked so far on the back of women borrowers and joint liability as risk mitigants to ensure that it is not stretched beyond limits. FIs in this sector will require a rethink of credit evaluation processes and products which match the cash flows and capabilities of the households.

Case Study | Vaya Finserv

Vaya
POWERING ASPIRATIONS

Vaya Finserv was established in 2014 by a team of veteran MFI professionals. Vaya uses the peer group lending model to offer unsecured, income-generating loans. Vaya pioneered use of tab-banking in the MFI operations and digitalised the entire lending process right from customer acquisition (e-KYC, credit evaluation, geo and time stamped group meetings, disbursement (in PMJDY Bank accounts), loan utilisations check, monitoring and collections. The technology enabled process gives Vaya a distinct competitive advantage over other Microfinance Companies.

The company currently operates in six states out of which 3 are low income states with an employee base of 2,000. Vaya is the 1st MFI in India to become a Certified B Corporation.

COVID-19 Challenges and how It tackled

Majority of MFI clients of Vaya are based in rural areas and are self-employed and/ or daily wage earners. They usually take up small trading/business activity, agriculture/allied agricultural activities, operating kirana stores, etc and most of these activities fall under essential services.

During the initial stages of the pandemic, the company faced severe operational challenges due to restricted movement of field staff. The technology first approach, Vaya Finserv, helped the company to maintain contact with the borrowers and educate customers regarding the importance of making regular repayments to ensure strong credit history and becoming eligible for a new loan in the future.

In compliance with the Reserve Bank of India's directives, Vaya had extended a moratorium on the repayments to all borrowers for the period from 01st March 2020 to 31st August 2020 to help mitigate economic stress of their borrowers. The total tenure of the loan has been extended based on the number of months of moratorium opted by the borrower. Vaya focussed on managing its liquidity during the pandemic. Apart from utilizing special liquidity schemes announced by the Government of India, the company's promoters, not only infused an emergency/bridge loan of INR 30Mn during the last week of April 2020, they followed it up with another round of 1000M in December 2020. Caspian Debt has a 3 year relationship with Vaya. Caspian Debt also provided them a loan of INR 100Mn during the height of the pandemic to bolster their ability to restart lending to support their clients. The Company resumed loan disbursements from July 2020 onwards and achieved average monthly on book loan disbursements of INR 570 Mn in FY 21 and registered a 10% quarter on quarter growth for the Q4 of FY21. This reflected sharp recovery in the Q4 though overall it had a degrowth of about 16% on a year on year basis.

"Caspian Debt has been playing a pivotal role in supporting the microfinance sector, especially the smaller players. Caspian Debt was among the early-stage lenders to Vaya when we started on-lending from our own balance sheet and has continuously supported us through their line of credit for the last three years and helped to create an impact on the lives of thousands of women entrepreneurs in the rural hinterlands. Their loan during the Covid-19 situation last year has also helped in reviving the economic activities of many such people during the challenging times."
- A.V. Sateesh Kumar, MD & CEO, Vaya Finserv Private Limited

Small Business Finance

Total No. of companies
30

Total amount disbursed
INR 5029Mn

No. of people reached
1.9Mn

Average vintage
7.2 years

Average CAGR post CII investment
81%

Led by Women
67%

EBIDTA Negative at the time
67%

% of Caspian Portfolio
32%

The onset of COVID-19 proved particularly harmful to this segment as not only did it hamper the ongoing growth, but also threatened to wipe out the growth that preceded it. According to CMIE (Centre for Monitoring Indian Economy), nearly 90 million daily wagers, and self-employed individuals lost their livelihoods during the pandemic. The pandemic also resulted in the disruption of supply chains, shortage of labour and a hike in the prices of raw materials, which severely handicapped those in this segment. As a result, Financial Institutions (FI) catering to this segment had to deal with the moratorium declaration twice, falling collections and disbursements. Caspian Debt's portfolio companies cater to the MSME segment across the spectrum -through small unsecured loans for retailers, manufacturers, loan against property for schools and education institutions and light commercial vehicles loans for small businesses.

While most MSMEs were affected, the institutions lending to schools and educational institutions were most severely impacted. Majority of our portfolio companies reported a collection efficiency of less than 40% during the lockdown (median 35.26% in May 2020) . This improved over time to pre-covid levels starting from the third quarter (average 92% in Dec-20),but overall quality of portfolio had deteriorated as some of our clients witnessed defaults after the lockdown with PAR 90 moving from 2% in Jun-20 to 4% in April-21. As a result, every partner in the segment faced a liquidity crunch, especially the NBFCs as many couldn't avail moratorium but had to provide moratorium to clients in their portfolio. We selectively provided moratoriums to some of our clients. While the quarter on quarter growth for NBFC's lending to SMEs is negative, the disbursements recovered to near normal levels in the last quarter signalling a recovery of the underlying MSMEs. The portfolio losses are expected to be higher this year and it is the strong capital adequacy of these institutions which will help them absorb these losses.

While most Financial institutions are still recovering from the first wave of COVID-19 with the second wave in its heels we believe that there is an enormous scope for growth in this sector. We continue to hold a long term view for this sector as we believe the underlying MSMEs are the growth engines of Indian economy and will bounce back with the right amount of capital infusion. With this inherently bullish outlook for the sector, we have funded 18 SBFs (with INR 1330 MN disbursed) that deal with MSMEs in FY 2021.

Case Study | ISFC

ISFC is the first Non-Banking Finance Company founded with the exclusive purpose of financing affordable Private Schools and other educational institutions. The objective of ISFC is to assist the Schools and other educational institutions in building their capacities through infrastructure improvements, thereby enabling students to access quality education.

The company currently operates in 15 states which includes 5 low income states, and has served more than 4500 schools thereby impacting more than 4 million students.
Caspian Debt has been supporting ISFC in the mission of financing affordable private schools from the last 5 years, during this period we have offered 3 loans totalling to INR 170Mn and have also subscribed to NCD offered by the company.

Covid Challenges and how ISFC tackled

ISFC provides loans to affordable private schools. Students in these schools are from low income families, whose livelihoods have been battered by intermittent shutdowns, lockdowns and curfews by central and state governments. This resulted in non-payments of school fees by many of the ISFC funded School's parents. Due to the inability to collect fees and resultant liquidity crunch, school administrators had to resort to pay cuts for the teachers and lay off support staff to survive under these stressed financial conditions .This led to steep fluctuations in collection efficiency of ISFC and degrowth of its overall portfolio.

ISFC did a difficult balancing act of supporting its borrowers in surviving this period and also ensuring collection of its own dues from schools in order to survive. ISFC devised different waiver, foreclosure schemes and resorted to restructuring of loans to help them with recoveries from the schools, which have remained closed physically till now. During this period, Gray Matter Capital the founding investors of the company recommitted themselves towards the mission of the company by infusing additional $ 8 Mn capital, which helped the ISFC to survive this phase. ISFC since May'20 has a new management which is focussed on collections and building a product portfolio to improve liquidity and assets under management.

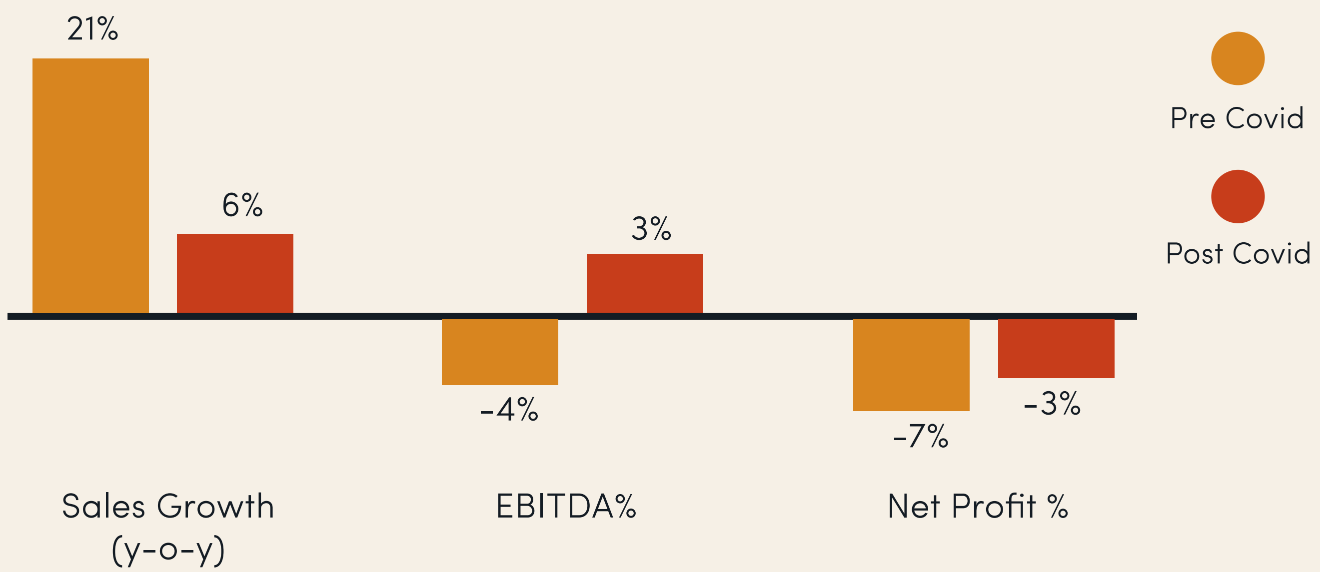
While navigating through the COVID-19 crisis ISFC has realized availability of convenient and low cost credit to low income and vulnerable parents is critical for the long term sustainability of affordable private schools. This understanding was confirmed from their recent survey which found that, while 80% schools which were surveyed had started fee collections only 35% had collected more than 70% of their fee dues, suggesting a decline in the ability of parents to meet the school fees. To address this problem the company has developed technology solutions for offering low cost and convenient school fee loans to the parents of ISFC funded schools and also derisk schools from the cash flow risks.

Small and Medium Enterprises Highlights

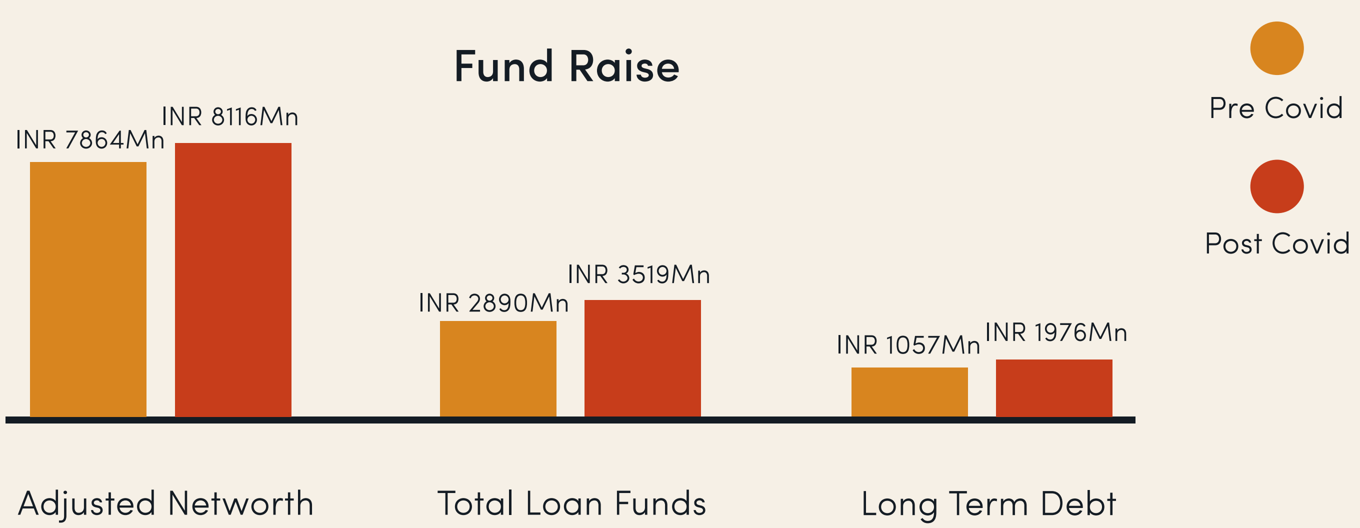
The SME category which mainly consists of Food and Agriculture, Education and Skill Development, Clean energy, Healthcare and General Impact sectors had 54 clients and constituted 38% of the overall Caspian Debt AUM and had 42% of share in overall disbursements as on Mar-21. While covid induced lockdown had different impact on sectors within SME portfolio, some common challenges like logistics, stalled projects at execution stage, collection challenges were faced by most of the SMEs.

Every sector in SME, except Food & Agriculture registered a fall in sales growth (Y-o-Y) in Q1 and Q2 of FY 21 as compared to Q1 & Q2 of previous year. The median growth in Y-o-Y sales growth was around 6% and 16 out of 54 companies registered positive sales growth from FY 20 to FY 21. as on Mar-21 suggests an overall recovery and also resilience demonstrated by the SMEs.

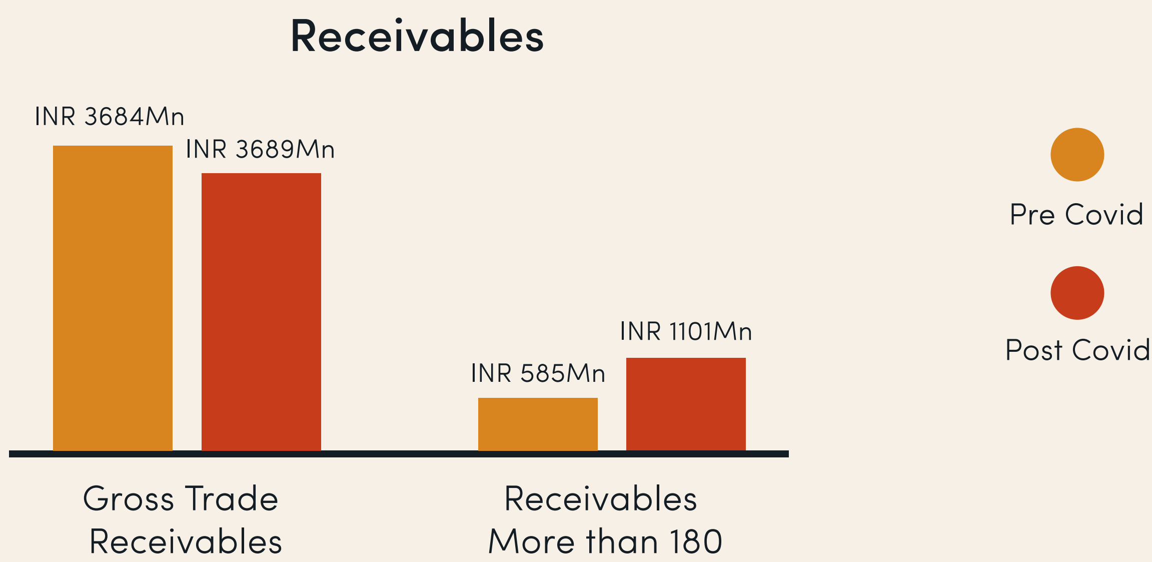
Growth & Profitibility



Fund Raise



While EBITDA margins and Net Profit Margins improved in the post COVID-19 era, a sharp decrease in Operational cost was observed from Mar-20 to Mar-21 as SMEs sought to improve profitability by implementing cost cutting measures. There is an increase in the net worth observed for the SME portfolio from Mar-20 to Mar-21 as fundamentally strong companies resorted to successful equity raises. However, at the same time there was an increase in Debt to Equity ratio depicting higher use of leverage. From total debt, the share of long-term debt was ~56% as on Mar-21.



Every SME sector had collection issues during lockdown which affected their cash flows. Even though overall receivables remained unchanged, share of receivables >180 days doubled from Mar-20 to Mar-21. While the SME sector faced unprecedented challenges, its underlying resilience is encouraging. We have captured the sector wise impact in the following sections.

Clean Technology

Total No. of companies
14

Total amount disbursed
INR 1768Mn

% MSME
100%

People employed
1,564

Average vintage
10.1 years

Average CAGR post CII investment
55%

Led by Women
50%

EBIDTA Negative at the time
67%

% Micro - Enterprises
89%

% Small - Enterprises
11%

The Clean Energy and Energy Efficiency sector focus at Caspian Debt is fairly broad and covers a wide range of companies from rooftop and ground mounted solar solution providers that enable renewable energy generation to companies manufacturing energy efficient devices or IoT solutions. These companies faced varying degrees of hardships including supply chain breakdown, implementing delays due to lockdowns and labor shortage, repressed demand especially for retail products during the pandemic. The companies from the Clean Tech sector overall faced strong headwinds due to COVID-19 in the first two quarters of FY21. We provided a moratorium selectively to the companies facing liquidity constraints.

Based on the data provided by 11 companies in our portfolio, in Q1 FY21 over 90% of our cleantech companies faced reduction in revenues , compared to FY20. In Q2 FY21, as some state lockdowns were being lifted, there was a marginal improvement in performances but around 51% of companies continued to record lower revenues than the previous year. In Q3, with lockdowns easing and the economy seemingly trotting back to normalcy - 63% of our companies saw over a 100% growth over their revenue figures of the same quarter in the pre-pandemic year. This positive trend further improved in Q4 with all but one company showing significant revenue improvements over the previous year.

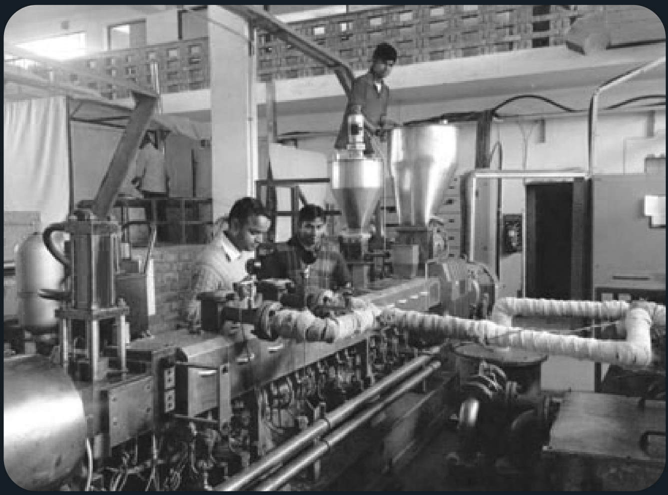
When considering profitability of these companies (measured by EBITDA margins), 2/3rd of companies improved profitability in the pandemic year as compared to the previous year. In the first half of the year, ~50% of the companies saw decline in profitability but as the second half of the year progressed, more than half of the companies were able to turn things around and record profitability improvements. 80% of our companies achieved this by significantly reducing losses (as a % of revenue) in the second half of the year.

We at Caspian Debt encouraged by the resilience shown by our portfolio companies, remain bullish regarding the cleantech sector There are several regulatory tailwinds which will help in the sector's growth and future prospects. We see a strong demand as well as regulatory encouragement towards Electric Vehicles both for consumer and business uses. We are also hopeful about adjacent sectors which are emerging to support clean tech such as companies setting up electric charging infrastructure. We are also looking at sustainability as a movement overall and hope to add other interesting companies who are working towards making this planet greener. This past financial year, we have lent to 8 companies to the tune of INR 244 Mn and we expect the numbers to grow over time.

Case Study | Pluss Technologies

Pluss Advanced Technologies Pvt Ltd started with polymer manufacturing in 2003 and has a vision to create impactful innovation. From 2006, PLUSS pioneered and launched Phase change material (PCM) Technology and since then has developed a wide range of patented ingenious PCMs under the brand name of savE®. Using savE® the company operates in the area of sustainable temperature control across sectors of healthcare, agriculture, food, logistics and sustainable buildings.

PLUSS started its relationship with Caspian Debt in September 2019 and had existing debt from a bank and unsecured loans from an NBFC. The company was looking to expand their footprint and had a greater need for meeting their working capital gap. Caspian was the first company to provide a revolving loan to PLUSS as the company usually manufactures on prior orders. INR 110 Mn has been disbursed to the company till date for meeting their business needs including a loan in April '21 to help them with their covid response initiatives.



COVID-19 Opportunity

Vaccines, RT-PCR based COVID-19 test kits, drugs like Remidisivir used in the COVID-19 treatment are temperature sensitive and each of these products requires a unique stability temperature. Any variation in the temperature levels can irreversibly affect their potency and effectiveness. Pluss provides a set of pre-qualified temperature-controlled shipping containers called Celsure® The celsure® solution is used by pharma, diagnostics and biotech companies to pack and transport temperature sensitive drugs, vaccines, test kits, clinical trial samples and other heat labile products. The Celsure boxes maintain precise temperature between 2-8°C, 15-25°C and frozen (-20°C), as per the requirements of the products being transported. This solution can maintain temperature validity upto five days even under hot Indian tropical conditions. PLUSS has been at the forefront of the massive covid response required by India and Caspian Debt played a small role in making it happen.

"Pluss has been in the innovation space with a focus on science and technology based products for the benefit of society. Products take time to develop and roll out into the market. New-age investors and VCs preferred investing in companies that can show rapid growth and scale – this does not happen when you are creating on-ground technologies and products and also ensuring you turn cash positive. The fundamentals of business cannot be ignored for creating lifetime institutions. Manufacturing is a challenge and at no point can a country sustain itself only on services. With this belief, we reached out to Caspian Debt to raise debt to help us change our orbits post the first round of VC raise. This has helped us immensely and allowed us to scale and find new customers while supporting the working capital requirements to fuel this growth. We remain indebted to Caspian Debt for this!"
-Samit Jain, MD, Pluss Technologies

Healthcare

Total No. of companies
16

Total amount disbursed
INR 881Mn

No.of people reached
1Mn

People employed
4,488

Average vintage
10.5 years

Average CAGR post CII investment
46%

Led by Women
56%

EBIDTA Negative at the time
71%

% Micro - Enterprises
36%

% Small - Enterprises
21%

India's healthcare system has been under tremendous stress during the pandemic. At the peak of the pandemic, hospitals faced a shortage of beds, staff and equipment. Only recently, during the second wave of COVID-19, infrastructure shortage was exposed as several states reportedly experienced a shortage of oxygen, resulting in unfortunate deaths. Although hospitals experienced high demand from COVID-19 patients during the pandemic, the majority of them have experienced a drop in footfall of patients suffering from other ailments. As a result, certain segments in the healthcare sector suffered more losses than others.

Our portfolio companies operate across the preventive and curative spectrum with focus on Eyecare, Dentalcare, Kidney and Diagnostics (preventive & curative). 3/4th of them experienced a dip in their business due to fall in footfall of patients and supply chain disruptions. Post lockdown, after a brief spurt in demand, business did not bounce back to usual as elective healthcare was postponed due to the persistent fear of virus. The companies dealing with non-COVID-19 diagnostics were significantly hit, and had to quickly pivot to COVID-19 screening. Almost all of our portfolio companies dependent on institutional clientele experienced delays in realising receivables, resulting in cash flow issues during the first COVID-19 wave.

From a small section of companies who provided us detailed information about their revenues, we found 100% of them faced reduction in revenues in Q1 FY21 and Q2 FY21, in Q3 FY21, with ease of lockdowns and fall in covid cases, 40% companies showed an increase in quarter on quarter revenues over the previous year, this increase continued in Q4 FY21. However 60% of the companies were behind in terms of revenue compared to previous year and hence suffered worsening of profitability.

As a result, a majority of our portfolio companies availed moratorium on their loans. Keeping in mind the severity of challenges faced by our clients, we disbursed 11 loans to the sum of INR 113Mn in FY 20-21 so that their hard-earned growth does not come to a halt. Though this time was challenging for most of these companies, none of them faced survival issues due to the essential nature of the operations and sustainable business models, and are already bouncing back gradually.

We expect the healthcare sector to continue in the focus for next year as we are seeing companies pivoting their products and business models in the fight against COVID-19. We also must prepare ourselves for the results of pandemic-forced neglected care in Non-Communicable-Diseases. We are looking forward to piloting blended finance to enterprises innovating products and services in response to pandemic. We would continue to support enterprises working towards improvement in the accessibility of quality preventive and curative healthcare through innovations in tele-consultation & point-of-care diagnostics, and infrastructure expansion in Tier Y and Z geography.

Case Study | Collateral Medical

Collateral medical (Colmed), founded in 2011 by Mr Nikhilesh Tiwari and Mr Sanjay Jha (ex-Johnson & Johnson) to improve the accessibility of medical equipment. It provides e-commerce driven distribution of these equipment to doctors, hospitals, consumers and smaller distributors across the nation including the low income states of Uttar Pradesh, Rajasthan, Odisha, West Bengal, Bihar and Jharkhand. It has reached over 66,000 people in the 10 years of its existence.

COVID-19 Challenges and how it tackled them

In spite of being classified under essential products, Colmed had to face three major challenges during the 1st COVID-19 wave in India, first being the disruption of supply chain due to lockdown, both domestic and international, the offices and warehouse had to be shut. The other challenges were the significant fluctuations in demand, reduced collections and pricing of products which compounded their cash flow problems. The other key challenge of course was COVID-19 itself as many of its employees got infected.

Caspian Debt could support Colmed by providing a moratorium in repayment, and providing a new loan quickly under the govt scheme that helped the company in managing the cash flows in such turbulent times.

The 2nd alarming COVID-19 surge brought its own challenges, but also presented the opportunity to not just do business but also contribute directly to people affected by COVID-19. Colmed needed urgent funding for procuring Oxygen concentrators which are proving to be critical for COVID-infected patients. The company was seeing significant demand from customers and had managed to secure supply from a large vendor by paying an advance.

Caspian Debt has invested INR 90 Mn in Colmed via 4 different credit facilities since 2017, primarily for their working capital requirements and funding for the remaining amount to place the orders. With quick support of additional INR 20 Mn from Caspian Debt and advance payments from customers, it was able to deliver the much-needed equipment and save lives.

"Caspian Debt has been very supportive in providing us with an extension to the current credit lines that helped in easing the cash flow situation and allowed us to adapt to the new product mix due to COVID-19.

We have been working with Caspian Debt for over 5 years now. I really appreciate the transparency with which they work allowing a collaborative approach towards planning and finance management. One unique thing about them is that they take challenges faced by companies as their own problems and try to come up with solutions such as blended finance etc to address the need of the hour."
-Nikhilesh, CEO, Collateral Medical.

Food & Agriculture

Total No. of companies
28

Total amount disbursed
INR 4192Mn

No.of people reached
3Mn

People emplyed
3,145

Average vintage
9.5 years

Led by Women
32%

EBIDTA Negative at the time
56%

% Micro - Enterprises
57%

% Small - Enterprises
63%

% MSME
100%

Caspian Debt has been one of the early investors in the food and agriculture space, having invested into early-stage companies across the ecosystem, including those providing quality agri-inputs to farmers, delivering smart and precision agriculture solutions enabling better decision making by farmers, offering solutions for monitoring, modelling and forecasting crop conditions through location specific weather and crop data, digitizing the dairy supply chain, and providing market linkages connecting farmers/ FPOs and corporates or SMEs.

Analysis of Caspian Debt's portfolio indicates that the Food & Agriculture sector performed relatively better than others during the pandemic, given its non-discretionary nature. However, Caspian Debt's clients in the food and agri domain were impacted by disruption in supply chain, and acute shortage of labour during Rabi (winter harvest time). With the risk of losing the standing crop and inability to prepare for the next sowing season, farmers were exposed to risks of losing two crop cycles. Clients who relied on exports/imports in their value chain experienced a surge in freight costs, badly impacting gross margins. Payments from suppliers were delayed leading to severe working capital crunch. As the lockdowns were announced, in Q1FY21, 56% of our portfolio companies saw significant reduction in revenues, as supply chain starting easing up for the agriculture produce, 44% of our companies saw increase in revenues by Q2FY21. By Q4FY21, 78% of the companies had shown an increase in revenue over the same quarter in the previous year. 67% of the companies had an overall increase in revenue by around 45% over the previous year, showing significant signs of recovery. 67% of the companies also demonstrated improvement in their profitability.

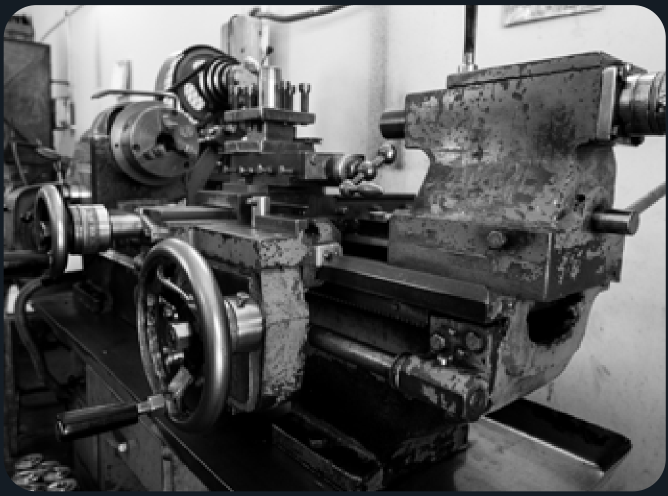
Our portfolio companies in the organic and healthy food space benefited from a rise in demand for high nutritional content and immunity building products, and were able to demonstrate growth over preceding years. A few companies pivoted to online retail, enabling them to maintain revenues at the level of the preceding year. We believe the food and agri sector would be the fastest to revive given its 'essential services' nature. The investor interest in the sector has also peaked. We at Caspian Debt are proud to have contributed to this growth through funding 15 clients in FY 20-21 and disbursing 39 loans totalling INR 621 million during the period. We will continue to support businesses which have positive unit economics, the potential to scale and make an impact on the lives of farmers.

Case Study | Sresta Natural Bioproducts

Sresta Natural Bioproducts(Sresta),founded by Mr Raj Seelam in 2004, is a pioneer in the Indian organic food products, working with 40,000+ farmers, bringing the products from farm to fork across India and multiple countries under the brand 24 Mantra.

COVID-19 Challenges and how it tackled them

The company, due to the essential nature of the products, was allowed to operate in COVID-19-forced lockdowns but the supply chain was disrupted, and the footfall in large format retail stores declined significantly, resulting in reduced sales from major customers.
The silver lining was consumers becoming more conscious about their immunity, and health in general. It resulted in a surge of demand for the '24 Mantra' Organic Products in India and abroad. The new channels like e-commerce picked up sales faster, to not just recover the lost sales from large retails stores but went beyond their regular demand.



This gave the company a good problem to solve, and the Sresta team rose to the occasion by showing resilience while managing supply chain challenges and their own safety. Their employees have been provided with relevant resources to take care of their physical and mental wellbeing.

Sresta also needed additional funding to manage the working capital due to increased demand, and Caspian Debt supported them with additional funding.

"Caspian Debt has provided seamless and timely working capital funds from time to time since 2013 and has played a pivotal role in Sresta's success story.

During Covid time in FY 2020-21, Caspian Debt has supported us in a timely manner with an ECLGS Loan with one year "moratorium period" which has helped us to cater to the increased demand for our products and ease out the pressure on Working Capital requirement."
-**Raj Seelam, MD, Sresta**

General Impact

Total No. of companies
24

Total amount disbursed
INR 1271Mn

People employed
6,088

Caspian First lender
58.30%

Average vintage
11.1 years

Led by Women
54%

EBIDTA Negative at the time
67%

% MSME
88%

Average CAGR post Caspian Debt investment
23%

Our 'general impact investments' include a variety of sectors such as water and sanitation, Information & Communication Technology for the development of non-farm livelihoods, education, and skill development . Among these investments, the education sector takes the majority of the share.

Unfortunately, COVID-19 severely affected the education sector as schools across the globe remained shut for several weeks even after the lockdowns had ended. Although digital education platforms were gaining momentum prior to the pandemic, the sudden lockdown hastened the switch to digital learning methods. In addition to dealing with this transition, schools had to face the brunt of rising unemployment as schools across the country faced challenges in collecting tuition fees leading to student dropouts and loss of revenue.

Consequently, many of Caspian Debt's clients in the education sector were adversely affected as well. All our education clients faced reduction in revenues and consequently profitability throughout the year. Those who operated through brick and mortar channels of delivery had their business affected irrevocably. This also prompted many to transition to digital delivery and change their business model from B2B to B2C. The major issue resulting from COVID-19 for our partners were delays in payments from the schools they partnered with. These delays resulted in a severe shortage of working capital, leading to pay cuts or deferment of salaries for employees. Clients have also forecasted delays in payments in the coming months due to subsequent waves of COVID-19. On the bright side, digital first edtech companies serving the students directly faced tremendous tailwinds and this was also reflected in the investor sentiment for the sector.

We have disbursed about INR 322Mn to our clients that fall in the GII space. A majority of that sum (INR 211Mn) was disbursed to our clients in the education sector. Bearing in mind the magnitude of challenges faced by this sector during the pandemic, we have been cautious with our disbursements but at the same time ensured that our clients' growth wasn't hindered due to a lack of capital.

Case Study | Edubridge

EduBridge Learning Pvt Ltd is a skill development and vocational training organization, established with the vision of reducing the skill gap that exists between rural economically backward youth and the skill requirements of the corporate market. It leverages the ecosystem of Government organizations, Corporates (CSR and Recruiters) and NGOs for mobilizing, skilling and placing unemployed youth for entry-level jobs that pay INR 8000 to 25000/month. Since inception, EduBridge has offered training through a traditional 'physical training centres' owing to the digital divide among their target group with the government as their primary client. Edubridge has trained over 150,000 candidates since inception, and has helped over 65% of these candidates secure placements.

COVID-19 Challenges and how it tackled them

Unfortunately, due to the Covid-led lockdown in March 2020, EduBridge had to completely shut down its operations for over 3 months while facing a huge delay in receivables rendering the company nearly out of cash. This required a strategy refresh for the company as the shift could not have been more drastic for a company which had always operated through physical training centers. However, in this pandemic situation, they pivoted their business model to go completely digital with their new digital learning platform EON to meet the needs of the students and corporates.

With the launch of EON, EduBridge re-started training for existing candidates and adapted to enrolling all new candidates using digital interface.They were also able to retain their CSR clients and continue most project implementations through EON by demonstrating the efficacy of the online training through superior learning outcomes. Consequently, a tech driven skills development company was born out of a need to remain relevant amid the pandemic.

As the digital adoption remains low in Government funded projects, a deliberate movement towards CSR and self-sponsored trainings over the previous years nudged by their investors and lenders helped them remain in business and adopt the new technology quickly. Under the new model, the company has trained over 18,000 candidates in the last fiscal. This was made possible by additional capital support, extended moratorium and push towards stringent cash management by Caspian, other lenders and investors. In fact, they have become profitable with sufficient cash balances to close the financial year.
As of March 2021, the company has also piloted the student paid training model and is looking to expand into a new segment through existing training centres and affiliated educational institutions.

"Caspian Debt has been an ideal partner for us in our journey of scaling. They have been partners in the truest sense and our relationship has always been that of a partner and not a lender and borrower. They have always had a solution oriented approach to any roadblocks or issues. They understand business level challenges and make future plans accordingly. An ideal partner to have while we grow our organisation. Thanks Caspian Debt"
-Girish Singhania, CEO- Edubridge

Feedback from the Stakeholders

We are a company promoted by Caspian Advisors, the first impact investor in India to be Certified B Corporation (BCorp). As a B Corp we hold ourselves equally accountable not only to our shareholders but to all our stakeholders including employees, suppliers, communities, clients and investor partners. We endeavour to balance the expectations of all our stakeholders. We carry out an annual survey of clients and employees. The feedback from the surveys is summarized as under:

Feedback from the Clients

We interviewed 55% of our new clients added this year. All the clients interviewed were satisfied with their association with Caspian Debt and 100% of them were inclined to refer us to other entrepreneurs.

The feedback is summarized as under:

Themes	Feedback
Process	The credit evaluation process was thorough, streamlined, clear and transparent. Most of them found the digital interface seamless.
Strengths	The Caspian team is humble, has strong sector knowledge, provides relevant feedback, and is flexible.
Areas of improvement	Turnaround time though much shorter than other institutions can be further improved. Caspian Debt should offer higher loan amounts.

We are continuously working on the feedback. As our technology platform DIGIT@C strengthens we hope to achieve the TAT expectations of our clients. We are also working to set up funding vehicles to meet the higher loan requirements of our growing portfolio companies.

"It was an awesome experience to go through the due diligence."

"Caspian Debt is the only lender who enquires about our HR policy, gender break up of our staff... this is very important and can only be enforced only by lenders."

"We learnt so much about Governance from Caspian Debt".

Employee Well-being during Covid

Caspian team completed over a year of working from home. While this year was very challenging in terms of business and processes, our team showed resilience to reach the pre-covid levels in terms of portfolio outstanding, adoption of the new technology platform Digit@C, completing all compliances of a Systemically Important NBFC and completing annual audit of our accounts on schedule. We started our office in January this year in a phased manner with only the senior leadership team coming to office in the initial few weeks before the rest of the team joined.

Our Annual employee survey this year focused on the team's concerns around continuing COVID-19 impact.

Feedback from our employees is extremely critical for us to keep building a safe and engaging place of work. As COVID-19 has shown us, we might have to work, often in isolation, and yet with a shared sense of purpose and vision. Our Annual employee survey this year focused on the team's concerns around continuing COVID-19 impact. The key findings are

90% of the respondents are concerned about COVID impact on their personal lives.

87% of the respondents feel that they have safe channels to share any concerns about COVID-19 and its impact on Caspian Debt.

100% of the respondents feel confident about Caspian's senior management's ability to deal with COVID-19 crisis.

Some of the key challenges faced by the teams across the board are blurring lines between work and personal life, social isolation and not having physical workspace at home. We will continue to engage closely with the team to help them deal with some of the concerns and challenges they are facing. We have roped in a Mental Health professional to be on call and the leadership team has reached out to all the team members individually in the last year to address their concerns and instil confidence. We will ensure that we provide safe channels of communication to our team members.

CSR Activities

Caspian Debt has focussed its CSR activities on supporting education of children and promoting entrepreneurship. With these themes as core, Caspian Debt partnered with three institutions of repute in this year – Parinam Foundation, Centre for Innovation Incubation and Entrepreneurship (CIIE) and Villgro.

Parinaam Foundation

Our partnership with Parinaam Foundation continued this year to support the schooling expenses of children under its Academic Adoption Programme. The Academic Adoption Programme is designed to transform the lives of disadvantaged children by providing them access to high quality education in the English medium through academic scholarships. These children come from very poor families and are at risk of dropping out of the formal schooling system. As a part of the Academic Adoption Programme, we have taken up the responsibility to fund the entire schooling expenses of 40 children. This year, we added 11 more children under our support programme, taking the number up to 51. We believe that the Parinaam Foundation plays a critical role in the lives of these children and their families by ensuring that the child receives quality education which will pave a way towards a better life.

CIIE

Caspian Debt partnered with CIIE, a start-up incubator established by IIM Ahmedabad to set up a virtual start-up school. The joint Initiative called the Innocity Startup School, was set up with the aim to support aspiring entrepreneurs and early-stage entrepreneurs across sectors that have limited access to high quality entrepreneurship training and knowledge. Innocity start-up School, aims to address challenges for entrepreneurs from tier II and tier III cities through a highly structured, and multi-faceted virtual training. The Start-up School leveraged technology to power high quality interactions between founders and domain experts. Under this initiative, a total of 136 applications were received, out of which 60 participants were selected for the cohort. Diverse cohort of 60 comprised 17 women entrepreneurs, 44 founders from idea to Minimum Viable Product Stage enterprises, 12 founders from enterprises which were in early traction stage and 4 of them were from growth stage enterprises. Start-up School curriculum systematically took the participants through four critical aspects of building a start-ups venture – product development with a gender lens, market sizing, technology, and functional aspects of running a start-up. The program curriculum was spread over two months. The participants found the program very useful in strengthening their start-up journeys and found the entrepreneur mentors very inspiring.

Villgro

Caspian Debt partnered with one of India's pioneering incubators of social enterprises – Villgro to support their annual initiative iPitch. iPitch helps early-stage enterprises connect with incubators and investors. iPitch 2020 was focussed on early stage start-ups working towards generating employment & micro-entrepreneurship opportunities, accelerating the inclusion of women in workforce, developing low cost devices for early detection of communicable and non-communicable diseases, developing technologies that increase rural access to healthcare, providing access to healthcare for women, improving farming efficiency, reducing food loss & wastage, increasing value addition at farm gate & strengthening supply chains. The Funds were used for attracting early stage social enterprises to apply to iPitch.

Abbreviations

GOI - Government of India

Digit@C - Digital Intelligence for Growth & Impact for Transformational Enterprises @ Caspian

MSME - Micro Small and Medium Enterprises

RBI - Reserve Bank of India

US DFC - United States International Development Finance Corporation

MFIs - Microfinance Institutions

SBFs - Small Business Finance

SDGs - Sustainable Development Goals

EBIDTA - Earnings Before Interest, Taxes, Depreciation, and Amortization

PMJDY - Pradhan Mantri Jan Dhan Yojana

ISFC - Indian School Finance Company

NCD - Non-convertible debentures

Y-o-Y - Year on Year

YTD - Year to Date

IoT - Internet of Things

EPC - Engineering Procurement and Construction

PCM - Phase change material

RT-PCR - Reverse Transcription Polymerase Chain Reaction

ELCGS - Emergency Credit Line Guarantee Scheme

B2B - Business to Business

B2C - Business to consumer

GII - General Impact Investments

CAGR - Compound annual growth rate

CSR - Corporate Social Responsibility

NGOs - Non-governmental organization

TAT - Turn around time

CIIE - Centre for Innovation Incubation and Entrepreneurship