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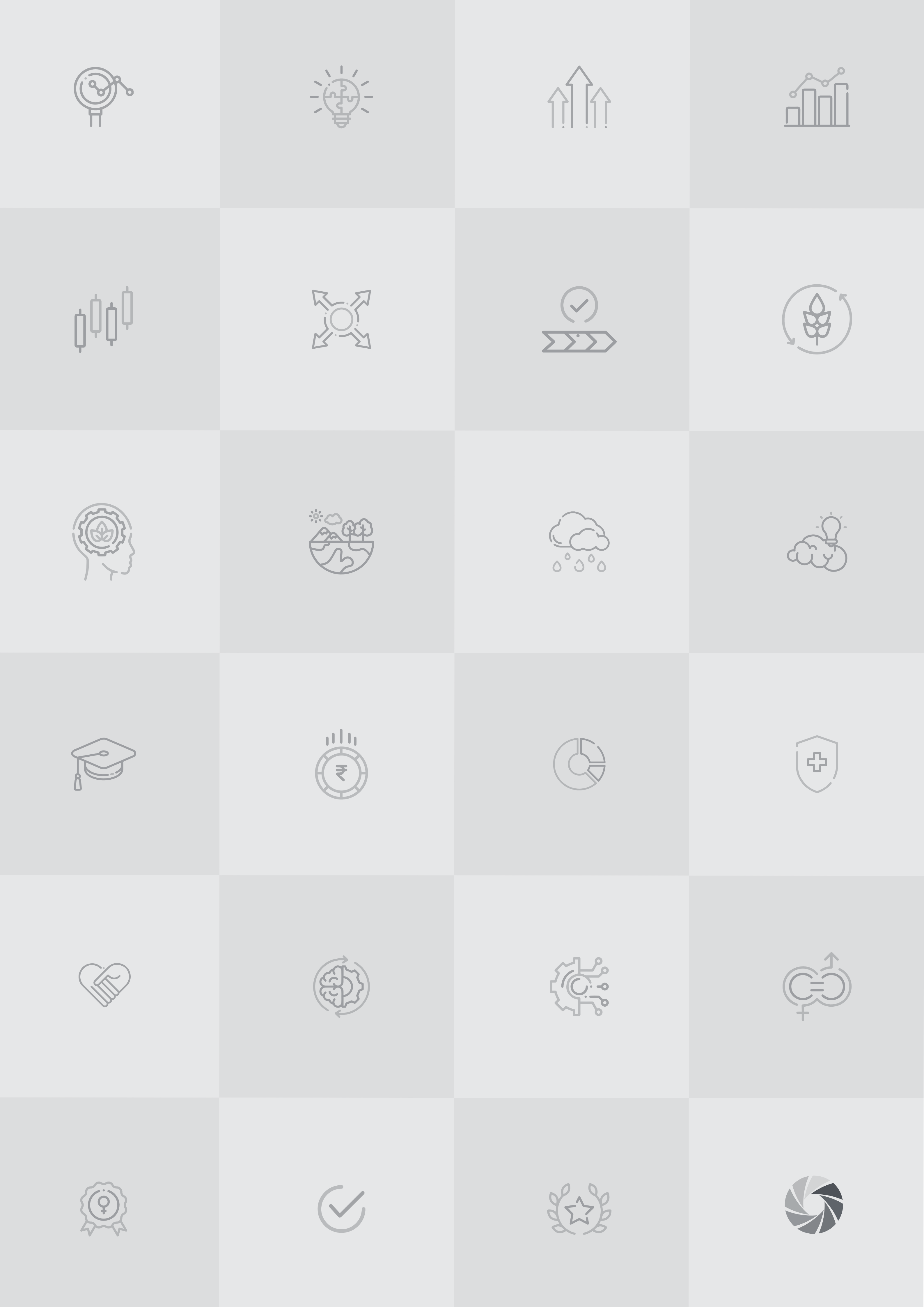
IMPACT INVESTORS COUNCIL

INDIA IMPACT INVESTMENT TRENDS 2023

IN RETROSPECT



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Foreword

Impact Investors Council's (IIC) mission is to catalyze the flow of private capital to market-based models for social impact in India. As a part of this mission, IIC releases an annual "Year in Retrospect: India Impact Investing Trends" publication that throws light on investment trends and emerging market developments across key impact sectors such as Agriculture, Climate-tech, Healthcare, Education, Financial Inclusion and Technology for Development.

As per our research and analysis, 2023 saw $2.90 billion worth of equity investments made towards 275 impact enterprises, a significant reduction from the $6 billion that we observed in 2022. However, we believe this downward trend to be in line with the slowdown observed in the global venture capital market and is not reflective of the potential that India, as an investment destination continues to offer. Business models that address a critical impact imperative of the sector continue to demonstrate resilience and attract interest from investors.

With a population of more than 1.4 billion of which more than 60% is rural, there is immense scope for innovative solutions to scale up that aim to improve the social and economic standing of the underserved. The criticality of solutions that address themes like financial inclusion, affordable healthcare, education, climate action and agriculture is stronger than ever before with both the public and private sector acknowledging both the necessity as well as the market potential to build a coherent and focussed investment thesis towards impact focussed solutions.

There exists an opportunity to support enterprises at different stages of their life cycle. Increasing digital penetration across the country, especially in tier 2 and tier 3 locations is enabling technology led solutions to achieve greater percolation and adoption, thus presenting investment opportunities to support the underserved segments.

With India's "Next Half Billion" narrative – referring to the massive and fast-growing bottom half of the Indian economy, gaining prominence, we believe that impact investing in India has only just scratched the surface and demonstrates immense promise for growth and value creation.

This report is an endeavor by IIC to help highlight the potential that India's impact enterprises hold in building successful, scalable and impactful solutions that meet the pressing development needs of India. We hope that asset owners, managers, policy makers and a variety of other stakeholders will gain a better understanding of the impact investing market in India through this report.

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Chair, Impact Investors Council,
Senior Director, India,
Michael & Susan Dell Foundation

Girish Aivalli
Chief Executive Officer,
Impact Investors Council (IIC)

Section 1:

MARKET OVERVIEW

Section 1A

INVESTMENT OVERVIEW

275 impact enterprises raised **$2.90 billion** worth equity investments

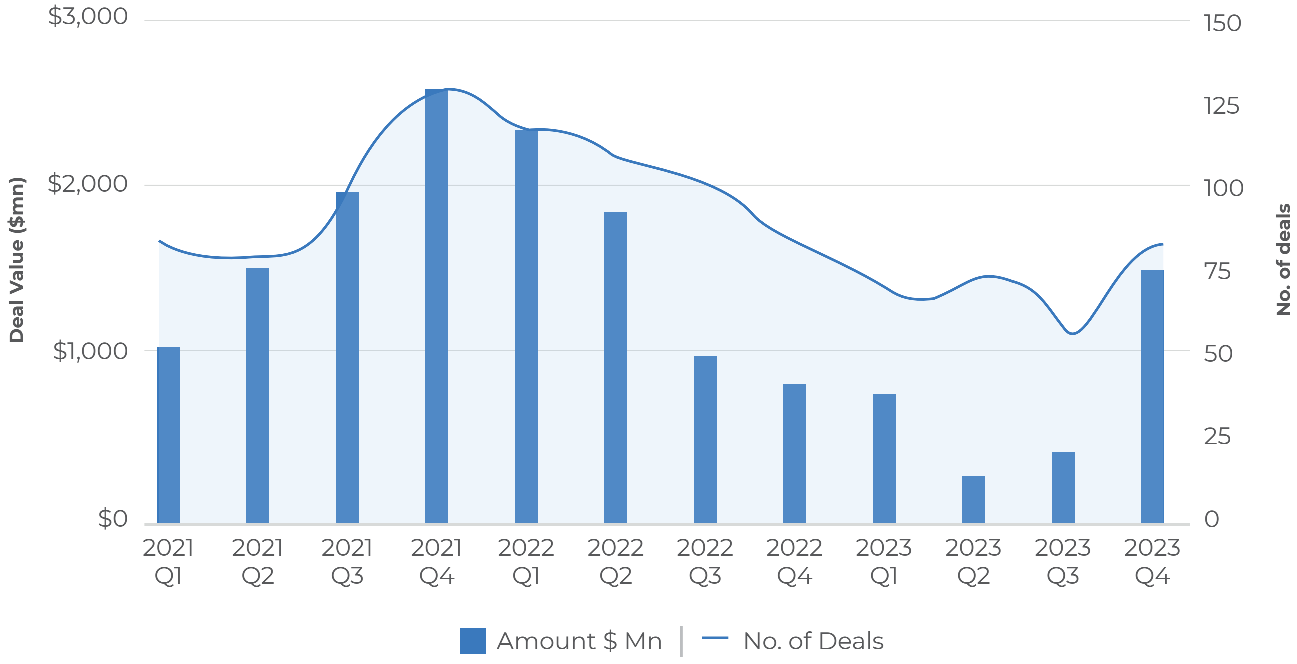
2023 saw 275 impact enterprises raise $2.9 Billion of equity investments - a reduction from the earlier year which had investments of $6 billion. This decline has happened on account of both, the deal volume as well as the value of investments.

There has been a decline in the number of big-ticket deals (greater than or equal to $100 million) over the last three years. However, early-stage funding was observed in enterprises that had a clear impact narrative. Post the high quantum of investments that took place in 2021, we observe the funding environment focusing on modest sized deals with enterprises that demonstrate a visible impact focus as well as a path for market acceptance.

Table: Impact Investment Trends (2021 to 2023)[1]

	2021	2022	2023
$ Value (Equity in Mn)	6929	6043	2907
No. of Transactions	377	431	290
No. of Unique Enterprises	316	396	275

Figure: Quarterly Investment Snapshot (2021 to 2023)



After a slow year, **Q4 2023** shows **momentum**

- The last quarter of 2023, saw an uptick in deal value on account of two very high ticket deals - Udaan which raised $340 million in December and Pharmeasy that raised $420 million in November, making it the highest deal size of 2023.
- The deal volume also saw an uptrend, the first since Q1, with climate-tech and financial inclusion contributing to the growth.

[1] IIC endeavors to update and maintain its internal database of impact deals to the maximum extent possible, with the intention of helping market and ecosystem players, policymakers and the public build a greater understanding of the Indian impact investing market. Any deals that we may have come to our attention are added to the respective years on a retrospective basis. Hence, readers may find a difference between the deal figures for 2021 and 2022 from those captured in previous IIC reports.

Section 1B

STAGES OVERVIEW

While the previous two years had seen investments happening in growth and later-stage enterprises, in 2023 **we observe a decline in large-ticket, later-stage investments.** The contribution of later-stage deals to total investment volume has reduced from 14% in 2022 to 9% in 2023.

- Decline of ~50% observed in Seed and Series A deal value in 2023 when compared to 2022. Deal volume in comparison, saw a modest decline of ~25%.
- Seed and Series A deals together contributed to ~83% of the total deal volume indicating continuing investor focus on upcoming innovations.

Figure: Deal Volume across stages over 2021, 2022 and 2023

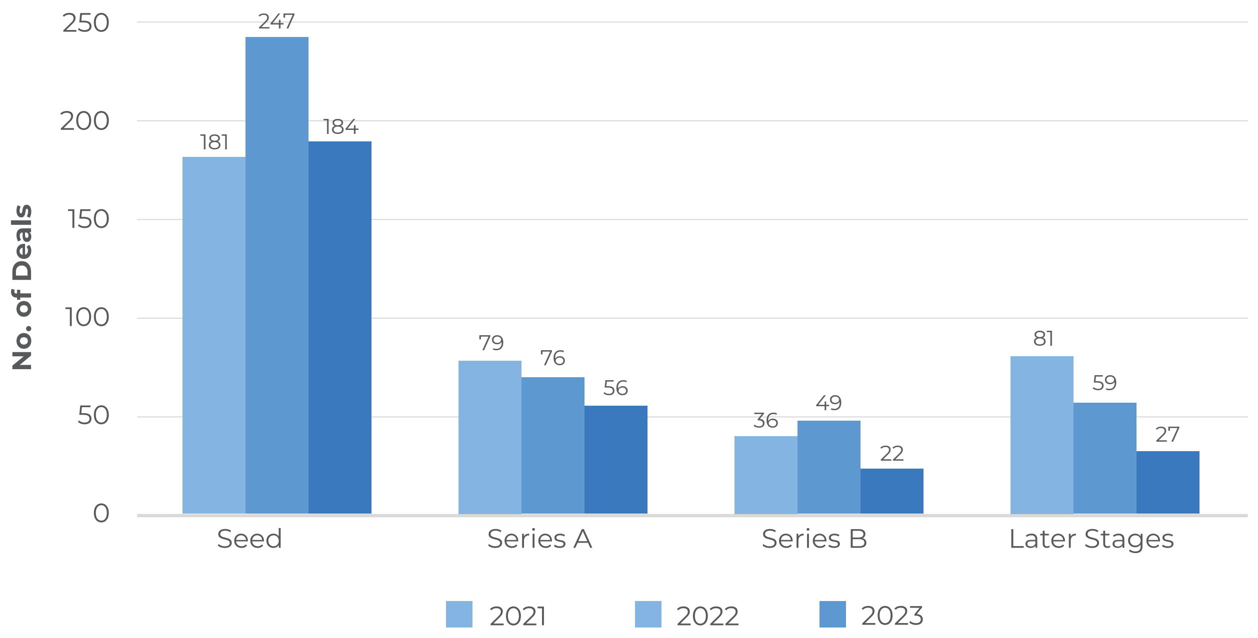
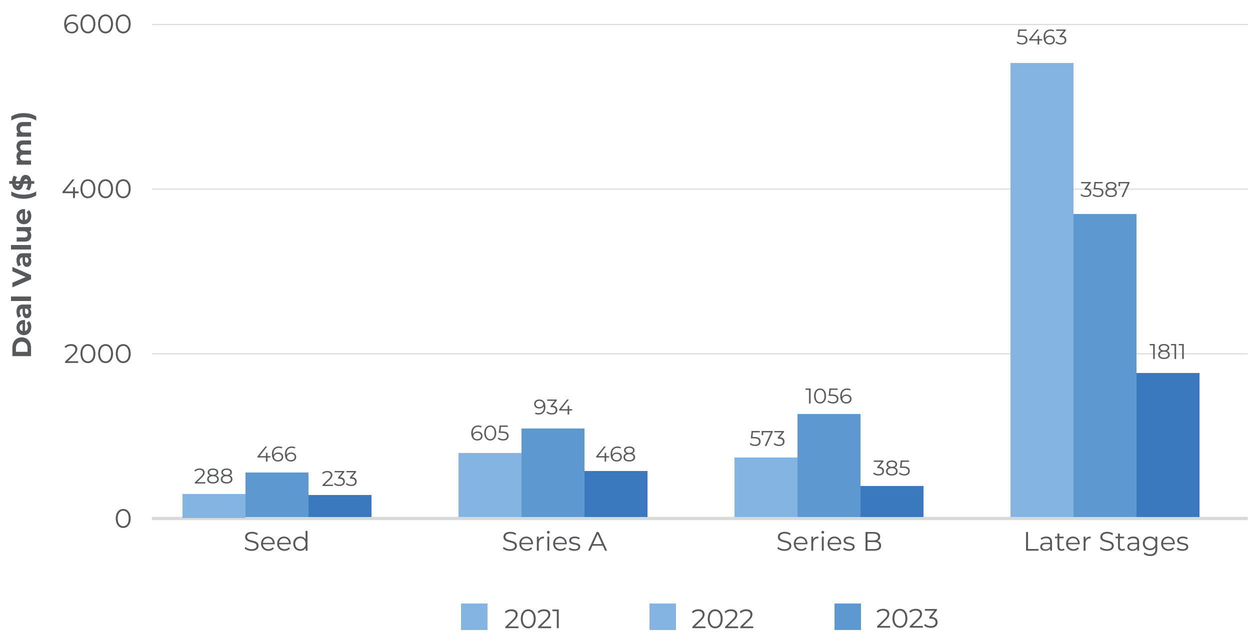


Figure: Investment value across stages over 2021, 2022 and 2023

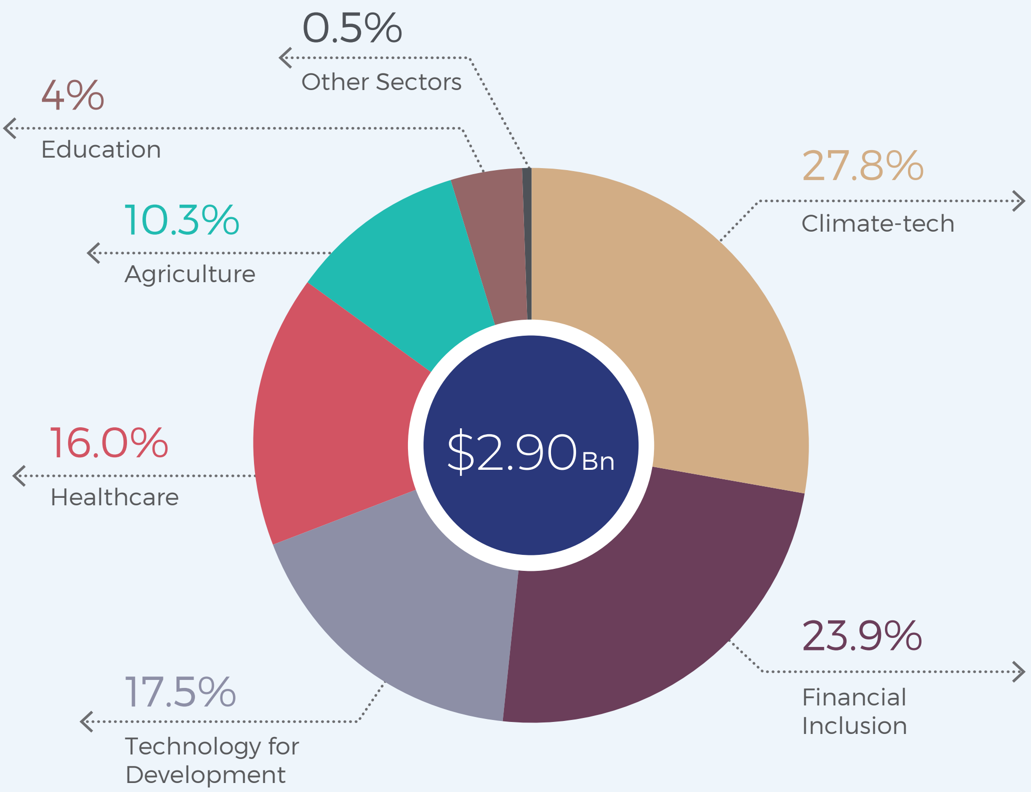


Note: In 2023, one deal of $10 million (Apex Kidney Care), did not disclose the nature of Round. This deal has not been represented in the above two graphs

Section 1C

SECTOR OVERVIEW

Equity Investments



$300mn Agriculture	$804mn Climate-tech	$117mn Education	$695mn Financial Inclusion
$466mn Healthcare	$510mn Technology for Development	$15mn Other Sectors	

$2.90
billion raised

290
equity deals

275
unique enterprises

Sectors In Spotlight:

Climate-Tech
Financial Inclusion

The Gender-Lens:

48

women-founded enterprises (17% of total enterprises) raised a total of **$217 million in 2023**

Despite a tightened funding environment, innovations that addressed a core impact need of the sector drew in investments.

From low-cost and accessible specialty medicines to electric vehicle (EV) charging, **solutions that demonstrated a growing market demand and a strong impact narrative, remained stable in investment flow.**

- Healthcare-focussed investments, though on a reducing trend, recorded the highest investment deal in 2023 with Pharmeasy raising $420 million, demonstrating investor confidence in established brands and business models.
- Investment in Climate-tech though reduced in terms of investment value, demonstrated increasing innovation especially in the electric mobility segment with solutions like battery charging and battery swapping coming up.
- Increasing intersection of the climate-lens in solutions apparent as agri-tech enterprises adopt a climate angle. Climate-smart agriculture (CSA) solutions contributed to almost 10% of the Climate-tech deal flow.
- SME-aligned solutions continued traction, as SME-Finance and SME-Tech demonstrated investor attention.
- Increasing investments observed towards solutions focussed on carbon offsetting and ESG advisory.
- Other sectors like Education and Agriculture continued to see an year-on-year decline in investments. Challenges in proliferating solutions to the last mile resulting in longer gestation periods has led to subdued financing, both in terms of deal volume as well as value.
- We also observe innovative solutions that address different impact imperatives - right from livelihood enhancement to civic engagement and right up to logistics services for underserved segments. The quantum of such deals is small, though gradually growing. Hence, for the purpose of our analysis, we have captured them under the 'others' sector.

Figure: No. of deals across sectors (2021 to 2023)

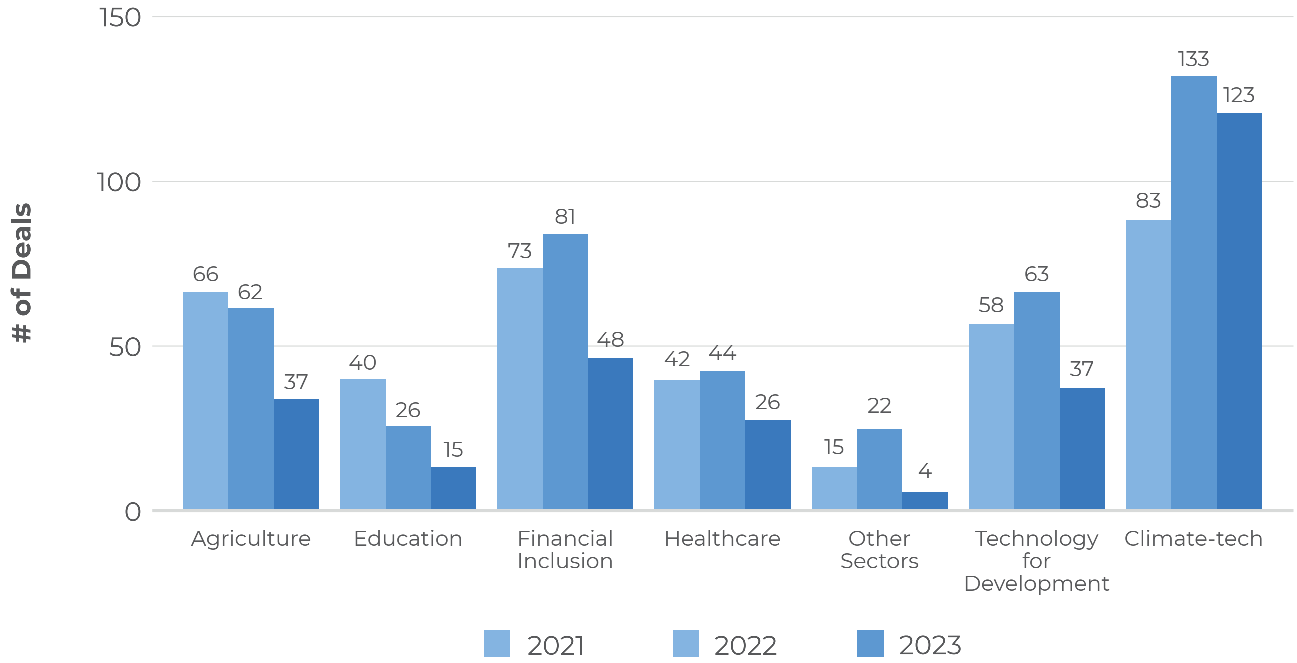
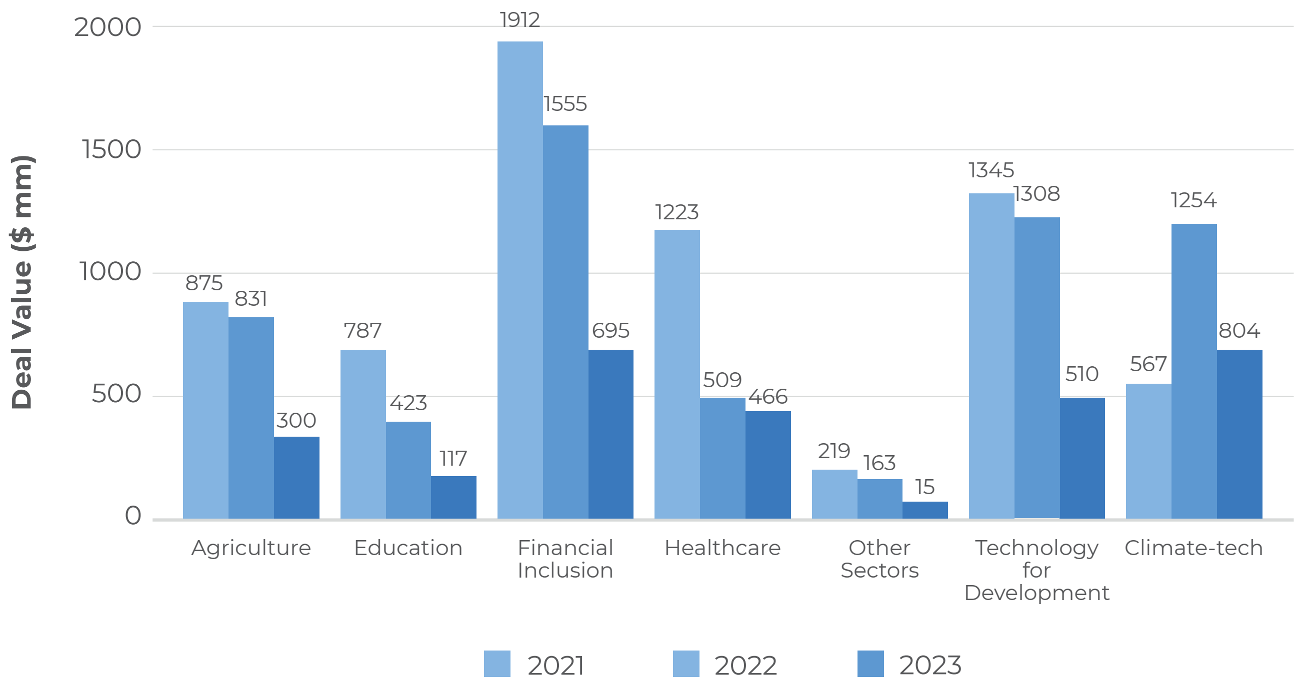


Figure: Deal value across sectors (2021 to 2023)



Section 1D

SDG OVERVIEW

Impact Investments in India are strongly aligned with the United Nations Sustainable Development Goals (SDGs). As per reports, India needs to spend roughly ~$2.64 trillion to finance SDGs by 2030, of which the opportunity for private capital investment itself is pegged at $1.12 trillion[2]. This presents private sector capital providers to align their development and impact goals by supporting solutions that demonstrate a clear SDG impact. The investment trends of 2023 present interesting insights demonstrating the potential for private investment to step in to align with SDG priorities.

- SDG 3 (Good Health and Well-Being), SDG 7 (Affordable and Clean Energy) and SDG 8 (Decent Work and Economic Growth) received the highest impact - a total of $1403 million i.e. ~48% of total investment in 2023[3].

- Funding towards SDG 3 (Good Health and Well-being) ranks as the second-highest (after SDG 8) on account of the $420 million investment raised by Pharmeasy.

- By way of deal volume, 116 deals i.e. ~40% of total deals, impacted SDG 8 - Decent Work and Economic Growth. This is fueled on account of the investments which have occurred across sectors such as Agriculture, Financial Inclusion and Technology for Development, many of which directly impact livelihoods at the last mile.

- We observe an increasing intersection between impact areas as 49 unique enterprises i.e. 18% of total unique enterprises, impacted a minimum of 4 SDGs.

[2] https://economictimes.indiatimes.com/news/economy/indicators/india-needs-2-64-tn-investment-to-meet-sdgs-by-2030-report/articleshow/73492931.cms?from=mdr

[3] The amount impacted towards SDGs has been calculated by equally distributing the deal value, for every deal, to all the SDG(s) it impacts

Figure: 2023: No. of Unique enterprises impacting each SDG

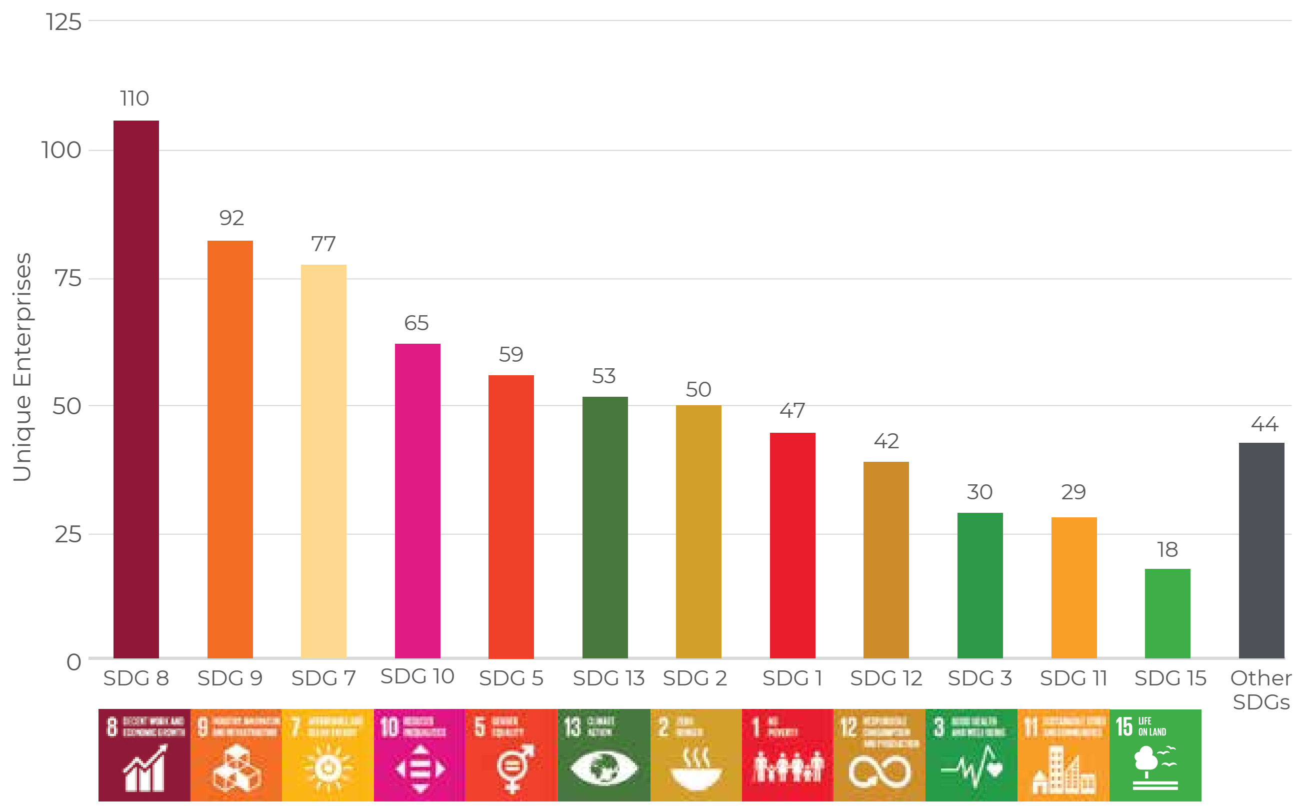
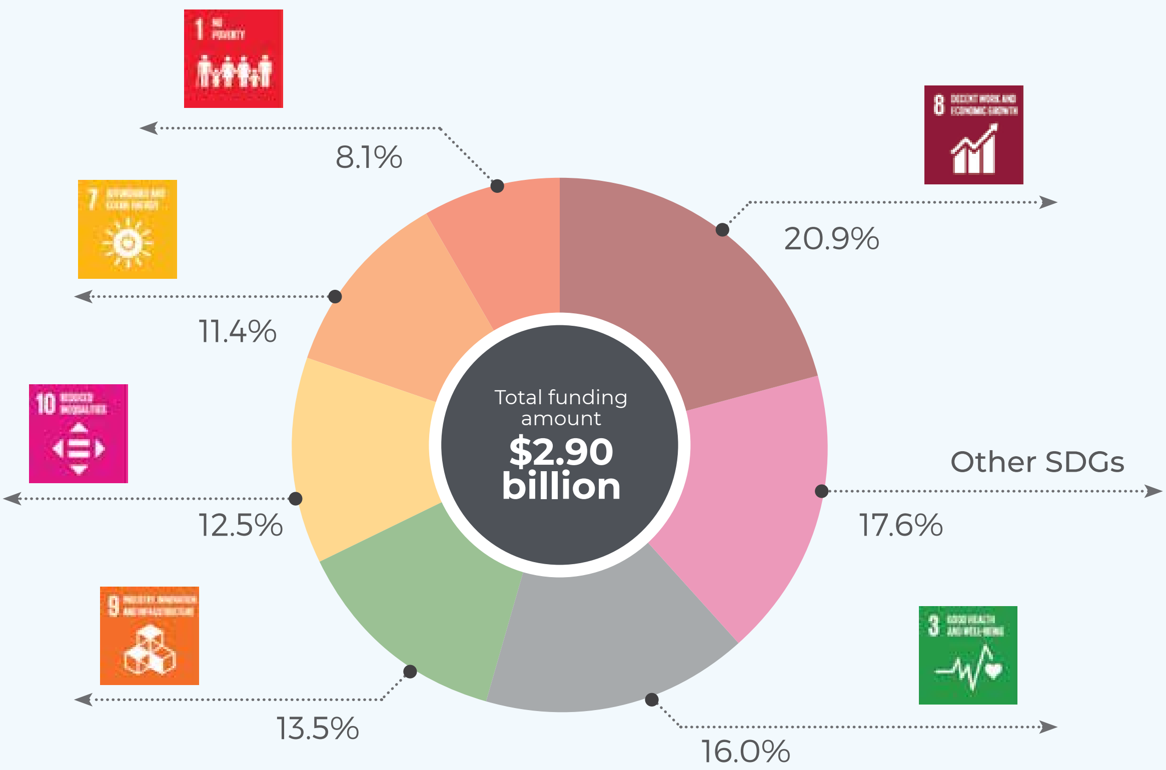


Figure: 2023: Funding impacted towards each SDG



Section 2:

INVESTOR ANALYSIS

Impact deals (i.e. deals that saw participation from only impact investors), stood at 6% of the total deal flow, in 2023.

- Deals supported by commercial investors continued to dominate, contributing to 70% of the total deal flow.
- Club deals also remained relatively stable in their contribution. On an average they contributed to 24% of the total deal flow, demonstrating avenues for a diverse pool of investors to support innovation, impact and diversify risk.
- Climate-tech emerged as the sector attracting the highest number of investments across all sources of capital - impact, commercial and club.
- We observe that out of all the deals invested in by impact investors, in 2023, their participation was the highest in early and growth-stage enterprises as compared to later-stage enterprises.
- This highlights the immense potential that they hold towards furthering innovative and impactful interventions.

Figure: Sources of Capital: Deal Volumes (2021 to 2023)

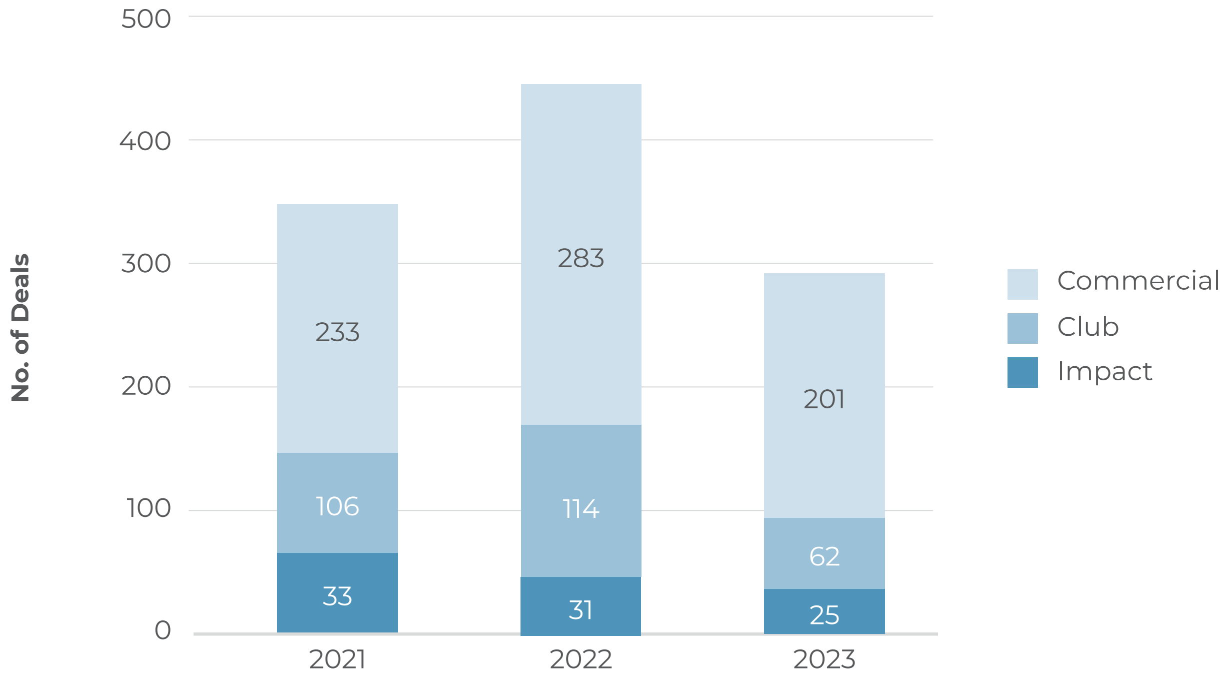
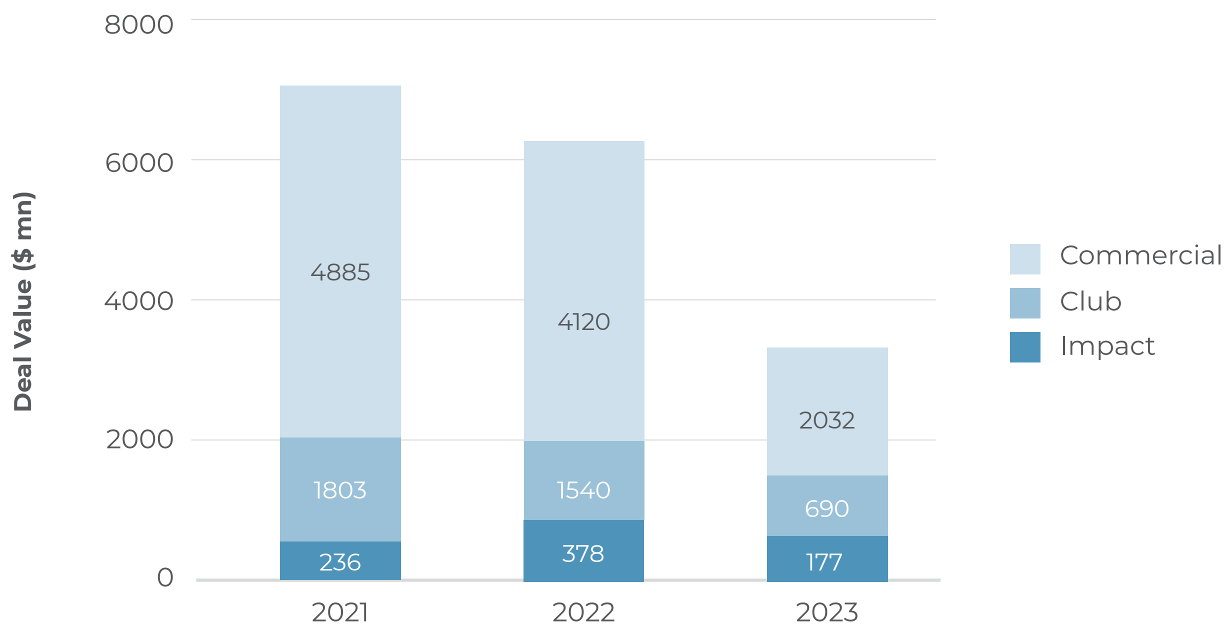
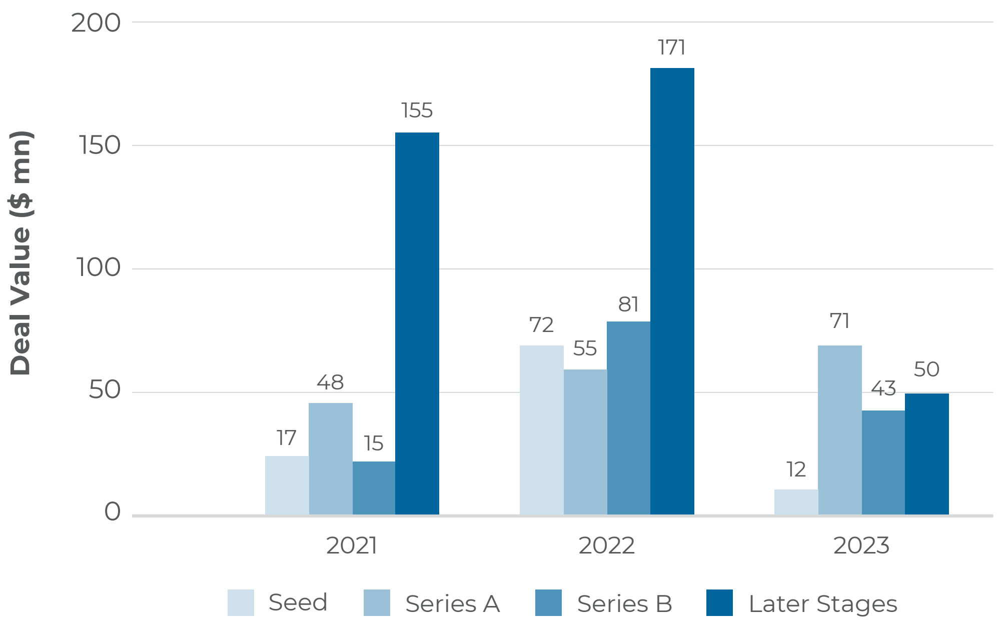


Figure: Sources of Capital: Deal Value (2021 to 2023)



Note: Deals where the investors have been undisclosed, have not been considered in the above graphs. This amount stands at $8.2 million in 2023, $4.84 million in 2022 and $5.5 million in 2021.

Figure: Funding from Impact Investors Across stages (2021-23)

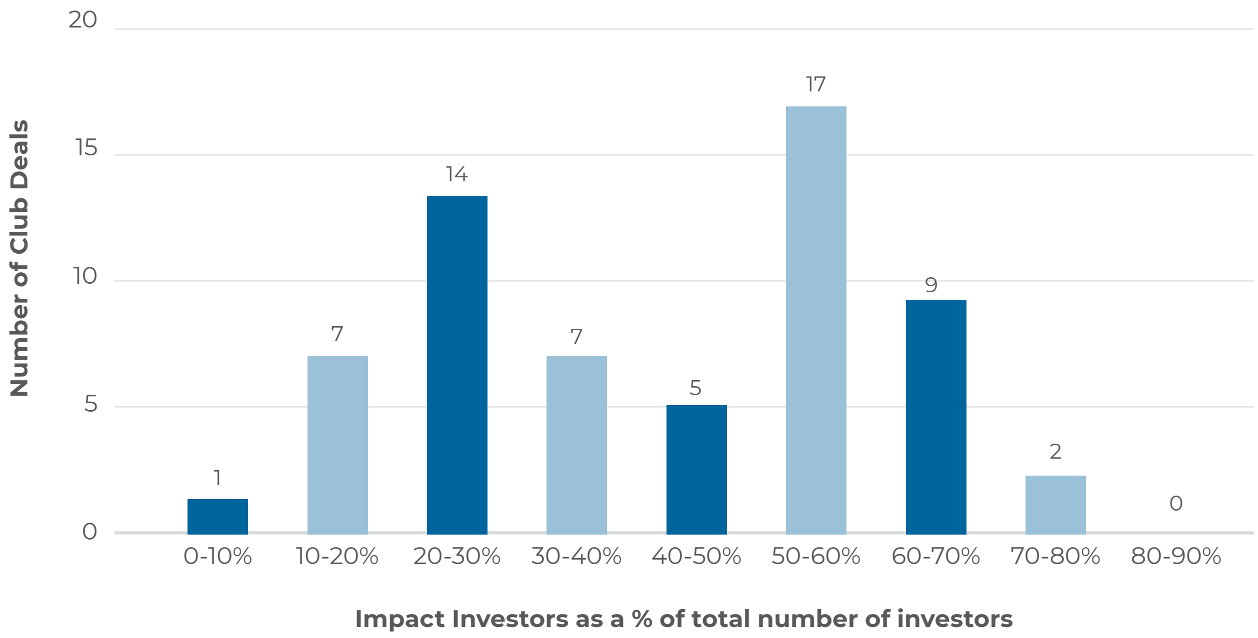


Note: The above graph considers impact deals only i.e. deals that saw participation from only impact investors. The contribution of impact investors in Club deals has not been considered since we do not have the breakup of the funding amounts that came in from them in a club deal.

We analyzed Club Deals to assess the proportion of participation from impact investors and commercial investors. The funding breakup, on a per-investor basis, was not available; in the absence of which we have assessed the following - the number of impact investors participating in a club deal:

- Close to 30% of the 62 club deals in 2023, were ones where there were an equal number of impact and commercial investors.
- Less than 20% of total club deals were ones, where the proportion of impact investors was more than that of commercial ones.

Figure: Impact Investors: Presence in Club Deals in 2023



Note: The above graph is not indicative of future trends. However, it demonstrates the increasing potential for an increasing number of impact investors to participate in more club deals, that could in turn support impactful enterprises who demonstrate a pathway to scale and viability.

Section 3:

SECTORS AT A GLANCE

AGRICULTURE

The agriculture startup ecosystem in India mirroring the trends of other impact sectors continues **to see a drop in the investment values and number of deals.**

We witness deal flows reducing fom $875 million in 2021 and $831 million in 2022 to $300 million in 2023.

Funding in excess of $ 10 million was directed towards enterprises demonstrating resilient business models working to improve efficiencies in the agri supply chain through market linkages and food processing, thereby addressing one of the core challenges of the sector - enhanced income for farmers.

Table: Agriculture: Investment Trends (2021 - 2023)

Agriculture	2021	2022	2023
Deal Value ($ Mn)	875	831	300
# of Deals	66	62	37
Median Deal Size ($ Mn)	6.2	3.5	1.8

Investment Insights:

High-ticket deals rationalized:

- In 2022, out of total fundraise of $831 million, more than $ 500 million was concentrated on Later Stage and Series B funding with enterprises like Waycool, Dehaat, AbsoluteFoods, Country Delight and Jai Kisan each raising upwards of $50 million.
- This trend has subdued in 2023 with only 2 deals greater than $50 million - LeadsConnect and FreshToHome.
- FreshToHome, specializing in sourcing fresh meat and poultry products from farmers and offering packaged products to end consumers, secured $104 million in Later Stage Funding.

Holistic agri solutions drew investor attention:

Solution providers adopting a value chain strategy were observed receiving funding.

- LeadsConnect offers farm advisory, data analysis and modeling services, financial services, thus standing out as the only early-stage enterprise in the last 3 years that has raised upwards of $50 million. It raised $60.2 million in Series A in 2023.
- VilCart - a rural B2B e-commerce platform that connects farmer producer organizations (FPOs) and rural SMEs to rural kirana stores extends not just technological but logistical, marketing and supply chain management support. It raised $18 million in Series A in 2023.

Table: Agriculture: Stage-wise Investment Trends (2021-2023) (Equity in Mn)

Stages	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Seed	38	27	62	34	14	22
Series A	202	19	65	9	100	9
Series B	64	3	164	8	11	2
Later Stages	572	17	540	11	174	4

Note: Investment of $100 million in Series A in 2023, is fueled by one single deal - $60 million by LeadsConnect.

Figure: Agriculture: Stage-wise Contribution to Number of Deals (2021-2023)

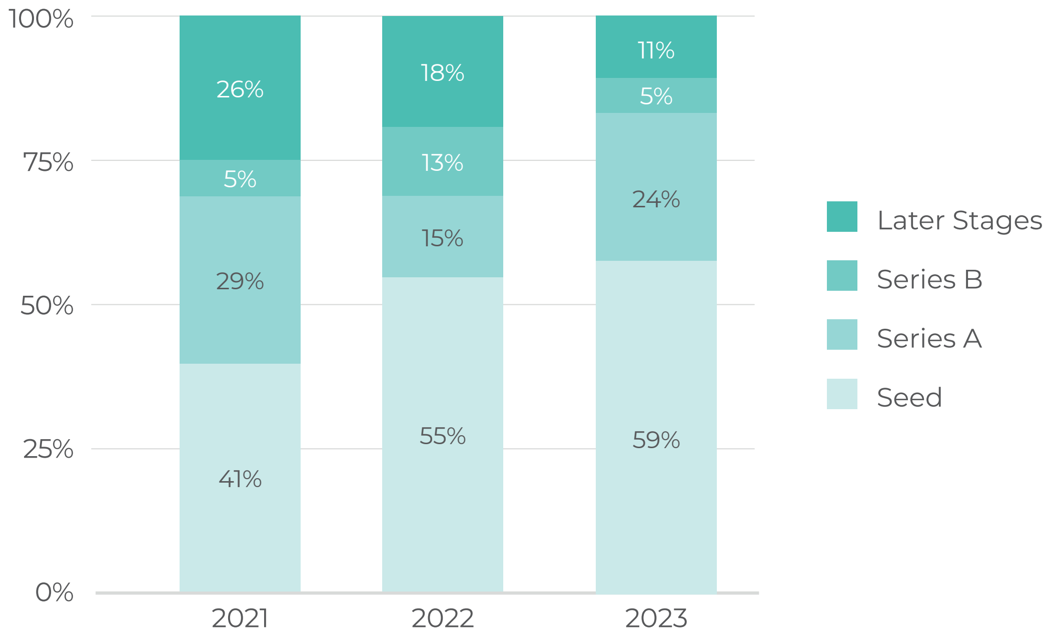
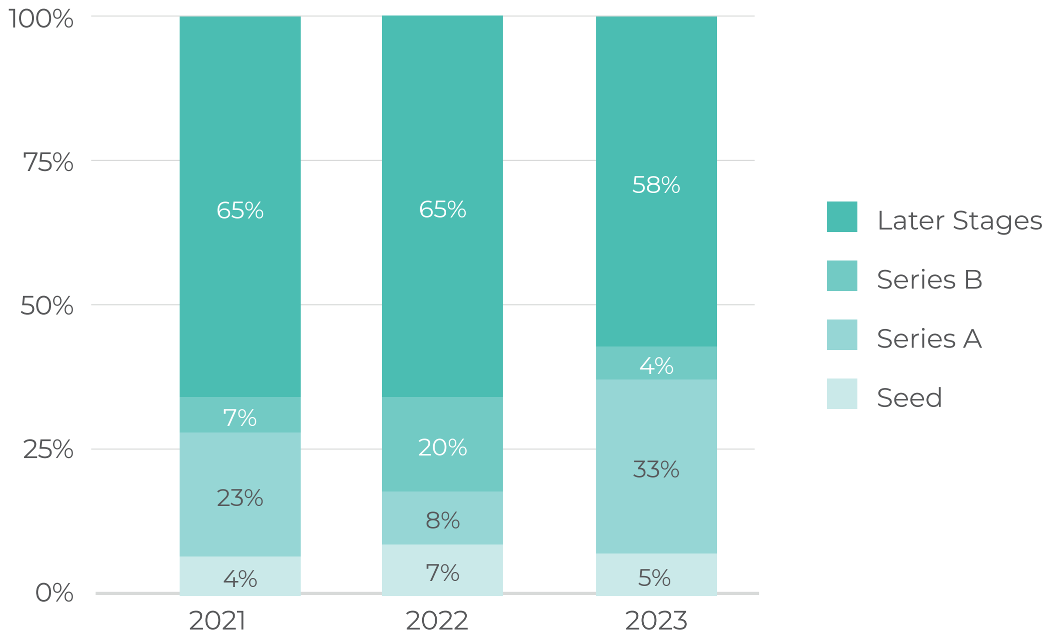


Figure: Agriculture: Stage-wise Contribution to Deal Value (2021 to 2023)



Emerging Trends:

Agri-storage solutions get a boost:

The storage & warehousing segment continued to draw investor interest in enterprises with established solutions.

- Ergos, with its warehouse concept of a 'Grainbank' enables farmers to convert their grains into tradable digital assets, continued its fundraise journey with $10 million in Series B.
- Tan90 with its cold chain solution that offers 'Cooling as a Service' raised $1.4 million in Seed funding; a follow on to its fundraise in 2022.

Solutions enhancing agri-efficiency raise funding:

Innovative solutions, right from agri-equipments that build farm efficiency to farm advisory, received investments.

- Agri-Equipments, a space largely muted for investments until 2023, saw investor support - Balwaan Krishi, raised $2 million for its affordable and effective machinery to manage small and marginal farms.
- Solutions that provide agri-inputs and allied advisory services and farm management solutions also saw support.
- LeadsConnect, which leverages technology and data analysis to extend comprehensive farm advisory solutions including farm risk management, financial services and insurance, raised $60 million.
- BharatAgri, which has built prediction algorithms that provide advisories related to crop, region and climatic changes received two rounds of funding amounting to ~$6 million.
- Gramophone, which helps farmers achieve better yields by bringing timely information, technology and the right kind of inputs, continued its fundraising with $1.1 million in Series B funding.

While the investment amounts in this segment are low compared to previous years, the above examples demonstrate investor interest to support innovations with more modest investment amounts.

While later-stage deals continue to **contribute the maximum to total investment flow** on account of high ticket sizes, the sector is demonstrating a growing investor focus on smaller yet emerging innovative solutions in early stages.

Table: Segment-wise Investment Trends (2021 - 2023) (Equity in Mn)

Agriculture	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Agri Equipment	0	1	0	1	3	3
Agri Inputs or Advisory	177	11	111	14	66	4
Dairy	49	6	111	3	2	5
Farm Management and Enterprise Software	165	12	142	11	7	5
Financial Services	60	5	50	1	6	1
Food Processing	18	2	7	3	109	4
Market Linkage	370	25	408	24	95	13
Others	32	3	1	3	0	0
Storage and Warehousing	3	1	2	2	11	2

Note: Please refer to the Annexure for a description of each of the segments

Enterprise Showcase

Despite overall investment deal flows being relatively limited compared to previous years, a few enterprises stand out. Their relevance to the sector can be observed on account of their innovative business models and/or the quantum of funding that they have successfully secured.

Enterprise	Offering	Latest Funding Round
FreshToHome	D2C brand supplying fresh meat and seafood	Later Stage funding of $104 million
LeadsConnect	Agri-technology driven Data analysis and modeling, risk management & financial services advisory	Series A funding of $60.2 million
Captain Fresh	Farm-to-retail platform for animal protein–fish, seafood and sheep meat, procuring directly from agents or farmers, and supplying across B2B, B2R and B2B2C channels	Later Stage funding of $20 million
Ergos	Links farmers to markets and safe grain storage in warehouses and facilitates access to affordable finance through partner lenders	Series B funding of $10 million
Tan90	Portable cold storage solutions for farmers and vendors	Seed Stage funding of $1.4 million

INDUSTRY SPEAK

omnivore

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Partner, Omnivore

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1 While equity investments in the agriculture segment were on an uptrend in 2021 and 2022, 2023 has seen a noticeable decline of close to more than 60% in total deal value.

Do you witness any notable shifts in investor sentiment towards the agriculture sector between 2022 and 2023?

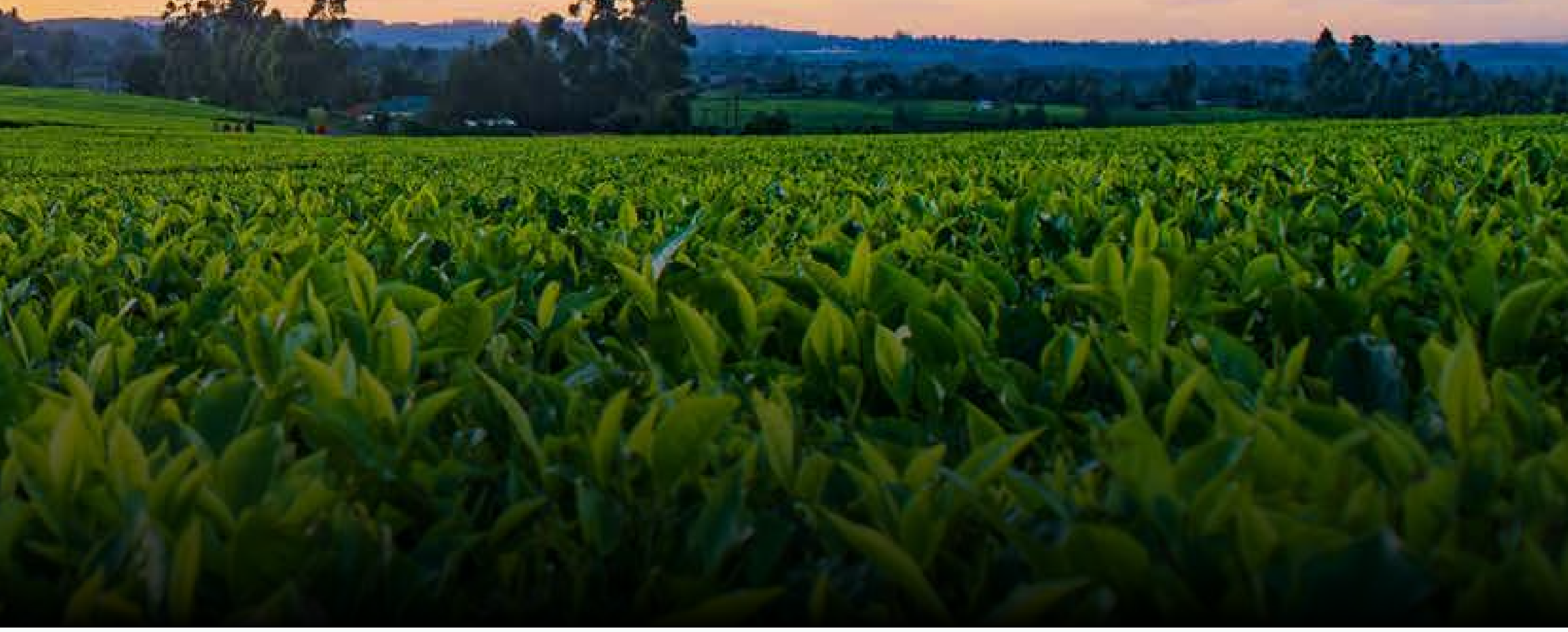
Once the pandemic lockdown ended, many consumer-facing ventures struggled to maintain the accelerated pace of growth created by Covid-19 in 2020 and 2021. However, over the course of the last three tumultuous years, deeptech agri food-tech startups, such as farm management software, biomaterials, ag biotechnology, agribusiness marketplaces and fintech, have emerged as a bright spot. Startups working to integrate the hyper-fragmented Indian agricultural ecosystem attracted generalist investor attention as this space presented formidable challenges and a massive opportunity for growth. Furthermore, agritech investments have also become more diverse, with increasing activity in emerging sectors such as carbon credits and farm robotics.

2 How is investing in this sector different from others? How do you assess it in terms of return expectations, gestation periods, challenges in establishing scale and other critical factors for an investment thesis? What should prospective investors be keeping in mind

The reality of investing in agritech is that it requires a blend of patience, risk tolerance, and a deep understanding of the agricultural ecosystem. This sector uniquely addresses challenges in food production, supply chain efficiency, and sustainability, impacting a significant portion of the global population, especially in developing regions. The potential for technological innovation to revolutionize farming practices presents opportunities for substantial social and economic returns. However, due to the seasonal nature of the trade, intricate value chains, myriad stakeholders, and slow technology adoption, these investments often come with longer time horizons for returns and involve navigating a landscape shaped by environmental concerns and regulatory frameworks, making agritech a uniquely impactful field for investors.

3 The 'Market Linkage' segment that has solutions linking farm to fork, has historically garnered high investment volume. Do you see this segment holding potential for further growth? What kind of differentiating factor would hold an enterprise to be more commercially viable?

The market linkage segment continues to show growth potential, fuelled by global food demand, supply chain efficiency needs, and a shift towards sustainable food systems. Enterprises in this space can gain a competitive edge and commercial viability by integrating advanced technologies such as blockchain, AI, and IoT, which enhance traceability, demand forecasting, and real-time monitoring. Additionally, practices that empower farmers, engage consumers with transparency about food origin and sustainability, optimize logistics, and ensure regulatory compliance are



crucial. Scalability, sustainability, and direct value to producers and consumers will differentiate successful ventures, driving further investment and innovation in this segment.

4 We observe enterprises veering towards providing multiple solutions - right from farm advisory and inputs to market linkages and financing.

What, in your assessment, is fueling this trend, and how do you perceive such business models from an investment perspective?

Farmers in India have a tough job as their traditional knowledge is rapidly losing relevance in the face of changing biotic factors. In order to stay in business and run a profitable farm, farmers are looking for interventions that have a direct impact on their incomes, without resorting to using 5-10 different apps for different requirements. For instance, if an advisory-only service recommends a certain set of inputs unavailable at the local dealers, the advice is not useful to the farmer. Therefore, farmers are increasingly opting for integrated solutions that serve as one-stop shops.

For investors too, these business models make sense. Startups offering a broad range of services allow for multiple revenue streams, reducing reliance on any single product or service and potentially leading to more stable financial performance. Providing an all-around solution helps enterprises make deeper inroads into the markets and build stronger relationships with farmers, increasing loyalty and customer retention. Furthermore, integrated platforms can scale more effectively, expanding their user base by adding new services that meet the evolving needs of farmers.

5 What is the pipeline that you are seeing emerging in the agri-tech space? What kind of business models do we see drawing investor interest in the coming year?

Investors are looking closely at deeptech innovations that can solve complex chronic issues in Indian agriculture at scale. There is rising deal activity in climate tech and agri and rural SME financing. We will also start seeing more funding in food-focused biosciences and livestock nutrition in India.

However, a more remarkable shift has happened around how investors are evaluating startups. Companies will have to focus on profitability, product-market fit, and cash flow cycles that make sense in terms of working capital.

6 Given your past investments and learning in the agriculture sector, what are the key risks for potential investors in this space - and how should one mitigate them?

For agritech investors, common risks include technological adoption barriers, climate change, market and supply chain fluctuations, stringent regulatory compliance, funding and liquidity challenges for startups, and data privacy and security concerns. To mitigate these risks, potential investors must undertake comprehensive due diligence, focusing on evaluating the startup team, technology, market potential, and business model resilience. Diversifying investments across various agritech sub-sectors and geographical areas can help minimize sector-specific and regional risks. Additionally, ensuring robust legal and regulatory advisory for navigating complex regulations is crucial. Engaging actively with portfolio companies to offer mentorship, resources, and network access can also play a pivotal role in overcoming obstacles and fostering success in this fast evolving sector.

CLIMATE TECH

Climate-tech stood as the highest contributing sector to the impact investing landscape, in 2023, both by way of number of deals as well as deal value.

While the deal flow reduced from $1.2 billion in 2022 to $ 804 million in 2023, **it contributed to close to 30% of the total deal value in 2023.** This remains notable especially in a scenario where most other sectors saw a tightened funding environment.

Right from battery swapping solutions for electric vehicles to satellite based farming, innovative enterprises are garnering the attention of investors.

Reduction of greenhouse gas (GHG) emissions is now increasingly forming a critical aspect of consideration across sectors - be it transport, consumables or agriculture. This has led to innovations in product and service offerings across all key segments such as sustainable mobility, climate smart agriculture & food, waste management & circular economy and clean energy which continue to receive early-stage investments.

Table: Investment Trends (2021 - 2023)

Climate-tech	2021	2022	2023
Deal Value ($ Mn)	567	1255	804
# of Deals	83	133	123
Median Deal Size ($ Mn)	2	2.2	3

Investment Insights:

- In 2022, three enterprises, all belonging to the sustainable mobility space raised funding upwards of $100 million each. Ather Energy, Greaves Electric Mobility and Ola Electric cumulatively raised $ 478 million. This nature of ticket sizes remained muted in 2023, resulting in Later Stage funding seeing a decline of more than 60%.
- However early stage deals contributed to more than 40% of total investment flow (34% in previous year), indicating increasing investor confidence on emerging solutions with smaller deal sizes.
- Notably, segments like waste management and climate-smart agriculture, remained stable in investment flow, gradually increasing their contribution to the overall climate-tech investment landscape.
- While Sustainable Mobility continued to dominate the climate-tech space, a clear trend emerged with electric vehicle (EV) focused solutions such as battery swapping and battery charging solutions gaining traction - an important development in a sector otherwise dominated by investments in EV OEMs.

Table: Climate-Tech: Stage-wise Investment Trends (2021-2023) (Equity in Mn)

Stages	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Seed	101	57	166	95	137	89
Series A	141	19	254	20	196	17
Series B	57	4	342	9	291	12
Later Stages	268	3	493	9	180	5

Figure: Climate-Tech: Stage-wise Contribution to Number of Deals (2021-2023)

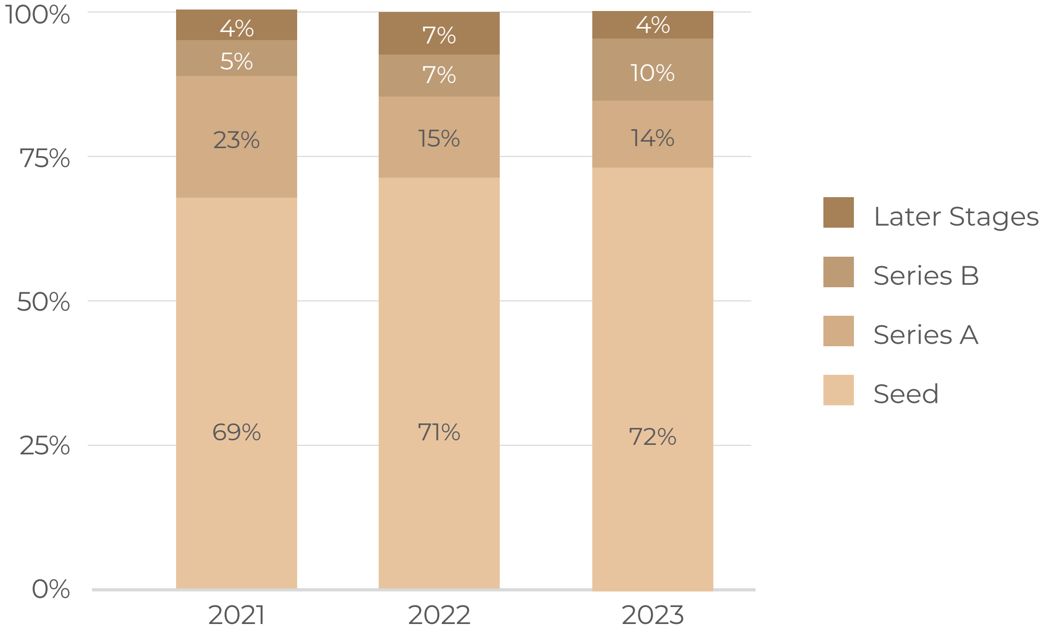
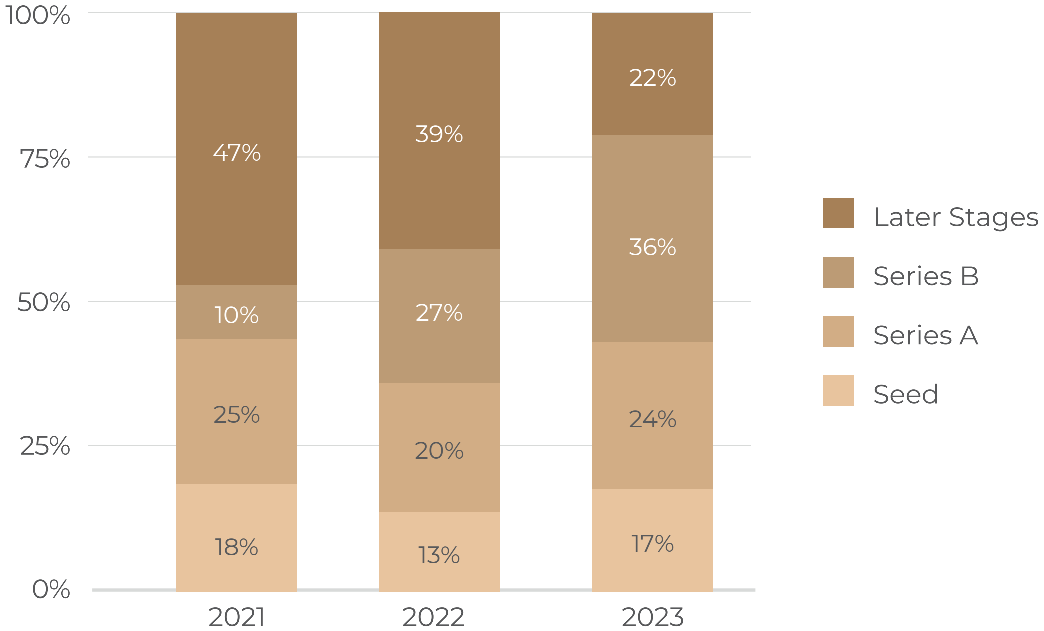


Figure: Climate-Tech: Stage-wise Contribution to Deal Value (2021-2023)



Emerging Trends:

Sustainable Mobility receives infrastructural support:

- Until 2022, EV OEMs raised high deal flows; in 2023 we observe the emergence of supporting solutions that consolidate the EV sector in terms of operational efficiency and accessibility.
- Charging and swapping solutions for electric batteries raised ~$144 million in 2023 i.e. more than 25% of the total investments in sustainable mobility. This is in contrast to the previous year where such solutions saw an investment of ~85 million i.e. less than 10% of the total deal flow in the sustainable mobility segment.

Innovative solutions that enable ease of access to electric vehicles, were also seen coming up.

- Fullfily that operates an end-to-end tech-enabled Electric Vehicle (EV) renting and delivery service platform raised early-stage funding.
- Charge + Zone which provides EV-Charging infrastructure and Battery Smart which has a battery-swapping network together raised more than $80 million in 2023.
- We also observe innovations such as FreshBus (electric bus), Evera Cabs that manages an app-based platform for electric cab services raised $7 million and BluSmart with its electric fleet continued its fundraising run with a cumulative of $61 million.

Climate-friendly innovations for changing consumer preferences:

- In keeping with the trends of 2022, innovative solutions that help reduce the carbon footprint of consumers abounded- including solutions such as including sustainable packaging, home care products and other daily use items prepared from organic materials.
- Sustainable packaging itself saw multiple early-stage innovations come up - Ecowrap, Fibmold, Cirkla and Xetgo together raised more than $13 million.
- Likewise, the alternate protein segment though lower in ticket sizes compared to other segments continues to see innovations come up at a steady rate, each of which indicate innovative technologies - Oatey (plant-based alternatives to dairy), Zero Cow Factory (animal-free milk protein), Superfoods Valley (plant-based superfood products) and Evolved Foods (plant-based protein) are notable examples.

Tech-enabled services to assess impact on climate:

- A new segment that is seen emerging are solutions that help individuals and businesses, measure and manage their carbon footprint - We observe innovative technologies and artificial intelligence enabled solutions align with climate impact.
- BreatheESG and StepChange enable enterprises to measure and manage their ESG performance, together raising ~$4.5 million. Buckmint, which raised $0.15 million, is building an innovative technology to bring the world's supply of carbon credits onto energy-efficient blockchains and turn them into tokens that anyone can use.
- Though smaller in ticket sizes, these solutions are building awareness amongst individuals and businesses towards sustainable practices thus gradually enabling the market creation for other climate friendly solutions.

Table: Climate-Tech: Segment wise Investment Trends (2021-2023) (Equity in Mn)

Climate-tech	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Energy	30	12	87	17	84	16
Sustainable Mobility	463	43	982	60	534	55
Environment and Natural Resources	18	10	4	7	4	4
Waste Management & Circular Economy[4]	8	6	85	20	80	20
Climate-smart Agriculture & Food	19	7	85	22	80	13
Others	30	5	11	7	21	15

Note: Please refer to the Annexure for a description of each of the segments

[4] Note: In May 2023, London-established Polymateria, an enterprise which through its innovative technology renders plastics to become biodegradable, raised $24.9 million (£20 million) in Series B funding in a round led by ABC Impact. While it has a presence in India as well, we have excluded the deal from our analysis, given that the enterprise's location is the United Kingdom.

Enterprise Showcase

Despite overall investment deal flows being relatively limited compared to previous years, a few enterprises stand out. Their relevance to the sector can be observed on account of their innovative business models or the quantum of funding that they have successfully secured.

Enterprise	Offering	Latest Funding Round
Pixxel	Satellite imaging and analysis for information relevant to climate monitoring, crop yield prediction, urban planning, and disaster response	Series B funding of $36 million
Blue Planet Environmental Solutions	Waste management enterprise with solutions to manage and upcycle waste	Series B funding of $35 million
Battery Smart	Battery swapping stations providing Li-ion batteries on a pay-per-use basis	Series A funding of $33 million
Exponent Energy	Rapid charging solutions for electric vehicles	Series B funding of $26 million
Bounce Infinity	Electric scooter	Series A funding of $20 million
Fibmold	Eco-friendly packaging products that are alternative to plastic packaging	Seed funding of $10 million

INDUSTRY SPEAK

Sugandhi Matta,
Chief Impact Officer, ABC Impact

Zuo Yi Yeo,
Investment Director, ABC Impact

1 Climate-tech focussed startups continue to garner investments across stages, keeping up with the momentum that this sector has been seeing over the past 3 years. What kind of business models have you seen contributing to this uptrend in investments? Are there any specific characteristics that make such enterprises stand out?

ABC Impact, headquartered in Singapore with a focus on Asia, is a dedicated private equity fund committed to impact investing. Our mission is to foster positive change by investing in companies addressing critical global challenges, including climate change, resource scarcity, and inequality.

Our inaugural fund, totaling US$300 million, was raised in 2019. Building on this momentum, we launched ABC Impact Fund II in August 2023, securing its first closing at US$550 million in January of this year, with the final close expected in 2024. To date, we have completed 12 investments and achieved one successful exit, delivering robust returns for our investors.

Among other key investment themes, our funds take a deep interest in sustainable food and agriculture, and climate and water solutions. We target investments in climate and broader environmental solutions, focusing on climate mitigation, adaptation, and resilience in Asia. Notably, our early investment in Sunseap, a Singapore-based solar developer that attained unicorn status in early 2022, underscores our commitment to advancing climate opportunities in Asia.

Despite challenges, interest in climate tech remains steadfast. We observe the emergence of innovative technologies, particularly in early-stage ventures, spanning energy, industrial processes, alternative materials, and food sectors. These innovations, whether hardware or software focused, offer promising avenues toward decarbonization. Additionally, in growth deals, we see opportunities for business model innovation in waste management, e-mobility, and energy efficiency/access sectors.

At ABC Impact, our dedication to driving positive change and creating lasting impact through strategic investments remains unwavering.

2 How is investing in this sector different from others? How do you assess it in terms of return expectations, gestation periods, challenges in establishing scale and other critical factors for an investment thesis? What should prospective investors be keeping in mind?

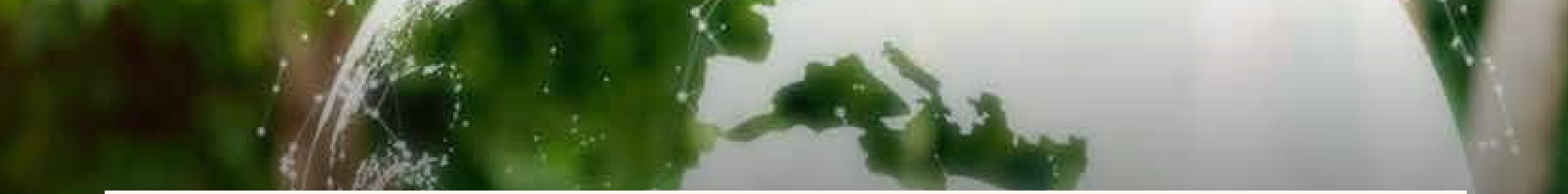
The global reach of the climate technology sector contrasts with the localized focus often seen in social impact investing. Recognizing that impactful climate technologies often originate from more developed nations, ABC Impact leverages its global network to identify and introduce innovations to Asia, tailored to regional and market needs. Our strategic goal is to identify and scale technologies and business models suited for the Asian context, fostering impactful outcomes.

An example of our approach is Iceotope, a UK-based pioneer in precision liquid cooling technology, enhancing data center sustainability and efficiency. By reducing energy consumption, water usage, and emissions, Iceotope's solutions surpass traditional methods. We have facilitated their adoption in Asia by connecting Iceotope with regional stakeholders.

Asia's ongoing infrastructure development and urbanization offer opportunities to enhance climate resilience and sustainable development. With over half of the global population residing in Asia, the potential for impactful investments is vast. India, renowned for innovation, particularly in process innovation and cost optimization, aligns with our strategic objectives. By engaging with India's dynamic innovation ecosystem, we aim to support additional impactful technologies and business models.

3 The sustainable mobility segment has been attracting high ticket deals. How do you assess this segment in terms of future growth potential and commercial viability? Are we now at the next phase of growth in this segment where we need growth and later stage capital?

With the Indian government aiming for Electric Vehicles (EVs) to represent at least 30% of new vehicle sales by 2030, the sector is primed for significant expansion. We anticipate commercial vehicles and two-wheelers to lead this growth, driven by



their higher utilization rates and lower total cost of ownership. As the sector evolves, we anticipate increased investment and later-stage capital influx. However, the entire domestic ecosystem, from upstream battery manufacturers to downstream charging providers, must mature to support this growth effectively.

4 The intersectionality of climate with other themes such as healthcare, financial inclusion and even gender-lens investing is fast gaining focus. Are there any business models or solutions that you'd like to highlight that hold the potential to not just mobilize climate action but also achieve a multi-sectoral impact?

Since our inception, we have recognized the powerful synergy between social and climate impact. We firmly believe that addressing climate issues can alleviate other social challenges. Our investment strategy thus focuses on four key themes: financial and digital inclusion, better health and education, climate and water solutions, and sustainable food and agriculture.

One promising avenue with multi-sector impact is climate-smart agriculture, where practices enhancing productivity and resilience mitigate climate impacts, improve food security, and uplift farmers' livelihoods. To this end, we have invested in Cropin.

Established in 2010, Cropin is a global agtech leader. Its flagship product Cropin Cloud, the industry's first agriculture cloud, empowers stakeholders to make informed decisions using digital technologies and predictive intelligence, enhancing farming efficiency, productivity, and sustainability. With over 30 million acres of farms digitalized and over 7 million farmers impacted, Cropin exemplifies our commitment to impactful investments.

5 The last two years have seen emerging solutions in the waste management and even climate smart agri segments. How have these segments developed over the years, and what are the business models that you believe are investment worthy?

We actively seek companies pioneering innovative business models to tackle climate challenges across three core areas: climate mitigation and decarbonization, adaptation and resilience, and resource efficiency and circularity. We prioritize investments in companies leveraging cutting-edge technology that seamlessly integrates into existing systems.

In addressing the critical issue of food waste, we have focused our investment efforts on the kitchen-tech sector. Asia accounts for over 50% of global food waste, making this a pressing concern. Our portfolio now includes the world's leading AI-powered food waste management platform - Winnow. This platform enables commercial kitchens in 70 countries to reduce food waste by an average of 50%. Through AI-powered bins and tablets, the platform provides precise waste tracking, granular data analysis, and actionable insights, empowering kitchens to make informed decisions and optimize operations. Our investment will support the company's expansion in Asia and enhance its AI capabilities, driving sustainable practices in the food industry.

Plastic pollution is another urgent issue in Asia, exacerbated by inadequate recycling infrastructure. To combat this, we have invested in Polymateria, a biotransformation technology firm. Their innovative technology safely breaks down plastic items into water, CO_2, and biomass without leaving microplastic or toxic residue. This breakthrough solution has earned Polymateria the prestigious FICCI[5] Circular Technology Disruptors Award, recognizing its significant contribution to the circular economy sector and its potential to mitigate plastic pollution and protect ecosystems.

6 How are investors in Singapore viewing the Indian climate-tech landscape? Do you see them considering India as a lucrative investment destination, compared to other geographies?

Investors in Singapore are increasingly interested in India's climate-tech sector, recognizing its potential for growth and impact. India's heightened emphasis on sustainability and climate mitigation presents compelling investment prospects in renewable energy, clean transportation, and waste management. Despite regulatory and infrastructural challenges, India's sizable market and commitment to green initiatives make it an appealing investment destination. Additionally, the presence of IPO exits and robust performance in domestic markets further enhances the attractiveness of investing in India's climate-tech landscape.

7 Given your past investments and learning in the climate-tech sector, what are the key risks for potential investors in this space - and how should one mitigate them?

Investing in early-stage technology companies entails the inherent risk of extended commercialization timelines, potentially deviating from the initial thesis. To mitigate this, we conduct thorough pre-investment due diligence, ensuring a comprehensive understanding of the technology, including its capabilities and limitations. We prioritize backing founders and management teams that share our commitment to impactful outcomes.

Our commitment extends post-investment, where active board participation allows us to leverage our deep-rooted presence in Asia, extensive network, and ecosystem. This enables us to facilitate valuable connections for our portfolio companies with potential customers and business partners in the region, ultimately accelerating their growth trajectories and maximizing their potential for success.

[5] Federation of Indian Chambers of Commerce & Industry

EDUCATION

The education sector continues to witness an investment downtrend in the post-pandemic scenario with investments worth **$117 million being recorded in 2023 as against $ 423 million in 2022.** This sector that had education focussed startups drawing high amounts of investment during the time of the Covid-19 pandemic have seen a drastic fall in funding since then.

Solutions that demonstrate sustainability in business models and address a critical need of the sector - such as **affordable education - were seen raising funding.**

Table: Investment Trends (2021 - 2023)

Education	2021	2022	2023
Deal Value ($ Mn)	787	423	117
# of Deals	40	26	15
Median Deal Size ($ Mn)	1.3	7	1

Note: In 2021, investments of $ 787 million included high ticket funding cumulating to $ 540 million across Vedantu and Unacademy that cater to the K12 and TestPrep segments, respectively. If we do not consider these two investments, the total deal flow in 2021 stands at $ 247 million.

Investment Insights:

- Out of $117 million raised in 2023, $96.8 million is on account of a single deal - Avanse Financial Services (education finance). If we exclude this deal, the total investment flow reduces to only $20 million indicating the huge downturn over the last two years.

- In 2022, the K12 segment led the maximum funding with startups like ClassPlus, LEAD School raising deals upwards of $ 25 million. In 2023, there has been a noticeable change in trends. The K12 segment raised funding of less than $ 1 million.

- The deal volume was dominated (>90%) by enterprises in Seed and Series A stages. Only one later-stage deal was observed - a notable decline in volumes from previous years.

- 2023 saw investments largely from commercial investors. Impact investors like Unitus Ventures and Gray Matters Capital participated in investments through club deals. In a tightened funding scenario, this indicates an opportunity for impact investments to step in given the high impact imperative attached to the sector.

Table: Education: Stage-wise Investment Trends (2021-2023) (Equity in Mn)

Stages	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Seed	27	23	6	10	7	11
Series A	21	7	74	8	14	3
Series B	61	3	124	5	0	0
Later Stages	678	7	219	3	97	1

Figure: Education: Stage-wise Contribution to Number of Deals (2021-2023)

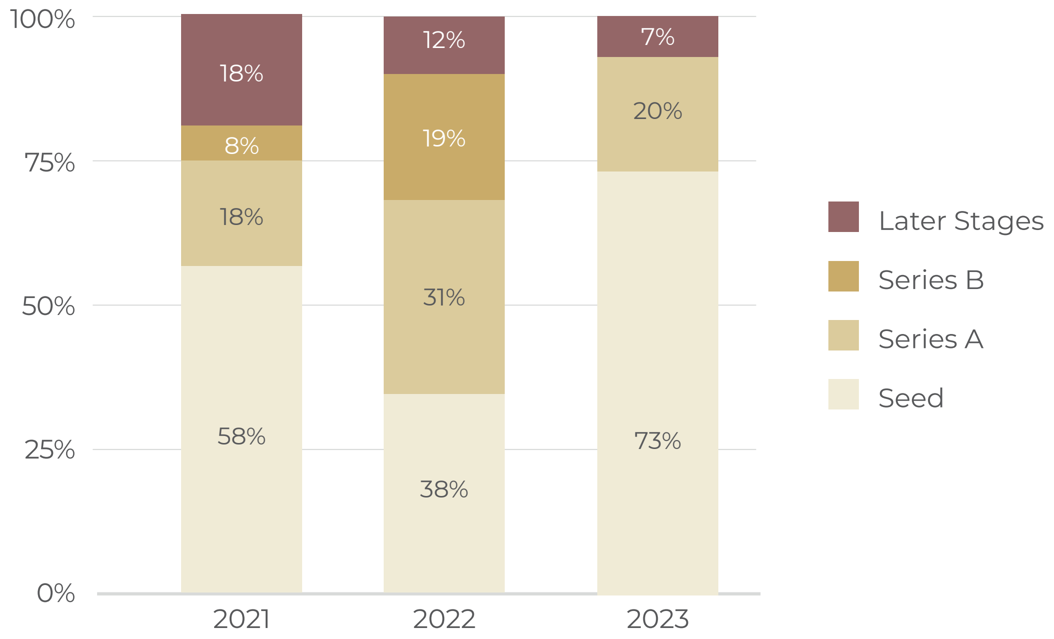
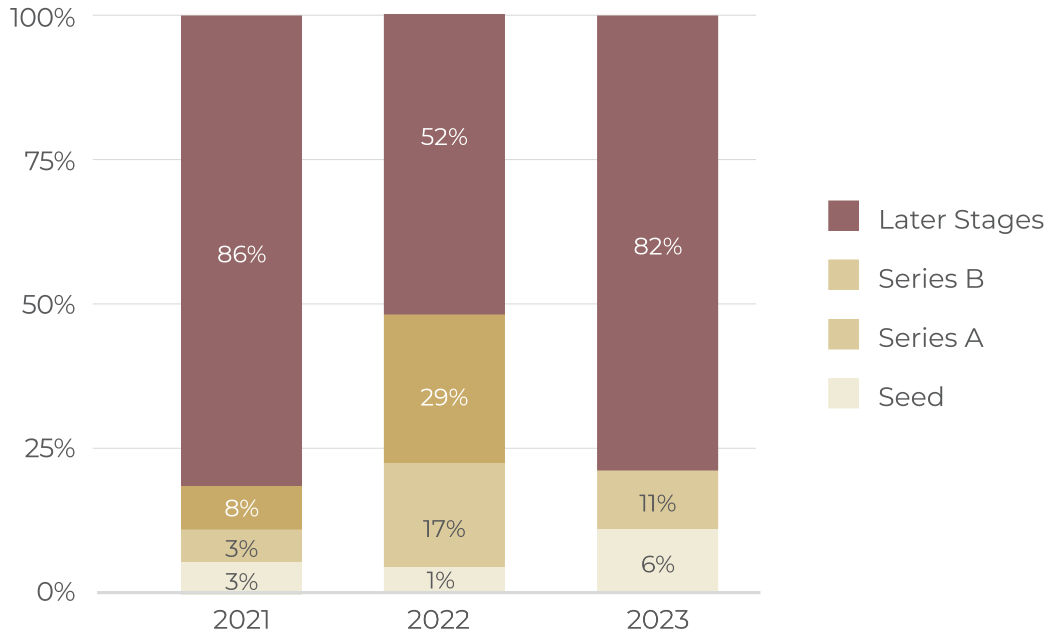


Figure: Education: Stage-wise Contribution to Deal Value (2021-2023)



Emerging Trends:

Education-Finance stable:

- This segment that addresses one of the core requirements of the sector - affordable education has continued to show promise despite the overall downturn in funding.

  GrayQuest, which extends a FinTech based payment solution for school fees, raised a Series A funding of $ 7 million.

  Likewise, the only enterprise that raised Later Stage funding in 2023 was Avanse Financial Services with $ 96.8 million raised. With its education finance focussed NBFC, Avanse has been able to capitalize on the post-pandemic aspirations of Indian students to study in foreign universities for which they seek financial assistance.

- While the number of enterprises raising funding reduced from 4 in 2022 to 2 in 2023, the total deal flow saw an increase from $ 82 million in 2022 to $ 103.8 million in 2023, making it the only segment to show incremental growth in an otherwise sluggish year.

Potential for innovative Ed-techs:

- The test-prep and employability segments, both which cater to underserved populations though muted in their investment flow, demonstrated early-stage innovations raising funding.

  2023 was Cusmat's third consecutive year of raising funding. The startup with its life-like immersive skilling platform for upskilling the industrial workforce, has been attracting interest from existing as well as new investors. It thus demonstrates the demand for high performance technology addressing a core challenge of the Indian workforce - employability.

- The Test-Prep segment which had seen a high ticket later-stage deal - $35 million to Adda247 (vernacular test-prep platform) in 2022 did not see such a high value in 2023. However, three early-stage enterprises - uFaber, ixamBee and Shaktiman.ai raised funding.

- The 'early-education' segment continues to remain muted as Ocky Pocky remains the only enterprise raising funding in 2023. Interestingly this startup has been raising funding consistently over the last 3 years with its solution - an interactive English learning app, focused on non-English

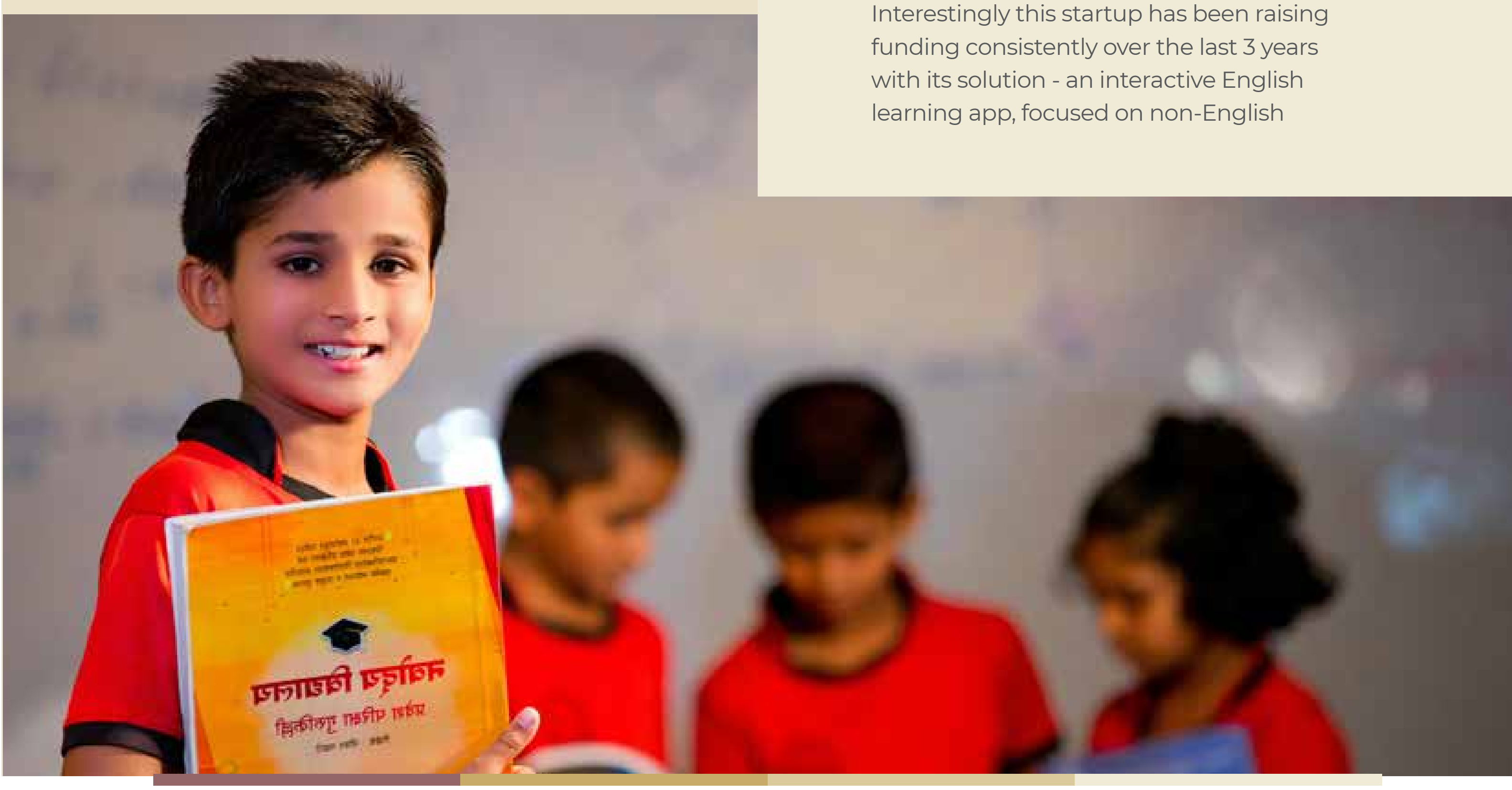


Table: Education - Segment-wise Investment Trends (2021 - 2023) (Equity in Mn)

Climate-tech	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Early education	6	2	0	1	0	1
Edu-Finance	15	2	82	4	104	2
Employability	11	10	19	5	5	3
Higher Education	32	3	7	1	0	0
K12	256	13	270	11	1	2
Others	0	1	0	1	1	3
Test Prep	468	9	44	3	7	4

Note: Please refer to the Annexure for a description of each of the segments

Enterprise Showcase

Despite overall investment deal flows being relatively limited compared to previous years, a few enterprises stand out. Their relevance to the sector can be observed on account of their innovative business models or the quantum of funding that they have successfully secured.

Enterprise	Offering	Latest Funding Round
Avanse Financial Services	Education focussed NBFC with accessible and affordable financing for Indian students	Later Stage funding of $96.8 million
GrayQuest	Online platform offering fee payment solutions for k-12 schools and universities, thus enabling parents and guardians to pay the school fees in monthly installments	Series A funding of $7.00 million
Cusmat	Immersive skilling platform enables leading businesses to train, assess and improve their workforce in critical and hard job roles	Series A funding of $3.50 million
uFaber	Targeted training programs at affordable prices, to students, teachers, professionals and a wide range of individuals to enhance their soft skills as well as upskill themselves academically and for competitive exams	Series A funding of $3 million
ixamBee	Online learning platform focusing on job preparation and training for competitive exams for students from small-towns and rural areas	Seed funding of $2 million

Each of the above enterprises are representative of solutions that address critical requirements for the education sector in India - right from improving employability to easing access to affordable education.

INDUSTRY SPEAK

Namita Dalmia
Co-founder & Partner,
Enzia Ventures

1 In line with global trends, the EdTech space in India has been witnessing a downtrend in funding since 2022, with deal volumes having plummeted in 2023. In your assessment, what other factors contributed to this downturn?

Between 2020 and 2022, the EdTech sector got large amounts of investments, almost unprecedented compared to the total investments made in the EdTech sector in the previous decade. Particularly during the COVID-19 pandemic, as students and teachers were forced to use technology to continue education, there was a surge in the number of startups and innovations in the space. Companies in the growth stage were fueled further with the mindset to grab a significant market share as online education delivery came to the rescue during the lockdown.

However, three things happened simultaneously. The capital influx led to adverse behaviours where the disproportionate focus went on growth with zero sights on unit economics. At the end of 2022, many companies faced unit economics challenges. Those that experienced rapid user growth needed to monetize effectively and achieve profitability. Second, with life returning to normal, there was a deceleration in user growth as customers started returning to the physical learning model while appreciating the value that online education provides or does not. Third, there was an overall downturn in the global startup industry, where investors decided to pause and reevaluate their portfolio and next set of investments. Since education was already over-invested during the pandemic, it was impacted the most.

In 2023, the EdTech companies were forced to focus on proving economics, which is essential. Most were required to scale down substantially and build grounds up fundamentally, including changing business models. Doing this requires time, so investments in existing companies slowed down. Since most of these EdTech companies had raised substantial capital, they had a runway (albeit with substantial cost-cutting) to improve their metrics and demonstrate sustainable growth. With funding secured for the next couple of years, these startups have used the opportunity to focus on optimising their business models, reducing customer acquisition costs, and enhancing user engagement to achieve profitability. However, the pressure is on these companies to deliver tangible results and justify the confidence placed in them by investors.

Moreover, some startups in the EdTech space received unjustified valuations based solely on their potential for scale rather than their current financial performance and market position. Unfortunately, as overvalued startups have struggled to meet the inflated expectations of investors, this has led to disappointment and a loss of confidence in the sector. This has had a trickle-down impact on investments in the early stages and investors waiting to watch the industry's performance. This, in turn, has impacted the number of new companies getting founded in this sector.

Nevertheless, the underlying problems in the education sector persist, and innovation remains essential. As existing companies stabilize, demonstrate scalability with sound economics, and prioritizes student outcomes, investor interest is expected to rebound. It's crucial to maintain optimism for the future of the EdTech industry and its potential to address critical educational needs.

2 **How is investing in this sector different from others? How do you assess it regarding return expectations, gestation periods, challenges in establishing scale and other critical factors for an investment thesis? What should prospective investors be keeping in mind?**

Investing in the education sector poses unique challenges and considerations for three primary reasons. Firstly, unlike industries such as e-commerce or ridesharing or food delivery, where technology facilitates most interactions, education relies heavily on human interaction for teaching and learning. In the other sectors, technology platforms enable discovery, fulfilment, and grievance redressal while the touch points with humans are limited. Customers do not require the same human to give them a ride or deliver their food. This fundamental reliance on human touchpoints sets the education sector apart. Secondly, the motivation of learners plays a crucial role in determining success. Learning is a complex process that demands discipline and effort, and only a tiny percentage of customers are inherently self-motivated to work hard to achieve their educational goals. Lastly, customers have a finite lifespan with an education solution provider. Companies must continuously acquire new customers to sustain and grow their business. This perpetual need for customer acquisition presents an ongoing challenge for scaling and driving profitability in educational ventures.

While the above differences make it hard for the companies to execute and grow, building in this sector has several advantages. Education yields a high average revenue per user (ARPU); the promise of upward social mobility and economic advancement drives such spending. Each population segment, whether divided by age, geography or language, presents a unique opportunity where entrepreneurs can build sizeable businesses with profitability. This introduces the chance for multiple winners to co-exist.

To capitalise on these opportunities, companies must align with their customers' paying capacity, motivations, and other demographic profiles to support them in achieving their educational objectives. Establishing a brand based on student outcomes is crucial for success in the education sector. By focusing on the right metrics, investors can assist entrepreneurs in building thriving businesses that benefit everyone in the ecosystem.

3 **The K12 segment is hit the most, with negligible funding in 2023. As access to affordable and quality education in the K12 segment, especially for underserved markets, remains an area of impact, what business models do you see inspiring confidence in investors?**

When considering education, it's essential to understand its early years' significance. These formative years are critical to learning foundational skills like reading and math, exploring interests, building a love for learning and setting the foundation for the future.

26 crore children study in about 1.4 crore schools in India. One crore of these schools are government-run, and the rest are private. And this is a diverse segment. On the one hand, there's a growing number of international schools across all major cities. On the other hand, we still have many single-teacher schools. Though government regulations have improved access to education and student-teacher ratios, personalized learning or teaching at the right level is still challenging.

Several companies have been built catering to education, inside or outside the schools. These companies offer improved curriculum and/or better education delivery. New models, such as the use of generative AI for personalized learning or integrated whole-school models for improved college or career pathways, are emerging and interesting models. Some inherent challenges faced by businesses include (i) building a scalable solution keeping in mind the variation in curriculum, textbooks, and teaching styles of students' school teachers, (ii) a long B2B sales cycle when selling to schools or the

high digital cost of acquisition of a B2C customer (iii) multiple stakeholders in the schools - teachers, principals, owners and similarly at home - parents as customers and students as users. Entrepreneurs managing distribution costs efficiently while providing quality, affordable education will likely build large, sustainable businesses.

What will inspire confidence in investors is when EdTech entrepreneurs are able to demonstrate a significant delta in the student outcomes they deliver versus the status quo. Only with such differentiated outcomes can a flywheel be created that relies on word of mouth and lower customer acquisition costs. The importance of a brand built on outcomes must be considered when building in the education sector.

4 While most segments within the education space have been adversely impacted, we see 'Edu-Finance' holding a steady momentum. As Avanse Financial Services attracts close to $ 100 million of investments in 2023, do you see an emerging pipeline of more such enterprises going ahead?

The demand for education finance is rising as it helps overcome individuals' access barriers without undue burden. Two key factors drive this trend:

1. Escalating Cost of Education: Education expenses are consistently increasing, whether the tuition charged by institutions over time or the increasing number of resources students access to achieve their outcomes, thus increasing their overall spending.
2. Elevating Aspirations: The number of people enrolling in various educational programs, particularly among first-generation learners or those reaching higher education levels for the first time in their families, is growing and will continue to grow. The drive to pursue education persists despite potential financial constraints due to personal growth and socio-economic advancement aspirations. NEP 2020 has also set ambitious GER targets for the country, requiring removing all access barriers.

While several companies are growing well, the Edu-Finance sector will continue to grow along with the education sector for the above reasons. While the opportunity is immense, accessing lower-cost capital will be the key differentiating factor that is, in turn, dependent on low NPAs. Building and scaling in a newer space, whether for a new education segment or a new demographic population, requires a few loan disbursements and collection cycles that usually begin at the end of the education program; hence, patience. Companies are underwriting the future earning potential of their loan customers (students or schools). The quality of outcomes delivered by education programs will also become an essential factor in determining how large the Edu-Finance industry will become. An interesting opportunity lies in business models where Edu-Finance companies can enable students to achieve their educational goals.

5 What are some of the critical areas within Education that you believe should be the focus areas for achieving on-ground impact and building a scalable and commercially viable model? What could be some of the macroeconomic factors that would be critical towards driving investments towards these solutions?

National Education Policy 2020 has provided a robust framework for quality education. The government is putting the plan into action by creating favourable policies. The priorities outlined there, from universalising early childhood education to bringing new age focus in K12 curriculum and pedagogy to increasing the gross enrolment ratio in Higher Education to 50%, are critical to creating impact.

The main themes for entrepreneurship in education should be around (i) skills mapping and orientation in learning across age groups, (ii) deeper focus on individual student success and (iii) the evolving aspirations of the growing population juxtaposed with the future of work. New businesses can be built by building new capacity or improving the existing infrastructure. However, the commercial viability of the model will depend on the segment of the population we are catering to. Some models will need to be funded by government and philanthropic investments. At the same time, some models lend themselves to becoming small-scale profitable and yet thriving businesses, and then many areas lend themselves to more significant financial outcomes. These three types of models will attract different capital providers.

What is important to understand is that as we look to improve education opportunities and expand access, we must recognize that the new phase of expansion needs to be quality-first. This is also critical to building viable business models that sustain long-term growth. The current factors that seem to have impacted education also point to the same conclusion. The key macroeconomic factors that impact the education industry are (i) GDP growth and per capita income, the spending on education will continue to increase, and parents will continue to seek the best services for their children. (ii) growth of industries and the emergence of new sectors that have a direct impact on the demand for the new workforce. The education sector needs to respond faster to the changing demands of talent and reap the benefits as economies improve. The impact of an economic downturn plays out in two ways. On the one hand, during a downturn, skilling and higher education businesses need to work harder to ensure student success. On the other hand, recession is also a time when people opt to invest in themselves through relevant upskilling and focus on future potential.

6 Given your past investments and learning in the education sector, what are the key risks for potential investors in this space - and how should one mitigate them?

Investing in the education sector presents lucrative opportunities, yet navigating certain risks effectively is crucial. As an EdTech investor, here's a breakdown of key risks we are conscious of.

1. Prioritizing Student Success and Brand Building: Central to success in education investment is prioritizing student outcomes and cultivating a strong brand reputation. Entrepreneurs should focus on delivering high-quality education and support services that empower students to succeed.

2. Implementing Efficient Distribution Strategies: A cost-effective distribution strategy is essential for minimizing customer acquisition costs without resorting to mis-selling tactics.

3. Ensuring High-Quality Delivery and Consistency: Education is a high-touch services business. Consistency in delivering high quality is paramount for building trust and credibility.

4. Exercising Patience and Frugality in Building: Building a successful educational venture requires patience and frugality. Entrepreneurs should optimize resources and prioritize long-term value to ensure sustainable growth.

By aligning investment strategies with these principles, investors can navigate the complexities of the education sector effectively, drive student success, and help build reputable brands, all while maintaining financial discipline and sustainability.

FINANCIAL INCLUSION

Financial Inclusion as a sector, continues to remain a key player in the impact investing space, consistently contributing to **25-30% of the overall investment value across 2021-2023.**

In 2023, the overall investments have seen a downturn, however **we continue to observe solutions that present potential for growth drawing investor interest.**

Even as the deal flows reduced, **funding in excess of $10 million was directed towards enterprises primarily in their later stages who have demonstrated growth prospects.** This was unlike the previous year where early-stage solutions also garnered big ticket investments.

Table: Investment Trends (2021 - 2023)

Financial Inclusion	2021	2022	2023
Deal Value ($ Mn)	1912	1555	695
# of Deals	73	81	48
Median Deal Size ($ Mn)	5.4	7	4.7

Investment Insights:

SME-Finance and FinTechs in the lead:

- Solutions extending finance to SMEs, continued to contribute highly to the overall investment flows, raising funding across early as well as later stages. Mintifi and InCred, both established names in the SME finance segment, raised upwards of $50 million in 2023.
- Likewise, FinTechs saw traction across stages. KreditBee with its technology that enables access to finance to the underbanked, raised $120 million in a later-stages round, a follow-on to its $80 million fundraise in 2022.
- We observe the growing intersection between FinTech solutions and SME Finance as increasing enterprises are leveraging digital lending towards SME borrowers. Indifi, representing this model, raised $35 million in a Series B round.
- While the average ticket size of early-stage investments in these segments has reduced from $10 million in 2022 to $4 million in 2023, we observe innovative solutions emerging - right from financing for gig workers (KarmaLife) to financial services for domestic migrants (BranchX) and access to finance to rural India (ByajBook). This demonstrates the investment potential in those solutions that are leveraging technology and strategic alliances to extend financial solutions to the underbanked.

Impact Investors stand strong:

- While in absolute terms the investment values have declined in 2023, the contribution of impact investors towards driving early and later-stage deals remained stable.
- Close to $74.3 million was raised from deals participated purely by impact investors - thereby contributing ~11% of the total investment flow in 2023. Impact investors have also participated in Club deals, amounting to close to ~$293 million.

Table: Financial Inclusion - Stage-wise Investment Trends (2021-2023) (Equity in Mn)

Stages	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Seed	66	29	120	37	35	20
Series A	128	14	309	12	79	11
Series B	51	5	160	11	59	5
Later Stages	1668	25	966	21	521	12

Figure: Financial Inclusion: Stage-wise Contribution to Number of Deals (2021-2023)

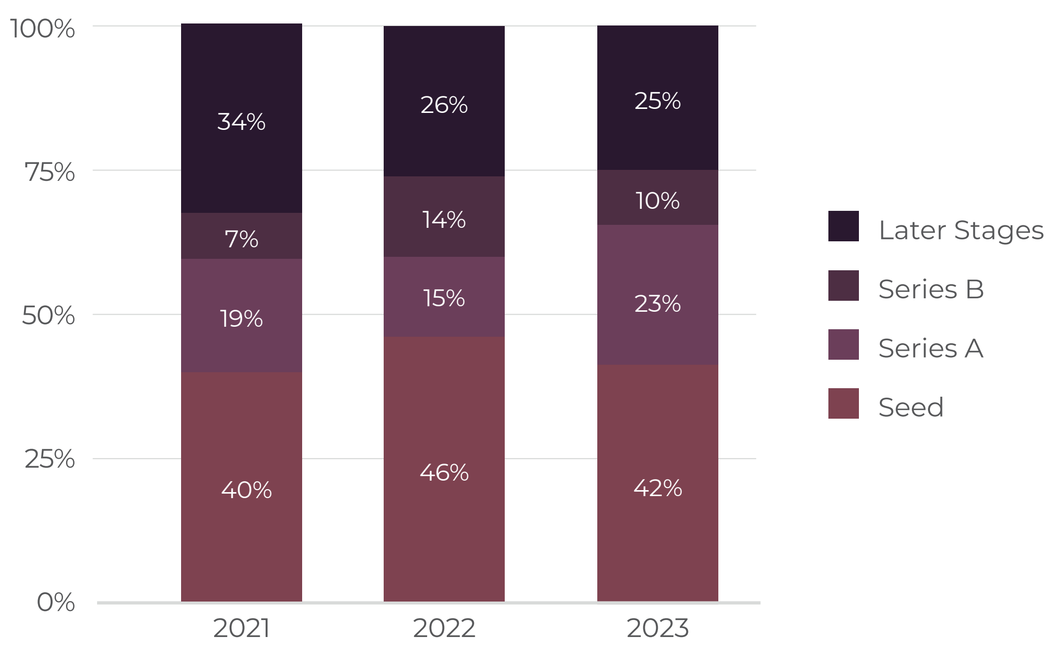
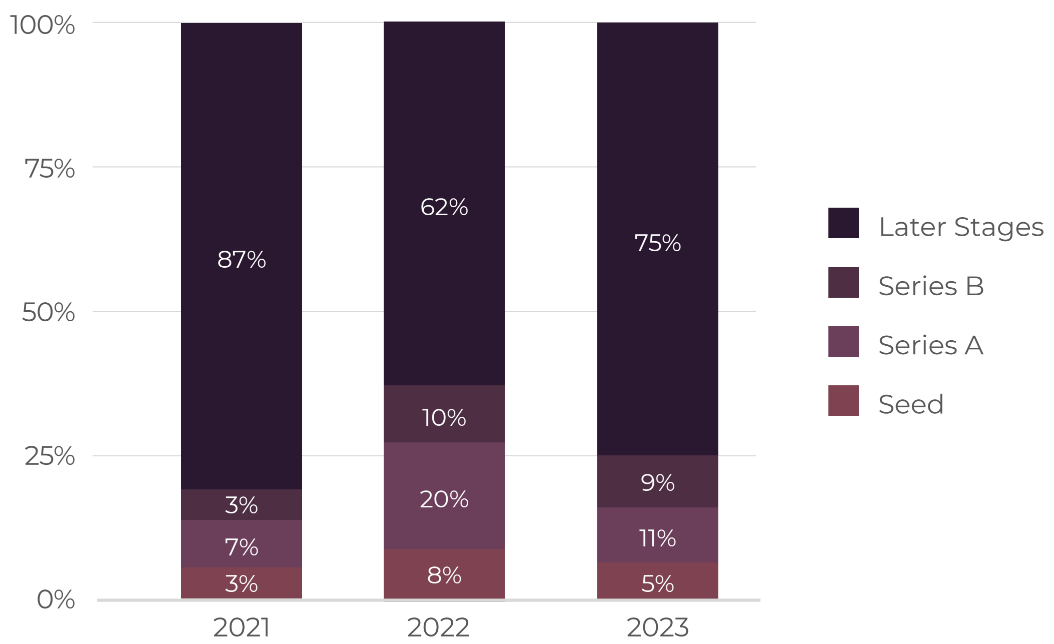


Figure: Financial Inclusion - Stage-wise Contribution to Deal Value (2021-2023)



Emerging Trends:

Affordable Housing Finance gains traction:

- Hitherto a muted segment compared to others, housing finance demonstrated a growth in deal volume - from 3 deals in 2022 to 7 in 2023.
- Aviom Housing Finance and Vastu Housing Finance, each raised $30 million in Later Stages. Their housing finance solutions cater especially to the underbanked to low-income households who have limited access to organized credit.
- The affordable housing finance segment has emerged as the only one which saw the maximum number of early-stage deals recording upwards of $10 million, in an otherwise slow funding environment. Vridhi Home Finance and Bharat Housing Network, which raised $18 million and $15 million respectively, in Series A deals, cater to the home loan requirements of low-income households especially in smaller towns.

The emerging space of Gold Loans:

- A new segment of gold loan solutions for the underbanked has emerged over the last two years with enterprises like Oro Money, IndiaGold, Yellow Metal, Bold Finance raising funds between 2022 and 2023.
- Oro Money in a repeat funding from 2022, raised $12.5 million in 2023.

These deals have been categorized in the 'Others' segment, as seen in the following table.

Table: Financial Inclusion: Segment-wise Investment Trends (2021 - 2023)[4] (Equity in Mn)

Financial Inclusion	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Vehicle Finance	15	3	136	6	25	4
FinTech	200	23	456	29	248	22
Housing Finance	328	9	133	3	101	7
Microfinance	93	8	70	6	59	2
Others	33	4	54	9	13	1
SME Finance	1244	26	706	28	249	12

Note: Please refer to the Annexure for a description of each of the segments

[4] Note: Until 2022, we had considered 'CV Finance' as one of the segments for analysis under Financial Inclusion. In 2023, we have recategorised it as 'Vehicle Finance'. This is keeping in mind the financing solutions emerging for 2-wheeler and 3-wheeler vehicles especially making vehicle financing accessible and affordable to underserved markets.

Hence, two deals which were classified as Climate-Tech, in 2022, have now been considered under this Vehicle Finance segment - this refers to Three Wheels United and Vidyut, both of which are engaged in financing for electric vehicles. Their cumulative funding in 2022 is at $14 million.

Enterprise Showcase

Despite overall investment deal flows being relatively limited compared to previous years, a few enterprises stand out. Their relevance to the sector can be observed on account of their innovative business models or the quantum of funding that they have successfully secured.

Enterprise	Offering	Latest Funding Round
KreditBee	Instant & flexible personal loans for self-employed business owners & salaried individuals	Later Stage funding of $120 million
Mintifi	Supply chain financing platform for small and medium businesses	Later Stage funding of $110 million
InCred	MSME lending along with consumer & student loans	Later Stage funding of $60 million
SarvaGram	Rural household centric platform delivering customized financial services products	Later Stage funding of $35 million
FincFriends	Digital unsecured consumer lending to the underserved	Series A funding of $3.5 million

INDUSTRY SPEAK

Jyotsna Krishnan,
Managing Partner,
Elevar Equity

1 Amidst reduced funding across various sectors, the financial inclusion space in 2023 has shown strength and stability. What has been your assessment on the investment trends in this space in 2023?

The financial inclusion businesses thrive on the transaction volume and growth potential of 'Entrepreneurial Households'™ in the country, which are often outside the priorities of large banks and conventional lenders. These households are characterised by diversified and multiple income sources that fuel their economic growth aspirations and maintain resilience through multiple crises and shocks such as COVID-19. Despite the 'funding winter', this sector has remained relatively unaffected, especially for business models grounded in profitable distribution based on the actual needs of customers. Companies with proven unit economics and customer-aligned credit underwriting models gained increased appreciation by the world of capital in 2023 compared to preceding years. As a fund focused on high priority services, we assess household transactions to evaluate opportunities rather than capital trends.

2 How is investing in this sector different from others? How do you assess it in terms of return expectations, gestation periods, challenges in establishing scale and other critical factors for an investment thesis? What should prospective investors be keeping in mind?

From an Elevar standpoint, financial inclusion or any lending business is a 'super sector'. Its distinct advantage stems from these businesses' capacity to diligence their customers' before delivering appropriate products and services. This significantly deepens market understanding while expanding operations thus making returns more predictable.

Organisational success in this sector is driven by several key factors. To begin, entrepreneurs with proven leadership skills and a demonstrated execution track record are vital to creating a sustainable business model. Second, successful ventures are built on a deep customer understanding through a 'blended intelligence' approach from digital and physical sources. They craft contextually relevant offerings that impact customers' cash flows and accurately address customer needs and aspirations. Finally, effective treasury and risk management practices maintain financial health and sustainability, particularly during market fluctuations.

For investors, success depends on supporting founding teams with a deep understanding of their target market and who adopt a 'solution-oriented' approach to customer needs. Investments may exhibit different return profiles and longer gestation periods given the need to understand customer behaviours. Establishing scale in this sector involves blending intersectional knowledge to meet customer needs. A thorough grasp of sector dynamics, leadership, customer insights, and risk management is crucial to achieving the broader goal of financial inclusion.

3 Over the last three years, enterprises focusing on lending to SMEs have been seeing momentum. What, in your opinion, are the differentiating factors among these enterprises that attract investor attention?

It is difficult to comment on general investor attention in the SME space. From an Elevar standpoint, interest in enterprises lending to SMEs is driven by three key factors. First, enterprises adopting a 'solution-oriented' approach go beyond mere lending to encompass non-financial services supporting SME growth, thereby amplifying their

economic potential. In addition, transactional data, increased digital visibility and phygital distribution have been critical in providing deep insights into the operations of SMEs. This enables SME-focused lenders to accurately assess risks and provide customised solutions to meet customer needs ensuring long-term customer satisfaction.

4 One segment that we observed gaining traction in 2023, was that of affordable housing finance. Do you foresee a pipeline of enterprises in this space?

Unlike most funds, we focus on all the high priority needs of the end customer segment and do not confine ourselves to a niche sectoral view. We recognize that the target segment, often undercapitalized vis a vis their growth aspirations, benefits from different kinds of lending products to infuse necessary capital to aid them in their growth journey. Affordable housing finance as a core need is one such product. Sometimes traction in a particular product varies, which is more a reflection of the market's preference for secured loan portfolios over unsecured loans, based on the prevailing risk appetite. Nonetheless, these fluctuations are generally indicative of short-term trends rather than a fundamental change in customer needs. Instead of focusing on a specific product or sector, we believe enterprises that assess household economic health through transactions and view Entrepreneurial Households as a critical economic unit are the future.

5 As the microfinance model gains maturity in India, what are some of the emerging innovations you observe in the financial inclusion space that have potential for grassroot impact and commercial viability?

As the microfinance model matures in India, we have observed a remarkable evolution among low-income or bottom-of-the-pyramid customers. They have transformed into Entrepreneurial Households with significant growth ambitions for themselves and their children. With two decades of field insights and building ~50 companies, we have framed our thinking using a bottom-up customer view focused on transactions rather than the traditional discretionary income lens. We call this Core Transaction Value (CTV)™, a metric to dissect economic activities by mapping a household's cash inflows (including curated borrowings) and outflows. To fully realise the potential of both impactful and commercially viable enterprises, innovations anchored on CTV across the value chain are waiting to be harnessed. Entrepreneurial Households demand high-quality core goods and services, especially in education, health, and financial services. As mentioned earlier, financial services, the 'super sector', is often the initial entry point for undercapitalized markets, and has the potential to amplify the impact significantly.

6 Given your past investments and learning in the financial inclusion space, what are the key risks for potential investors in this space - and how should one mitigate them?

In the financial inclusion sector, targeting undercapitalised customer segments presents a meaningful opportunity if lending businesses maintain rigour and discipline. First, success relies on customised value propositions, necessitating a deep understanding of borrowers' needs, and the economic transactions driving their borrowing. In addition, assessing the founding team's expertise in risk management, especially in credit underwriting and collections, and treasury management (debt and equity capital) is also vital. Finally, enterprises must implement cost-effective distribution strategies and efficient portfolio management models. Potential investors should be cautious of the challenges in achieving scale and pay particular attention to organisational design and leadership capabilities. A comprehensive view of entrepreneurial households' economic activities, coupled with diligent risk management, can present impactful investment opportunities.

HEALTHCARE

The deal flow in the healthcare sector has been seeing a reduction, **right from $ 1223 million in 2021 to $ 509 million in 2022 to $ 466 million in 2023.**

This decline across the last three years has been across all segments, **right from Primary Healthcare to Medical Devices and Pharmacies.**

Table: Investment Trends (2021 - 2023)

Healthcare	2021	2022	2023
Deal Value ($ Mn)	1223	509	466
# of Deals	42	44	26
Median Deal Size ($ Mn)	5	6.1	3

Investment Insights:

Online Pharmacy solutions sustain investment downtrend:

- More than 90% of the total investments in 2023 comes from a single deal - $420 million by Pharmeasy, which has also raised $806 million over a series of funding rounds, contributing to almost 65% of the total investment in 2021. In the absence of this deal, the investments in 2023 stand at only $46 million.

- MrMed - an early-stage online pharmacy for super speciality medicines raised two rounds of Seed funding (amount undisclosed).

- Apart from online pharmacies, other segments remained subdued in 2023. Notably, Primary Healthcare which was at $ 221 million in 2021 on the heels of the $ 149 million funding to Pristyn Care has raised negligible funding in 2023 .

Impact Investors support innovations:

In keeping with the trends of 2022, the investments in 2023 have been largely led by commercial investors, both in early as well as growth-stage enterprises. However, impact investors demonstrated some interesting trends:

- The number of deals in which Impact investors participated increased from 2 in 2022 to 5 in 2023, with investments being primarily in the 'Medical Devices' segment - Dozee, LifeSigns and MedPrime attracted early-stage investments. Each of these enterprises extend patient monitoring and medical diagnostic solutions that are affordable and accessible.

- Ankur Capital participated in a follow-on funding round in D-Nome, an enterprise that is working to make premium point-of-care diagnostics affordable. The India Health Fund supported two early-stage ventures - Ameliorate Biotech and MedPrime. British International Investment also stepped in to fund Dozee, indicating increasing opportunities to support innovations with modest ticket sizes.

Table: Healthcare: Stage-wise Investment Trends (2021-2023) (Equity in Mn)

Stages	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Seed	14	16	43	24	8	15
Series A	28	7	88	10	16	6
Series B	103	7	123	6	9	2
Later Stages	1078	12	255	4	424	2

Figure: Healthcare: Stage-wise Contribution to Number of Deals (2021 - 2023)

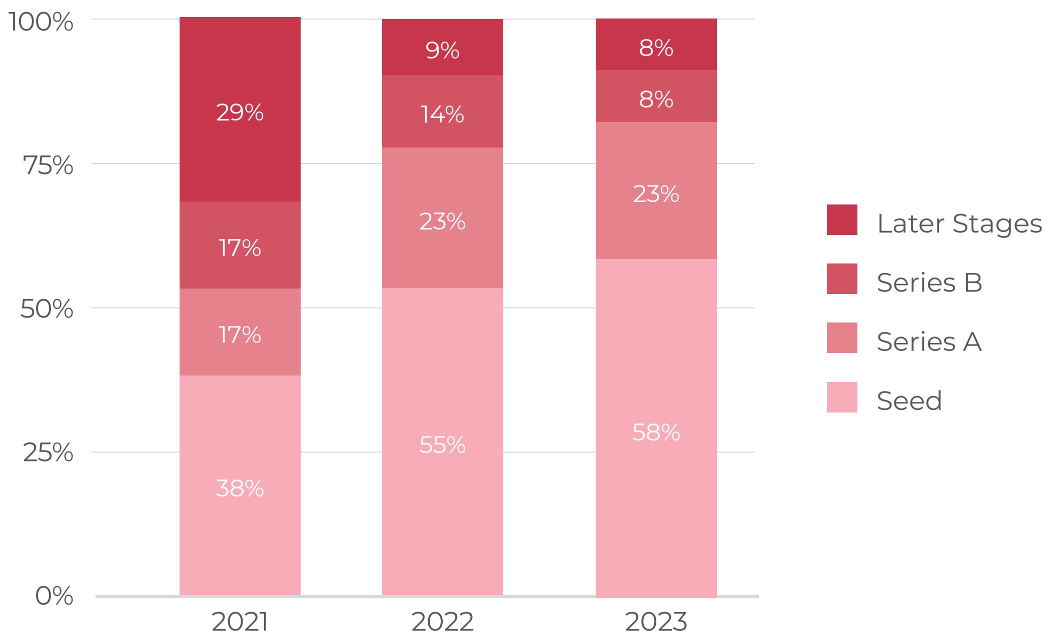
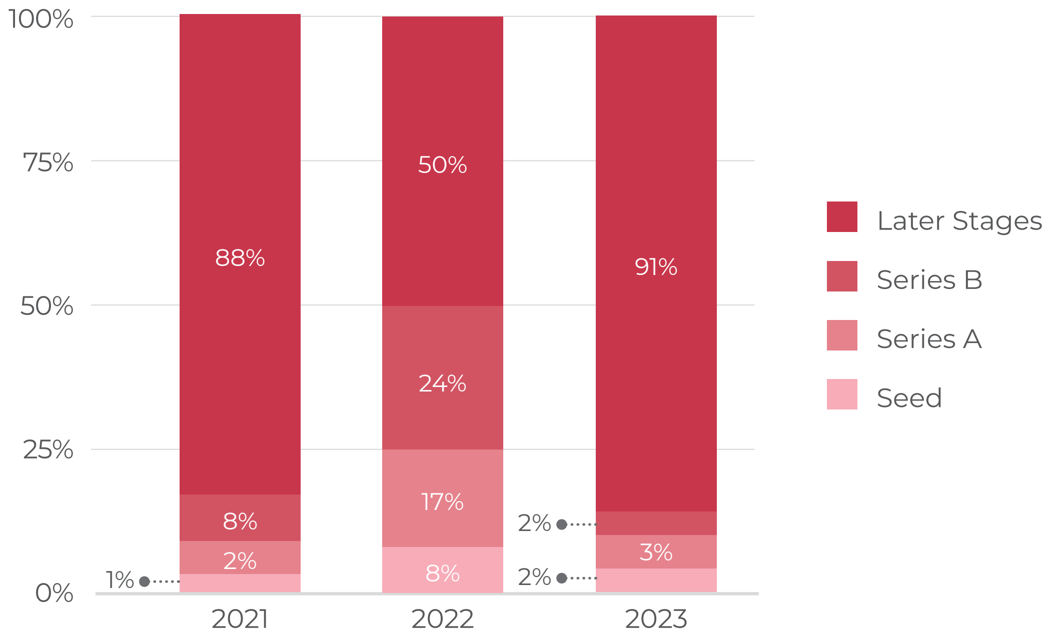


Figure: Healthcare: Stage-wise Contribution to Deal Value (2021 - 2023)



Note: The 91% concentration towards Later Stage funding is on account of the $420 million funding towards Pharmeasy

Emerging Trends:

Allied Products and Services come up:

In a segment, where access to affordable healthcare at the last mile remains a critical requirement, we observe some interesting business models come up.

Each of these enterprises address a very unique requirement of the sector, thereby enabling access to quality healthcare to those geographical and demographic segments that have remained underserved.

Despite a slow funding environment, the fact that such enterprises have received support from commercial investors demonstrates the potential that quality healthcare solutions hold both in terms of impact as well as commercial viability.

Enterprise	Offering
Dial4242	Affordable access to emergency facilities by providing timely ambulance service
TEN Medical Logistics	Tech-enabled Medical Logistics & Health Care Services platform providing timely access to Ambulance and Professionally Trained Medical personnel
Evolve	Inclusive mental health app that currently focuses on the needs of the LGBTQ+ community.
GoApptiv	End-to-end business model and technology solutions for healthcare, enabling penetration of healthcare services to underserved markets
MedLearn	Full-stack hospital training solution enabling training to healthcare workers, nurses and doctors.

Table: Healthcare: Segment-wise Investment Trends (2021 - 2023) (Equity in Mn)

Healthcare	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Diagnostics and Decision Support	134	8	92	15	10	6
Health Finance	9	3	16	4	6	2
Medical Devices	20	7	154	7	10	6
Others	15	2	28	4	6	5
Pharmacies (Online and Offline)	817	8	144	5	421	3
Primary Healthcare	221	12	37	5	4	2
Secondary Healthcare	7	2	38	4	10	2

Note: Please refer to the Annexure for a description of each of the segments

Enterprise Showcase

Despite overall investment deal flows being relatively limited compared to previous years, a few enterprises stand out. Their relevance to the sector can be observed on account of their innovative business models or the quantum of funding that they have successfully secured.

Enterprise	Offering	Latest Funding Round
PharmEasy Pharmeasy	Online pharmacy	Later Stage funding of $420 million
akc If it's Dialysis, it's AKC Apex Kidney Care	Kidney care at affordable rates	Funding of $10 million (Stage undisclosed)
d-nome D-Nome	Using Molecular diagnostics for quick point-of-care diagnostics for human infectious diseases and other applications such as livestock screening	Series A funding of $1.5 million
mrmed.in SUPER SPECIALITY PHARMACY MrMed	Online pharmacy providing super-specialty medicines directly to patients across the country	Series A funding of $0.5 million

- These enterprises stand distinct in their nature of offering addressing a core requirement of the sector. For example, D-Nome with its low cost and time efficient LAMP technology offers a cost-effective alternative to the PCR technology used for human diagnostics, thus easing out bottlenecks for diagnostic labs and hospitals in scaling up molecular techniques.

- MrMed addresses the challenges of high cost and ease of access associated with specialized medicines, by aggregating the supply Chain of these medicines and offering price standardization to patients.

- These deals are indicative of investor interest in business models that demonstrate an ability to scale and present commercial viability on account of their differentiated product or service.

INDUSTRY SPEAK

Zulfikar Trivedi,
Chief Financial Officer,
Somerset Indus Capital Partners

1 When compared to the high levels of funding seen in 2021, 2023 has seen a significant reduction in investment flow, in healthcare-oriented impact enterprises. Could you share with our readers your assessment of the space over the last 2-3 years? What is your investment thesis?

It is important to understand how to create social impact but also provide good returns and a sustainable business model. That has not been easy to create in India as affordability within healthcare has been a big issue as healthcare has predominantly been an out-of-pocket expense for the general population. Also, in lower tier markets and for the lower economic class of population, this has been a greater issue to deal with.

Somerset Indus' investment thesis has been to create access to affordable quality healthcare in India. What we have worked on over the last decade is to create unique differentiated business models which execute at volume and affordable pricing but also understand how to manage cost structures to create sustainable profitable enterprises which also create significant impact like Krsnaa Diagnostics in PPP diagnostics, Ujala Cygnus in Ayushman Bharat payor ecosystem, Genworks in lower tier medtech access etc. We also use technology effectively to provide clinical access in areas like Tele Radiology, Tele pathology, Tele ICU, Tele NICU in addition to creating physical healthcare infrastructure in lower tier markets.

2 How is investing in this sector different from others? How do you assess it in terms of return expectations, gestation periods, challenges in establishing scale and other critical factors for an investment thesis? What should prospective investors be keeping in mind?

Healthcare is challenging in terms of execution especially when you look at the aspects surrounding accessibility and affordability in India. Also, understanding the clinical and regulatory aspects and also the long gestation periods is a very important skill set.

We have been very prudent in terms of valuation of assets and take reasonable amount of time to engage with potential investee company and management before committing capital. This allows us to filter quality promoters whom we can back and who show traits of restlessness and resilience. Commercial returns then will follow for investments backing good business and good teams.

On your other point of gestation and scaling up, of course since our thesis are built around growth, we will have a plan to grow business through new products, new geographies, deeper penetration, and collaboration through our network. So we strive to work towards that with the promoters beyond the capital that we provide.

Other challenges are with respect to building the organization, hire necessary teams and broadly institutionalizing the companies so they are ready for the next phase of growth. All our companies are also required to adhere to strict sustainability norms as per domestic and international frameworks like NIIF, IFC, AIIB, ADB etc. and we continue to monitor them throughout the investment lifecycle.

3 Given that access to good quality and affordable primary healthcare to the underserved is one of the priorities of the sector, in 2023 we see little to no funding to startups offering such solutions. Do you see a pipeline of enterprises demonstrating potential for receiving investments?

Affordable primary healthcare to the underserved is slowly gaining momentum even with govt schemes like Ayushman Bharat having Wellness components in it. The ultimate aim of any insurer or payor is to keep the population healthy and to focus on primary care to do that. This is where primary care related startups and especially digital health startups will see a slow emergence. Mass screening govt programs as well as OPD treatment and home care treatment supported by OPD/ Wellness insurance will emerge over the next few years. Healthcare in a game of patience so as this sector emerges and scales up, you will see investments going into this sector again.

4 The online pharmacy segment has not been receiving much traction, apart from Pharmeasy's recent fundraise. What kind of business models do you see holding a key differentiating factor in this space that have the potential to become commercially viable?

The pharmacy space will exist in a hybrid model of offline and online. It cannot sustain itself just as an online concept. Also, it must be built in a lean manner with focus on integration, personalization, supply chain efficiency, robust partnerships, diversified offerings and regulatory compliance. Also, thinking long term as against short term customer acquisition and loyalty will play a greater role in the scale up of the pharmacy business. Also, pharmacies provide diagnostics through POC devices and tele medicines consults to support patient treatment could go a long way in building the reputation of the pharmacy. Use of technology will also be important to support the scale up of this sector.

5 Going ahead, how do you see this sector panning out? What kind of business models or segments do you believe hold the most promise for investment?

The Indian healthcare sector is on a growth trajectory. Promising investment themes include healthcare services, with a spotlight on oncology, drug development, and advanced diagnostics. Hospital industry consolidation, focusing on untapped markets, has seen significant funding. Hospital chains, despite high capital expenditure, show robust returns and ample exit opportunities. As an investor, the key lies in recognizing the potential of innovative and patient-centric business models. The evolving pharma generics segment, especially in lower-tier markets, offers potential for differentiated business models. Opportunities in pharmaceutical manufacturing, advanced diagnostics, and healthcare services expansion are likely to be particularly lucrative in the evolving landscape of the Indian healthcare sector.

Certainly, we see good business models emerging across all segments of healthcare be it remote care, home care, tele-medicine, OPD insurance etc. however, there are challenges in scaling up few of these models so execution is key while marrying traditional business with applying layers of technology. Healthcare models purely based on so-called technology will not succeed much on a standalone basis unless it is a deep-tech supported by well-grounded research and bound to cause major disruption.

On Pharma side, API and specialty pharma are gaining momentum and has attracted a lot of private capital. Govt. policy on PLI etc. has also acted as a booster. Further, businesses in the pharma higher value chain want to de-risk themselves from huge dependency on China for raw material and ingredients.

Med-tech is another space which is and further likely to attract capital, there are companies doing work on lower as well higher end devices to make it better and affordable for markets like India and similar.

6 Given your past investments and learning in the healthcare sector, what are the key risks for potential investors in this space - and how should one mitigate them?

Navigating the complexities of the Indian healthcare sector demands a strategic and patient approach for investors. Regulatory intricacies, infrastructure & execution challenges, and market competition pose inherent risks. To counter these, investors must conduct thorough due diligence on compliance, track market trends, and diversify across healthcare segments of product delivery and services. Promoters play a crucial role, requiring resilience, quick execution, and openness to new growth avenues. Timing is key; entering markets prematurely should be avoided. Encouraging professional management in family-led businesses and supporting a robust product pipeline are vital strategies for success. Thinking long term will be the key to success in India as well as the ability to execute and build unique business models.

TECHNOLOGY FOR DEVELOPMENT

The 'Technology for Development' segment saw a substantial decline in investments in 2023. The total deal flow stood at $ 510 million across 37 deals as against $ 1308 million and 63 deals in 2022.

The decline in funding in the sector has been noticeably impacted by the drop in Series B and Later Stages funding, which reduced by more than 60% in 2023. **The reduction in early-stage funding has been lesser in relative comparison - the drop is seen at 45%.**

Apart from Udaan which raised $340 million in 2023, deals of this quantum have not been observed in 2023.

ElasticRun (social commerce), ShareChat (regional content and news) and Udaan (social commerce) **cumulatively contributed to $785 million in 2022, i.e. 60% of total deal flow.**

Table: Technology for Development: Investment Trends (2021 - 2023)

Technology for Development	2021	2022	2023
Deal Value ($ Mn)	1345	1308	510
# of Deals	58	63	37
Median Deal Size ($ Mn)	5.3	5	1.8

Investment Insights:

Social Commerce in focus:

- 66% of the total funding in 2023 came on account of a single entity - Udaan which raised $340 million in a Later Stages round. Udaan, extending a social commerce platform to merchants in smaller Indian cities and towns, stood out for having raised a cumulative of $820 million from 2021 to 2023.
- The share of social commerce startups in the sectoral funding increased from 48% to 70%. This was mainly on account of a decline in large ticket deals related to the 'Local language content and network' segment. The contribution of this segment saw a decline from 33% in 2022 to less than 10% in 2023.
- ApnaKlub stands out for having raised funding in three successive years right since 2021. This enterprise that raised $ 6 million in 2023, buys products directly from FMCG companies, takes ownership of these products, stores goods in its warehouses, and sells them to mom-and-pop stores in tier II and tier III cities across India. Since 2021, this enterprise has raised more than $ 20 million in funding.

Solutions offering regional content see muted investments:

- Close to $ 315 million out of the $ 431 million in 2022 in this segment, was concentrated on a single enterprise - ShareChat itself.
- While the deal flow reduced to $45 million in 2023, one enterprise stands out for its repeat funding - Kuku FM that has raised $66.3 million across the last three years.
- Lokal, which is a news and classifieds platform focused on regional languages, raised $14.6 million from new investors in 2023.
- Apart from NewsReach, which is a local news community, empowering vernacular hyper-local publications, there was no other Seed stage funding observed.

Financing solutions embedded into tech offering

- We observe some enterprises extending tech-based solutions to MSMEs also starting to embed finance options in the solution.
- Bizongo, which offers software-based vendor management and supply-chain automation for SMEs, also extends unsecured financing solutions to them, through Bizongo's partnerships with banks and NBFCs. This enterprise raised $50 million in 2023.
- The Yarn bazaar which is a marketplace for yarn dealers and vendors to discover real-time yarn prices, information, and market trends also extends flexible, unsecured financing options to the vendors that addresses a critical challenge of the sector - cash flow management. It raised $1.8 million in 2023.

Investment Insights:

Established names garner high tickets:

Despite a reduced funding environment, enterprises which have demonstrated year-on-year growth continued to raise high ticket deals.

Enterprise	Offering	Funding in 2023	Cumulative Funding (2021-2022)
Udaan	B2B trade platform for MSMEs	$340 million	$480 million
Kuku FM	Audio content in Indian regional languages, allowing users to discover new and diverse audio content in their preferred language	$25 million	$41.30 million
Lokal	Hyperlocal content and social media app offering content in regional languages	$14.68 million	$12 million
Bizongo	Software-based vendor management and supply-chain automation and financing for SMEs	$50 million	$146.71 million

Table: Technology for Development: Stage-wise Investment Trends (2021-2023) (Equity in Mn)

Stages	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Seed	34	22	55	36	28	24
Series A	83	12	92	11	52	9
Series B	208	10	137	8	15	1
Later Stages	1020	14	1024	8	415	3

Figure: Technology for Development: Stage-wise Contribution to Number of Deals (2021 - 2023)

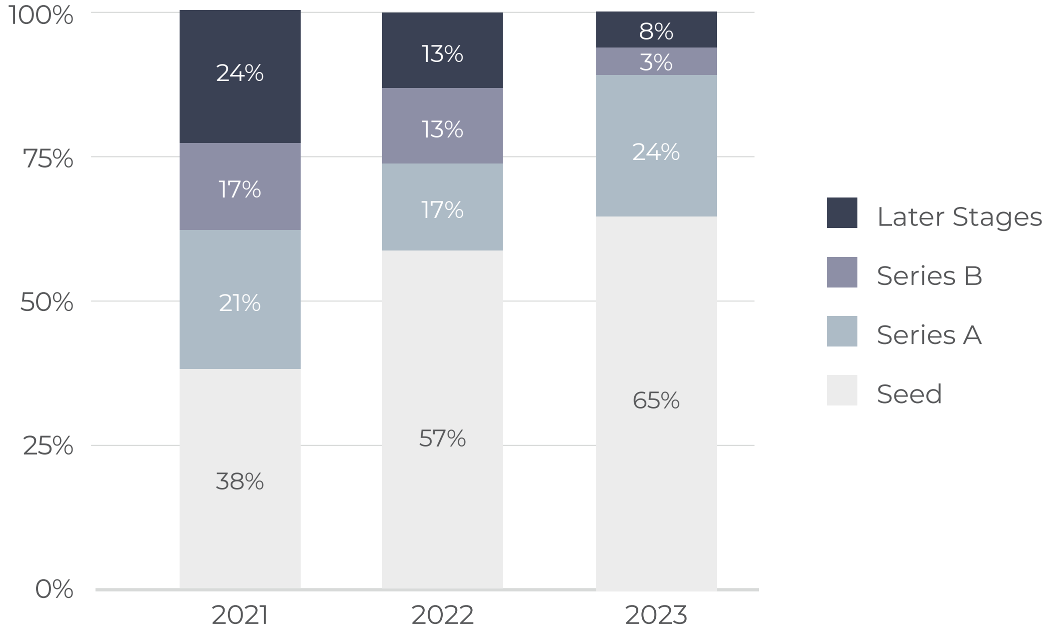


Figure: Technology for Development: Stage-wise Contribution to Deal Value (2021 - 2023)

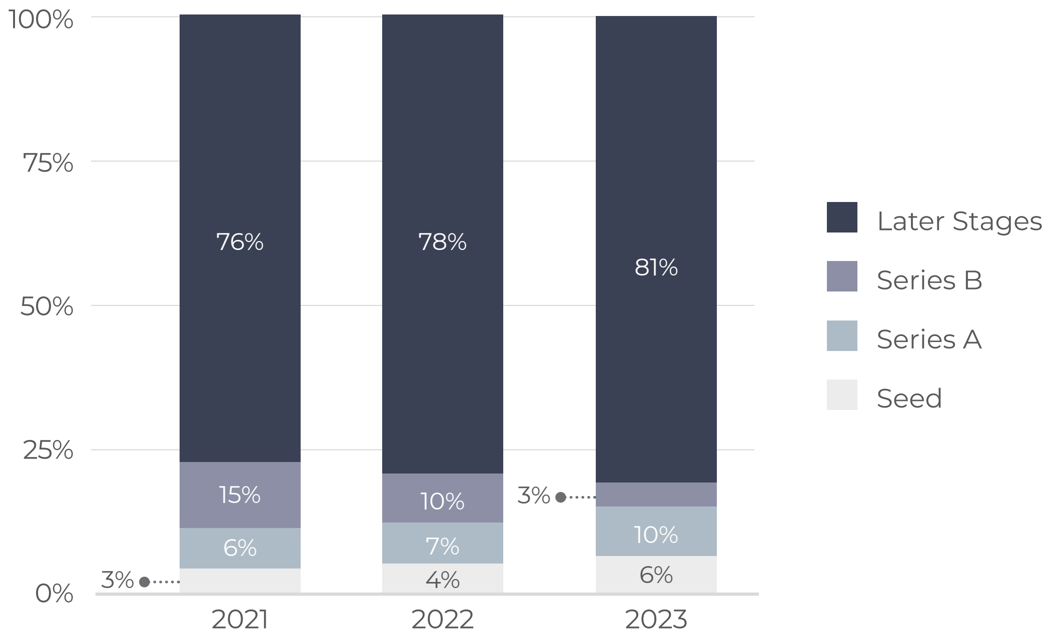
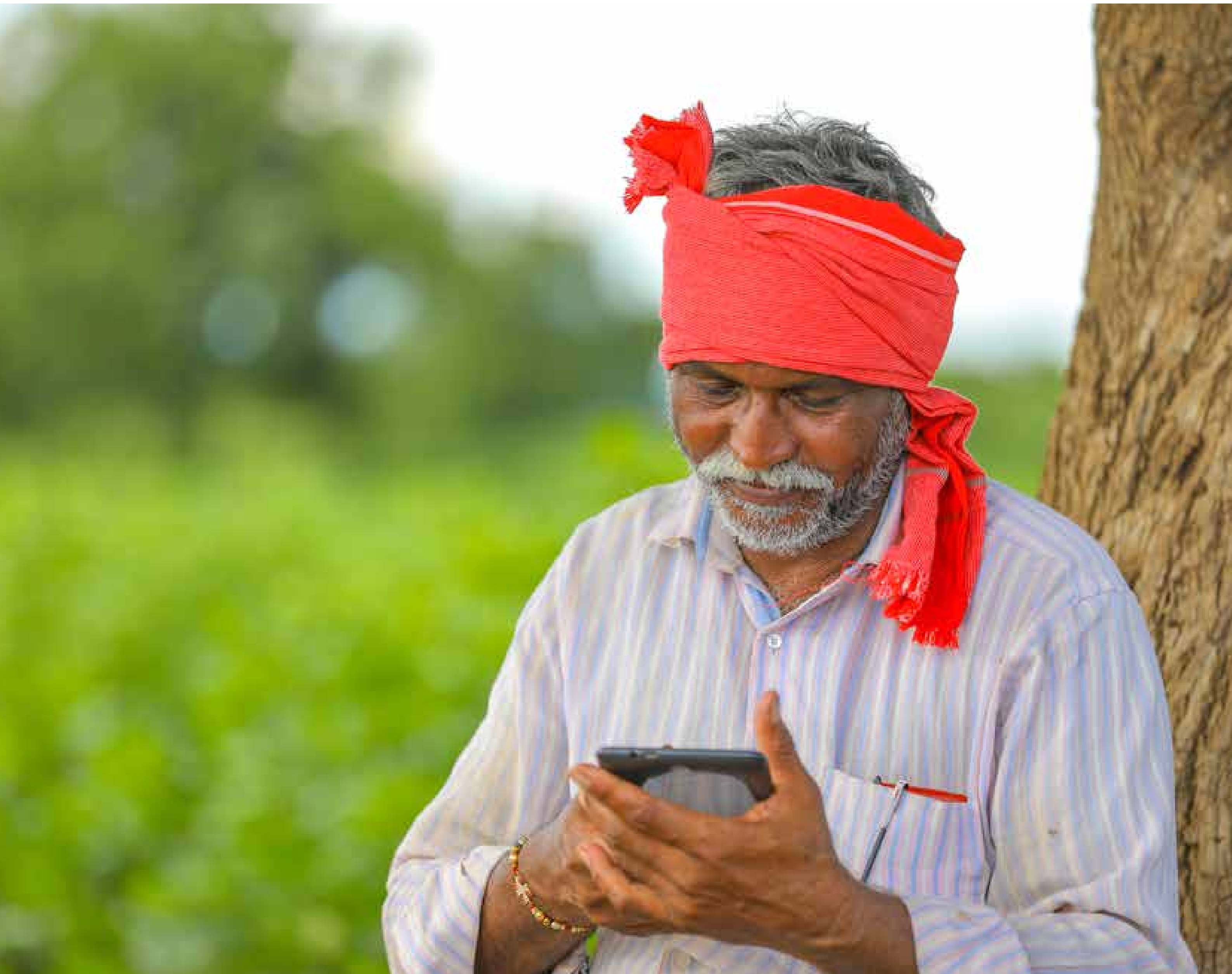


Table: Technology for Development: Segment-wise Investment Trends (2021 - 2023) (Equity in Mn)

Technology for Development	2021		2022		2023	
	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals	$ Value (Mn)	No. of Deals
Future of Work	199	7	69	11	19	6
Local Language Content and Network	350	16	431	18	45	6
Others	0	0	4	2	17	1
SME Tech	370	23	174	21	70	11
Social Commerce	427	12	631	11	358	13

Note: Please refer to the Annexure for a description of each of the segments



Enterprise Showcase

Despite overall investment deal flows being relatively limited compared to previous years, a few enterprises stand out. Their relevance to the sector can be observed on account of their innovative business models or the quantum of funding that they have successfully secured.

Enterprise	Offering	Latest Funding Round
KUKU FM Kuku FM	It provides audio content in Indian regional languages by allowing users to discover new and diverse audio content in their preferred language	Later Stage funding of $25 million
Lokal App Lokal	News and classifieds platform focused on regional languages	Series B funding of $14.68 million
Wi WorkIndia WorkIndia	Job portal for all blue and gray-collar jobs	Series A funding of $12 million
Wiom सपनों से ज्यादा Wiom	Affordable and unlimited internet to middle and lower-middle income households	Series A funding of $17.1 million
SMARTDUKAAN SmartDukaan	Smartphone retail tech platform	Series A funding of $10 million

INDUSTRY SPEAK

Sudhir Sethi,
Founder and Chairman,
Chiratae Ventures

Supported by:
Pavan BK,
Lead, ESG and Impact, Chiratae Ventures

Kailash Nath,
AVP, Head of Seed investments
Chiratae Ventures

Chiratae Ventures - Summary of impact in Portfolio companies

At Chiratae Ventures, our mission is to create a positive impact by seamlessly combining financial performance with the values of our stakeholders, benefiting both people and the planet in the long term. As an early-stage tech firm, we invest across various sectors, driving technological advancements and innovations. Our Impact strategy is aligned to enable India to progress towards the United Nations Sustainable Development Goals.

To date, our portfolio has reached over 92 M individuals, with a noteworthy representation from, and for women. Businesses of more than 650k entities have been facilitated, close to 400k being Nano and MSMEs. Our portfolio has strengthened the grasp on Tier 2 and smaller towns in India, seamlessly integrating innovations and technologies into the grassroots levels of our country. Impactful insights from our investments reveal that for every dollar Chiratae invested, more than two units/ transactions were enabled. Furthermore, every $7 investment positively impacted a female customer or female-owned business, and every $4 investment influenced the life of more than one stakeholder customer, employee, business enterprise, supplier, or trainee. We truly believe a commercial venture fund can create a significant impact in India.

As an early-stage technology focused venture capital firm, we continue to invest in startups building technology solutions across sectors and categories. The social impact created through technology companies in India is undergoing a transformative shift, with the forefront being led by a new generation of deep tech companies. Disruptive technologies such as AI, machine learning, voice and vision recognition, biotech, predictive analytics, data science, cleantech, blockchain, geo-mapping etc, are instrumental in addressing massive developmental challenges through sustainable means. For example, KBCols, a deep-tech company specializing in R&D, manufacturing, and application of natural and sustainable bio colors is revolutionizing the clothing industry with vibrant hues. Aether Biomedical, provides custom robotics solutions for upper limb amputees - based on human-centered design. Other notable deeptech portfolio companies include Minus Zero, Miko, Pixis, and Skye Air, among others.

Our portfolio is creating meaningful impact by reaching those previously underserved, bringing down costs, increasing access, reducing friction, and improving quality, while also scaling successfully.

1 The last few years have seen the emergence of innovative enterprises leveraging technology for achieving on ground impact. Right from SME tech to social commerce, we see varied technology led innovations.

What have been some of the interesting and impactful business models that you have come across that present a good opportunity for investment?

At Chiratae Ventures, though we are not an impact-first investor, we strongly believe in the global impact that technology can bring about. Across years, though we have seen several models across sectors which present opportunities from a VC return stand point, the following list serves as noteworthy mentions:

1. Healthcare: Some of the examples include:

a. Quality pathology diagnostics focused on tier-2/3 markets in India (Eg: Redcliffe diagnostics)

b. AI based diagnostic assistance platform for conditions like cancer, TB etc, connecting patients in remote geographies to hospitals in Metropolitan cities

c. Tele-ICU platforms providing remote critical care to understaffed hospitals in remote areas connecting them to the intensivists in established centers of excellence in Metros

d. Tech enabled home-based monitoring for post-hospitalization recovery for patients

e. Healthcare financing for discretionary procedures with co-pay models focused on underserved segments

2. **Fintech: Some of the venture investable business models in the space include:**

a. Data led intelligent underwriting and lending platform for borrowers with thin credit history (Eg: Fibe)

b. Intelligent invoice discounting and supply chain financing platforms for SMEs with (Eg: Vayana)

c. Payment and business solutions for retail stores in tier-2/3 cities to manage their inventory and working capital needs (Eg: Queuebuster)

d. Data-enabled BNPL solutions for the emerging borrowing base in tier-2/3 segments (Eg: Shopse)

3. **Agritech:** The following are some of the interesting impact first business models in the Agritech sector

a. Quality agri-inputs and outputs marketplace for the farming base (Eg: Agrostar)

b. Ouput based financing for working capital needs for the farmer base (Eg: Ergos)

c. Innovative agri output processing platforms procuring directly from farmers linking them to larger food brands (Eg: S4S technologies)

d. Alternative protein-based feed for cattle and poultry industry

e. Novel agri supplements enhancing crop productivity aiding the monetization potential of existing farmlands

f. Satellite based imaging for monitoring soil quality and crop efficiency of farmlands including reliable data for crop insurance (Eg: Cropin)

4. **Retail products and solutions**

a. Cost effective and high-quality mother and child care products penetrating the tier-3/4 markets (Eg: FirstCry)

b. Quality and affordable eye-wear solution with coverage in underserved markets in India (Eg: LensKart)

c. Bringing local retail network online enhancing the shopping experience for customers in non-adjacent markets to buy from these stores (Eg: LoveLocal)

d. Reliable online rental platform for lifestyle requirements like furnishing (Eg: Rentomojo)

e. Aggregator marketplaces for timely and affordable local commute (Eg: OyeRickshaw)

2 When it comes to tech-based solutions that also create impact on ground, how do you assess them in terms of return expectations, gestation periods, challenges in establishing scale and other critical factors for an investment thesis?

What should prospective investors be keeping in mind?

Just like early stage investment opportunities, companies approaching a large scale disruption in any sector with a strong impact lens have their own share of product as well as execution risk; especially given their target in traditionally underserved markets, it is important for investors to be cognizant of the following factors in their diligence process:

1. **Founder pedigree:** The founding team is the biggest factor influencing the success of any entrepreneurial venture. It is useful for an investor to find confidence that

a. The founders have the relevant background and understanding in the domain that they are looking to disrupt

b. The founders have deep understanding of the markets and end customer that they are looking to serve

c. The founding team has the execution chops to build a lasting business providing quality products at sustainable unit economics

2. **Deep technology integration:** Technology is a critical lever to bring out large scale impact in any sector. Investors must spend significant time in understanding the tech stack that the companies are building out to deliver large outcomes for their stakeholders. This would not only mean a differentiated approach to technology and product build out but also deep integration of the tech platform into user journeys and workflows.

3. **Go-to-Market and scalability:** Early stage investors approach every investment with a lens of hyper growth and scalability. This calls for innovation in the way a founding team approaches their target market – acquiring end customers through hitherto untested channels, finding partners with common strategic motives, building user journeys to shorten path to commercial break-even etc. This also depends heavily on the founders' understanding of the target market and ability to execute efficiently

4. **Unit economics and path to profitability:** One of the strongest factors in the success of ventures like LensKart and FirstCry over the years has been

the handle on the product and category level unit economics. It is essential, from the early days of the venture, for the founders to have a firm grip on the economics with absolute clarity on the path that the company would take towards break-even.

3 **We observe that big ticket deals (generally those greater than $10 million) saw a decline in 2022, with later stage funding reducing, in such solutions.**

In the coming year, where do you see opportunities for growth and later stage capital to come in?

From your experience, what could be those untapped investment opportunities where we see enterprises leveraging technology and also catering to impact areas?

Outside China, India is the largest consumption driven market across the world. With over 60% of the population living outside the tier-1 cities, we see technology playing a massive role in driving consumption of goods and services across the other segments of the market. The following are some of the large untapped investment opportunities that might draw strong growth investor interests:

1. **Quality healthcare service delivery:** With emergence of hub-spoke models, healthcare service providers will leverage technology to complement their physical infrastructure to deepen their reach into tier-2/3 markets in the country. This will not only improve access to diagnostic, therapeutic as well as monitoring services but also improve affordability as these providers will hit massive economies of scale.

2. **Tech enabled food-beverage consumption:** Rapid expansion of tech-enabled cloud kitchens and QSRs will continue across the country. Players like Curefoods who have deep understanding of palette preferences and consumption patterns across geographical base of users will grab the lion share of the expanding F&B pie. This will also open up interesting acquisition opportunities for established players in the emerging tier-2/3 markets.

3. **Media and entertainment:** Increasing smartphone and 5G connectivity will open up hockey-stick growth opportunity to the media and entertainment players. Audio-visual as well as gaming content will see a surge in consumption in tier-2/3 in addition to willingness to pay for these services. This also opens up monetization opportunities for hyper-local content providers providing them access to a global consumer base

4. **Inclusive Financial services:** The India stack has democratized the access of BFSI products and services across the country. This decade will see established startups as well as incumbents increasing their penetration into tier-2/3 markets with personalized offerings for the borrower / insured base. We expect innovation on product as well as delivery channels from the provider base for both retail as well as institutional end-users.

5. **Manufacturing and Logistics:** Post the Covid-era, India is emerging as the leading global manufacturing hub across industries. The increasing awareness to quality goods and services, improved access as well as higher disposable income for discretionary consumption have resulted in a shot-in-the-arm for the local manufacturing capacity. Coupled with demand for infrastructure, the boost in consumption has not only led to private investment into infrastructural capacity and logistical connectivity but also venture-led innovation in technology stack supporting this capacity. For eg: Companies like Frinks.ai have redefined the efficiency of visual inspection in industrial workflow.

4 **We see Seed stage funding towards 'Social Commerce' focussed startups in 2023. Do you see a pipeline emerging in this space that can inspire investor attention?**

Adoption of digital commerce platforms like ONDC coupled with access to Aadhaar based India-stack has brought about fundamental structural changes to the value chain for goods and services. Over 4.7 Million transactions were conducted on the ONDC platform in 2023. This infrastructure has redefined the consumption roles within the value-chain of goods and services by allowing for emergence of P2P networks, hyper-local influencer led promotion of products and creation of digital presence for local creators. The omni-channel presence of creators and providers coupled with proliferation of the gig-economy has led to a boost on the supply side. This has brought about interesting shifts in consumption patterns as well as innovation on product base.

We are seeing increased pipeline in the social commerce focused on F&B, mobility, financial services and lifestyle retail spaces.

5 Given your experience and learning from investments in tech-driven enterprises where you observe impact on ground, what could be some of the risks for potential investors to keep in mind? How should one mitigate them?

The massive opportunity to create impact leveraging technology also throws up risk factors that need to be carefully mitigated:

1. **Regulatory framework:** Well-regulated sectors like Healthcare and Financial services have frameworks defined suiting the workflow applicable for the mainstream user base. As more entrepreneurs innovate on product, delivery mechanism and data-led feedback loops, the ecosystem calls for collaborative effort on regulatory guidelines to aid deepen access and reach into newer user base. Eg: increasing the reach of limited doctor base to remote areas in the country will require suiting the clinical workflow for a hybrid (digital + physical) setup over the traditional in-person setup.
2. **Availability of talent:** Building tech-led platforms integrating technology into traditional goods and service delivery requires a combination of deep domain understanding and technology-savvy talent. Successful startups in the recent past across sectors, have founding members bring expertise across both these axes. Access to quality talent base as well as retention of these resources, as the company grows in its scale, is critical to execution success of these ventures.
3. **Access to early-stage domestic risk capital:** Early-stage venture capital has a critical catalytic effect on early stage innovation, especially in the tech-led impact innovation space. Building and activating new market can be capital and resource intensive in the initial phase of the venture – access to equity as well as non-dilutive capital in formative stages can increase the probability of success of these startups.

Impact Created

Sectoral Impact - Advancing UN - SDGs in India

chiratae VENTURES

1 No Poverty, 2 Zero Hunger	3 Good Health and Well-being, 4 Quality Education	7 Affordable and Clean Energy, 11 Sustainable Cities and Communities	10 Reduced Inequalities, 9 Industry, Innovation and Infrastructure	12 Responsible Consumption and Production, 13 Climate Action	5 Gender Equality, 8 Decent Work and Economic Growth
Inclusive Finance & Agriculture Sectors Contributing	**Healthcare & Education** Sectors Contributing	**Logistics & Mobility** Sector Contributing	**Small business growth** Sector contributing	**Climate action** Sector contributing	**All portfolio** Sectors contributing
$19.4Bn Cumulative loans & sum assured	**403Mn** Screenings and Consultation facilitated	**49Mn** Rides Facilitated	**212k** Businesses reached in Tier 2 & lower cities	**484KL** Total water consumption reduced	**33.8Mn** Female customers in portfolio
3.9Mn Farmers reached	**164Mn** Optometric units /transactions	**18k** EV Vehicles	**41M** Transaction facilitated	**11** Number of investees driving climate action	**47.1k** Number of direct jobs created
8.6Mn Hectares of land indirectly controlled	**2.1Mn** Young learners reached in India	**14.5 Mn** Tonnes in GHG emissions reduced	**$1Bn** Value of transactions facilitated	**410k** People reached	**397k** Number of nano/ MSMEs reached

Investment thesis aims to benefit people and planet, and contribute to at least 12 UN-SDGs
Cumulative data, as of March '23

Section 4

GENDER-LENS

AN INVESTING OVERVIEW

Out of the 275 unique impact enterprises that raised funding in 2023, 17% had women as founders. This proportion has remained stable over the last 3 years. However, the funding raised by women-led enterprises saw a decline of more than 70% in 2023 when compared to the previous year.[6]

In 2021, OfBusiness (extending technology and finance to SMEs) which has a woman founder raised a cumulative funding of $802 million. Post this we have not observed any other women-founded enterprise raise this quantum of funding.

In 2023, the highest deal value of a women-founded enterprise was $60.2 million - LeadsConnect (that provides end-to-end farm risk management solution to the farmers)

6 *Note: For the purpose of analysis, IIC has identified those impact enterprises which either had a woman founder/co-founder and/or had a women-focused service or product offering. These are the two parameters considered while considering any deal as having a 'gender-lens'. This in no way is indicative of or derived from the respective investors' investment thesis. Readers are urged to exercise independent judgment and diligence in the usage of this information for any investment decisions.*

Figure: Investment Landscape of Women-Founded Impact Enterprises (2021- 2023)

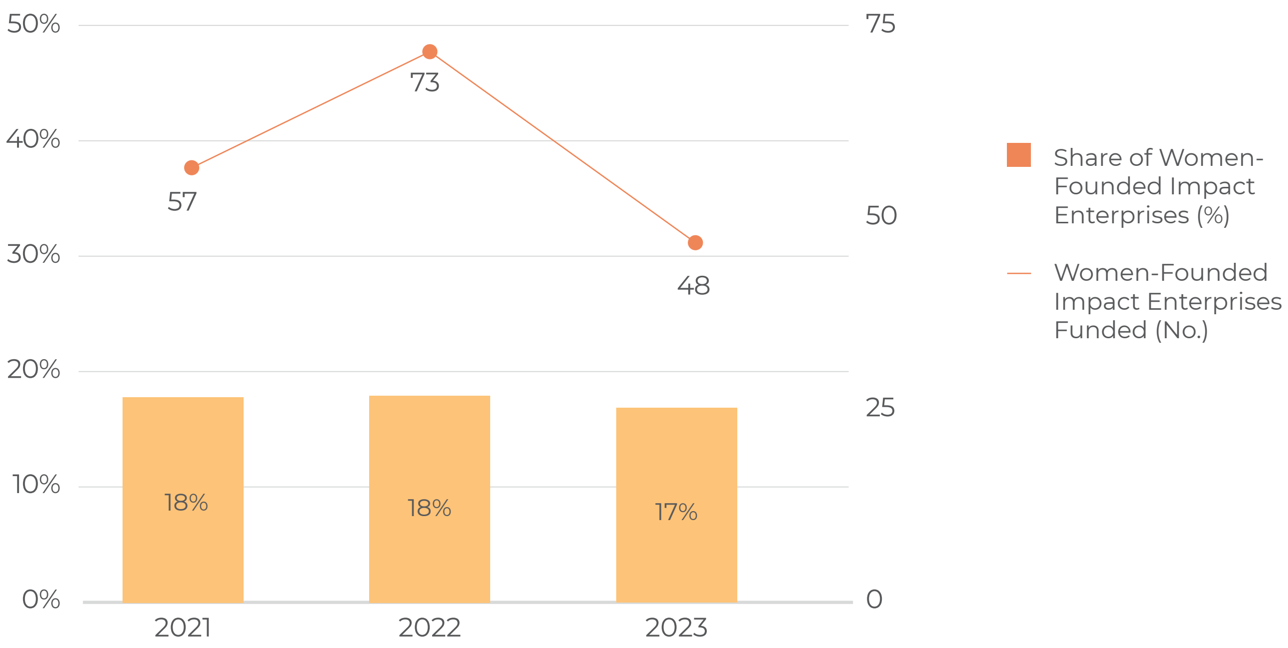


Figure: Funding raised by Women-Founded Impact Enterprises (2021-2023) ($ Mn)

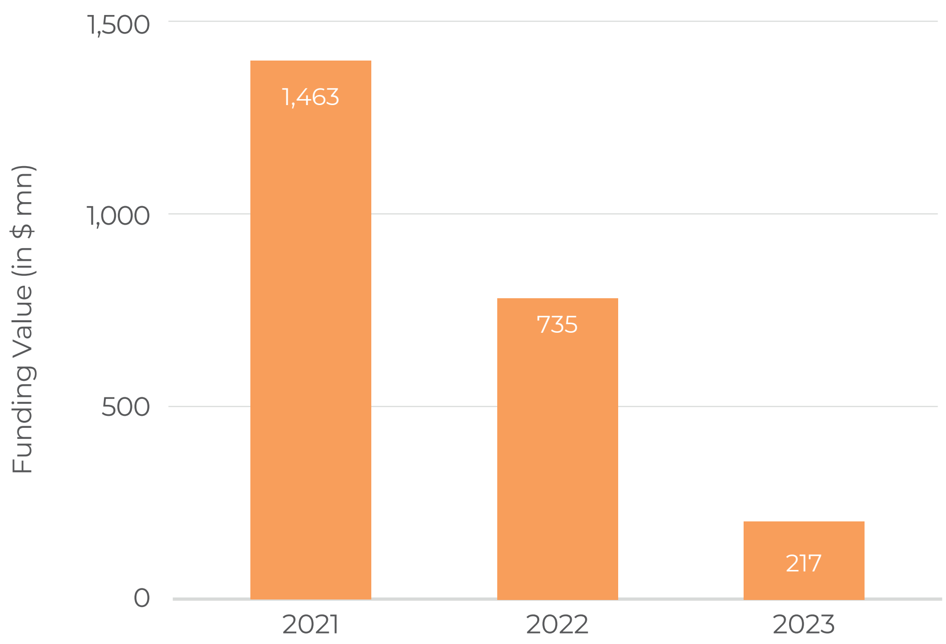
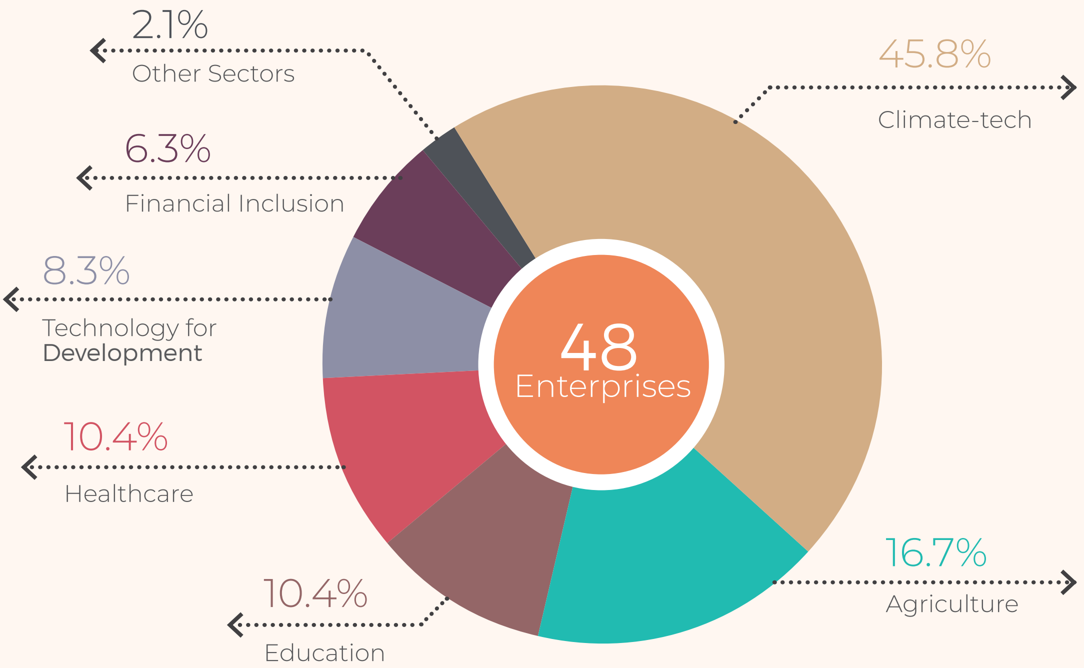


Figure: Women-founded Impact enterprises that raised funding in 2023 (Sectoral Overview)



As can be seen above, the climate-tech sector had 22 women-founded enterprises - the highest in number across all sectors.

However, when looked at on a sector-wise basis, the education sector stood out as the one with the most number of women founders - 36% of the total enterprises funded had women founders.

Table: Sectoral Overview: % of Women-Founded Impact enterprises that raised funding

Sectors	2021	2022	2023
	% of Women-Founded Impact Enterprises		
Agriculture	10%	25%	22%
Education	17%	20%	36%
Financial Inclusion	23%	13%	7%
Healthcare	20%	25%	21%
Other Sectors	13%	19%	25%
Technology for Development	19%	15%	11%
Climate-tech	19%	17%	19%

Note: The percentages indicated in the above table, are calculated for each sector. They represent the proportion of women-founded impact enterprises out of the total impact enterprises that got funded within that specific sector.

Women-Focussed Enterprises:

We observe a gradual decline in the number of women-focussed solutions that raised funding.
In 2023, the maximum women-focused solutions that received funding belong to the Financial Inclusion sector.

Avanti Finance and Aviom Housing Finance, both of which extend affordable loans to women in rural and semi-urban segments, stood out as the women-focussed enterprises that raised a high quantum of funding - they together accounted for $54 million.

Education and Agriculture despite having a strong gender lens, did not see funding raised by any women-focussed solution.

Figure: Investment Landscape of Women-Focussed Impact Enterprises (2021- 2023)

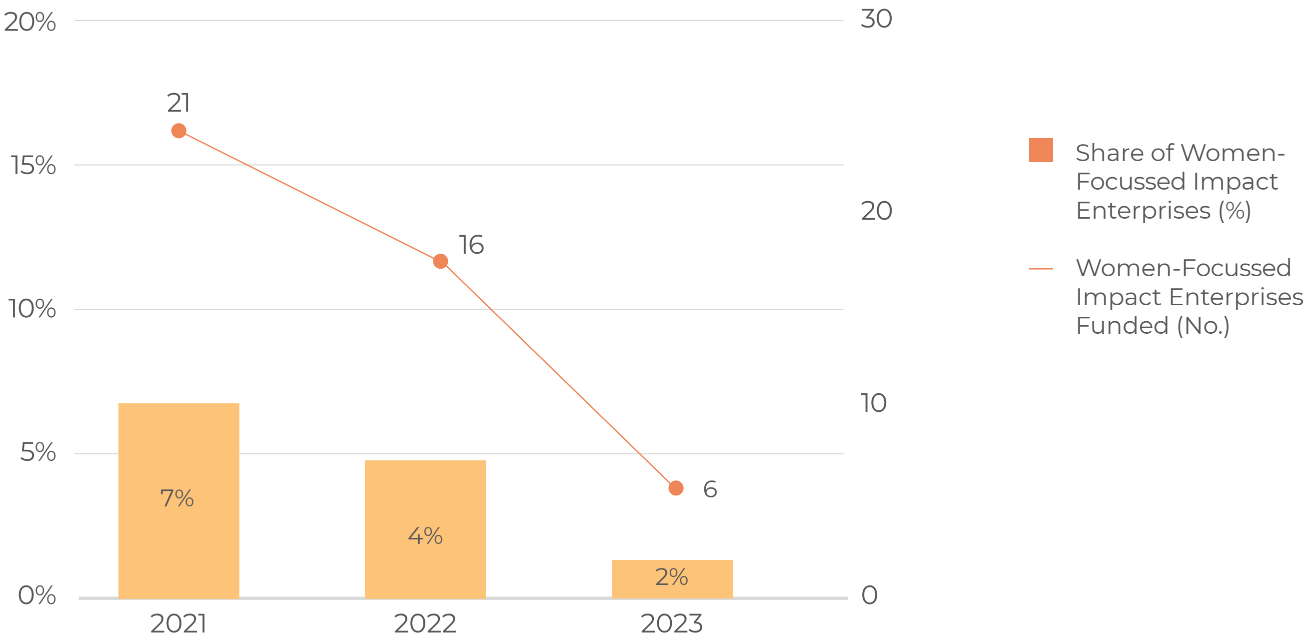
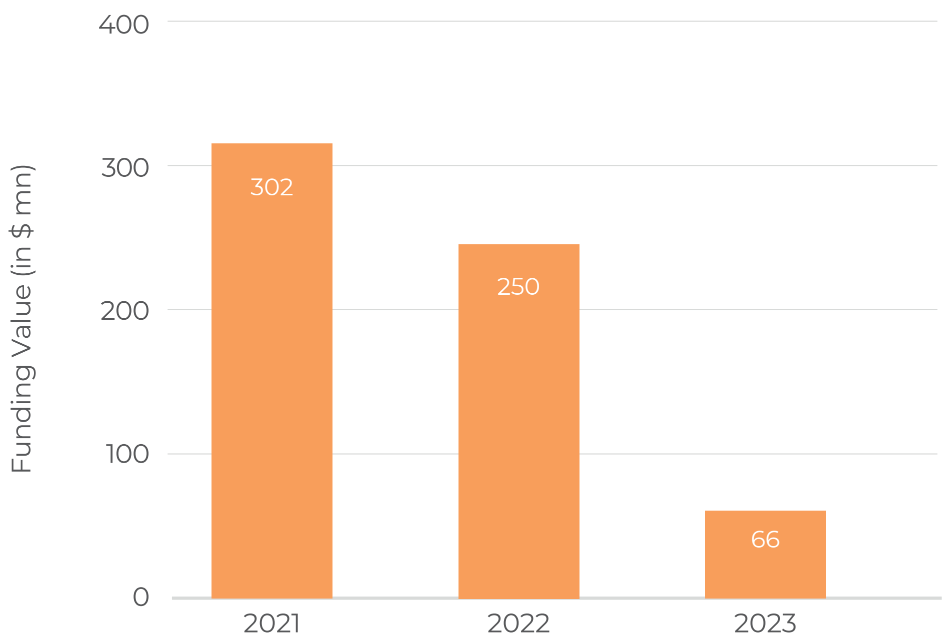
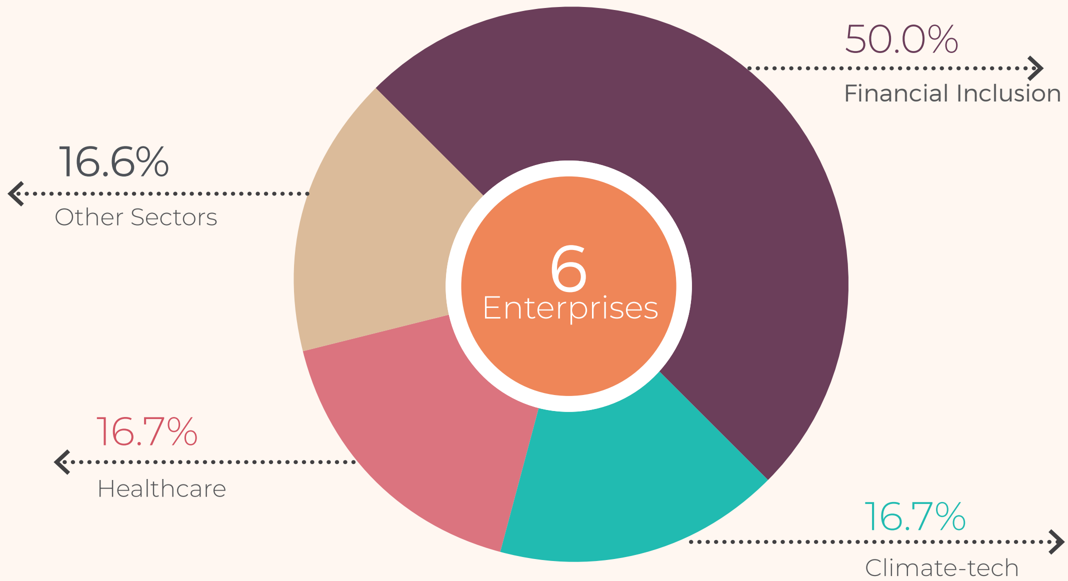


Figure: Funding raised by Women-Focussed Impact Enterprises (2021-2023) ($ Mn)



Sectoral Overview:

Percentage of Women-focussed Impact enterprises that raised funding in 2023



Enterprise Showcase

Apart from Aviom Housing Finance and Avanti Finance, we observe interesting business models emerging, that have a gender-lens in their solution and service offering.

Enterprise	Offering	Latest Funding Round
UC Inclusive Credit	Early-stage small ticket debt funding space for SMEs, with 'women empowerment' being a theme of focus	Series B funding of $8 million
हक़दर्शक Haqdarshak Haqdarshak	Design and implementation of agent-based and direct-to-beneficiary welfare scheme linkage programs for corporates, NGOs, philanthropies and government departments. Business model differentiator includes a special focus on training women agents, from within the community	Undisclosed
Gytree	Solving for women's primary preventive health in gynecology and sexual health by providing end to end services, products, marketplace and a wellness cafe	Seed funding of $3.7 million
PadCare Labs	Sustainable menstrual hygiene management by recycling sanitary pads	Seed funding of $0.6 million

INDUSTRY SPEAK

Aparna Mangla,
Investment Manager – Private Equity Funds and Co-investments,
British International Investment (BII)

Ragini Pillai,
Executive – Gender & Diversity Finance, Impact Group,
British International Investment (BII)

1 The approach of 'Gender-Lens Investing' has been gaining increasing interest from investors in India. However, we observe that less than 20% of the enterprises that raised funding over 2021 to 2023, were founded by women.

In your opinion, what are some of the challenges or constraints leading to women founded enterprises not receiving increasing investment volumes?

The start-up world, which is where we usually see female entrepreneurs operating, is experiencing a major shift as there is an increasing number of women breaking through the usual barriers and challenges to set up successful businesses. However, global funding in women-led start-ups as a share of total funding stands at just 2%, down from 2.3% pre-pandemic (Harvard Business Review).

In India, we are seeing a different picture as Gender-Lens Investing (GLI) is on a positive trajectory and gaining momentum.

Despite this positive outlook in India, there are still persistent challenges leading to lower rates of access to capital for women:

- Women-owned businesses do not benefit from accelerators as much as male-owned businesses, due to potential investor bias and a higher perceived risk of investing in businesses led by women.
- The availability of mentors who, in addition to offering industry insights, are willing to make meaningful connections leading to tangible gains such as unlocking potential customers or investors, is a key factor. Mentors and sponsors are particularly important in historically male-dominated industries where there are fewer female role-models.
- Male asset managers control 98.7% of the investment industry's assets under management across emerging markets. IFC research suggests that female partners invest in almost twice as many women-led businesses than male counterparts. It also found that gender balanced investment teams are more likely to have female entrepreneurs in their networks, will be better able to assess business models, and will be more competitive in attracting top female entrepreneurs. Therefore, an increase in the number of female investors in the ecosystem will likely lead to an increase in the number of investments in women founded startups.
- Typical fund structures, instruments and ticket sizes may not meet the needs of women founded startups. 61% of GLI funds globally are first-time fund managers and often with unconventional investment strategies. They have had limited success in fundraising due to LP requirements to have a successful track record in executing the same investment thesis and strategy. The pace of growth and maturity of the GLI funds landscape will have a material impact on the rate of investment in women-led enterprises.

2 How is gender-lens investing different from conventional impact investing?

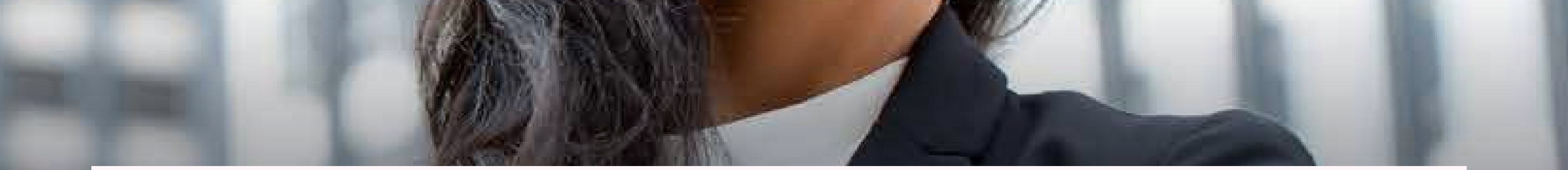
How do you assess it in terms of return expectations, gestation periods, challenges in establishing scale and other critical factors for an investment thesis? What should prospective investors be keeping in mind?

GLI is a subset of impact investing where investors intentionally seek to direct capital towards solutions that drive gender equality. It includes adopting strategies across the investment lifecycle from origination to portfolio management that uses gender roles as a material factor of analysis in strengthening investment decision making. This is well-aligned with other impact priorities of funds across the SDGs and particularly useful as an intersectional lens applied to climate resilience and/or serving underserved and low-income households.

As the UK's development finance institution and impact investor, British International Investment has adopted integrated gender considerations across its investment process. We have set a target for 25 per cent of all new investments to qualify for the 2X Challenge (during 2021-2025), which we co-founded to empower women's economic development globally. Since 2018 we have made $2 billion of 2X qualified investments and have ambitions to grow this figure further.

Considerations to keep in mind for investors applying a gender-lens for investing include:

- Depth of the market: Given the under-representation of women as entrepreneurs, board members and



C-Suite executives, it is often challenging to build a pipeline of investable opportunities. Building a broader investment strategy (in terms of sectors etc.) with a nuanced GLI focus can help to mitigate this. Another approach is to cultivate this pipeline early through a GLI accelerator.

- Adverse selection: GLI is a nascent and unproven investment strategy and therefore may be prone to adverse selection. Investors need to use sound judgement and experience to avoid biases and evaluate the merits of a deal through its impact ability, exit pathway and return prospects.
- Return expectation: A high risk, high impact pool of capital with lower return thresholds are more appropriate for a nascent strategy like GLI. This will ensure investment throughout the stages of a company starting from early to growth stage. DFIs and impact investors have an important role to play here.
- Financial tools: There is the need to develop more investment products and services that are designed specifically to mobilize more capital to reduce gender equalities and promote women's empowerment.

3 We observe that the majority of the woman-led enterprises that raise funding belong to the early stage - Seed/Series A. Are there any specific constraints that limit the flow of scale-up capital to such enterprises?

How could an investment thesis be structured towards mobilizing capital across the investment life cycle, specifically for gender-lens investing?

Most women-led enterprises raise funding through incubators and accelerators but then find it hard to raise early and growth stage capital. The types of investors in the seed and series A ecosystem are varied as compared to investors providing growth-stage capital. There is a larger concentration of philanthropy, foundations and other 'impact-first' institutions providing capital in the early stages whereas further along the capital spectrum there is a smaller proportion of this group of investors.

A funds of funds program with concessionary capital dedicated towards this can be catalytic. There is a need to develop an ecosystem-level approach across stages which disproportionately targets capital with GLI as their core strategy. This will mean supporting PE/VC funds who operate across the capital spectrum providing early stage and growth capital.

4 We see the potential for a gender-lens to sectors such as climate, education and healthcare. What are some of the 'gender-smart interventions' that you see coming up, which demonstrate potential for scale and impact on ground?

A couple of key trends are driving the adoption of GLI at scale:

- Regulation and government priorities are likely to lead to greater opportunity in healthcare and skill development.
  - India designated "women-led development" as one of its key priorities as part of its G20 presidency in September 2023. Subsequently, the interim budget in February 2024 placed emphasis on cervical cancer vaccination and combining maternal and child health care schemes into one comprehensive programme. This is likely to drive an increase in uptake of preventive healthcare by individuals and increase in innovation by businesses in these priority sub-sectors.
  - Similarly, there is a large focus on driving up the female labour force participation rate in India, which has been in decline for a decade. The government has announced a large-scale skill development program to impart marketable skills (like plumbing, LED bulb-making, drone operation etc.) to 3 crore women SHG members. This is pertinent for several industries that rely on availability of semi-skilled/skilled labour for manufacturing operations.
- Impact-linked incentives and innovative instruments are ensuring that performance and impact results are linked to funding. In the past couple of years, we have seen a rise in impact bonds such as the Women's Livelihood Bond series by IIX and the Skill India Impact Bond (which aims to support 50,000 youth in India over four years, of which 60 per cent will be women and girls). Another example is the 100mn SDG Outcomes Fund developed by UBS Optimus Foundation and Bridges Outcomes Partnerships (with British International Investment as an investor) which uses an innovative blended finance structure to design, support and deliver projects for those who need it most in Asia and Africa.

5 How do international investors view India from the perspective of promoting 'gender-smart' funds? Is there an increasing interest towards structuring dedicated funds with the intention of promoting a 'gender-lens'?

Given that India is an evolved market for venture capital, private equity and public markets, the ecosystem is ripe for a highly developmental strategy like GLI. There is an increasing interest towards this, but it is still not enough as it is competing with other commercially attractive opportunities in the Indian market.

Most of the GLI funds we have seen in the Indian market are finding it difficult to fundraise from international investors. This is in part because it is mostly first-time fund managers that have adopted a GLI strategy, which makes it challenging for international investors to back as they prefer to partner with established fund managers. Further, DFIs often have geographical exposure limits which are capped for India, and this could make it challenging to prioritize investing in funds with a GLI strategy.

However, there are some encouraging signs. For example, first cheques are being given by domestic funds like SRI/SIDBI to catalyze gender investment from other sources. It is also comforting to see many international investors and DFIs recognizing GLI as an emerging theme and trying to actively engage in mobilizing the industry.

Section 5

THE DUAL PARADIGM:
THE ROLE OF THE FAMILY OFFICE

Close to $344 million worth investments across 22 deals, in 2023, had family offices participating as investors. While this quantum is less than 12% of the total deal flow, there is an increasing interest from high net-worth individuals and family offices to align their investment objectives whilst also supporting impactful solutions.[7]

- More than 50% of the total deals that saw participation from family offices belonged to the climate-tech sector. This included solutions from two segments in specific - sustainable mobility and waste management & circular economy.

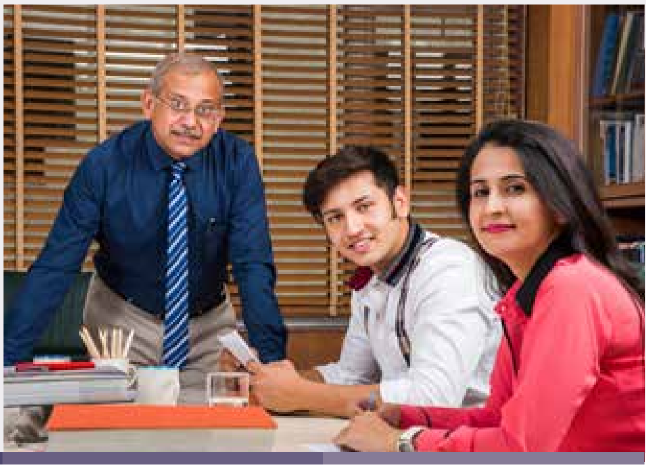
- In the climate-tech space, we witness few notable investments by family offices towards sustainable mobility. Blusmart Mobility, an Electric vehicle (EV) ride hailing platform and Exponent Energy - an EV charging infrastructure startup collectively raised upwards of $60 million. This funding included undisclosed amounts from Survam Partners (the family office of Mr. Suman Kant Munjal) and the family office of Mr. Pawan Munjal, Chairman of Hero Motocorp, respectively.

- Mintifi, a supply-chain financing platform that raised $110 million, saw participation from Premji Invest as a lead investor. Likewise, Incred and Aye Finance that cumulatively raised ~$100 million, received investments from Ranjan Pai's Family Office (Manipal Group) and Waterfield's Fund of Funds - (a fund that has participation from Family Offices and HNIs), respectively.

- The participation of family offices in deals in other sectors - agriculture, education, healthcare and Technology for Development remained on a comparatively lower side.

- Interestingly, 73% of the 22 deals which had family office participation, were early-stage ones-Seed and Series A indicating the potential that emerging impactful innovations hold to mobilize capital from family offices.

- We witness increasing interest from family offices to participate in Funds that invest in impact focussed solutions as well as make direct investments into impact enterprises. While this participation is yet to emerge as a mainstreaming investing avenue, there is a huge potential to deploy family owned capital into impact areas through a well structured investment strategy.



7 *Note: For the purpose of IIC's internal calculation, we have assessed each deal from 2023, to identify the ones which saw participation from a family office and/or a high-net worth individual. IIC has exercised its discretion and publicly available information for identification of family offices. Readers are urged to exercise independent judgment and diligence in the usage of this information for any investment decisions.*

INDUSTRY SPEAK

Guneet Banga,
Founder & Managing Partner,
Parinama

The Dual Paradigm to Impact Investing

1 Given your experience and interest in investing for sustainability and impact, how are you viewing the impact investing space in India currently?

The impact investing ecosystem in India has grown rapidly over the last decade, and while to date the majority of capital directed at making specific and measurable impact has come from offshore – from development finance institutions, institutional investors, high net-worth individuals (HNIs), NRI Family Offices and global foundations – we believe that the Indian investor landscape is beginning to gear up for a major, sustained capital deployment in impactful areas that will change the whole soul of India for the better and allow our country to truly be a global power player in all areas. As an investor – especially one who is looking at a time horizon of 20-25 years – this is an extremely exciting, yet also tense situation, as the framework, legislative guidelines and financial environment that the investments will occur in over the next two decades will have consequences that span the globe. Without sufficient monitoring, collaborating, adapting and doing so rapidly, these could easily exacerbate issues if misguided or unethical actors hold sway.

The historic rise of impact investing in international markets such as Europe have demonstrated the far-reaching, inclusive and positive role that all types of investors can play in changing the world around them for the better. While we believe India can adopt and learn some from the strategies employed in the Western world, these need to be tailored and modified to adapt to a vastly different cultural, developmental, demographic, financial and social systems.

The most obvious and perhaps powerful example of how an investor group, in this case Family Offices and HNIs, with their extensive business network, resources and access, must play an important role in India's investment landscape, and given the long-term investment horizon this group generally works with, focusing on generation next, it seems obvious that the movement to create, expand and embed positive impact across India must be led by this group. They can support innovative social enterprises with their patient and flexible capital, take higher levels of risk tolerance which will be needed in the coming decades, and most importantly, due to the strong social and cross-familial ties within this group, cooperate and collaborate more easily with one another than professional business organizations, or warring politicians. The absolute necessity of transparent and truthful cooperation in addressing the issues India and the Earth face means that anything less actually is a destructive force, negating benefits we can create over time.

We have seen over the last 30 years or so, the strength, speed and resilience of the Indian entrepreneur, as an increasing number of technological innovations have emerged from India, solving unique problems that can be adapted to fit globally.

Simultaneously, we have seen the proliferation of Indian brain power to the top of the largest and most complex global business organizations. Along with both these highly visible factors, several less public ingredients for India to rise to the position of the world's foremost economy and diplomacy are now in place.

However, how the political and legislative system, as well as involvement of the rapidly growing and increasingly sophisticated financial and business environments combine and cooperate to utilize these, in line with a long-term view will be essential in determining if and when this happens.

Further, we are increasingly seeing organizations of all types and sizes beginning to adopt policies and strategies geared towards creating a more supportive environment for generating positive impact – through the proliferation of sustainable practices to ensure organizations are future focused and future fit, to rebuilding the way we produce, consume, purchase and live our lives.

According to the Impact Investors Council (IIC), Indian impact focused enterprises attracted more than $15 billion of capital from 2020 to 2022 – which while a sizeable amount, pales in comparison when one sees that only 3% of Asia-directed ESG capital was directed into the Indian market during the same time. This shows the massive gap we need to close just to be at parity from a population pro rata standpoint, while simultaneously defining the massive amount of capital that could flow into India should we enact appropriate policies, provide diverse

and attractive incentives and reduce bureaucratic overreach and involvement.

This would additionally help to improve the reputation of Indian financial and investment markets, which some foreign investors currently view as being disorganized and mismanaged. Whether these views hold water or not is irrelevant today, as the overriding assumption and start point for most international investors has historically been to discount India steeply compared to China, in particular, and even with other parts of emerging Asia.

This perception of Indian markets was very abruptly changed during India's time with the G20 presidency in 2023 and the commitment demonstrated by various stakeholders in the government and in the private sector to begin the long process of trying to fundamentally shift the view investors have of India, which frankly is largely unfounded and severely outdated. To attempt to do so by aggressively utilizing the gravity of the largest existential crisis mankind has ever faced in climate change, to sound the gong for the need to change our approach to capital allocation decisions, and not look solely at returns but at a much more holistic, and beneficial, approach, truly highlight the ambitions India possesses.

Given India's scale, population size and demographics, geographic and cultural diversity and the raft of issues the country must contend with while trying to develop and improve the livelihoods of close to 1.5bn people, the idea of investing to create tangible impact in the world we all live in, as contrasted with a series of 1's and 0's in a bank account somewhere, is appealing because of its sheer necessity and that to address the concerns we face in a positive and mitigating manner, will by default, generate financial returns.

While the socio-economic complexities of the Indian context will definitely play a determining role in how the impact investing landscape progresses, we believe that there exist adequate avenues for different investor groups to participate in the life cycle of investments, depending on scale, investment type, region, sector and other factors. India requires somewhere between US$22-25trn in climate change focused investment in order to meet its stated Net Zero goal, which means all sources of capital will need to be tapped and capital deployment by all investors and stakeholders managed in a coordinated manner to ensure issues are addressed in time and in order of severity.

2 Could you share with our readers about Parinama and its investment thesis?

What are the sectors or solutions that Parinama is looking to invest in, in India, in the near-term?

How are you assessing these sectors, in terms of return expectations, gestation periods, challenges in establishing scale and other critical factors for an investment thesis?

We have been working with the Indian Government to build the Indian Climate Impact Investing Ecosystem (ICIITE) which is intended to underscore the importance of building an ecosystem around impact investing in India, for climate related innovations. We believe that with climate investing gaining focus the world over and with India's diverse and burgeoning economy, a compelling case for international investors, including family offices, who seek investment opportunities with the potential to create a positive impact, and assist in saving and changing the entire look of human existence, must be foremost in decision making. If we do not allocate capital adequately in scale, and accurately in scope and area, then our ability to arrest and reverse climate change will be effectively negligible.

ICIITE is an ecosystem, we believe the largest of its kind, which caters end to end from tech inception to mass scaled usage, and is the product of significant, consistent collaboration between the GoI and private stakeholders including academia, corporate / business entities, DFIs, FOs, VC funds and other relevant stakeholders depending on the sector that we are looking to launch a new tech SPV in.

The entire premise that the ICIITE ecosystem has been developed on, is that this will be the only ecosystem, where a dedicated team of public-private entities (Parinama on the private side, and Bharatia as a Government Foundation) are focused on investing in the "first commercial demonstration project", a stage in the life cycle of a new technology that no other fund or venture investor is focused on, and is one of two of the largest risks to success or failure of a new venture.

Prior to entering into this stage, however, we have worked to derisk and validate all the technologies that are being considered to develop, deploy and scale to provide positive impact and mitigate specific climate change and environmental problems. Each technology is passed through the ETV (Environmental Technology Verification) program, which was developed over a decade of bringing and verifying usability and adaptability of new technologies into the River Ganga Rejuvenation Project.

Parinama and Bharatia work hand in hand with the most experienced and knowledgeable sector specialists from the IIT and other university networks, and developed the most advanced tech validation and sector-specific standardized due diligence program. We take a developmental approach, which means that tech is not discarded or rejected if it holds promising potential in addressing an inventoried list of climate issues that require addressing at certain times, in different areas, etc. Instead, we add value to the tech by building up the missing management capabilities of tech companies that historically prevent them from scaling.

As of the announcement of the ICIITE ecosystem at the G20, there is a "warehouse" of over 60 verified technologies, that we will be rolling out one at a time for the next 12-18 months to stress test all aspects of the venture building strategy and partners we have put together, and aim to accelerate the scaling of these

technologies with Parinama seeding each new tech, alongside the Government, our academic partners and select industry partners, either in the form of financial capital, or with land, technical manpower, equipment and facilities, as well as other necessary resources to any start up looking to scale. The aim is to fund the first commercial pilot, build an order book, and then when revenue is either already being generated or contracts signed, look to raise a Series A within 12 months of the seed funding provided by Parinama. At this stage, Parinama would sell an amount equivalent to the initial investment made to scale from pre-seed to Series A and recycle this back into the next technology to be brought to market.

How this differentiates what we do versus the rest of the early stage investing universe, is that firstly we have a full pipeline of tech for which we sign ROFRs with Bharatia, which in turn allows us to establish a flexible, robust and highly scalable base from which to raise funds for the specific tech start-ups coming through the ETV and ICIITE. Additionally, given our proximity to the market, we can select technologies that are required more urgently today to generate a positive impact, or are required as precursor set up tech platforms for more sophisticated, second iteration technologies that will be required ~5 years from today.

The fundamental motive of our thesis is that the impact must be generated, and the time when financial returns are made is essentially irrelevant, as by definition positive impact which mitigates and reverses climate change issues, will create and drive new markets, products, industries and thereby generating, we would contend, outsize returns for those willing to take a 20-25 year investment horizon and manage risk on this basis.

It was with this intent that we translated our experience into setting up a new form of investment entity, focused on climate aligned solutions and looking over a longer-term investment horizon and deploy patient, higher risk tolerant capital. We look at building climate focused enterprises across multiple segments such as waste management, electric mobility, resilient agriculture etc. with capital across stages. We see this capital helping to create a scalable impact across the climate ecosystem while generating returns in parallel.

Simply put, Parinama has one primary goal - To successfully and rapidly, bring to market high-ESG impact climate technologies utilizing India's intrinsic strengths and establishing India as THE place for the world to come to and find solutions to problems faced by the entire human race and our ONLY home, Mother Earth being at risk

India's diversity, size, economic growth and economic split, all combine in a manner that can allow India to be in the prime position as a global climate leader in policy & strategy for the next 20+ years plus be THE Climate Hub for Asia & all developing nations

India is the only developing country with:

1. Domestic ability to build and scale rapidly.
2. Rich scientific excellence to validate, verify and ensure that the new-age techs deliver what they claim, but is also indigent, affordable by the poorest of humanity.
3. Together with the political will as the world witnessed during India's leadership of the G20.
4. A continual track record of innovation plus entrepreneurism and a culture of always finding a way to achieve what we must - to create new markets for highly impactful tech that will, as a part of a focused approach, serve to arrest and reverse climate change so we can close to meeting the UN 2050 Climate Goals.
5. Stakeholders willing to look at Long Term investment horizons, which losses as we iterate tech, but goal is value and impact driven and not pure financial return.

3 Could you share a little of your experience and findings that led you to carve out a separate fund out from a family office? It will help our readers build visibility on the possible ways through which private capital could be mobilized for climate.

Family offices, both in India and international markets, are gradually becoming open to investing in emerging asset classes, with investing for impact, increasingly capturing their attention. Given you have experienced the role of a Family Office and now of a related direct investor, in your experience, how has the perspective of family offices towards impact investing evolved in recent years?

How can family offices be inspired to participate towards investing not just for commercial returns but also for sustainable impact?

Over the past decade, it has become increasingly clear that the desire to move first, to take risks and be flexible and open to new ideas has increasingly been an action affected by family offices and HNIs. This group of investors, although still a minority in terms of assets invested, are the ones driving impact investing forward, and strongly supporting the innovative, transformational technologies and strategies that are required to solve the most urgent environmental and social challenges plaguing humanity the world over.

As concerns about climate change, social inequality, and environmental degradation continue to escalate, more investors are seeking ways to align their investment portfolios with their values and contribute to positive social and environmental impact, and no group has moved more quickly to the front lines of impact investing than private investors and family offices. These investors have allocated capital to a broad array of potential solutions, which serve to provide as diverse a range of impact types and financial returns as the people making these more holistic investment decisions, and which have in many ways, laid the tracks for large scale institutional capital to follow.

The reasons for the prevalence of family offices being the drivers of impact investing are well discussed, but bear running through, as the importance of these reasons ebbs and flows as economic cycles occur. An increased consideration of environmental, social and governance factors, innovations in technology and a next-gen-driven desire to do better for the world are seen as the prime motivating factors for family offices increasing their commitment to sustainable investment, a trend that is only expected to accelerate as we draw closer to the line in the sand that is 2050, and the need for drastic solutions becomes more urgent.

Perhaps most crucially, impact investing strategies provide a much broader universe of investment opportunities, primarily because they are seeking to address issues that have become literally planet threatening in the last 2 decades or so. As a result, new products, new markets, new methods, new sectors and new methods of production and trends in consumption have risen, bringing with them a multitude of untapped opportunities.

With a more powerful voice coming from next-gen members of generational family businesses, particularly in contrast to the norm in Asian societies, the adoption of long-term investment horizons has become more commonplace, simply because it is this current next-gen and the one which will follow that will be most affected by humanity's ability to materially impact and negate climate change and all the associated environmental, social, biodiversity and planetary issues.

This realization, and the very real possibility of the end of humanity if certain targets aren't met, or certain boundaries crossed irreversibly, has galvanized many of my next-gen peers to use all the advantages at our disposal – lengthy business history and expertise, relationships established over generations, the ability and indeed desire to collaborate with our peers to do all we can for the bottom half of the global wealth pyramid, and are most devastatingly hit by climate and related issues but lack the ability to find or finance solutions for themselves as they focus on living day to day in many cases. This is where family office value systems are brought into the decision process, so that areas that investors care about and are in need of impactful investment, will receive the required attention

Finally this capital is both long term focused, as FOs generally focus on continuing the family legacy and do better than their antecedents, and create a better world for descendants comes into play – Fos will be willing to adopt a higher risk tolerance, and invest through multiple iterations of investment boom and bust cycles, learning and improving within their chosen area – be it the traditional family business lines, or in new industries and technologies that are developed to mitigate climate change effects in specific areas.

Investing in the climate ecosystem often involves projects and solutions with longer gestation periods as compared to what the market has been traditionally accustomed to. While profitable and investable opportunities exist in the new-age climate innovations, they often require capital that is flexible and patient, unlike a conventional Venture Capital Fund cycle. Hence the capital from family offices positions as a catalyst for the investable opportunities within the climate ecosystem which underscores the imperative for patient capital.

We believe that established Indian corporates with their streamlined value chains, market capture, and capital availability, hold great potential to support emerging enterprises with scalable, sustainable, and impactful solutions to develop their strategy and reach the right markets. Our experience with engaging in multiple promising businesses demonstrated the need to create and nurture an ecosystem that facilitates the growth of climate positive solutions.

However, the main issues that must be resolved quickly, and is something that Parinama is acutely focused on is the standardization of data so we can accurately, in real time, manage and measure impact being created. Relatedly, we will need to start collaborating and cooperating both within stakeholder groups, and across these so we can garner an accurate picture of where, not just in India, but on a global basis, we are making a significant positive change with capital invested, and where we need to allocate capital to make up where we have fallen behind scientific benchmarks which serve to get humanity and the earth through the climate crisis and into a new, sustainable, just and less self-centred form of existence.

In order to accomplish this within ICIITE and across all sectors in India, Parinama is developing a centralized, bespoke IMM systems which will be linked to all our SPV launches, create syndicates of stakeholder (DFIs, Foundations, VC and PE funds, global institutions and corporates that share the same philosophy and values as ICIITE is built on – long term focus, collaboration and cooperation, operating with transparency and integrity, open and free information sharing globally and a single-minded commitment to put financial returns in the back seat for the next 25 years to give the human race our best possible chance of surviving the largest existential crises our species has ever seen. And we will use our ecosystem partners to expand the mission and vision we share to those that aren't on board yet.

The crux of the issues we are staring into the abyss to see, is that the outcome of the fight against climate change is binary – either all of humanity emerges better, or we face the end of our species. That is a fact and is not given sufficient attention, perhaps in order to control and quell panic in the mass populace. But just as FOs and HNIS will try and lead, each individual will need to change the way they exist in the world today by making decisions on purchasing, consumption, production etc.

How we motivate those who choose to stand on the sideline will be a crucial process, and one we need to start to focus on soon.

Section 6

ANNEXURES

01 IMPACT ENTERPRISE

Definition of Impact Enterprise

We have used the following definition to identify impact-focussed enterprises as part of our data-driven research process:

Any corporate entity which buys or sell goods and services with a clear intent and focus to generate measurable positive social and environmental impact alongside a financial return

- **Mass market focus:** key stakeholders belonging to low or lower- middle income segments and/or Tier- 2/Tier- 3 geographies in India.
- **For-profit businesses** focused on innovation and scalability. Not-for-profit enterprises or hybrid business models have not been considered.
- **Focus on basic service delivery** to underserved populations (access and affordability).
- **Focus on providing livelihoods** for income enhancement of low-income clients or suppliers.
- **Impact intentionality:** impact as stated objective and/or measured by firm.
- **For-profit enterprises with a sustainability lens** i.e. positive environmental and/or climate impact stated as one of their core objectives.

02 SECTOR OVERVIEW

The following table explains the sub-segments that we have considered under each sector.

Sector	Sub-Sector	Methodology for Impact Enterprise Selection Based on Sector
Agriculture	Agri Equipment	Enterprises which help increase production efficiencies by offering an affordable product or service that improves the yield quality and prevents losses. Example: Balwaan Krishi
	Agri Inputs or Advisory	Enterprises which support the pre-production part of the agriculture value chain — wherein, they provide access to affordable and quality agriculture inputs and other advisory on sustainable, efficient farming practices. Example: LeadsConnect
	Dairy	Enterprises which ensure efficient outcome, by providing input (cattle feed, vaccination) support and post- production storage facility for smallholder dairy farmers. Example: Cattle Guru
	Farm Management and Enterprise Software	Enterprises which support the production process by providing ancillary tech-enhanced solutions to improve farm management efficiency. Example: BharatAgri
	Financial Services	Enterprises which offer collateral-free financing across agriculture value chain leveraging farm collectives. Example: Digivriddhi Technologies
	Food Processing	Enterprises which source farm produce and offer packaged products to end consumers, providing a buyer to farmers. Example: ZappFresh
	Market Linkage	Enterprises which offer direct access to markets, and help them in getting a fair price for their fresh produce. Example: KisanKonnect
	Storage and Warehousing	Enterprises which offer accessible storage, warehousing and logistics support to prevent harvest loss. Example: Ergos

Sector	Sub-Sector	Methodology for Impact Enterprise Selection Based on Sector
Climate-Tech	Energy	For-profit enterprises that provide new, disruptive solutions that enable access to clean energy, build efficiency in energy generation and management and that enable lowered emissions through improved energy storage, management, re-use, recycle for various end-uses. Example: Log9Materials
	Sustainable Mobility	For-profit enterprises providing low carbon mobility solutions for people and goods as well building the enabling infrastructure and components for electric vehicles. Example: BluSmart Mobility
	Climate-Smart Agriculture	For-profit enterprises that offer climate-focused solutions to the agriculture sector such as precision agriculture, monitoring & advisory services to farmers as well as enterprises that extend plant-based food items. Example: SatSure
	Waste Management & Circular Economy	For-profit enterprises that provide services for waste collection and management, recycling, upcycling as well as those engaged in generation of sustainable eco-friendly items. Example: Blue Planet Environmental Solutions
	Environment & Natural Resources	For-profit enterprises providing solutions to control or reduce pollution in the air and ambient environment, those enterprises focused on providing and improving access to clean drinking water, water management and conservation. Example: Uravu Labs
	Others	For-profit enterprises that provide other types of materials, products, services, and solutions that help mitigate emissions and/or adapt to climate change effects cutting across sectors and/ or end-use applications. Example: Smarter Dharma

Sector	Sub-Sector	Methodology for Impact Enterprise Selection Based on Sector
Education	Edu-Finance	Enterprises which provide customized credit products to the underserved school, students, or teachers. Example: Avanse Financial Services
	Employability	Enterprises which support livelihoods, by providing necessary vocational skill training. Example: Just Learn
	Early education	Enterprises which provide affordable and accessible learning opportunities to preschool kids. Example: OckyPocky
	Higher Education	Enterprises which provide affordable and accessible higher learning opportunities to low-income students. Example: Virohan
	K12	Enterprises which offer affordable and accessible learning solutions for students between 1st to 12th grade. Example: ZuAI
	Test Prep	Enterprises which help in preparation of competitive exams (government or otherwise) at affordable prices. Example: ixamBee
Financial Inclusion	Vehicle Finance	Enterprises which offer specialized credit products for various vehicles (like pre-owned two wheelers) as well as financing solutions for innovations in mobility such as electric vehicles. Example: Vidyut
	FinTech	Enterprises which leverage technological support, automate and improve financial services (including but not limited to savings-tech, insure-tech, tech-based lending models) to provide last mile solutions to the unbanked and underserved. Example: Indifi
	Housing Finance	Enterprises which provide financing solutions for affordable housing in urban and semi-urban areas. Example: AVIOM Housing Finance
	Microfinance	Enterprises which provide access to collateral-free credit to those living in remote areas (tier 2 and tier 3 locations, rural areas). Example: Avanti Finance
	SME Finance	Enterprises which provide collateral free loans to small business entrepreneurs. Example: Fundly.ai

Sector	Sub-Sector	Methodology for Impact Enterprise Selection Based on Sector
Healthcare	Diagnostics and Decision Support	Enterprises which provide affordable, tech-based diagnostic services to the underserved in Tier 2 and 3 cities. Example: Ameliorate Biotech
	Health Finance	Enterprises which provide tailored financial planning solutions to plan, save and pay for medical bills. Example: QubeHealth
	Medical Devices	Enterprises which use AI based tech support to provide efficient medical support and service to patients. Example: Dozee
	Pharmacies (Online and Offline)	Enterprises which provide affordable medicines and other services to end-users, online and offline. Example: MrMed
	Primary Healthcare	Enterprises which offer high-quality, affordable medical services in the underserved markets. Example: Karma Primary Healthcare
	Secondary Healthcare	Enterprises which offer affordable medical treatments at specialized hospitals, in Tier 2 and 3 cities. Example: Apex Kidney Care
Technology for Development	Future of Work	Enterprises which connect gig economy workers with relevant job opportunities through a tech-based-platform. Example: Smartstaff
	Local Language Content	Enterprises which provide content in vernacular and Network medium, hence increasing reach to the non-English speaking population of India. Example: Kuku FM
	SME Tech	Enterprises which support SMEs by providing them with ancillary tech-based solutions to improve operational efficiencies. Example: SmartDukaan
	Social Commerce	Enterprises which offer accessible, affordable goods and services through a tech-based platform, helping both the buyer and supplier ends of the value chain. Example: Udaan

Impact Enterprises which do not fit directly into the above sectors and segments have been classified as 'Others'. Example: Haqdarshak. Likewise, within each sector, impact enterprises which directly do not align to the defined sub-segment but present impactful solutions aligned to the sector have also been classified as 'Others' within each sector. Some of the other sub-segments that we have observed include livelihoods and logistics.

03 SDG OVERVIEW

Sustainable Development Goals	Agriculture	Climate Tech	Education	Financial Inclusion	Healthcare	Tech4Dev
SDG 1: No Poverty				●		
SDG 2: Zero Hunger	●	●				
SDG 3: Good Health and Well-being					●	
SDG 4: Quality Education			●			
SDG 5: Gender Equality	●	●	●	●	●	●
SDG 6: Clean Water and Sanitation		●				
SDG 7: Affordable and Clean Energy		●				
SDG 8: Decent Work and Economic Growth	●	●	●	●		●
SDG 9: Industry, Innovation and Infrastructure		●		●		●
SDG 10: Reduced Inequality				●		
SDG 11: Sustainable Cities and Communities		●				
SDG 12: Responsible Consumption and Production	●	●				
SDG 13: Climate Action		●				
SDG 14: Life Below Water		●				
SDG 15: Life on Land		●				
SDG 16: Peace and Justice Strong Institutions						
SDG 17: Partnerships for the Goals						

Note:

In the above table, each sector has been mapped to the SDG(s) that it impacts.
For doing so, we have broadly assessed the impact that the innovations in each sector have, to the scope of impact of each Sustainable Development Goal (SDG). We believe that this representation will help represent the high level of interconnectedness between the SDGs and the innovative enterprises coming up in each sector.
For the purpose of our internal analysis, we have also assessed each individual enterprise- to the SDGs it specifically impacts, based on its business model and offering. This analysis can be read in the earlier Section - 1D. This assessment also takes into cognisance the SDG impact disclosed by enterprises publicly. In cases where a direct disclosure has not been made by the enterprise, the authors have exercised their discretion.
In the above table, we have mapped SDG -5 i.e. Gender Equality to multiple sectors, given its alignment across various multiple solutions. For the purpose of our internal analysis, enterprises that have a women founder/co-founder and/or present women-focussed business models have been mapped to this SDG.

Source : IIC Analysis

04 INVESTOR ANALYSIS

For our investor analysis, we have divided equity investments in the IIC database into 3 categories depending upon the type of investor(s) who participated in the deal:

Impact: These are deals that have participation from capital providers who have an 'impact-first' lens associated with their investment thesis.

Commercial: These are deals which had participation from commercial investors, i.e. investors who focus solely on financial returns with impact being an ancillary agenda, if at all.

Club: These deals include co-investments from impact as well as commercial capital providers.

For example, if an impact investor co-invests with a commercial VC, the investment will be classified as a Club investment.

05 SECTOR-WISE INVESTOR LANDSCAPE

This section captures the names of investors who over 2021 to 2023, have funded for-profit enterprises whose business model includes a strong impact lens in India.

It also includes investors whose investment approach also seeks to assess the social impact of their investments.

We take cognisance that while every investor may not be categorized as an 'impact investor' i.e. investors who work on an impact-first investment thesis, we believe it is relevant to list the emerging set of investors who pay due consideration to the impact assessment of their portfolio. We believe that this list will help understand the depth and rigor of investor interest across impact sectors. We would like to mention that this list is based on the deal flow analysis carried out by IIC, from 2021 to 2023 and is not representative of the investors' risk-return investment strategies or future portfolio composition; nor is it an exhaustive list of the complete investor landscape.

Lastly, this list is restricted to equity asset managers (General Partners) and does not include Limited Partners (LPs), Philanthropic Foundations, Banks and NBFCs.

**The names of the investors have been arranged in alphabetical order.*

Agriculture

3i Partners	C4D Partners	IndigramLabs Foundations	Quona Capital
Aavishkaar Capital	Caspian Leap for Agriculture Fund	Invested Development	Rockstart
ABC Impact	Chiratae Ventures	IvyCap Ventures	Schroders Capital
Abler Nordic	CIIE.CO	Lightbox	Social Alpha
Accion Venture Lab	Creation Investments Capital Management, LLC	Lightrock	Social Capital
Acumen	Dvara Venture Studio	Lightsmith	Sofina
AgFunder	Elevar Equity	Lok Capital	Syngenta Ventures
Ankur Capital	Gawa Capital	Louis Dreyfus Company Ventures	Upaya Social Ventures
Asha Ventures	HATCH	NABVENTURES	Villgro Innovations
Asia Impact	Heifer Impact	Navus Ventures	Yunus Social Business Fund
Avaana Capital	IDH Farmfit	Omidyar Network India	Zephyr Peacock
Blue Ashva Capital	ImpactAssets	Omnivore	
British International Investment	Incofin Investment Management	Prosus Ventures	

Climate-Tech:

3i Partners	British International Investment	Kale United	Social Impact Capital
Aavishkaar Capital	C4D Partners	Lavni Ventures	Social Investment Managers & Advisors
ABC Impact	Caspian Impact Investments	Lok Capital	Spectrum Impact
Acumen	CIIE.co	Lowercarbon Capital	Sustainable Food Ventures
ADB Ventures	Circulate Capital	Micelio Funds	TDK Ventures
Aera VC	City Light Capital	NABVENTURES	Teja Ventures
Ahimsa VC	cKinetics Accelerator	Neev Fund	TELUS Pollinator Fund for Good
AIC Banasthali	Climate Capital	Nuveen	Thai Wah Ventures
Amazon Climate Pledge Fund	Colossa Ventures	Omidyar Network India	The Ecosystem Integrity Fund
Ankur Capital	EDFI ElectriFI	Omnivore	The Rise Fund
Aqua-Spark	Enzia Partners	Pascual Innoventures	The Yield Labs Asia Pacific
Artha Impact (Rianta Capital)	Elemental Excelerator	Peak Sustainability Ventures	Theia Ventures
Aureolis Ventures	ENGIE Rassembleurs d'Energies	Rainmatter	Total Carbon Neutrality Ventures
Avaana Capital	Ev2 Ventures	Raintree Family Office	Trucks VC
Avesta Fund	GEF Capital Partners	Sangam Ventures	Unitus Capital
Balvi Fund	GlassWall Syndicate	Schneider Electric Energy Access Asia	VegInvest Trust
BASF Venture Capital GmbH	Green Frontier Capital	Shell E4	Venture Dairy
Beyond Capital Ventures	Hearthstone Investments	Shell Ventures	Villgro Innovations
Blue Ashva Capital	Hivos-Triodos Fonds	Silverstrand Capital	Zephyr Peacock
BlueOrchard Finance	Karnataka Information Technology Venture Capital Fund	Social Alpha	

Education

Aavishkaar Capital	Aspada Investments	Gray Matters Capital	Potencia Ventures
Accion	Bharat Innovation Fund	Juvo Ventures	Rethink
Ankur Capital	Capri Global Holdings	Lightrock India	Unilazer Ventures
Artha Impact (Rianta Capital)	Education Catalyst Fund	Menterra Social Impact Fund	Unitus Ventures
Asha Ventures	Enzia Partners	Omidyar Network India	

Financial Inclusion

Aavishkaar Capital	Caspian Impact Investments	Insitor Partners	OP Finnfund Global Impact Fund I
Abler Nordic	Creation Investments	LeapFrog Investments	Patamar Capital
Accion Venture Labs	Chiratae Ventures	Lightbox	Quona Capital
Ankur Capital	Elevar Equity	Lightrock	Rabo Partnerships
Apis Partners	Encourage Capital	Lok Capital	Rainmatter
Aspada	Gojo & Company	Nuveen	Triple Jump
Bharat Fund	Green Frontiers Capital	Oikocredit	Womens World Bank Asset Management
BlueOrchard Impact Investment Managers	IDH Farmfit Fund	Omidyar Network India	
British International Investment	Incofin	Omnivore	

Healthcare

3i Partners	British International Investment	Insitor Partners	Omidyar Network India
ABC Impact	Centre for Cellular and Molecular Platforms (Dept. of Biotechnology, Govt. of India)	KOIS	Somerset Indus Capital Partners
Alkemi Venture Partners	Chiratae Ventures	Lavni Ventures	
Ankur Capital	Elevar Equity	LeapFrog Investments	
Asha Ventures	India Health Fund	Lightrock	

Technology for Development

AgFunder GROW Impact Fund	Chiratae Ventures	Omidyar Network India	Unitus Ventures
Ankur Capital	Caspian	Omnivore	Upaya Social Ventures
British International Investment	Elevar Equity	Rainmatter Technology	Zephyr Peacock India
C4D Partners	Insitor Partners	Rockstart AgriFood Fund	

Others

3i Partners	Beyond Capital Ventures	IvyCap Ventures	Unitus Capital
Aavishkaar Capital	Financial Health Innovation Fund	Lightrock	
Artha Impact (Rianta Capital)	IFC Emerging Asia Fund	Omidyar Network India	
Asymmetry Ventures	Innovating Justice Fund	Peagasus FinInvest	

ABOUT IMPACT INVESTORS COUNCIL (IIC)

The Impact Investors Council (IIC) is India's pre-eminent member-based, not-for-profit industry body set up to strengthen impact investing in the country. IIC's key areas of activity and effort include advocacy and policy support, partnerships building, program curation and research and publications in addition to building the rigour on impact measurement and management. IIC is supported by 60+ investors and ecosystem partners.

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Members & Partners

The members and partners as illustrated below, are as on 15th March 2024.

3i Partners	abc IMPACT	Acumen	ally venture capital
ankur capital	artha IMPACT	Asha Ventures	AURUM
AVAANA	beyond capital ventures	The Blended Finance Co.	British Asian Trust
British International Investment	btg::advaya	CAPRIA	CARAVEL
caspian	C4D Partners	CIIE.CO	Dalberg
Desai & Associates	Dia	Elevar Equity	erf
FMO Entrepreneurial Development Bank	Graymatters Capital	Grameen Capital India Limited	Green Artha
Habitat for Humanity Terwilliger Center for Innovation in Shelter	IPE Global	KOIS Caring Finance	KPMG
LeapFrog Investments	Lok Capital	MacArthur Foundation	Michael & Susan Dell Foundation

Network Partners

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Disclosure

Data and Information in this report is made available in good faith with the exclusive intention of helping market and ecosystem players, policymakers and the public build a greater understanding of the Indian impact investing market. The data is collated from sources believed to be reliable and accurate at the time of publication. Primary sources of quantitative data are Traxcn, VCCircle, Inc42 and other media sources. IIC endeavours to collect data to the best of our ability and efforts. Any deals that may be missed and subsequently come to our attention are added to the respective years on a retrospective basis. IIC aims to continually build a database that is comprehensive and accurate to the maximum extent possible. Readers are urged to exercise independent judgment and diligence in the usage of this information for any investment decisions.

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