



A letter to the Stakeholders

Letter to the Stakeholders

Mumbai
June 29, 2018

Dear All,

It is with great pleasure that I present snapshot of our financial performance in the financial year ended March 31, 2018.

Blacksoil Capital Private Limited ("BCPL") has earned Gross Income of ₹44.03 Crore during FY 18 as compared to previous year which was ₹9.59 Crore. The Profit after Tax is ₹12.63 Crore as compared to previous year of ₹2.16 Crore. The Net Worth as on March 31, 2018 is ₹71.68 Crore as compared to previous year which was at ₹20.05 Crore.

The total debt of BCPL as at March 31, 2018 stood at ₹280.94 Crore consisted of as ₹56.96 Crore from banks, ₹68.23 Crore from NCDs, ₹65.20 Crore through Inter Corporate Deposits and ₹90.55 Crore through Loan from Shareholders as against total debt of ₹ 105.81 Crore at March 31, 2017.

Initially the business of BCPL primarily consisted of traditional short term lending by way of loans against property (LAP), promoter funding and structured debt to companies in the unlisted space as well as real estate developers. In the recent past, BCPL has consciously expanded its business to provide short term loans to SMEs in the emerging new economy space. These SMEs operate in high growth businesses which are set up by professional entrepreneurs who have demonstrated strong business models and have also raised external capital. BCPL also extends its financing arrangement new economy companies who are looking for small business loans to expand and thrive in this new dominant sector.

In the current financial year ending March 31, 2018, BCPL has completed 16 Traditional lending transactions, aggregating to ₹298 Crore against security and cash flows of the borrowing company. For the year ended March 31, 2018, Company has successfully exited 9 complete deals and partial others worth ₹148 Crore.

As on March 31, 2018, BCPL has funded 12 new economy SMEs, aggregating to ₹92 Crores and has successfully exited 4 deals worth ₹45 Crore (full and majorly part exits).

Blacksoil Asset Management Private Limited, a subsidiary of BCPL, is the Investment Manager for the SEBI registered Category II AIF – Walton Street Blacksoil Real Estate Debt Fund I (WSBRDF I). Walton Street Capital, LLC, (Walton Street) is a SEC registered global real estate private equity firm based in Chicago, USA. Walton Street and its affiliates have raised ~US\$ 11 Billion from Pension funds, Sovereign funds, Insurance Companies, and others and invested across 300+ investments. Affiliates of Walton Street in India is the Anchor Investor for WSBRDF I.

WSBRDF I made its initial closure in February 2018 and the Fund has received commitments worth ₹300 Crore and has deployed ₹85 Crore in two Bangalore and one Mumbai based residential projects. The fund is primarily focused on investment opportunities in the residential real estate sector in the form of secured debt securities.

Please find attached a brief about Blacksoil, our team, milestone achieved and financial performance of FY 18.

I would like to thank our Advisory Board, Shareholder's Family Offices, Bankers, Investors, Advisors, Distributors and hard-working team members who have consistently pushed themselves to make steady progress towards our ultimate goal to build profitable financial services business by instilling a renewed focus on new economy opportunities.

Thanks for joining us on this journey.

Yours sincerely,

Mohinder Pal Bansal

Whole Time Director
Blacksoil Capital Pvt. Ltd.





CORE TEAM

ADVISORY BOARD

- Mr. Shashi Kiran Shetty**
CMD of Allcargo Logistics Ltd
- Mr. Gnanesh D Gala**
MD of Navneet Education Ltd
- Mr. Virendra Gala**
Real Estate Expert
- Mr. Kaiwan Kalyaniwalla**
Partner of Maneksha & Sethna

BOARD OF DIRECTORS

- Mr. Mohinder Pal Bansal**
Whole-Time Director
- Mr. Ankur Bansal**
Executive Director
- Mr. Jatin Choksi**
Director

STATUTORY AUDITOR

B S R & Co. LLP

BANKERS

Bank of Baroda
Federal Bank

LEGAL ADVISORS

Maneksha & Sethna
IndusLaw
Rajani Associates

TRUSTEE

Milestone Trusteeship Services Private Limited
Vistra ITCL (India) Limited

CREDIT RATING AGENCY

ICRA Limited

VALUERS

Colliers International (India) Property Services Private Limited

TAX ADVISORS

PricewaterhouseCoopers Private Limited
GBCA & Associates LLP

INTERNAL AUDITOR

CA Sanjiv Joshi

REGISTRAR

Link Intime India Private Limited

Registered Office : 1203, Lodha Supremus, Opp. World One, Senapati Bapat Marg, Lower Parel (W), Mumbai- 400013.
Corporate Office : 1105, Lodha Supremus, Opp. World One, Senapati Bapat Marg, Lower Parel (W), Mumbai- 400013.

Tel: 022-24812200

Email: info@blacksoil.co.in

Web: www.blacksoil.co.in

Milestones for BCPL

April 2017

Incorporated Blacksoil Asset Management Limited

May 2017

Full exit from Mumbai based real estate developer (₹22.5 Crore)

May 2017

Raised ₹11.65 Crore through issue of NCD Series III

June 2017

Crossed ₹200 Crore of Gross Disbursement

June 2017

BCPL Started a new segment in it's New Economy SME Lending business by lending to the Ecosystem of its existing/potential borrower companies

August 2017

Full exit from investment in leading PVC Pipes Manufacturer (₹20 Crore)

September 2017

Crossed ₹300 Crore of Gross Disbursement

September 2017

Exited investment in Mumbai based Coaching institute (₹2 Crore)

October 2017

Raised ₹11.58 Crore through issue of NCD Series IV

November 2017

Exited investment in renowned design led lifestyle brand (₹8 Crore)

February 2018

Crossed ₹500 Crore of Gross Disbursement

January 2018

Assigned with a rating of [ICRA] BBB- (pronounced ICRA triple B minus) from ICRA

December 2017

Exited investment in Bangalore based interior design modular furniture company (₹8 Crore)

December 2017

Crossed ₹400 Crore of Gross Disbursement

March 2018

Exited investment in Logistics provider (₹2 Crore)

March 2018

Raised ₹15 Crore from Federal Bank

January 2018

Exited investment in deal discovery platform (₹10 Crore)

January 2018

Raised ₹10 Crore through issue of NCD Series V

December 2017

BCPL raised ₹35 Crore from Bank of Baroda

- The Company's Net Book as on March 31, 2018 is ₹324 Crore.
- BCPL has been assigned with a rating of [ICRA] BBB- (pronounced ICRA triple B minus) from ICRA

About Blacksoil - An NBFC building on seeds of growth



Current non-banking finance company domain

The current legal system along with the dedicated governmental impetus to recover old bad loans, increasing digitisation and focused effort to include non-banking financial institutions in all sectors has led to substantial innovation, growth and investment in this sector. NBFCs have succeeded and grown by implementing innovative schemes, providing low-cost structures and offering customer-centric solutions and now are come to be recognized as a systematic key element of our financial system.

The role of NBFC's has further been recognized as one that is complementary to the banking sector subsequent to the widespread execution of pioneering marketing strategies, introduction of tailor-made products, customer-oriented services and transparent procedures. NBFCs, now, actively cater as a leading non-financial banking recourse to rural and semi-urban areas.

NBFCs also continue to play a pivotal role in driving growth and entrepreneurship in the country. Various NBFCs, address specific diverse sectoral needs, continue to address the debt requirements of borrowers, thereby partnering and assisting in their growth and consequently positively contributing to the economy.

Also, it has been observed that the younger population of the country prefer NBFCs to other modes of borrowing. According to a report published by CRISIL dated November 23, 2017 available on its website, the report of the total loans given by financial institutions in India to the age group between 21 and 35 years, NBFCs hold the maximum market share of 49%. It was opined that NBFC's provide easy access to cheaper funding sources and improve operating efficiencies and ultimately help to preserve adequate pre-provisioning operating profit buffers to address and cushion rising credit costs.

Lastly, the Government's policy of demonetisation acted as a strong deterrent for the unorganised sector and led to compulsive financial inclusion of the NBFCs. This sector has evolved significantly in the past few years and is set for further growth with higher penetration into parts of the economy where Public-sector banks are unable to reach. It is expected that NBFC's in India are to see an 18% compounded annual growth rate ("CAGR") for the next two and a half years and raise their share in total credit to 19% by 2020.

Company Overview

Blacksoil Capital Private Limited ("BCPL") is a non-systemically important, non-deposit accepting non-banking financial company. It had started its operations in early August, 2016 and is primarily engaged in lending to small and medium enterprises ("SME") segment of the Indian economy. BCPL has carved a niche for itself amongst the non-banking financial Company's ("NBFC"). It boasts of providing loans ranging from ₹1 Lakh - ₹30 Crore with a tenure between one to three years secured by way of cash flows and/or additional collateral.

BCPL consistently and constantly endeavours to lend through products designed specifically to meet the Borrowers' unique funding requirements. To this effect, BCPL houses an experienced and well-versed management team inclusive of industry stalwarts and fresh management graduates guided by Mr. Mohinder Pal Bansal and Mr. Ankur Bansal.

At present, the Blacksoil Team is replete with specific industry experience in various domains. The team is also actively involved in ensuring that the highest standards of corporate governance are adhered to.

Sponsors and Founders

BCPL is backed by the family offices of the Navneet Group, Avvashya Group and Mahavir Agency and draws significant advantages from this association at managerial, financial and strategic levels. The deal lead and business sourcing is monitored closely and supported considerably by the vast network of sponsors steadily built over a period of time. The sponsor groups are known for their support beyond technical-knowhow and capital and often emerge with unique solutions for the specific deals. It is a well-established fact that BCPL also derives financial, operational and strategic expertise from these sponsors, the overall performance of the company is testimony to this.

BCPL's competitive strengths comprise of: the support of foremost established family offices who are its sponsors; highly experienced management; a growing talent pool; a strong risk governance mechanism; and comfortable capital adequacy and liquidity position. It also adheres to high ethical standards and demonstrates integrity and transparency in all its dealings. While prudent risk taking in alignment with its strategic priorities is fundamental to the business, BCPL maintains a conservative framework to manage liquidity and leverage. It continues to thrive on high quality of assets; due to its strong credit, due diligence and collection processes.

Our Business Model

Initially the business of BCPL primarily consisted of traditional short term lending by way of loans against property (LAP), promoter funding and structured debt to companies in the unlisted space as well as real estate developers. In the recent past, BCPL has consciously expanded its business to provide short term loans to SMEs in the emerging new economy space. These SMEs operate in high growth businesses which are set up by professional entrepreneurs who have demonstrated strong business models and have also raised external capital. BCPL also extends its financing arrangement new economy companies who are looking for small business loans to expand and thrive in this new dominant sector.

1. Traditional SME Lending business

BCPL began its SME Lending business in the month of August 2016 and by March 31, 2017, BCPL completed 9 traditional lending transactions, aggregating to ₹129 Crore and successfully exited 2 deals worth ₹29 Crore in FY 17. In the current financial year ending March 31, 2018, BCPL has completed 16 Traditional lending transactions, aggregating to ~₹298 Crore against security and cash flows of the borrowing company. For the year ended March 31, 2018, Company has successfully exited 9 complete deals and partial others worth ₹148 Crore.

a) Real Estate SME Lending (focused on Loan Against Property (LAP))

BCPL intends to build a high-quality book of known as well as local non-descript developers having strong expertise in micro-markets especially of Mumbai. As a strategy, BCPL is focusing on loans to reputed developers for tiding over their short-term requirement of funds where certain cash flows in the near future can take care of the principal repayment. BCPL is investing in the market at a time when the abject funding crunch has forced developers to go for multiple rounds of financing to stay afloat, and the real estate deal-making process has been dominated by Debt capital.

Further, BCPL's strong credit risk assessment with at least 1.5-2x of security cover of loan amount being maintained along with a security basket of escrow mechanism, promoter personal guarantee, pledge of shares,

postdated cheques etc. aids the entire process. BCPL leverages the experience of Mahavir Agency and Blacksoil management who have been involved in real estate and investment management respectively, for deal origination, assessment and monitoring. It has the innate privilege to combine professional expertise and long standing experience in real estate sector.

Lastly, the competitive intensity in real estate funding is high, with the entry of many NBFCs into this market. As a matter of practice, BCPL's ticket size does not usually exceed ₹30 Crore per deal for a period of six months to two years wherein, it is found that the focus of large lenders and funds is limited to a greater threshold amount which reduces the competitive intensity to some extent. Also, the Government of India enacted the Real Estate (Regulation and Development) Act 2016 which came into effect from May'17 which resulted in developers requiring short term liquidity. It was noticed that the smaller players were not being able to meet the stringent regulatory requirements. For these above mentioned reasons, BCPL has found a conducive environment to utilise and explore this untapped market.

b) **SME promoter funding/structured debt**

This segment involves bridge loans or short to medium term loans customized as per the circumstances and needs of established borrowers. Funds are provided to borrowers who are large unlisted companies or promoters of such companies having complex financial needs that do not match with conventional financial products and hence are able to command high yields compared to bank debt. The company draws on the strong network of the sponsors for driving this business sector.

As on March 31, 2018, the NBFC has completed 25 Traditional lending transactions, aggregating to ~₹ 428 Crore against security and cash flows of the borrowers. BCPL has overall successfully exited 11 deals worth ₹ 177 crore.

2. **New economy SME lending**

New Economy SME lending primarily consists of short to medium term loans to established new economy companies which are backed by well-known Venture Capital (VC) funds, (both private equity and institutional capital) as well providing innovative debt-based solutions in the ecosystem of such companies who in turn become channel partners of BCPL. The opportunities for lending to such institutional backed companies is large and attractive.

Further, the boom in the new economy sector has broadened the conservative old school traditional lending approach of financial institutions in the country. From This sector needs timely infusion of capital to pursue growth commitments and maintain momentum given the competitive nature of the industry. This emerging opportunity is currently being serviced by ignorable number of NBFC's or funds who understand such businesses and wish to diversify their portfolios.

a) **ME loans to new economy companies**

In the calendar year 2017, \$24 billion was pumped into Indian Companies via Private Equity/Venture Capital Investments in 500+ Deals (\$16 Billion was the total Private Equity/Venture Capital Investment in 2016). In FY 17, the BCPL launched its product focused on venture debt specifically to tap this vast market created by such significant PE/VC Investments.

However, in FY 18, BCPL has added more products for such companies and it has been a dedicated focus of BCPL, to address the entire "New Economy Lending" requirements, and not just Venture Debt. BCPL saw an untapped lending opportunity and various debt requirements in the ecosystem of such portfolio companies. These requirements might be in the form of business expansion financing, capex funding, working capital financing or financing their vendors/End Customers. BCPL is now able to offer potential borrowers, almost a complete bouquet of debt solutions to meet their business needs. BCPL observed such lending needs are seldom addressed by the present financial institutions in the current market. Some financial institutions sometimes address specific types of requirement of the borrower, but very few position themselves as a one stop shop for a borrowers to provide customised solution to their overall debt requirements. Borrowers in this category are spread across various sectors like B2B, B2C focused companies which are asset light and Technology driven or enabled while assessing the clients, the company analyses long term viability of the business model, the cash flows of the client, unit economics and operational efficiency as well as past and potential future support of the VC investor.

b) **Small business loans in the Ecosystem of New Economy companies**

According to a report by the Boston Consultancy Group dated November 6, 2017 as available on their website, micro and small enterprises (MSME's) will be the key growth drivers for banks and NBFCs in the coming years as the segment is highly under-served and has managed to maintain its creditworthiness. The report highlights that there are about 5.1 Crore MSME's in India, of which nearly 4 Crore have current accounts. The number of borrowers in the segment, however, is only 0.45 Crore

In FY 18, BCPL realized the need to make credit available to the backbone of the Indian economy, namely the small and medium Businesses (SMBs). SMB lending represents a major function of the Indian finance market and it is essential to keep this sector growing and facilitate its smooth functioning by providing timely funding.

To cater to this market extensively, BCPL has been partnering with leading channel partners in various sectors to augment its reach in this fast growing segment and to extend business loans to assist them meet their financial requirement. This ecosystem primarily consists of venture capital/private equity backed companies, which have achieved a minimum series A funding. BCPL by fostering its support to this sector has obtained a strong presence in a vast untapped ecosystem of first time borrowers and in turn it has lead to diversification of our book.

To this effect, BCPL offers loans offer flexible repayment options coupled with quick sanctions & easy documentation. Currently, we are offering working capital demand loans, term loans, dealer financing and property improvement loans through our channel partner organizations having PAN India presence.

As on March 31, 2018, BCPL has funded 12 new economy SMEs, aggregating to ₹92 Crores and has successfully exited 4 deals worth ₹45 Crore (full and majorly part exits)

Walton Street Blacksoil Real Estate Fund

During FY 18, BCPL incorporated a subsidiary namely Blacksoil Asset Management Private Limited (BAMPL) which is the Investment Manager for Walton Street Blacksoil Real Estate Debt Fund I ("WSBRDF I"). The WSBRDF I is registered with SEBI as a Category II AIF bearing the registration number (IN/AIF2/17-18/0391). Walton Street India Finance Private Limited is the Anchor Investor for the Fund. Affiliates of Walton Street in India have sourced equity and structured debt investment commitments in India of approximately ₹1,350 crore since 2007.

The fund is primarily focused on investment opportunities in the residential real estate sector in the form of secured debt securities.

The target size of WSBRDF I is ₹300 Crore and a significant contribution comes from the combined promoters and anchor investor (which accounts for 20% of the fund commitments). This fund made its initial closure in Feb18 and till date it has received commitments of ₹300 Crore and has deployed ₹85 Crore in two Bangalore and one Mumbai based residential projects.

Walton Street India Investment Advisors Private Limited to act as an Investment Advisor to BAMPL (Investment Manager).

BALANCE SHEET AS AT MARCH 31, 2018

Particulars	Notes	March 31, 2018	March 31, 2017
I. Equity and liabilities			
1. Shareholders' funds			
(a) Share capital	3	27,60,00,000	14,60,00,000
(b) Reserves and surplus	4	44,07,32,356	5,44,55,346
(c) Money received against share warrants		40,000	-
2. Non-current liabilities			
(a) Long term borrowings	5	92,44,60,000	40,29,40,000
(b) Long term provisions	7	60,87,533	6,62,143
3. Current liabilities			
(a) Short term borrowings	5	1,60,71,30,315	60,81,00,000
(b) Trade payables	8		
- Total outstanding dues of micro enterprises and small enterprises			
- Total outstanding dues of creditors other than micro enterprises and small enterprises		22,54,229	9,12,310
(c) Other current liabilities	6	35,90,97,890	5,50,81,833
(d) Short term provisions	7	17,80,874	22,35,273
Total		3,61,75,83,197	1,27,03,86,905
II. Assets			
1. Non-current assets			
(a) Property, plant and equipment			
- Tangible assets	9	13,75,848	5,15,933
(b) Non current investments	10(a)	30,41,40,679	10,14,29,325
(c) Deferred tax assets (net)	11	21,68,145	7,60,277
(d) Long term loans and advances	12	2,23,80,13,015	26,48,91,360
(e) Other non current assets	13	41,52,524	7,30,432
2. Current assets			
(a) Current Investments	10(b)	8,00,00,000	-
(b) Cash and cash balances	15	22,65,12,319	67,94,689
(c) Short term loans and advances	12	73,77,92,850	89,51,84,110
(d) Other current assets	14	2,34,27,817	80,779
Total		3,61,75,83,197	1,27,03,86,905
Significant accounting policies	2		
Notes to the financial statements	3-31		

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors of
Blacksoil Capital Private Limited
CIN No. : U67120MH1995PTC084946

Sameer Mota
Partner
Membership No : 109928

Mohinder Pal Bansal
Whole Time Director
DIN No : 01626343

Ankur Bansal
Executive Director
DIN No : 03082396

Place: Mumbai
Date: May 4, 2018

Jatin Chokshi
Director
DIN No : 00495015

Krittika Sampat
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2018

Particulars	Notes	March 31, 2018	March 31, 2017
I. Incomes			
Revenue from operations	16	42,98,64,493	9,33,83,701
Other income	17	1,03,88,962	25,10,004
Total Revenue		44,02,53,455	9,58,93,705
II. Expenses			
Employee benefits expenses	18	3,75,70,045	74,47,381
Finance expenses	19	20,15,76,451	4,07,32,287
Depreciation	9	3,27,593	23,915
Other operating expenses	20	2,23,40,524	1,40,40,508
Total Expenses		26,18,14,613	6,22,44,091
III. Profit before tax (I - II)		17,84,38,842	3,36,49,614
IV. Tax expense			
- Current tax		5,35,69,700	1,28,05,648
- Deferred tax	11	(14,07,868)	(7,60,277)
V. Profit for the year (III - IV)		12,62,77,010	2,16,04,243
VI. Earnings per equity share: [nominal value per share ₹ 10 (March 31, 2017: ₹ 10)]			
- Basic	22	4.99	4.02
- Diluted		4.58	4.00
Significant accounting policies	2		
Notes to the financial statements	3-31		

The notes referred to above form an integral part of the financial statements.
As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

For and on behalf of the Board of Directors of
Blacksoil Capital Private Limited
CIN No. : U67120MH1995PTC084946

Sameer Mota
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Place: Mumbai
Date: May 4, 2018


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