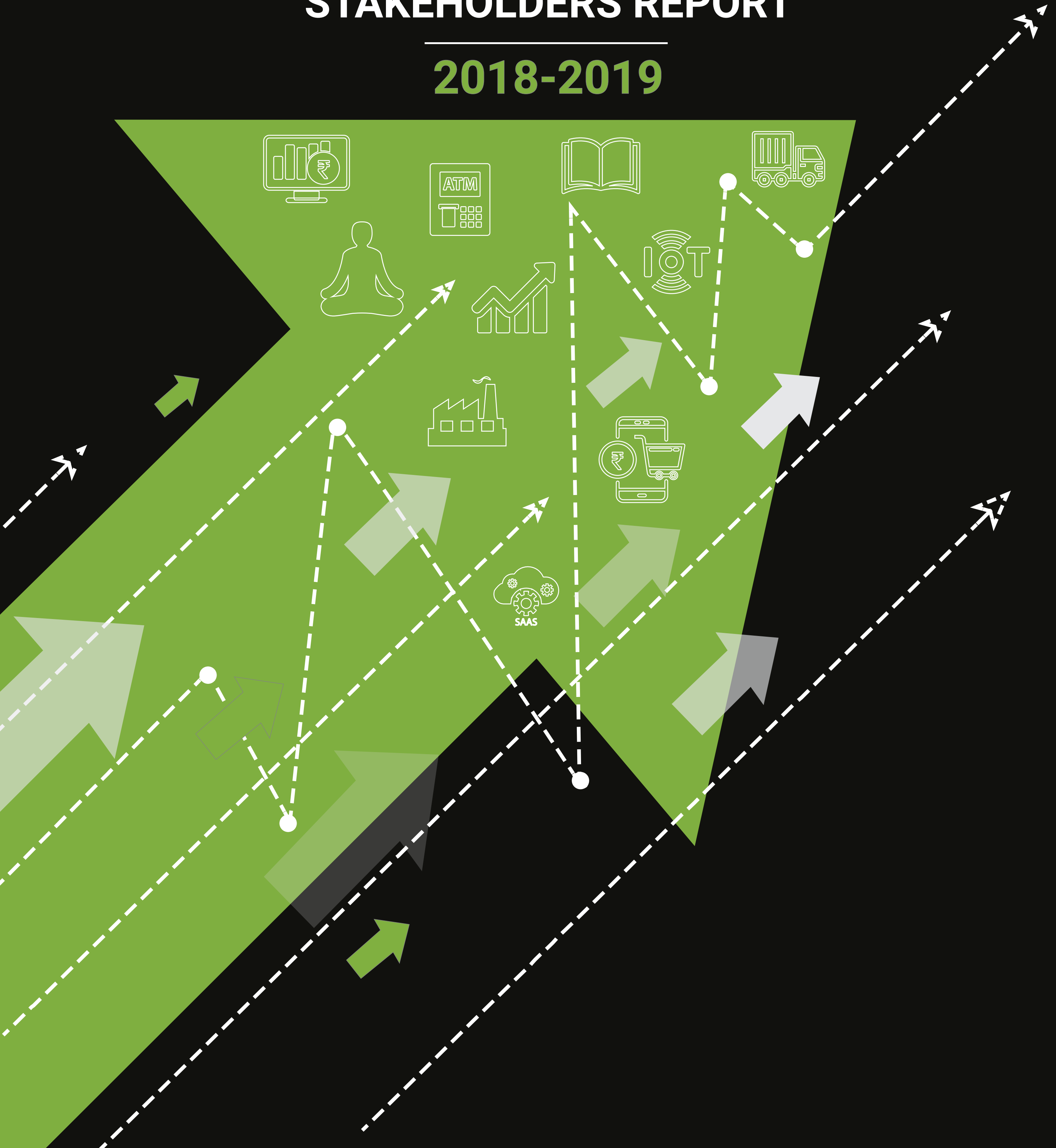
BlackSoil

STAKEHOLDERS REPORT

2018-2019



BLACKSOIL CAPITAL PRIVATE LIMITED

Core Team

ADVISORY BOARD

Mr. Shashi Kiran Shetty
CMD of Allcargo Logicstics 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

BANKER

Bank of Baroda
Federal Bank
AU Small Finance Bank

LEGAL ADVISOR

Maneksha & Sethna
IndusLaw
Rajani Associates

TRUSTEE

Axis Trustee Services Limited
Vistra ITCL (India) Limited
Milestone Trusteeship Services Private Limited

CREDIT RATING AGENCY

ICRA Limited

VALUERS

Colliers International (India)
Property Services Private Limited

TAX ADVISORS

PricewaterhouseCoopers Private Limited

GBCA & Associates LLP

REGISTRAR

Link IntimeWW India Private Limited

REGISTERED ADDRESS

1203, Lodha Supremus,
Senapati Bapat Marg, Lower Parel,
Mumbai – 400013

CORPORATE ADDRESS :

1105, Lodha Supremus,
Senapati Bapat Marg, Lower Parel,
Mumbai - 400013

Tel: +91 22 2481 2200

Email id: Info@blacksoil.co.in,
Investorcare@blacksoil.co.in

Website: www.blacksoil.co.in

Letter To The Stakeholders

Dear Stakeholders,

Blacksoil has seen another year of excellence, customer satisfaction, achievements, and dependability of all the well-wishers. Last year the company performed exceptionally well as we executed 29 transactions and got an upgrade on our rating from BBB- to BBB from ICRA. All these were done while dealing with the liquidity crisis. This proves our endeavor to keep striving for success while facing challenges.

Even this year, we were successful in providing opportunities for growth for all kinds of businesses. The processes of funding to growth Companies and structured lending, wherever necessary, has been seamless and has given the much-needed impetus to the growth of the economy. The experience of the team at Blacksoil has increased, and the previous year has taught us to continue our passion and energy to provide financial solutions to organizations.

The year in brief

Blacksoil Capital Private Limited (BCPL) has continued to work on its vision of expanding its business for providing short term loan to SMEs. These SMEs are operational in high growth businesses, set up by professional entrepreneurs who demonstrate strong business models and raise institutional capital. In the current financial year which ends on March 31, 2019, BCPL has successfully provided funding to more than 15 growth company businesses and has exited numerous partial and full deals. This would help them build credit history and as they grow traditional bank or NBFCs will join them

When it comes to short-term lending space, the company has provided structured debt and promoter funding to unlisted companies, project debt to real estate developers, and loans against property (LAP). BCPL has also extended its financing arrangement to the channel partners who are willing to thrive in the new sector by helping small businesses and providing retail loans. As a result, the organization has been able to fund more than 100 Small & Micro Businesses (SMB) and consumer loans.

Financial performance

BCPL has seen improvement in every financial parameter, which underlines our success in the last year. The gross income became ₹82 crore from ₹44 crore in the FY'18, while PAT increased from ₹12 crores in FY'18 to ₹24 Crore FY'19. The net worth of the company is now ₹ 207 crores and the total assets are worth ₹498 crores. Despite high growth, BCPL managed to keep debt at the same level As of March 31, 2019, the debt of BCPL (excluding managed book) is ₹275 crore, as compared to ₹282 crore on March 31, 2018. The overall debt is raised from diversified sources such as ₹55 crore from banks, ₹69 crore through Inter Corporate Deposits, ₹56 crore through a loan from shareholders, and ₹95 crore from NCDs.

The initiative to raise funds through co-investment models has been in action since the last financial year. In such a model, BCPL acts as an anchor investor and the Blacksoil AMC is responsible for sourcing co-investors and overall monitoring the transactions. Blacksoil AMC conducted 4 transactions this year, valued at ₹67.5 crore, and provided co-investments from 28 investors valued at ₹32.7 crores.

Blacksoil Asset Management Private Limited (Blacksoil AMC), a subsidiary of BCPL, is the Investment Manager for the SEBI registered Category II AIF – Walton Street Blacksoil Real Estate Debt Fund I (Realty Debt Fund). Walton Street Capital, LLC is a SEC registered global real estate private equity firm and have raised ~US$ 11 Bn from Pension funds, Sovereign funds, Insurance Companies, and others and invested across 300+ investments.

The Realty Debt Fund is primarily focused on investment opportunities in the residential real estate sector in the form of secured debt securities. The Fund made its initial closure in February 2018 and until FY 2019, the Fund has received commitments worth ~₹320 Crore and has deployed ~₹143 Crore in two Bangalore, one Mumbai and one Hyderabad based residential projects.

A heartfelt appreciation

For all the achievements in the last year, I would like to thank the Advisory Board, Shareholder's Family Offices, Bankers, Investors, Advisors, Distributors, and all the hard-working team members who have continuously done their best for the company's sustained progress. I look forward to another year of success, fuelled by our ambition of building profitable financial services business while instilling a renewed focus on new economic opportunities.

Thanks for joining us on this journey.

Yours sincerely,
Mohinder Bansal

Place: Mumbai
Date: July 31, 2019

Milestones For BCPL

March – 2018
Reached AUM of ₹324 Crore across our segments.

- Real Estate Funding ₹216 Crore
- Promoter Funding ₹35 Crore
- Venture Debt ₹60 Crore
- Asset Backed Companies ₹5 Crore
- Small and Micro Business ₹9 Crore

May 2018
Raised ₹10 Crore through issue of NCD Series VI

May 2018
Exited ₹10 Crore Investment from company engaged in E-learning platform for skill centers and distance learning

June – 2018
Raised Series C ₹108 Crore from existing investor taking our Net worth to ₹207 Crore as on Mar 2019

June 2018
Exited ₹ 15 Crore Investment from online fashion retailer for customized women's apparel

August 2018
Exited ₹5 Crore Investment in company SaaS-based tools to deliver retail intelligence

August 2018
BCPL raised ₹10 Crore from AU Small Finance Bank

2019 & Beyond :

- Closed the fifth round of funding for Walton Blacksoil Real Estate Debt Fund, at nearly ₹ 320 crores
- Deployed a total of ₹81 crore for Walton Blacksoil Real Estate Debt Fund in FY19
- Acted as the Debt Syndication & Transaction manager for asset backed companies of four transactions, worth nearly ₹67.5 crores, of which almost ₹32.7 crores have been invested by 28 co-investors.

43% Y-o-Y | Growth

~₹463 Crore | AUM

Jan 2019
Became Systemically Important Non-Deposit taking NBFC

October 2018
Raised ₹10 Crore through issue of NCD Series VII

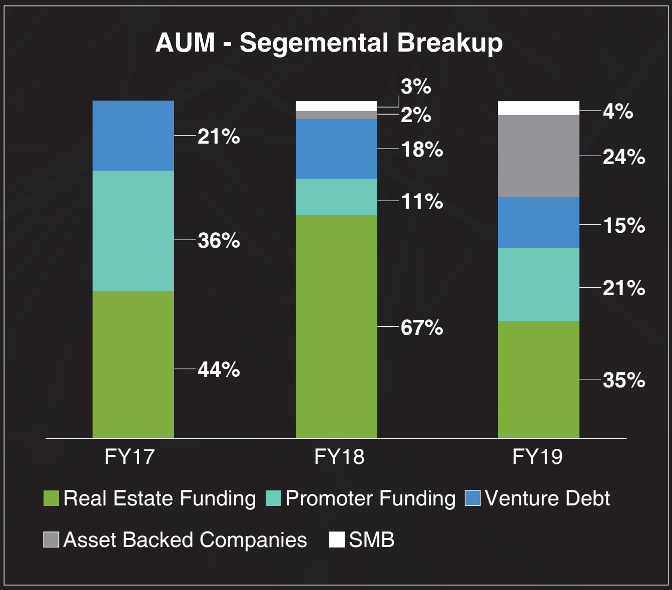
September 2018
Rating upgraded to [ICRA]BBB (stable) from [ICRA]BBB- (Stable)

September 2018
BCPL raised ₹20 Crore from Federal Bank

March 2019
Raised ₹25 Crore through issue of NCD Series VIII

March 2019
AUM of ₹463 Crore across our segments viz.

- Real Estate Funding ₹162 Crore
- Promoter Funding ₹98 Crore
- Venture Debt ₹71 Crore
- Asset Backed Companies ₹112 Crore
- Small and Micro Business ₹19 Crore



Company Overview

A. Blacksoil Capital Private Limited

Blacksoil Capital Private Limited ("BCPL") is a systemically essential, non-deposit accepting non-banking financial company. It had begun work in early August 2016, and is mainly concerned in lending to growth enterprises sector of the Indian economy. BCPL has created an impression in the non-banking financial companies ("NBFC") BCPL offers loans in the range of ₹ 0.5 crores to ₹ 30 crores, with a tenure between one and three years, secured by way of cash flows and/or additional collateral.

It is BCPL's constant endeavour to consistently lend through products tailored to meed the unique funding requirements of the Borrowers. To this effect, BCPL has a management team composed of experienced and skilled industry stalwarts, under the guidance of Mr. Mohinder Pal Bansal and Mr. Ankur Bansal.

Currently, the Blacksoil Team consists of more than 35 individuals and is equipped with specific industry experience. The team is actively involved in various tasks to make sure that the highest standards of corporate governance are maintained and risk framework is followed.

B. Blacksoil Asset Management Private Limited (BAMPL)

1. Walton Street Blacksoil Real Estate Fund

Blacksoil Asset Management Private Limited (Blacksoil AMC) is a subsidiary of BCPL, and the Investment Manager for the SEBI registered Category II AIF – Walton Street Blacksoil Real Estate Debt Fund I (Realty Debt Fund). Walton Street Capital, LLC is an SEC registered global real estate private equity firm, which has raised USD 11 billion from Pension funds, Sovereign funds, Insurance Companies, and others and invested across 300+ investments.

Walton Street India Advisors Private Limited (WSIA) has partnered with BAMPL (investment manager) as an investment advisor to it. The Affiliates of Walton Street in India have sourced equity and structured debt investment commitments in India, at a combined level, valued at approximately ₹ 1,350 crores since 2007.

The primary focus of the Realty Debt Fund is to look for investment opportunities in residential real estate sector, in the form of secured debt securities. The fund is made its initial closure in February 2018, and until FY 2019, the fund accumulated commitments worth nearly ₹ 320 crores and has deployed nearly ₹ 143 crores in residential projects (two in Bangalore, and one each in Mumbai and Hyderabad).

2. Managed Book

In the current financial year, Blacksoil AMC has also kick-started the activities of raising investments through co-investment model, where BCPL acted as an anchor investor, while Blacksoil AMC sources co-investments and monitors the transactions. In FY19, Blacksoil AMC conducted 4 transactions valued at ₹ 67.5 crores and sourced co-investments worth ₹ 32.7 crores from 28 investors.

Key Highlights of the Year

Blacksoil has continued to maintain a strong business model and superior asset quality on the back of effective financing skills, self-originated credit book, wholesome credit supervision and risk management methodology. All these factors coupled with the management's conservative approach contributed to the company's controlled NPA book. This has been crucial for the organization's smooth functioning throughout the year.

Last year was full of achievements for us, even though there were challenges dealt by the NBFC sector. By displaying sustainable growth and executing 29 transactions in the last 4 quarters having a gross deployment of almost ₹ 354 crores, we have become a systemically essential NBFC. As a result, our AUM became nearly ₹ 463 crores, which is an increase by 43% Y-O-Y. Also, the company did not take any fresh real estate exposure other than the ones already existing. Our abilities are highlighted by our average XIRR performance of 22.6% from 9 successful exits during 2018-19.

The total debt of BCPL, as of March 31, 2019, amounts to ₹ 275 crores (not including the managed book). The amount consists of ₹55 crores from banks, ₹95 crores from NCDs, ₹69 crores through Inter Corporate Deposits, and ₹56 crores through Loan from Shareholders. In the last financial year, the debt was valued at ₹282 crores as of March 31, 2018.

Thanks to the confidence of our investors in our model, we raised a Series C round of ₹108 crores, which brings our net worth to nearly ₹207 crores. In spite of the liquidity crisis last year, we were able to continue to grow substantially.

All these factors have played a crucial role in our stellar financial performance in FY19. There has been an increase in the operating income of the company by 86%, which amounts to ₹82 crores for a period of 12 months. On the other hand, PAT increased by 95% to ₹24 crores in the same period.

We set the standards in the industry when it comes to our ROA ~5% and ROE (weighted average) ~15x%.

A few of the companies we backed this year are Vogo, CredR, Securens, Industry buying, Lets Transport, BTI Payments, Early Salary, Brinton Pharma, WheelsEMI, and Airworks.

Current non-banking finance company domain

NBFCs are spearheading the country's economic development, as they drive new credit disbursals in MSME and Retail segments. The NBFCs, through their lending operations, have recorded a Compounded Annual Growth Rate of 18% in the last 5 years. Additionally, they have also outperformed the banks regarding new credit lending, and in 2018 they contributed to 16.7% of the total credit outstanding. This improvement has been possible thanks to the change in the traditional lending approach, comprehensive knowledge of consumer segments which empowers the NBFCs to provide innovate and tailor-made products, lean cost structure, technological advancements, lending to sectors untapped by banks, sector-based approach, co-lending arrangements, and swift risk management models. However, the growth has been accompanied by an increase in NPA to 5.8% as on March 2018.

Source: Profile of the NBFC sector based on RBI study by CARE ratings on January 2019

In the year 2018, the world economy was very volatile, due to trade wars between major countries, geopolitical tensions, and unstable crude oil prices. The financial conditions, particularly in developing countries, had tightened due to rising interest rates. However, the GDP growth saw a rise in the first half of 2018-19 which displayed an improvement from the effects of demonetization and implementation of Goods and Service Tax (GST), and essential help from the solidifying of the investment cycle and exports. This run was poised to continue to the second half of FY18-19, until there was a default of a large NBFC on its short-term debt obligations. In September 2018, after the dramatic default of IL&FS, the markets were on their toes and expected the fall of NBFC space, triggered by the chain reaction. Due to the liquidity crunch, the isolated downgrades of a few NBFCs/HFCs took place. As a result, there was a liquidity crisis in the sector, as the banks were cautious of giving additional debt to NBFCs. For controlling the situation, the government sent a request to the RBI for providing a window of opportunity for the NBFCs to enable them to grow the economy at a steady rate. The central bank, however, refused to do so as it was committed to infusing liquidity when required.

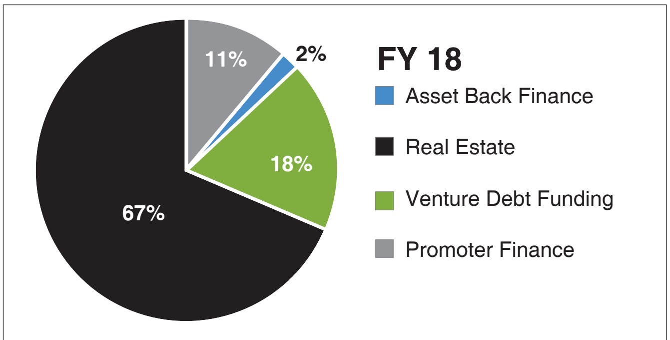
The role of NBFC's is recognised to be as one which is aligned to the goals of the banking sector, succeeding the execution of breakthrough market strategies on a widespread basis, introduction of tailor-made products, transparent processes, and customer-centric services. They will continue to have a crucial role in the growth and development of the nation.

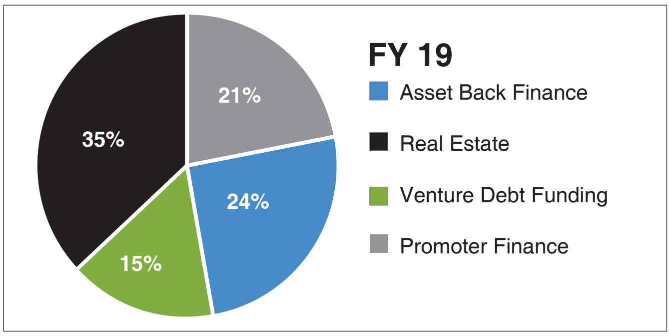
Recent budget reforms for NBFC

- The FM has put forward the proposal that the government should encourage public sector banks to purchase high-rated pooled assets of a maximum of ₹1 trillion of financially astute NBFCs. In return, the government will provide a one-time six-month partial credit guarantee for the first loss up to 10%. The banks can choose to buy assets worth ₹1 trillion, belonging to NBFCs, during FY20.
- To help NBFCs raise investments during public issues, the need of forming a Debenture Redemption Reserve (DRR), which as of now is applicable only for public issues as private placements are exempt, to be done away with.

Our Business Model

The following presents a comparison between the year on year transition of the company's business model:

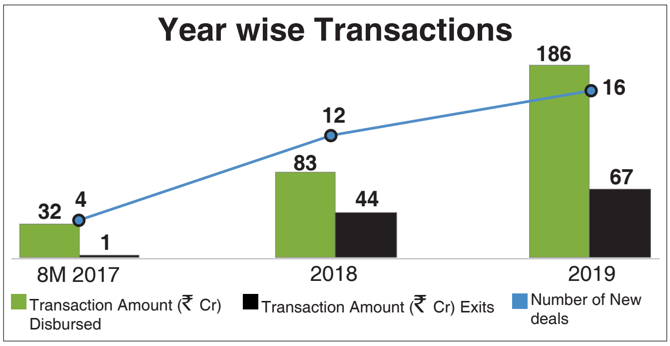




Brief of this year's business performance is as under:

A. Growth Company Business

BCPL has a history of continuously expanding its business for providing short to medium term loans to SMEs. These SMEs are known to operate in high growth business, set up by professional entrepreneurs who have displayed strong business pans and have also raised institutional funds in the current financial year which ends on March 31, 2019. BCPL has successfully funded 16 growth company businesses valued at a total of ₹186 crores, and has effectively exited 4 complete deals and a few partial ones, worth ₹67 crores.



Growth Companies are typically funded under following product categories:

1. Asset Backed Financing

We empower PE/VC backed companies, with limited credit history and restricted access to traditional sources of investment, to expand by funding their resources through debt. Hence, they are able to leverage equity for growth. Proceeds are utilized for numerous reasons, which might include CAPEX, Hardware, or Working Capital requirements.

Deal size ranges between ₹5 Crores and ₹30 Crores with a tenor of 12 to 36 months secured by First Charge on specific assets/pari passu with existing lenders, Escrow on cashflows, DSRA, Promoter Undertaking, Share Pledge, PDCs, DPN and a security cover of 1.1x – 3x.

Key differentiators for such transactions are:

1.Focussing on the cash generated through the assets financed

2.Co-lending arrangements

3.Rather than disbursing a single tranche, doing so for multiple tranches

4.Milestones linked to subsequent tranches
5.Multiple covenants

Since its beginning (April 2016 – March 2019), the NBFC has completed 15 Asset Backed Financing transactions. The Gross Disbursement is of ₹169 crores, out of which ₹18 crores is managed books.

2. Venture Debt Financing

In 2018, the amount invested into Indian companies through private equity/venture capital investments over more than 1000 deals is a total of USD 27 billion. In 2017, this amount was USD 25 billion from total private equity/venture capital investment.

In Venture Debt Financing, short to medium term loans are lent to High Growth Companies on the back of marquee Venture Capital (VC) Funds. This presents an attractive opportunity to such institutional backed companies. Investment of capital on time is essential for consistent growth and keeping up the momentum. This emerging opportunity is currently being serviced by a limited number of NBFCs or funds who understand such businesses and wish to diversify their portfolio.

Following are the primary requirements for these companies:

1. Bridge Funding

2. Runway Expansion

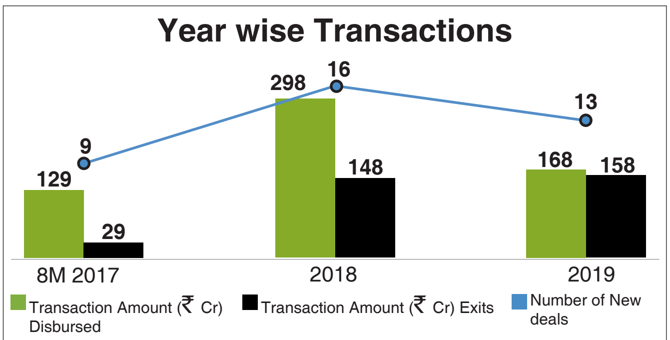
3. Revenue acceleration

The sizes of the deals vary from ₹2 crores to ₹15 crores, with a tenor of 12 to 36 months. These transactions are protected by way of First Charge on all assets, IP, Brand, Escrow on cashflows, DSRA, Promoter Undertaking, Warrants, PDCs and DPN.

Since its beginning (April 2016 – March 2019), NBFC has completed 17 Venture Debt Financing transactions with the Gross Disbursement being ₹150 crores.

Traditional Business

BCPL in traditional lending space has focused on promoter funding and structure debt to unlisted organizations, loans against property (LAP), and project debt to real estate developers. In the present FY 2019, BCPL completed 13 Traditional lending transactions amounting to 168 crores. Additionally, the company successfully exited 5 complete deals and partial others valued at ₹158 crores.



Traditional Lending are typically funded under following product categories:

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

BCPL is maintaining its strategy, to focus on loans to established developers so as to tide over their short-term need of investment, where certain cash flows in the subsequent months can take care of the principal repayment.

The intensity in real estate funding was very aggressive, as the NBFCs entered the market FY 2014-15. The Government of India passed the Real Estate (Regulation and Development) Act, 2016, which came into effect from May 2017. It was seen that the small players were finding it challenging to meet the strict regulatory requirements. Additionally, the existing traditional debt instruments are not able to meet the requirements of the developers, and such deal do not fall under the bracket of traditional banking. However recent NBFC crisis has precipitated realty segment funding. It has caused the sector to halt and indeed bringing entire sector to a standstill

Anticipating the slowdown in the real estate segment, Blacksoil took a decision to not have any fresh real estate exposure during the year, other than existing commitments, well in advance of the recent NBFC crisis.

Blacksoil primarily lent to the real estate developers in Mumbai, with ready or close to ready as collateral. Some of these projects have received OC, while others will be getting it soon. When it comes to Real Estate SME lending, there are 3 types of financing:

1. Loan Against Property

2. Construction Finance

3. General Corporate Purpose

The quantum of financing varies from ₹10 Cr to ₹25 Cr, while the tenor ranges from 12 to 36 months. These transactions are secured by way of Escrow on Cashflows, DSRA, PDC, share pledge of Parent/Holding Company, minimum cover of 1.5x-2x in case of LAP transactions and Personal/Corporate Guarantee.

BCPL utilizes the skill and expertise of Mahavir Agency and BlackSoil management, who have been in the industry long enough and involved in the management of investment and real estate, for deal origination, valuation, and monitoring. It has the distinct privilege to incorporate many years of experience and professionalism in the real estate sector.

Since its beginning, the BCPL has Gross Disbursed of ₹347 crores across 18 transactions in Real Estate SME lending, as of 31st March 2019. The outstanding amount, as of 31st March 2019 is ₹162 crore.

2. Promoter Financing

This segment relates to secured lending to established companies and/or their promoters who have access to the

traditional sources of debt but have restricted access to structured finance. These transactions have: adaptable and innovative structures, and the repayment options depend on the requirements of the borrower, quick assessment, turnaround time, and flexibility in using the funds.
The deal size in these kinds of transactions are between ₹5 crores and ₹30 crores, with a tenor of 6 to 36 months. The primary fund requirements of the borrowers are:

1. Capital Structure and Growth Financing

2. Asset Financing

3. Acquisition Financing

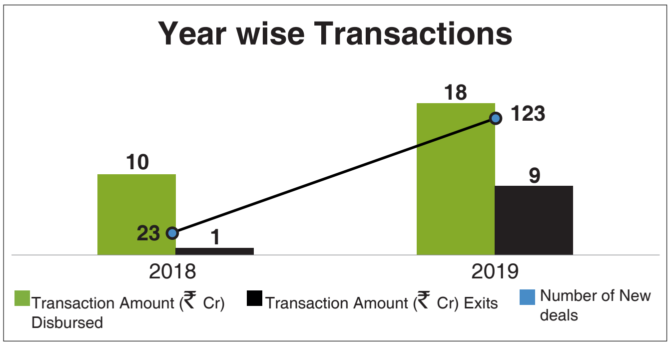
4. General Corporate Purpose

We protect these transactions through various structure by way of ISRA, Share Pledge, PDCs, DPN, Immovable Property and Personal Guarantee.

Since inception, the NBFC has finished 20 Promoter Financing transaction, which amount to ₹248 crores, the outstanding amount as of 31st March 2019 ₹98 Crores

B. Small & Micro Business Loans

BCPL also extends its financing arrangement to the ecosystem of channel partners who are looking for small business and retail loans to expand and thrive in this industry. BCPL has provided funds amounting to ₹18 crores, to 123 new economy Small & Micro Businesses (SMB), and has exited 17 complete deals and partial others amounting to ₹9 crores.



Small and Micro Business form the foundation of the Indian economy. The country has more than 50 million MSMEs, who need a credit of around USD 200 billion. however, a considerable share of these MSMEs do not have access to traditional form of capital. Catering to the needs of these players is an important function of the Indian finance market, and is necessary to keep this sector expanding and ensure its smooth functioning by providing investments.

We have utilized out relationships with our channel partners to reach out and look after such a segment. This sector mainly includes Vendor Financing, Property improvement loans, and Working capital financing.

Using the history of borrower, with respect to the channel partner, we offer tailor-made products with quick turnaround time to each borrower. The size of the deal ranges between ₹50k to ₹2 crores, with a tenor of 6 to 36 months. These deals are protected by way of Escrow/Virtual Escrow, Charge on receivables, Hypothecated assets, PDCs, DPN and Personal Guarantee.

Since inception, the NBFC has finished 147 transactions in the segment, with a Gross Disbursed amount of ₹28 crores, the outstanding amount as of 31st March 2019 ₹18 Crores

Diversified Portfolio-Growth Companies

SaaS

E-Commerce

Consumer

Financial Services

Healthcare

Education

IOT

Industrial

Logistics / Mobility

Balance sheet

Consolidated Balance sheet
as at 31 March 2019

(In ₹ lacs)

	31 March 2019	31 March 2018
Equity and liabilities		
Shareholders' funds		
(a) Share capital	4,560	2,760
(b) Reserves and surplus	15,813	4,389
Total Shareholders' funds	**20,374**	**7,150**
Non-current liabilities		
(a) Long term borrowings	8,886	9,245
(b) Long term provisions	283	61
Total Non-current liabilities	**9,169**	**9,305**
Current liabilities		
(a) Short term borrowings	12,928	16,071
(b) Trade payables	205	25
(c) Other current liabilities	6,894	3,590
(d) Short term provisions	188	18
Total Current liabilities	**20,214**	**19,704**
Total Equity and liabilities	**49,757**	**36,159**
Assets		
Non-current assets		
(a) Property, plant and equipment	76	14
(b) Non current investments	3,886	3,021
(c) Deferred tax assets (Net)	41	22
(d) Long term loans and advances	16,736	22,380
(e) Other non current assets	74	42
Total Non-current assets	**20,813**	**25,479**
Current assets		
(a) Current investments	3,343	800
(b) Trade receivables	25	4
(c) Cash and bank balances	2,474	2,268
(d) Short term loans and advances	22,604	7,323
(e) Other current assets	498	284
Total Current assets	**28,944**	**10,680**
Total Assets	**49,757**	**36,159**

Extract from the Audited Financial Statements

Profit And Loss

Consolidated statement of profit and loss
for the year ended 31 March 2019

(In ₹ lacs)

	31 March 2019	31 March 2018
Incomes		
Revenue from operations	7,984	4,303
Other income	229	102
Total revenue	**8,213**	**4,405**
Expenses		
Employee benefits expenses	702	376
Finance expenses	3,110	2,016
Depreciation	10	3
Other operating expenses	877	244
Total expenses	**4,700**	**2,638**
Profit before tax	**3,513**	**1,766**
Tax expense		
- Current tax	1,109	536
- Deferred tax	(20)	(14)
Profit for the year	**2,424**	**1,245**
Earnings per equity share:		
[nominal value per share R 10 each]		
- Basic	5.87	4.92
- Diluted	5.46	4.51

Extract from the Audited Financial Statements

BlackSoil

Blacksoil Capital Private Limited
1203, Lodha Supremus, Senapati Bapat
Marg, Lower Parel (West), Mumbai, Maha-
rashtra 400013