STAKEHOLDERS REPORT 2019-2020

BLACKSOIL CAPITAL PRIVATE LIMITED

CORE TEAM

Board of Directors

Mohinder Pal Bansal
Whole-Time Director

Ankur Bansal
Executive Director

Jatin Chokshi
Director

Statutory Auditor

B S R & Co. LLP

Banker

Bank of Baroda

Federal Bank

Legal Advisor

Maneksha & Sethna
IndusLaw
Rajani Associates

Trustee

Vistra ITCL (India) Limited
Axis Trustee Services 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 Intime India Private Limited

I. Directors' Letter

Dear Stakeholders,

We believe, all businesses that create value are sustainable in the long run. Our philosophy of value creation for all our stakeholders is helping us to build a robust and sustainable business model.

Financial Highlights

The highlights of the Consolidated Financial Statements of the Company are as under:

(Value in ₹ Lakhs)

Particulars	As on March 31, 2020	As on March 31, 2019
Total Income	8,130.26	8,213.01
Total Expenditure	4,858.51	4,328.41
Profit before Tax and provisions	**3,271.75**	**3,884.60**
Less: Provisions	604.56	371.17
Profit before Tax	**2,667.19**	**3,513.43**
Less: Taxation	792.96	1,089.43
Net profit after Tax	**1,874.23**	**2,424.00**

A) Indian Economy

The FY19-20 started with the carried forward impact of the previous year's stress in the real estate sector and liquidity crisis in financial services post the downfall of IL&FS in Sept., 18. The RBI took many measures to ease liquidity but the impact of liquidity stress spread to other sectors of the economy and the demand started falling month after month which lead to slowdown in sectors like auto, manufacturing, services, etc. The growth rate of GDP of India also started falling in each successive quarter in FY19-20. The Government announced various stimulus packages like reduction in corporate taxes, supporting MSME, aggressively investing in Govt projects and with all these measures we were expecting some revival to start happening in the economy from Q4 of FY19-20. However, in the Q4 the whole world was shaken by an unprecedented crisis created by the coronavirus pandemic. The entire world including India was under lockdown and we closed the financial year under this scenario. The measures like lockdown and social distancing are the only way to slow this disease which cause a significant fall in economic activity globally and so has significantly affected GDP growth of Indian Economy. There are multiple estimates of growth for FY21 and the recent GDP numbers for Q1 FY21 showed the GDP shrank by an unprecedented 23.9%.

B) Impact of the COVID-19 Crisis

The virus has affected 200+ countries and over 25 million people. With USA, China and countries in Europe being the most affected. During the early stages when the virus was localised in China, global supply chains were affected due to halt of manufacturing in China and now as China recovers the problem has shifted from the supply side to the demand side. Indian Government reacted quickly and imposed the lockdown much earlier which will help to contain the spread of this disease in India. Indian people supported this move of the Government. However, like all other countries in the world the impact on Indian economy is also very severe. The growth rate of GDP of India could continue to fall. The recovery could start happening from Q4 of FY21. The Govt of India immediately announced ₹ 1.71 trillion stimulus to the economy. RBI has permitted Banks and NBFCs to grant a moratorium of six months and extension of tenor on payment of all instalments by six months. As required by RBI we are also supporting our portfolio companies as per Blacksoil Board approved COVID-19 policy.

C) The year in Brief

At Blacksoil we continued to work on our goal of expanding our business for providing short term loan to SMEs which are operating in high growth businesses and being set up by professional entrepreneurs who demonstrate strong business models and have also raised institutional capital. We continue to evolve our business model through a focus on data-driven decisions, operational simplicity, seamless technology enabled processes and disciplined forward-leaning investments by funding operating cash generating businesses with strong unit economics. We continued to identify and fund valuable businesses of all sizes – from providing structured lending to large companies to providing short term working capital to SMEs. Our goal has been to provide a smooth experience to our customers through the process and build lasting business relationships. While working with these SMEs we ensure that the demand is not falling but demand is switching towards more value creation. In the auto the demand fell not just for slowdown in the economy but also other reasons also like as many Start Up companies gave alternative platforms to consumers like refurbished second hand vehicles, rental, subscriptions models, driver less pick up and drop apart from taxi service of Ola and Uber. We realised that the demand is not going away but it is getting transformed. This is happening in many other sectors like E- Commerce in B2B, logistics, healthcare, education, Pharma, entertainment, marketing, Investments in StartUps, financial services, fin tech, etc. These activities are creating value for the consumers and in the process many intermediaries are getting eliminated, which is creating stress in the economy. We believe such SMEs while using innovative ways to survive the crisis and emerge stronger. Blacksoil continues to support its portfolio companies in any way possible through these tough times.

Our Walton Street Blacksoil Real Estate Debt Fund continued with more investments as during the year we found there were many real estate projects which are affordable for middle income group and are suffering for lack of funds even though the sales were happening.

D) Financial Performance and Fund raising

Right from the time when the economy started facing stress in real estate, we became more focused on balance sheet level liquidity and did only high-quality disbursements. We focused on improving our systems and processes, creating a robust underwriting model and moving transactions to a technology-based monitoring platform on cloud. This mantra helped us to sail through severe liquidity stress faced by the financial services sector. As expected, there were no new disbursements from banks during the financial year though we could add one more lending institution. Also we were successful in raising four series of NCDs worth ₹ 94 Cr in FY20.

During the year we made a gross disbursement of ₹ 314 Cr against 374 Cr of last year. However, our collections were higher at 339 Cr against 234 Cr of last year. Consequently, our net book fell to ₹ 439 Cr from ₹ 464 Cr. There was slight fall in our consolidated revenue to ₹ 81 Cr against last year of ₹ 82 Cr. But the PAT fell to ₹ 19 Cr from ₹ 24 Cr mainly due to higher bad debts and provisions of ₹ 6 Cr against ₹ 4 Cr of last year.

The consolidated net worth of the company has gone up to ₹ 226 Cr from ₹ 204 Cr of last year. The existing sponsors families also subscribed to partly paid CCD worth ₹ 97 Cr and the company also allotted partly paid sharers to the management and advisory members worth ₹ 14 Cr in FY20.

ICRA maintained our rating as BBB despite tough market conditions.

F) A Heartfelt Appreciation

We take this opportunity to thank all our stakeholders for their continued support, trust and confidence. We also express our appreciation that our team could quickly adopt to the new way of working of Work From Home (WFH). We are happy that 90% of team worked 24X7 to meet the demands of customers, honouring all commitments, doing virtual meetings, etc.

In pre lockdown we were feeling FY20 was difficult year like for all other NBFCs especially who were in real estate business but post COVID-19 even FY21 will be challenging, and we are getting geared up for that. We believe these challenges will give us opportunities as well. The working in the new financial year shall not be same and we are confident that world would come out of this crisis and we look forward to new economic opportunities.

Thanks for joining us on this journey.

Yours sincerely,
Mohinder Bansal

Place: Mumbai
Date: 31 August, 2020

II. Sponsors

Shashi Kiran Shetty

Chairman, AllCargo Logistics

- Chairman of BlackSoil Group
- Founder of Avvashya Group
- Preferred Sectors: Logistic, financial services, technology and real estate

Gnanesh D Gala

MD, Navneet Education Ltd.

- Chairman of BlackSoil IC - GC
- CIO of Navneet's Family Office
- Preferred Sectors: Education, financial services, technology & real estate

Virendra Gala

Founder, Mahavir Agency

- Chairman of BlackSoil IC - RE
- Founder of Mahavir Agency
- Manages investment & treasury vertical of VBG Realty / Mahavir Agency, a RE advisory firm
- Preferred Sectors: Real estate & financial services

Mohinder Pal Bansal

Director, BlackSoil Capital

- Director of BlackSoil Capital
- Founder of BlackSoil Group
- Manages BlackSoil Capital (NBFC), two AIF Cat-II Funds
- Preferred Sectors: FinServ, e-com, SaaS, IoT, healthcare, logistics, education & RE

IC – Investment Committee CIO – Chief Investment Officer AIF – Alternative Investment Fund RE – Real Estate

III. Advisory Board Formation

To improve governance and oversight at BlackSoil Capital, we formed an advisory board in this financial year. With over 80+ years of collective experience between the members of this board we aim to make our decision-making process more structured. We hope this board will guide BlackSoil to a new era.

Mathew Cyriac

Founder, Florintree Advisors

- Expertise: Fund management & Business strategy
- Formerly Sr. Managing Director & Co-Head at The Blackstone Group, Private Equity
- Founder of Florintree, an alternative investment firm having made investments in CashE, MTAR, CMS IT
- Board Member Association: AllCargo Logistics, MTAR Technologies, Gokaldas Exports, The Greatship Group

Nilesh Vikamsey

Partner, Khimji Kunverji & Co LLP

- Expertise: Corporate Tax & Audit
- Formerly Past president of Institute of Chartered Accountants of India
- Partner of Khimji Kunverji & Co, which is established in Mumbai for more than 80 years
- Board Member Association: India Infoline, NSEIT, Thomas Cook, SBI Life, PNB Housing, Navneet Education

Kaiwan Kalyaniwalla

Solicitor-Advocate, Bombay HC

- Expertise: Legal matters of Corporate, Property & Tax
- Solicitor & Advocate of the Bombay HC. Has been in practice for over 30 years
- Partner at Maneksha & Sethna (Mumbai)
- President: Bombay Incorporated Law Society
- Board Member Association: Forbes & Co, AllCargo Logistics, Gokak Textiles

Sudhir K. Shetty

Ex-President, UAE Exchange

- Expertise: Global financial services
- Past President of UAE Exchange (Abu Dhabi)
- 29 years of financial services experience
- A Chartered Accountant
- Board Member Association: UAE Exchange, Finablr

IV. Board of Directors

Mohinder Pal Bansal

Founder, Whole time Director

- MP Bansal is a Chartered Accountant by qualification & acquired his Bachelor's Degree from the University of Punjab. To his merit, he has an illustrious career spanning almost 4 decades with experience in M&A, strategic advisory, capital markets, portfolio company integration in addition to post-acquisition performance management in India, Asia and Europe.
- MP Bansal founded Blacksoil Group in 2010 with the vision of providing financial consulting and strategic advisory to corporates. He also worked very closely with the family offices of Shashi Kiran Shetty, chairman Allcargo and Sunil Gala, Managing Director, Navneet Education. In December 2013 he set up a ₹ 160 Crores BlackSoil Realty Fund, a SEBI registered Category II AIF which was sponsored by these family offices and the family office of Varinder Gala, who has 3 decades of real estate experience. This Fund invested in 7 residential projects and the Fund has already made 80% exit with profits.
- In 2016, MP Bansal founded BlackSoil Capital Private Limited (BCPL), a RBI registered non-deposit accepting NBFC with a primary objective of providing alternate credit platform to serve a client base of enterprises, SMEs, startups, entrepreneurs who don't have access to traditional finance and developers. BCPL was sponsored by the same family offices. Now the BCPL is a systematic important NBFC. In 2018, MP Bansal as Head of fund Management team, set up another Fund, Walton Street Blacksoil Real Estate Debt Fund, a SEBI registered Category II AIF. This Fund has received commitments of ~₹ 318 Crs. and the Fund has already invested ~₹ 245 Crores.
- MP Bansal also holds directorships at some esteemed companies – Navneet Education Limited, AllCargo Logistics Limited, Prince Pipes & Fittings Limited, K12 Techno Services Private Limited, Avvashya CCI Logistics and Gati Ltd.

Ankur Bansal

Co-Founder & Executive Director

- Ankur Bansal is a Chartered Accountant by qualification and a CFA Charter holder. Ankur has over 15 years of rich experience in idea origination, M&A execution, investment thesis, commercial negotiations and post-deal investment management. He started his career as Investment Banker and worked with Morgan Stanley, Citi and JP Morgan.
- In 2010, he Co-founded Blacksoil Advisory (boutique advisory Firm) along with MP Bansal and later Co-Founded the Blacksoil Alternative Credit Platform which presently manages AUM (Assets Under Management) over ₹ 700 Crs. The Blacksoil platform has so far made credit disbursements of over ₹ 1,500+ Crs across 90+ transactions with 40+ notable exits. Ankur leverages his past experience and network of over 50+ plus PE/VC partners to source transactions for the credit platform.
- Ankur also leads 40 members young team who are engaged in fund raising (from 4+ Institutions, 150+ HNI family offices for Blacksoil NCDs and 50+ HNI family offices for AIF Funds and co investments), funds deployment, underwriting, risk, monitoring, exits and investor servicing.

Jatin Chokshi

Director

- Jatin Chokshi is CA, CS, and a member of the ICAI. He has 35 years of experience in finance, accounts, taxation, investments, and treasury management in Shipping, Logistics, Chemicals and Consumer Durables industries. He has worked with J. M. Baxi & Co., Real Value Appliances Ltd. and served as VP - Finance & Accounts with BASF, a German MNC.
- He joined Allcargo Logistics, a part of Avvashya Group in 2001 and heads in various capacities – Finance Controller, CEO of a business vertical, Group Chief Investment Officer and CFO of Allcargo Logistics. He has facilitated integration of Group's financial activities and is a key member for building new projects, Investments, Treasury, and Taxation. He has handled numerous mergers, demergers, restructuring, and acquisitions of the Group. He heads treasury operations for deployment of surplus funds into Money Markets and deals with Managers of Family Offices, MFs, PMSs, and Alternate funds.

FY20 Overview

A. Milestones

Key Performance Metrics

XIRR – 19.6% from 19 successful exits	Operating Income	PAT	ROE	ROA
	₹ 80 Cr	₹ 19 Cr	~13%	5%

Segment-wise AUM

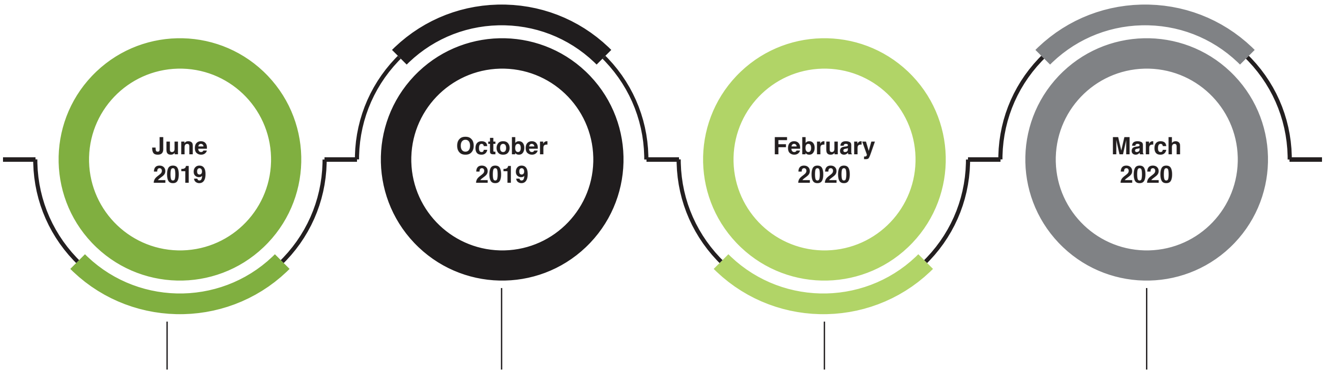
Total AUM of ~₹ 429 Cr	Asset Backed Companies ₹ 148 Cr	Venture Debt ₹ 4 Cr
Promoters Funding ₹ 114 Cr	Real Estate ₹ 149 Cr	SMBs ₹ 14 Cr

Key Exits

Date		Description
3-Apr-19	10	Promoter of a leading manufacturer of PVC & CPVC pipes
24-May-19	5	A fresh food FMCG company that sells packaged foods
28-June-19	25	Promoter of a leading manufacturer of sheet metal mainly used for the auto segment
3-Sep-19	15	ATM deployment and management services
31-Dec-19	6	Tech enabled end to end financial solutions provider to individuals & SMEs
6-Jan-20	5	An LLP formed to manufacture engineered quartz stone slabs for export
7-Jan-20	10	Enables SMEs to have an online presence through search engine optimization
28-Jan-20	28	RE developer with 20+ years of experience & latest project in central Mumbai
30-Jan-20	18	RE developer with 18+ years of experience in suburban Mumbai
3-Feb-20	29	One of India's leading aviation services company providing MRO services
26-Feb-20	25	RE developer with 15+ years of experience & latest project in suburban Mumbai
31-Mar-20	15	Global hospitality chain of leased and franchised hotels

Successfully exited 19 entities with a total investment of ₹ 233 Crores.

NCD issue details – Total ₹ 94 Cr raised through NCD’s in FY20 through 192 investors



Raised ₹ 24 Crores through issue of NCD Series IX

Raised ₹ 20 Crores through issue of NCD Series X

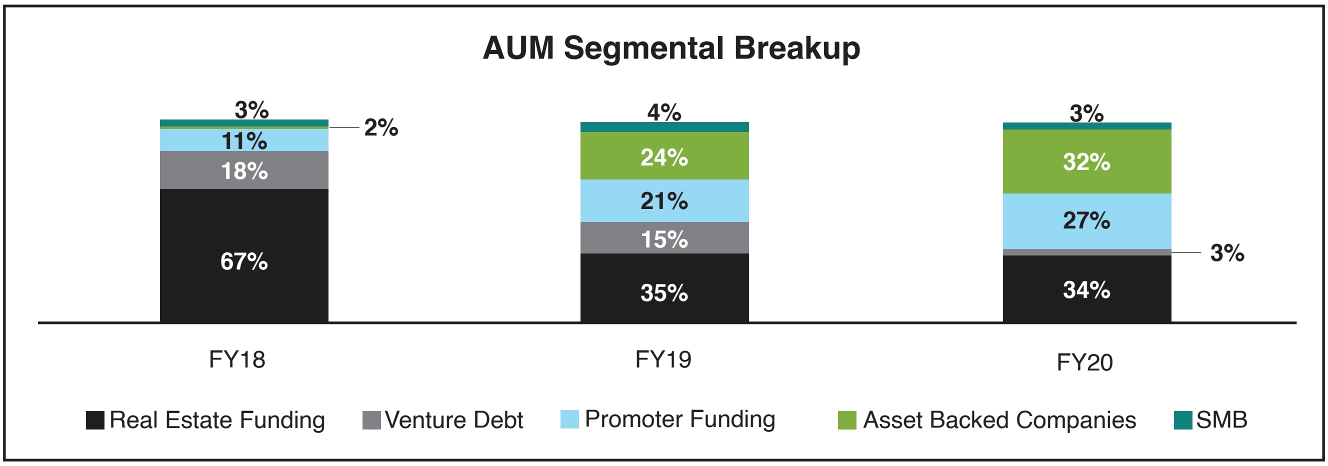
Raised ₹ 25 Crores through issue of NCD Series XI

Raised ₹ 25 Crores through issue of NCD Series XII

Reduction in RE exposure

- Systematically reduced exposure to real estate sector from 67% in FY18 to 34% in FY20 while increasing exposure to Asset Backed Companies from 2% in FY18 to 32% in FY20

Segment wise AUM break-up chart



Other Highlights

- In FY20, the average maturity of liabilities was pegged at 32 months, as compared to an average maturity of assets at 15 months; resulting in a positive mismatch of 17 months
- ICRA reaffirmed BlackSoil’s rating as BBB despite the tough environment
- The Capital Adequacy Ratio improved from 44% to 58%
- BlackSoil formed the advisory board made of veteran finance industry profession
- We added Hero Fincorp with as lender by raising debt through a term loan
- Currently invested in 25 companies across various industries such as Pharma, Healthcare, Precious Metal, FinTech, and On-Demand Media amongst others which have raised a combined total of over ₹ 4,000 Crores of equity as of March 2020

Timeline Chart

May
2019

Exited ₹ 5 Crores investment in a freshly packed FMCG food brand

June
2019

Raised ₹ 24 Crores through issue of NCD Series IX

September
2019

Exited ₹ 15 Crores investment in financial services firms providing ATM access in rural India

October
2019

Raised ₹ 20 Crores through issue of NCD Series X

November
2019

ICRA reaffirmed BlackSoil's credit rating with a BBB despite tough market conditions

January
2020

Exited ₹ 10 Crores investment in a SaaS company enhancing online visibility of SMBs

February
2020

Raised ₹ 25 Crores through issue of NCD Series XI

February
2020

Exited ₹ 29 Crores investment in an aviation MRO service provider

March
2020

Exited ₹ 15 Crores investment in a company engaged in the hospitality sector

March
2020

Raised ₹ 25 Crores through issue of NCD Series XI

B. Company Overview

1. Blacksoil Capital Private Limited

Blacksoil Capital Private Limited (BCPL) is a non-deposit accepting non-banking financial company (NBFC), registered with the Reserve Bank of India (RBI). Acquired in 2016 and is engaged in the business of real estate funding, funding to growth companies (venture debt and asset-backed), structured debt funding and small and medium business loans. Key investors in the company include the promoters of the Avvashya Group (managed by Shashi Kiran Shetty, with Allcargo Logistics Limited, the flagship entity of the Group rated [ICRA]AA (Stable)), the Navneet Group (engaged in book publication and stationery products, with Navneet Education Limited being the flagship entity of the Group rated CARE AA+, CRISIL A1+), Mahavir Agency (engaged in real estate advisory) and Blacksoil Group (the Bansal's).

BCPL offers loans that range from ₹ 0.5 Crores to ₹ 30 Crores, with a tenure of one to three years, secured with cash flows and/or additional collateral.

Key Strengths

1. Diversified Platform – Risk diversification by being present in multiple segments.
2. Track record – Disbursements of ~₹ 1,200+ Crores across 85+ transactions with 40+ exits at an average IRR of 18%.
3. Ticket size agnostic – Blacksoil offers solutions to companies of all sizes. We do deals as small as ₹ 1 Lakh to as large as ₹ 30 Crores.
4. Best-in-class deal structuring – We provide innovative re-payment, security, and tenure options.
5. Cashflow based underwriting – For companies with limited assets, we underwrite based on a proprietary cashflow-based underwriting model.
6. Creating a win-win situation for the borrower as well as the PE investor – Blacksoil's solutions offer value not only to borrowers but also to existing equity investors in the company. For such investors, raising debt can help bring fiscal discipline and extend runways for cash burn companies.

BCPL enjoyed another strong year of performance aided by a diversified product mix, robust volume growth, prudent operating costs, and effective risk management. With an AUM of ~429 Crores, BCPL has emerged as one of the well diversified NBFCs in the country today. We continue to prudently balance our asset liability management (ALM) with a strategy of raising long-term debt and maintaining a judicious mix of borrowings between banks, money markets, and deposits. BCPL continues to closely monitor liquidity in the market; and as a part of its ALCO (Asset Liability Committee) strategy maintains a sufficient liquidity buffer.

We design our products and services in line with our customers' changing financial aspirations. We converge the capabilities of our people and technology architecture to operate at optimal level. To this effect, BCPL has a management team composed of experienced and skilled industry stalwarts, under the guidance of Mohinder Pal Bansal and Ankur Bansal.

Currently, the Blacksoil Team consists of more than 37 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.

2. Blacksoil Asset Management Private Limited (BAMPL)

i. 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 15 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 FY2020, the fund accumulated commitments worth nearly ₹ 318 Crores and has deployed nearly ₹ 245 Crores in residential projects (four in Bangalore, two in Hyderabad and one in Mumbai).

ii. Managed Book

In the current financial year, Blacksoil AMC has enhanced their 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 FY 20, Blacksoil AMC conducted 6 transactions valued ₹ 100 Crores and managed book stands at ₹ 33 Crores.

C. Key Highlights

Blacksoil continues to maintain a strong business model and superior asset quality supported by effective finance skills, self-originated credit book, embedded risk culture, and robust risk management practices. 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, despite significant

challenges in the NBFC sector due to the coronavirus pandemic and consequent decline in the Indian economy. We displayed sustainable growth and executed 17 transactions in this financial year with a gross deployment of ₹ 305 Crores, Blacksoil continues to maintain its status as a systemically essential NBFC.

By financial year end FY20, our AUM stood at ~₹ 429 Crores, resulting in a decline of 8% YOY. However, the reduction in AUM was due to a significant number of successful exits from the portfolio either with prepayment or completion of loan tenure. Our abilities are highlighted by the fact that the overall exits during the year stood at ₹ 339 Crores, 45% higher compared to last year. Our average XIRR from exited portfolios stood at 19.6% from 19 successful exits during 2019-20.

The total debt of BCPL, as of March 31, 2020, amounts to ₹ 203 Crores (not including the managed book). The amount consists of ₹ 13 Crores from banks, ₹ 142 Crores from NCDs, ₹ 9 Crores through Inter Corporate Deposits, ₹ 39 Crores through Loan from Shareholders. In the last financial year, the debt was valued at ₹ 277 Crores as of March 31, 2019.

On the back of a strong and self-sustainable business model, during the year we successfully raised ~₹ 27 Crores from our investors and during this period our net worth increased to ₹ 226 Crores compared ₹ 204 Crores in FY19. Major contribution to the increase in share capital in FY20 was from profits during the year.

Operating income during the year stood at ₹ 80 Crores compared to ₹ 73 Crores in FY19. PAT during the year stood at ₹ 19 Crores compared to ₹ 24 Crores in FY19. Marginal reduction in profitability would largely be on account of the global economic slowdown during the second half of FY20. We set the standards in the industry when it comes to our ROA ~5% and ROE (weighted average) ~13%.

A few of the companies we backed this year are Koye Pharmaceuticals, Holisol Logistics, Edunetwork (Rentomojo), Zetwerk Manufacturing, Zoomcar, Purplle, Contagious Online Media (TVF) and Oslabs Technologies (IndusOS).

Current non-banking finance company domain.

There is no denying the role of the non-banking financial company (NBFC) sector in the growth that India has experienced over the last couple of years. NBFCs have been instrumental in offering formal credit to the underserved retail and micro, small and medium enterprises (MSME) segment, thereby increasing the contribution of these segments to India's overall GDP. In the last couple of months, the sector has witnessed an acute liquidity situation which, to some extent, has been alleviated through measures taken by the RBI and the government to boost lending to NBFCs. With the traditional sources of capital drying up, several NBFCs are raising capital through securitisation of assets for lack of other quick and viable fund-raising options.

The NBFCs, through their lending operations, have recorded a Compounded Annual Growth Rate of 17.4% between FY15 to FY19, and even though the industry is impacted by the current crisis, various rating agencies expect a growth of 8% to 10% in FY21. NBFCs share of total credit outstanding stood at 18.6% as on end-Dec 2019. NBFCs witnessed stress in their asset quality during FY20 and the gross NPA ratio of the NBFC sector increased from 6.1% at end-March 2019 to 6.4% at end-March 2020. The net NPA ratio, however, have decreased marginally from 3.3% at end-March 2019 to 3.2% at end-March 2020. As at end-March 2020, the Capital Adequacy Ratio of the NBFC sector stood at 19.6%, lower than 20.1% as at end-March 2019.

In order to come out stronger from the global economic turmoil, NBFCs are adapting to the changing environment and a business model reset is expected. These include funding asset light models, shift of funding for wholesale asset classes to alternative investment funds or AIF structure and de-risking of loan books. Going forward rising delinquencies will be a key monitorable for NBFCs in the light of economic slowdown.

In FY20, the world economy was very volatile, due to trade wars between major countries, geopolitical tensions, unstable crude oil prices and the COVID pandemic. The financial conditions, particularly in developing countries, had tightened due to rising interest rates. India's GDP growth is expected to be dipping to an 11-year low of 5% in FY20, mainly due to poor growth in the manufacturing and construction sectors. The dismal performance for the fiscal was anticipated as the Gross Domestic Product (GDP) growth in the first and second quarter of FY20 was 5% and 4.5% respectively. As per the advance estimates for 2019-20, the growth in real GDP during 2019-20 is estimated at 5% as compared to 6.8% in 2018-19.

In the wake of these developments, NBFCs need to work on the following solutions to maintain the profitability and sustainability of NBFCs, which include:

1. Developing new channels of growth by exploring partnerships with aggregators, e-commerce companies, Fintechs and the MSME marketplace and developing capabilities to build these partnerships.
2. Targeting new profitable markets and diversifying the asset base with new products.
3. Boosting sales from direct/digital channels by leveraging process automation, data analytics and digital marketing, and extending the salesforce to the 'difficult to reach' tier 1/tier 2 customers.
4. Targeting new market segments through the proposed co-origination model with banks and other financial institutions (All India Financial Institutions).
5. Exploring alternative borrowing channels to address the asset liability management (ALM) mismatch and reduce the overall cost of funds.

6. Optimising the operational cost to improve the return on equity (ROE) and free up capital for investments in growth areas.
7. Strengthening governance and risk management controls by using new-age technologies such as big data analytics, artificial intelligence, and mobility solutions.

A healthy NBFC sector is instrumental in maintaining India's growth momentum and achieving the target of a USD 5 trillion Indian economy by 2024. NBFCs have shown resilience in the past in dealing with such downturns through business innovation.

The FM has put forward the proposal to extend partial credit guarantee scheme for NBFCs and higher limit for FPIs in corporate bonds to address liquidity constraints. Moreover, creation of data centre parks throughout the country will encourage the use of digital analytics in NBFCs.

Lenders — both banks and non-banks — are likely to get relief in provisioning requirements from the Reserve Bank of India (RBI) with NBFCs in for an additional relief in terms of financing. Easing of provisioning requirement will enable lenders to grant relief to borrowers without hurting their own finances.

NBFCs eligibility limit for debt recovery reduced from:

1. ₹ 500 Crores to ₹ 100 Crores asset size
2. ₹ 1 Crores to ₹ 50 Lakhs loan size

D. COVID-19

COVID-19, a respiratory pandemic, resulted in global economic shutdown, which has led a host of world economies, including India, to the brink of economic depression. Non-banking finance companies (NBFCs), is an integral component of the Indian lending ecosystem apart from banks, could see a major impact of COVID-19 on their liquidity position and asset quality in the financial year 2020-21. Small and medium-sized NBFCs are most at risk due to the disruption caused by the COVID-19 outbreak. Large lenders will be able to tap RBI's ₹ 1 lakh Crores targeted longer term refinancing operations (TLTRO) window but others are likely to face a crunch.

The impact on self-employed and SME borrowers is likely to be severe. We expect the collections to be severely impacted over the next 6 months with the 6-month moratorium only providing temporary relief. There has already been a wave of lay-offs and salary cuts that will impact salaried borrowers and may lead to a second wave of liquidity crisis. Although there will be high demand for loans due to the economic slowdown, uncertainty in the business environment will mean our underwriting and disbursements will have to be highly conservative and could impact profitability and growth.
The recovery of real estate sector is a major concern of the government as it will lead to cascading recovery in multiple associated industries. Consequently, the government has taken swift actions such as extension of timelines under RERA and ₹ 75,000 Crores relief package to NBFCs and HFCs to boost liquidity in the sector. Effect of previous measures like reduction in interest rates and increased tax exemptions on home loans will also be amplified by recent announcements such as 25% decrease in TDS which will increase consumer liquidity.

Due to the cash burning nature of startups and growth companies, the current crisis has principally affected their short-term outlook due to temporary suspension of operations and increased difficulties in raising funds. Although, the long-term effect is expected to be majorly in the favor of the startups due to escalating tech adoption driven by social distancing needs and the subsequent discovery of cost reductions and convenience, even by legacy industries such as banks and construction.

As per the RBI circular a moratorium of 6 months was to be given to companies on the EMI payments at the discretion of the Board. We created a comprehensive COVID policy that was duly approved by the Board and published on the website. For a lot of our portfolio companies the crisis is temporary, and the focus of the policy was to ensure that deserving companies had ample relaxation to tide over this and resume business at a later stage without significantly impacting our revenues.

During FY20, we exited more deals than we entered, freed large invested capital, and successfully raised ₹ 94 Crores via NCDs, of which ₹ 50 Crores was raised in the last two months of the fiscal year, all adding up to ample capital for us to deploy at more favorable terms during these times of liquidity crunch in the system.

Our decision in the previous years to decrease real estate exposure and increase focus on growth companies has led to a well-diversified portfolio across various industries which even though was unfavorably impacted due to the complete halt of economic activity, is expected to have an accelerated recovery after the lockdown.

As per a KPMG report, the current crisis has severely impacted majority of the industries, and even though we have exposure to a few of those legacy industries, our exposure is limited to Tech and Tech enabled businesses within them which are not only expected to recover faster, but also capture market share from traditional players.

More than 35% of our portfolio is expected to recover within 3 months of lockdown lifting and remaining within 6 months. Although, the remaining exposure to real estate has put downward pressure on the recovery of the overall portfolio.

COVID-19 Impact on BlackSoil's Business Segments

Relatively Low Impact (up to 3 months recovery period)

E-Commerce – expected to resume faster than other segments as social distancing norms will be a new normal

Education is a non-discretionary spend therefore industry will recover

Healthcare is currently affected as elective surgeries have been postponed but as restriction are lifted the industry will revive. eHealth came under the essential category and has seen massive adoption during lockdown

Logistics – With businesses operating from multiple locations & deliveries becoming crucial, new-age tech is likely to come in play in this sector.

SaaS – Health of specific SaaS companies depend on their underlying sector while sector agnostic companies expected to have faster recovery

Relatively High Impact (>6 months recovery period)

Lending Business – Financial Services impacted due to moratorium provided to borrowers by RBI impacting overall credit culture

Manufacturing will increase slowly as non-discretionary expenses will be curtailed leading to decreased demand

OTT Media will take time to recover as content production will be limited as a result of social distancing norms

Shared Mobility – As restrictions ease, people would prefer private vehicles instead of public transport to maintain social distancing & such platforms have started offering long-term subscription options to its customers

COVID-19 Impact – Sectors BlackSoil doesn't have Presence

Sectors showing Positive Impact

✓ **Gaming** – Online gaming is getting a big boost. As kids can no longer play outside, a lot of physical playtime is shifting to virtual playtime. Usage on some gaming apps has surged ~40% during the lockdown

✓ **Agritech** – Agriculture doing better compared to other sectors and has seen renewed investor interest recently

✓ **Medtech** – Social distancing norms will push patients to seek digitized healthcare which will require doctors to leverage technology. Medtech will also ensure quicker & efficient production ramp-up of medical devices to combat against future emergencies

Sectors showing Negative Impact

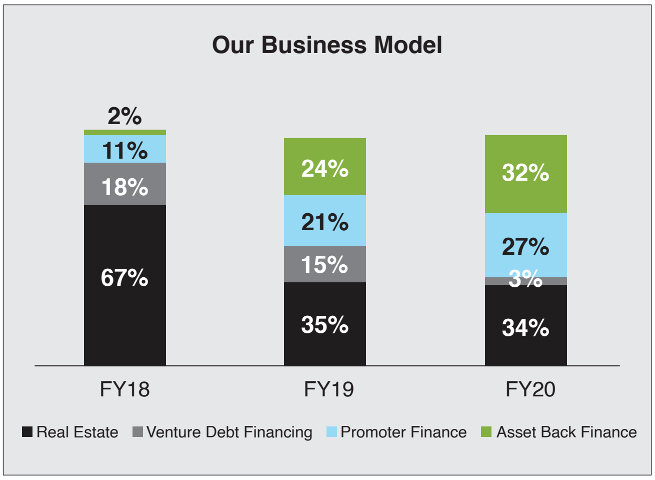
✗ **Hospitality & Retail** – Most affected sectors as people will maintain social distance when they go out. Decline in Retail will lead to an increase in E-Commerce. People would avoid non-essential leisure, leading to a dip in footfall towards Hospitality

✗ **Co-Working** – WFH and social distancing will require co-working businesses to rethink their proposition

✗ **Food Delivery** – FoodTech GMV has dropped by ~70% in Apr-20 compared to Jan-20, and the expectation is that it will take about a year for FoodTech orders to come back to pre-COVID levels

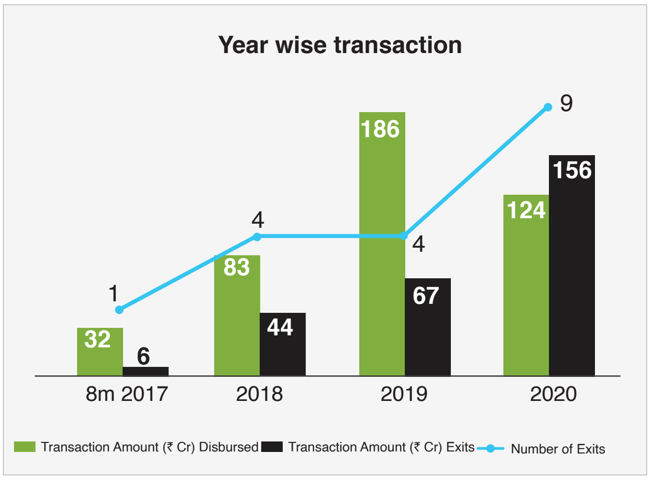
E. Our Business Model

Our business model has aimed to create a portfolio that grows sustainably and has a diversified risk profile. Over the years we have evolved to identify areas of growth and add new business verticals. This philosophy has made sure BlackSoil has continued its upward trajectory.



1. Growth Company Business

BCPL has a history of continuously expanding its business for providing short to medium term loans to SMEs. These SMEs operate in high growth businesses, set up by professional entrepreneurs, with strong metrics. and have also raised institutional funds in the current financial year. BCPL has successfully funded 9 growth company businesses valued at a total of ₹ 124 Crores and has effectively exited 9 complete deals and a few partial ones, worth ₹ 156 Crores. This business comprises of 2 major categories:



i. Asset Backed Financing

We empower PE/VC backed companies that have showcased stable growth over the last 12 months of operations, 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, Working Capital requirements or temporary cashflow mismatches / bridge funding.

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:

a) Focussing on the cash generated through the assets financed

b) Co-lending arrangements

c) Rather than disbursing a single tranche, doing so for multiple tranches

d) Milestones linked to subsequent tranches

e) Multiple covenants

Since its beginning (April 2016 – March 2020), the NBFC has completed 27 Asset Backed Financing transactions. The Gross Disbursement is of ₹ 331 Crores.

ii. Venture Debt Financing

In 2019, PE/VC investments in India were at an all-time high with over $48 billion of investments made across 1000+ deals, a growth of 30% compared to $37 billion worth of investments in 2018. Out of the thousand deals in 2019, 60% of these happened in the start-up space.

In Venture Debt Financing, short to medium term loans are lent to High Growth Companies on the back of marquee Venture Capital (VC) Funds that have showcased stable growth over the last 12 months of operations. 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:

a) Bridge Funding

b) Runway Expansion

c) Revenue acceleration

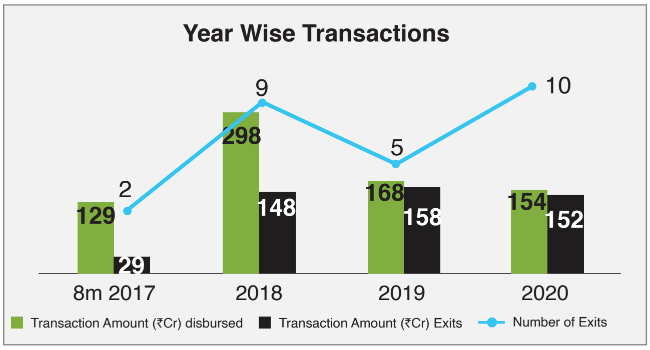
d) General Corporate Purposes

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 2020), NBFC has completed 14 Venture Debt Financing transactions with the Gross Disbursement being ₹ 94 Crores.

2. 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 20, BCPL completed 8 Traditional lending transactions amounting to ₹ 154 Crores. Additionally, the company successfully exited 10 complete deals and partial others valued at ₹ 152 Crores. This business comprises of 2 major categories:



i. Real Estate SME Lending

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.

Anticipating the slowdown in the real estate segment due to the recent NBFC crisis and the COVID-19 pandemic that had a severe impact on this sector. Blacksoil took a decision to carefully evaluate any fresh real estate exposure during the year on a cases to case basis.

Blacksoil primarily lent to the real estate developers in Mumbai, Bangalore and Hyderabad 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:

a) Loan Against Property

b) Construction Finance

c) General Corporate Purpose

The quantum of financing varies from ₹ 10 Crores to ₹ 25 Crores, 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 ₹ 410 Crores across 20 transactions in Real Estate SME lending, as of 31st March 2020. The outstanding amount, as of 31st March 2020 is ₹ 149 Crores.

ii. 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 ₹ 2 Crores to ₹ 25 Crores, with a tenor of 6 to 36 months. The primary fund requirements of the borrowers are:

a) Capital Structure and Growth Financing

b) Asset Financing

c) Acquisition / Bridge Financing

d) General Corporate Purpose

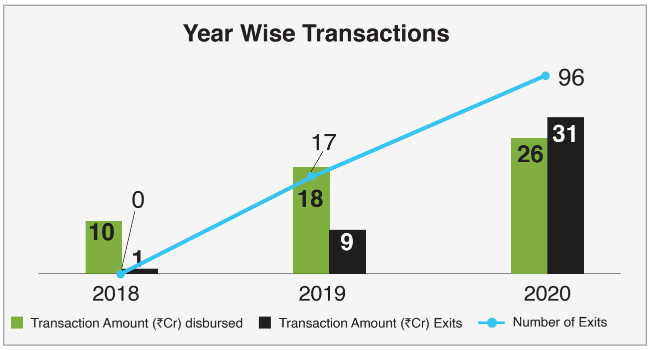
e) Stake enhancement by Promoter

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 26 Promoter Financing transaction, which amount to ₹ 340 Crores, the outstanding amount as of 31st March 2020 ₹ 114 Crores.

3. Small and 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. In the present FY 20, BCPL has provided funds amounting to ₹ 26 Crores, to 116 new economy Small & Micro Businesses (SMB), and has exited 96 complete deals and partial others amounting to ₹ 31 Crores.



Small and Micro Business form the foundation of the Indian economy. The country has more than 75 million MSMEs, who need a credit of around USD 380 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 262 transactions in the segment, with a Gross Disbursed amount of ₹ 54 Crores, the outstanding amount as of 31st March 2020 ₹ 14 Crores.

Consolidated Balance sheet*

as at 31 March 2020

(Amt in ₹ Lacs)

Particulars	31 March 2020	31 March 2019
Equity and liabilities		
Shareholders' funds		
(a) Share capital	4,870	4,560
(b) Reserves and surplus	17,742	15,813
(c) Money received against share warrants	0	0
Non-current liabilities		
(a) Long term borrowings	14,719	8,886
(b) Long term provisions	509	283
Current liabilities		
(a) Short term borrowings	5,178	12,928
(b) Trade payables		
- Total outstanding dues of micro enterprises and small enterprises		
- Total outstanding dues of creditors other than micro enterprises and small enterprises	67	205
(c) Other current liabilities	4,734	6,894
(d) Short term provisions	565	188
Total Equity and liabilities	**48,383**	**49,757**
Assets		
Non-current assets		
(a) Property, plant and equipment		
- Tangible assets	56	62
- Intangible assets	22	5
- Work-in-progress	-	9
(b) Non-current investments	8,526	3,886
(c) Deferred tax assets (Net)	49	41
(d) Long term loans and advances	11,791	16,736
(e) Other non current assets	231	74
Current assets		
(a) Current investments	7,323	3,343
(b) Trade receivables	9	25
(c) Cash and bank balances	3,473	2,474
(d) Short term loans and advances	16,426	22,604
(e) Other current assets	476	498
Total Assets	**48,383**	**49,757**

*Extract from Audited financial statements

Consolidated Statement of Profit and Loss*

for the year ended 31 March 2020

(Amt in ₹ Lacs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Incomes		
Revenue from operations	7,340	7,984
Other income	790	229
Total revenue	**8,130**	**8,213**
Expenses		
Employee benefits expenses	806	702
Finance expenses	2,838	3,110
Depreciation and amortisation	17	10
Other operating expenses	1,802	877
Total expenses	**5,463**	**4,700**
Profit before tax	**2,667**	**3,513**
Tax expense		
- Current tax	801	1,109
- Deferred tax	(8)	(20)
Profit for the year	**1,874**	**2,424**
Earnings per equity share		
- Basic	4.08	5.87
- Diluted	3.87	5.46

*Extract from Audited financial statements

BlackSoil

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