GROWTH BUBBLE

blacksoil

Data-Centric Investment Opportunity for Limited Partners

By Anand Choudhary

Summary

BlackSoil Capital Private Limited, through its integrated NBFC (RBI-registered NBFC-ND-SI) and SEBI-registered Category II AIFs, offers a differentiated platform for Limited Partners (LPs) seeking consistent, risk-adjusted, double-digit returns in India’s alternative credit space. Since acquiring its NBFC in 2016, BlackSoil has scaled its Assets Under Management (AUM) to ₹2,213 Cr (₹1,250 Cr via NBFC and ₹963 Cr via AIFs) as of FY24, deploying ₹5,050 Cr across 205+ transactions. The firm follows a sector-agnostic, credit-first approach across venture debt, real estate debt, supply chain finance, and co-investments, delivering strong performance (18% gross IRR) while maintaining prudent risk metrics (1.7% GNPA, 47% Tier-I CAR, 84% ECL coverage). Supported by marquee institutional investors (Allcargo Logistics, Navneet Education, Walton Street) and recently strengthened by its 2024 merger with Caspian Debt, BlackSoil is well-positioned to capitalize on the $1.2B Indian venture debt market, growing at a 34% CAGR. This report provides a comprehensive, data-backed analysis of BlackSoil’s performance and industry standing to support the LP investment case.

Key Investment Highlights:

High Returns

18% gross IRR, 10–14% net IRR, outperforming peers (Alteria: 12–13%, Trifecta: 17%).

Low Risk

GNPA	CAR	ECL
1.7%	47%	84%
(vs 3-5% industry)	(vs 20-30%)	Coverage

Diversification

Multi-strategy (venture debt, real estate, SCF) reduces risk vs. single-strategy peers.

Growth

CAGR	PAT	AUM
32%	24%	150%

Merger Synergies

Caspian Debt merger boosts AUM to ₹2,000+ Cr, expanding impact financing.

Market Opportunity

vision

India's alternative credit market, particularly venture debt, is rapidly expanding, driven by startups' need for non-dilutive capital and SMEs' limited access to traditional banking. Key market data:

The venture debt market's growth outpaces venture capital (25% CAGR), offering LPs high-yield opportunities in a capital-constrained ecosystem. BlackSoil's focus on high-growth sectors and SMEs positions it to capture this demand, delivering superior risk-adjusted returns.

Justification

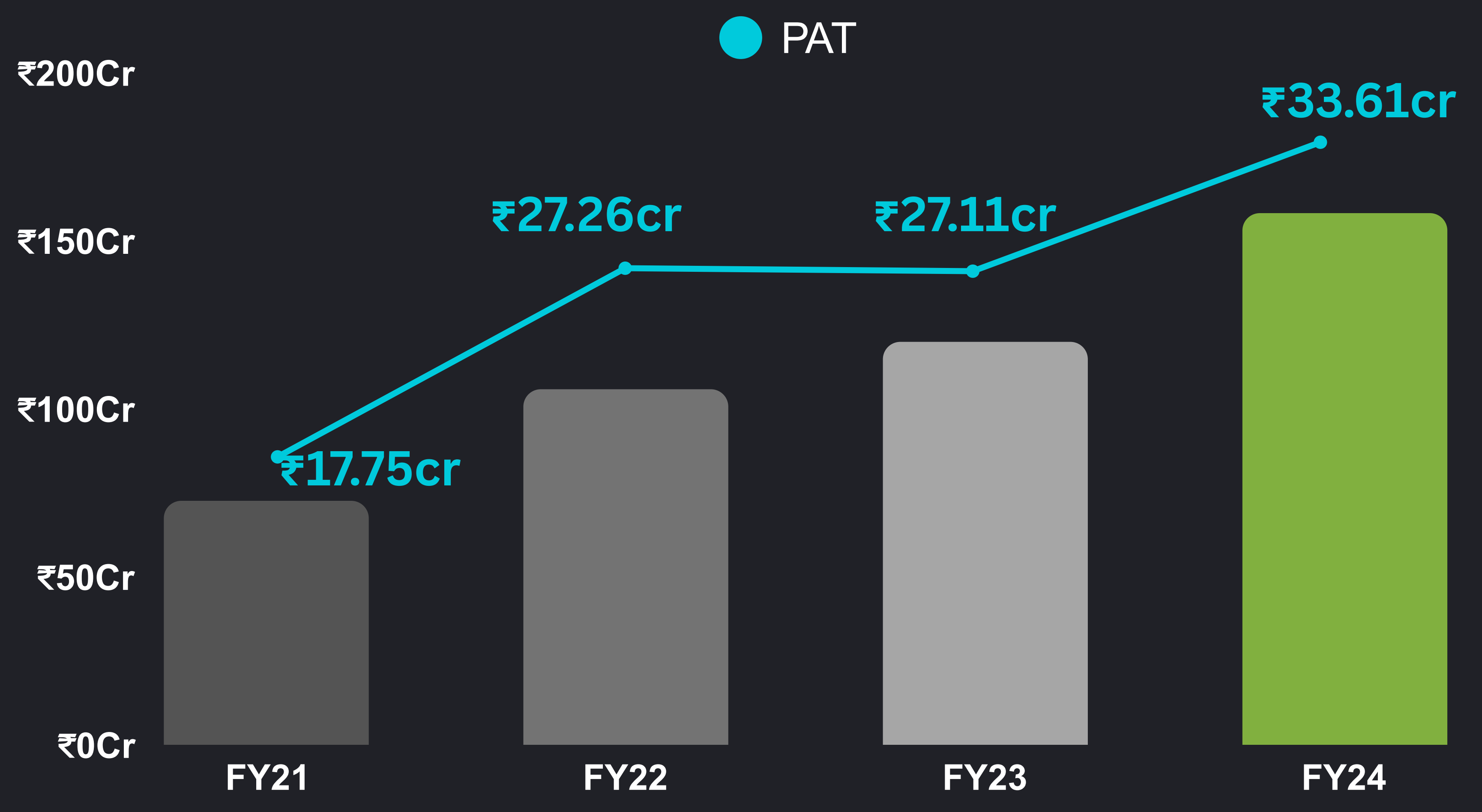
- Deal Volume: 175–190 deals in 2023, average ticket size $4M.
- Demand Drivers:
  - 50% of India's population lacks formal credit, fueling alternative financing.
  - Startups prioritize non-dilutive capital to extend runway without equity dilution.
- LP Sentiment: 54% of Indian LPs view venture debt as critical for portfolio diversification.
- Sector Focus: Fintech (35%), consumer (25%), SaaS, healthcare, and logistics lead demand.

$1.2 B in 2023
34% CAGR (2017–23)

BlackSoil Overview

Financial Performance Overview (FY21-FY24)

Revenue and Profit Growth (Consolidated)



Return Ratios (NBFC - FY24)

Tier-1 Capital Adequacy: 46.95% (vs RBI minimum 15%)

ROA ~1.1%

ROE ~8.1%

Debt-to-Equity Ratio: 1.10

Justification: High capital buffers and conservative gearing position BlackSoil as a resilient, well-capitalized credit platform. In contrast, many NBFC peers operate at 3–4x leverage.

Analysis: BlackSoil's income grew at a CAGR of ~32% from FY21 to FY24, while PAT doubled over the same period, indicating operational scalability and profit stability. This performance compares favorably with peer debt funds, many of whom reported flat or volatile earnings in FY23-FY24.

Portfolio & Asset Quality Metrics

Loan Book and Investments

Metric	FY24 (₹ Cr)	FY23 (₹ Cr)
Gross Loan Book	497.1	323.3
Net Loan Book (after provisions)	487.5	313.7
Investments (Debt + AIF + Equity)	432.8	406.1
AUM (Loan + Inv)	~920	~730

Growth: 26% YoY growth in loan book; 18% YoY growth in investment AUM.

Asset Quality

Metric	FY24	FY23
Gross NPA (₹ Cr)	13.19	20.48
Net NPA (₹ Cr)	~2.10	~6.35
GNPA % (Gross Advances)	1.70%	6.30%
Provision Coverage	84%	~69%
ECL Provisions	11.09 Cr	9.59 Cr

Interpretation: GNPA dropped from 6.3% to 1.7% due to resolved legacy real-estate exposure. Provision coverage of 84% exceeds industry average (50-60%), showing prudent risk control.

Fund Operations & Credit Strategy

BlackSoil Platform AUM (FY24)

Fund/Entity	AUM (₹ Cr)
BlackSoil Capital Pvt Ltd (NBFC)	~800
BlackSoil India Credit Fund I (AIF)	238
BlackSoil India Credit Fund II (AIF)	61
Walton Street BlackSoil Real Estate Fund II	646
Co-investment (RE & Credit)	58
Total Platform AUM	**>1,250**

Deployment

₹5,050 Cr

Transactions executed

205+

Active portfolio: 80+ borrowers

Borrower Profile

- **Growth-stage startups (Series B+)**, VC-backed
- NBFCs and fintechs (~36% of portfolio)
- Mid-income real estate developers (asset-backed)
- Sector focus: FinTech, SaaS, ConsumerTech, Logistics, HealthTech

Security & Covenants

- **~70% portfolio is secured** (real assets, receivables, charge)
- Personal guarantees and covenants are standard
- Structured repayment (monthly/quarterly interest + bullet principal)

Peer Benchmarking

BlackSoil's performance is competitive with top venture debt and private credit players.

Metric	BlackSoil	Alteria	Trifecta	Northern Arc
AUM (₹ Cr)	~2,213	4,500+	6,500+	10,000+
Gross IRR	**18%**	12–13%	17%	12–15%
GNPA	1.70%	N/A	N/A	0.90%
CAR	47%	20–30% (est.)	20–30% (est.)	25%
Deals	205+	200+	72+	500+
Collateral	70% secured	Mostly unsecured	Mixed	80% secured

Assessment: While larger peers have higher AUM, BlackSoil demonstrates superior asset quality, conservative leverage, and collateral-backed exposure. Its blended strategy (venture + RE + co-lending) reduces sectoral concentration.

Overview

Current Overview

AUM:

Smaller than Alteria (₹4,500 Cr) and Trifecta (₹3,000 Cr), but 150% growth (FY19–23) is competitive.

Returns:

18% gross IRR outperforms Alteria (12–13%) and matches Trifecta (17%), with 10–14% net IRR in line with peers.

Risk:

1.7% GNPA is higher than Northern Arc (0.9%) but below industry (3–5%). 47% CAR exceeds peers (20–30%).

Collateral:

70% secured loans are safer than Alteria's unsecured focus.

Good/Bad:

Very Good. BlackSoil's higher IRR and lower leverage offset smaller AUM.

Investor Value & LP Proposition

Investment Analysis

IRR & Yield Metrics

Net IRR target: 10–14%

Real estate debt exits (Fund I): ~19% gross IRR

Venture credit (NBFC): Coupon 12–15% + warrants

Distribution Profile

Periodic interest (monthly/quarterly)

Structured exits (3-year average tenure)

Co-investment opportunities

LP Risk Shield

Equity cushion (NBFC equity base ₹437 Cr)

Seniority of NCDs and bank loans

Internal credit ratings and stress testing

Liquidity support via asset monetization

Governance

ICRA/Crisil rated NBFC: [ICRA] BBB+ / A2

Fully SEBI-compliant AIFs

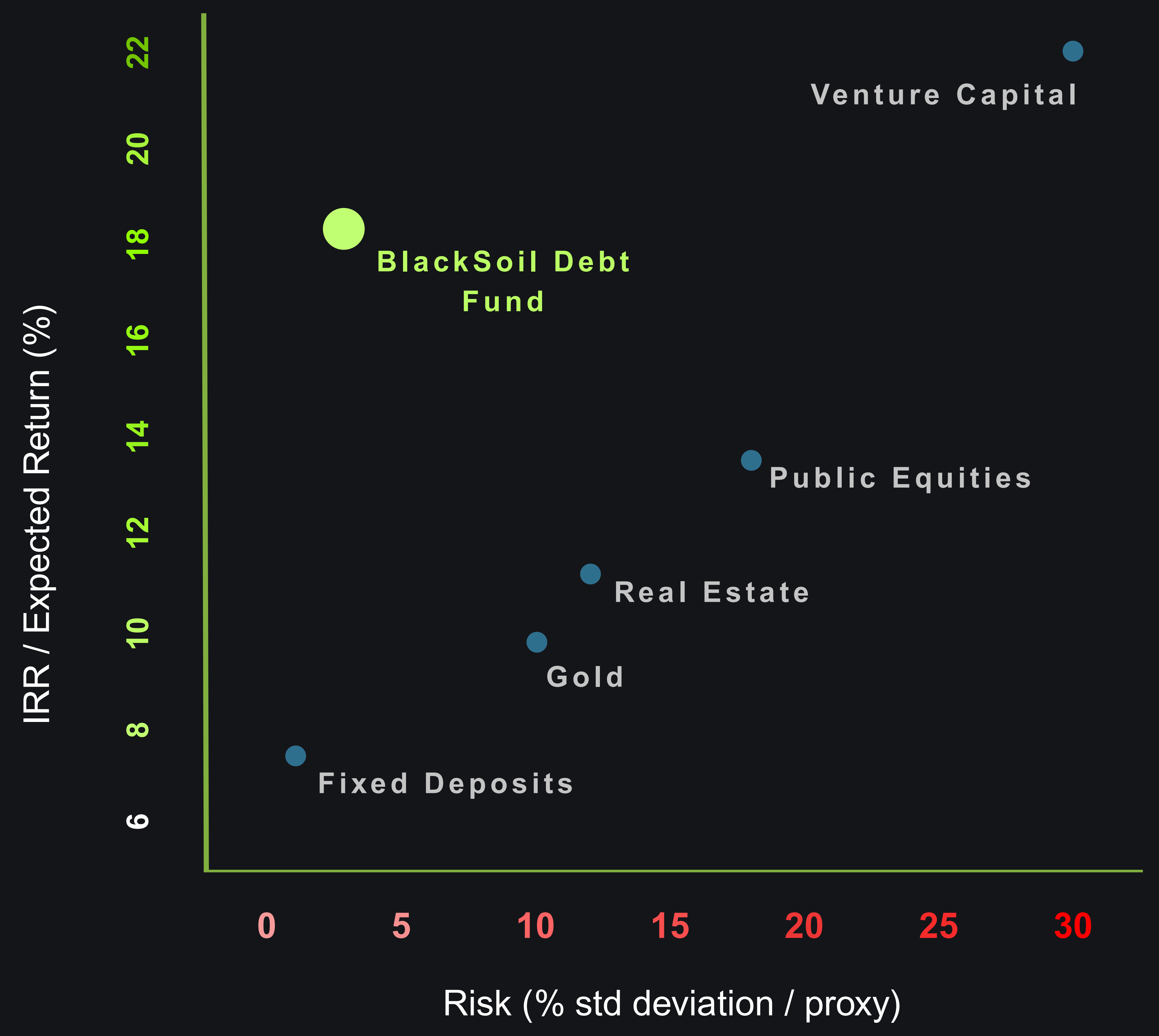
Independent board and audit committees

Detailed quarterly reporting to LPs

Potential Concerns and Mitigations

Concern	Data Point	Mitigation
FY24 ROA Dip	1.1% vs. 3.3% (FY23)	Growth investments (e.g., Caspian merger, SaralSCF) are short-term; historical 2–3% ROA is strong.
Consolidated Delinquencies	3.6% vs. 1.7% GNPA	Reflects riskier AIF investments; NBFC's 1.7% GNPA is industry-leading, and 84% ECL coverage mitigates risk.
Smaller AUM	₹2,213 Cr vs. Alteria (₹4,500 Cr)	150% AUM growth (FY19–23) and Caspian merger (₹2,000+ Cr AUM) signal rapid scaling.
Services Concentration	97% of loan book	Focus on high-growth tech/fintech aligns with market; 2.25% GNPA shows quality underwriting.

Justification: Proactive risk management, strategic growth initiatives, and a clear path to scale address concerns, ensuring BlackSoil remains a low-risk, high-return investment.



Plotting BlackSoil Debt Fund with respect to Return and Risk

The BlackSoil Debt Fund offers Limited Partners an attractive blend of high returns and low risk. With a consistent IRR of 18.5% and significantly lower volatility than equities or venture capital, it provides a more stable and predictable alternative. Backed by disciplined underwriting and sectoral diversification, BlackSoil is well-positioned for LPs seeking strong yields without high exposure to market swings.

Conclusion: Why LPs Should Invest

BlackSoil is a stable, diversified, and high-performing credit platform positioned to deliver predictable double-digit returns to Limited Partners. Compared to peers, it maintains lower NPAs, higher capital adequacy, and more secure portfolios. Its mix of asset classes (venture debt, real estate, co-lending) allows dynamic asset allocation, while consistent historical performance (PAT CAGR ~22%, income CAGR ~32%) de-risks LP exposure.

Key Conviction Metrics:

AUM Growth: 30%+ YoY

NPAs: ~1.7% with 84% provisioning

Net IRR: 10–14% across strategies

Capital Adequacy: 47%

Default History: Nil on new book since FY21

Bottom Line:

BlackSoil offers LPs a well-governed, transparent, and high-yielding private credit platform with broad sector reach, institutional-grade risk controls, and proven management. In the current market where equity returns are volatile, BlackSoil stands out as a high-trust, low-volatility investment opportunity.

Thank You

+91 7019640462

raschoudhary879@gmail.com

GROWTH BUBBLE