



ANNUAL IMPACT REPORT

2018

***Capital & Advocacy
for Social Impact***



INTRODUCTION



Asha Team (Left to Right): T.T. Venkatraghavan, Riya Saxena, Kartik Desai, Raghav Rungta, Aparna Dua and Vasanti Dubey



Dear Friends,

Preparing our first such report to answer the question of how do we create impact – the word in our name itself – has been a useful exercise forcing us to critically evaluate the results of our efforts over the last three years. It has also made us think about where are we headed, building on the lessons learnt to refine our approach as we expand our capital base and footprint. Founded in 2014 by two pioneering business leaders as a trust-based, capital-on-call virtual fund to unlock meaningful domestic venture funding, we have scaled into a multi-family office with the flexibility to make impact investments across stage and sector, and a non-profit trust to multiply success stories by sharing lessons with the government.

Definitions of impact are still evolving and vary across investors. While we continue to engage actively with others in the sector on industry-level impact measurement metrics, at this stage we believe we can best describe the impact of our work at three levels based on our mission and theory of change of working equally closely with entrepreneurs and policymakers to solve specific sectoral problems, while also building the overall market for development finance.

Portfolio Impact – We have invested in nine social enterprises in their early stage of growth, while leveraging our capital 5x, and partnered with some incredible management teams and co-investors to build scalable businesses serving low-income consumers across sectors including Housing, Financial Services, Energy, Waste and Education. Rs 78 Crores has been deployed by the Asha Circle, with Rs 522 Cr of co-investment from other funds, to touch 7 million lives and generate Rs 615 Crore of revenue. We have completely exited from one of our early investments, Varthana, which has scaled to attract commercial capital and provided above market returns, demonstrating the viability of the asset class as a whole.

Advocacy Impact – Impact at scale can only happen when the lessons of inclusive business models are applied in government programs, changes in policy help unlock bottlenecks in specific industries, and access to appropriate types of capital is available for growing social enterprises. The Asha Trust has worked very closely on the issue of affordable housing with national policy-makers, builders and housing finance companies, as well as in the area of energy access and rural development. Going ahead we plan to deepen our advocacy engagement at the state level with specific interventions in the area of housing and urban development.

Ecosystem Impact – As a nascent industry that is at an inflexion point, the impact investment market needs to be developed both in terms of supply (availability of different forms of capital) and demand (ability of entrepreneurs to absorb it). We have played an active role in industry building with our support for the IIC, ANDE, TIE, GSG and other forums. Our efforts have focused on the expanding of capital pools including CSR and innovations in outcome based funding like social impact bonds. We believe the development of a market for blended finance instruments has catalytic development potential and can take off in the next few years.

Three years is not much time to draw conclusions and report outcomes thus this report is more focused on our outputs based on our unique operating model. But clearly the early signs have been encouraging. The market for impact investment is growing and dynamic. And collaboration is at the heart of it. Our sector-based approach of actively working with a small group of investors, industry experts and policymakers on a particular problem is beneficial not only for the successful eco-system partnerships and advocacy outcomes it creates; it also improves Asha's ability to make better investments. A better ecosystem benefits us all.

On behalf of the Asha Impact team,



Kartik Desai



Snapshots of Asha field visits across the country to understand and learn from innovative business models.

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ABOUT US

Asha Impact is a combination of



An impact investment platform to fund for-profit social enterprises delivering basic goods and services to underserved populations in the country.

A policy advocacy trust to scale up the lessons from these inclusive business models in partnership with central, state and local governments.

The **Asha Circle** is a capital-on-call 'virtual fund' to mobilise domestic capital from high net worth individuals and family offices to fund high quality social entrepreneurs solving major social problems by leveraging business principles in a scalable and sustainable manner.

The **Asha Trust** is a non profit entity to capture lessons from the experiences of investee companies and sector experts, and share these targeted insights with policymakers to create social impact at scale. The Trust also works to build the capacity of the impact investing ecosystem in India and globally.



Expertise



Network



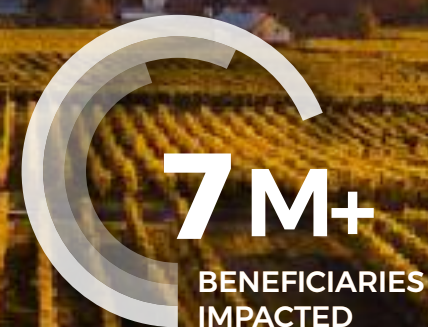
Capital

Asha Impact was founded in 2014 by Vikram Gandhi and Pramod Bhasin as a network of like-minded business leaders and philanthropists to leverage their collective expertise, networks and capital for social impact.

THE ASHA CIRCLE



Asha Impact's investor circle comprises of business leaders and philanthropists with deep sector expertise, knowledge of Indian markets, experience in scaling organizations and a consistent track record of generating financial returns. The circle members participate on a deal by deal basis to not just deploy capital but also get actively involved in helping entrepreneurs build scalable businesses.



**SUSTAINABLE
DEVELOPMENT
GOALS**

1 NO
POVERTY



3 GOOD HEALTH
AND WELL-BEING



4 QUALITY
EDUCATION



ASHA INVESTMENT SECTORS

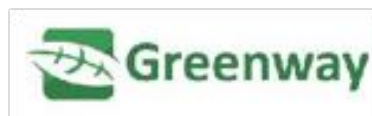
AFFORDABLE HOUSING



FINANCIAL SERVICES



ENERGY & WASTE



EDUCATION & LIVELIHOODS



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



PORTFOLIO IMPACT



AFFORDABLE HOUSING

JANAADHAR

2014*

Bangalore-based housing developer focused exclusively on affordable housing.



#1,300

HOUSES SOLD

100%

EWS/ LIG HOUSES

₹ 13L

AVERAGE UNIT PRICE

32%

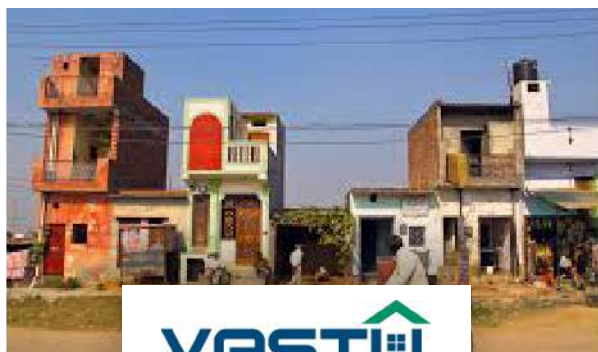
WOMEN BUYERS

PRESENT IN 2 STATES ²

VASTU HOUSING FINANCE

2015

Mumbai-based affordable housing finance company focused on Tier II and III markets.



#6,600

LOANS DISBURSED

66%

LOW-INCOME CONSUMERS

₹ 12L

AVERAGE LOAN SIZE

96%

WOMEN BORROWERS

27 % FIRST TIME BORROWERS

SWARNA PRAGATI MICRO HOUSING FINANCE

2016

Chennai-based housing finance company that is a pioneer in providing rural housing finance.



#22,000

LOANS DISBURSED

97%

LOW-INCOME CONSUMERS

₹ 1L

AVERAGE LOAN SIZE

97%

WOMEN BORROWERS

8,000 TOILETS CONSTRUCTED

All figures are cumulative and as of March 2018

1. Carpet area of houses below 60 square meters

3. Borrowers with household income below Rs. 6 Lakhs

* Represents the year in which Asha investment was made

2. Currently present in Gujarat and Karnataka

4. Includes atleast one woman as an applicant or co-applicant

FINANCIAL SERVICES

VARTHANA

2015

Bangalore-based NBFC offering secured and unsecured loans to affordable private schools.



#3,700

LOANS DISBURSED

85%¹

LOW-INCOME SCHOOLS

₹ 25L

AVERAGE LOAN SIZE

2M

STUDENTS IMPACTED

3,300 SCHOOLS IMPACTED

GRAMEEN CAPITAL INDIA

2014

Mumbai-based NBFC providing venture debt financing to social enterprises in India.



₹13Cr²

CAPITAL DEPLOYED

100%³

SOCIAL ENTERPRISES

₹ 3Cr

AVERAGE LOAN SIZE

2,000⁴

BENEFICIARIES IMPACTED

SECTORS: FINANCIAL SERVICES, EDUCATION

1. Average monthly school fees below Rs. 1,700
2. Since start of operations in March 2017
3. As per Grameen definition
4. Beneficiaries include students, MSMEs and households

ENERGY AND WASTE

GREENWAY APPLIANCES

2015

Manufacturer and distributor of clean cook stoves and other appliances for rural India.



6L

COOK STOVES SOLD

100%¹

LOW-INCOME CONSUMERS

₹2,000

AVERAGE PRICE

3M Tons

REDUCTION IN CO₂ EMISSIONS

250 MFI & NGO PARTNERS

SAAHAS ZERO WASTE

2017

Bangalore-based integrated waste management company processing both wet and dry waste.



20K Tons

WASTE COLLECTED

64%²

WOMEN STAFF

227

WASTE STAFF EMPLOYED

78³

CLIENTS

72% ↑ ANNUAL INCOME OF WASTE STAFF

1. Based on average household income of Rs. 1.3 Lakhs as reported in Census 2011 for current markets

2. Women employed on the pay roll of the company

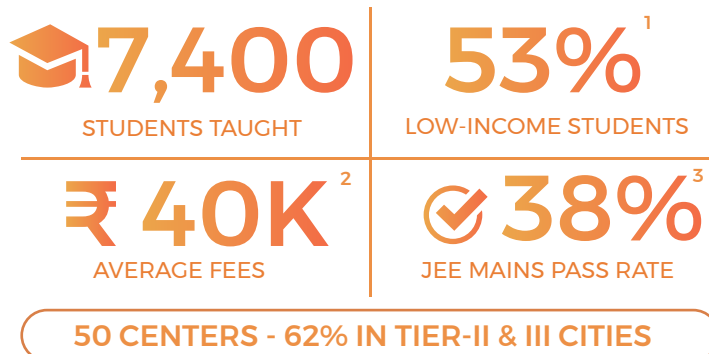
3. Includes corporates, tech-parks and residential societies

EDUCATION AND EMPLOYMENT

AVANTI LEARNING CENTERS

2016

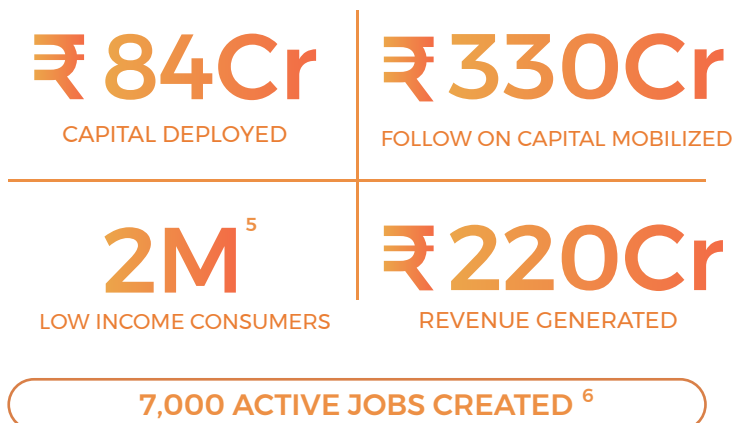
Ed-tech company providing affordable coaching for competitive exams in Tier II and III towns.



UNITUS SEED FUND ⁴

2014

Seed stage social investment fund investing in startups using technology to create impact.



1. Students attending government or affordable private schools (monthly fees below Rs 1,500)

2. Class XI and XII students only

4. Data for Unitus Seed Fund as of Dec 2017

6. Active jobs measured as jobs in the last 6 months

3. National IIT JEE pass rate: 22%

5. Defined as per USF BOP definition, see usfvc for more

ASHA IMPACT'S FIRST EXIT



(Left to Right): Steve Hardgrave, Vikram Gandhi and Kartik Desai at an affordable private school supported by Varthana

Asha Impact Exits Varthana Generating High Financial & Social Returns

Asha Impact has successfully completed its exit from Varthana, a Bengaluru based NBFC providing loans to affordable private schools. Varthana provides loans with an average ticket size of Rs. 25 Lakhs to affordable private schools for building classrooms and school infrastructure. There are more than 300,000 such affordable private schools in India serving more than 100 million underserved children. They are the preferred education option for millions of families as government schools have typically been associated with poor infra and learning outcomes. Leveraging its unique market understanding and ground-up credit assessment process, Varthana has built a loan book of over Rs. 700 Crore lending to more than 3,500 schools impacting over 2 million children.

The secondary sale was part of the Rs. 355 Crore Series-C round led by Chrys Capital and existing investors Elever Equity, Omidyar Network, LGT Impact and Kaizen Private Equity. Asha Impact participated in Varthana's Rs. 32 Crore Series-A fund raise in 2015, providing the company with the necessary domestic capital. Asha Impact has generated a 6x return on its investment in less than 3 years, making it one of the most successful exits to date in the Indian impact investing sector outside of microfinance. It has clearly demonstrated that the sector has the ability to meet the financial expectations of commercial investors, attract domestic capital, and generate profitable exits in social enterprises.

ADVOCACY IMPACT



AFFORDABLE HOUSING

10M

SHORTAGE OF HOMES IN
URBAN AREAS

95%

SHORTAGE IN EWS
& LIG SEGMENTS

₹ 2,384Cr

DEPLOYED THROUGH CLSS
ACROSS EWS AND LIG

111 K

NO. OF EWS/ LIG BENEFICIARIES IMPACTED
UNDER PMAY- CLSS

CHALLENGES



AVAILABILITY OF LAND

High cost of land in cities has driven affordable housing projects to peripheries that lack adequate trunk and social infrastructure.



APPROVALS

The biggest challenge for builders is the complexity and delays in approvals, which results in significantly dampened project IRRs.



DEVELOPER FINANCING

Local and mid-sized developers struggle to raise funds as equity is hard to access and banks cannot fund purchase of land.



DATA

There is lack of data regarding land titles and the inventory of housing projects making land acquisition and project implementation hard to monitor.

Note: 18.78M housing shortage in urban India revised down to 10M in November 2017.

Note: Amount disbursed and no. of beneficiaries impacted under PMAY- CLSS as of 31 March 2018.

EWS: Economically Weaker Section - Households with income below Rs. 3 Lakhs

LIG: Low Income Group-Households with income between Rs. 3 Lakhs and Rs. 6 Lakhs

CLSS: Credit Linked Subsidy Scheme

PMAY: Pradhan Mantri Awas Yojana

ASHA'S ADVOCACY

NATIONAL HOUSING BANK



S. Kalyanaraman, MD and CEO of National Housing Bank, sharing views on affordable housing at a symposium held by Vastu Housing Finance (an Asha portfolio company).

The Trust has engaged extensively with the National Housing Bank to address issues related to consumer and developer finance. We have provided policy inputs on the Credit Linked Subsidy Scheme, a key pillar of the Pradhan Mantri Awas Yojana, on relaxing refinance guidelines for Housing Finance Companies and on providing access to External Commercial Borrowing for developers.

NITI AAYOG



Asha Impact participating in the Champions of Change conference hosted by Niti Aayog to provide inputs on affordable housing.

Asha Impact has leveraged its relationship with private sector developers and Housing Finance Companies to help Niti Aayog identify sectoral challenges such as unavailability of land, delays in approvals and lack of incentives for private developers as the key bottlenecks to the growth of affordable housing in India. We have explored in depth the economics of Public Private Partnership models and have made recommendations to address some of these challenges.

MINISTRY OF HOUSING AND URBAN AFFAIRS



Asha Impact, engaging with Hardeep Puri, Minister of State, Housing and Urban Affairs and Durga Shankar Mishra Secretary, MoUD on issues regarding development of Smart Cities.

Asha Impact presented on important issues pertaining to urban development including affordable housing construction, city planning norms, solid waste management and access to basic civic amenities. Our work with policy makers has benefited largely from insights developed through engagement with our portfolio companies and through interactions with stakeholders including industry experts, builders and civil society organisations.

ACCESS TO ENERGY

99%

OF CENSUS VILLAGES
HAVE ELECTRICITY

19%

OF RURAL HOUSEHOLDS
DO NOT HAVE ACCESS TO
ELECTRICITY

240M

INDIANS STILL DO NOT
HAVE ACCESS TO RELIABLE
POWER

18%

INDIA'S ELECTRICITY IS
GENERATED THROUGH
RENEWABLE ENERGY

CHALLENGES



ACCESS

Of the 18K unelectrified villages identified under the Deendayal Upadhyaya Gram Jyoti Yojana, only 8% have all their households electrified.



RELIABILITY

Supply of power is unreliable and inadequate as compared to the demand for electricity, especially in rural areas.



AT & C LOSSES

DISCOMs face ~20% aggregated technical and commercial losses due to poor transmission infrastructure, theft and billing inefficiencies.



GRID INFRASTRUCTURE

The national grid requires significant upgradation of infrastructure to integrate with renewable energy and cater to the increasing demand.

Note: There are 5,97,464 census villages. Electrification defined as 10% of households and public places having electricity.

ASHA'S ADVOCACY

MINISTRY OF NEW AND RENEWABLE ENERGY



Asha Impact in partnership with Okapi Research, Rockefeller Foundation, and Shakti Sustainability Energy Foundation launched a study, 'Beyond Off-Grid' on mini-grid interconnection.

Asha Impact has closely worked on developing an implementation roadmap for the mini-grids sector in India. Along with sector experts and policy makers we have explored commercial, technical, and regulatory implications of interconnection models between the national grid and mini-grids that would lead to the creation of an integrated electricity system in the country.

MINISTRY OF RURAL DEVELOPMENT



Asha Impact in a discussion lead by Bibek Debroy, Niti Aayog, Vivek Dehejia, Senior Fellow, IDFC Institute, and Amarjeet Sinha, Secretary MoRD on the challenges of rural electrification.

Despite the progress made in electrifying villages, household electrification remains abysmal. Based on policy and business learnings through engagement with DRE enterprises, Asha Impact has provided inputs to senior policy makers on the bottlenecks associated with the provision of electricity and the role of the private sector in delivering power to consumers in rural India.

UTTAR PRADESH NEW AND RENEWABLE ENERGY DEVELOPMENT AGENCY



Asha Impact at the launch event of the Uttar Pradesh mini-grid policy by UPNERA and UPERC which set the foundation for state level efforts to encourage mini-grids in India.

The introduction of state level policies and regulations for mini-grids from the Uttar Pradesh government has paved the way for other states to take proactive steps towards supporting mini-grids. Asha Impact has engaged with regulators at both central and state levels on the roadmap to successfully scale mini-grids and simplify the process to set-up interconnection models.

ECOSYSTEM IMPACT



DEVELOPING CAPACITY

While social entrepreneurship has become increasingly popular among seasoned professionals and millennials, the ecosystem required to nurture entrepreneurs to their full potential needs to be further developed. Asha Impact is dedicated to building the capacity of entrepreneurs through supporting incubation of promising early stage startups and popularizing social entrepreneurship through various channels. Through participation in major national and global conferences, the team has closely mentored social entrepreneurs on how to build innovative business models that have social impact embedded at their core and are able to raise capital from commercial investors based on the sustainability and scalability of their business models.



Supporting growth of social entrepreneurs



Asha Impact was the official investment platform for the Real Deal, the world's first reality TV show on impact investment aired by NDTV. (<http://sites.ndtv.com/therealdeal/>).



Asha Impact has worked closely with Village Capital to support, mentor and incubate social entrepreneurs working across the fintech and education sectors.



The Asha Team was amongst the selected delegates invited to the Global Entrepreneurship Summit 2017 jointly hosted by the US and Indian governments.



Kartik Desai delivers a lecture on how to build a career in social impact at a gathering hosted by Network Capital, a global peer mentoring community.

UNLOCKING CAPITAL

Asha Impact has taken a leadership role in building the impact investing sector in India. We serve on the Executive Council of the Impact Investors Council, an industry association comprising of 30+ India focused impact funds, representing over USD 1 billion of capital. As an industry body, IIC aims to attract new sources of capital to the sector as well as build common impact measurement metrics. Asha Impact is also the co-chair of the Small and Growing Businesses Finance Lab of the Aspen Network of Development Entrepreneurs (ANDE), which is focused on scaling debt instruments such as Masala Bonds and unlocking new blended finance instruments like Social Impact Bonds in India to help scale innovative social businesses.



Unlocking domestic capital for growth



Pramod Bhasin sharing his view on how to mobilize domestic capital for the impact investment sector at IIC's annual conclave.



Vikram Gandhi with Sir Ronald Cohen, founder of Apax Partners discussing the potential of Social Impact Bonds in India.



Kartik Desai sharing learnings from the Indian impact investment sector on behalf of the IIC at the opening plenary SOCAP 2017.



Kartik Desai, chair of the IIC research sub-committee, presenting the findings of the McKinsey study on the trends in the Indian impact investment industry.

LOOKING AHEAD



Avanti

“Avanti helped me learn how to solve challenging problems. The teachers and the learning materials were very helpful to build my foundation knowledge during my entrance exam preparation. This continues to help me excel at IIT.”

- AVANTI STUDENT

How do we describe social impact and how can it be measured in an accurate, simple and comparable manner across for-profit social enterprises, NGOs and government programs (so that the effectiveness of different delivery channels can be evaluated)? There are various global and national tools to do this – from GIIN’s global impact reporting standards, to Grameen’s progress out of poverty index, to Acumen’s lean data initiative and Intelicap’s PRISM tool. But most funds including Asha Impact still use customized impact measurement metrics for their portfolio companies.

Going forward, Asha Impact hopes to create greater alignment and promote an action oriented approach to impact measurement, converting the activity from what is often seen as a chore to something that adds genuine value to portfolio companies and also allows investors and policymakers to benchmark social performance. To do this we are working actively with the IIC (where we chair the Research committee), the Brookings Institution (with whom we are conducting a detailed analysis of the Indian impact sector) and Duke University (who have recently completed a study on impact measurement). We are also seeing an increased focus on outcomes from the government with the impending launch of India Education Outcomes Fund – a major area of focus for Asha Trust going forward– and actively engaging with policymakers in this area.



“This subsidized clean cook-stove has changed our lives. It has significantly reduced time to collect firewood leaving me with more time for my family. Moreover, my eyes don’t burn when I cook and the coughing has reduced too.”

- GREENWAY CONSUMER





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