



YUNUS
socialbusiness
FUND BENGALURU

Impact Report 2019



*Harnessing the
power of business
to end poverty*



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Foreword

We were inspired by Professor Yunus' 7 Principles of Social Business which encourages entrepreneurs to reinvest profits back into their businesses. Yunus Social Business Fund Bengaluru was therefore founded in 2017, with a vision to create an enabling environment to support the growth of social businesses in India. Over the last 2 years, we have added 6 businesses across sectors to the YSBFB portfolio, and we are thrilled with the impact, diversity and expertise that these businesses bring to our fund. We have also been inspired other YSB social businesses across the globe, such as those in Uganda, Kenya, Colombia and Brazil, and we use those case studies frequently to inform our evaluation and decision-making process in India.

We provide these businesses with financial assistance as well as technical support in terms of strategic guidance, governance frameworks, talent building and ecosystem connections. Throughout our years leading Grameen Koota, one of the largest microfinance institutions in India, we learned the importance of investors who join early in a company's journey, and play a crucial role in helping the business achieve scale and impact. For us, impact is measured as the impact our social businesses have on their end-customers or producers, who come from the Base of the Pyramid. We plan to continue our efforts to create measurable outcomes for our portfolio and equip them with the knowledge and understanding of long-term impact measurement. In the coming year, we look forward to making a footprint in additional sectors and financing social businesses that impact thousands of end-consumers and producers through their activities.

We are excited to present YSBFB's first-ever Impact Report, and wish you all an impactful reading!

Suresh Krishna
Co-founder, MD and CEO

Vinatha Reddy
Co-founder and Chairperson



About Us

Who

Our Story begins with one man's dream...

We derive inspiration from our Co-founder, Professor Muhammad Yunus, and his Grameen microfinance revolution and believe that with the **power of social business** we can put an end to poverty

What

The reinvested dollar

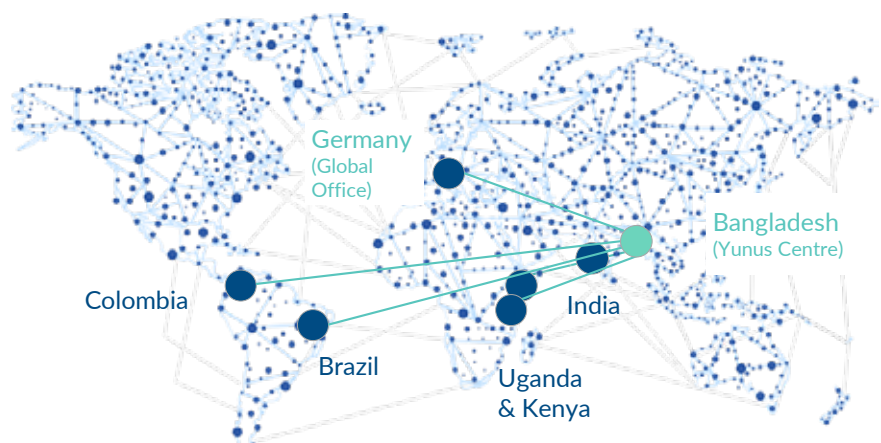
We aim to support exciting social businesses and provide them with the necessary financial and non-financial support so that they can **amplify the impact of their work** and reinvest the profits towards furthering their social mission

How

Top-down and Bottom-up

Our **Philanthropic Venture Funds** help to grow social businesses through patient debt capital financing and our **Corporate Innovation Teams** guide multinational companies to leverage their core competencies in solving social problems

Building on 40 years of social business experience, we are expanding the model to the rest of the world



Founded in 2017, YSB Fund Bengaluru is part of the international YSB network. Adopting best practices from our global engagement, we apply them in the Indian context.

We follow an **impact first policy** – scalable and sustainable social impact for the Base of the Pyramid precedes other criteria while deciding on an investment.

Since inception we have been actively exploring the Indian impact ecosystem, tracking multiple sectors to invest and support promising social businesses.

We provide two-pronged systemic support to our portfolio companies - **patient financing**, coupled with **continuous capacity building**.

The YSB debt product

We provide collateral-free, long-term subordinated loans to early and mid-stage post-revenue businesses

Our financing product is aimed at providing concessional funding for scalable businesses. However, we realize the importance of non-financial support that these companies require throughout their scale-up phase. We, therefore, provide entrepreneurs support ranging from regular growth advisory to global network connects.

Within 2 years of launching the fund, we have financed **6 high-potential social businesses**, which are facilitating employment, higher incomes and better access to basic products and services to underserved populations in India. We have a footprint across *waste management, livelihoods creation, education, training and financial inclusion* sectors.



4.73M+

Total Lives Impacted

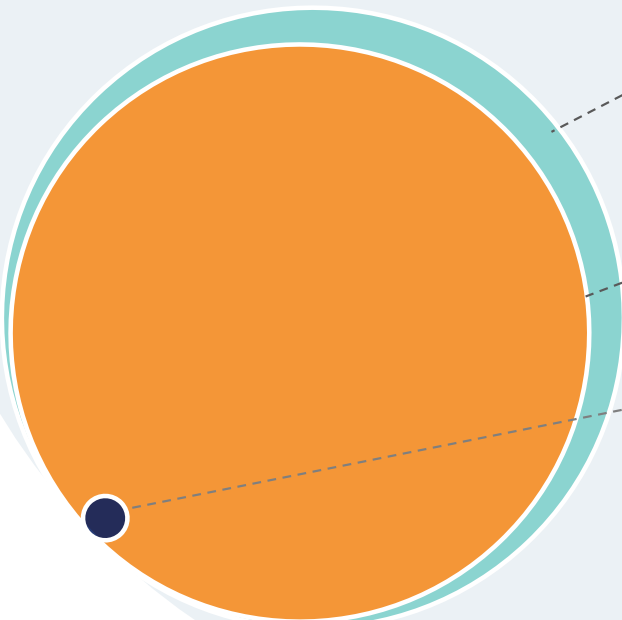
1.07M+ Direct Beneficiaries

~87% women

860k+ Livelihoods enabled

5,500+ Direct jobs created

6 Social Businesses



What is a Social Business?

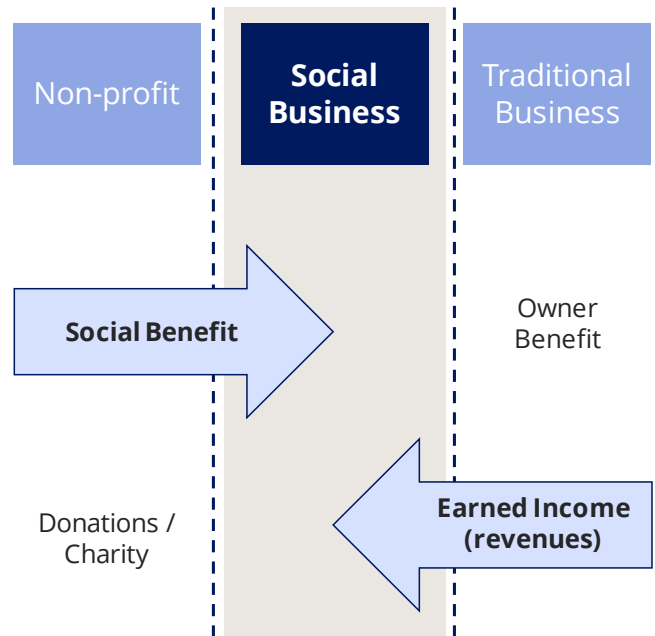
In 1983, Professor Muhammad Yunus founded Grameen Bank, beginning a microfinance revolution which earned him one of humanity's most prestigious awards in 2006, the Noble Peace Prize.

Grameen evolved from a microcredit bank into a group of enterprises created with the specific intention of solving human problems. These embodied the first cases of a new, emerging model: social business.

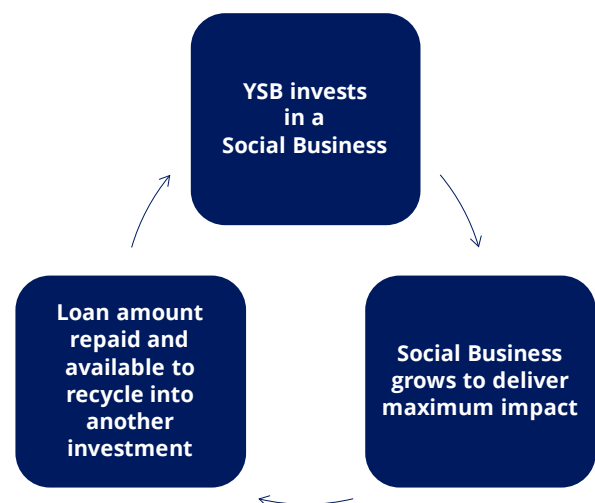
A **social business is a company that either creates income for the poor or provides them with essential products and services** like healthcare, safe water or clean energy.

Social business is **complementary to a traditional profit-maximizing business**. Social businesses take into account the multidimensional nature of human beings and **use business principles to achieve one or more social goals**. It combines the social benefit promoted by NGOs / non-profits with the earned income (revenues) feature of traditional businesses, to achieve **a model with a hybrid purpose: social and financial sustainability**.

Ever since the origin of this model, we have seen thousands of social businesses emerge and create sustainable impact around the world. After creating more than 50 social businesses in Bangladesh itself - across telecom, clean energy, last-mile distribution, healthcare, education and information technology sectors - **Prof. Yunus co-founded Yunus Social Business** along with Saskia Bruysten and Sophie Eisenmann to expand the social business model to the rest of the world.



We at Yunus Social Business Fund Bengaluru believe in harnessing the power of business to end poverty and we aim to do so by supporting young social businesses across various sectors in India with a simple model that leverages the reinvestment potential of a social business rupee.



***"A charity dollar has one life
a social business dollar
can be invested over and over again"***

- Prof. Muhammad Yunus

Potential for Social Businesses in India

According to the latest Global Multidimensional Poverty Index, **India successfully lifted 271 million people out of poverty** during the period between 2006 and 2016¹.

Despite this remarkable achievement, India still remains far from the ideal of 'zero poverty'. Latest available figures, suggest that an estimated **28% or 373 million of the population still lives in poverty in India**. Crucial to note here, are nuances that showcase how the poorest 373 million in the country live. 25% of these people don't have access to clean sanitation, 21% remain deprived of adequate nutrition and 24% lack a safe & secure housing option¹.

The dynamics and scale of the Indian market have thus proved to be a hotbed of activity for social entrepreneurs. With over 2 million (estimated) social businesses², it is perhaps no surprise that impact investors are increasingly focused on India. **Between 2010 and 2016, over 50 active impact investors invested more than \$5.2 billion in Indian enterprises, with \$1.1 billion being invested in 2016 alone**³.

Over the years, as social business models have scaled - and provided proof of returns - impact investors have ventured beyond the traditional sectors (i.e. financial inclusion or clean energy) and are now increasingly participating in larger ticket deals as well.

Another trend on the investor side is the collaboration between different types of capital providers. Investors who typically de-risk business models are collaborating

with growth investors who specialize in scaling businesses. Combined, this ensures that a social business can have access to financing through the growth cycle.

The Indian government has also created a supportive regulatory environment for social businesses. For example, the Securities and Exchange Board of India (SEBI), the country's financial market regulator, floated a policy paper suggesting the need to **separately recognize and regulate "Social Venture Funds"** who are looking for muted returns.

Key policy initiatives of the Reserve Bank of India (RBI) to increase access to finance include **priority sector lending for MSMEs**, no-frills accounts, branch-less banking, and mobile ATMs. In 2019, the Indian government also announced the plan for a **"Social Stock Exchange"**, which would allow listing social enterprises and voluntary organizations and enable public participation in social causes.

At YSB Fund Bengaluru, we believe that maximum impact in the lives of underserved populations in India can be created by innovative business solutions that provide:

- **Access to basic but aspirational products and services**, such as clean energy, quality education, ownership of assets and financing solutions
- **Opportunities for livelihoods and productive employment**, through vocational training, access to global retail markets or enabling micro entrepreneurs

¹ OPHI and UNDP, *Global Multidimensional Poverty Index 2019*

² Bertelsmann Stiftung, *"The Indian Social Enterprise Landscape"*, Oct 2018

³ McKinsey & Co., *"Impact investing finds its place in India"*, September 2017



Waste Ventures India

Sector: WASH (Waste Management)

Urban areas in India generate **0.14 million tons** of solid waste on a daily basis, of which **only 29% is adequately recycled** by an unorganized waste management sector.

The central actor here – the waste picker – faces **adverse living conditions, low and irregular incomes and unfair pricing**. Weak formal collection systems and recycling processes, hazardous consequences of inadequate waste treatment and lack of access to capital remain key challenges in this sector.

India's growing economy, soaring urban population and increasing consumption levels have led to a rapid surge in waste volumes - and expected to increase further by at least 50% (on a per capita basis) in the next 3 decades. There is huge scope for organizing this market, delivering high incomes and dignified livelihoods for the waste pickers, while achieving environmental impact alongside.

Waste Ventures India has established a **formalized market for waste collection** and delivery, standardizing pricing mechanism for waste pickers while diverting waste from landfills. It has also created a new market for previously worthless waste streams such as Tetra Pak and laminate waste that provides **additional income for waste pickers**, and improves their long-term income potential.

While focusing on wastepicker welfare, Waste Ventures has also grown its environmental impact solutions. Today, Waste Ventures India also provides **composting solutions** for both on-site (selling compost bins to clients) and off-site (collection of food waste and remote composting at WVI managed compost sites) channels. Thus it is able to offer **end-to-end waste management solutions** for households, educational institutions, gated communities and corporates to manage their waste responsibly.



Working with
1,200+
wastepickers



20-30%
additional
income
generated
for these
wastepickers



9,000+
metric tons of
waste collected

Entrepreneur:
Roshan Miranda

Website:
www.wasteventures.com

Virohan Institute

Sector: Skilling

1,650+
students
trained



85%
placement
rate



Students
placed across
350+
industry
partners



Entrepreneurs:
Nalin Saluja and Kunaal Dudeja
Website:
www.virohan.com

India's demographic dividend is a troublesome boon - half of India's population is under the age of 25, with 15 million+ joining the workforce every year, but of those, *nearly 80% remain unemployed*. On the other hand, there is a projected demand of *100 million+ additional skilled jobs* across 24 sectors by 2022. There is a huge scope for sustainable upliftment of Base of the Pyramid family incomes by training their youth with relevant skills that can enable them to gain respectable employment in organized sectors of the economy.

Virohan offers *affordable training programs* for skill creation and strengthening existing skills *in the allied healthcare and paramedic sector*. It focuses on providing technical (expert-created content through sophisticated tech platform), behavioural (English and soft skills training) and experiential (on-the-job learning through live internships) training.

These programs are *crafted for youth from low income backgrounds*, most of whom are fresh out of high school and looking for employment opportunities. Virohan supports these students to seek placements in hospitals and clinics across India, and also supports financing needs for students through its partnerships with government initiatives and corporates, as well as independent third party financiers.

NSDC supports Virohan in curriculum design and assist in government accreditation. GE Healthcare provides supply side leads (of new technologies) that impacts demand for allied jobs. Virohan is thus able to develop a curriculum that ensures its student's skill set matches the industry's needs.

Virohan has launched a *blended learning pedagogy* where in-class teaching is combined with video content from their tech platform. This has resulted in real-time feedback for students, life skills development through activity based modules and therefore, a higher student retention ratio.



Rangсутra Crafts

Sector: Livelihoods

Across India, *100+ million artisans earn their livelihoods from the textile and handloom sector*. However, these local artisans, who are predominantly women, often *lack the required skills* to operate in the wider global market and live on low incomes (50% live below poverty line). Increasing popularity of mass-produced goods through retail and e-commerce channels has shifted consumer demand away from hand-crafted products, increasing the need for *formalized capital and market knowledge access to local artisans* for them to showcase their art to the today's customers.

Rangсутra is an artisan owned company that engages with local artisans in Rajasthan, UP, Kashmir and Manipur, *70% of whom are women*, supporting them with capacity building, working capital and formalized market access.

By increasing supply side capacity (through design guidance and working capital support) and creating market demand through well-established B2B partners as well as multiple B2C channels (brick and mortar shops, e-commerce portals), Rangсутra ensures *stable and higher incomes and sustainable working conditions* for the artisans.

Rangсутra has *partnered successfully with IKEA and FabIndia* – and is a major supplier for both. Taking artisans' reach to the next level – they have collaborated with popular e-commerce players like Jaypore and Ajio, apart from launching their *own e-commerce store (rangсутra.com)*.

To support the rehabilitation of the 600+ Kashmiri artisans who lost their homes and livelihoods during the 2014 floods, Rangсутra launched skill upgradation workshops and developed new product ranges to secure new orders for the group.

Rangсутra was also recently *featured in the 2019 Lakme Fashion Week's Sustainable Fashion Day!*



2,200+
actively
engaged artisans



5,700/+
minimum
income
generated
for the artisans



133%
capital
appreciation
for artisan
shareholders

Entrepreneur:
Sumita Ghose

Website:
www.rangсутra.com

SMV Green Solutions

Sector: Electric Mobility / Livelihoods

1,050+

e-rickshaws
drivers
supported



2,000+

tonnes of
carbon
emissions
averted



Up to

2.5X

additional
income
generated
for rickshaw
drivers



Entrepreneur:
Naveen Krishna

Website:
www.smvgreen.com

In smaller Indian cities, last-mile transport is mostly provided by auto-rickshaws, which have high pollution implications. The other, non-polluting option for last mile transport is cycle rickshaws, which require intense manual labour and yield low incomes for the driver. With India now taking the mantle of the *worst air quality*, the government is focused on making *electric rickshaws the predominant last-mile solution*. And although the number of e-rickshaws is growing, the *drivers actually rent* these vehicles out as they are unable to buy the vehicles on credit or cannot navigate the rules and regulations to become asset-owners.

SMV Green address all these challenges. It acts as a *distributor and value added service provider for e-rickshaws* in UP and Bihar. It facilitates linkages for Base of the Pyramid rickshaw drivers or unemployed youth to access *third party affordable loans* to finance and own the e-rickshaws. SMV also provides *capacity building support* by helping them with RTO registration, KYC collection, establishing bank accounts, and securing licenses and insurance – which other informal e-rickshaw dealers don't provide. SMV also educates drivers about the benefits of converting to e-rickshaws, provides after-sales services and assists financing partners with loan collections.

In July 2018, SMV started a pilot project, supported by Shell Foundation, to reduce cost of conversion from Lead-acid batteries to the more *energy efficient Li-ion batteries for e-rickshaws*. Today they have 2 'smart' battery swap stations in Varanasi. SMV has also piloted EV2MG an initiative to test the case of Rural transportation in India, where they are charging Li-ion batteries with biogas.

In October 2018, SMV also launched a program, with support from DFID, to *enable women to purchase e-rickshaws and earn their livelihood* in the cities of Allahabad, Lucknow and Varanasi. Today they have 60+ female drivers on-board, called 'Vahinis'.





Cashpor Micro Credit

Sector: Financial Inclusion

Started in 1997 by Professor David Gibbons, Cashpor is a *mature financial inclusion business* which aims to formalize credit access to rural women in the poorest regions of India.

The small loans are typically directed to finance small businesses, managed by mostly women entrepreneurs, *based on the Grameen model* of joint liability group lending. The loans aim to break the cycle of poverty among these families and promote sustainable economic development.

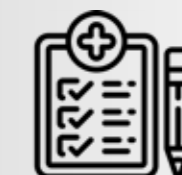
Cashpor offers a unique opportunity to YSBFB to leverage sector expertise, scale, and impact through the variety of financial inclusion products and services. Its rural presence across multiple states in North and East India also allows for YSBFB's more early stage portfolio companies to *learn from and engage with a successful role model which has achieved operational scale while also achieving social impact outcomes.*

In 2018, Cashpor launched the *Women Entrepreneur Program, Digital Literacy and Green Micro Credit Project* in the districts of Ghazipur and Varanasi, in partnership with SIDBI. These programs will assist in the empowerment of 4000+ women entrepreneurs.

In addition, Cashpor also commenced *cashless disbursement*, to protect beneficiaries from risk of theft in disbursement process, which is now applicable to all loans above Rs 10,000.



850k+
active loan clients



390k+
beneficiaries covered under the Health Awareness Program



771
Cashpor Education Centres launched

Managing Director:
Mukul Jaiswal

Website:
www.cashpor.in

Looking Ahead

We are proud of the progress that we have made in **catalysing debt capital in the social business space in India**. We aim to continue to keep learning from our international network, while providing our portfolio companies with wider access to our global partners and corporate ecosystem.

Equally, we are delighted to see the impact created by our portfolio in key sectors and for thousands of lives at the Base of the Pyramid. In the coming year, we look forward to developing a footprint across other sectors.

Lately, the social business ecosystem has seen many solutions which have been tried and tested to improve their product-market fit. We are excited about these businesses that aim to **solve well-identified social problems** and we look forward to helping them scale up their important work.

At present, we engage with our portfolio companies through our **structured support mechanism**, advising them across strategy, financial management and talent building.

In the future, we plan to launch new initiatives to extend our non-financial offering to our portfolio. For example, we aim to **conduct an annual forum of the CEOs** of

our portfolio companies, to foster a community of peers among YSB entrepreneurs and to expose them to mentor sessions, involving industry and investment experts. We see particular value in bringing our portfolio companies together to harness the synergies in each other's business models and to take advantage of cross-pollination opportunities.

In addition, we plan to **explore blended finance instruments, such as Social Success Notes**, by attracting both philanthropic and commercial capital pools to provide extra incentives to social businesses to achieve measurable impact outcomes. Through these types of innovative structures, social businesses are motivated to outperform impact targets, while investors receive commercial returns by being subsidized by outcome payers who have strong mandates to see these impact outcomes achieved.

Over time, we hope to show that **there are plenty of opportunities to create sustainable impact at the Base of the Pyramid in India, using the power of business to tackle social problems**. To our entrepreneurs, teams and customers, who teach us so much every day, we thank you for coming on this journey with us, and we look forward to another year of transformative impact.



Meet our Team



Vinatha M Reddy, Co-Founder and Chairperson

- Previously Founder Chairperson of Grameen Koota
- Passionate about education and empowerment

Suresh Krishna, Co-Founder and CEO

- Previously Managing Director of Grameen Koota
- Managing Trustee of Navya Disha Trust, an NGO that provides supplementary education for children



Aarti Wig, Director

- Founder and Country Director, Yunus Social Business, India and previously investment banker at JP Morgan
- MSc (Accounting and Finance) from London School of Economics

Priya Shah, Principal

- Previously strategy and finance at Simpa Networks, a solar energy start-up, impact investing at Acumen and equity research at Bloomberg
- MBA from Cambridge Judge Business School



Akhil Pawar, Portfolio Associate

- Previously investment banker at Goldman Sachs and ratings analyst at Deutsche Bank
- MSc (Economics) and BE (Mechanical) from BITS Pilani and a certified Financial Risk Manager

Geet Kalra, Portfolio Associate

- Previously with hedge fund financing team at Nomura
- MSc (Finance) and BE (Civil) from BITS Pilani and CFA L2 cleared



Asif Khan, Company Secretary and Accounts Manager

- Previously Company Secretary and Compliance Officer at Bearys Group
- Associate member of ICSI (Institute of Company Secretaries of India) and MCom from Ravenshaw University

Investment Committee



Karen Hitschke

Chief Investment Officer
YSB



Murali Srinivas

Independent Director
Smile Microfinance



Srinivas Tekal

Founding Partner
O3 Capital

Portfolio Support



Lakshmi Vishwanathan

Global Portfolio Manager
YSB

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Journey so far





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