

Investing in Readiness: Growing Early Stage Social Businesses

Final Report for the Villgro Research Project

As the idea of social businesses has gained traction in recent years, more funding has become available to invest in market based solutions to some of the most pressing social issues. In November 2010, J.P. Morgan and the Rockefeller Foundation released a report which estimates that the impact investing industry presents an investment opportunity of between US\$400bn and US\$1 trillion with profit potential between US\$183bn and US\$667bn¹. Yet in their observations from the 2011 World Economic Forum’s Global Agenda Council on Social Innovation, the Schwab Foundation pointed out that at this stage “the market is not ready to absorb commercial capital on anything close to the order of magnitude being talked about”². At the same time, according to Beyond Profit Social Enterprise, 50% of social businesses do not find funding due to lack of a firmly established business models, lack of knowledge on how to fundraise, inability to find like-minded investors, and a lack of investors who are willing to fund startups³. Asad Mahmood summed up the situation by pointing out that “there are fairly limited investable ventures”⁴.

There is a clear mismatch between two sides of the social enterprise spectrum- investors and entrepreneurs. Understanding what makes an early-stage social business investable and where the biggest gap between entrepreneurs and investors lies is the primary goal of this research paper. To illustrate this gap, this paper tested the Village Capital model where entrepreneurs are given the unique opportunity to make investment decisions and allocate investment to one or more of their peers, much like microfinance. The hypothesis is that entrepreneurs will apply an evaluative framework to their peers that will enable them to allocate funding to the most profitable and impactful organization, as would an investor.

By testing this hypothesis, we found that:

1. Risk/return profiles make early stage social impact investments rarely attractive to investors within a relatively mature market due to long due-diligence and post-investment needs.

¹ *Impact Investments: An Emerging Asset Class*, J.P. Morgan, November 2010

² *Innovations, SOCAP11: Impact Investing Special Edition*, MIT Press, September 2011

³ *Beyond Profit Social Enterprise Magazine*, 2010

⁴ *Innovations, SOCAP11: Impact Investing Special Edition*, MIT Press, September 2011

2. Entrepreneurs are aware of the broad investment criteria, but lack clear understanding of investor needs and capacity to address them. Specific challenges depend on entrepreneurs' background.
3. The disconnect between entrepreneurs and investors occurs in their divergent understandings of five major areas: types of funding available vs. required; the degree of social impact; exit options; business models; human resources and governance.
4. If intermediaries can effectively build the capacity of entrepreneurs to become investment-ready, then the large potential pool of funds that are available for impact investments can be realized.

Methodology

Dasra spent four months leveraging its experience in working closely with early stage social enterprises as well as investors to map and synthesize the different perspectives of both these groups on what makes a social enterprise attractive to investors. Our approach consisted of a literature scan of seminal works on impact investing globally and in Asia, and interviews with early stage social entrepreneurs and investors.

- **Secondary Research:** In recent years, several key reports by Monitor Institute⁵, J.P. Morgan and Rockefeller Foundation⁶, Avantage Ventures⁷, etc. have provided valuable insights into the need for investment in social enterprise, estimated market sizes and potential returns on investment, and provided clarity on how investors can approach social impact investing. Our research scan found a disproportionate amount of literature on impact investing globally as opposed to the reality of social entrepreneurs looking to tap into global flows of capital directed towards impact investing.
- **Primary Research:** To understand this issue, we sought out first-hand perspectives from entrepreneurs and from investors, as well as from intermediaries operating in the social investment space. By leveraging Dasra's network of investors who have invested in

⁵ *Impact Investing for Social & Environmental Impact*, Monitor Institute, January 2009

⁶ *Impact Investments: An Emerging Asset Class*, J.P. Morgan, November 2010

⁷ *Beyond the Margin: Redirecting Asia's Capitalism*, Avantage Ventures, 2011

social businesses in India, we studied the criteria for a business to be considered investable, the key challenges in identifying those businesses, as well as some signs of increasing support provided by investors in helping companies achieve “investment-readiness”. On the other side, to better understand the challenges facing entrepreneurs in the fund-raising process, we leveraged the alumni network from Dasra Social-Impact, an executive education program that provides successful non-profit and social business leaders with skills necessary to scale their organizations.

- Dasra conducted interviews with:
 - Over 15 impact investors
 - 4 Village Capital winners
 - Over 30 social entrepreneurs participating in the Dasra Social-Impact program, designed to provide training and mentorship support to social enterprises
- Dasra conducted an online survey on challenges faced in growing social organizations and raising capital, in which 60 social entrepreneurs participated.

Articulating Investors’ Perspectives

Our research found that investors could broadly be divided into two categories- impact-first or financial-first investors. Impact-first investors put a significant amount of importance on the impact of the organization pre-investment and keep track of impact for the duration of the investment, whereas financial-first investors use impact as a lens during the pre-investment phase and then trust that the organization continues to make an impact once invested in. The most important criteria for both types of investors are the long-term success of the organization and the exit potential. Investors who participated in this research unanimously agreed that sound business models that will succeed and scale in the context of the market are imperative. Other critical factors are financing requirements, understanding of competition and customers, characteristics of promoter, team and governance structure. To ensure that all these critical factors are met, investors indicated that the due diligence process is often long and resource-heavy. This proves to be a significant barrier to considering small, early-stage investments. In

addition, early stage investments require considerably greater post-investment support further increasing the cost for investors.

Articulating Entrepreneurs' Perspectives

Our research found that entrepreneurs fall in two categories based on their background-

1. Entrepreneurs from the Bottom of the Pyramid, who have a good understanding of the challenges on the ground and can execute their models effectively, but have challenges with presenting plans to funders, business strategy and planning. These entrepreneurs tend to be closely related to their own market, clearly understand the true needs and behavior of that market and can better relate to their customers. They have credibility within the community and can drive day-to-day execution at the ground level. On the other hand, they tend to lack the professional experience needed for strategic planning and scaling of the business. This group in particular also faces the challenges of communicating on the same level as investors, and may struggle to articulate their deep knowledge of the market in a way that is convincing to the investor. In this case, both investors and entrepreneurs need to be sensitized to each other's needs to differentiate when an answer is not available versus when it is not articulated in the same language.
2. Entrepreneurs from private sector backgrounds, who are have strong business skills but face challenges executing their models in the field. This group tends to be the opposite of the group described above and as a result, they may have promising technology and business skills but lack deep knowledge of the target market and presence on the ground.

Both types of entrepreneurs are often cash- and resource-strapped and as a result, short-term challenges take over long-term planning. Another critical challenge that entrepreneurs face is raising seed funding, as investors don't want to invest in them until they have tested their model. Most often the seed funding comes from friend and family or the social business starts out as a non-profit and then transitions to a for-profit once the model has proven to be effective. The transition from non-profit to for-profit has its distinct kind of challenges, the most pressing ones being the change in governance structures, the mindset change of the organization's team and maintaining the trust of their main funders.

Clarifying disconnects between entrepreneurs and investors

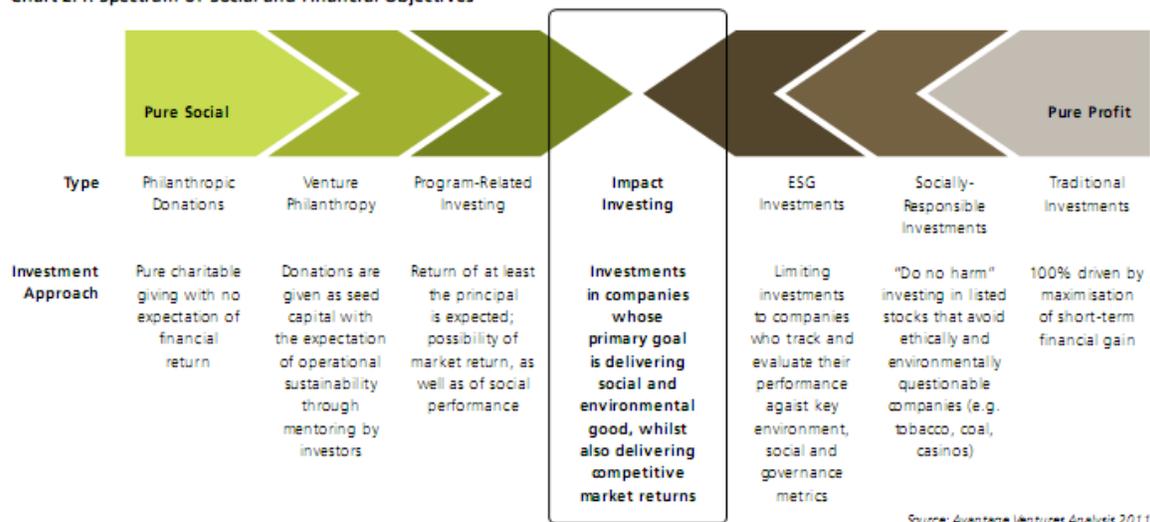
Bridging the gap in understanding between investor and social entrepreneur starts with understanding what makes an attractive social business for investors and what the challenges are that early stage entrepreneurs face. While details vary across investors and entrepreneurs, patterns emerge across five key areas where there is a mismatch between entrepreneurs and investors:

1. Types of capital available vs. required
2. The degree of social impact
3. Exit Options
4. Business Models
5. Human Resources

1. Types of capital available vs. required

In the Beyond the Margin report, Avantage Ventures identified the range of potential investments, which placed social impact investing between purely philanthropic donations and purely commercial investments⁸. As depicted in the spectrum below, socially responsible investments aim to avoid harm, whereas impact investments aim to actively

Chart 2.1: Spectrum of Social and Financial Objectives



⁸ *Beyond the Margin: Redirecting Asia's Capitalism*, Avantage Ventures, 2011

achieve social and environmental goals. Yet even within impact investing, there is a large range of expected returns. Whereas some investors are on one end of this spectrum with a clear profit-first objective, expecting market-beating returns and defining social impact by investing in areas facilitating economic development, others focus on impact-first and aim to recycle any return on the investment into further social investments. In many ways, the orientation of the investor is often determined by the source of the funds and their alternative use – investing in traditional commercial businesses or donating to non-profits. To that extent, the post by Aleem Walji titled *The “Missing Middle” and the Growth of Social Enterprises* roughly divides the capital available into three camps – impact-first, profit-first, philanthropic capital.⁹ The orientation of the investors also determines their return expectations, and the time horizon for the return expectation.

Social entrepreneurs express facing difficulty in accessing start-up capital with a combination of grants, debt and equity. In our survey of over 60 social entrepreneurs, 70% cited availability of the appropriate type of funding as a key challenge to scaling their organizations¹⁰. In the last few years, social venture capital firms have been instrumental in providing risk capital and support to early-stage small business ventures. However, there is a growing need for more risk-taking, longer-term capital, grants to fund proof-of-concept and cheaper uncollateralized loans for working capital. Since many businesses are constrained by regulatory restrictions in accessing grant funding (which non profits can easily access), there is a growing prevalence of hybrid models, where a non profit and for profit entity work towards a common social mission. This enables social businesses to leverage risk taking philanthropic capital to create markets, supply chains and behavior change amongst beneficiaries. However it also creates significant complications from a governance perspective where venture funders are not keen to fund non profits and grant funders are wary of subsidizing a business¹¹.

⁹ *The “Missing Middle” and the Growth of Social Enterprises*, Aleem Walji, July 2011

¹⁰ Dasra Analysis

¹¹ Dasra Interviews

2. *The degree of social impact*

In terms of assessing social impact, the prevailing sentiment across impact investors in India is that social impact is a “by-product of scale and the enterprise”¹². In fact, almost regardless of the position on the spectrum of primary objectives, we found that most investors define it as being ingrained in the business model and linked to key operating parameters (sales, # of suppliers, etc.)¹³. While J.P. Morgan reported increasing usage of early industry standards in measuring social and environmental performance¹⁴, we found that in India, investors are aware of the efforts, but any of these standards are yet to gain traction. Investors cited the length and comprehensiveness of the assessment as the key reason for not using them, not to overwhelm the already resource-strained entrepreneurs. Instead, investors across the board focus on the main drivers of impact as linked to the numbers already tracked and reported by the investees¹⁵. For example, if the social benefit comes from providing sustainable jobs, impact could be linked to the number of people employed and the salaries being paid out. If the benefit is in cost-savings due to an innovative product (e.g. solar-powered lamps or remote-control irrigation system), impact can be linked to the number of devices sold and the cost-savings per device.

3. *Exit Options*

The investors’ focus on the exit from the investment drives a large share of misunderstanding between investors and entrepreneurs. As one of the investors we interviewed pointed out¹⁶, many social impact funds have a dedicated pool of capital that has a limited lifetime in which it can be invested and recovered. In addition, the success of impact investments is measured by the ability to recover and recycle the initial investment. On the other hand, many of the investors also expressed a sentiment that the capital required to truly scale up a social business is simply not available in the impact investing space. While “patient” impact funding is available to fund the early-stage scaling and

¹² Dasra Interviews

¹³ Dasra Interviews

¹⁴ *Impact Investments: An Emerging Asset Class*, J.P. Morgan, November 2010

¹⁵ Dasra Interviews

¹⁶ Dasra Interview

development of social businesses, eventually an organization needs to be able to achieve market returns to attract commercial capital¹⁷. While there is still disagreement among investors as to how “patient” this early capital would be before the market returns are achieved, most investors look ahead to the exit when evaluating social businesses for investment consideration. Typically social early stage social businesses face severe challenges in attracting the type of patient capital they require. While for most investors patient capital has a timeline of 3 to 5 years, for most entrepreneurs patient capital that will allow them to scale their operations must have a 7 to 10 year horizon.

4. *Business Models*

Assuming that a social business clearly generates impact through the core activities and we move beyond the “first hurdle”, the focus on eventual exit determines the key things that an investor is looking for in a business beyond social impact. First of these things is a solid business model in the context of the market, which is based on clear articulation of three critical components:

- Product’s or service’s value proposition to the customer. As one of the investors pointed out, “When we make an investment, we have a hypothesis - that there is a real need for their services, and they are satisfying this need¹⁸.” Being able to articulate that need and value proposition becomes a key factor in making the business attractive to the investor.
- Understanding of customers’ alternatives and the company’s comparative differentiation.
- Company vision in the context of the market size, growth and major trends in the sector. An attractive business should be able to articulate how large its potential market is, what position and market share the business aims to achieve within that market, and what makes them believe that the market share is achievable.

¹⁷ Dasra Analysis

¹⁸ Dasra Interview

In other words, an attractive business knows its target customers, understands how and why they choose to buy a particular product, and knows the market size and potential competition. These factors may not seem crucial when the company is at the early stages of development, but these factors become increasingly important when looking at the growth potential anywhere between three to seven years from now, which in turn determines the exit option at that point. One of the investors¹⁹ shared that in their experience social entrepreneurs tend to care too much about satisfying the immediate social need and may lose sight of the economic sustainability and longer-term vision of the business. In fact, these parameters are so important that for many of the interviewed investors, the essential part of the due diligence process involves spending time with current or potential customers on the ground and understanding their needs and alternatives²⁰.

5. *Human Resources and Governance*

For investors, a key criterion that defines an attractive business is the ability of the founder and her/his to execute on the plan. Our interviews with investors revealed that the key characteristics that make an entrepreneur attractive are:

- Ability to execute vision
- Willingness to get feedback and/or change direction
- Transparency and openness to share information
- Understanding of her/his own shortcomings

In contrast, our survey of social entrepreneurs, many had correctly identified credibility of the entrepreneur and the team as key criteria for investment, but majority had attributed that credibility to factors external to the business on hand, such as education, media and prior track record. Interestingly, while the investors valued these factors (and prior track record in particular), they placed significantly more emphasis on what we can call credibility internal to the business: ensuring that the team is balanced and has a clear execution plan that distils how the organization is planning to go from their current state to achieving their vision. Multiple investors relate that when it comes to evaluating entrepreneur's ability to

¹⁹ Dasra Interview

²⁰ Dasra Interviews

execute, the critical evaluation factor is the founder's ability to recognize his or her own weaknesses and to form a team that addresses these gaps²¹. Investors are also looking for the founder's ability to attract good individuals for their team in the process of building a strong second line of command that will eventually be running the business²². Overall, however, when it comes to evaluating teams, the typical strengths and weaknesses of the founders tend to correlate with the nature of their background.

To that extent, forming a solid team presents its own challenges to the entrepreneur and the investor alike. This issue exists for social businesses across the world, but is particularly pronounced in the social impact sector in India, due to cultural and socio-economic factors (i.e. highly capable individuals familiar with the BoP market are more likely to join a larger corporate organization that would provide a safety net for their family)²³. It is not surprising then that social businesses themselves easily identify this issue in our survey as being one of the key obstacles to becoming investment-ready.

Our survey respondents from all sectors emphasized the challenge of attracting talent with strong execution and management experience, especially at senior management levels. The constraints on funding and weak reporting structures further limit the ability to attract experienced people. Furthermore, there are critical skills shortages within each sector such as teachers in education, doctors in healthcare and maintenance workers in energy, which many innovators stated as an underlying challenge to scaling their impact.

In our survey, many social businesses mentioned the need for skilled mentors to assist with industry-specific expertise and business planning and management capacity building support as challenges. This type of mentoring and capacity building support often improves the attractiveness of an entrepreneur to funders.

While most social businesses report attracting a good team to be one of their most significant challenges to becoming investment ready, few are focused on the governance structure – a significant point of concern for investors, who see it as a critical hurdle to being able to scale the organization in a transparent and accountable manner. On the flipside at

²¹ Dasra Interviews

²² Dasra Interviews

²³ Dasra Analysis

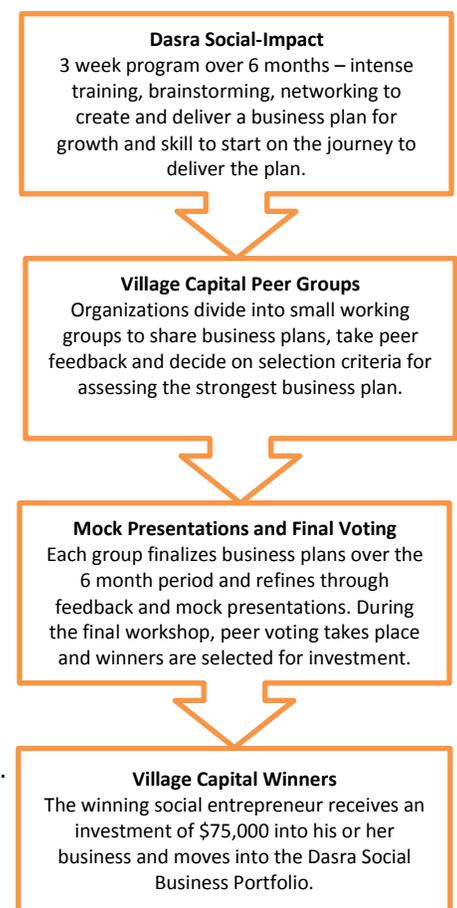
an early stage attracting the level of talent investors typically look for in COO and CFO roles are extremely cost-intensive and nearly out of reach for most enterprises. The issue of governance structures gains even more importance in the cases when a social business originated from a non-profit, or maintains a hybrid structure, where both entities share human resources.

Testing the Village Capital Hypothesis

We reached out to over 30 participants in the Dasra Social-Impact program who had participated in the Village Capital Peer funding exercise. Built on the same philosophy as microfinance, Village Capital places the responsibility for allocating funding within a peer group. The assumption is that the peer group will think like an investor and allocate funding to the most investable enterprise. Local entrepreneurs go through peer support programs where they get extensive feedback from one another on their enterprises, build a network to accelerate their success, and connect with investors who provide for specific investment education.

Dasra Social-Impact piloted the Village Capital model for the first time in 2009, which resulted in two \$75,000 investments in businesses working in rural India – Sabras and UTMT. The Village Capital funding competition is explained in the diagram on the right. Social entrepreneurs spend six months going through a program of hands-on-assistance to create the winning business plan. During the program, social businesses receive inputs from mentors and peers on:

- Creating a theory of change to understand and demonstrate social impact
- Understanding scaling capacity
- Articulating business model to investors
- Creating an investor focused financial and HR model to deliver model at scale



- Building and developing a network

According to Village Capital, the final ranking should be transparent and should evaluate the enterprise according to the following criteria:

- Entrepreneur/ team
- Profitability of the venture
- Sustainability of the venture (cash flow/burn rate/how long will it last)
- Investability of the venture (what are exit opportunities for the investor)
- Social impact

However, our conversations revealed that all entrepreneurs who participated in these funding decisions almost unanimously reported to allocating funds to the highest impact enterprise, as opposed to the most investable enterprise. The criteria for selection of winners are listed below in order of importance:

- Highest Impact
- Inspiring
- Good Communication
- Friend
- Excellent Model
- Active Group Member
- Most Investable

Well performing enterprises have tangible, easily visible, and direct impact, suggesting Village Capital peer groups tend towards a collectively riskier investment approach. Winners are consistently some of the most actively engaged group members, successfully building and managing relationships with peers, and shaping voting criteria.

As can be further explored in the case studies attached to this paper, the four Village Capital winners report:

- Ability to leverage Village Capital award through visibility and credibility with other funders and investors
- Improved understanding of, and ability to successfully communicate with, investors

- Feedback resulting in refined business models and plans for scale
- Peer support and partnerships

The process of having to think and choose like a funder “triggers something” in all participants: “you want to improve your own organization²⁴.” One of the non-winning participants from the 2010 class established five partnerships with peers and others met through Dasra Social-Impact Village Capital²⁵. All entrepreneurs agreed that the “healthy competitive spirit” and “cohesion among groups” resulted in successfully delivering constructive criticism, building confidence, and creating connections, making organizations more attractive to investors after the village capital process²⁶.

Bridging the gap: promising approaches

An increasing number of investors are interested in investing in businesses that not only yield a financial return, but also make a social impact. Impact investing is entering the mainstream and is emerging as an alternative asset class that channels large-scale private capital into addressing the world’s most pressing social challenges²⁷. However, the reality is that this potential capital for social businesses is currently not being realized, as there seems to be a disconnect between the supply of impact investment capital from the investors and the demand for capital from social businesses. As explored in the preceding pages, this gap between investors and early stage social enterprises occurs due to the lack of information about potential investment opportunities, high due diligence cost, high perceived risk, limited range of exit options, lack of standardized impact measurement and reporting, as well as a mismatch between investors’ and social businesses’ expectations²⁸.

There is an asymmetry in resources that are available for investors compared to social entrepreneurs. Whereas there are many platforms for investors to share resources and

²⁴ Dasra Interview

²⁵ Dasra Interview

²⁶ Dasra Interviews

²⁷ *Impact Investments: An Emerging Asset Class*, J.P. Morgan, November 2010

²⁸ *Impact Investors in Asia: Characteristics and Preferences for Investing in Social Enterprises in Asia Pacific*, Impact Investment Shujog Limited, September 2011

knowledge, there are few networking opportunities for social entrepreneurs. Additionally, entrepreneurs often lack adequate representation in regards to financial and legal agreements, once considered for investment²⁹. This causes delays in fund-raising and sometimes results in entrepreneurs accepting “inappropriate” investments. Funders also require entrepreneurs to have a strong team in place before investment, but the entrepreneur often needs the investment to make the investment in talent³⁰.

Literature has alluded to the need for an efficient capital market with investors who understand the need and potential as well as the risk and complexity of social enterprises can facilitate innovation and development. The Village Capital program has shown that despite the key criterion for winning organizations applied by entrepreneurs being different from investors’ criteria, peer funding has effectively enabled early stage enterprises to grow their enterprises and leverage additional funding (slides 3, 6, 9, 12 in attached case studies). This indicates the need for and effectiveness of intermediaries in bridging the gap between social entrepreneurs and investors. If intermediaries can effectively build the capacity of entrepreneurs to become investment-ready, then the large potential pool of funds that are available for impact investments can be realized.

In sum, based on experiences with Village Capital and the Dasra Social Impact accelerator program, Dasra’s five recommendations for strengthening early stage social businesses to make them more investment ready are:

1. Recognizing capital needs of early stage entrepreneurs as distinct and providing access to risk and blended capital
2. Supporting intermediaries such as incubation and accelerator programs to build the capacity of entrepreneurs to pitch their models effectively to investors
3. Sharing COO and CFO roles amongst enterprises at an early stage to mitigate high costs associated with human resources
4. Standardizing impact measurement through third party audits
5. Creating regulation specific to taxation and access to capital for social enterprise under Section 25 of the Companies Act to avoid confusing governance structures

²⁹ Dasra Interviews

³⁰ Dasra Interviews

Case Study 1: Village Capital Alumnus

Under the Mango Tree (UTMT)



Background:

- Entrepreneur: Vijaya Pastala
- Hybrid model:
 - **UTMT Society** - non-profit that trains and equips marginalized farmers to use beekeeping to address livelihood diversification and agricultural productivity
 - **UTMT Pvt. Ltd.** - for-profit that procures, processes and markets honey, providing farmers with an additional source of income
- Annual Budget:
 - **UTMT Society** - INR 64 Lakhs (\$130,000)
 - **UTMT Pvt. Ltd.** - INR 41 Lakhs (\$83,000)
- Region of Impact: Pan-India
- Staff Strength: 12 full-time employees



Challenges:

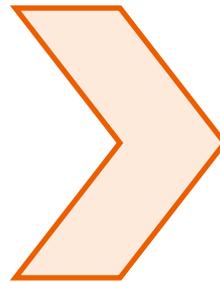
- Difficulty in raising funding due to the hybrid nature of the organization
 - Investors are concerned that their investment will go towards the non-profit entity, whereas donors worry that their donations will be used for profit-making activities
 - CEO needs to distribute her time between the non-profit and for-profit entities, but receives pressure from investors to concentrate her time on the for-profit, and vice versa for donors
- For-profit and non-profit team have different motivations and incentives
 - For-profit team gets incentive through commissions, in contrast to the he non-profit team

Case Study 1: Village Capital Alumnus Under the Mango Tree (UTMT)



Village Capital, peer funding program, enabled UTMT to:

- **Enter the retail market:** UTMT was able to purchase basic infrastructure to enter the retail market and strengthen sales and marketing capabilities
- **Leverage further funds:** Village Capital investment gave UTMT credibility, which increased its ability to leverage funds from other investors
- **Create a lasting peer support network:** Village Capital group became tight knit and the group continues to support each other in their various initiatives



Intermediary support:

- **Dasra Social-Impact** helped the CEO create a business plan and growth plan. Additionally, the program provided the CEO with an opportunity to practice pitching
- **Village Capital** provided UTMT with funds to carry out the growth plan. Additionally, Village Capital provided the organization with two short-term interns to support the CEO with specific projects
- **Villgro**, a social enterprise accelerator, is now helping UTMT to better tailor its pitches to its target audience (investors vs. donors). It is also provided the organization with a short-term fellow for support

“Intermediaries provided me with additional human resources, which was very helpful in completing specific tasks such as financial modeling.”



Case Study 1: Village Capital Alumnus

Under the Mango Tree (UTMT)



Impact assessment: Growth @ 1 year anniversary

2010: Pre-Village Capital

US\$18,000 honey sales revenue
1,050 kg honey sold
816 beehives increasing productivity for 816 farmers

Dasra Social-Impact
US\$75,000 Village
Capital investment

2011: Post-Village Capital

US\$252,000 honey sales revenue
2,500 kg honey sold
1,848 beehives increasing productivity for 1,332 farmers
Capacity to market 1 metric ton of honey from trained farmers for sale

Case Study 2: Village Capital Alumnus

SABRAS

Background:

- Entrepreneur: Rajesh Shah
- **SABRAS** provides services to small salt producers including procurement, processing & marketing of salt, providing small scale producers with innovative solar pumps to reduce high diesel costs and the hardships of salt production while increasing salt producers' income
- Region of impact: Gujarat, India
- Annual Budget: INR 71 Lakhs (\$145,000)
- Staff Strength: 7 full-time employees



Challenges:

- Human Resources:
 - Sabras has found it very challenging to attract employees who have a combination of business skills and development expertise, especially when the job requires working in the harsh conditions of the salt plains
- Raising capital:
 - Investors pushed for SABRAS to hire a COO who could concentrate on the operations and scaling of the organization, prior to investment

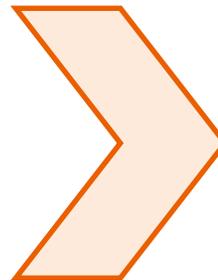
Case Study 2: Village Capital Alumnus

SABRAS



Village Capital, peer funding program, enabled SABRAS to:

- **Scale its products:** The equity investment went towards scaling the amount of solar pumps. These innovative pumps reduce diesel costs and as a result, increase the salt producers' net incomes
- **Gain access to working capital:** SABRAS was able to use the funding as working capital, which it had difficulty accessing in the past
- **Raise funding from banks:** Village Capital's funding enhanced SABRAS' ability to access capital from banks



Intermediary support:

- **Dasra Social Impact** gave the CEO insight into the investor's mindset, thereby helping him improve his pitch
- **Village Capital** was SABRAS' first equity investment and gave the organization an opportunity to scale its operations and use the remaining funding as working capital
- **Dasra Portfolio** helped SABRAS recruit a COO by reaching out to Dasra's network. Additionally, Dasra connected SABRAS with a social impact fund that is now paying for the salary of the COO

“Intermediary support created a new way of looking at social business in Gujarat. The entire sector is going to benefit, vastly multiplying overall impact.”



Case Study 2: Village Capital Alumnus

SABRAS



Impact assessment: Growth @ 1 year anniversary

2010: Pre-Village Capital

10,000 tonnes salt produced
32 salt producer partners
4 traders buying salt products

**Dasra Social-Impact
US\$75,000 Village
Capital investment**

2011: Post-Village Capital

18,000 tonnes salt produced
40 salt producer partners
13 traders buying salt products
MOU with Gujarat Government to work with 10,000 salt producers

Case Study 3: Current Village Capital Winner

SMV Wheels



SMV WHEELS PVT. LTD.

Background:

- Entrepreneur: Naveen Krishna
- **SMV Wheels** provides rickshaw pullers with an asset (cycle rickshaws, trolleys and push cars) on a deferred payment basis. By aggregating demand, SMV Wheels is able to better represent rickshaw pullers and provide them with licenses, insurance policies and maintenance facilities.
- Region of impact: Uttar Pradesh, India
- Annual Budget: INR 58 Lakhs (\$118,000)
- Staff Strength: 6 full-time employees



Challenges:

- Financing:
 - Difficulty in raising start-up working capital to pay for the upfront costs of the rickshaws, as all investors and banks want to see a proven track record prior to investment
- Communications:
 - Difficulty in communicating the financial model and overall business plan of the organization, leading to a delay in the due diligence process and in term sheet negotiations

Case Study 3: Current Village Capital Winner

SMV Wheels



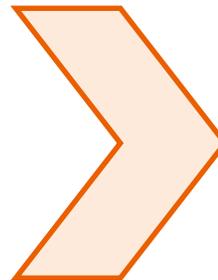
SMV WHEELS PVT. LTD.

Intermediary support:

- **Dasra Social Impact** gave Naveen Krishna an opportunity to practice pitching, gain visibility and build a network of potential investors
- **Village Capital**, together with other impact investors, provided funding. SMV Wheels can now use this funding as working capital to build a track record. In the near future, the organization will be able to apply to the bank for debt capital
- **Dasra Portfolio** helped facilitate the discussion between Naveen Krishna and the investors to drive the due diligence process to completion

Village Capital, peer funding program, enabled SMV Wheels to:

- **Strong emotional support:** The Village Capital group gave Naveen Krishna great emotional support, which reassured him about his personal and professional decisions and goals
- **Strategic support:** The Village Capital group continues to provide Naveen Krishna with strategic advice in regards to his business model and growth plan



“Intermediaries helped facilitate the due diligence process, which eventually led to a large investment. This will now enable me to build a strong track record.”



catalyst for
social change

Case Study 3: Current Village Capital Winner

SMV Wheels



SMV WHEELS PVT. LTD.

Impact assessment: Growth @ 1 year anniversary

2011: Pre-Village Capital

26 rickshaws delivered
7 trolleys and pushkarts delivered
INR 4,50,000 in total revenues

Dasra Social-Impact

US\$75,000 Village Capital investment

US\$225,000 additional equity investment

2012: Post-Village Capital

310 rickshaws delivered
100 trolleys and pushcarts delivered
INR 54,00,000 in total revenues



catalyst for social change

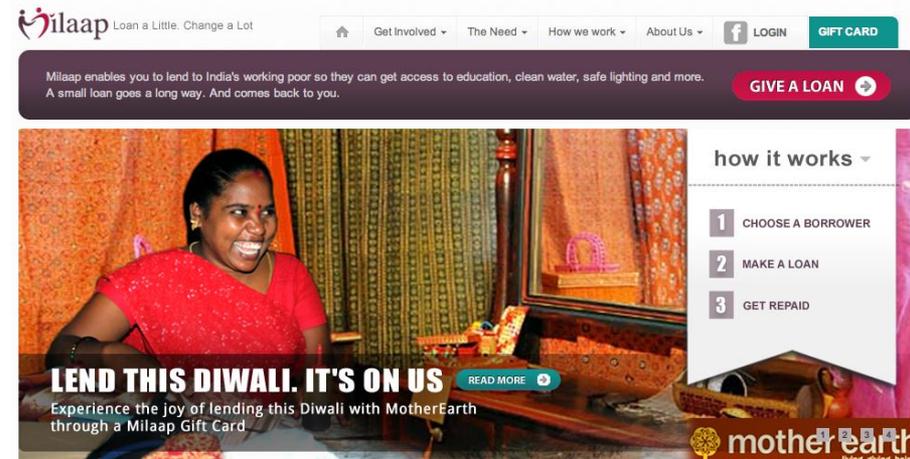
Case Study 4: Current Village Capital Winner

Milaap



Background:

- Entrepreneurs: Anoj Viswanathan, Sourabh Sharma
- Hybrid entity:
 - Non-profit *Milaap Social Ventures*
 - For-profit *Inclusive Planet Technologies*
- Milaap partners with grassroots organizations to provide affordable financing and designs customized credit programs. Their online platform crowd-sources low-cost, risk-tolerant capital for their partner organizations
- Region of Impact: Pan-India
- Annual Budget: INR 81 Lakhs (\$165,000)
- Staff Strength: 4 full-time employees



Challenges:

- Organizational structure:
 - In the start-up phase, Milaap had a small, young team where the founders were doing most of the work. The roles of the founders weren't clearly defined, which was often challenging
- Raising capital
 - Milaap found that early stage investors were often seeking to invest a minimum of \$1.5 million, which their organization wasn't able to absorb at that stage



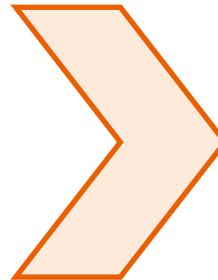
Case Study 4: Current Village Capital Winner

Milaap



Village Capital, peer funding program, resulted in:

- **Increase in confidence:** The funding gave the entrepreneurs renewed hope that their enterprise would be successful and attract funding
- **Increase in credibility:** Milaap leveraged the Village Capital funding to attract funding from other impact investors



Intermediary support:

- **Dasra Social Impact** taught the entrepreneurs what investors were looking for and what kind of investors they should approach
- **Dasra Portfolio** conducted an HR Strategy session with the entrepreneurs, which not only led to more clearly defined roles for the founding entrepreneurs, but also helped them assess the hiring needs for the coming years
- **Village Capital** provided Milaap with capital to start implementing its growth plan

“Village Capital increased my confidence and credibility. It also enabled me to start implementing my growth plan and leverage additional funding.”



Case Study 4: Current Village Capital Winner

Milaap



Impact assessment: Growth @ 1 year anniversary

2011: Pre-Village Capital

120 new loans disbursed
INR 24,000 in total revenues

Dasra Social-Impact
US\$75,000 Village
Capital investment

2012: Post-Village Capital

3,000 new loans disbursed
INR 10,40,000 in total
revenues
Recipient of grant from
Govt. of Singapore