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This draft document aims to solicit stakeholder feedback on the design of the Fund. We request all readers to please send their feedback to realimpact@gsgii.org by 31 March 2018. After this window of feedback, the GSG team will work with all the suggestions, alongside its partners, to finalize the Fund design and release the formal Business Plan and Information Memorandum in Q2, 2018 for action and subscription.
IIF will align itself to UN SDGs, COP Goals and Indian Govt. Goals

**UN SDG Goals**

1. No Poverty
2. Zero Hunger
3. Good Health and Wellbeing
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

**COP Goals**

- COP23 FIJI
  - UN Climate Change Conference
  - Bonn 2017
- COP24 KATOWICE 2018
  - United Nations Climate Change Conference

**Government’s National Priorities**

- Make in India
- Skill India
- Bharat
- Digital India
- #StartupIndia
Funds Development is a core strategy at GSG to deliver its mission of Impact Investment Tipping Point by 2020

GSG is an independent global steering group catalyzing impact investment and entrepreneurship to benefit people and the planet. Its immediate mission is to deliver Tipping Point 2020.

**MISSION**

**TIPPING POINT 2020**

**OUTCOMES**

- Double the NABs from 14 (2016) to 30 (2020)
- Double the market from $150 bn (2016) to $300 bn (2020)
- Double the beneficiaries from 500 mn (2016) to 1 bn (2020)
Funds Development is a core strategy at GSG to deliver its mission of Impact Investment Tipping Point by 2020.

GSG is an independent global steering group catalyzing impact investment and entrepreneurship to benefit people and the planet. Its immediate mission is to deliver Tipping Point 2020.

5 Core Strategies for eco-system development
India Impact Fund of Funds (IIFF): A GSG initiative, in partnership with UNSIF, to catalyse India’s Impact Investment sector

The aim is to unlock long-term, affordable debt, which through galvanized intermediaries and impact enterprises can touch millions of lives

**WHY?**
- SDG Goals
- COP 21 Goals
- Indian Govt Goals

**WHAT?**
- Fund of Funds
- Debt-based
- Long Term Capital
- Affordable Capital

**HOW?**
- Fund Raising
  - Institutional
  - International
  - Domestic
- Retail
  - Diaspora (All Values)
  - Domestic (HNWIs >1cr)
- Fund Deployment
  - Through Debt Fund Managers
  - To Impact Enterprises
  - For BOP Impact

**WHO?**
- Incubating Institutions
  - GSG
  - UNSIF
- Board
  - Rajiv Lall (Non-Executive Chair)
- Sponsor/Promoter
  - TBD
- Advisory Board
  - Sir Ronald Cohen
- Management Team
  - TBD
# Key Fund Terms

<table>
<thead>
<tr>
<th>TERMS</th>
<th>Commercials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of the Fund</td>
<td>India Impact Fund of Funds (&quot;IIFF&quot;)</td>
</tr>
<tr>
<td>Fund Manager</td>
<td>TBD</td>
</tr>
<tr>
<td>Fund Mandate</td>
<td>IIFF will seek to make investments in select debt funds which in turn will invest in various social enterprises as per their investment policy. The IIFF may also co-invest / make direct investments in select opportunities.</td>
</tr>
<tr>
<td>Fund Size</td>
<td>USD 1 billion to be raised in 4 tranches of USD 100 million and three tranches of USD 300 million</td>
</tr>
<tr>
<td>Anchor Investors</td>
<td>TBD</td>
</tr>
<tr>
<td>Capital Structure</td>
<td><strong>USD 600 mn</strong> investor commitment from individuals (diaspora), corporations, endowments and other return seeking investors;</td>
</tr>
<tr>
<td></td>
<td><strong>USD 400 mn</strong> first-loss capital from grantors/ not-for-profit organizations (will be charged fees and expenses but will accrue gains and profits only after investors have been provided preferred return).</td>
</tr>
<tr>
<td>Fees and Fee Structure</td>
<td>0.5-1% management fee; 10% carry (inclusive of social performance of the portfolio) after preferred return to investors</td>
</tr>
<tr>
<td>Fund Term</td>
<td>10 years from final close with [two] optional annual extensions (TBD)</td>
</tr>
<tr>
<td>Preferred return</td>
<td>9%</td>
</tr>
<tr>
<td>Impact Metrics</td>
<td>Standardized and well defined set of metrics, in-line with international frameworks</td>
</tr>
<tr>
<td>Minimum Commitment Amount</td>
<td>USD 16k ; INR 10 million</td>
</tr>
</tbody>
</table>
SECTION 1
Overview

SECTION 2
The IIFF Investment Opportunity

SECTION 3
Key Features of the India Impact Fund of Funds

SECTION 4
IIFF’s Structure, Governance and Risks

SECTION 5
Timelines, Next Steps and Partners
The IIFF Investment Opportunity

Top ten reasons to invest in IIFF

- India, fastest growing large economy in the world, SDG-aligned Impact focused on bottom 500 mn poverty very low income population
- Exciting evidence-based Theory of Change (WIP)
- Top-class Sponsor Bank (TBD)
- World-Class Management Team (Rajiv Lall as non-Executive Chair)
- Deep experience of IIFF Fund Manager (TBD)
- Great Partners - GSG, UNSIF, Nishith Desai & PwC
- Carefully selected Top Debt Fund Managers
- Credit Rating of Fund by CARE to be AA
- Impact Rating & Impact Audits
- Best-in-class back-office Technology/Risk Management practices (TBD)
IIFF is a Billion Dollar Impact Fund of Funds for India that will help reach UN SDGs and Govt. National Priorities

Overview

- **Partners:** UNSIF (UNDP SDG Impact Finance), GSG (The Global Steering Group for Impact Investment)

- **Objective:** Provide **market returns and Catalyse growth** through funding underserved large segments of Indian population and MSMEs, meet SDGs and support BOP

- **Format:** USD1 billion India Debt based India Impact Fund of Funds (IIFF) for funding enterprises through impact debt fund intermediaries

- **Investors:** Indian and Foreign Institutional Investors, Indian diaspora (NRIs/PIOs)

- **Management:** High-quality, in-house fund management team

Sustainable Development Goals

The Fund will be designed to support the UN’s **Sustainable Development Goals** (SDGs) and the 2030 Agenda. Including Goal 1 (No Poverty), Goal 7 (Affordable Clean Energy), Goal 8 (Decent Work & Economic Growth).

Government’s National Priorities

The Fund will be designed to support the **Indian Government’s National priorities of “Make in India”, “Skill India”, “Swachh Bharat”, “Pradhan Mantri Jan Dhan Yojna” and “Digital India”**.

Additionally the fund will target funding for the priority sectors as outlined in the PSL norms (Priority sector lending) - Agriculture, MSME, Education, Housing, Social Infrastructure, Renewable Energy, Export & Credit.
IIFF will deliver both Market Returns and Impact

Global and India Potential

Global Impact AUM annual growth rate till 2020 expected at **17.3% CAGR** vs Global AUM growth of **6.2% CAGR**

Potential to grow six to eight times in India with a CAGR of **25%**

Impact Investment in India (USD Bn)

- 1 in 2016
- 3 in 2020
- 8 in 2025

Source: McKinsey Analysis

Impact Investor backed Institutions touch 60-80 Mn lives in India

- Financial Inclusion: 36-40%
- Education and Skilling: 10-15%
- Agriculture: 10-15%
- Health: 6-8%

Source: McKinsey Analysis
Debt to fill the finance gap and create impact

Debt, a preferred instrument in Impact investments by DFIs

**Private Debt 35% of Impact assets**

- 100% Others
- 75% Public Debt
- 50% Private Equity
- 25% Real Assets
- 0% Private Debt

**Impact Capital by Instrument**

**USD Mn (% of total known capital)**

- 19% Capital (DFI)
- 75% Capital (NON-DFI)

**AUM by instrument %**

Source: Market and Markets and GIIN (2017)
The Indian debt market has primarily been short-medium term

Gaps in Medium and Long Term Debt

Source: Bloomberg, Marketwatch January 31 2018
## Opportunity for IIFF in Medium-long term debt market

Medium- Long term Debt, a nascent and vibrant market

<table>
<thead>
<tr>
<th>Type of Debt</th>
<th>Players</th>
<th>Basis of lending</th>
<th>Lending Rates</th>
<th>Rates for Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venture Debt</td>
<td>TRIFECTA CAPITAL, INNOVEN CAPITAL</td>
<td>Cashflow, Equity/ VC Backing</td>
<td>15% - 17%</td>
<td>10.5% - 11.5%</td>
</tr>
<tr>
<td>Early Stage Debt</td>
<td>INTELLEGROW, BRICK EAGLE</td>
<td>Cashflow, EBITDA</td>
<td>13% - 18%</td>
<td>10.5% - 11.5%</td>
</tr>
<tr>
<td>Growth Debt</td>
<td>IFMR Investments, Lok Capital</td>
<td>Cashflows, EBITDA, Credit Ratings</td>
<td>11% - 16%</td>
<td>10.5% - 11.5%</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Marketwatch January 31 2018
Activity of Debt market in India validates the opportunity

India Debt deal activity in 2017

USD 1.2B 45 deals 10% of early stage funding

Noteworthy deals of 2017
Diversity of sectors and ticket sizes

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Sector</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ReNew Power</td>
<td>Cleantech</td>
<td>$390M</td>
</tr>
<tr>
<td>Big Basket</td>
<td>eCommerce</td>
<td>$6.9M</td>
</tr>
<tr>
<td>LendingKart</td>
<td>FinTech</td>
<td>$4.6M</td>
</tr>
<tr>
<td>Aye Finance</td>
<td>FinTech</td>
<td>$3.0M</td>
</tr>
<tr>
<td>Swarna Pragati</td>
<td>Aff. Housing</td>
<td>$7.8M</td>
</tr>
<tr>
<td>Blackbuck</td>
<td>Logistics</td>
<td>$7.7M</td>
</tr>
<tr>
<td>KIMS Hospitals</td>
<td>Healthcare</td>
<td>$9.2M</td>
</tr>
<tr>
<td>Azure Power</td>
<td>Cleantech</td>
<td>$10.5M</td>
</tr>
<tr>
<td>Flexi Loans</td>
<td>FinTech</td>
<td>$7.0M</td>
</tr>
<tr>
<td>Omkar Realtors</td>
<td>Real Estate</td>
<td>$19.0M</td>
</tr>
</tbody>
</table>
IIFF to unleash and catalyse Impact Debt in India

IIFF’s potential impact on the debt fund market

▲ Catalysing Impact- IIFF brings USD 1 billion as debt financing to the impact investment sector to directly catalyse USD 5 billion

▲ Anchor Investor- IIFF can contribute upto 20% in a Fund

▲ Success of IIFF will mobilize more Fund Managers to start using debt funding for impact investments

▲ Fund of funds can be replicated by others in India and globally

▲ Capacity Building- Can support Debt Fund Managers

▲ Promote Impact- Conditions of meeting impact metrics on Debt Fund Managers

Case for Impact Debt and Venture Debt

- Minimises Equity Dilution
- Sets up for higher Valuation
- Provides Additional Runaway
- Provides more time to reach Milestone
## Case-studies of debt funding aligned for SDG

### Alignment with the Sustainable Development Goals

<table>
<thead>
<tr>
<th>SDG</th>
<th>Business Theme</th>
<th>Role of Debt Financing</th>
</tr>
</thead>
</table>
| 1 NO POVERTY | ▲ Access to financial services  
▲ Access to land  
▲ Earnings, wages and benefits  
▲ Economic inclusion  
▲ Basic products and services for those on low incomes | Intellegrow provided support to Milk Mantra, an innovative dairy company sourcing milk from smallholder farmers. The debt investment allowed the company to start a network of milk coolers in villages – expanding ability to source milk and creating a stable, predictable income stream for farmers. |
| 4 QUALITY EDUCATION | ▲ Accessibility of buildings  
▲ Education for sustainable development  
▲ Employee training and education  
▲ Media literacy | Innoven Capital made debt investments in a number of education companies including Byju’s, K-12, SimpliLearn and Toppr which provide online education and tutoring services to students from primary school and above – and in the process improving the learning outcomes of India’s young |
Case-studies of debt funding aligned for SDG
Alignment with the Sustainable Development Goals

SDG 6: Clean Water and Sanitation
Business Theme
- Land remediation
- Spills
- Waste
- Water efficiency
- Water quality
- Water recycling/reuse
- Water related ecosystems and biodiversity

Role of Debt Financing
Intellegrow supported Banka Bioloo, a human waste management Co. providing solutions to convert human waste into water and gas, advancing environmental protection and human health.

SDG 11: Sustainable Cities and Communities
Business Theme
- Accessibility of buildings
- Education for sustainable development
- Employee training and education
- Media literacy

Role of Debt Financing
BrickEagle, a housing focused debt fund has provided support to a number of companies including PlaytoR, which is focused on bridging the gap between social housing and sustainable lifestyles and aims to deliver homes between INR 1-2 million with the vision to create 50,000 homes by 2022
Investible Opportunity - IFMR’s Debt Funds and Investment Strategy

Managing > INR 850 crores of Impact Capital

Providing Differentiated Financing Solutions

- Commercial Paper
- Senior Secured Debt
- Senior Unsecured Debt
- Subordinated Debt
- Market Linked Debentures
- Preference Shares

Facilitating wide array of financing, both across product and tenure, to meet investee companies’ needs through innovative fund structuring

Investment Universe of 6 Sectors

- Microfinance
- Small Business Loans
- Vehicle Finance
- Agri Finance
- Affordable Housing Finance
- Corporate Finance

Channelizing investments in high yielding high impact debt opportunities emerging in India’s financial inclusion space

Addressing Financing Gaps through AIFs Ranging from 3.5 to 10 years

- Skin in the Game: 5-15% Funded First Loss Protection by Sponsor
- Multiple Levels of Credit Screening
- Low Fixed Management Fee with Capped Running Expenses
- No Delays/Shortfall in Investee Company Pay-out till Date
- Shared risk monitoring services with IFMR Capital (team of ~30-40)
- Rapid Deployment Capability
# Details of IFMR’s Debt Funds

## Investor Information

<table>
<thead>
<tr>
<th>Details</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AUM</strong></td>
<td>INR 875 Cr ($137 Mn) across 5 funds</td>
</tr>
<tr>
<td><strong>Proposed Fund Size</strong></td>
<td>INR $ 50 Mn + $ 50 Mn (green shoe option)</td>
</tr>
<tr>
<td><strong>Target yield for investors</strong></td>
<td>11.5% to 12% (during higher interest rate)</td>
</tr>
<tr>
<td><strong>Average Tenure of Investment by investor</strong></td>
<td>5-6 Years (one fund Of 3 years)</td>
</tr>
<tr>
<td><strong>Management fee</strong></td>
<td>1.5% + 0.25% running fee</td>
</tr>
<tr>
<td><strong>Distribution Income</strong></td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Principal Repayment</strong></td>
<td>Single bullet at end of 6 year</td>
</tr>
</tbody>
</table>

## Lending Information

<table>
<thead>
<tr>
<th>Details</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average tenure of lending by IFMR</strong></td>
<td>4-6 years</td>
</tr>
<tr>
<td><strong>Interest Payments</strong></td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Lending rate</strong></td>
<td>10% to 15%</td>
</tr>
<tr>
<td><strong>Principal Payment</strong></td>
<td>Bullet repayment</td>
</tr>
<tr>
<td><strong>Security of Lending</strong></td>
<td>Loan Receivables</td>
</tr>
<tr>
<td><strong>Stage of investee company</strong></td>
<td>Growth stage</td>
</tr>
<tr>
<td><strong>Ticket size</strong></td>
<td><img src="#" alt="INR 10 – 15 Cr ($1.6 Mn to $2.4 Mn) for smaller funds" /> <img src="#" alt="INR 20 – 30 Cr ($3 Mn to $4.7 Mn) for larger funds" /></td>
</tr>
</tbody>
</table>
## IFMR, Case-studies of debt funding aligned for SDG

<table>
<thead>
<tr>
<th>SDG</th>
<th>Business Theme</th>
<th>Investee Company</th>
<th>Type of Debt Instrument</th>
<th>Interest Rate</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 NO POVERTY</td>
<td>Access of Finance</td>
<td>MADURA microfinance</td>
<td>Subordinated Debt</td>
<td>14.25%</td>
<td>Unsecured</td>
</tr>
<tr>
<td>5 GENDER EQUALITY</td>
<td>Access of Finance to women borrowers</td>
<td>Fusion Microfinance</td>
<td>Subordinated Debt</td>
<td>13.85%</td>
<td>Unsecured</td>
</tr>
<tr>
<td>4 QUALITY EDUCATION</td>
<td>School Finance</td>
<td>varthana</td>
<td>Senior Unsecured Debt</td>
<td>13%-15%</td>
<td>Unsecured</td>
</tr>
<tr>
<td>6 CLEAN WATER AND SANITATION</td>
<td>Loan for toilets</td>
<td>SATIN</td>
<td>Senior Unsecured Debt</td>
<td>13%</td>
<td>Unsecured</td>
</tr>
<tr>
<td>11 SUSTAINABLE CITIES AND COMMUNITIES</td>
<td>Affordable Housing</td>
<td>Shubham Housing Development Finance Company</td>
<td>Senior Unsecured Debt</td>
<td>13%</td>
<td>Unsecured</td>
</tr>
</tbody>
</table>
Illustrative Investible Opportunity - IntelleGrow’s Debt Funds

Funding Strategy

Present Sectors Funded

- Agri Supply Chain: 2.64%
- Agriculture: 5.65%
- Clean Energy: 5.63%
- Education: 4.15%
- Financial Inclusion: 11.91%
- Financial Infrastructure: 2.58%
- Financial Onlending: 19.47%
- Healthcare: 11.45%
- Livelihoods: 5.83%
- Others: 28.39%
- Water & Sanitation: 2.30%

IntelleGrow is sector agnostic and will continue in investing in these Impact sectors.

Stage of Investment

- Growth Stage
- Early Stage
### IntelleGrow’s Debt Fund Details

#### Investor Information

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of Present Fund</td>
<td>INR 1000 Cr ($150 Mn) deployed</td>
</tr>
<tr>
<td>Proposed Fund Size</td>
<td>INR 1000 Cr ($150 Mn)</td>
</tr>
<tr>
<td>Target yield for investors</td>
<td>10.25%</td>
</tr>
<tr>
<td>Average Tenure for investor</td>
<td>4-5 years</td>
</tr>
<tr>
<td>Management fee</td>
<td>3% to 4%</td>
</tr>
<tr>
<td>Distribution Income</td>
<td>Quarterly (after deployment budgeted for 18 months)</td>
</tr>
<tr>
<td>Principal Repayment</td>
<td>Bullet</td>
</tr>
</tbody>
</table>

#### Lending Information

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average tenure of lending by IntelleGrow</td>
<td>3 to 4 years</td>
</tr>
<tr>
<td>Interest Payments</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Lending rate</td>
<td>16% to 18%</td>
</tr>
<tr>
<td>Principal re-Payment</td>
<td>Single bullet or 3 tranches with payments in quarter 36, 42 and 48</td>
</tr>
<tr>
<td>Security of Lending</td>
<td>Loan receivables</td>
</tr>
<tr>
<td>Stage of investee company</td>
<td>Early stage Growth Stage</td>
</tr>
<tr>
<td>Ticket size</td>
<td>INR 5 Cr ($0.78 Mn) to 10 Cr ($1.56 Mn)</td>
</tr>
</tbody>
</table>
IntelleGrow, Case-studies of debt funding aligned for SDG
Alignment with the Sustainable Development Goals

<table>
<thead>
<tr>
<th>SDG</th>
<th>Business Theme</th>
<th>Investee Company</th>
<th>Type of Debt Instrument</th>
<th>Interest Rate</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 ZER0 HUNGER</td>
<td>Food Safety</td>
<td>INI FARMS</td>
<td>Venture Debt</td>
<td>18-20%</td>
<td>Unsecured</td>
</tr>
<tr>
<td>3 GOOD HEALTH AND WELL-BEING</td>
<td>Good Health and well being</td>
<td>EYE Q</td>
<td>Venture Debt</td>
<td>18-20%</td>
<td>Unsecured</td>
</tr>
<tr>
<td>11 SUSTAINABLE CITIES AND COMMUNITIES</td>
<td>Sustainable cities and communities</td>
<td>DNP INFRASTRUCTURES PVT. LTD.</td>
<td>Venture Debt</td>
<td>18-20%</td>
<td>Unsecured</td>
</tr>
</tbody>
</table>
Illustrative Investible Opportunity - Lok Impact Debt Fund

Targeting and Positioning

**Growth Stage Impact SMEs**

**UN Sustainable Development Goals**

**Identified sectors**

<table>
<thead>
<tr>
<th>Identified sectors</th>
<th>Investment Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean Energy &amp; Environment</td>
<td>Turnover &lt;INR 1,000 Mn</td>
</tr>
<tr>
<td>Agriculture &amp; Allied</td>
<td>Asset Size INR 100 Mn - 10,000 Mn</td>
</tr>
<tr>
<td>Financial Inclusion Intermediaries</td>
<td>Credit Size INR 30 Mn - INR 200 Mn</td>
</tr>
<tr>
<td>Affordable Healthcare</td>
<td></td>
</tr>
<tr>
<td>Education &amp; Livelihood</td>
<td></td>
</tr>
</tbody>
</table>

**Specific allocation to eight low income states:**
Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh, West Bengal
## Lok Impact Debt Fund

### Investor Information

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of Proposed Fund</strong></td>
<td>INR 350 cr / $50 million</td>
</tr>
<tr>
<td><strong>Target yield for investors</strong></td>
<td>INR 11% net</td>
</tr>
<tr>
<td><strong>Average Tenure of Investment by investor</strong></td>
<td>5 years, Expected Fund life is 7 years</td>
</tr>
<tr>
<td><strong>Management fee</strong></td>
<td>2.0% of capital committed</td>
</tr>
<tr>
<td><strong>Distribution Income</strong></td>
<td>Quarterly after the deployment period</td>
</tr>
<tr>
<td><strong>Principal Repayment</strong></td>
<td>Year 6 and Year 7</td>
</tr>
</tbody>
</table>

### Lending Information

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average tenure of lending by Lok Capital</strong></td>
<td>2- 5 years</td>
</tr>
<tr>
<td><strong>Lending rate</strong></td>
<td>13.5-16%</td>
</tr>
<tr>
<td><strong>Principal Payment</strong></td>
<td>2-5 years Depending on Product</td>
</tr>
<tr>
<td><strong>Security of Lending</strong></td>
<td>Secured and Unsecured</td>
</tr>
<tr>
<td><strong>Stage of investee company</strong></td>
<td>Growth stage SMEs</td>
</tr>
<tr>
<td><strong>Ticket size</strong></td>
<td>INR 30 Mn - 200 Mn USD 0.5 Mn - 3 Mn</td>
</tr>
</tbody>
</table>
Lok Impact Debt Fund, Case-studies of impact debt funding aligned for SDG
Alignment with the Sustainable Development Goals

<table>
<thead>
<tr>
<th>Case Study : 1</th>
<th>Cold Chain Solution Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deal Size</td>
<td>INR equivalent of USD 1 Mn (USD 0.5 Mn in 2 tranches)</td>
</tr>
<tr>
<td>Instrument</td>
<td>Long term debt with warrants</td>
</tr>
<tr>
<td>Yield</td>
<td>10% on debt</td>
</tr>
<tr>
<td>Maturity</td>
<td>5 year with option to exercise warrant starting year 4</td>
</tr>
<tr>
<td>IRR w.r.t convertible</td>
<td>Expected at 20%</td>
</tr>
<tr>
<td>Transaction IRR</td>
<td>30%</td>
</tr>
<tr>
<td>Annual Diesel Offset / Reduction in CO2</td>
<td>2.78 Mn litres of diesel saved annually. Additional 3500 units of cold storage transportation units added.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case Study : 2</th>
<th>Affordable Housing Finance Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deal Size</td>
<td>INR equivalent of USD 3 Mn</td>
</tr>
<tr>
<td>Instrument</td>
<td>Long term debt in form of Non Convertible Debenture</td>
</tr>
<tr>
<td>Maturity</td>
<td>3 year</td>
</tr>
<tr>
<td>Yield</td>
<td>15%, arrangement fee of 1%</td>
</tr>
<tr>
<td>Number of families covered</td>
<td>1,950 with an average loan ticket size of INR 100,000 (USD 1,540)</td>
</tr>
</tbody>
</table>

SDG Focus

- 7 Affordable and Clean Energy
- 9 Industry, Innovation and Infrastructure
- 13 Climate Action
- 10 Reduced Inequalities
- 9 Industry, Innovation and Infrastructure
- 11 Sustainable Cities and Communities
Index

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Overview

SECTION 2
The IIFF Investment Opportunity

SECTION 3
Key Features of the India Impact Fund of Funds

SECTION 4
IIFF’s Structure, Governance and Risks

SECTION 5
Timelines, Next Steps and Partners
A unique Debt India Impact Fund of Funds

Fund of Fund Overview

**Target Sectors**
- Minimum 25% lending to non-FS sectors

**Fund Mandate**
- Lend to Debt funds that further lend to Impact enterprises as per investment policy

**Fund Size**
- USD1 Billion with USD100 million raised in Yr1, 300 Yr2, Yr3 & Yr5

**Target Return for IIFF**
- 11%

**First Tranche Close**
- 9 October 2018

**Investors**
- A mix of Institutional & Retail Investors
- Concessionary Investors: Development Financial Institutions, Foundations
- Market Return Investors: High Net Worth Individuals, Investment Banks, Commercial Banks, Sovereign Funds, Indian Diaspora

**Fund Terms**
- [10 years] from final close with [two] optional annual extensions

**Team**
- Experienced Fund Manager with specialist team

**GP Lending**
- IIFF to fund at Preferred rate of 11%
- Exposure: Capped to 20% of GP fund size
- Lending cap of 18% with formula

**Management Fees**
- 0.5% to 1% debited semi-annually
- 10% carry subject to fund managers meeting Favorable Impact Trigger

**Collateral**
- IIFF and all LPs to have equity rights on collateral

**Min Commitment**
- INR 10 million, USD 0.16K

**Risk Exposure**
- Debt Funds to be rated minimum of A
- Diversified Debt Funds Growth to Venture Debt
- Sectors to be diversified
IIFF will invest in high growth and underserved sectors

Sector Overview

**FINANCIAL SERVICES (FS)**
- Affordable Housing
- FinTech
- Microfinance
- NBFCs

**Non-FS**
- Impact MSMEs
- Sustainable Social Infrastructure
- Agriculture
- Education
- Renewable Energy
- Skill

**Target Sectors**
- Traditionally funds in India have primarily invested in Financial Services
- IIFF will require GPs to commit a **minimum [25%]** towards the non-financial services sector where capital is most needed
IIFF will fund well rated Debt Funds

**Key Features of the India Impact Fund of Funds**

- **Sponsor Evaluation**
  - Strong Sponsors
  - Sponsor commitment towards Fund
  - Experienced in Debt Financing and Impact segments
  - Experienced in Fund Management

- **Asset Management Evaluation**
  - Experience in fund management
  - Size of assets under management
  - Strong Organizational structure
  - Strong liquidity analysis

- **Investments Related Processes**
  - Strong Portfolio selection process
  - Well aligned Investment objectives
  - Maturity profile of the investments
  - Process for reviewing portfolio performance
  - Quality of underlying portfolio

- **Risk Management Systems**
  - Strong risk identification and measurement
  - Strong risk monitoring and control
  - Internal controls and adequacy of the information systems
  - Strong corporate governance and regulatory compliance
  - Quality of staffing
  - Quality of client servicing
  - Quality of IT resources
IIFF’s Definition of Impact Investment

As a Fund of Funds, IIFF will ensure that Funds invest in companies have:

- an **intent** to generate a beneficial social or environmental impact alongside a financial return
- **majority** of the total invested capital by the investor (more than 75%) in impact investments
- majority of beneficiaries (more than 75%) from a segment with an income of less than **INR 30,000 per annum**.
- do not belong to the ‘negative list’ such as alcohol, tobacco etc.

**Beneficiaries**

- Producers, consumers, suppliers, employees or users
- Underserved beneficiaries & enterprises as defined by the MSME Act 2006
- Beneficiaries with annual household incomes less than ₹ 3 Lakh
- Marginalized: Individuals with physical disabilities
IIFF will set a minimum Cap of 25% on Investment in Non Financial Services sector

Financial services sector is most preferred

**Impact Capital by Sector (Non-DFI) in India**

- Manufacturing: 9%
- Renewable Energy: 17%
- Financial Services: 16%
- Non-renewable Energy: 6%
- Agro/ Food Processing: 4%
- ICT: 4%
- Pharmaceuticals: 3%
- Health: 3%
- Infrastructure: 2%
- Education: 1%
- Housing: 1%
- Other: 1%

**Impact Capital by Sector (DFI) in India**

- Manufacturing: 15%
- Renewable Energy: 67%
- Financial Services: 6%
- Non-renewable Energy: 6%
- Agro/ Food Processing: 3%
- ICT: 3%
- Pharmaceuticals: 2%
- Health: 1%
- Infrastructure: 1%
- Education: 1%
- Housing: 1%
- Other: 1%

- Some fund managers have specific funds for financial inclusion
- Microfinance is the top sector within financial inclusion
- Two thirds non-DFI capital is in financial services

Source: GIIN 2015, Dalberg, Intellecap analysis
IIFF has a strong Business case to fund GPs

GP lending rates in the existing market

**Returns for GPs**
- IIFF to lend at approx. 11% to GPs
- GPs to lend at 13% to 16%
- Capping formula to be developed to ensure GP’s don’t exhibit opportunistic behaviors
- IIFF to limit exposure in each GP to 20% of GP’s fund size

**IIFF will offer all its investors INR hurdle**

<table>
<thead>
<tr>
<th>Type of Instrument</th>
<th>Rate of Interest (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venture debt</td>
<td></td>
</tr>
<tr>
<td>Subordinated Loan</td>
<td></td>
</tr>
<tr>
<td>Compulsorily Convertible Debentures</td>
<td></td>
</tr>
<tr>
<td>Optionally Convertible Debentures</td>
<td>Preferred Rate for IIFF</td>
</tr>
<tr>
<td>Non Convertible Debentures</td>
<td></td>
</tr>
<tr>
<td>Perpetual Bond/Tier I Bond</td>
<td></td>
</tr>
<tr>
<td>Secured Term Loan</td>
<td></td>
</tr>
<tr>
<td>Compulsorily Convertible Preference Shares</td>
<td></td>
</tr>
<tr>
<td>Optionally Convertible Preference Shares</td>
<td></td>
</tr>
</tbody>
</table>

Target Rate for GPs

Preferred Rate for IIFF
IIFF to address Debt requirement tenors of 4-6 years

Market tenure for different instruments

### Average Tenure
- **Need in the market for debt in the medium-long terms**
- **Banks only view working capital loans favorably**
- **MSMEs need medium-long term funds which would not dilute their equity**
- **IIFF to provide fixed income funds to GP's for 4-6 years**

<table>
<thead>
<tr>
<th>Type of Instrument</th>
<th>Tenure in years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinated Loan</td>
<td>1 2 3 4 5 6</td>
</tr>
<tr>
<td>Venture debt</td>
<td>1 2 3 4 5 6</td>
</tr>
<tr>
<td>Compulsorily Convertible Debentures</td>
<td>4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Optionally Convertible Debentures</td>
<td>4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Non Convertible Debentures</td>
<td>4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Perpetual Bond/ Tier I Bond</td>
<td>15 20</td>
</tr>
<tr>
<td>Term Loan</td>
<td>4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Compulsorily Convertible Preference Shares</td>
<td>4 5 6 7 8 9 10</td>
</tr>
<tr>
<td>Optionally Convertible Preference Shares</td>
<td>4 5 6 7 8 9 10</td>
</tr>
</tbody>
</table>
IIFF will consider options for Investor Returns to be Customised or Fixed

### Option - 1: Customized Returns

<table>
<thead>
<tr>
<th>Investors</th>
<th>INR hurdle rate</th>
<th>Indicative USD returns</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block A</td>
<td>10%</td>
<td>5%</td>
<td>60%</td>
</tr>
<tr>
<td>Block B</td>
<td>7.5%</td>
<td>2.5%</td>
<td>40%</td>
</tr>
<tr>
<td>Blended cost</td>
<td>-9%</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

**Positives**
- Lesser cost of raising funds

**Negatives**
- LPs may be unhappy with differentiated returns
- Inconvenient for fund managers

### Option - 2: Fixed INR Return

<table>
<thead>
<tr>
<th>Investors</th>
<th>INR hurdle rate</th>
<th>Indicative USD returns</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Block</td>
<td>9%</td>
<td>5%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Positives**
- Standardised and simple to manage
- Convenient for fund manager

**Negatives**
- May not attract investors with varying objectives
- May be higher cost of raising funds

---

**Market Return**
- Block A investors include those looking for stable financial returns combined with measurable development impacts

**Concessionary**
- Block B investors include those genuinely keen to engage in the investment strategy and objectives of IIFF (DFIs)

---

**Forex risk** would be borne by the investors.
IIFF will have a Combination of Institutional & Retail Investors

Institutional Investors as anchors

**Development Financial Institution**

- IFC (International Finance Corporation)
- JICA
- CDC
- ADB (Asian Development Bank)

**Sovereign Wealth Funds**

- Qatar Investment Authority

**Insurance Companies**

- MetLife

**Pension Funds**

- CalPERS

**Foundations**

- Michael & Susan Dell Foundation

**Investment Banks**

- J.P. Morgan

**Strategy**

- Three to four sets of placement agents will be selected for each of the three primary markets, USA, Europe and Asia-Pacific and one for Non-Resident Indians.

- Target retail investors must qualify from all the standpoints.

- Retail placements will need to be compliant with the relevant laws and restrictions.
IIFF will tap the large Indian diaspora for retail investors

Retail Investors

Large Indian Diaspora in developed countries

- USA
- UK
- Singapore
- Netherlands
- Germany
- France
- Canada
- Australia

- 45% of all high-net-worth investors either own impact investments or are interested in adding them to their portfolios
- Millennials show the greatest interest in investing for impact, at 52%

Source: U.S. Trust Insights on Wealth and Worth, 2017

USAID and Calvert Foundation together successfully raised capital through notes from the Indian diaspora in the US
IIFF will appoint a highly qualified, in-house Fund Management Team

Professional, Experienced

Management of IIFF
- Independently managed

- Highly qualified in-house fund management team comprising a Chief Executive Office and a small investment team (Investment Management - IM)

- Expertise in Finance, debt-markets, impact investments, legal structuring, impact measurement

- Constitute an Investment Committee with independent members whose decision shall be binding on IM

- LP Advisory Committee to consist of representative investors for resolution of conflicts of interests and other specific investor related interactions

- Non-Executive Chairman: Rajiv Lall
IIFF management Fee incentives for both return and impact

Impact Incentivized

**Fees**
- Fees: 0.5% to 1%. Amount debited quarterly
- Carry: 10% on returns exceeding Preferred Rate of Return subject to fund managers meeting Favorable Impact Trigger

**Favorable Impact Trigger**
- Favorable Impact Trigger would represent social impact metrics and parameters that need to be met by the Fund of Funds investing
- Fund of Fund Management is incentivized to focus on impact investments
- Fund of Funds Management sets impact target for GPs
- Only when both the Preferred Rate of Return & Favorable Impact Trigger is met, the Fund of Funds Investment Management Team receives the carry
IIFF will choose Fund Managers with a strong risk assessment track record

Size & Risk profile for lending to investee companies

<table>
<thead>
<tr>
<th>Crisil Rating</th>
<th>Risk</th>
<th>Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisil AAA</td>
<td>Highest Safety</td>
<td>Y</td>
</tr>
<tr>
<td>Crisil AA</td>
<td>High Safety</td>
<td>Y</td>
</tr>
<tr>
<td>Crisil A</td>
<td>Adequate Safety</td>
<td>Y</td>
</tr>
<tr>
<td>Crisil BBB</td>
<td>Moderate Safety</td>
<td>Y</td>
</tr>
<tr>
<td>Crisil BB</td>
<td>Moderate Risk</td>
<td>N</td>
</tr>
<tr>
<td>Crisil B</td>
<td>High Risk</td>
<td>N</td>
</tr>
<tr>
<td>Crisil C</td>
<td>Very High Risk</td>
<td>N</td>
</tr>
<tr>
<td>Crisil D</td>
<td>Default</td>
<td>N</td>
</tr>
</tbody>
</table>

**Metrics**

- Risks to be distributed from Early stage to mature companies
- For enterprises with moderate risks GPs to ensure other measures are taken to mitigate risks
- Management & Governance of Investee company to be prioritised
- Track record of investee company to be strong indicator
- Minimum 20% exposure to Venture debt
IIFF will be able to attract multiple Debt Fund Managers, who have grown exponentially in India

Debt funds have good financial data & strong performance

<table>
<thead>
<tr>
<th>Key Features of the India Impact Fund of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="IFMR Investments" /></td>
</tr>
<tr>
<td><img src="image" alt="TRIFECTA CAPITAL" /></td>
</tr>
<tr>
<td><img src="image" alt="INNOVEN CAPITAL" /></td>
</tr>
<tr>
<td><img src="image" alt="Unicorn INDIA Ventures" /></td>
</tr>
<tr>
<td><img src="image" alt="BRICK EAGLE" /></td>
</tr>
<tr>
<td><img src="image" alt="IvyCap Ventures" /></td>
</tr>
<tr>
<td><img src="image" alt="ANICUT" /></td>
</tr>
<tr>
<td><img src="image" alt="INTELLERGROW CATALYZING GROWTH" /></td>
</tr>
<tr>
<td><img src="image" alt="Lok Capital" /></td>
</tr>
</tbody>
</table>

▲ In September 2017 RBI allowed banks to invest in PE/ venture debt funds (Category II, AIFs)
▲ Recently IndusInd, a private sector bank announced a $50M commitment towards venture debt impact investing
# Projections of IIFF Profit and Loss

<table>
<thead>
<tr>
<th>Statement of Profit and Loss USD Mn</th>
<th>Year 1</th>
<th>Year 3</th>
<th>Year 6</th>
<th>Year 8</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income from Operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution Received</td>
<td>7.13</td>
<td>41.33</td>
<td>75.53</td>
<td>81.23</td>
<td>47.03</td>
</tr>
<tr>
<td>Distribution Passed Through</td>
<td>5.63</td>
<td>32.63</td>
<td>59.63</td>
<td>64.13</td>
<td>37.13</td>
</tr>
<tr>
<td>Net Distribution Income</td>
<td>1.50</td>
<td>8.70</td>
<td>15.90</td>
<td>17.10</td>
<td>9.90</td>
</tr>
<tr>
<td><strong>Operations Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritius Cost</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
</tr>
<tr>
<td>Fund Manager fees</td>
<td>0.45</td>
<td>1.81</td>
<td>3.31</td>
<td>3.56</td>
<td>2.06</td>
</tr>
<tr>
<td>Admin fee</td>
<td>0.05</td>
<td>0.18</td>
<td>0.33</td>
<td>0.36</td>
<td>0.21</td>
</tr>
<tr>
<td>Carry</td>
<td></td>
<td>0.35</td>
<td>1.07</td>
<td>1.07</td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>0.55</td>
<td>2.04</td>
<td>4.04</td>
<td>5.04</td>
<td>3.39</td>
</tr>
<tr>
<td><strong>Earning's before Tax Depreciation &amp; Amortization</strong></td>
<td>0.96</td>
<td>6.66</td>
<td>11.86</td>
<td>12.06</td>
<td>6.51</td>
</tr>
<tr>
<td>Less: Provision for tax</td>
<td>0.75</td>
<td>4.34</td>
<td>7.93</td>
<td>8.53</td>
<td>4.94</td>
</tr>
<tr>
<td>Net Profit</td>
<td>0.21</td>
<td>2.32</td>
<td>3.93</td>
<td>3.54</td>
<td>1.58</td>
</tr>
</tbody>
</table>
## Projections of IIFF Balance Sheet

<table>
<thead>
<tr>
<th>Balance Sheet USD Mn</th>
<th>Year 1</th>
<th>Year 3</th>
<th>Year 6</th>
<th>Year 8</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity and Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders' funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share Capital</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Reserves and surplus</td>
<td>-0.3</td>
<td>2.6</td>
<td>13.3</td>
<td>22.5</td>
<td>27.9</td>
</tr>
<tr>
<td><strong>Networth</strong></td>
<td>0.4</td>
<td>3.3</td>
<td>14.1</td>
<td>23.2</td>
<td>28.7</td>
</tr>
<tr>
<td>Units Payable</td>
<td>100</td>
<td>400</td>
<td>700</td>
<td>900</td>
<td>600</td>
</tr>
<tr>
<td>Less</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total Units Payable</strong></td>
<td>100</td>
<td>400</td>
<td>600</td>
<td>600</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>100.4</td>
<td>403.3</td>
<td>614.1</td>
<td>623.2</td>
<td>328.7</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit Portfolio</td>
<td>100</td>
<td>400</td>
<td>700</td>
<td>900</td>
<td>600</td>
</tr>
<tr>
<td>Less: Payout</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total Loan Portfolio</strong></td>
<td>100</td>
<td>400</td>
<td>600</td>
<td>600</td>
<td>300</td>
</tr>
<tr>
<td>Other current assets</td>
<td>0.4</td>
<td>3.3</td>
<td>14.1</td>
<td>23.2</td>
<td>28.7</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>100.4</td>
<td>403.3</td>
<td>614.1</td>
<td>623.2</td>
<td>328.7</td>
</tr>
</tbody>
</table>
## Assumptions for Financial Projections

### IIFF Raising of Funds - Assumptions

<table>
<thead>
<tr>
<th>Investor Level Assumptions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principal</strong></td>
<td><strong>$1,000,000,000</strong></td>
</tr>
<tr>
<td><strong>YTM(Preferred Rate)</strong></td>
<td><strong>9%</strong> (Inclusive of Placement fees)</td>
</tr>
<tr>
<td><strong>Coupon (Pass through)</strong></td>
<td><strong>9%</strong></td>
</tr>
<tr>
<td><strong>IIFF Investors Tenure</strong></td>
<td><strong>5</strong></td>
</tr>
<tr>
<td><strong>Compounded</strong></td>
<td><strong>Quarterly</strong></td>
</tr>
</tbody>
</table>

### Deployment of Tranches - Assumptions

<table>
<thead>
<tr>
<th>Tranche level</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Tranche</td>
<td>USD 100mn equally in 4 quarters of year 1</td>
</tr>
<tr>
<td>Second Tranche</td>
<td>USD 300 mn equally in first 2 quarters of year 3</td>
</tr>
<tr>
<td>Third Tranche</td>
<td>USD 300 mn equally in first 2 quarters of year 5</td>
</tr>
<tr>
<td>Fourth Tranche</td>
<td>USD 300 mn equally in first 2 quarters of year 7</td>
</tr>
</tbody>
</table>

### Distribution Income - Assumptions

<table>
<thead>
<tr>
<th>GP level lending assumptions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly Distribution income from GPs</td>
<td><strong>11.4%</strong></td>
</tr>
<tr>
<td>YTM Preferred rates from GPs</td>
<td><strong>11.4%</strong></td>
</tr>
<tr>
<td>Tenure of Investment to GPs</td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

### Expenses - Assumptions

<table>
<thead>
<tr>
<th>Office Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IIFF Expenses total</strong></td>
<td><strong>$450000</strong></td>
</tr>
<tr>
<td><strong>Mauritius Cost</strong></td>
<td><strong>$50000</strong></td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td><strong>10.5%</strong></td>
</tr>
<tr>
<td><strong>Pre-Operative Expenses</strong></td>
<td><strong>$50000</strong></td>
</tr>
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</table>

### Fees - Assumptions

<table>
<thead>
<tr>
<th>Fee</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Fee (Based on deployment)</td>
<td><strong>0.50%</strong></td>
</tr>
<tr>
<td>Admin Fee</td>
<td><strong>0.05%</strong></td>
</tr>
<tr>
<td>Unit Face Value</td>
<td><strong>1000</strong></td>
</tr>
<tr>
<td>Year 1 Fund Manager Fees</td>
<td><strong>$450000</strong></td>
</tr>
</tbody>
</table>

### Deployment of Funds

<table>
<thead>
<tr>
<th>Deployment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For Fund of Funds</td>
<td><strong>80% @ 11%</strong></td>
</tr>
<tr>
<td>Direct to Investee Company</td>
<td><strong>20% @ 13%</strong></td>
</tr>
<tr>
<td>Weighted Average</td>
<td><strong>11.4%</strong></td>
</tr>
<tr>
<td>Weighted Average for Carry</td>
<td><strong>12%</strong></td>
</tr>
</tbody>
</table>
IIFF will be Investor friendly and have strong Governance & Risk mitigation

Governance structure reduces risk

- **Governing Council**
  - Investor & Government representatives
  - Independent Experts/Invitees
  - Feeder Entity representatives

- **Investment Committee**
  - Fund Manager Representatives
  - Independent Directors
  - Key/anchor LP representative

- **Investors**
  - Overseas investors invest through Mauritius Vehicle
  - Domestic Investors invest directly into IIF

- **Disbursal of Funds**
  - Fund is disbursed to debt funds
  - Debt funds direct money to investee companies

- **Risks**
  - Overseas Investors: Fund Raising Risks
  - Fund Manager & Investment Team: Incentive Risks
  - Debt Funds: Lending Risks
  - Investee Companies: On-lending Risks
IIFF’s unified structure favours institutional and retail investors

Reduced Tax Risk

Various Jurisdictions

Mauritius

Investment Manager/Sponsor

IIFF (Cat II AIF)

Portfolios

Portfolio Companies

Overseas Investors

Feeder Entity

Participating Shares

India

Investor Units

Investors

Reduction Tax Risk

Investment Manager/Sponsor

Management Services

Units

Various Jurisdictions

Mauritius

IIFF CONCEPT NOTE | 2018
IIFF’s unified structure favours institutional and retail investors

Reduced Tax Risk

Structure Outline

▲ Tax Compliances: Off-shore feeder vehicle aimed at non-resident investors who may not have PAN numbers

▲ Reduced tax risk: The given structure reduces tax risks, concerning
   ▲ association of persons;
   ▲ place of effective management; and
   ▲ permanent establishment(either management PE or agency PE)

▲ Favorable regime: AIF structure allows IIFF to avail of benefits such as investments made are deemed to be domestic irrespective of non-resident contributions into the fund provided the AIF is owned and controlled by Indian entities
IIFF Capital Structure will address different investor needs

Concessionary to market returns

Structure Outline
- IIFF will issue four different classes of units, viz.,
  - Class A Units to the investors seeking market returns;
  - Class B Units to the investors seeking concessionary returns;
  - Class C Units to the sponsor of IIFF (“Sponsor”) or persons designated by the Sponsor for the purposes of Sponsor commitment; and
  - Class D Units to the Investment Management

- Feeder Entity will issue a class of redeemable participating shares, viz. Class A Shares to the overseas investors seeking market returns and which will track Class A Units of IIFF; Class B Shares to the investors seeking concessionary returns (“Offshore First-Loss-Capital Investors”) and which will track Class B Units of IIFF. The Feeder Entity will also issue voting shares.
IIFF’s Governing Council will adhere to the highest standards

Comprehensive oversight structure
IIFF’s Governing Council will adhere to the highest standards

Comprehensive oversight structure

- A Governing Council consisting of representatives of investors, the government, independent experts, invitees and commensurate representation for the Feeder Entity (if incorporated) will also be constituted.

- Such a committee/forum may be used for resolution of conflicts of interest and other specific investor related interactions. The Governing Council will oversee the activities of the IIFF Trust and will provide strategic advice and approvals in relation to the following:

  - Guidelines for investment of IIFF’s corpus and ‘IIFF Charter’;
  - Appointment / Nomination of the Trustee of the IIFF;
  - Parameters for appointment and performance of investment advisors;
  - Any other matters related or incidental thereto.
IIFF will have a strict selection Framework for GPs

GP Selection Process

Process of selection of fund managers

▲ Investment Manager will prepare 'Guidelines for availing funding from the IIFF' and seek approval of the Governing Council.

▲ An investment committee will also be setup.

▲ The guidelines would specify the eligibility criteria, the investment conditions to be adhered by portfolio funds, and details of the application process.

▲ For instance, the eligibility criteria and investment pre-conditions could include:

▲ Strong pedigree, India investing expertise, adherence to impact measurement;

▲ Category I and II AIFs registered with SEBI for investing in Indian entities only;

▲ The applicant AIF Funds would invest at least twice the contribution made by IIFF in companies that are reflective of IIFF’s charter
IIFF will outline all Risk Factors and ensure mitigation

IIFF Risk factors

Risks associated with this entity raising its first effort
▲ Funding goals not met
▲ Unexpected challenges
▲ Longer timelines than expected

Risk in identifying suitable GPs
▲ Who can deliver both financial returns and social performance
▲ Unable to attract new GPs

Risk of not delivering adequately on identified SDGs
▲ Poverty, clean energy, decent work and economic growth, sustainable cities and communities etc.

Exposure to other risks
▲ Reputational & regulatory risk(s) based on conduct of downstream participants
▲ Cost of hedging

Risk Factors - IIFF
▲ Treasury Function
▲ Matching drawdowns to GPs to Investee Companies

▲ Slide 32 IEOF
IIFF would outline all Risk Factors and ensure mitigation

**Process Risks**

**Risk Factors - GP**
- Identifying borrowers
  - Social performance
  - Readiness to borrow
- Inadequate financial inclusion
  - Lend only to existing borrowers
- Bias during decision making
  - Too much focus on financial services
  - Against brick and mortar models
  - Risk aversion compromising impact

**Issuer Related Risks**
- Portfolio related risks
  - Credit risk
  - Interest rate risk
- Risks related to execution
  - Pricing, cost of delivery
  - Product development
- End-borrower
  - Client protection and servicing
IIFF would outline all Risk Factors and ensure mitigation

General Tax Risks

Risk of tax pass through status denied to the Fund:
△ Where the income of the fund gets treated as ‘Business Income’, the Fund would not be eligible for tax pass-through
△ In such case, tax would need to be paid at the Fund level at the Maximum Marginal Rate;
△ Additionally, the Feeder vehicle would not be able to claim the concessional tax rate for interest under the Tax Treaty
△ Income in the hands of Feeder Fund in such case would be exempt from tax

Risk of Tax Treaty getting denied for the Mauritius Feeder
△ In case where the Mauritius Tax Treaty is denied to the Feeder Fund, interest income would be taxable as per the domestic tax law @ ~ 43.68%
△ On the other hand, long term capital gains would be taxable @ 10.92%
△ Similarly, if the Fund is held to be have a place of effective management (‘POEM’) in India, it would qualify as a tax resident of India and consequentially not eligible to claim Tax Treaty benefits

Risk of concessional tax rate for interest under the Tax Treaty getting denied
△ Under the Mauritius Tax Treaty, any interest earned by a Mauritius tax resident is taxable at a concessional rate of 7.5%, provided it is the beneficial owner of such interest income;
△ Accordingly, if the Feeder Fund does not meet the beneficial ownership test, the concessional tax rate of 7.5% may not be available and such income may be taxable @ ~ 43% as per domestic tax laws
△ Further, if the Feeder Fund is held to have a permanent establishment (‘PE’) in India, then the concessional tax @ 7.5% may not be available
IIFF would outline all Risk Factors and ensure mitigation

General Tax Risks

Applicability of General Anti – Avoidance Rules (‘GAAR’) and Multilateral Instruments (‘MLI’)
▲ There is a risk that Tax Authorities could deny the benefits of India-Mauritius Tax Treaty by invoking GAAR / MLI (once effective) and alleging that main purpose or one of main purpose for setting up a Feeder Funder Fund in Mauritius is to obtain tax benefit
▲ Also there is a risk where the Tax Authorities could re-characterize any transaction where the main purpose is to obtain tax benefits

Change in tax law
▲ There is a general risk that there could be additional tax implications for the Fund as well as Feeder Fund due to any change in law in the future
Statutory Board & Advisory Council

Statutory Board

Mr. Rajiv Lall, Non-executive Chair

Advisory Council

Sir Ronald Cohen

Nishith Desai
Profile of Sir Ronald Cohen

Chairman of the Global Steering Group for Impact Investment and The Portland Trust
Co-Founder director of Social Finance UK (2007-11)
Social Finance USA, and Social Finance Israel, and co-founder Chair of Bridges Fund Management and Big Society Capital
Co-founder Chair of Bridges Ventures (2002-2012)

For nearly two decades, Sir Ronald’s pioneering leadership in driving impact investment has catalyzed a number of global initiatives into being, each focused on driving private capital to serve social and environmental good. These efforts are leading the global impact investment movement toward an Impact Revolution. In 2012, he received the Rockefeller Foundation’s Innovation Award for innovation in social finance.

He chaired the Social Impact Investment Taskforce established under the UK’s presidency of the G8 (2013-2015), the Social Investment Task Force (2000-2010) and the Commission on Unclaimed Assets (2005-2007). In 2012 he received the Rockefeller Foundation’s Innovation Award for innovation in social finance.

He co-founded and was Executive Chairman of Apax Partners Worldwide LLP (1972-2005). He was a founder director and Chairman of the British Venture Capital Association and a founder director of the European Venture Capital Association.

He is a graduate of Oxford University, where he was President of the Oxford Union. He is an Honorary Fellow of Exeter College, Oxford. He has an MBA from Harvard Business School to which he was awarded a Henry Fellowship.

He is a member of the Board of Dean’s Advisors at Harvard Business School and a Vice-Chairman of Ben Gurion University; a former director of the Harvard Management Company and the University of Oxford Investment Committee; a former member of the Harvard University Board of Overseers (2007-2013), former Trustee of the British Museum (2005-2012) and former trustee of the International Institute for Strategic Studies (2005-2011).


Today, Sir Ronald lives in Tel Aviv, London, and New York with his wife of more than thirty years, Sharon Harel-Cohen, who is a film producer. His children, Tamara and Jonny, are involved in the impact field in the UK, the US, and Israel.
Profile of Dr. Rajiv B. Lall

Dr. Rajiv Lall is Founder MD & CEO of IDFC Bank since October 1, 2015. Previously, he was Executive Chairman of IDFC Limited. In his current role at IDFC Bank, Dr. Lall is leading the Bank’s strategy to drive financial inclusion at scale, a key pillar of which is to use technology.

A veteran economist for 30 years, Dr. Lall has been an active part of the finance and policy landscape, both in India and internationally. In his diverse career, he has also held leadership roles in global investment banks and multilateral agencies. His expertise spans project finance, private equity/venture capital, international capital markets, trade, infrastructure and macroeconomic policy issues, with a particular focus on emerging markets including India and China.

Dr. Lall has served on numerous committees of the Government of India and the Reserve Bank of India, including the Raghuram Rajan Committee on Financial Sector Reforms, the High Powered Expert Committee for Urban Infrastructure, the High Level Committee on Financing Infrastructure and the Expert Committee on Modernisation of Indian Railways. He has also served as India’s representative to the G-20 Working Group on Infrastructure.

Dr. Lall is member of the National Council of the Confederation of Indian Industry (CII), the Asia Business Council and the City of London Advisory Council for India. He was also President of the Bombay Chamber of Commerce & Industry.

Outside of business related fora, Dr. Lall serves on the Advisory Board of Columbia University Global Centers, South Asia; is a member of the Founders Circle, Brookings, India. He is also Convenor of the Social Impact Council of India and is Founder Chairman of Lok Foundation.

Prior to joining IDFC, Dr. Lall was variously, a Partner with Warburg Pincus in New York; Head of Asian Economic Research with Morgan Stanley in Hong Kong; a senior staff member of the World Bank in Washington, D.C. and of the Asian Development Bank in Manila, as well as faculty member of the Florida Atlantic University Department of Economics.

He is an active speaker and columnist on macro-economic and public policy issues.

Dr. Lall earned his BA in politics, philosophy and economics from the Oxford University, and holds a Ph.D. in Economics from Columbia University.
IIFF’s role in Impact Measurement
Provide transparency to investors on impact created

Regular Monitoring
Yearly/ Semi Annually
Reports on Impact created and red flags

Standardized Methodology
Globally Inspired by IIRC, GRI, IRIS, SASB captures: breadth, depth & quality of impact
Developed by GSG in partnership with third party

Allocate Responsibility
Final Investee responsible for reporting impact
GPs to collate reports and audit investees

Easy Implementation
Cost effective with only key parameters
Third party audits every 2 years

Reporting of the IIFF’s SDG Impact footprint through Impact Management Tools

- The Sustainable Development Goal (SDG) Indicators: The list includes 232 indicators on which general agreement has been reached and the IIFF will incorporate relevant indicators for reporting purposes.

- The Impact Reporting and Investment Standards (IRIS): Catalog of generally accepted performance metrics to measure social, environmental, and financial success, evaluate deals, and grow the sector’s credibility.

- UNDP Environmental, Social and Governance (ESG) Guidelines: Refers to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business.

- India national data and results requirements
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Key Features of the India Impact Fund of Funds

SECTION 4
IIFF’s Structure, Governance and Risks

SECTION 5
Timelines, Next Steps and Partners
## Time lines for Fund Raising

Tranches to smoothen the fund raising processes

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Amount Raised (USD Million)</th>
<th>Close</th>
</tr>
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<tbody>
<tr>
<td>First</td>
<td>100</td>
<td>October 2018</td>
</tr>
<tr>
<td>Second</td>
<td>300</td>
<td>October 2020</td>
</tr>
<tr>
<td>Third</td>
<td>300</td>
<td>October 2022</td>
</tr>
<tr>
<td>Fourth</td>
<td>300</td>
<td>October 2025</td>
</tr>
</tbody>
</table>

### Number of tranches
- USD 1 Bn to be raised in **4 tranches**

### Fund raising
- Start in 2018 and will go to 2030

### Other Time-lines
- TBD
Next Steps
Indicative Process

**Appointments**
- Appointment of Lead Manager
- Appointment of Co-Lead Manager
- Appointment of Legal Advisor
- Appointment of Tax Advisor
- Appointment of Board
- Appointment of the Investment Management Team

**Runway to first tranche close**
- Registration
- Appointment of Consultants and IM Team
- Offer Document
- Institutional Investor Meetings
- Retail Investor Meetings
- Developing a strong pipeline
IIFF Partners

About GSG (www.gsgii.org)
The GSG is an independent global steering group catalyzing impact investment and entrepreneurship to benefit people and the planet. The GSG was established in August 2015 as the successor to and incorporating the work of the Social Impact Investment Taskforce established under the UK’s presidency of the G8. The GSG currently has 15 countries plus the EU as members. Chaired by Sir Ronald Cohen, the GSG brings together leaders from the worlds of finance, business and philanthropy.

About UNSIF (http://undp.socialimpact.fund/)
Established in January 2017, the UNDP - UN SDG Impact Finance initiative is a unique and transparent co-investment partnership structure where the public sector and private sector can combine blended financing models to create both economic and social returns while facilitating the transition from grant-only project-based development to blended financed market-based development. Our primary focus is Asia and the Pacific.

About PriceWaterHouseCoopers
At PwC, our purpose is to build trust in society and solve important problems. We’re a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.
In India, PwC has offices in these cities: Ahmedabad, Bengaluru, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai and Pune. For more information about PwC India’s service offerings, visit www.pwc.com/in

About IDFC Bank (www.idfcbank.com)
IDFC Bank Ltd. is an Indian banking company with headquarters in Mumbai that forms part of IDFC, an integrated infrastructure finance company. The bank started operations on 1 October 2015. IDFC received a universal banking licence from the Reserve Bank of India (RBI) in July 2015. On 6th November, 2015, IDFC Bank was listed on BSE and NSE. IDFC Bank started operations with 23 branches in Madhya Pradesh, Delhi, Mumbai, Hyderabad, Bengaluru, Pune, Chennai, Ahmedabad and Kolkata. 15 branches are in settlements with a population of less than 10,000. IDFC bank has launched it’s 100th branch in Honnali, Karnataka in October 2017.

About Nishith Desai Associates (www.nishithdesai.com)
Nishith Desai Associates (NDA) is a research-based Indian law firm with offices in Mumbai, Silicon Valley, Bangalore, Singapore, Mumbai BKC, Delhi and Munich that aims at providing strategic, legal and tax services across various sectors; some of which are IP, pharma and life-sciences, corporate, technology and media. NDA continues to be ranked consistently as one of the top 5 law firms in India. Founder and Managing Partner, Nishith Desai spent extensive time studying management styles of top global law-firms prior to setting up Nishith Desai Associates in 1989.
We’d like to thank each and everyone on the IIFF taskforce for their invaluable time and insights to help build this draft business plan and offer document. We deeply appreciate your support to this significant initiative to catalyze impact investments in India.

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List of abbreviations

**PMO**: Prime Minister’s Office

**MEA**: Ministry of External Affairs, Government of India

**MHRD**: Ministry of Human Resource Development, Government of India

**MoF**: Ministry of Finance, Government of India

**SFI**: Social Finance India

**IEOF**: India Education Outcomes Fund

**IIFF**: India Impact Fund of Funds

**LIFF**: LatAm Impact Fund of Funds

**MIFF**: Middle East & Africa Impact Fund of Funds

**GSG**: The Global Steering Group for Impact Investment

**UNDP**: United Nations Development Programme

**UNSIF**: United Nations SDG Impact Finance

**SDG**: Sustainable Development Goals

**MDG**: Millennium Development Goals
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