



Annual Impact Report 2012



Message from the CEO

Dear Friends,

As Aavishkaar completes a decade in the Impact Investing space, if asked to recall my biggest challenge, I would unhesitatingly say, it has been to define Impact. As a fund conceived to incubate enterprises in rural India, and nurture the latent entrepreneurial instinct of the local population, impact for us has always been synonymous with the value that we have seen these businesses generate.

Over the years we have matured in our processes and in our understanding of the risks associated with early-stage investing, and today, we can say with some confidence that we are far more sanguine about our ability to generate returns for our investors. Our relentless pursuit of 'high-risk' investing has also demonstrated its ability to generate significant developmental returns. However, amidst these achievements, one question that has stood out as a sore thumb is "how do we define the impact that we create?"

I raised this issue in the opening note of last year's Impact Report, where I questioned the legitimacy of appropriating the combined outreach of our enterprises as our own impact. We spent the last twelve months pondering over this question and our conclusion is that it remains a questionable approach.

We have always believed that investing in emerging economies itself was worthy enough to claim that we are making an impact but a closer examination of the facts surrounding us made it abundantly clear that by merely summing up outcomes, even mainstream investors in sectors such as real estate and telecommunications, reach out to thousands of underserved and rural people, and would therefore easily qualify as Impact Funds. The increasing fixation in the industry, on counting numbers to measure impact, led us to ask whether there is any legitimacy to the term 'Impact Investing' beyond a set of inconclusive numbers and estimates that it is increasingly being associated with.

Aavishkaar's decade-long struggle consoled me that there is some merit to our existence. An impact fund in our view, fills a critical gap in the investment landscape, by having the appetite to back extremely early-



stage, innovative and unconventional businesses that the mainstream perceives as 'too risky'. This is supported by the belief that taking a disproportionately high risk also has the potential of generating extraordinary impact

Therefore, counting the impact of investee companies although useful as a metric, does not do justice in encapsulating the true value generated by an 'Impact Fund'. To qualify as an Impact Fund one must hold oneself to higher questioning that focuses not only on the performance of the investee companies, but also on the fund's core strategy for investing. An Impact Fund must seek to be unique in its investing strategy and should be willing to be measured or rated for its effectiveness in implementing its underlying strategy.

Having acquainted ourselves with this challenge, we have decided to embark on an ambitious journey of defining our own 'core investing strategy' and measuring and rating our impact for 2013 using a new approach that will focus on four key metrics:

- a) Risk: Determined by the stage of investment, geography and entrepreneur. Typically, investments in early-stage ventures, Low-Income States and first-generation entrepreneurs would qualify as high-risk.*
- b) Innovation: Determined by the fund's ability to create value through innovation in delivery, business model, product, ownership structure or other.*
- c) Benefit: Fund's ability to invest in companies that create a lasting positive impact on the beneficiary and not just reach out to a large number of beneficiaries.*
- d) Sustainability: Fund's ability to create successful enterprises that are able to sustain and scale commercial and developmental returns*

While we continue to develop this new approach, the current report shares with you, outcome derived from the old approach of summing-up of portfolio company impact, albeit with the clear acknowledgement that the impact is not entirely ours, but the contribution of the vision of individual entrepreneurs. In addition to the numbers, we have also attempted to capture Aavishkaar's journey over the last ten years and bring to you, some heartening stories from the field.

I hope this report makes for an interesting read, and I welcome your thoughts on how we can further enrich our work in this space.

*Best wishes,
Vineet Rai*

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Aavishkaar: A Brief History 2002-2012

Genesis

In 2002, Aavishkaar (Hindi for ‘Innovation’) began with a simple idea, to start a ‘for-profit’ venture fund dedicated to rural and underserved India that would not only create widespread developmental impact, but also generate significant commercial returns.

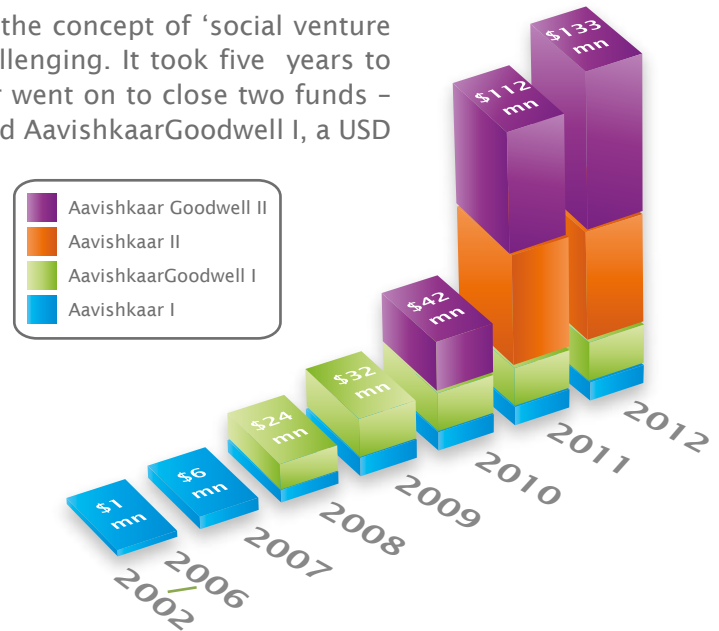
“Our vision was to create value in Rural India, using investing as a tool. The primary aim of Aavishkaar was therefore to mobilise capital to fund early-stage enterprises impacting rural and underserved populations, that struggled to acquire mainstream finance due to the highly risky nature of their business.”

-Vineet Rai

Raising Capital

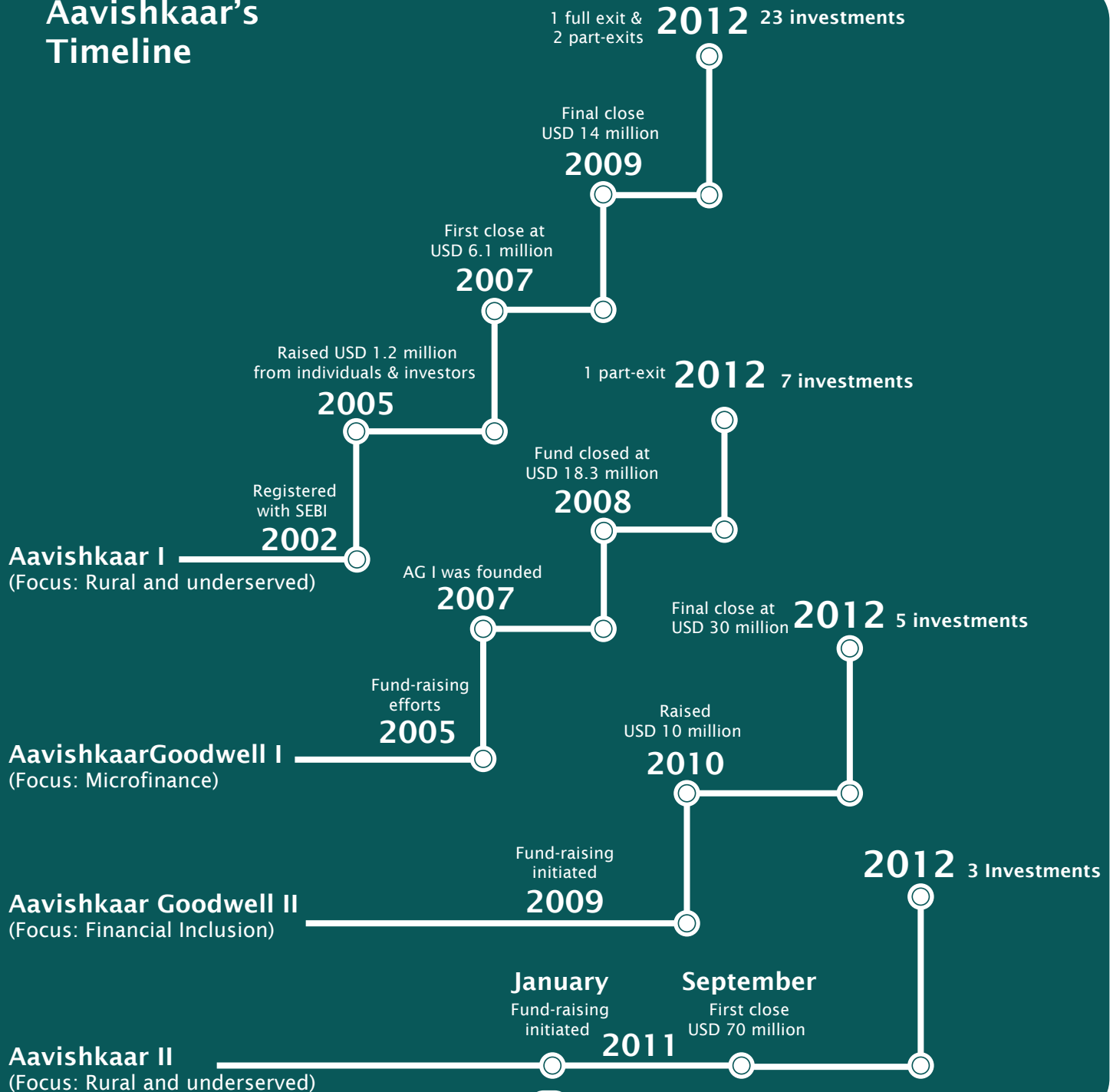
Garnering the backing of investors at a time when the concept of ‘social venture capital’ was still unfamiliar in the country, was challenging. It took five years to raise the first USD 1 million. Thereafter, Aavishkaar went on to close two funds – Aavishkaar I, a USD 14 million micro-equity fund, and AavishkaarGoodwell I, a USD 18.3 million microfinance fund.

Fund raising for a second microfinance fund, AavishkaarGoodwell II was launched in the end of 2009. Despite the Andhra Pradesh crisis and its repercussions for the microfinance industry as a whole, AavishkaarGoodwell II managed to raise USD 30 million by mid-2012. In January 2011, Aavishkaar began fund raising for a second rural venture fund Aavishkaar II. Within nine months, Aavishkaar II achieved its first close at USD 70 million, a milestone in Aavishkaar’s history, and a reassurance of its potential to create value.



Aavishkaar today manages four funds of a combined size of US \$133 Million.

Aavishkaar's Timeline



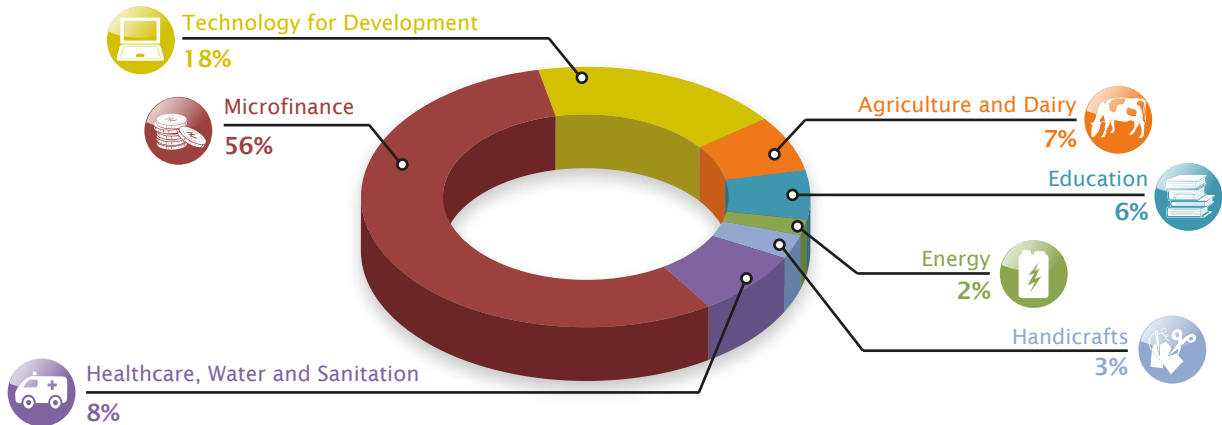
Investment Summary - April 2011 to March 2012

US \$29 million Invested

Over the last decade, Aavishkaar has deployed a combined capital of USD 29 million in 32 companies across India, comprising of 7 microfinance institutions (MFIs) and 25 innovative businesses targeting rural and underserved populations, operating in Agriculture and Dairy, Healthcare, Water and Sanitation, Technology for Development, Education, Energy and Handicrafts sectors.

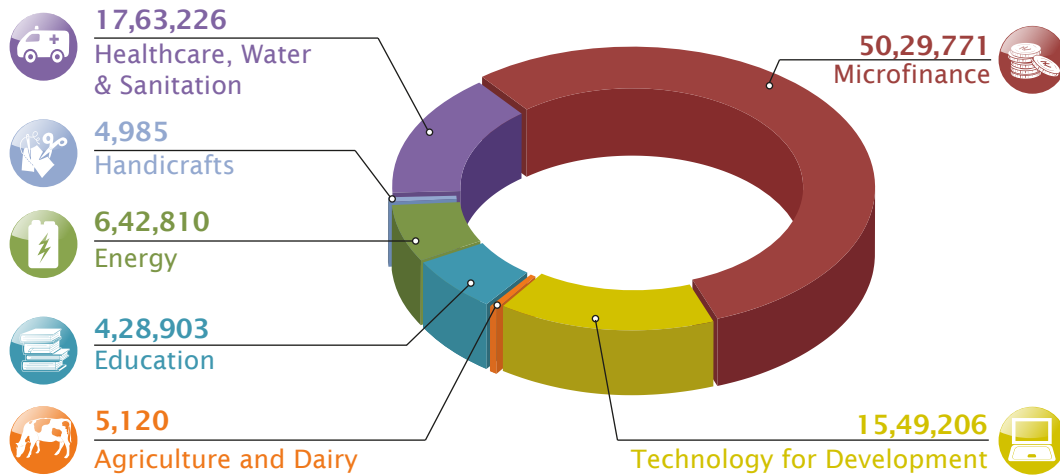


Investment by Sector



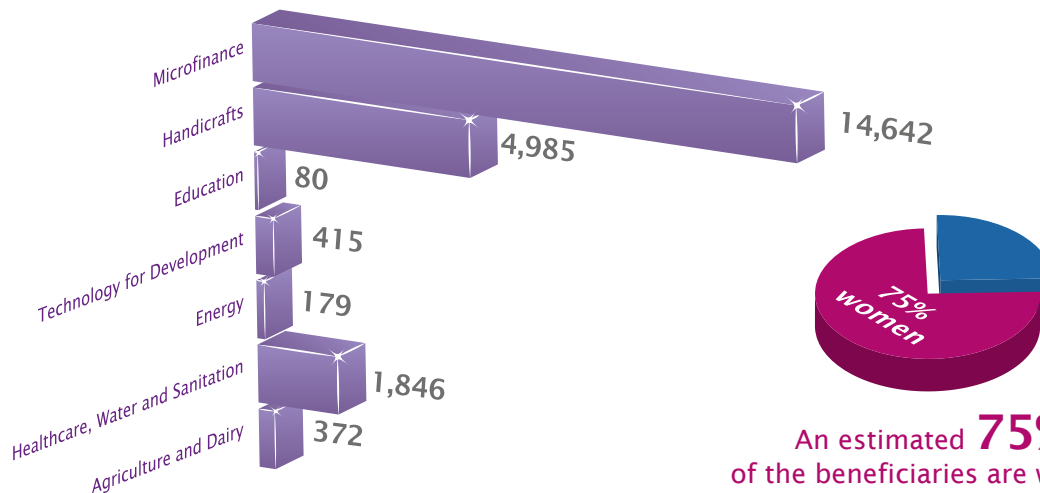
Portfolio Impact - April 2011 to March 2012

Aavishkaar's portfolio companies have directly benefited **9.4 million** people.



Employment

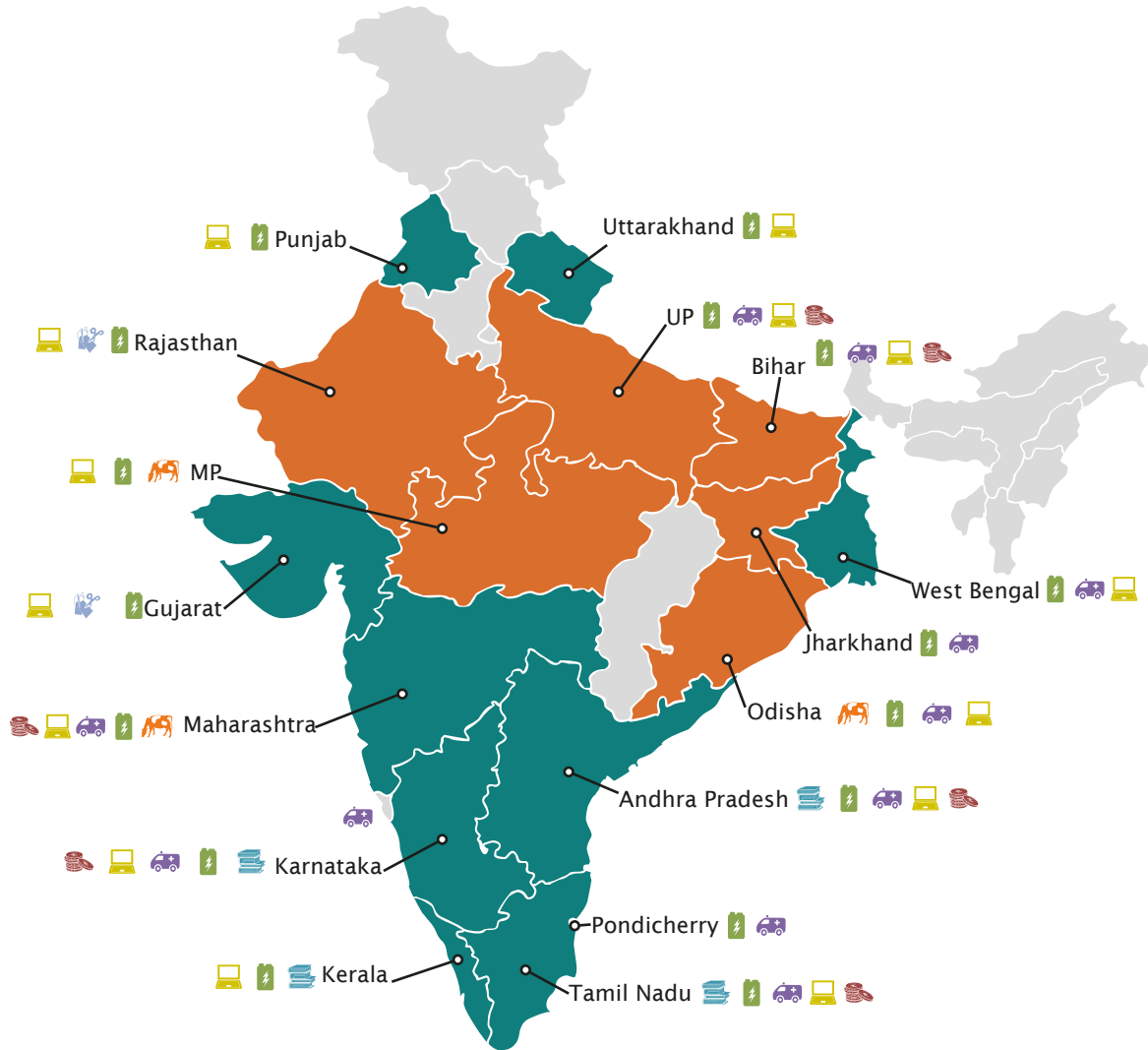
Our portfolio companies have created over **20,000** jobs.



An estimated **75%** of the beneficiaries are women.

Portfolio Companies' Area of Operations

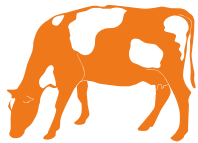
Aavishkaar's portfolio companies have operations across **16 Indian States** of which **6 are Low-Income States**.



■ Low-Income States
■ Other States



Highlights



198,000 people accessed **clean & safe sanitation** through Saraplast's Portable Toilet Cabins.



358,000 people utilised affordable and reliable **healthcare facilities** closer to their homes.

1,055,000

dairy farmers witnessed an **increase in income** from transparent & efficient milk collection processes.

1,216,000 people benefited from accessing contamination-free **potable drinking water** through Waterlife's purification systems.

578,000 women saved **cooking fuel costs** by using Servals' energy efficient stove burners.



345,000 rural residents gained **access to financial services** closer through Vortex's energy efficient ATMs.



5,030,000 people of whom **90%** were women, accessed financial services through **MFIs**.

125,625 Metric Tonnes (MT) of Carbon Dioxide emissions were reduced, equivalent to carbon sequestered by **11 square kilometres** of tree cover.



428,000 students enhanced their understanding of **Science and English** from exposure to Butterfly Fields and Karadi Path's products and training in schools.

146,000 visually & hearing impaired people were able to access websites and computer programs with the help of Net Systems' products and services.



5,200 people gained **sustainable employment** and income earning opportunities without having to migrate from rural areas.

Agriculture and Dairy

A silver milk tanker truck is the central focus of the image. The tank is cylindrical and has a white circular logo on its side that says "milk mantra" in a stylized font, with green leaf-like shapes around it. The truck has a metal ladder on the side and a metal platform at the back. The background is a clear blue sky with some light clouds.

Investment

US\$ 2.1 million in 4 companies*

Geographical coverage

Odisha, Madhya Pradesh and Maharashtra

Impact

Beneficiaries	5120
Employment	372 jobs
Economic Benefit (US\$)**	0.7 million

*Aavishkaar has exited from Naveengram Agrotechnologies; and Zameen Organics is in the process of winding up operations, hence these two companies have not been included in this report.

**Income generated for dairy farmers and agricultural labourers directly as a result of the portfolio companies' operations.



Portfolio

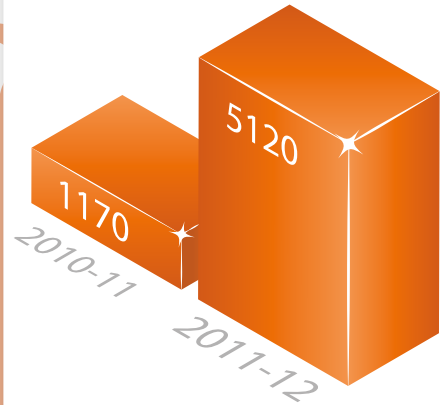
Milk Mantra

Milk Mantra is an early stage dairy company that works across the dairy supply chain – from sourcing to processing to marketing. The company is building a strong milk sourcing network in Odisha, a region with significant access to dairy but few organised players.

Inl Farms

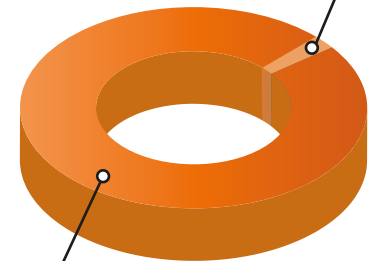
Inl Farms is developing high quality horticultural plantations for export through organised farming and supply chain management, starting with pomegranate cultivation in rural Madhya Pradesh and Maharashtra.

Beneficiaries



Inl Farms

120 agricultural labourers earn a regular income at Inl Farm's pomegranate plantations.



Milk Mantra

5000 dairy farmers witnessed an increase in income from Milk Mantra's Ethical Milk Sourcing Programme

Impact Beyond Numbers: Ethical business, improved incomes

In February 2011, Aavishkaar invested in Odisha's first medium-sized dairy company Milk Manta, that is building a quality retail milk and milk product brand in the Low-Income State, by creating an organised supply chain in a region where there are few organised players and industrialisation is virtually non-existent. Milk Manta's Promoter Sri Kumar, a first generation entrepreneur, has come a long way since Aavishkaar's invested in his vision and business plan.

Today the company is collecting and processing 12,000 litres per day through its state-of-the-art milk processing line equipped with the latest technology.

In a short span of six months, the company has already won the confidence of over 5000 dairy farmers who are registered with its *Ethical Milk Sourcing Programme*. At the very core of this programme is the belief that timely payments to the farmers at transparent and fair prices will have lasting impact on improving the incomes and lives of the dairy farmer. Furthermore, the company is conducting regular cattle health camps, training on best practices,

accessing and delivering to farmers good quality feed at subsidised rates etc. that will enable the farmer to work towards bringing significant improvements to milk production.

Kanchanabala Behera is one such dairy farmer, who has seen a 33 % increase in her income since she started supplying to Milk Mantra's Collection Point (CP).

Kanchanabala belongs to *Asijanga* village where she has been a dairy farmer for many years. She registered with Milk Mantra four months ago, before which she used to sell an average of 4 litres of milk per day to a local milkman at Rs. 12.00 per litre.

After a Milk Mantra CP was opened in her village, she started supplying 10 litres per day for which she earns between Rs 16.00 to 19.00 per litre. More than the price, **Kanchanbala** is drawn to the thrust of quality and transparency of Milk Mantra's practices and the scope for her to supply milk throughout the year. For this reason, despite subsequent offers of equivalent or even higher prices per litre from local milkmen, **Kanchanbala** remains commit-

ted to Milk Mantra. At present, she has three cows and wants to purchase more cows with the help of a cattle loan.

In addition to farmers, the Ethical Milk Sourcing Programme is also creating sustainable employment opportunities as collection agents. The company is currently working with 100 Collection Agents from local communities. In this manner, Milk Mantra's conscious capitalism model is creating a sustainable eco-system that will gradually bring about a dairy revolution in Odisha. The company has already garnered the support local communities in the State, who not only earn increased and regular incomes, but also identify with the Milk Mantra's belief and ethical business practices.



Education



Investment

US\$ 1.6 million in 2 companies

Geographical coverage

Andhra Pradesh, Karnataka, Kerala and Tamil Nadu

Impact

Beneficiaries

428,903

Employment

80 jobs



Portfolio

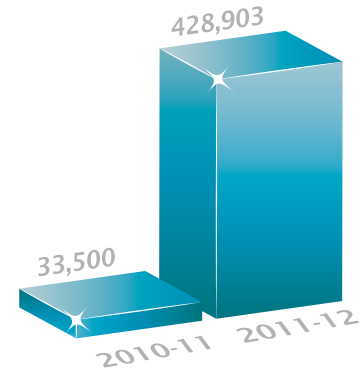
Butterfly Fields

Butterfly Fields is dedicated to making education enjoyable, particularly in government schools and private schools catering to children from economically weaker sections. The company has designed a range of innovative and low-cost products, activities and experiences that can transform the way Science and Mathematics is taught in schools.

Karadi Path Education Company

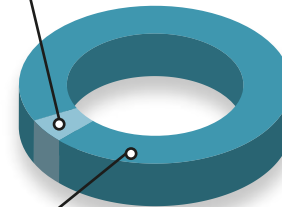
Karadi Path Education Company has developed an alternate pedagogy for teaching English in schools that innovatively combines music, actions and stories, to impart the English language in the same manner that one learns the mother tongue.

Beneficiaries



Karadi Path

22,000 students and 580 teachers accessed KP to improve their English language skills



Butterfly Fields

402,700 students and 3623 teachers accessed Butterfly Fields products to improve their understanding of Science and Math concepts.

Impact Beyond Numbers: English made easy with Karadi Path

India has a large number of government and English medium private schools in rural and semi-urban areas catering to children from non-English-speaking backgrounds. In Tamil Nadu alone, there are around 13,000 English medium private schools of which less than 1000 schools have the competence to use English as an effective medium of teaching. There is also a huge aspiration to learn English, particularly among poor and rural households, as it is seen as an avenue to greater opportunities.

Sri Parasakthi Vidyalaya is a small private school in *Courtallam*, a panchayat town in the *Tirunelveli district*, of Tamil Nadu. Most of the students come from rural areas and their parents are uneducated. Upon the advice of a former principal, the school adopted the Karadi Path Magic English programme in 2009, to improve English speaking skills of the students of class 2, 3 and 4. As part of the programme, 20 teachers have been trained and 1120 children have participated till date. The principal **Mr. P Velusamy** believes that the programme has significantly improved the spoken, reading abilities and



pronunciation of the students.

"Karadi Path creates an atmosphere of fun, encourages creativity and helps us build an environment where students are motivated to improve their English language skills."

He adds.

In the words of one of the teachers

"Since we introduced Karadi Path's product, children have started enjoying English class as well as the English Language. I am very happy that see that every child now takes the initiative to speak in English. Feedback from the parents has also been very positive. The programme has vastly improved the children's vocabulary and they now converse with their friends in English."

The Karadi Path methodology has evolved over 12 years of extensive research and operates on the belief that language learning is an intuitive process. The

programme uses age-appropriate and level-appropriate audiobooks that creatively combine music, theatre and stories to impart English in the manner that children would learn their native language. Since inception in 2009, Karadi Path has successfully brought its pedagogy to more than 360 tribal, government and private schools across Tamil Nadu, Maharashtra, Goa, Andhra Pradesh and Chhattisgarh through which over 46,000 school children and 1100 teachers have benefited.

Aavishkaar invested in Karadi path in March 2012. With this investment, the company aims to bring its product to thousands of rural and semi-urban schools and thereby make English learning easy, entertaining and effective.





Energy

Investment

US\$ 0.7 million in 3 companies*

Geographical coverage

PAN India

Impact

Beneficiaries	642,810
Employment	179 jobs
Economic Benefit (US\$)**	32.4 million
Environment	115,317 MT of CO ₂ emission reduced

* Aavishkaar has exited from Tide Technocrats, hence it has not been included in this report

** Pertains to the sum of cost savings accruing to women using Servals' burners, income earned by employees at Servals' production centres and income earned by agricultural labourers on VVPL's plantations



Portfolio

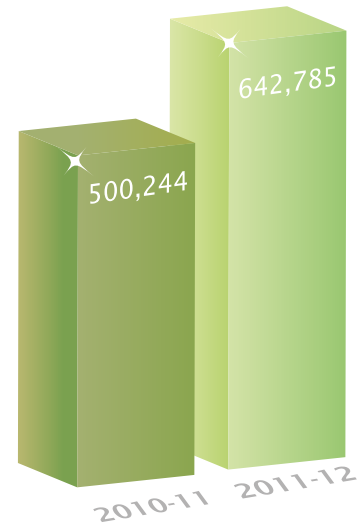
Servals Automation

Servals Automation offers affordable and energy efficient cooking solutions for the masses. Its flagship products include a stove burner that saves up to 30% kerosene, an 'any-fuel' biomass stove and a vegetable oil stove.

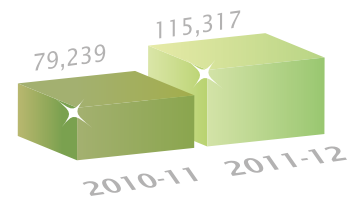
Vana Vidyut Private Limited

Vana Vidyut Private Limited (VVPL) is going to establish India's first grid-connected biomass power plant with biomass feedstock from regenerative forest plantations

Beneficiaries

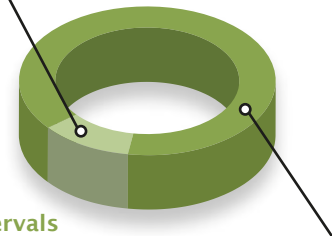


CO2 Emission Reductions (MT)



VVPL

13,500 MT of carbon sequestered from VVPL's 300 acres of plantations



Servals

101,817 MT of CO2 emissions were reduced from Servals energy efficient kerosene burners

Healthcare, Water and Sanitation

A photograph of a hospital ward with several beds, white curtains, and medical equipment. The lighting is bright, and the overall atmosphere is clinical.

Investment

US\$ 2.3 million in 5 companies*

Geographical coverage

Andhra Pradesh, Bihar, Goa, Jharkhand, Karnataka, Maharashtra, Odisha, Pondicherry and Uttar Pradesh
Cities covered: Banagalore, Chennai, Cochin, Mumbai, Pune and New Delhi

Impact

Beneficiaries	1,763,226
Employment	1,846 jobs
Economic Benefit (US\$)	5.2 million

*Swas healthcares' performance has not met expectations, hence this company has not been included in the report.

A group of healthcare workers, including doctors and nurses, wearing white lab coats and stethoscopes. They are smiling and looking towards the camera. The background is slightly blurred, showing a hospital setting.



Portfolio

Vaatsalya

Vaatsalya offers good quality affordable healthcare underserved populations through a chain of semi urban and rural hospitals in the Southern States of Andhra Pradesh and Karnataka.

GV Meditech

GV Meditech is a Varanasi based healthcare company that runs a chain of secondary hospitals, offering high-quality and affordable medical, diagnostic and pharmaceutical services patients across Uttar Pradesh.

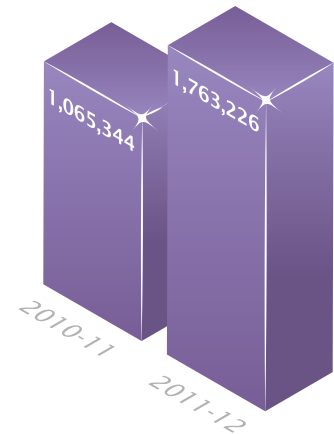
Saraplast

Saraplast is the fastest growing portable toilet leasing company in the country that tackles one of the biggest challenges in India – access to hygienic sanitation. The company provides portable sanitation facilities along with cleaning, evacuation and waste disposal services.

Waterlife

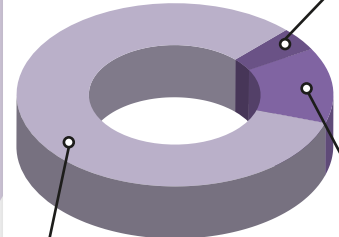
Waterlife provides rural and underserved communities with potable drinking water solutions by setting up village-level water purification plants suited to local needs.

Beneficiaries



Saraplast

11% people accessed clean and safe sanitation.



GV Meditech & Vaatsalya

20% accessed affordable healthcare.

Waterlife

69% accessed clean drinking water.

Handicrafts



Investment

US\$ 0.8 million in 5 companies*

Geographical coverage

Gujarat and Rajasthan

Impact

Beneficiaries	4,985
Ownership*	4,965 artisan shareholders
Economic Benefit (US\$)	2.8 million

* Aavishkaar has exited from DAH Faridabad, Craftsbridge and Rangсутra, hence these companies have not been featured in this report.

** Number of artisans who own shares in the company

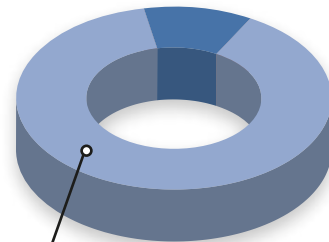
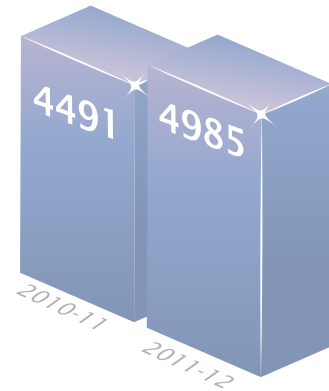


Portfolio

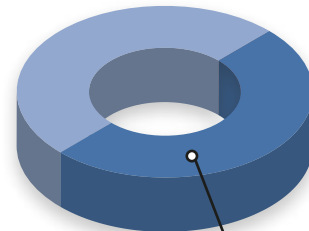
Desert Artisans and Handicrafts (DAH), Bhuj and Jaipur

Desert Artisans Handicrafts Pvt. Ltd. (DAH) are community-owned companies engaged in the production of handicrafts primarily for supply to the major retail chain Fabindia. The companies operate on an innovative business model that allows for artisan suppliers to also be part-owners .

Artisans



80%
artisans of DAH companies are also part-owners of the companies



50%
Female Artisans



Technology for Development

Investment

US\$ 5.3 million in 6 companies*

Geographical coverage

Gujarat, Karnataka, Madhya Pradesh, Odisha, Punjab, Tamil Nadu, Delhi, Andhra Pradesh, Kerala, West Bengal, Uttar Pradesh, Maharashtra, Bihar, Rajasthan and Uttarakhand

Impact

Beneficiaries

1,549,206

Employment

415 jobs

* Aavishkaar has exited from CK Technologies, hence this company has not been included in the report.



Portfolio

Mera Doctor

Mera Doctor brings reliable healthcare advice over the telephone at an affordable price. For a small monthly fee, MeraDoctor offers unlimited consultations with MBBS doctors by phone, to families across Hindi belt states.

Vortex Engineering

Vortex Engineering developed the world's only low-cost, low-power and solar powered ATMs that are ideally suited for rugged, remote and rural conditions.

Net Systems

Net Systems is a leading Accessibility Consulting and Knowledge Management firm based in Mumbai, India that offers web and technology solutions to enable computer accessibility by people with disabilities.

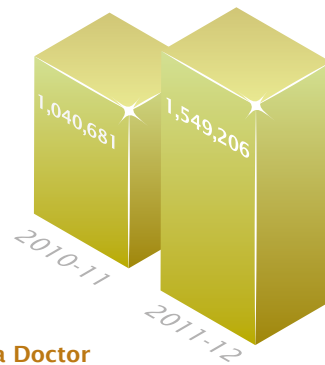
SKEPL

Shree Kamdhenu Electronics Private Limited (SKEPL) pioneered the automation of manual milk collection process in that dominated milk cooperatives societies, thereby eliminating several inefficiencies that plagued the milk collection process and bringing increased returns to dairy farmers.

B2R

B2R (Business to Rural) is a rural BPO business based in the Northern State of Uttarakhand. The company envisages setting up clusters of rural BPO service delivery centres in a hub-and-spoke arrangement to provide business support services to clients.

Beneficiaries



Mera Doctor

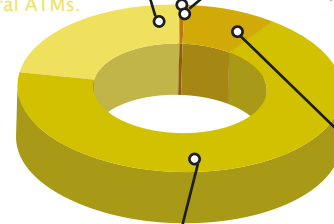
8623 people gained access to healthcare through the mobile phone.

Vortex

344,925 people accessed to financial services through rural ATMs.

B2R

158 youth gained sustainable rural employment.



SKEPL

10,50,000 dairy farmers witnessed increased incomes.

Nsyst

145,500 people with disability gained access to computers/web.

Impact Beyond Numbers: Sustainable Jobs for the Rural Youth



Aavishkaar invested in B2R (Business to Rural) Technologies in early 2010, a Business Process Outsourcing (BPO) company established in remote villages of Uttarakhand. The primary objective of the promoters was to build a company that would generate employment for educated youth in rural India. B2R aims to leverage the potential of rural society in a manner that creates sustainable, professional and commercial capacity and in a way that does not destroy the rural social fabric.

Since setting up its first centre in September 2009, B2R has come a long way in establishing a commercially sustainable and professional enterprise. The Company currently has five operational centres in this region, employing around 200 youth from the villages. **Meera Bhisht** is one such employee, for whom B2R created an opportunity to earn a stable income by doing something she enjoyed. Separated

from her husband, **Meera** looked towards B2R in 2009 for sustainable employment at a place close to her home and family. Never having worked on a computer before, she was lured by the profile of the job since it allowed her an opportunity to learn a new skill. Today, with the income she earns at B2R, **Meera** is able to financially support her mother, a seven year old son and two younger siblings. Additionally, by providing her opportunities to acquire essential skills like knowledge of computers and English, B2R has created an environment which is constructive and congenial for her professional development.

In addition to providing employment to the local population, B2R's brand has also managed to attract back some of the youth who had migrated to the cities in search of jobs. **Rajendra Singh Gowd** is one such example, who moved back to Uttarakhand after having worked in varied small jobs for four years in Gurgaon and Maharashtra. He joined B2R because it gave him an opportunity to earn the same income in his hometown, as he did in previous jobs, thus allowing him a better lifestyle and savings. Moreover, B2R gave him the opportunity to

work in a profile and an office environment which, due to his educational background, he could not find in the cities. He nurtures an ambition to gradually increase his knowledge-base while working at B2R and to move into a leadership role at the firm over the next few years.

In this manner, B2R is not only reversing urban migration trends by creating rural job opportunities for the youth in Uttarakhand, but also empowering women folk in these regions by providing a dignified source of stable income, which was not available to them earlier.



Microfinance

A woman with a bindi on her forehead, wearing a white and red polka-dot saree, is holding a yellow membership card. She is standing in a shop with blue shelves stocked with various goods like Tide detergent, bottles of oil, and other household items. The background shows more shelves and products, suggesting a small-scale retail or distribution point.

Investment

US\$ 16.2 million in 7 companies

Geographical coverage

Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra,
Uttar Pradesh and Bihar

Impact

Beneficiaries

5,029,771

Employment

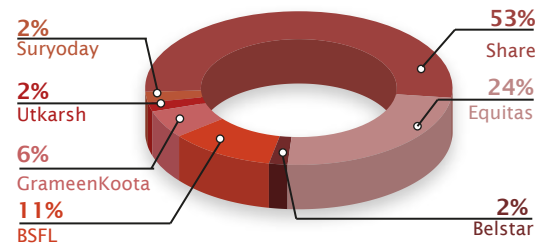
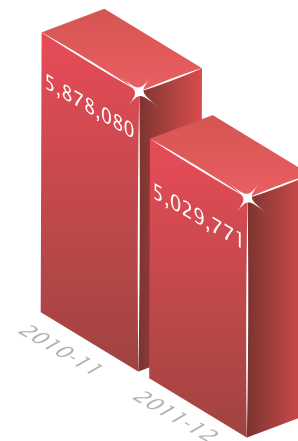
14,642 jobs



Portfolio

In 2011-12, the microfinance companies' client outreach in 2011-12 saw a 14% drop from the previous year from 5.8 million to 5 million clients. This was primarily owing to the post-crisis difficulties faced by the microfinance sector, wherein portfolio companies (SHARE and Basix in particular) had a large portion of their portfolio in Andhra Pradesh that remained non-performing.

Microfinance Clients



Share Microfin

Share Microfin Ltd. (SML) is a regulated Non-Banking Financial Company (NBFC) providing financial and support services to the marginalised sections in society, particularly to women from economically weaker sections.

Basix

Bhartiya Samruddhi Finance Ltd (BSFL) is a part of the Hyderabad based BASIX group. Its strategy is to promote a large number of sustainable livelihoods, the combination of financial inclusion services, agricultural and business development services and institutional development services.

Equitas

Equitas is a Chennai-based MFI that extends micro credit to people who are otherwise unable to access finance from mainstream banking channels. It commenced business in December 2007 with the objective to make finance available at a reasonable cost and in a transparent manner to women who are engaged in micro enterprise activities.

Grameen Koota

Grameen Koota is a Karnataka based Non-Banking Financial Company that provides small loans to women via Joint Liability Groups to start income generating activities. Launched in 1999 as an NGO, Grameen Financial Services adapted the Grameen Bank's group lending methodology of microfinance to the Indian setting and launched Grameen Koota.

Utkarsh Microfinance Pvt. Ltd.

Utkarsh Microfinance Pvt. Ltd. is a new entrant in the microfinance sector based in Varanasi, Uttar Pradesh - India's most populous state. The company aims to provide access to finance in this grossly under-served and challenging region where microfinance penetration is less than 4%.

Suryoday

Suryoday Micro Finance Pvt Ltd (SMF) is a young MFI that commenced its micro-credit operations in Pune, Maharashtra in May 2009. It is engaged in providing loans to women from economically weaker sections who do not have access to traditional banking.

Belstar

Belstar Investment and Finance Private Limited is the microfinance delivery arm of the Hand in Hand (HIH) group, a public charitable trust focused on livelihood promotion. HIH acquired Belstar in 2008 to run its for-profit microfinance operations, which were started in 2004.

Impact Beyond Numbers: Timely Access to Finance

Aavishkaar's investment in Utkarsh truly reflects the philosophy of backing unconventional ventures at the most crucial stage of their inception. Aavishkaar invested in Utkarsh at the very outset of the company's operations in December 2009, along with a co-investment from the International Finance Corporation (IFC). Recognising the potential of a huge untapped market in the North at a time when microfinance was flourishing in the South, Aavishkaar encouraged Utkarsh to set up operations in the most populous Northern Indian State of Uttar Pradesh. Today, Utkarsh is amongst the fastest growing and successful MFIs in the region, with a network of 76 branches across 18 districts in Uttar Pradesh and Bihar reaching out to a clientele of over 125,000 people.

Once such client who has been able to turn her life around with timely access to finance, is **Shanti Devi** who comes from *Jaunpur*, one of the poorest districts of Uttar Pradesh. Her financial struggle resonates with that of many poor households in eastern Uttar Pradesh. The sudden illness of her husband and daughter-in-law



put the family under acute financial stress. The only source of income for the family was a small ration shop managed by **Shanti** herself which gradually began to sink into debt, following the spate of medical expenses that she had to incur. She was forced to borrow from family members and money lenders to meet family expenses.

One year ago, **Shanti** was introduced to Utkarsh by her neighbour Rita, an Utkarsh client. Although initially hesitant, she joined a Self Help Group and availed a loan of Rs. 6,000 (US\$ 120) to revive her ration business and to start selling cosmetics and beauty accessories. As her business started picking up, **Shanti** managed to repay her first loan and took a second loan of Rs. 12,000 (US\$ 240) to expand her business. The two loans from Utkarsh turned around her financial situation. With the increased income from her new business, she was

not only able to repay her old debts, but also afford better treatment for her husband and daughter-in-law, who has recovered completely, and now assists **Shanti** in running her business. **Shanti** has become a role model for other members of her group. She is now hoping to avail a third loan to engage her son in further growing her business.

When asked about Utkarsh, **Shanti** exclaims *"It is an organisation that I trust as it helped me regain my dignity, without ever invading my privacy."*

Aavishkaar made a follow-on investment in Utkarsh in June 2011, which will enable the company to expand further to serve low-income populations in Uttarkhand and Madhya Pradesh.



Definition of terms

The following terms have been used repetitively in the report. For clarity and consistency in interpretation of these terms, a brief note on each is them in provided below:

Low-Income/Economically Weaker Sections

Individuals earning an income of less than INR 120,000 (US\$ 2700)* per annum have been classified as low-income.

Essential needs

A large proportion of the Indian population still does not have access to the essential needs required for a dignified living such as food, nutrition, housing, safe drinking water, sanitation, education, healthcare, decent employment and a sustainable livelihood. Our mandate is to reach out to these underserved communities who do not have access to one or more 'essential needs' by fulfilling four 'A's through our investments, namely Awareness, Access, Affordability and Availability, and thereby bridging the gap between the haves and the have-nots.

Beneficiary and Customer

Operating models of our portfolio companies vary significantly. In some cases, products and services are delivered directly to the consumer. In other cases, consumers are reached through intermediaries who range from NGOs and SHGs to the government, local retailers and other companies. Given this scenario, we have considered the beneficiary to be the end user or the person who is deemed to benefit from the product, service or company's operations. People who gain employment or income generating opportunities as a result of the company's operations are also regarded as beneficiaries.

Economic Benefit

This has been calculated based on the cost saving and/or increase in income accruing to the target population as a direct result of the operations of the investee company.

*Based on the guidelines issued by the Reserve Bank of India for Microfinance Institutions in May 2011

Contact Us

Aavishkaar Venture Management Services

516, 5th Floor, Palm Spring, Besides D-Mart, Link Road, Malad (W), Mumbai – 400 064
Telephone: +91 22 42005757 | Fax: +91 22 42005777

Chennai

Century Plaza, 2C, 560-562, Anna Salai, Teynampet, Chennai 600 018, India
Telephone: +91 44 4354 6937

info@aavishkaar.org | funds@aavishkaar.org | www.aavishkaar.org