Impact Thesis

Adiuvo: a patient from a nearby village is being treated at a hospital in Pune
To know more: Please click

Iron Kettle: a tea worker near Moran Village, Assam
To know more: Please click

I Dream Career: Students from Jharkhand receiving career guidance
To know more: Please click

Chrysalis: Teacher interacting with students
To know more: Please click

Summary of **our Impact Thesis**

Menterra Social Impact Fund is a venture capital fund that addresses the biggest issues facing agriculture, healthcare, and education in India through private investments that target commercial returns and big sectoral impact. Our impact thesis seeks to (1) align our investments to the UN Sustainable Development Goals (2) serve the underserved, low-income, aspirer households with annual incomes ranging from Rs 1.5-8 lakhs per annum (3) align to the 2X gender challenge that aims to strengthen women entrepreneurship, leadership, workforce diversity and create more products/services intentionally for women & girls (4) aspire to create greater impact in underserved geographies across India.

Menterra's investments are primarily in 3 sectors - Agriculture, Health & Education. The impact objectives in each are outlined below:

Agriculture provides sustenance to the largest percentage of India's low-income households. Menterra's investments will be focused on improving the efficiency of this production system, addressing the inherent dis-economies of scale, poorer access to quality resources, markets, credit and the disproportionately severe impact of climate change on smallholder farmers.

Access to good healthcare improves the quality of life and helps the underprivileged avoid the vicious debt and poverty cycle. Menterra's investments will be focused on increasing access to affordable healthcare and improving health outcomes for underserved communities while addressing the changing disease burden and emerging global health priorities.

Access to high-quality education can have a transformative impact on the underprivileged. Menterra's investments will be focused on delivering affordable education that creates a level playing field for the underserved through improved learning outcomes and better linkage to skills required for jobs in a rapidly changing economy.

What to Impact?

Menterra's change agenda in Fund 1, was focused on:

1. Improving farming outcomes by increasing farm incomes, increasing farm productivity, alleviating stress from climate change, and improving access to technology, market and credit for small farmers. In Fund 1, AIBono and FarmFolks are examples of investees where small farmers have been provided market access while improving their productivity.

2. Improving healthcare outcomes through better access to affordable, high-quality and advanced healthcare for the underserved population with a focus on targeted screening, prevention and effective treatment; In Fund 1 our investments in Bio-sense, Adiuvo & Omix contributed to significant outcomes.

3. Improving learning outcomes at "grade level" in core subjects, to create a level playing field for the underserved, better-equipping students for jobs in a rapidly changing economy. In Fund 1, our investments that contributed to learning outcomes were through Chrysalis, MathBuddy & Stones to Milestones.

While Fund 1 did focus on specific outcomes in select core sectors as listed above, in Fund 2, we will attempt to align with specific Global SDG targets to be achieved by 2030. The world is falling well short of raising the USD 5-7 trillion in annual investment needed to achieve the UN's 17 different SDGs. As

an impact investor in India, we believe our investments will address this gap, while directly contributing to realize these SDG targets. The table below indicates the performance of various states in India on the SDGs and highlights the SDGs where we are falling short:

States/UTs	SDG 1	SDG 2	SDG 3	SDG 4	SDG 5	SDG 6	SDG 7	SDG 8	SDG 9	SDG 10	SDG 11	SDG 12	SDG 13	SDG 15	SDG 16	Composite SDG
								Index Score								
Andhra Pradesh	69	35	76	52	37	96	86	78	66	68	36	57	70	86	86	67
Arunachal Pradesh	34	66	50	58	33	88	74	52	31	38	43	67	31	71	62	53
Assam	48	39	44	44	33	78	70	62	46	67	40	68	47	90	52	55
Bihar	33	26	44	19	40	81	62	64	47	74	50	47	43	54	64	50
Chhattisgarh	49	27	52	52	43	92	56	67	38	60	49	58	29	97	71	56
Goa	53	76	60	71	46	77	95	71	45	19	79	63	41	99	79	65
Gujarat	47	39	67	47	36	92	75	75	88	59	77	33	63	77	86	64
Haryana	47	43	65	68	36	81	77	71	73	54	49	39	34	40	76	57
Himachal Pradesh	60	44	67	81	52	82	64	76	70	78	79	52	61	92	84	69
Jharkhand	28	22	55	42	34	78	50	70	70	64	57	36	27	99	67	53
Karnataka	49	37	72	67	42	88	86	78	40	70	48	72	71	89	75	66
Kerala	64	74	82	74	51	77	70	61	88	75	51	57	56	98	77	70
Madhya Pradesh	40	24	50	54	45	92	62	67	44	68	55	58	47	94	63	58
Maharashtra	47	34	76	65	41	93	82	70	59	70	45	71	50	85	72	64
Manipur	42	69	62	70	34	87	72	27	43	81	28	85	37	100	70	60
Meghalaya	68	35	53	55	34	70	52	65	22	76	22	60	36	99	59	54
Mizoram	67	75	52	61	37	81	81	42	8	66	33	50	45	75	63	56
Nagaland	56	70	29	47	42	75	70	28	23	61	23	100	51	94	84	57
Odisha	47	34	61	40	35	85	50	59	72	69	51	44	69	99	61	58
Punjab	48	61	71	67	46	74	89	65	69	50	61	35	57	59	83	62
Rajasthan	56	35	58	51	39	76	61	65	38	70	61	30	60	75	76	57
Sikkim	65	66	59	58	49	79	97	68	27	64	74	60	38	100	69	65
Tamil Nadu	72	48	76	70	40	90	90	74	53	65	51	63	45	91	78	67
Telangana	52	36	66	64	26	84	93	82	61	94	62	58	66	88	77	67
Tripura	70	49	61	55	32	69	56	63	48	45	31	92	37	88	73	58
Uttar Pradesh	40	31	34	48	41	94	63	64	63	46	56	62	48	62	69	55
Uttarakhand	64	45	58	66	38	90	78	73	55	59	51	50	59	95	85	64
West Bengal	52	40	70	50	38	83	58	72	68	73	34	57	37	88	73	60
A and N Islands	48	38	65	61	48	85	73	55	13	94	47	69	72	85	65	61
Chandigarh	48	73	54	80	47	100	84	64	74	33	83	77	54	93	89	70
D and N Haveli	33	45	57	53	44	91	80	63	100	57	41	65	41	100	80	63
Daman & Diu	58	12	50	43	39	96	81	54	100	80	54	41	46	89	76	61
Delhi	54	56	54	64	27	61	96	60	100	69	63	39	30	82	64	61
Jammu & Kashmir	58	55	62	54	53	85	76	46	49	47	33	61	59	74	69	59
Lakshadweep	56	57	58	62	37	69	43	43	0	93	Null	75	100	100	82	63
Puducherry	56	71	71	67	35	86	97	58	86	92	53	43	39	37	94	66
India	50	35	61	58	42	88	70	64	65	64	53	55	60	66	72	60
Target	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

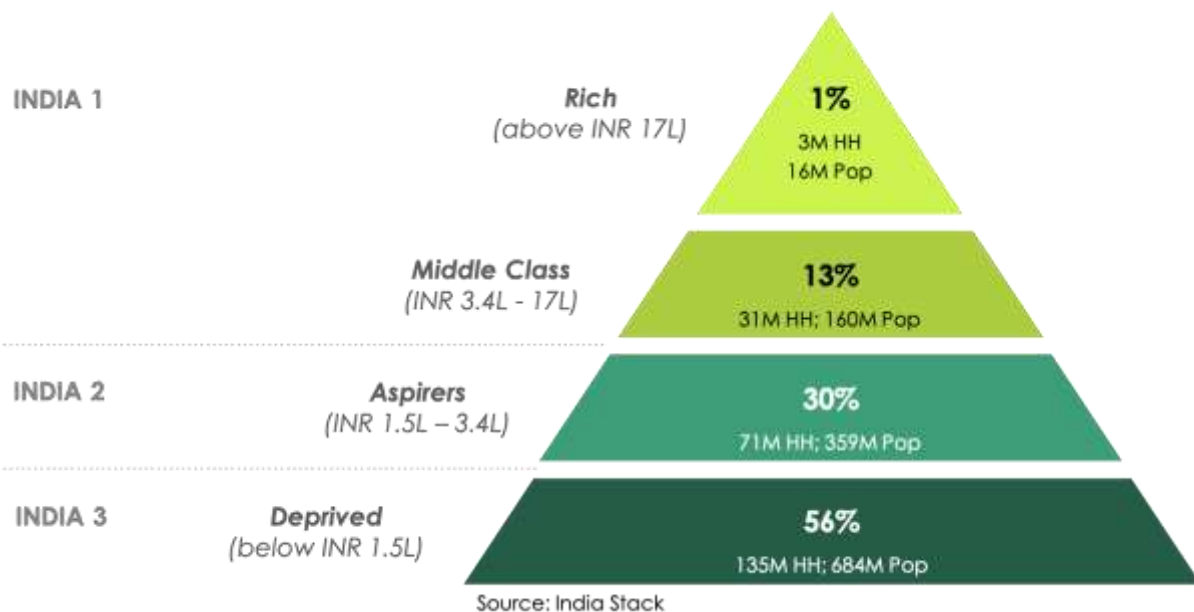● Aspirant (0-49)   ● Performer (50-64)   ● Front Runner (65-99)   ● Achiever (100)

Based on this, Menterra will focus on the below highlighted SDGs. Of these, the primary focus will be on 1,2,3 & 4.

Who to impact?

At Menterra Fund 1, we have defined Base of the Pyramid as follows: Farmers who own sub-5acre farms, individuals tested or screened for disease conditions in government & charitable hospitals, students enrolled in schools with an annual fee of less than Rs 18,000 per annum, youth from low-income families with a household income of less than Rs 15,000 per month.

In Fund 2, the overarching definition for the targeted population of the underserved and poor will be guided by economic and income levels. Our goal is to impact the underserved and vulnerable in income brackets ranging from 1.5 lakhs to 8 lakhs per annum. We see 4 levels of population - the rich, middle class, aspirers and the deprived. Based on our experience and learnings, we believe that market-based, impact investment models that are seeking competitive financial returns, thrive when they focus on the "aspirers" and the lower middle class.

INDIA 1	Rich (above INR 17L)	1%	3M HH 16M Pop
	Middle Class (INR 3.4L - 17L)	13%	31M HH; 160M Pop
INDIA 2	Aspirers (INR 1.5L – 3.4L)	30%	71M HH; 359M Pop
INDIA 3	Deprived (below INR 1.5L)	56%	135M HH; 684M Pop

Source: India Stack

The "aspirer" segment is around 30% of the total population, counting to 359m lives and 71m households. At the same time, we are also interested in the lower middle class segment. The constitution (103rd Amendment) Act, 2019, the Act providing 10 percent reservation in government jobs and educational institutions to Economically Weaker Sections (EWS) of General Category, came into effect on January 14, 2019. Rs 8 lakhs per annum is the amended HH income level to qualify for reservation. This target group is vulnerable but may be not as poor as aspirers. It is this vulnerability that has led to the government offering them reservations. An adverse health event pulls them back to indebtedness and pulls them into the deprived category. While we need to move people up the economic ladder, we also feel it is important to ensure that those vulnerable don't fall down the ladder. This is an important reason why Menterra plans to focus on the lower middle class segment.

Where to Impact?

In Fund 1, 27 states across India were served by Menterra investees. 5/12 of the portfolio covered more than half of the total states in India, demonstrating high levels of geographical diversity and reach. Most of the companies were located in the south. 6/12 companies served 10 states across India whose total SDG score was between 50-60. Though NITI Aayog classifies these states as performer states (https://niti.gov.in/sites/default/files/2019-12/SDG-India-Index-2.0_27-Dec.pdf), we classify them as low performers, compared to other performer states. Our understanding is that inequality is highest between these states and the rest of India. Also, 49.7% of the impact footprint in Fund 1 was in rural areas. In Fund 2, we will continue to reduce the India-Bharat divide by investing in companies that focus on the urban poor, create prosperity in rural areas, while also encouraging them to serve specific low-performer states.

Gender Impact

More women than men live in poverty, especially during their peak childbearing years. Food insecurity affects more women than men. Unequal power relations at the household level render women more vulnerable than men to food insecurity. Access to skilled birth attendance is strongly associated with wealth and urban residence. The gap is also prominent in women entrepreneurship and capital available for women. As per the WEF's Global Gender Gap Report 2018, India ranks 108th out of 149 countries. India is one of the fastest growing startup ecosystems in the world. However, only 13.76% of the total entrepreneurs, i.e., 8.05 million out of the 58.5 million entrepreneurs are women (Source-Startup India). Startups led by all-male teams were 4 times more likely to get funding as compared to women (Venture Capital Journal, 2018). To enable a gender lens in investing, Menterra will align to the 2X challenge. The "2X Challenge" calls for the G7 and other DFIs to join together to collectively mobilize $3 billion in commitments that provide women in developing country markets with improved access to leadership opportunities, quality employment, finance, enterprise support and products and services that enhance economic participation and access. The chart below shows the 2X Gender Criteria.

Menterra's portfolio of Fund 1 aligns with the 2X challenge - 7 of the 12 companies meet the 2X challenge, and 57% of the capital deployed can count to the 2X challenge. Menterra will have the following approach for Fund 2

- As part of diligence, the 2X framework will be applied. Every investee will need to meet any of the 1 criterion and hence is expected to align to the 2X challenge
- We recognize that in some cases, they might not perfectly align, but depending on the risk levels of achieving that, the investee shall have this as a condition precedent or condition subsequent in the shareholding agreements.
- Based on our assessment of what is viable to execute and within our control, Menterra will *focus* on the leadership criteria while *strengthening* employment criteria. *Focus* refers to having clear, measurable goals. *Strengthening* refers to efforts to improve gender diversity in the workforce, but guided by merit. For e.g.: ensuring a diverse pipeline, reducing bias in interviews, having gender-friendly work policies etc.
- We will continue collecting & reporting gender-disaggregated data for each investee across the 2X criteria. This will give us more information across the portfolio to study and analyze gender impacts and how we can potentially maximize them