

PATAMAR | CAPITAL

A photograph of a busy street in India. In the foreground, a woman with a bindi and a nose ring is smiling, wearing a dark patterned shawl. Behind her, another woman in a white shawl looks on. The background is filled with people, a white truck, and various shops, including one with a sign that says 'THEENDRAL RESTAURANT'.

Q4 2020 QUARTERLY REPORT

Patamar Fund II, L.P.

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LETTER FROM THE PATAMAR PARTNERS

February 2021

Dear Patamar Fund II LPs,

Sending all our best as we embark on an eventful 2021.

Since our last quarterly report, the team has been active working with portfolio companies and pursuing new investments. Our existing portfolio companies are doing well and are pursuing measured growth plans to ensure financial sustainability and clear value creation.

In the recent weeks, we also closed two new investments into (i) [MyShubhLife](#), an Indian neobank providing financial services to India's blue collar and gig economy workforce and (ii) [ModusBox](#), an open-source, real-time-payments-network (RTPN) provider and infrastructure solution that offers governments in emerging and developed markets with greater oversight over their economies, integrates unbanked populations into the formal financial system, and lowers transaction fees and cash flow burdens for small merchants. The ModusBox investment has not been publicly announced, but details on MyShubLife's recent financing round can be found [here](#). We wanted to share information on these new investments, but based on the 1Q 2021 timing of the investments, we will provide detailed information in the next quarterly report.

Some highlights from the Q4 2020 Patamar Fund II portfolio:

- [Impact Credit Solutions](#) fully launched its Credit-as-a Service (CaaS) platform with two clients – providing Indonesia's first “embedded finance” solution – and also kicked off fundraising for its USD 40m Indonesia Resilience Fund to channel SME loans to companies operating in critical sectors such as healthcare and agriculture to aid in the country's recovery from COVID. The Indonesian Resilience Fund is actively working with institutional and family office investors around the globe that have a deep interest in debt products that are helping drive the country's recovery from COVID.
- [Kim An](#) continued to grow its SME loan book by 13% year-on-year and continues to demonstrate the value of its platform in bridging the gap between Vietnam's leading financial institutions banks and small businesses. The Company is well positioned for sustainable growth in 2021 and in the coming months is preparing to raise a new round of financing to fuel expansion and meet demand from new and existing borrowers in SE Asia's best performing economy.
- [Kinara Capital](#) weathered India's economic storm and has emerged as one of the strongest SME lending companies in India. Based on the experience and skill of Kinara's management team, the Company recently closed [a USD 10m debt & equity round](#) led by IndusInd Bank and the US International Development Finance Corporation. The coming year should be significant as Kinara continues to serve its 27,000+ small business borrowers, provide much needed financing to worthy borrowers across the country, and raise a large growth financing round later in the year.

Key Market Updates

Our team remained safe and healthy during 2020, and even with nearly a decade of working as a distributed team, we learned how to work even more effectively with our portfolio companies and perform due diligence and close new investments across our key markets on a remote basis.

COVID has affected each of our key markets to different levels, with Vietnam leading the way in its response to the outbreak and its economic recovery from the pandemic. Indonesia has been hit

LETTER FROM THE PATAMAR PARTNERS

hard by COVID, but the economy has opened up and venture and PE activity has resumed to pre-COVID levels as venture capital and private equity funds are now actively deploying capital into SE Asia's largest economy since the end of July. The Philippines continues to struggle to contain the virus, and the economic toll in the country has resulted in limited deal flow and new investment opportunities. After a severe lockdown in India, the country now seems to be cautiously back on track with a fully open economy.

As the region continues to open up following the lockdowns in 2020, the mission and vision of our portfolio companies is more important than ever. To drive inclusive economic growth in a time of recovery, our portfolio companies continue to pursue their goals of (a) improving access to essential products and services and (b) providing income generating opportunities for low and middle-income communities.

Investment Strategy

To date, Patamar Fund II has invested into five companies focused on financial services. Our 2021 deal pipeline has already opened up more opportunities to diversify into other sectors in each of our key markets. We will continue to source and diligence new investment opportunities over the coming months, and anticipate coming to terms with a number of companies to maintain a solid and measured investment pace, while staying focused on valuation and pricing discipline.

We believe this is an important approach to take (a) as a significant number of venture capital funds in SE Asia reserved capital during most of 2020 and are now quickly deploying investment capital into Series A and growth-stage financing rounds and (b) significant investment capital from China, that was previously earmarked for India, has been prevented from investing into Indian companies by the Indian Government and is now being redirected into Indonesia, as the region's largest economy. We have not seen valuations increase in Vietnam or the Philippines – in the same way we have seen in Indonesia – because most SE Asian investors were (x) primarily focused on Indonesia prior to COVID and (y) travel has prevented other firms lacking on-the-ground teams in Vietnam and the Philippines (unlike Patamar's long-standing activity in those markets) from pursuing and/or getting comfortable with closing investments based solely on remote due diligence. Until the world reopens for business travel, we feel uniquely positioned to take advantage of our long-standing activity in Vietnam and the Philippines as we pursue attractive investment opportunities in each of these markets over the coming year.

Looking Forward to 2021

Although there is still significant uncertainty across the globe, we believe that 2021 is going to be a year of opportunity. The Vietnamese economy is performing well and Indonesia seems to be on its path to recovery. Our portfolio companies continue to be energized, and their management teams are resilient in facing the challenges before them and are actively pursuing opportunities with optimism, creativity, and skill.

If you have any questions or would like to engage more deeply with any of our portfolio companies as an outside mentor, please reach out at any time and do not hesitate to contact me or anyone on the Patamar team.

Sending all our best,
Beau & the Patamar Capital team

Portfolio Companies in the News



KINARA

Deal Street Asia - *India: Kinara Capital raises \$10m from IndusInd Bank*

[view article](#)



KIM AN

Tech In Asia - *50 rising startups in Southeast Asia*

[view article](#)

Tech in Asia - *Vietnam's fintech startup bags series A money from East Ventures, others*

[view article](#)

Deal Street Asia - *Asia Digest: Patamar Capital leads Kim An funding; Descartes plans Asia expansion*

[view article](#)



Kinara Capital

COUNTRY India

SECTOR Financial Services

INVESTMENT LEAD Geoff Woolley

COMPANY BACKGROUND

Kinara Capital provides loans of USD 1,400 to USD 21,000 to small and medium enterprises (SMEs) in India for working capital and asset purchases. Aiming to fill the gap between microfinance and bank financing, Kinara focuses on several industries and sub-sectors, including small scale manufacturing, rural franchises, and handicraft production.

SOCIAL IMPACT

By providing loans to SMEs, low-income entrepreneurs can expand their businesses through the purchase of additional machinery or raw materials, leading to an increase in the entrepreneur's business income. Additionally, as SMEs grow, they hire more employees from low-income communities. As a result of COVID, SMEs were hit hard and millions of migrant workers lost their jobs in the informal sector. Kinara has continued to play an impactful role in lending to creditworthy SMEs, helping stabilize the SME sector.

Q4 HIGHLIGHT

In Q4 2020, Kinara's disbursements recovered to pre-COVID levels. Following a period of drastically reduced disbursements of USD 5.3m in March – August 2020, the Company disbursed USD 19.2m in Q4 2020 after the COVID lockdown was eased.

BUSINESS UPDATE

Kinara improved its loan repayment collection rates from ~40% in Q2 2020 to ~90% by Q4 2020. The loan repayment moratorium imposed by the Reserve Bank of India (RBI) until 31 August 2020 created a temporary liquidity crunch for Kinara. However, the Company quickly overcame the challenge through effective customer engagement, negotiating repayment grace periods with its lenders, and

temporarily discontinuing new disbursements during Q2 and Q3 2020.

The Indian economy is witnessing a strong recovery with nearly all business sectors returning to pre-COVID activity levels after the long and strict lockdown.

In Q4 2020, Kinara's investors participated in an internal fundraise of USD 3.5m having been impressed with the company's performance and the management team's strategy to stabilize & grow the company amidst the COVID-19 outbreak. Kinara is confident of achieving its 5-year financial forecast set prior to the covid outbreak in India. The company believes its newly established digital lending platform could provide significant growth in addition to its existing brick and mortar lending model.

FINANCIAL PERFORMANCE

Kinara increased its gross loan portfolio from USD 108m in Q3 2020 to USD 110m in Q4 2020. Disbursements increased month over month with USD 3.7m in October, USD 6.7m in November and USD 8.75m in December. Kinara's management and board decided to ease back into lending and resume new disbursements in a gradual manner in Q3 2020 to preserve cash until the end of the loan repayment collection moratorium period that started in March 2020 and is scheduled to end in August 2020. Kinara generated an EBITDA of USD 345k in Q4 2020 and USD 1.2m from April 2020 – December 2020, which indicates that the company has managed to maintain a stable financial position during the moratorium period.

FUNDRAISING

Kinara has kicked off initial efforts to raise a growth-financing round from new investors with a target close of Q3 2021. Patamar believes that Kinara is well positioned to raise this round at an attractive valuation based on the determination and discipline displayed by management during the COVID lockdown, the faith shown by Kinara's shareholders in quickly closing an internal financing round to help the Company weather the storm, and the Company's strong performance in 2H 2020.



Kim An

COUNTRY Vietnam (HQ)

SECTOR Financial Services

INVESTMENT LEAD Shuyin Tang

COMPANY BACKGROUND

Kim An ("KA") is a technology-enabled, end-to-end service provider to banks and financial institutions, allowing them to provide collateral-free loans to micro, small & medium enterprises (MSMEs). Their customers include food stalls, vegetable sellers, clothes kiosks, household goods retailers etc. Kim An takes care of everything from origination to underwriting to collection and own the relationships with the customers. Kim An has started piloting loans for online merchants of e-commerce / social commerce platforms and other MSME aggregators. Kim An has three main products: daily loans (daily collection, average size USD ~1,000), bi-weekly loans (collection twice a week, average size USD ~1,000), and weekly loans (weekly collection, average size USD ~3,500). Kim An bridges the credit gap and builds credit history for the MSME segment at scale.

SOCIAL IMPACT

Kim An's customers are MSMEs whose businesses are the foundation for their families' livelihoods. Over 70% of Kim An's customers are MSMEs led by women, who are often excluded from formal financial services at higher rates than men. Without Kim An, the main source of credit for its customers comes from the informal lending sector where interest rates range from 200-300% per annum.

Q4 HIGHLIGHT

Kim An achieved an EBITDA break-even in December 2020 and grew its loan book by 13% year-on-year to reach USD 8.4m - a major achievement considering the macroeconomic challenges posed by COVID-19 in the first half of the year.

BUSINESS UPDATE

In Q4 2020, Kim An focused on growing its loan book in parallel with further optimizing its underlying risk metrics and operational expenses. Supported by an increase in borrowing demand in the period leading up to the Tet season (lunar new year), Kim An's total quarterly disbursements grew by >60%, reaching USD 7.7m in Q4 2020. The Company continued to strengthen its network of bank partners (for whom it originates and services loans), successfully signing contracts with two of the top finance companies in Vietnam in Q4 2020.

FINANCIAL PERFORMANCE

Kim An achieved EBITDA break-even in December 2020 by improving bad debt performance and cost optimization. In the twelve months ending December 2020, the Company recorded total revenues of USD 2.8m with an EBITDA loss of USD -1.7m.

FUNDRAISING

The successful closing of Kim An's Series A funding round in Q3 2020 helped generate significant investor and media interest in the Company. In particular, Tech In Asia selected Kim An as one of the 'Top 50 Rising Start-ups in SouthEast Asia in 2020,' which is a testament to the Company's resilience throughout COVID. In 2021, Kim An intends to approach the debt markets for the debt facilities / credit lines it needs to support the expansion of the Company's loan book and launch new product offerings for Vietnamese MSMEs.





Impact Credit Solutions (ICS)

COUNTRY Singapore (HQ), Indonesia

SECTOR Financial Services

INVESTMENT LEAD Dondi Hananto

COMPANY BACKGROUND

ICS provides banking and tech platform companies with the ability to offer loans to their micro, small, and medium enterprise (MSMEs) customers. ICS main product is a Credit-as-a-Service (CaaS) offering - sometimes referred to as an “embedded finance” solution - that enables:

- **Banks** with (i) a large balance sheet and desire to lend to MSMEs, but (ii) do not have the in-house capabilities, expertise, and customized product offerings necessary to extend and service small MSME loans, to offer loans to their existing or new business customers
- **Early-stage and growth-stage tech platforms** to offer working capital to their MSME users to ensure they have the important source of financing that is often needed in emerging markets to bring MSMEs onto tech platforms for the first time and to take advantage of the benefits of the platform

ICS goes far beyond the tech-enabled credit scoring offerings launched in the past, and provides its clients with the full suite of credit scoring, loan origination and underwriting, mobile and digital payment integration, and collections management services that makes MSME lending difficult. ICS essentially removes the burden and allows (a) banks to better serve customers with new credit products and (b) tech platforms to move more users onto their platforms and further monetize their user base by providing valuable working capital (e.g., provide small pharmacies with the inventory financing they need to buy medicines via the platform and take advantage of other business efficiency tools).

SOCIAL IMPACT

ICS provides MSMEs with (x) increased access to the types of formal credit needed to grow their businesses and (y) adopt new tech-driven business efficiency tools and market access mechanisms. Banks often find MSME customers too risky and lack the traditional data (e.g., credit bureau information) and resources (e.g., collections team) needed to intelligently lend to and collect repayments in a cost-effective manner. Tech

platforms providing MSMEs with business efficiency products or better access to markets / more customers also struggle to sign up customers for paid service offerings because such customers do not have enough money to afford the risk of paying for a product (e.g., inventory management tools, payroll management tools) or moving away from the traditional, yet informal and inefficient market mechanisms they have relied on for years (e.g., traditional agricultural middlemen); this is one of the reasons that so many tech companies also have to become “finance companies” to get users engaging with their platforms.

Q4 HIGHLIGHT

ICS' Credit-as-a-Service (CaaS) system went live with two clients, and based on the successful launch, one client converted their partnership into an annual contract starting December 2020.

BUSINESS UPDATES

By the end of 2020, ICS' portfolio consisted of 6 partners doing various types of direct lending to MSME clients. Despite economic challenges created by COVID in Indonesia, ICS did not experience any credit losses on the capital it extended to clients. Right now, ICS is in the process of raising the USD 40m Indonesia Resilience Fund that plans to partner with platforms serving and lending to MSMEs in critical sectors such as healthcare and agriculture to aid in the COVID recovery.

FINANCIAL UPDATES

ICS booked USD 85k of income for the quarter. Costs were in line with budget and expansion plans, with monthly expenses expected to ramp up to USD 415k in Q1 2021. For FY ending March 2021, ICS was on track to book USD 1.1m of total income.

FUNDRAISING

Based on the Company's current burn rate, the company plans to raise series A starting Q4 2021.