

PATAMAR | CAPITAL

RE:IMAGINING SOUTHEAST ASIA

Q1 2021 QUARTERLY REPORT

Patamar Fund II, L.P

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LETTER FROM THE PATAMAR PARTNERS

Dear Patamar Fund II LPs,

We hope you are well in a year that continues to be filled with rapid change.

As we put together our Annual Report last month, the severity of COVID seemed to be abating in most of our core geographies. Southeast Asia (SE Asia) seemed to be on a path to full re-opening, and although cross-border travel was still restricted, there was optimism that regional travel corridors may re-open. Many believed that strong nationwide responses in 2020 helped countries such as Vietnam, Indonesia, the Philippines, and India reduce the severity of the wave of COVID infections that hit more developed countries such as the US and certain European nations more acutely.

Unfortunately, the regional outlook for SE Asia has become more uncertain over the last month. Due to limited access to COVID vaccines and low vaccination rates in developing Asian countries, it has been difficult to control the spread of COVID, especially with the recent appearance of new, more contagious variants. India has been hit hard, and Indonesia, the Philippines, Singapore, and Vietnam have all experienced spikes to varying degrees. At the current time, it is unlikely that full, nationwide economic shutdowns will be imposed in any of our core markets, but governments are opting for some restrictions to allow controlled economic activity to occur while they work towards prioritizing the vaccination programs.

In spite of the continued COVID challenges in the region, our portfolio companies have been responsive to market changes, pursued sustainable growth strategies, and continued to conserve cash and raise funding appropriately. The Patamar team remains healthy and safe, and is in close contact with our portfolio companies to support them in every way we can.

Our pipeline of new investment opportunities remains strong, with the largest number of opportunities coming out of Indonesia and Vietnam. In Indonesia, we are in late-stage negotiations with two exciting companies. In Vietnam, we are increasingly being asked to lead new financing rounds based on our in-market presence and market knowledge as other regional investors have started to pull back on new investments in the country due to limited on-the-ground experience, a lack of in-market senior personnel, and an inability to meet with management teams in person.

As mentioned in our last quarterly report, we closed investments into two new portfolio companies (ModusBox and MyShubhLife) in January 2021 and are excited about the prospects of each company.

[ModusBox](#) is an open-source, real-time payments network (RTPN) provider and infrastructure solution that offers governments in emerging and developed markets greater oversight of their economies, more quickly integrates unbanked populations into the formal financial system, and lowers transaction fees and cashflow burdens for small merchants. Additionally, if central banks continue to pursue strategies and plans to issue digital currencies in the coming years, we believe that the ModusBox platform and service offering will be even better positioned to drive impact across our core SE Asian markets and other developing countries across the world.

[MyShubhLife](#) (MSL) is India's only neobank focused on providing financial services to India's blue-collar and gig economy workforce. After extensive due diligence on MSL's business model, impact focus, operational history, and team of experienced financial services professionals, we led MSL's most recent financing round alongside a number of trusted co-investors with whom we invested in the past. MSL started as an off-book digital lender in 2018, and has since obtained an NBFC license, built a robust credit risk model, and launched a complete suite of financial products on their platform (including digital gold, mutual funds, micro insurance, savings, and tax reporting) to evolve into a 'neobank.'

Similar to the performance of tech-driven companies across the world, Q1 2021 has brought an exciting period of investment activity across the region. The new generation of SE Asian unicorns are driving major liquidity events: [Grab announced its plans](#) to list on Nasdaq at a USD 40 billion valuation (the world's largest SPAC transaction to date) and [Gojek and Tokopedia officially merged](#) – at an estimated USD 18 billion valuation – to become Indonesia's largest homegrown tech company. Other Indonesian companies are rumored to be SPAC

LETTER FROM THE PATAMAR PARTNERS

targets in the coming year, and if trends continue, liquidity for investors and the pace of acquisitions and investments in early-stage and growth-stage companies will likely accelerate as large tech companies gain access to larger amounts of capital to acquire companies that can fuel growth or fend off competition.

As we continue to ***re:imagine Southeast Asia***, we believe 2021 will continue to provide powerful opportunities to help our portfolio companies create better economic opportunities and increase access to financial services, healthcare, education, and other important products and services for low- and middle-income communities working to recover from the effects of COVID. As our portfolio companies raise late-stage financing and push towards exits in the next year, the importance of our role as SE Asia's most experienced impact-driven venture capital firm will continue to grow as we help bring follow-on investors into new financing rounds and support founders (using our voice as influential board members and shareholders) to maintain and maximize the impact of their platforms all the way from "birth through exit."

Thank you for all your support and we look forward to connecting with each of you again very soon,

The Patamar Capital team

PORTFOLIO COMPANIES IN THE NEWS



ICS Launches the Indonesian Resilience Fund

[VIEW ARTICLE](#)



Kinara Capital Raises USD 10 Million

[VIEW ARTICLE](#)

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Solving the Missing Middle Problem

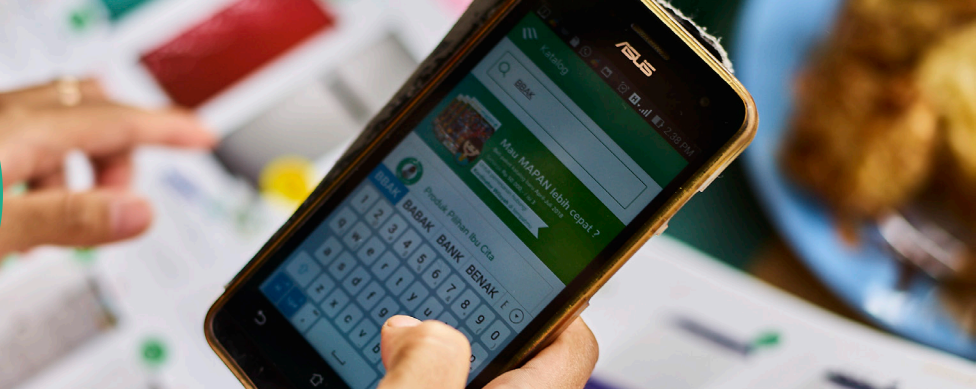
[VIEW ARTICLE](#)



MyShubhLife

MyShubhLife Gets USD 4 Million in Funding

[VIEW ARTICLE](#)



IMPACT CREDIT SOLUTIONS (ICS)

Q1 HIGHLIGHT

ICS's CaaS system went live with two clients.

COUNTRIES Singapore, Indonesia
SECTOR Financial Services
INVESTMENT LEAD Dondi Hananto

COMPANY BACKGROUND

ICS provides a Credit-as-a-Service (CaaS) platform to help banks partner with direct lenders and digital platforms to offer embedded credit to their customers/suppliers. This CaaS product makes it easier and cost-effective for the banks to directly lend to MSMEs, and provides a world-class lending capability for digital platforms that wish to provide credit financing as a value-added service for their users.

SOCIAL IMPACT

80% of businesses in Indonesia are small-to-medium enterprises (SMEs) but these small businesses receive less than 20% of bank credit. As a wholesale lender and platform credit enabler, ICS enables more credit to flow through the value chains that many SMEs operate in. ICS is building the financial infrastructure to allow Indonesia's leading digital platforms to better operate their marketplaces and serve SMEs. ICS is also currently working on a COVID Resilience Fund to support businesses in sectors that are critical to Indonesia's pandemic response such as healthcare and essential goods.

BUSINESS UPDATE

The ICS portfolio consists of 6 partners engaging in various types of direct lending to MSME clients. ICS saw zero credit loss for its deployed capital despite some issues due to COVID-19. The company is raising a USD 40 million Indonesia Resilience Fund to support platforms lending to MSMEs that offer essential services in healthcare and food supply chain in the COVID-19 recovery process. ICS is in discussion with a development finance institution to issue a guarantee facility for this fund.

FINANCIAL PERFORMANCE

ICS booked USD 99,957 of revenue for the quarter against a budget of USD 99,912 and EBITDA loss of USD 618,691 against a budgeted loss of USD 776,452.5 in the quarter. The revenue for the financial year (FY) ending March 2021 was USD 1.2 million, double the revenue from the previous FY. The target for this FY is to grow revenue to USD 3.75 million, USD 1.5 million of which has already been secured through the existing contracts. Last year, the company recruited new personnel to strengthen its team. This includes a Chief Analytics Officer and a Head for Indonesia (who has been instrumental in bringing in new contacts within the first few months of joining the company).

FUNDRAISING

The company plans to raise series A funding in Q4 2021.



KIM AN GROUP

Q1 HIGHLIGHT

Kim An focused on improving its risk management, leading to significant improvements in risk metrics over the quarter.

COUNTRY Vietnam

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 MSMEs. Kim An bridges the credit gap and builds credit history for the MSME segment at scale. Their customers include food stalls, vegetable sellers, clothes kiosks, and household goods retailers. It owns the relationships with the customers and takes care of everything from origination to underwriting to collection. The company has started piloting loans for online merchants of e-commerce/social commerce platforms and other MSME aggregators. It has three main products: Daily loans (average size ~USD 1,000), bi-weekly loans (average size ~USD 1,000), and weekly loans (average size ~USD 3,500).

SOCIAL IMPACT

Kim An's customers are MSMEs whose businesses are the foundation for their families' livelihoods and 70% of these businesses are led by women. Without Kim An, the MSMEs' main source of credit would be informal lenders whose APR ranges between 200 and 300%.

BUSINESS UPDATE

This quarter, Kim An focused on enhancing its risk management practices over loan book expansion. The company tightened new customer acceptance rates and its renewal policy, and enhanced due diligence for new loan applicants. This resulted in improved risk performance across its product offerings in Q1 2021. Quarterly disbursements in Q1 2021 were USD 4 million, ~50% of Q4 2020 disbursements. It resumed lending at full speed in March, with

total monthly disbursements 57% higher than in March 2020. It began to disburse with one new finance partner (Mirae Asset Finance Company) in Q1 2021 and recorded solid loan book and risk performance. On the back of this positive traction, this new partner has agreed to reduce their deposit requirements.

FINANCIAL PERFORMANCE

In Q1 2021, the company recorded a total revenue of ~USD 700,000 against a budget of USD 730,000 for the quarter. This is 12% higher than the revenue recorded in Q1 2020. EBITDA loss for the quarter was USD 424,000 against a budget of USD 450,000. While the company's risk metrics have been improving, the company incurred higher-than-expected bad debt over 2020 leading to higher-than-expected losses. As such, the company's cash situation is quite tight with only around USD 215,000 cash remaining. This will be alleviated through the Tranche 2 (USD 1.3 million) that is currently underway.

FUNDRAISING

Kim An raised its profile among investors by winning the prestigious Vietnamese Sao Khue Award 2021 for best Fintech solution in the Business Lending Platform category. In Q1 2021, it also made progress on preparing a debt financing round in the second half of the year, shortlisting a number of professional advisors and preparing an investor list for market sounding.

KINARA CAPITAL

Q1 HIGHLIGHT

Kinara Capital successfully raised a total of USD 13.5 million debt and equity round with a 100% debt guarantee from the US International Development Finance Corporation (DFC).

COUNTRY India

SECTOR Financial Services

INVESTMENT LEAD Geoff Woolley

COMPANY BACKGROUND

Kinara Capital provides working capital loans ranging from USD 1,500 to USD 12,000 SMEs in India, filling the gap between microfinance and bank financing. Kinara Capital focuses on industries such as small-scale manufacturing, rural franchises, and handicraft production.

SOCIAL IMPACT

SMEs who take loans from Kinara Capital 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 Capital has continued to play an impactful role in lending to creditworthy SMEs, helping to stabilize the sector.

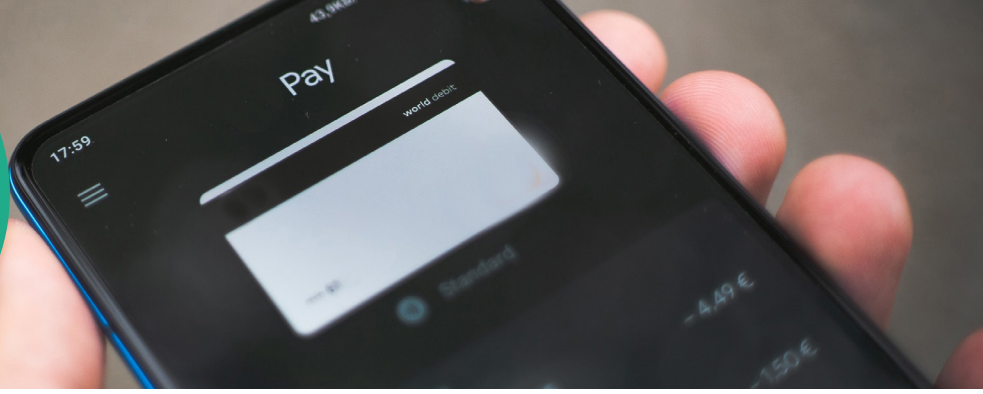
BUSINESS UPDATE

Kinara Capital raised a total of USD 13.5 million, of which USD 10 million was from IndusInd Bank, with a 100% guarantee from DFC. DFC is part of the US federal government and an emerging markets impact leader. Existing investors Gaja Capital, GAWA Capital, Michael & Susan Dell Foundation (MSDF), and Patamar Capital also participated in the round. The USD 10 million investment for onward lending to small business entrepreneurs will be disbursed over five years from IndusInd Bank's Impact Investing division with backing from DFC. This three-way partnership between Kinara Capital, IndusInd Bank, and DFC unites the organizations' shared goals to promote entrepreneurship, financial inclusion, and job creation.

Kinara Capital improved its loan repayment collection rates from 40% in Q2 2020 to 90% by Q4 2020. The company maintained its collection rates at ~90% and overdue loans at less than 5% during Q1 2021 in spite of the current outbreak of a second wave of the pandemic in India. Kinara Capital recalibrated its business model to maintain profitability and facilitate future growth, putting the company in a strong position to be able to overcome the recent COVID-19 wave. Kinara Capital reduced its overhead expenses by restructuring the organization and accelerating its planned digital strategy. The company believes that the current COVID-19 wave impacting India will peak by the end of May, which will result in mobility reducing 25-30%, before the situation recovers to normal by September. As a consequence, the company projects its forecasted loan book to decrease by 8 to 10% in Q3 2021.

FINANCIAL PERFORMANCE

Kinara Capital grew its gross loan portfolio from USD 108 million in Q3 2020 and USD 110 million in Q4 2020 to USD 129 million in Q1 2021. Disbursements grew from USD 19 million in Q4 2020 to USD 41 million in Q1 2021. The company generated EBITDA of USD 800,000 in Q1 2021 against a budgeted loss of USD 696,000. The Q4 2020 EBITDA was USD 345,000. Kinara Capital recorded revenue of USD 10.1 million in Q1 2021 compared to USD 8.1 million in Q4 2020. This was against a budget of USD 8.7 million for Q1 2021.



MODUSBOX

Q1 HIGHLIGHT

ModusBox signed a new USD 750,000 recurring contract with its largest client, the Mowali project in West Africa.

COUNTRIES Southeast Asia, Africa

SECTOR Digital Payments

INVESTMENT LEAD Geoff Woolley

COMPANY BACKGROUND

ModusBox is a payments infrastructure company, providing open source real-time payment (RTP) systems to regions and countries upgrading their legacy payments infrastructure. The company also sells software to financial institutions such as microfinance institutions and credit unions to connect to RTP networks around the globe. ModusBox's unique open source approach improves financial transparency, reduces costs for low-income populations, and gives countries more control over their payment infrastructure than incumbent providers.

SOCIAL IMPACT

Small financial institutions such as community finance institutions, credit unions, and microfinance institutions rarely have the ability to connect to interoperable payment networks due to the attached high cost and technical hurdles. This leads to 1.7 billion people being excluded from the financial system because they are currently not profitable because of hidden costs in the financial system through transaction, processing, and wire fees, and central banks having less economic oversight on their financial systems in a world of increasing digital payments. ModusBox offers two core products to address these problems and drive financial inclusion in emerging markets:

Mojaloop: Developed in conjunction with the Bill and Melinda Gates Foundation, Mojaloop is the world's leading open source RTP software. It allows countries, central banks, or hub operators to truly own their payments infrastructure.

PortX: PortX is a proprietary no-code API that allows community financial institutions to connect to payment networks.

BUSINESS UPDATE

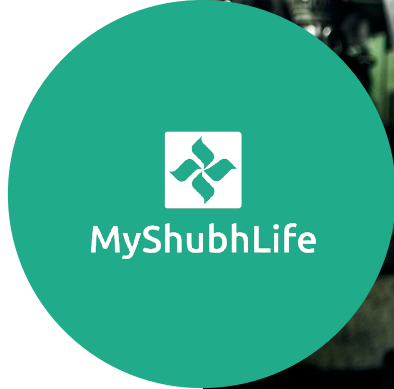
In Q1 2021, ModusBox deployed RTPs with corporate clients including telecommunications companies in West Africa and Visa in Southeast Asia. The company's largest client, the Mowali project, is a USD 10 million deployment of an interoperable network for two of West Africa's largest telecommunications companies, Orange and MTN. ModusBox launched 10 "corridors" between West Africa and Europe that allow mobile customers to instantly send money to one another across borders and carriers. It was also selected to join Visa's first SE Asia accelerator and is deploying a pilot project to connect digital payment infrastructure to Visa's legacy payment infrastructure in Southeast Asia.

FINANCIAL PERFORMANCE

ModusBox missed its Q1 revenue target of USD 3.1 million due to delayed payments from Mowali and COVID-related softening in consulting revenue. The company finished Q1 2021 with USD 2.1 million in revenue against a budget of USD 3.1 million and EBITDA loss of USD 1.1 million against a budget of USD 273,798. It was able to negotiate a new USD 750,000 annual contract with Mowali, but the timing resulted in USD 400,000 of delayed payments not booked in Q1 2021.

FUNDRAISING

ModusBox anticipates closing its Series A round of USD 7 to 10 million in Q2 2021 with participation from Patamar and other financial technology VC firms. The closing of this round will provide the company with at least two years of runway to scale in SE Asia and overcome barriers that have excluded low-income populations from the formal financial system.



MYSHUBHLIFE

Q1 HIGHLIGHT

MSL
partnered
with Paytm,
India's largest
payment
platform,
increasing
its accessible
customer
base from 2.5
million to 22.5
million.

COUNTRY India

SECTOR Financial Services

INVESTMENT LEAD Geoff Woolley

COMPANY BACKGROUND

MyShubhLife (MSL) is the only neobank focused on providing financial services to India's blue-collar and gig economy workforce with a proprietary credit risk and collection model. MSL provides a complete suite of financial products on their platform including lending, digital gold, micro-insurance, savings, and tax reporting. The digital bank race in India is just beginning, with the anticipation that the Indian government will issue digital bank licenses in the near future. MSL's vision is to become the leading "digital bank" for India's blue-collar and gig economy workforce.

SOCIAL IMPACT

The low-income population in India lacks access to formal financial services. 70% of formal credit in India goes to the top 10% of households, which forces many Indians to borrow from informal moneylenders at high interest rates. MSL's customer base earns an average of USD 250 per month and traditionally turns to loan sharks for financial assistance. Over 60% of MSL's loans are used for critical needs such as health emergencies, paying medical bills, rent, and children's education.

BUSINESS UPDATE

MSL had a clearly articulated strategy in its response to COVID-19: (a) Minimize risk and improve current portfolio quality by reducing disbursements and focusing on collections and customer communication, (b) enter new partnerships that will set up the company for exponential growth in a post-COVID-19 environment. MSL recovered 45% of its pre-COVID assets under management (AUM),

reducing its portfolio size from USD 13 million to USD 7.3 million over the last three quarters. This means that the company was able to significantly de-risk its pre-COVID loan book and improve the quality of the current portfolio. Due to this effect, 92% of MSL's current borrowers have not defaulted in the past and the company has maintained a default rate of less than 3%. It increased its accessible customer base by 10X in Q1 2021, entering partnerships with Uber, Dunzo, LetsTransport, Paytm, and Fino Payments Bank. Paytm has onboarded MSL as an "embedded finance" lending partner, providing access to over 17 million active merchant partners on its platform. MSL further strengthened its lender base by adding Ujjivan Small Finance Bank Limited and HDFC Bank to its existing lender network of RBL, Fullerton India, and DMI Finance.

FINANCIAL PERFORMANCE

MSL reduced its gross loan portfolio to USD 7.3 million in Q1 2021 compared to USD 7.7 million in Q4 2020. The company only disbursed USD 100,000 within the quarter to ensure they maintained portfolio quality, foreseeing the second wave of COVID-19 in India. It recorded a revenue of USD 260,534 in Q1 2021 against a budget of USD 259,338. The revenue in Q4 2020 was USD 239,422. The company made a net loss of USD 284,544 against a budget of USD 193,000 in Q1 2021. The Q4 2020 loss was USD 172,000.