

# PATAMAR | CAPITAL

RE:IMAGINING SOUTHEAST ASIA



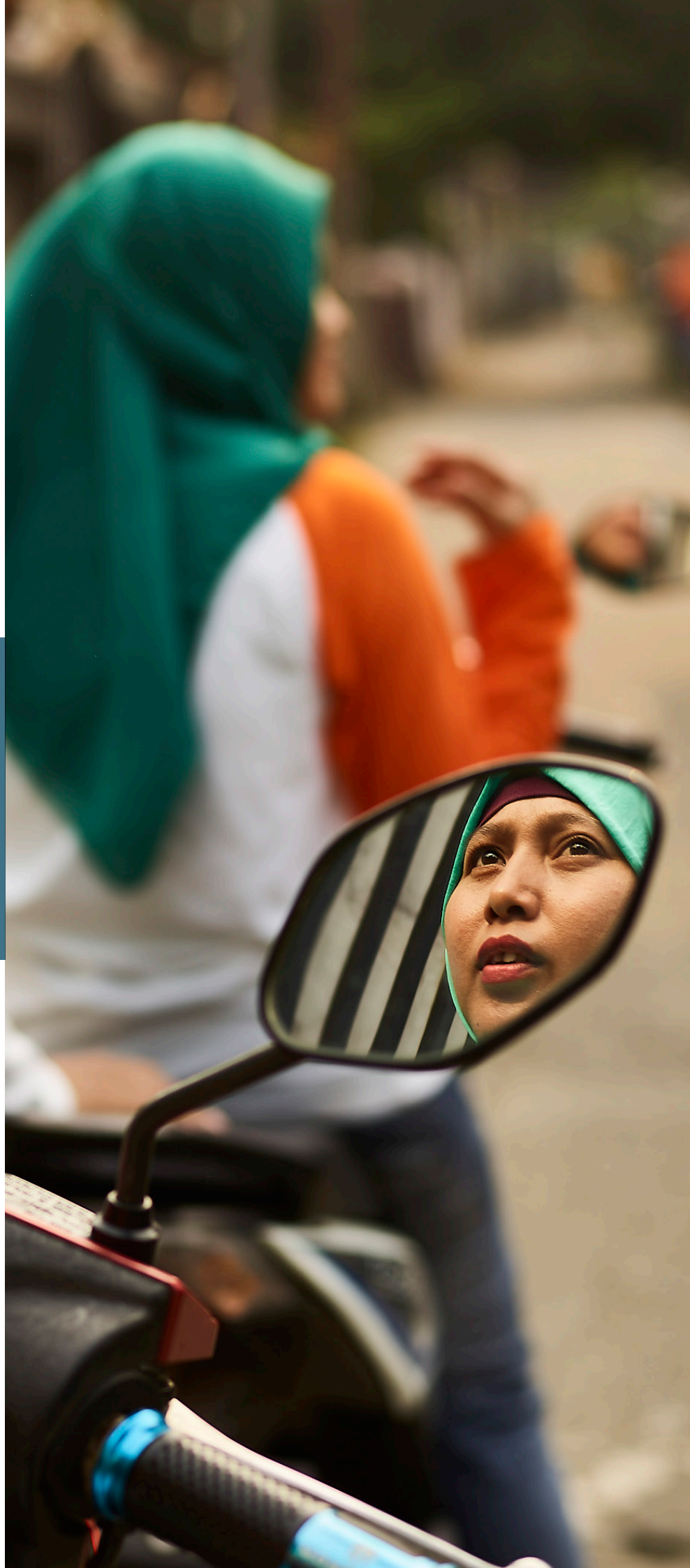
## Q2 2021 QUARTERLY REPORT

*Patamar Fund II, L.P.*



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## LETTER FROM THE PATAMAR PARTNERS

August 27, 2021

Dear Patamar Fund II LPs,

Hope you and your families are safe and well.

Following our last quarterly update, the core geographies of the Fund have experienced new waves of COVID infections and governments have instituted varying levels of restrictions on movement and economic activity. Case reduction and vaccination trends are looking positive in Indonesia and India, while the impact of the Delta variant in Vietnam and the Philippines recently hit an apex. The next month of responses will be critical to stabilizing the situation. As a result, most international borders remain closed across South and Southeast Asia, and borders are unlikely to reopen to widespread business or leisure travel until late 2021 or early 2022 at the earliest, following a significant increase in vaccination rates. Nevertheless, there are signs of economic recovery and growth across our markets that are expected to get back on track by 2022. Investments in India and Southeast Asia startups have increased significantly despite headwinds from the coronavirus pandemic. These investments are led by tech startups gaining momentum as COVID reshaped how households and workplaces conducted economic activity. As a result, in 2021, local, regional and global VC firms have invested extraordinary amounts of capital in all our markets.

We are fortunate that our team remains healthy and is working closely with our portfolio companies. With our presence across the region, we are well placed to provide you with a concise, real-time update on each market.

### MARKET UPDATES

**India** is recovering from a devastating second wave that caught the country off guard and laid bare the gaps in the public healthcare system. Due to the Delta variant, daily cases surged to 400,000 in May before dropping to less than 40,000 in August. The national vaccination program has ramped up to deliver nearly 580 million vaccines (~5 million per day) over the last few months, providing ~35% of the population with a first dose and ~11% with their second dose.

Economists believe that the impact on the economy from the second wave was not as severe as the first wave in 2020, due to the government's decision to impose selective district-wide lockdowns in 2021. During the first wave, the government imposed one of the strictest nationwide lockdowns in the world (from 24 March 2020 until 31 May 2020), resulting in a massive migration of low-income workers from urban areas back to their hometowns and villages. As a result, SMEs were hit the hardest and millions of migrant workers lost their jobs in the informal sector. Although annual gross domestic product (GDP) growth figures for April 2021–March 2022 have been reduced from the 10.3% estimate generated before the second wave, growth is still projected to reach 8% for the year.

Despite the impact of the second wave, 2021 should be a landmark year for venture capital and private equity (VC/PE) investments. In 2021, 23 new “unicorns” joined the USD 1 billion valuation club, raising the total to 44 and placing India at third place globally only behind the US and China. In the first six months of 2021, VC/PE investments increased 33% year-on-year from USD 20.4 billion in Q2 2020 to USD 27.1 billion at the end of Q2 2021. A major portion of investment activity focused on healthcare and Information Technology enabled services (ITeS), primarily driven by the (a) increased adoption of digital tools by consumers and companies and (b) the need for tech-driven healthcare tools and income-generating opportunities that could be distributed and accessed remotely.

In Southeast Asia, **Indonesia** was hardest hit by COVID over the last few months. As the third most populous democracy in the world and the world's largest Muslim population, Indonesia is our largest market in Southeast Asia and its economic strength is critical to Patamar's success. As daily new cases peaked at 56,700 in July 2021 – up from 20,000 cases at the end of June – the country's healthcare system was put under tremendous strain as hospitals ran out of beds and oxygen tanks. Emergency restrictions on community activities were imposed for nearly a full month in July 2021; luckily, new daily cases dropped back under 20,000 once this week, allowing for minor lightening of emergency restrictions on August 23.

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Vaccination rates have been steadily on the rise with 21.6% of the population receiving their first dose and 12.1% receiving both doses. Fortunately, Indonesia has secured a supply of 440 million vaccines, which should allow the country to fully vaccinate its entire eligible population by the end of the year.

Beyond COVID, the Indonesian economy posted year-on-year GDP growth in Q2 2021, beating estimates and marking the first expansion in five quarters. The technology and VC sectors have been on fire with increased investment activity and exits. In early August 2021, Bukalapak (an e-commerce platform) became the first local tech unicorn to IPO on the Indonesian Stock Exchange, raising USD 1.5 billion at a USD 6.0 billion valuation. Not only was Bukalapak the first tech company to IPO on the Indonesia Stock Exchange, but it was the largest IPO in the exchange's history. Additionally, Kredivo – the largest buy-now-pay-later (“BNPL”) fintech lending platform in Indonesia – announced its upcoming listing through a SPAC merger valued at USD 2.5 billion. These developments are on top of last quarter's announcements of Grab going public in a USD 40 billion SPAC merger and Gojek's USD 16 billion merger with Tokopedia. The Gojek-Tokopedia combined entity called GoTo is planning a local IPO next year, and possibly a dual-listing on NASDAQ.

**The Philippines** has been hit moderately hard by the new COVID variants since April 2021. Although new daily cases dropped to 3,966 on May 25 and again to 3,599 on July 13, cases have increased over the last month to reach 13,397 on August 25. The government hospitals are under more pressure as cases rise and several municipalities, including Metro Manila, have gone back to temporary two-week lockdowns to slow the spread of new variants. Approximately 17.1% of the population has been partially vaccinated and 11.5% has been fully vaccinated, with prioritization on Metro Manila to help restart the economy.

In Q2 2021, the Filipino economy emerged from 5 quarters of recession to grow 11.8%, the highest growth rate since 1988. This is encouraging news, but new Delta variant-linked lockdowns in Metro Manila may slow growth in Q3 2021.

From a VC/PE perspective, there was a significant increase in large Series B financing rounds in the Philippines. This is great news for the ecosystem as one of the largest challenges in recent years was an underdeveloped capital stack of growth investors able to invest in Filipino startups. Now that GrowSari has raised a Series B round of USD 17 million ([led by Pavilion Capital and Tencent](#)), Kumu has raised USD 15 million ([led by Openspace](#)), Tonik has raised USD 17 million ([led by iGlobe Partners](#)), and Great Deals has raised USD 30 million ([led by CVC and Navegar](#)), there are clear signals that larger regional and global growth equity players are comfortable making investments in the country. It also shows that entrepreneurs have more confidence that it is possible to scale companies in the Philippines without having to expand regionally.

**Vietnam** has experienced a particularly challenging Q2 2021 with a strong surge of COVID cases in Ho Chi Minh City (80% of the country's total cases) and surrounding cities in the South. Over the last two weeks (August 11–24), there were 136,330 new cases in Vietnam, bringing the total number of cases during the pandemic to nearly 370,000.

For a country that had been a model for containing COVID-spreading through most of the global pandemic with hardly any active cases and zero deaths, the surge from the Delta variant came as a shock and led the government to deploy troops in Ho Chi Minh City on August 20 to implement a full stay-at-home notice and deliver essential food and supplies to the city's nine million residents. Ho Chi Minh City and surrounding cities are currently under strict social distancing measures, with a limitation on all non-necessary activities including non-essential deliveries (including prepared meals), and all evening activities outside the home after 6.00 pm. As a result, the number of new daily cases has stabilized near 10,000 to 12,000 new cases per day.

Government officials are hopeful that the latest outbreak will be under control by early September after instituting stricter measures and rolling out a rigorous vaccination program for the first time. To date, 16.3% of the national population has received at least 1 dose of vaccine and 2.0% is fully vaccinated. Although Vietnam's vaccination rate is the lowest in Southeast Asia, the vaccination rate is expected to increase significantly in Q3 2021 with the newly secured access to vaccines. Vietnam obtained 12.8 million vaccine doses in July and expects 70 million doses to arrive over the next two quarters to cover all eligible recipients of its 98 million population. Initially, vaccines

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are being channeled to people living in key economic hubs such as Ho Chi Minh City based on the government's aggressive goal to fully vaccinate 70% of the city's population in the coming weeks to keep the economy on track.

After posting a 2.9% GDP growth in 2020, recent social distancing measures and economic restrictions have begun to significantly affect the country's supply chain and consumption patterns for the first time. This has been a big shift for Vietnam, as it benefitted from positive inflows of foreign direct investment and production orders in 2020 in the wake of the US-China trade war. With the majority of Vietnam's factories located in southern cities, factory production in Ho Chi Minh City and surrounding cities has dropped to approximately 60% of normal capacity. Until factories in the south can reopen in September, textile and garment manufacturing companies are temporarily collaborating with factories in the north to ensure they can fulfill major orders from Amazon, Adidas, Nike, and other European partners. In an attempt to help lessen the blow, the government rolled out a USD 1 billion stimulus package in July to support affected workers and vulnerable groups and maintain the level of private consumption at approximately 80% of normal.

Similar to trends in other Southeast Asian countries, COVID has accelerated the pace of digital adoption in Vietnam, with more than 70% of the population opting for online shopping in recent months. Tech companies riding this new shopping trend have witnessed impressive 200–400% monthly growth and raised millions in funding from both regional and domestic investors. Compared to Indonesia, regional investors have been more selective in funding companies in Vietnam, but continue to demonstrate a strong interest in Vietnamese start-ups by deploying larger amounts of capital in a smaller set of investments deals. Total investment in Vietnam start-ups in Q1 2021 picked up again to reach USD 100 million, and we strongly believe that the pace of investment will remain on a similar upward trajectory in H2 2021 and Q1 2022.

### COVID RELIEF EFFORTS

If you would like to directly help with the efforts to combat COVID in our key markets, Patamar is actively working on critical healthcare donation campaigns in Indonesia and Vietnam with trusted partners.

**In Indonesia**, Oxygen for Indonesia<sup>1</sup> is addressing the critical need for oxygen concentrators at Indonesian hospitals, especially those located outside the big cities. Launched and spearheaded by Aldi Haryoprato (former Founder & CEO of Patamar portfolio company RUMA/ Mapan), the campaign has raised over USD 2.87 million to supply over 2,500 concentrators to hospitals and aims to raise enough funds to deliver another 10,000 concentrators by the end of September. Patamar has joined the effort with other Indonesian VC firms and health tech and logistics tech companies to establish an efficient and verified channel to drive real results.

Besides making donations of our time and money to the effort, we are also reaching out to our network. If you are in a position to give, and want to make sure that your donations are going to the right place, donations can be directed either (i) in Indonesian Rupiah via the Indonesian crowdfunding platform Kitabisa at <https://kitabisa.com/campaign/oksigendaripatamarcapital> or (ii) in USD via GoFundMe at <https://www.gofundme.com/f/oxygen-for-indonesia>

**In Vietnam**, our team has also partnered with the local VC and tech community to launch a similar relief effort for oxygen concentrators. Similar to the situation in Indonesia, the large influx of cases over the last few months has placed a tremendous strain on the healthcare system and government efforts alone are unable to meet the challenge. If you would like to contribute to the effort to raise the USD 1 million needed to secure and distribute 1,000 concentrators, please visit <https://oxygenforvietnam.com/> to donate. The campaign ends on September 5, 2021, at 11:59 pm Vietnam time.

<sup>1</sup> <https://oxygenforindonesia.com/>

## LETTER FROM THE PATAMAR PARTNERS

### INVESTMENT TRENDS

In general, similar to investment trends across the world, tech companies in South and Southeast Asia are growing and attracting investment capital at unprecedented rates. COVID has accelerated the pace of digital adoption across all our markets and has even created a massive influx in VC funding from local, regional and global VC firms into frontier markets such as Pakistan. Valuations are increasing rapidly and we believe that it will be important to continue to counsel our portfolio companies to pursue intelligent growth strategies that consistently create value as well as raise money at attractive valuations.

As we continue to build the Patamar Fund II portfolio, our team has been highly active in pursuing investment opportunities. We are in the late stages of finalizing four new investments ranging from an affordable housing platform in the Philippines, a global neobank for migrant workers, and two social commerce platforms for low-income agents – one in Indonesia and one in Vietnam. We look forward to adding these exciting companies to the Patamar portfolio and sharing more details with you in the next quarterly report.

### ANNUAL LIMITED PARTNER MEETING

For planning purposes, we will be holding our annual Limited Partner meeting in early October 2021 over Zoom and will be reaching out with the finalized dates in the coming weeks.

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

**The Patamar Capital Team**





## AYOCONNECT

### Q2 HIGHLIGHT

**Ayoconnect raised a total of USD 5 million in the Series B extension round led by Patamar Capital. Joining the round were Mandiri Capital (the corporate VC arm of Bank Mandiri – a large Indonesian state-owned bank) and a local family office.**

**COUNTRIES** Singapore (HQ), Indonesia

**SECTOR** Financial Services

**INVESTMENT LEAD** Dondi Hananto

### COMPANY BACKGROUND

Ayoconnect provides the middleware to connect tech platforms and bill providers through application programming interfaces (APIs). Indonesian tech platforms – including super apps (Go-Jek, Grab), e-commerce (Bukalapak, Blibli, Lazada), and platforms serving factory workers (Gajigesha, wagely) and mom-and-pop shops (Bukukas, Bukuwarung) – want to offer bill payments on their app to capture the shift from cash-based bill payments to digital. Ayoconnect's APIs enable these platforms to quickly offer bill payments to more than a thousand billers. In the future, Ayoconnect plans to build more APIs in line with the growth of open banking, which will enable embedding many other bank services into different platforms.

### SOCIAL IMPACT

Digital bill payment is usually the first recurring financial transaction that brings unbanked customers to the digital financial ecosystem. Given Ayoconnect processes millions of bill payment transactions, it now has the ability to do customer profiling and provide data for credit assessment of these unbanked customers. This in turn will enable more financial services to be offered to this segment, thus improving overall financial inclusion. Future open banking products will also enable more customers to join the formal banking system through non-traditional channels.

### BUSINESS UPDATE

Ayoconnect onboarded new key channel partners such as Blibli (e-commerce) and PermataBank (a top-10 Indonesian bank) this quarter. It is also in the process of onboarding new major partners GoPay (the leading Indonesian e-wallet platform owned by GoJek), BRIimo (the e-wallet owned by BRI, the largest Indonesian bank), and BNI (a state-owned bank). Besides adding more partners, Ayoconnect focused on increasing transactions from existing partners. Further, it managed to increase its traction by 3x with e-wallet Dana, a joint venture of Alipay.

Another major milestone was the launch of the new autobilling API with the partnership of Bank Mandiri, which enables recurring bill payments. Also, it hired 5 more senior management positions to strengthen the team in Sales and Business Development, Product Management, and Tech.

### FINANCIAL PERFORMANCE

This quarter, Ayoconnect hit USD 444,000 in revenue, an increase of more than 6x year-on-year. The company is on track to reach its projected revenue of USD 2 million for 2021. This is an important milestone as the steady growth of revenue from the bill payment business will enable it to invest in the development of new products.

### FUNDRAISING

After the recent fundraising round, which Patamar led, Ayoconnect has a runway of 18 months to the end of 2022. The board will discuss and decide on the next fundraising plan towards the end of this year.



## IMPACT CREDIT SOLUTIONS (ICS)

### Q2 HIGHLIGHT

ICS added three new CaaS contracts and agreed on principle terms with the largest Syariah bank in Indonesia. In total, the company processed loans worth USD 3 million through CaaS.

**COUNTRIES** Singapore (HQ), 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 and suppliers. This CaaS product makes it easier and cost-effective for the banks to directly lend to MSMEs. It 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 SMEs 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. It 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

ICS grew its total portfolio to 13 lending partners by the end of Q2 2021. Also, it engaged in credit diagnostic projects with a major Filipino bank and the largest Syariah bank in Indonesia. Early this year, ICS deployed the Indonesian Resilient Fund to support critical sector recovery from COVID-19 and, in Q2 2021, it confirmed two additional facility agreements for oxygen tank and MSME

financing. This quarter, ICS also launched the Indonesian Womenpreneur Program to disburse loans to Women SMEs in Indonesia. Finally, ICS recruited four new senior managers who are all female, achieving 50:50 gender balance among senior management roles.

### FINANCIAL PERFORMANCE

ICS achieved its revenue budget of USD 545,000 for the quarter and had lower costs than it expected with a loss of USD 460,774 against a budgeted loss of USD 576,428. The company managed its loan book more tightly in order to reduce exposure in sectors that are hit hard by the pandemic. This led to the company recording zero credit loss. ICS will continue to deploy cautiously as Indonesia recovers from COVID-19.

### FUNDRAISING

ICS recently started fundraising for Series A with a target of USD 10 million round size.



## KIM AN GROUP

### Q2 HIGHLIGHT

Kim An focused on stabilizing the company's operations during the onset of the COVID resurgence in Vietnam and securing the second tranche of its Series A funding.

**COUNTRY:** Vietnam (HQ)

**SECTOR:** Financial Services

**INVESTMENT LEAD:** Shuyin Tang

### COMPANY BACKGROUND

Kim An bridges the credit gap and builds credit history for the micro, small and medium enterprises (MSME) segment at scale. The company is a technology-enabled, end-to-end service provider to banks and financial institutions, allowing them to provide collateral-free loans to MSMEs. Its customers include food stalls, vegetable sellers, clothing kiosks, and household goods retailers. Kim An owns the relationship with customers and takes care of everything from origination to underwriting to collection. It has three main products: loans with daily collection (USD 1,000), bi-weekly collection (USD 1,000), and weekly collection (USD 3,500). In addition, Kim An has started piloting loans for online merchants of e-commerce/social commerce platforms and other MSME aggregators.

### SOCIAL IMPACT

Kim An's customers are MSMEs whose businesses are the foundation for their families' livelihoods. Over 70% of these are led by women. Without Kim An, their main source of credit is through the informal lending sector, which would charge 200-300% APR.

### BUSINESS UPDATE

Kim An enjoyed steady portfolio growth throughout April and May on the back of strengthened risk performance and a successful roll-out of new digital acquisition channels. At the end of May, new COVID-19 cases were detected in Ho Chi Minh City (HCMC) and COVID-19 started spreading to the nearby provinces in Southern Vietnam. HCMC's central government promptly introduced lockdown

measures, which affected the operations of 27% of the MSMEs in Kim An's portfolio. In response, Kim An's management quickly revised their playbook in June from portfolio expansion to a focus on managing portfolio quality and helping customers obtain debt restructuring where necessary. Despite these unexpected setbacks, quarterly disbursements in Q2 2021 were USD 5.6 million, 41% higher than in Q1 2021. At the end of June 2021, Kim An recorded a USD 6.8 million loan book, which is USD 700,000 higher than in March 2021.

### FINANCIAL PERFORMANCE

In Q2 2021, the company recorded total revenue of USD 600,000, compared to its target of USD 1,024,000. Total quarterly EBITDA loss was USD 454,000, compared to its target of USD 279,000. The decrease in recorded revenue and EBITDA against plan was due to the impact of COVID on the company's collection efficiency as affected customers sought debt restructuring packages.

### FUNDRAISING

In Q2 2021, Patamar Capital led a consortium of existing investors to invest in the second tranche of Kim An's Series A. Patamar invested USD 1 million. Other investors included East Ventures, Viet Capital Asset Management, and Thao Tracy Phan (the company's founder and CEO). This second tranche of Series A is expected to close in early Q3 2021. Kim An continues to attract significant institutional interest for its upcoming debt fundraising and is currently evaluating a number of offers received.

## KINARA CAPITAL

### Q2 HIGHLIGHT

**Kinara Capital grew its gross loan portfolio from USD 110 million in H2 2020 to USD 125 million by H1 2021.**

**COUNTRY** India

**SECTOR** Financial Services

**INVESTMENT LEAD** Geoff Woolley

### COMPANY BACKGROUND

Kinara Capital provides working capital loans from USD 1,500 to USD 12,000 to small and medium enterprises (SMEs) in India, filling the gap between microfinance and bank financing. It 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. SMEs were hit hard and millions of migrant workers lost their jobs in the informal sector as a result of COVID. The company has continued to play an impactful role in lending to creditworthy SMEs, helping to stabilize the sector.

### BUSINESS UPDATE

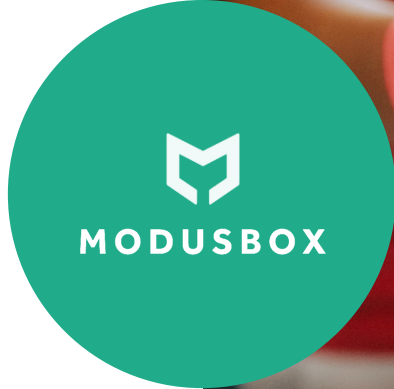
The lockdown in 2020 affected every business in India, with SMEs hit particularly hard. COVID struck India again in Q1 2021 while most companies were still getting ready to count their losses. As a result, financial lenders braced for a storm and India was devastated by a second wave of COVID. 'Respond, Recover, and Thrive' became the ethos of Kinara's leadership team. The timely decision to recalibrate its business model, reduce overhead expenses by restructuring the organization, and accelerate its planned digital strategy has helped the company to maintain profitability and set up the company for future growth. Kinara is in a strong position to facilitate

growth in the coming quarters supported by the debt and equity infusion earlier this year and the ongoing external equity fundraise. In Q1 2021, the company raised a total of USD 13.5 million in debt and equity, of which USD 10 million was from IndusInd Bank with a 100% guarantee from Development Finance Corporation (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.

### FINANCIAL PERFORMANCE

Kinara Capital has grown its gross loan portfolio from USD 110 million at the end of 2020 to USD 125 million in Q2 2021. However, the company was forced to cut back on disbursements from USD 41 million in Q1 2021 to USD 11 million in Q2 2021 in response to the COVID outbreak in India. Collection efficiency of loans dropped from ~88% in Q1 2021 to ~80% in Q2 2021. The company recorded revenue of USD 8.5 million in Q2 2021 compared to the budgeted USD 9.7 million. Kinara's decision to recalibrate the business model led to the company making an EBITDA profit of USD 237,000 in Q1 2021 against a budget of USD 82,000 in Q2 2021. Kinara is in the process of raising an external equity capital round and we believe that the company will be able to close the current round of fundraising by the next quarter.





## MODUSBOX

### Q2 HIGHLIGHT

The Monetary Authority of Singapore (MAS) joined the Mojaloop Foundation and encouraged adoption of the technology throughout Southeast Asia.

**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. It 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 high costs and technical hurdles. This results in:

- 1.7 billion people being excluded from the financial system because they are currently not profitable.
- Hidden costs in the financial system through transaction, processing, and wire fees.
- 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. This allows countries, central banks, or hub operators to truly own their payment infrastructure.

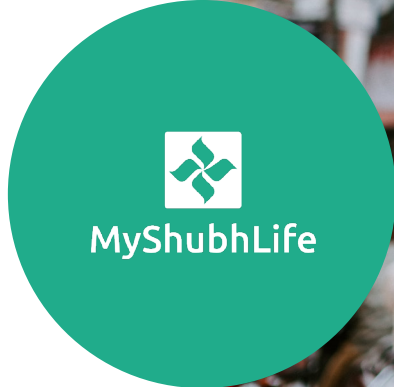
- **PortX:** PortX is a proprietary no-code API that allows community financial institutions to connect into payment networks like Mojaloop.

### BUSINESS UPDATE

In Q2 2021, ModusBox had success deploying real time payment networks (RTPN) with central bank customers including securing a national contract in East Africa and preparing to push live Mojaloop networks in Tanzania and Myanmar. The company continues to see increased interest in its PortX product, signing 18 financial institution contracts to date. The current sales pipeline for Mojaloop and PortX licenses currently exceeds USD 40 million on a twelve-month basis. In Southeast Asia, ModusBox achieved the strategic goal of adding the [MAS as a sponsor member of the Mojaloop Foundation](#). The MAS is the first central bank to join the Mojaloop Foundation and its endorsement of the technology will open up significant revenue opportunities for ModusBox with the MAS and other central banks in the region.

### FINANCIAL PERFORMANCE

ModusBox missed its Q2 2021 revenue target of USD 3.5 million due to a continued slowdown in its consulting business. The COVID-19 pandemic has slowed the return of legacy clients and also paused the groundwork in Tanzania and Myanmar. ModusBox finished Q1 2021 with USD 2.2 million in revenue and an EBITDA loss of USD 925,000, both below budget. ModusBox anticipates closing its Series A round of USD 7–10 million in Q3 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 Southeast Asia and overcome barriers that have excluded low-income populations from the formal financial system.



## MYSHUBHLIFE

### Q2 HIGHLIGHT

**MSL launches its embedded finance model on Fino Payment Bank's platform, which has a user base of 2.5 million merchants.**

**COUNTRY** India

**SECTOR** Financial Services

**INVESTMENT LEAD** Geoff Woolley

### COMPANY BACKGROUND

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

### 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 responded to the second wave of COVID by focusing its efforts on reducing loan disbursements to minimize defaults and entering into strategic partnerships that will setup future growth. Its clearly articulated strategy in response to the second wave of COVID led to the company disbursing only ~USD 350,000 in Q1 2021, a change of ~USD 2 million from Q1 2020. We believe that this was the appropriate action to reduce losses from non-performing loans during the peak months of the pandemic. In addition, MSL fully integrated its embedded finance

model with the Fino Payment Bank platform. This partnership will promote MSL's lending product to Fino's 2.5 million existing merchants, which MSL expects to lead to monthly disbursements of USD 3 million by Q4 2021. Paytm, India's largest payments platform, also partnered MSL to provide its 17 million active merchant partners with MSL's embedded finance solutions. This partnership is expected to launch in Q4 2021. MSL also strengthened its lender base by adding Ujjivan Small Finance Bank and HDFC Bank to its existing lender network of RBL, Fullerton India, and DMI Finance.

### FINANCIAL PERFORMANCE

MSL reduced its gross loan portfolio from USD 7.3 million in Q1 2021 to USD 5.7 million in Q2 2021 as a result of the company ramping down its disbursements in response to the COVID outbreak in May. This helped the company to reduce potential losses that occurred from non-performing loans due to the pandemic. It disbursed USD 350,000 during Q2 2021 compared to USD 100,000 in Q1 2021. However, we are encouraged that the company increased its disbursement rate back to USD 1 million per month and hopes to grow its disbursements significantly in the next two quarters. MSL recorded a revenue of USD 251,900 in Q2 2021 against a budget of USD 200,000 and Q1 2021 revenue of USD 260,534. The company made a net loss of USD 331,567 in comparison to a loss of USD 193,000 in Q1 2021.