

EDA CapitalConnect

bringing capital to social enterprises

Market Update - 2 March 2009

Summary

- Rapid growth in membership on CapitalConnect; diverse portfolio of social enterprises.
- Increasing reach across the world (members are based in 13 countries), while deepening presence in India (members are located in 14 states).
- Registered investors focused on Asia and Africa; large un-invested corpuses.
- Sustained interactions between providers and seekers of capital; more focused offers being exchanged on the platform.

Detailed Update

Trends in Participation

- Membership on CapitalConnect has more than doubled since we sent our first market update in November 2008 – we currently have 61 members, of whom 55 are social enterprises, 5 are institutional lenders and investors, and 1 is a promoter investor.
- Registrations on CapitalConnect have continued to increase steadily, from an average of 6.7 registrations per month during our first quarter of operations (July-Sep 2008) to 7.3 during Oct-Dec 2008, and further to 7.5 during Jan-Feb 2009. The current ratio of enterprises to investors remains healthy at 9:1, and we continue to have a strong pipeline of both providers and seekers of funds.

- With increasing participation, our reach across the world has expanded – as of the end of March 2009, our members are based in 13 countries across Africa, Asia, Europe and North America (see Table 1).¹

Table 1: Participants with Principal Offices in

Bosnia And Herzegovina	Moldova
Cambodia	Nicaragua
Canada	Sierra Leone
India	Sri Lanka
Jordan	South Africa
Kenya	USA
Kyrgyzstan	

Profile of Registered Enterprises

- Some of our registered social enterprises provide services across several countries. Through them, CapitalConnect's effective reach is to 22 countries (see Table 2).²

¹ Countries of incorporation of our participants (investors and enterprises)

² Limited to social enterprises alone (excluding countries with exposures from / of interest to our investors)

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Table 2: Countries of Operation of Registered Enterprises

Bosnia And Herzegovina	Malaysia
Brunei Darussalam	Moldova
Cambodia	Nicaragua
Cameroon	Oman
Ethiopia	Qatar
Ghana	Saudi Arabia
India	Sierra Leone
Jordan	South Africa
Kenya	Sri Lanka
Kyrgyzstan	Tunisia
Liberia	United Kingdom

Table 3: Registered Enterprises in India

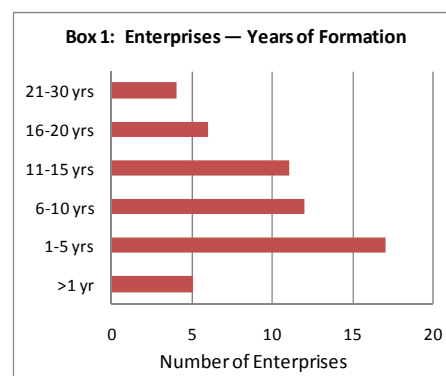
State	No. of Enterprises
Andhra Pradesh	9
Assam	2
Gujarat	2
Himachal Pradesh	1
Karnataka	6
Kerala	1
Madhya Pradesh	1
Maharashtra	3
New Delhi	2
Orissa	2
Rajasthan	1
Tamil Nadu	6
Uttar Pradesh	2
Uttaranchal	1
West Bengal	3

- As we increase our reach worldwide, we continue to deepen our presence in India – we have member organizations operating in 14 Indian states (see Table 3).
- The enterprises registered on CapitalConnect provide a diverse range of services (see Table 4). While 23 of our 55 registered enterprises are pure-play organizations focused on providing a single service to their clients, all of the others offer multiple services.

Table 4: Services provided by Registered Enterprises

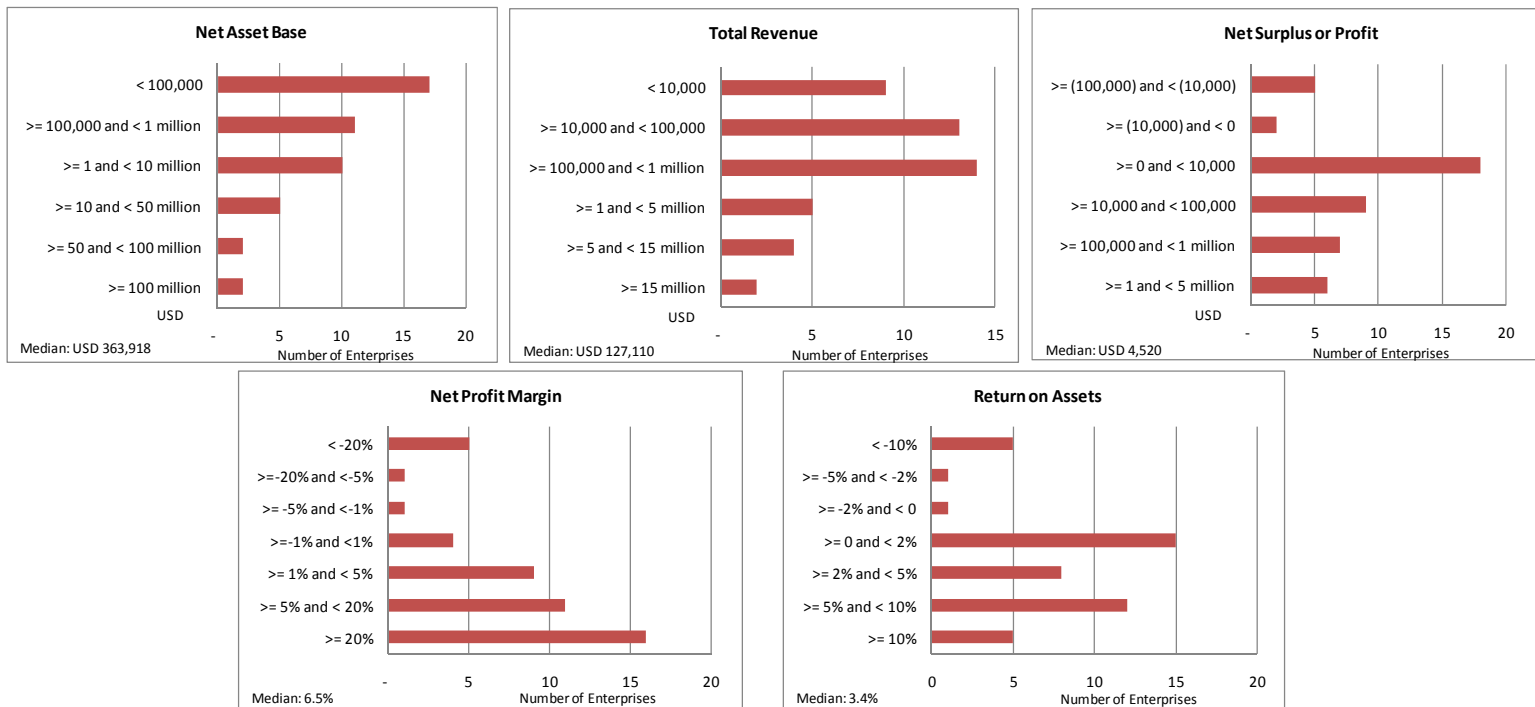
	No. of Enterprises		No. of Enterprises
Financial Services / Microfinance	43	Health Education	3
Jobs & Livelihoods	12	Technology	3
Education & Skills	10	Food	3
Healthcare	9	Rural Infrastructure	3
Insurance	9	Environment	2
Crafts, Agri & Dairy	6	Consumer Services	1
Demand & Supply	4	Energy	1
Aggregation			
Human Rights	4	Water & Sanitation	1

- Even though a majority of the enterprises are registered as not-for-profit entities (33 of 55), the percentage of for-profit entities out of the total registered social enterprises has increased since our first market update.
- The experience and organizational maturity of social enterprise members is spread across a wide spectrum, ranging from start-ups with less than a year of operations to enterprises with over 25 years of operations (see Box 1).
- The social enterprise members of CapitalConnect have diverse financial profiles, as illustrated by the charts in Box 2.
 - Scale continues to be spread across the spectrum, with start-ups at one end and organizations with asset bases of over USD 100 million at the other; correspondingly, revenues range from less than USD 10,000 to over USD10 million. An increasing number of mid-sized enterprises are registering with our service.



- While profitability is dispersed quite widely as well, in terms of both net profit margins and return on assets, the distribution is skewed favourably towards positive and healthy returns.

Box 2: Summary Financial Metrics of the Registered Social Enterprises (as of February, 2009)



- Ratios:
- Net Profit Margin = Net Surplus or Profit / Total Revenues
 - Return on Assets = Net Surplus or Profit / Closing Net Asset Base

Profile of Registered Investors

- As of the end of March 2009, there are 5 institutional funders and 1 promoter investor registered on the platform. The 5 institutional lenders and investors are MEDA Investments, Mecene Investment, Lok Capital Group, Caspian Advisors, and IFMR Trust Guarantee Company. The existing funding exposures of these entities together **span across 26 countries**.
- Together, the funders manage a total corpus of over US\$ 245 million, of which over **US\$ 175 million is yet to be invested**. These investors are primarily interested in funding social enterprises in Asia and Africa, in the following sectors:

Table 5: Sectors in which Funders are Interested in Investing:

Agriculture	Light Manufacturing
Alternative Energy	Market Linkages
Education & Skills	Technology
Financial Services / Microfinance	Telecommunications

Trends in Interactions on CapitalConnect

- From July 2008 through February 2009, 7 equity offers and 16 debt offers were made on the CapitalConnect platform. The relatively large number of debt offers reflects – to an extent – the fact that 65% of the social enterprises registered with CapitalConnect are not-for-profit organizations, and can only receive debt investments.
- The types of offers exchanged on the platform, along with the terms of those offers are summarized below www.edacapitalconnect.com

Table 6: Types of Offers (as of February '09)

	Debt	Equity
Buy / Lend	2	1
Sell / Borrow	14	6
Fresh	16	6
Secondary	-	1
Specific	7	3
Generic	9	4

Table 7: Offer Terms (as of February '09)

	Debt	Equity
Offer Period (days)		
Minimum	8	12
Maximum	365	181
Average	78	77
Offer Amount (USD)		
Minimum	10,000	8,000
Maximum	3,000,000	3,000,000
Average	591,563	943,569
Median	150,000	547,500
Interest Rate %		
Minimum	0.0%	
Maximum	15.0%	
Average	11.1%	
Average Range	3.4%	
Loan Tenure (months)		
Minimum	3	
Maximum	60	
Average	26	

- Offers to borrow are significantly higher in number than offers to lend, reflecting the ratio of social enterprises to institutional funders registered on the platform.
- Over the last 4 months, the interactions on the platform have become more focused; participants are choosing to make more offers to individual and select groups of organizations (i.e. they are sending specific offers), rather than to all the members of CapitalConnect.
- While the 7 equity offers received only 2 responses so far, the 16 debt offers that were made on the platform have received a total of 26 responses. Conversion rates at each stage of the debt offer process continue to be high, reflecting the fact that conversations initiated on the platform are leading to offline discussions (see Table 8).

Table 8: Debt Conversion Rates (as of February '09)

Interaction Stage	Quantity	Conversion Rate
Offers	16	
Response Offers	26	1.6 times
First Messages	14	54%
Response Messages	8	57%

- Every debt offer received approximately two responses from other participants
- A majority of participants who sent a debt counteroffer received a message from the originator of the debt offer.

List of our Registered Participants

Aadarsha Welfare Society	CHC Limited	Lok Capital	RGVN
Adhikar Microfinance	CRSA	LOK Microcredit	RiSE
Amret	EDA Rural Systems	M.B.R.Consumer Services	Sahid Laxman Jubak Sangh
Anisha Microfin	ESAF Swasraya	Manidham Grameen	Samasta Microfinance
Appleaday.in	GLOW	Mecene Investment	Samrudhi Microfin
Arman Finance	HELP Sierra Leone	MEDA Investments	SEED Development Group
Ashajyothi	Hope Integrated	Micro Hydro Electric	Shikhar Development Fndn
Asmitha Microfin	HRVS	MicroVenture Support	Social Education for Devt
ASSCOD	IDF	MITR	Sonata Finance
Bai Tushum	IFMR Trust	Navachetana	Spandana Welfare Trust
Banex	IIRM	PAHAL	Star Microfin Service Society
Bellwether Fund	IRCED	Pariraksha	SWAWS Credit Corporation
Berendina Microfinance	Jeevan Sagar Trust	Partner Microcredit	Tamweelcom
BSS Microfinance	JVO MicroInvest	PASD	VAMA
CEDRA	Kotalipara Development	Prayas	We The People
CfBT Education Services			