



CASE STUDY

India Fund II Omnivore

Geography: India

Size: USD 97 million (raised)

Impact thesis: Agriculture development



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India Fund II extends early-stage venture capital (pre-Seed, Seed, Series A) to Indian start-ups developing technologies for food, agriculture and the rural economy. The fund seeks to support firms disrupting Indian food systems, making agriculture more profitable and sustainable. Investments are de-risked through Omnivore's sectoral and local expertise.

Fund manager: Omnivore

Total assets under management (AUM): USD 130 million

- Mumbai-based Omnivore (founded in 2010) operates exclusively in Indian agricultural technology and has invested in 24 start-ups to date
- India Fund II targeting 20 investments follows India Fund I (launched in 2011), a commercial fund with 12 active investments
- India Fund II applies lessons from the first fund, allowing longer timescales before deals, integrating with generalist funds and focusing on start-up hubs including Bangalore, Delhi and Pune

Investment overview

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| Key fund limited partners (LPs) | AXA Investment Managers |
| Instrument type | Equity fund (venture capital) |
| Average investment size in portfolio companies | USD 1 million for Seed round, USD 4 million for Series A |
| Time horizon | Eight year closed-end fund, two times one year extensions possible |

Financial return profile

Returns:

- Target above market-rate

Track record:

- Omnivore indicated that four partial exits from India Fund I yielded returns in line with the target internal rate of return (IRR) (returns not disclosed)

Liquidity:

- Eight year closed-end fund, two times one year extensions possible
- Six year deployment period

Risk profile

Currency risk: Non-Indian rupee investors pay into pegged fund in foreign domicile, target returns in USD

Political risk: Focused sector knowledge and experience

Execution risk: Multi-round investments, capital reserved for follow-on investments

Investment thesis

- Exclusive focus on Indian agriculture technology, which is a fast-growing sector. There were around 450 agriculture technology start-ups in India as of 2019, growing at 25% year-over-year (YoY) on average
- Large scope for increasing smallholder farmers profits and reducing costs with the application of technology
- Omnivore have a strong local presence and deep sectoral knowledge, enabling them to provide a consistent pipeline of high-return deals

Eligible investments

Indian agricultural technology start-ups at pre-Seed, Seed or Series A stage, developing innovative technology-enabled solutions for food, agriculture and the rural economy

Due diligence process

Omnivore aims to go beyond standard venture capital requirements to invest (looking at team, technology and traction) and seeks to understand the start-up's potential to transform the agricultural technology sector and have impact

Other similar opportunities in the market

- The total investment in Indian agricultural food start-ups in 2013–2017 was USD 1.66 billion, growing from USD 89 million in 2013 to USD 342 million in 2017
- There were 558 deals of up to USD 150 million in size agreed between 2013 and 2017, including 378 at Seed stage (USD 150 million investment) and 99 at Series A stage (USD 310 million investment)
- Omnivore is looking to raise a third fund in late 2021
- Other fund managers include Sequoia Capital (AUM USD 7 billion) and Accel Partners (AUM USD 1 billion) investing downstream and Aavishkaar (AUM USD 1 billion) and Lightrock (AUM USD 218 billion) investing upstream

Sources: i) Dalberg interviews, ii) www.omnivore.vc [accessed: 06/10/2020], iii) Omnivore and AgFunder, India AgriFood Startup Investing Report 2013-2017 (2018), iv) Nasscom, "Agritech In India: Emerging Trends in 2019" (2019), v) Global AgInvesting, "Omnivore Partners India Fund 2 closes at \$97M with boost from BASF Venture Capital" (2019)

Impact targeting

Impact thesis

Theory of change: India Fund II pursues three drivers of change:

- Increasing smallholder farmer profitability, by raising yields, reducing expenditures and improving prices for inputs
- Enhancing smallholder farmer resilience, by providing access to innovative finance, risk management, steady and augmented sources of income and improved market dynamics
- Improving agricultural sustainability, by reducing natural resources use and minimising wastage and spoilage

Target stakeholders:

- Smallholder farmers in India benefit from improved incomes
- Indian communities benefit from improved food security

Impact metrics and outcomes

Farmer reach: Number of smallholder farmers linked to portfolio companies

Smallholder profitability: Economic value created for smallholder farmers

Agricultural sustainability: Reduced energy, chemical, water use, green house gas emissions avoided or mitigated, food waste and loss reduction

Smallholder resilience: Insurance coverage enabled/credit accessed/loans disbursed/sales to resilient (organised) value chains-processors, organised aggregators, exporters

Catalytic capital: Finance catalysed into agricultural sector – equity, loans, grants

Employment generation: Direct employment within portfolio companies

Gender impact: Number and percentage of women employed by portfolio companies

Sources: i) Dalberg interviews, ii) www.omnivore.vc [accessed: 06/10/2020], iii) agrevolution.in [accessed: 12/10/2020], iv) www.intellolabs.com [accessed: 12/10/2020], v) EY, Agritech – towards transforming Indian Agriculture (2020)



Portfolio investee spotlights

DeHaat

DeHaat is a technology-based platform offering end-to-end agricultural services to farmers including distribution of inputs, customised farm advisory, access to finance, and market linkages. Operations have reached 265,000 farmers and aim to reach five million farmers by 2024.

Omnivore led a USD 4.3 million pre-Series A funding round in 2019. Co-investors in DeHaat include Sequoia, FMO, the Dutch entrepreneurial development bank, AgFunder and Trifecta Capital.

Intello Labs

Intello Labs is a platform enabling grading and quality monitoring of agricultural commodities through the use of artificial intelligence tools including computer vision and deep learning.

Intello Track, a mobile app, allows producers to quickly grade produce based on colour, size and visual defects, reducing sorting costs and wastage. In 2019, Omnivore invested USD 2 million Seed and 2020 USD 5.9 million Series A rounds.

Key observations for institutional investors

① Commercial fund managers can successfully expand into impact

- Commercial fund managers in impact sectors can successfully expand into impact-focused work with the adoption of clear and transparent impact frameworks and metrics
- Omnivore adopted impact metrics after India Fund I so impact could be assessed and incorporated into portfolio decisions in India Fund II, yielding new investments from development finance institutions (DFIs)

② Agricultural business is a large and growing sector in emerging markets

- India's agricultural technology sector has the potential to grow from USD 204 million to USD 24.1 billion over the next five years according to an Ernst & Young report, yielding extensive impact investing opportunities
- There were around 450 agricultural technology start-ups in India as of 2019, growing at 25% year-on-year on average
- USD 1.66 billion were invested in agricultural food start-ups in 2013–2017, there were 558 deals of up to USD 150 million in size agreed between 2013 and 2017, including 378 at Seed stage (USD 150 million investment) and 99 at Series A stage (USD 310 million investment)