

FEATURED CASE STUDY

NUVEEN INVESTMENT MANAGEMENT

INVESTMENT:

ANNAPURNA

*Indian microfinance company providing
working capital to grow small businesses.*

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ANNAPURNA

INVESTMENT STRATEGY	NUVEEN GLOBAL IMPACT FUND I	INVESTMENT TYPE	GROWTH EQUITY
SECTOR	FINANCIAL SERVICES/ FINANCIAL INCLUSION	OWNERSHIP STAKE	SIGNIFICANT MINORITY STAKE
INVESTMENT DATE	MARCH 2021	IMPACT VALUE CREATION MODALITY	SYSTEMS, TRANSFORMATION
GEOGRAPHY	INDIA		

INVESTOR & COMPANY OVERVIEW

NUVEEN's Private Equity Impact Investing team's ('the Impact Team') **Global Impact Fund** invests in companies that will help drive an inclusive transition to a low carbon economy, specifically those that address climate change and inequality. The Impact Fund is in a unique position to leverage Nuveen's broader platform, such as real assets, infrastructure, private debt, green financing, and farmland, among other asset classes, for expertise, insights and value-add.

ANNAPURNA is one of India's largest microfinance institutions, and operates in rural parts of the country, serving approximately 2.5 million predominantly female clients across 20 states, over 300 districts, and via 1,000 branches. With assets exceeding \$1 billion, Annapurna provides small loans, averaging US\$300-400, for working capital to grow small businesses. The company offers diverse financial solutions, such as sanitation loans, individual loans, emergency "just in time" financing, and as of recently, a suite of green

financing products, based on deep knowledge of its customer segment and their needs.

INVESTMENT THESIS



Annapurna advances the Impact Team's thesis on mitigating inequality and climate change through financing an inclusive transition to a low carbon economy. Over 100 million individuals in India [lack access](#) to basic financial services, the majority of whom are women. Annapurna empowers its clients with affordable and responsible financial solutions. As a strategic investor and active board member, the Impact Team leverages its expertise in climate change to support Annapurna's mission of helping its clients build climate resilience, as they are among the most exposed to the physical impacts of climate change.

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FINANCIAL MATERIALITY OF IMPACT

Nuveen’s value creation approach demonstrates both SYSTEMS and TRANSFORMATION modalities, particularly in its activities related to enhancing climate resilience and driving a transition:

IMPACT VALUE CREATION MODALITY	VALUE CREATION ACTIVITY	FINANCIAL VALUE DRIVER	VISIBILITY OF FMI
 <p>SYSTEMS</p>	<p>Integrate physical climate risk data into Annapurna’s lending operations by providing access to high-quality baseline data to improve customers’ climate preparedness and resilience</p>	<ul style="list-style-type: none"> • Margin improvement based on more steady debt collections • Valuation multiple due to lower-risk customers 	<p>Nuveen’s portfolio-level emphasis on climate action enabled the identification of an opportunity to integrate climate risk measures into Annapurna’s business model.</p>
 <p>TRANSFORMATION</p>	<p>Intentionally shifted to offer products enabling climate resilience and transition at the business level, including, rooftop solar and electric vehicle financing, leveraging impact incentives</p>	<ul style="list-style-type: none"> • Revenue growth driven by product diversification • Capital efficiency via developing strategic green product offerings aligned with long-term market demand drivers and low regulatory risk 	<p>The potential to develop new product offerings was visible, but Nuveen’s climate expertise accelerated the development of green products.</p>

VALUE CREATION

CLIMATE RISK INTEGRATION INTO LENDING OPERATIONS

Nuveen’s Impact Team engaged Annapurna on the topic of climate risk, with the goal of building resilience among its nearly 2.5 million clients to physical climate risks. The Impact Team leveraged physical climate risk data vendors to map climate vulnerability among Annapurna’s customer base, and estimate how those risks will change over time, sharing this data back with Annapurna. In turn, Annapurna built an early warning system for extreme weather events, to alert their customers to certain natural disasters. This proactive approach has enhanced preparedness and will guide targeted market expansion in India.

VALUE CREATION

ACCELERATED GREEN PRODUCT DEVELOPMENT

The Impact Team’s thematic focus on climate mitigation positioned the fund to identify opportunities for Annapurna to launch green product offerings including rooftop solar, solar irrigation, and energy storage solutions. Nuveen, in partnership with other investors who followed Nuveen in the equity financing round, collaborated with Annapurna’s Head of Product providing vital resources and research to support the development of these sustainable products. The goal is to help launch new agricultural and mobility products, aligned with Annapurna’s vision for a dedicated green financing unit. Importantly, Nuveen led discussions with other shareholders to ensure that climate goals were included in management KPIs for both annual and long-term incentives.

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LESSONS LEARNED

- **Thematic capabilities and partnerships:** Nuveen's collaboration with its internal teams, such as its Climate Risk group and Responsible Investing Team, played a vital role in assessing Annapurna's physical climate risk exposure. Nuveen helped Annapurna develop new green product offerings through leveraging its thematic expertise and network within the climate mitigation space, including via a partnership with a foundation focused on leveraging productive use of renewable energy to build incomes for low-income consumers.
- **Leveraging scale for transformation:** While there are many early-stage companies in India focused on green financing, organic growth can be expensive and slow. Annapurna's scale with its existing customer base and position as an established market leader provided a competitive platform to launch new, innovative green financing products with a quicker path for growth (e.g., through cross selling) and profitability.

The logo for Nuveen, featuring the word "nuveen" in a bold, dark blue, lowercase sans-serif font.