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**niyogin**

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# State of the MSME sector and access to organized finance

*Government policies and digital initiatives are driving formalization of access to capital*

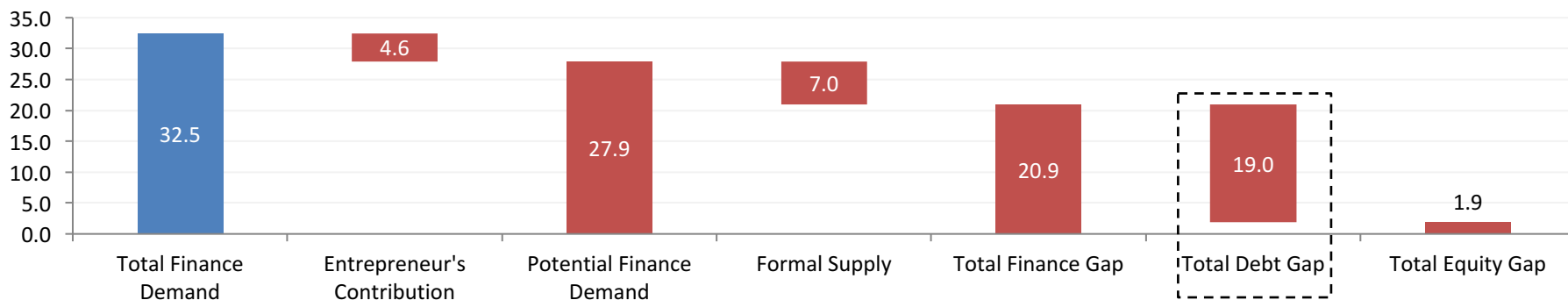
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- MSMEs employ 600mn across 26mn units. Contribute to 45% of manufacturing output, 40% of exports and 17% of GDP.
  - Only 5% of unregistered and 10% of registered MSMEs have access to organized finance and only 7.0% of MSMEs seek external sources of credit.
  - More than half of MSME's funding requirements are sourced from a mix of equity, family & friends and trade credit, which are expensive and not guaranteed. According to IFC MSME credit requirement over the medium term is approximately \$400Bil and for Microfinance is approximately \$60 Bn.
  - Banks and specialized NBFC's have made an attempt to gain foothold but lack of origination depth, credit-cycle and lack of critical mass make it a difficult area to focus
  - New government policies are highly supportive of MSME credit de-bottlenecking, equity value creation in MSME and strengthening of the governance framework
  - The recent introduction of the Black Money Act, implementation of GST and demonetization/adoption of digital payments will help formalize the financing in the MSME channels in a significant manner over the next 3-5 years
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# Huge opportunity in the MSME space

There exists a significant gap in MSME Financing

## Overall Finance Gap in MSME Sector (INRtn)



## This has led towards the systematic organization of MSME Regulation and MSME Finance

### Growth of MSME and MSME Finance

#### Legal and Regulatory Framework

- Legal and regulatory framework to define the sector - MSMED Act, 2006
- Financial regulations to bolster supply of finance – SARFAESI 2002, Credit Information Companies (Regulation) Act 2005
- Inclusion of Micro, and Small Enterprises (MSE) in purview of Priority Sector Lending (PSL)
- Master Circulars on Lending to MSME by RBI

#### Government Support

- Policies to facilitate multi-pronged support – skill, development market linkage, technology adoption and infrastructure
- Promotion of cluster development
- Financial support through apex sector bodies like SIDBI
- Funding support to credit guarantee schemes to enhance unsecured financing
- Financial support to increase penetration of credit rating
- Increasing the investment levels in MSME

#### Financial Infrastructure Support

- Credit bureaus to track credit history of enterprises
- Collateral registry for immovable assets
- Credit rating agencies
- Asset reconstruction companies
- Small and Medium (SME) Stock Exchange to facilitate primary and secondary transactions for SME securities
- Formed MUDRA bank with corpus of INR 20,000cr to provide impetus to MSME

Source: MSME Census, RBI, SIDBI, Primary Research, IFC-Intellectap Analysis

# Mission is to make it simple for MSMEs to access capital

*Execute through a hybrid model of technology driven partnerships*

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## Objective:

Democratize credit for the MSME sector in India via efficient access, effective origination, diligent monitoring and a market based pricing framework. Effectively leverage knowledge of the MSME segment via strategic proprietary investments.

## Unique Operating Model:

- **3i relations:** Our process would leverage a culture of strong credit discipline driven by our 450 strong network of partners across the country. The 3i network services ~15,800 MSME's with an aggregated revenue base of US\$25 billion for their various needs. This team has worked together for over 17 years, and has serviced/originated for top tier global banks including Citi, HSBC, Standard Chartered etc.
  - **Target (Listed NBFC):** RBI regulated entity which will leverage the network created by 3i to originate loan assets. The Target gains from a seasoned and trusted network of partners which can catalyze the growth of business.
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# Strategy to build core capabilities to engage clients

*Deliver using partners' core competencies while building long-term customer relationships*

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## Capital

- Publicly listed NBFC providing permanent access to equity capital
- Funding line from a global aP2P lending investment fund to accelerate time to market
- Co-lending partnerships with Indian private sector banks to reduce cost of funding for MSME customers

## Tech and Data

- Automated credit management platform leveraging AI and machine learning
- Data integration – KYC, e-commerce retailers, transportation, hospitality and travel, payment providers
- Intuitive client and partnership UI supported by robotics

## Hybrid Distribution

- Online, mobile and physical
- CA network provides last mile physical connectivity
- Enhanced origination and monitoring vs DSA model
- “Moralsuasion” and product customization due to community presence of the CA network

## Solutions

- Build core hook products around MSME lending
  - Expand solutions through API integration - insurance, expense management, etc.
  - New business verticals through white labeling with international fintech players
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# Our process for the core lending product

*Bridges the gap between traditional NBFCs and the new age fintech lenders*

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- **Lead Generation:** Leads generated by partners on the ground and through online presence; partner incentive structure to be largely back ended based on credit performance of origination
- **Quantitative Assessment:** Proprietary credit framework enable underwriting/pricing/sizing credit
- **Qualitative Assessment:** SME specialists qualitatively evaluate the loan post quantitative assessment
- **Assets (Use of Funds):** Part of the loan book generated by the Target may be securitized in compliance with prevailing RBI policies
- **Liabilities (Source of Funds):** Founders have already committed to infuse INR 320mn into the Target while raising an additional INR 2500mn; further sources of debt and equity will be evaluated over a period of time
- **Technology:** Use technology for lead generation, client engagement, credit delivery and customer servicing

**The Acquirer intend to grow the loan book to >INR 5bn over the next 5 years**

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# Our founders

*Are experienced and well known FI investors with an established track record*

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## **Amit Rajpal** (<https://www.linkedin.com/in/amit-rajpai-60890aa>)

- Amit has over 20 years of experience in the financial services industry.
- Currently CEO of Marshall Wace Asia and in the past he also served as a Managing Director of Morgan Stanley.

## **Gaurav Patnagar** (<https://www.linkedin.com/in/gmpatankar>)

- Gaurav has over 14 years of experience in the financial services industry.
  - Currently Managing Director at The Boston Company Asset Management and previously worked with Lockheed Martin Investment Management and Citigroup
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# Our Management Team is being built

*Will be led by two individuals through a co-president structure*

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## 1. Arnab Bhattacharya

- Co-President : Niyogin responsibility encompasses risk, technology, finance and investor relations, partnerships and strategy.
- Key roles include of Head of Commercial Banking, Greater China for ANZ and Head of Global Banking, South India for Citibank.

## 2. Parag Chopde

- Co-President : Niyogin responsibility encompasses sales, network management and operations, marketing and channel development.
- Key roles include Head of MSME Finance for RBL Bank Head Risk – Agri Business, Development Banking & Financial Inclusion Group, Commercial Banking for RBL Bank and Head Risk – Commercial Banking & E for Citibank.

## 3. Himanshu Rajpal

- Chief Business Development Officer: Niyogin responsibility encompasses marketing, branding and channel partnerships
  - Key roles include Director SMB- Channels, Platforms & Marketplaces for Paypal India and Director Sales and Marketing- Euronet India
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# Our Board aims to be the benchmark for our industry

*Governance, industry, social and technical expertise that provides the license to operate*

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1. **Amit Rajpal** (Chairman)
  2. **Makarand Patankar** (Promoter Director)
    - Mr. Patankar has over 40 years of experience in financial services, logistics and pharmaceuticals industries.
    - He was a Founder Member of M/s. Information Interface India Private Limited
  1. **Kapil Kapoor** (Independent Director) <https://www.linkedin.com/in/kapil-kapoor-840467/>
  2. **Sutapa Banerjee** (Independent Director) <https://www.linkedin.com/in/sutapa-banerjee-17a09769/>
  3. **Sucheta Dalal** (Independent Director) <https://www.linkedin.com/in/sucheta-dalal-a62bb714/>
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Thank You

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# Core Hook Product Characteristics

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Parameter	
Product	Secured Loans to SMEs/ MSMEs
Tenure	6 months to 3 years
Ticket size	INR 1.0mn to 5.0mn
Origination model	Partner led
Indicative yield	16 – 22%

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