

Stitching it together

Dear Investors

It's been an interesting few weeks since our last update and nothing more so than the highest rainfall in a single day in Mumbai since 2005....as one of the local newspaper headlines shouted out to all - "Houston we have a problem (too)". I am glad to say it was no way near the scale of hurricanes Harvey or Irma and all our colleagues and partners are all well, just maybe a bit bruised and wiser for their experience of navigating Mumbai traffic with no let up from the rain gods. In our first update, we shared with you context and the evolving structure across areas which are core to building our platform such as our identity, resource, network, technology, credit risk and financials. Going forward our updates will be more focussed on our "Go To Market" strategy execution, starting with this month's update, where the focus is on our network engagement and our digital build.

The traction with our distribution network continues to increase with Parag having now engaged with 31 of the 45 partners in our pilot geography of Maharashtra as of end August. These face to face conversations are giving us a better understanding of their client base and also their efforts to leverage technology and digital tools to make themselves more efficient. The roll out of the Goods and Services Tax (GST) across India is keeping our partners busy (accounting being their primary profession) as a number of their clients start to migrate from a flexible and partially unaccounted cash business model to a more transparent GST compliant business model. This transition provides a tailwind for niyogin, as the conversion to a GST compliant model by our target customer segment is expected to result in a 20-25% increase in formal financing requirements while the registration of new tax payers further expands our target client universe.

We conducted an intensive primary market research focused on 200 potential distribution partners, the results of which have validated most of our key assumptions around our partner and customer proposition. At the same time, it has driven home the importance of delivering a superior partner and customer experience to differentiate ourselves from competition. Accessibility to digital tools (encompassing on-boarding, origination and servicing) which we are developing, combined with strong physical last mile connectivity through our partners will give us the competitive edge to effectively service small businesses, especially in tier 3 and 4 cities. We have also focussed our efforts on developing our brand value proposition, given our immediate objectives and our long-term goals - which has been an exciting creative journey for all of us - while finalising the end to end digital partner onboarding workflow. The need to deliver a high quality digital client experience has required us to be a bit more patient and push out the final portal development by approximately 3 weeks from the original date of mid-September so that our digital platform delivers to the high expectations of our distribution partners.

We have established a Partner Working Group comprising of 7-8 of our distribution partners to get deeper localised insights around key aspects such as loan pricing, loan amounts, tenors and product differentiation which was highlighted in our market research study. We have

had one meeting so far where the participation from the Partner Working Group members was extremely enthusiastic (which is always a good sign) and allowed us to get further inputs around their perception of success factors while getting a feel on how they would like to share data post client consent with niyogin. We increasingly feel that that the medium-term client opportunity through our partners is potentially higher than our initial calculations given the positive impact of GST as mentioned earlier and higher penetration of our partners' client base driven by data integration between our credit platform and their accounting systems.

Our capital raise is finally complete with the second tranche of approximately INR 37 crores (~ USD 6M) in the bank which takes us to our target capital base of approximately 265 crores (~USD 40m) enabling us to execute to our plan as originally conceived. We have invested the initial tranche in low risk debt instruments across banks, funds and corporate bonds and will look to do the same with the proceeds of the second tranche thereby allowing us to use the yield to significantly defray the cost of the initial build and operations.

We have added 6 more people to our existing strength of 16 taking us to a staff strength of 22 as of end August, with the highlights being the addition of Swaminathan Radhakrishnan as our Chief Credit Officer who joined us from Capital Float and Noorallah Charania as our Head of Operations who joined us from Aditya Birla Finance Limited.

September will be a very busy month as we need to close out on a number of initiatives across product, pricing, operations and credit while preparing to go live with onboarding partners in October. Hopefully we have passed through the worst of the monsoon blast in August and will be able to develop further intensity as we transition from the build to the operating phase.

Enjoy the week ahead and catch you next month.

Cheers,

Arnab/Parag