

## The journey of a thousand steps begin with a single step

Dear Investors

Thank you for your interest and investment in niyogin. It has been 4 months since we started the journey of building our business and we are glad to inform you that we are steadily increasing the momentum in our execution to meet our objective of going live in the 3rd quarter of fiscal 2017/18. The build out phase has multiple aspects to it and we have created cross functional teams (necessity and design playing a part) to enable us to deliver to our stated timelines. We are sharing you the progress made on the key functional aspects below.

### **Identity**

After 3 months of engaging with regulators and addressing the required regulatory and compliance processes, we formally completed the process of changing our company name to Niyogin Fintech Limited (“niyogin”) in June 2017. We have deliberately kept our digital presence low key - [www.niyogin.in](http://www.niyogin.in) - with the plan of creating a more visible impact around the time we commence our pilot. During our past conversations, there were 2 aspects that often came up for clarification - meaning and pronunciation. niyogin means “empower” in Sanskrit, as democratizing access to credit is one of our key objectives for small businesses and is pronounced as “neo - gin (as in begin)”.



### **Resources**

As would be expected of a start-up which needs to execute on the opportunity quickly, we have been hiring aggressively for talent and we have completed all our critical senior level across technology, credit, sales, collections, finance and operations with everyone expected to be on board by end of September 2017. As of today, we have a team of 16 with 8 full time employees and 8 contract staff. Our current premises at Lower Parel will soon be bursting at the seams and we are solving for the same as we expect to grow to a team size of approximately 40 people by the beginning of October 2017. The immediate focus for the next 4 weeks is to complete our second level of hiring across all the functions so that we are appropriately resourced for our pilot.

### **Technology & Operations**

We have taken the approach of buying rather than building our technology platform at the initial stage as we need to connect our capital to our customers in the shortest time possible without compromising on risk and quality parameters. Using tested platforms

like Signzy and Pennant for our loan origination, loan management, score-carding and collection management will accelerate execution through our “plug and play” strategy while creating the base foundation to develop our proprietary technology and data IP in the medium term. However, we are building the user interface & experience ourselves leveraging the Liferay platform so as to provide the best in class experience for our customers and partners while reducing transaction friction during delivery. We expect that our digital platform will be tested and available to onboard our distribution partners towards the end of fiscal Q2 2017.

### **Network**

Our pilot is focused on 30 locations in Maharashtra and we have significantly increased the engagement intensity with our partners to deepen our understanding of each market as well as the individual clients that work with each of our distribution partners. Targeted client selection/referrals ab initio will help streamline processes across client pre-qualification, credit decisioning and client on-boarding. In parallel, we will start acting on some of the key findings of the all India network focused market research that we had commissioned 3 months back to ensure that our go-to-market value proposition addresses some of the specific requirements of our network. We will start testing our proposition, user interface design, operation flow with a select group of distribution partners - our Origination Advisory Group - towards early August to ensure we institutionalize an outside-in approach to our training service, product and solution design. We also expect to roll out the origination and client management training through a custom designed program to meet their specific requirements and position them for success in a fast-changing digital environment.

### **Credit and Risk Management**

We are fundamentally changing the traditional process of evaluating credit to small businesses from an institutional-lite credit application memo and judgmental risk process to a parameterized credit decisioning process using scorecards. This fundamental shift means that we need our credit parameters be relatively conservative at the initial stage as we apply retail portfolio principles to small business credit extension. We will be freezing our general credit policy and risk appetite shortly which will be the foundation to build our scorecards catering for geographical and industry disparities around tenor, size and covenants. We are on schedule to start the 10-week development of scorecards from the 20th of July.



### **Financials and Capital**

We are maintaining close control of our cost and expenses with a positive variance of approximately INR 65 lakhs (USD 100,000) for Q1FY2017/18 on an overall spend of INR 144 lakhs (USD 225,000) in Q1 FY 2017. We started the fiscal year with available capital of approximately INR 19 crores (~ USD 3m) which now stands at 227 crores (~USD35m) post the first tranche of inflows from the private placement that we have completed in July. Two of our committed investors had last minute administrative issues at their end which has resulted in the tranching of the capital raise into 2 rounds with the second tranche of approximately

40 crores (~USD 6m) coming through in the last week of August. This does create an additional administrative process but we are pleased that our overall commitment to our investors, our employees and niyogin overall will be met envisaged at the beginning of our capital raise

process. We will be investing this money immediately but prudently to ensure we optimize the impact of the yield which will be used to defray/cover our expenses/investments till we go fully operational. The above is a bit of a long read but hopefully gives you a fair insight on the progress that we have made so far and the plans for the next few weeks. We will send out an update periodically to keep you apprised of our progress and look forward to build this dialogue further as we partner on this exciting journey together.

Cheers,  
Arnab/Parag