

Investor Update – Q1 2018-2019

April-June 2018-19 was our company's first true operating quarter and we are excited to state that we have delivered to and above our stated goals for this period. The table below provides a summary of our performance for Q1 against the FY 2018-19 goals that we had shared with you in May this year.

Goals	FY 2018-19	Q1 Actuals	Notes
Partners	500	203	<i>40% of full year target achieved</i>
Customers	1000+	50	<i>Acquisition pace increasing at 70%+ month on month</i>
Disbursals/Approvals	INR 1600M+	INR 117M	<i>Surpassed our Q1 target of INR 110M+</i>
Partnerships	2	1	<i>We have signed on our first digital partnership for client acquisition</i>
Solutions beyond credit	1	0	<i>Q4 launch target</i>

Partners

We had a single-minded focus on increasing distribution in Q1 as that forms the foundation for customer, volume and revenue growth. As stated above, we have achieved 40% of our annual target in Q1 with 203 retail partners being onboarded. This has expanded our distribution from 36 cities across a single state of Maharashtra to 70 cities across 4 states including Gujarat, Rajasthan and Karnataka. We aim to add another 100+ partners in Q2 with the primary focus on accelerating activation of the partners that we have onboarded in Q1 and will onboard in Q2.

Customers

Our stated goal is to onboard more than 1000+ customers during FY 2018-19 and therefore it was important that our rate of growth stays above 60%+ month on month. The customer acquisition momentum is averaging above that benchmark with approximately half of our Q1 clients being onboarded in June 2018 and then doubling the Q1 onboarded client number to 100 within the first 40 days of Q2.

Disbursals/Approvals

We aim to disburse/approve over INR 1600M+ worth of loans during FY 2018-19. As of 30th June, we had approved INR 117M of loans and then followed it up with INR

95M of approvals as of July which is 81% of the total approvals that we achieved in Q1. While approvals are accelerating, we are ensuring that we remain prudent on credit quality at this early operating stage. We expect to disburse/ approve INR 300M+ of loans during Q22018.

Our credit decisioning process continues to improve as volumes increase and we are able to access real customer data which has allowed us to identify changes in specific decisioning parameters to enhance better and faster credit decisioning. We have selectively added a few wholesale partners in 3 cities to allow us to test different ticket sizes as well as industry segments against our decisioning criteria and thereby accelerate the decisioning stabilization process. The portfolio primarily comprises of clients who operate in sectors like FMCG and Automobile, which are less likely to be affected by the macro environment driving the build of a quality portfolio. The outstanding loan book is INR 85m as of June 30, 2018, having an average tenor of 21 months with an average loan ticket size of ~ INR 1.5m, average tenor of 21 months and yield of 19.94%.

Partnerships

The core of niyogin's proposition is to collaborate and establish partnerships to drive channel growth and customer acquisition. During Q1 we have worked towards building the foundation of our direct to customer channel and finalized our first national partnership arrangement for direct to customer with Instamojo, a leading fintech in the payment space for acquiring SME merchants for niyogin. We expect that this partnership will go live in Q2 and will set the foundation for additional partnerships going forward

Solutions beyond credit

Over the next 2 quarters, our primary focus is on expanding our retail partner base, acquire customers, and accelerating disbursements. We expect to deliver our first non-credit solution to our customers in the last quarter of FY 2018-19 and is likely to be a function of extending some of the solutions that our partners/partnerships have implemented, to niyogin broader customer base.

Our customer revenues have increased manifold over Q4 2017-2018 albeit on a small base and our continued focus on expense control and cash burn, while investing in growing our distribution, we are cash profitable excluding non-cash expenses for Q1 2018-2019.

Financial Highlights

Our customer revenues have increased over Q4 2017-2018 albeit on a small base. With our continued focus on expense control and cash burn, while continuing to invest in growing our distribution, we are cash profitable for Q1 2018-2019.

Particulars	Rs in Mn	
	For the quarter ended 30 June 2018	For the quarter ended 31 March 2018
Revenue *	54.71	54.81
Expenses	54.88	51.93
(Loss)/Profit (A)	(0.17)	2.88

Depreciation & Amortization (non-cash) (B)	5.83	3.88
Cash Profit (A+B)	5.66	6.76

* Revenue

(A) Income from Loans = Q1-2019: INR 3.17 Mn; Q4-2018: INR 0.51 Mn

(B) Income from Treasury (including classified as operating) = Q1-2019: INR 51.55 Mn; Q4-2018: INR 54.30 Mn.

(C) Sequentially from Q4-2018 to Q1-2019 contribution of customer asset revenues has increased from 1% to 6% to overall revenues whereas the contribution of treasury revenue has decreased from 99% to 94%

Key Additional Highlights

We continue to build on our overall organizational and business capabilities and some of the key highlights for Q2 2018-2019 are

- **Collections:** Our processes – from early warning, pre- banking calling, reminder emails were tested for the first time during Q1 and we are pleased that the delinquency percentage is nil, giving initial credence to our assumption that a trusted retail channel can enhance the risk management process.
- **Operations:** Zero operational losses for loan booking & disbursement with 100% loan agreements successfully e-signed by borrowers and lenders.
- **Channel Development:** We are steadily increasing our efforts around acquisition and activation with referrals being core to our strategy to expand network width. With over 200+ partners, we now have a base to drive discrete activation strategies based on the partner engagement/activation level.
- **Teleservice:** Initiated the tele-service which supported the onboarding of 132 of the total 160 partners onboarded in Q1 channel. This low-cost channel has developed as a robust method of acquiring partners and is now being expanded to build engagement and drive activation
- **Technology application & Infrastructure:** Q1 highlight has been the stabilization of the partner onboarding application which enabled a 5x growth in partner in Q1 and achieve 40% of our onboarding target for FY 2018-19. In addition, we have rolled out
 - **CRM module:** thereby simplifying and largely automating the overall lead generation, channel management and customer management process.
 - **Web Module for customer origination:** Our mobile first approach enabled us to accelerate our go-to-market strategy and accelerate customer onboarding. We have now released the web module which will help us become device independent and provide an extended medium through which loan origination can be done by partners, employees and customers apart from mobile app functionality.
 - **Smart Connect:** We have integrated a 3rd party omni channel experience platforms into our technology and communication stack which will allow customers and partners to connect to niyogin through their preferred channel. We now need to build our processes to effectively leverage the platform in the coming quarters.
 - **VAPT (Vulnerability assessment and penetration testing):** We carried out a VAPT exercise (also known as ethical hacking) to ensure that our data and information security protocols across our multiple applications are effective against external threats/attacks.

- **Data Sciences:** With increasing real/live data coming in as we accelerate onboarding of partners and customer, our data marts are being regularly monitored to ensure data integrity with our Cloudera infrastructure providing better throughput and processing capabilities. Qlik view is being used as the primary application to access information and drive an insights-based culture within niyogin.

In conclusion, we have met our goals for Q1 and are focused on exceeding them for the full year. Our expectation for Q2 is that we will increase our partner distribution to more than 300 with a disbursal/approval target of INR 300M with 200 new customers being onboarded. Thank you for continued support and look forward to delivering on the said goals for Q2 2018-19.