

We continue to build our first quarter performance and our execution focus has enabled us to expand our distribution across states and at the same accelerate our customer onboarding. The table below provides a summary of our performance for Q2 vs Q1 as well as our FY 2018-19 goals.

<i>Goals (YTD)</i>	FY 2018-19	Q1 Actuals	Q2 Actuals	Notes
Partners	500	203	334	<i>66% of full year target achieved</i>
Customers	1000+	50	166	<i>230% growth in our customer base over Q1</i>
Approvals*	INR 1600M+	INR 117M	INR 303M	<i>Surpassed our Q2 target of INR 300M+</i>
Partnerships	2	1	2	<i>We have identified 3 new partnerships which we will progress upon</i>
Solutions beyond credit	1	0	0	<i>Wealth management acquisition announced</i>

**the Approval figures are for the quarter.*

Partners

We have achieved 66% of our annual partner onboarding target in the first half of the year with an additional 131 retail partners being onboarded this quarter versus our stated Q2 target of 100 partners. We are now present in 106 locations across 10 states in India. The partner onboarding process is now extremely stable and we expect to end the year with more than our original stated goal of 500 partners for FY 2019.

Customers

We added on 116 new customers during Q2 continuing on the momentum that we had established in June 2018, taking our total customer base to 166 as of September. I am pleased to state that as I write this note we have now onboarded 200+ customers with increasing confidence on the scalability of our customer onboarding platform.

Disbursals/Approvals

We had set ourselves a relatively aggressive target of INR 300M of approvals for Q2 which we achieved. This was an important milestone for our franchise as it evidenced our ability to grow the business, meet the market demands of our distribution chain while remaining conservative on our credit decisioning.

Our credit decisioning process continues to have the manual overlay but now we are confident that the scorecarding logic, which forms the base for our decisioning is working effectively. While these are still early days, we now have a reasonable

baseline to modify our scorecards to cater for new credit products, which we aim to roll out during the second half of FY 2019.

We have disbursed over INR 300M of loans as end of Q2 with an outstanding loan book of INR 281m as of Sep 30, 2018. Our portfolio average loan ticket size is ~ INR 1.8m with an average tenor of 23 months and an average yield of 20.21%. We have been actively pricing for risk as we go deeper into tier 2 and 3 geographies and is reflected in the increased average yield of 27 bps over Q1. Our collection outcomes continue to be robust with no delinquencies as yet. We are actively tracking our cheque bounce rates and refining our early alert framework by correlating the same to our scorecard outcomes.

Partnerships

As we grow our presence in the market, potential partners have started reaching out to us and we have initiated discussions with pharma distribution chain, a hotel aggregator as well as one of the leading retail POS providers in Q2. We will execute on these opportunities selectively as we build our capabilities on developing products that are customized for specific industry segments.

Solutions beyond Credit

We announced the acquisition (subject to due diligence completion) of Moneyfront on 5th September – one of the leading automated direct plan platform providers assisting clients invest in mutual funds and other fixed income instruments. The platform will enable users to consolidate their fund holdings digitally from traditional channels to direct channel with the aim of upselling higher value products along with building advisory capabilities. We are excited about this opportunity as it will allow us to take a significant step forward in building our knowledge and capabilities within the wealth solutions domain and take the first step towards being more than a credit provider to our MSME customers.

Financial Highlights:

Our Q2 customer revenues have increased by 448% over Q1 with total expenses increasing by 32% over Q1.

Particulars	INR in Mn	
	For the quarter ended 30 Sept 2018	For the quarter ended 31 June 2018
Revenue *	59.10	54.71
Expenses**	72.57	54.88
(Loss)/Profit (A)	(13.47)	(0.17)
Depreciation & Amortization (non-cash) (B)	11.72	5.83
Cash Profit (A+B)	(1.75)	5.66

* Revenue

(A) Income from Loans = Q2- INR 12.95 Mn (Q1-2019: INR 3.17 Mn; Q4-2018: INR 0.51 Mn

(B) Income from Treasury (including classified as operating) = Q2- INR 46.15 Mn; Q1-2019: INR 51.55 Mn; Q4-2018: INR 54.30 Mn.

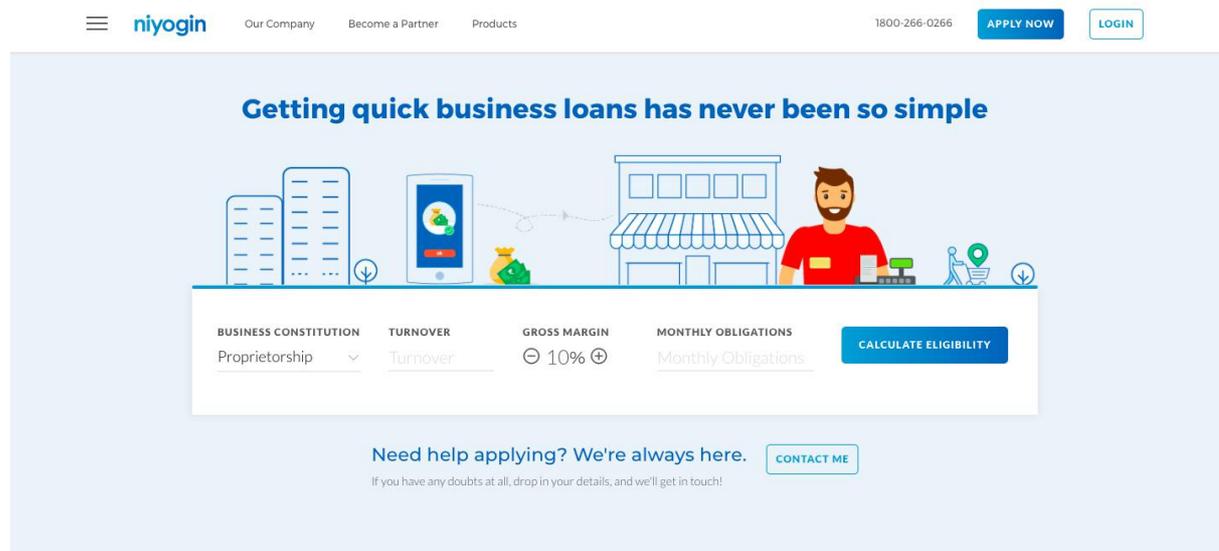
(C) Sequentially from Q4-2018 to Q1-2019 contribution of customer asset revenues has increased from 6% to 22% to overall revenues whereas the contribution of treasury revenue has decreased from 94% to 78%
** Expenses - Expenses include amortization of ESOP expenses of INR 4.8m

Key Additional Highlights

We continue to execute on expanding our customer engagement channels with the launch of our digital channel which will allow us to connect with digital savvy MSME customers who would apply for loans on their own and in parallel enhance our internal technology and data sciences capabilities.

▪ Direct to Customer (D2C)

A key highlight of Q2 was the launch of our “Direct to Customer (D2C)” channel in Sep 2018. Our vision is to enable clients to engage with us through their preferred channel and the D2C launch is an additional step in making us a truly omni-channel client centric platform.



The screenshot shows the Niyogin website's loan eligibility calculator. The header includes the Niyogin logo, navigation links for 'Our Company', 'Become a Partner', and 'Products', a phone number '1800-266-0266', and buttons for 'APPLY NOW' and 'LOGIN'. The main heading reads 'Getting quick business loans has never been so simple'. Below this is an illustration of a storefront with a man in a red shirt, a smartphone, and a money bag. The calculator form includes fields for 'BUSINESS CONSTITUTION' (Proprietorship), 'TURNOVER' (Turnover), 'GROSS MARGIN' (10%), and 'MONTHLY OBLIGATIONS' (Monthly Obligations). A 'CALCULATE ELIGIBILITY' button is present. At the bottom, there is a 'CONTACT ME' button and a note: 'Need help applying? We're always here. If you have any doubts at all, drop in your details, and we'll get in touch!'.

We are niyogin

We have just started engaging with our MSME clients through our D2C channel but the early indication of over 10,000 individuals/entities checking their loan eligibility seems to suggest that this will be a key complement to our retail channel. We are extremely excited and will be able to provide more insights over the next couple of quarters.

▪ Technology and Data Sciences

As a fintech company, the continuous and agile development of our applications, technology infrastructure and data sciences capability is the key to embedding our competitive edge as we grow our business.

- **26 new APIs** developed which will allow us to drive paperless real-time data exchange with the partnerships that we aim to develop in the second half of this year

- *Perfios multiple bank integration enabling single window view across multiple bank statements*
- *Stress testing conducted across all applications and integration layers*
- *Developed internal capabilities on Liferay enabling us to reduce TAT when we are implementing changes in our web front-end*

In conclusion, while we have met our goals for Q2 as well as the first half of FY 2019, we intend to proceed with caution in Q3 2019 given the turbulence in the Indian financial markets. The liquidity crunch could adversely impact some of our target customer segments as some of our competitors reduce their book size or significantly slow down loan disbursals. **While we remain cautious, we view the market shake out as medium-term opportunity to gain market share while increasing our pricing power.**

Thank you for your continued support and we look forward to engaging with you post our Q3 results.