Creating a digital platform for lending to under-served SMEs in India
Drivers for SME growth in India have never been stronger...

- **Manufacturing**
  - “Make in India”

- **Digital Ecosystems**
  - Shift to organized retail and e-commerce; taxi aggregators etc.

- **Digital penetration**
  - Smart-phones and faster internet

- **Financial inclusion**
  - Penetration of banking and payment services

... But access to finance for SMEs remains woefully inadequate

**Total debt demand from SMEs**
(30 million enterprises)

- **Supply**: 84%
- **Gap**: 16%

**Rs.33 Trillion**

**Rs.26.5 Tr (~$400 Bn) of SME debt demand unmet by formal channels**

Source: MSME Census and MSME Ministry Report
WHY TRADITIONAL LENDERS ARE STRUGGLING WITH MSME’S

1. **Lack of focus**
   
   Inherent bias against small-ticket lending. MSME business secondary to mid-corporate

2. **One-size-fits-all approach**
   
   Limited product innovation and customization for what is a highly heterogeneous segment

3. **Slow processing**
   
   Cumbersome, time consuming processes. SMEs need fast and convenient access to credit

4. **Outmoded underwriting**
   
   Largely manual, vanilla risk assessment approach with rigid credit and collateral parameters
**LARGE UNADDRESSED MARKET**

**Banks & NBFCs**
1. Typically with credit scores above 700
2. Can get pricing of 10-18% from banks
3. Existing business & credit history
4. Larger companies with available collateral

**Unaddressed Market**
1. Scores 600-700 – careful but quick evaluation needed
2. Varied product needs - Short term & Long Term
3. Pricing Precipice: 16-24%
4. Large Geographical spread
5. >60% not regular internet users
6. Lack of understanding of financial products (handholding) / Documentation gaps

**Niche / Informal Lending**
1. Credit scores below 600 or non-existent
2. Get pricing of >25-30% from niche/local lenders
3. Typically need short term loans

Able / Willing to address <5% of the market

~90% market unaddressed by existing financiers

Able to address <5% of the market
THE CAPITAL FLOAT SOLUTION

Only player addressing the 90%..

Customer Characteristics / Needs

1. Scores 600-700 – careful but quick evaluation needed
2. Varied product needs - Short term & Long Term
3. Pricing Precipice: 16-24%
4. Large Geographical spread
5. >60% not regular internet users (not possible to target online only)
6. Lack of understanding of financial products (handholding) / Documentation gaps

Capital Float’s robust technology platform enables a scalable SME lending model
ECOSYSTEM LENDING APPROACH

Initial focus on high-growth, SME-centric ecosystems with 3 key features

I. Aggregators to build scale with

II. Differentiated data sources

III. Cash flow visibility / control

Current focus areas

• B2C E-Commerce
• Transportation
• Payments / POS
• Industry Buying
• Travel & hospitality
• SME services
UNDERWRITING: DATA SOURCES

**Credit bureaus**
At a personal level, has the entrepreneur been a responsible borrower in the past?

**E-Commerce portals**
Is product selection competitive? What are return rates? How have sales been growing?

**Social media**
What are customers saying about this business? How strong is its online footprint? Ratings?

**Financials and tax returns**
What is the overall financial health of the business? Are taxes being paid on time?

**Banking transaction history**
What is the cash flow profile of the business? Are payments timely? Do cheques clear?

**Accounting software**
Automated integration with popular accounting tools such as Tally and Quickbooks

**Psychometric assessment**
How able is the entrepreneur? What are their attitudes towards risk and repayment?

**Government databases**
Automated integration with MCA, RoC, NSDL, and Aadhaar databases for verification
CUSTOMER EXPERIENCE: BORROWER

*Our objective is to enable execution of Loan Agreements in a paperless manner (Virtual Loan Agreement) – this is subject to appropriate acceptability in an Indian context*
BUSINESS MODEL DRIVING LOWER COSTS

**Traditional Lender**
Operating Expense: 5-7%

- Technology Overhang
- Branch Infrastructure
- Customer Acquisition
- Underwriting
- Origination
- Servicing

**Operating Expense: ~2%**

Technology and business model drive cost down

**Customer Acquisition**
**Underwriting**
**Origination**
**Servicing**
# LEADERSHIP TEAM

## Key Team Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaurav Hinduja</td>
<td>Co-Founder</td>
<td>(Ex: COO, Gokaldas Exports; Stanford GSB)</td>
</tr>
<tr>
<td>Sashank Rishyasringa</td>
<td>Co-Founder</td>
<td>(Ex: Sr. Manager, McKinsey; Princeton; Stanford GSB)</td>
</tr>
<tr>
<td>Rohan Angrish</td>
<td>CTO</td>
<td>(Ex: Chief Architect, Open Table; Oracle; IIT; Stanford)</td>
</tr>
<tr>
<td>Tushar Garimala</td>
<td>Decision Sciences</td>
<td>(Ex: Sr. Manager, Capital One U.S.; HSBC; IIT)</td>
</tr>
<tr>
<td>Ankit Satsangi</td>
<td>Credit</td>
<td>(Ex: SVP Unsecured Loans, Fullerton; Barclays; Citi)</td>
</tr>
<tr>
<td>Utham Reddy</td>
<td>Product</td>
<td>(Ex: Product Manager, Excellere; Wipro; LSE)</td>
</tr>
<tr>
<td>Kumanan Rajgopal</td>
<td>Sales - E-Commerce</td>
<td>(Ex: Head of Merchant Acquisition, AMEX; ICICI)</td>
</tr>
<tr>
<td>R.N. Murthy</td>
<td>Sales - Retail</td>
<td>(Ex: Head of MSME Sales, Janalakshmi; Indiabulls)</td>
</tr>
<tr>
<td>Kshitij Shrivastava</td>
<td>Marketing</td>
<td>(Ex: Brand Marketing Head, Mattel Inc.; P&amp;G)</td>
</tr>
<tr>
<td>Aman Bhargava</td>
<td>Capital Markets</td>
<td>(Ex: Director, Grant Thornton; E&amp;Y; KPMG)</td>
</tr>
<tr>
<td>G.R. Prasad</td>
<td>Operations</td>
<td>(Ex: Head of Operations, Vistaa Finance; Fullerton India)</td>
</tr>
<tr>
<td>Vaibhav Singh</td>
<td>Business Development</td>
<td>(Ex: Sr. Manager, Deutsche Bank Asia-Pac; CFA; IIT)</td>
</tr>
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JOURNEY THUS FAR

~INR 200cr loans originated nationwide, partnerships with leading marketplaces

Key business metrics

- ~INR 200cr in loans originated till-date
- 500+ SME borrowers across 40 locations in India (Tier 1, 2, 3 cities)
- Currently adding 100 new customers per month (INR 30cr new originations)
- < 0.1% NPA on current portfolio
- Target - INR 50 cr new originations per month (run-rate) by April 2016

Ecosystem partners

**E-Commerce finance:**

- snapdeal.com
- paytm.com
- flipkart.com
- ebay.in
- myntra.com
- amazon.in
- shopclues.com
- zovi.com

**Auto loans:**

- UBER
- OYO
- indiamart.com
- Pine Labs

**Other SME financing tie-ups:**

Investors

- SAIF Partners
- Sequoia Capital
- $17 million raised till-date (Seed + Series A rounds)
- Aspada
DIGITAL LENDING LANDSCAPE
Thank You