LIQUILOANS™

About LiquiLoans

I. Overview

LIQUILOANS

- Company: NDX P2P Private Limited
- Founded: 2018
- Headquarters: Mumbai, India
- Category: Fintech, Lending

II. Business Offerings

- An online peer-to-peer lending platform whereby we leverage new age technology to match credit worthy borrowers and lenders basis their risk appetite
- Lucrative Alternative Debt Investment Opportunity with Complete Alignment of Interest

III. Business Highlights

- **New Asset Class:** P2P acts like a new asset class for investors. It's a short term debt instrument with significantly higher return than a liquid / debt fund
- **Demand Sourcing Strategy:** Company has done online and offline partnerships for sourcing loans on the platform. Focus on Salaried Class, High Quality Prime Borrowers, with Low Average Ticket Sizes
- **RBI Regulated NBFC:** P2P Platforms are regulated by the RBI with stringent quarterly reporting criteria's

IV. Investors & Funding

matrix PARTNERS

Year	Round	Investors	Amount (INR)
2018	Seed	Matrix Partners (PE Fund) & Marquee HNIs	12 Crores

V. Other Marquee Investors

Famy Care Ltd.

renaissance

freecharge

Promoters of the above mentioned companies are Angel Investors in LiquiLoans

VI. Promoters

Achal Mittal

ICICI Bank

Gautam Adukia

IIFL

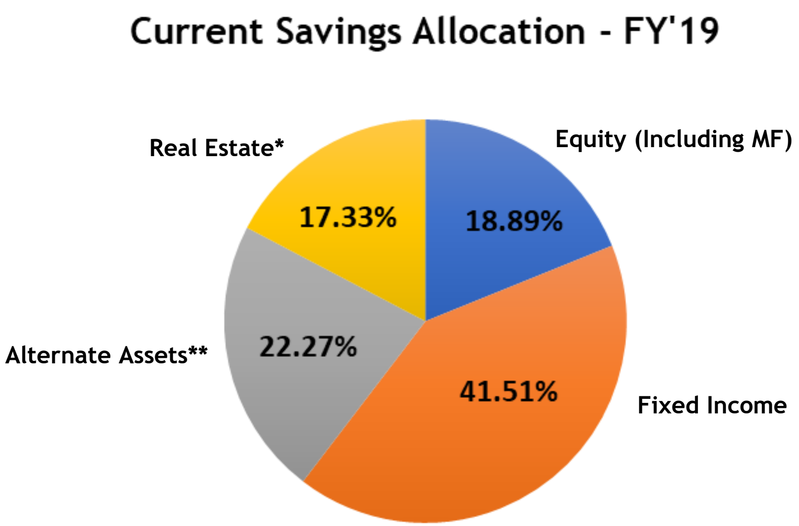
rentomojo

SVKM'S NMIMS

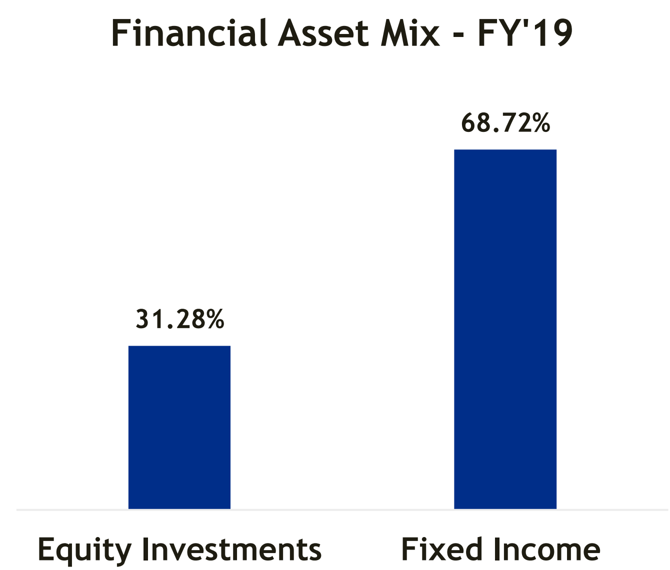
INDIAN INSTITUTE OF MANAGEMENT CALCUTTA

How Does India Invest:

- **Fixed Income Orientation:** Indians have traditionally been fixed income oriented investors; nearly 70% of Financial Savings are held in Fixed Income Instruments
- **Traditional Fixed Income Instruments:** PPF, Bank Deposits, Post Office Deposits, Debt Mutual Funds etc.
- **Simplistic Investment Approach:** A large part of investors - keep it simple i.e. channelize savings through FDs, Gold & Debt MFs
- **Highest Incremental Inflows in FY19:** Fixed Income Instruments: Rs. 18.88 Lakh Crs
- **Declining Yields:** India has witnessed multiple rate cuts in the last 2+yrs, on account of which FD Rates have fallen by 150-300bps over last 24+ months (SBI FD 1 Year (365 Day) Rate has come down to 4.90% p.a.; 364 Day FD Rate has come down to 4.40% p.a.*)



*This does not include primary residences used for living.
**Alternate Assets: Gold, Other Precious Gems etc.



Key Takeaway: Indian investors have a strong preference towards safety of capital & low volatility; as against high growth of capital; hence allocation to fixed income and gold continue to dominate across small & large investors.

Source: Report of Household Finance Committee on Indian Household Finance 2017; India Wealth Report 2018, 2019 – Karvy Private Wealth; * SBI Website

Key Indian Lending Institutions: Retail Vs Corporate Loan Gross NPAs

Particulars	Retail Loan Book* Gross NPA (%) - As on 31st March 2020	Corporate** Loan Book Gross NPA (%) - As on 31st March 2020	Average for Last 5 Years: Retail Loan Book* Gross NPA (%)	Average for Last 5 Years: Corporate Loan Book** Gross NPA (%)
State Bank of India	4.11%	8.08%	3.38%	11.61%
ICICI Bank	3.20%	12.25%	3.10%	15.97%
HDFC Bank	1.41%	1.00%	1.24%	1.10%
Kotak Mahindra Bank	1.91%	2.30%	1.63%	3.23%
Bajaj Finance	1.61%	NA	1.49%	NA
Average	**2.45%**	**5.91%**	**2.17%**	**7.98%**

*Retail: Retail+Agri+Personal+Others
**Corp: Corp + MSME
***Excludes Corporate Loan's sold to ARCs

Key Advantages of Retail Loan Book:

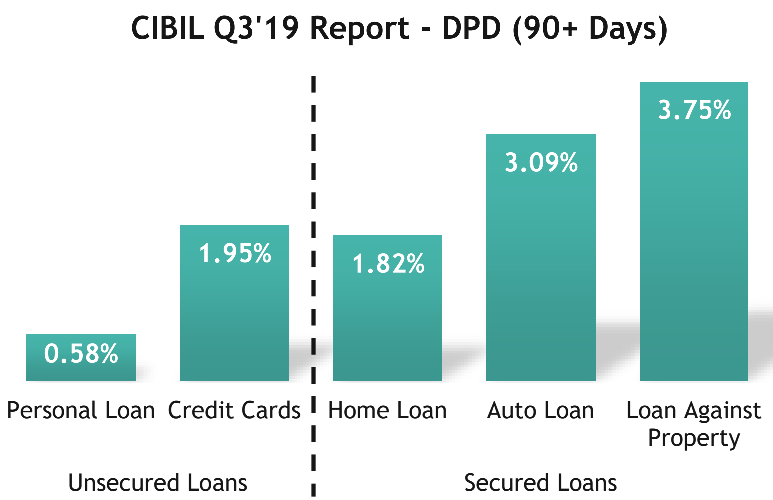
- Highly Diversified Borrower Base
- Lower Average Ticket Sizes
- Shorter Tenures
- Monthly Principal Repayment along-with Interest (EMI)
- Lower Overall Borrower Leverage
- Lower Impact to Income & Repayment Capability due to changes in the Macro Economic environment

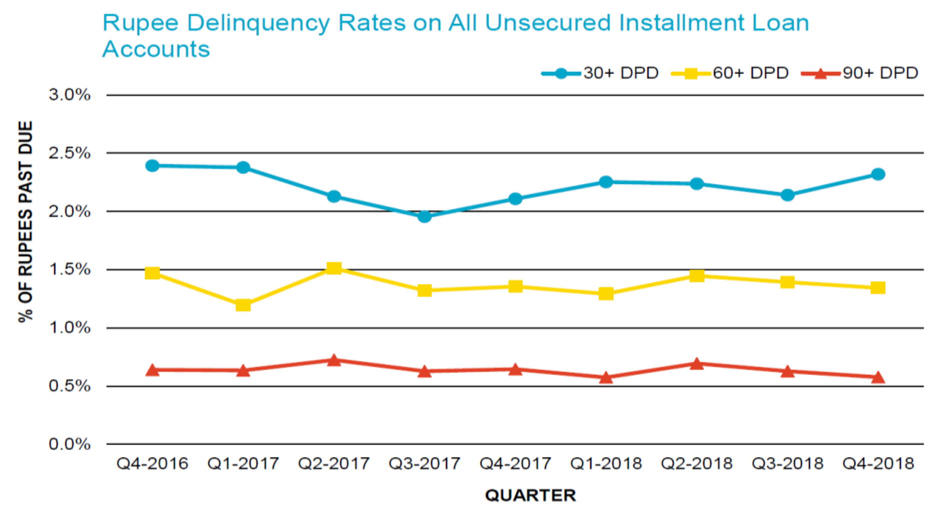
Key Takeaway: Historically both globally and domestically retail debt has seen lower NPAs than corporate debt. However retail loan books are harder to scale as ticket sizes are smaller.

Source: Annual Reports & Management Commentary of SBI, ICICI Bank, HDFC Bank, Kotak Mahindra Bank, Bajaj Finance

Retail / Consumer Loan NPAs

- **Secured Vs Unsecured Loans:** The common perception is that secured loans are safer than unsecured loans due to the availability of collateral. However, Balance level Delinquency Rate (90+ days overdue) for Secured Loan Assets have been higher than Unsecured Loan Assets – As per CIBIL Q3’19 Report.
- **Lower Delinquencies in Unsecured Loans:** Few reasons driving lower delinquencies in unsecured loans are lower average ticket sizes and more stringent underwriting leading to lower absolute EMI amounts, shorter tenures and lower approval ratios
- **Shift towards Consumption-Oriented Lifestyle:** As prevalent in developed economies, Consumption Oriented Lifestyle is resulting in lower savings, unsecured credit via various product lines viz. personal loans, emergency/medical loans, consumer loans and specifically credit cards are becoming an integral part of the daily lives of even high-income customers
- **Sensitivity to Bureau Scores:** Borrowers understand importance of their bureau scores and are more sensitive towards their credit behaviour
- **Industry Trends:** HDFC Bank quoted an Avg. 0.48% NPA on their 1 Lakh Cr Unsecured Loan Book – Nov 29, 2019

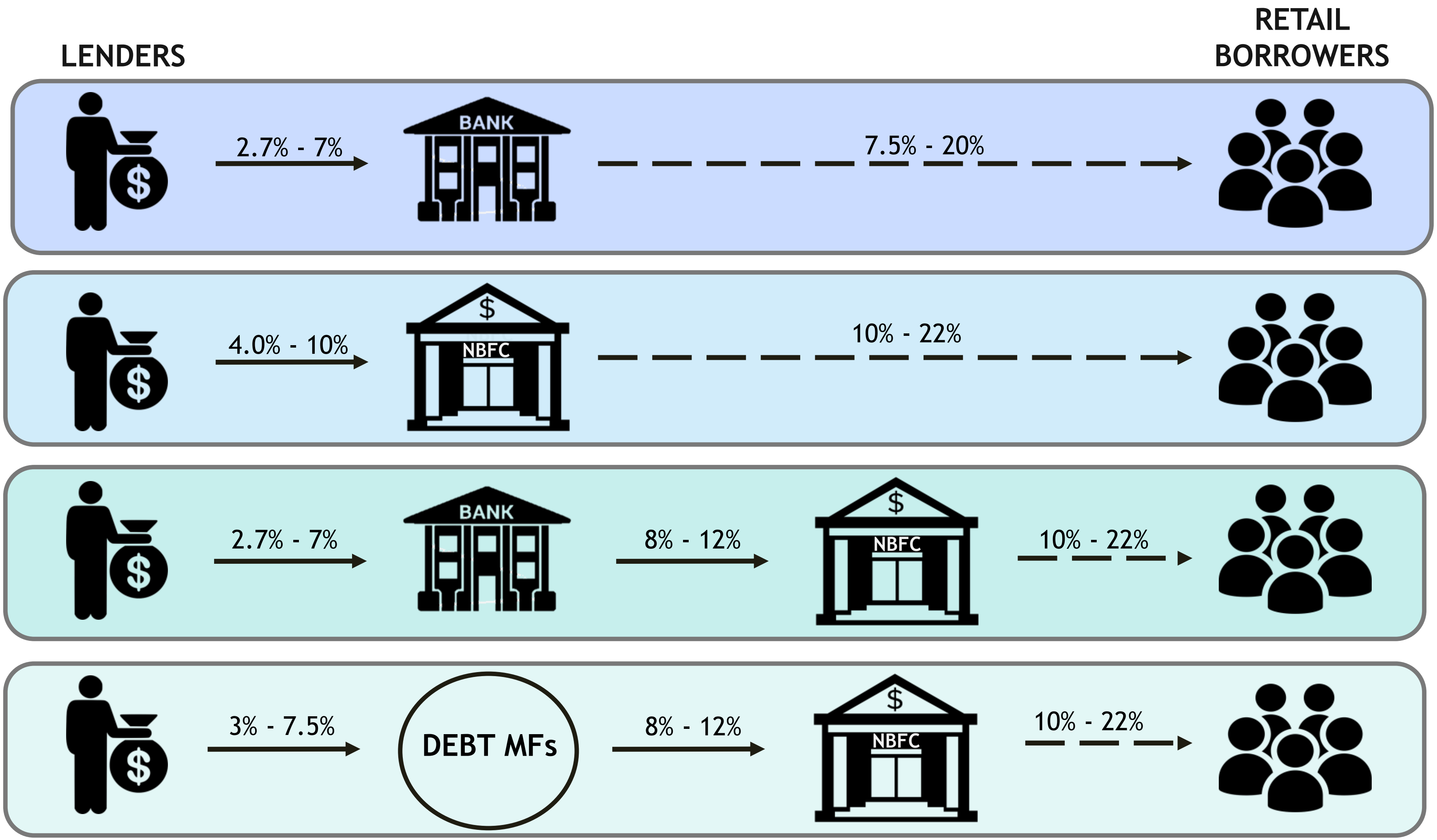




Key Takeaway: Unsecured loans historically considered risky have performed well than Secured Loan Portfolios due to: (a) Selection bias in unsecured loans (b) Frequent debt requirement even for high income earners (c) Stigma attached to availing debt has reduced

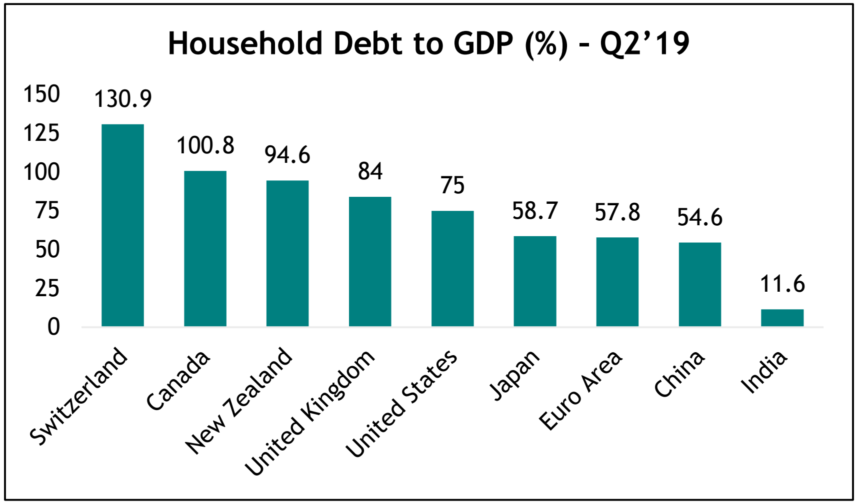
Source: CIBIL Q4’18 Report, CIBIL Q2 & Q3’19 Report; Times of India

Current Retail Lending Landscape

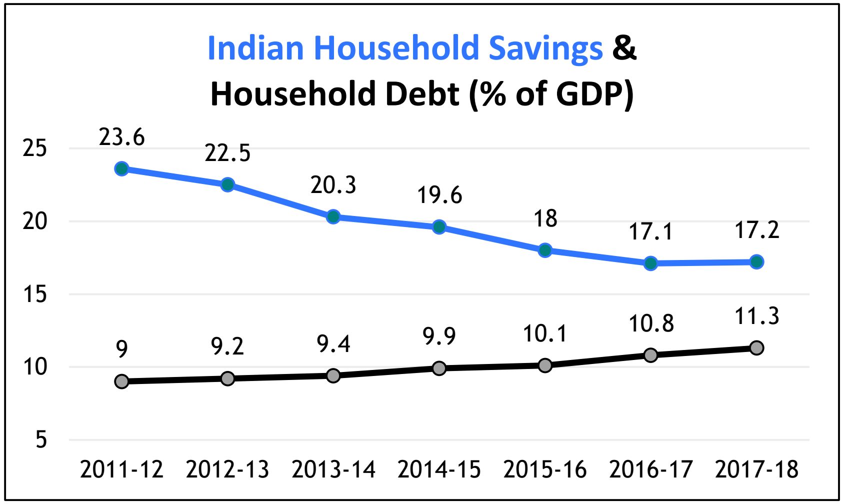


Key Takeaway: Lenders have had end Retail Credit Exposure via the Indirect & Semi-Transparent Routes i.e. through Banks, NBFCs & Debt MFs. On account of high intermediation cost, the lender/investor returns get hampered. Conversely, direct & transparent access reduces intermediation cost, thereby enabling lenders to earn a higher return without increasing the underlying risk

Indian Markets – Large Growth Opportunity



Source: Bank for International Settlements (BIS)



Source: RBI, BIS

- **Low Household Debt to GDP (%):** India's Household Debt to GDP ratio is amongst the lowest in the World Economies. Avg. for Developed economies being approx. 70-75%+ and that of BRICS Economies (excluding India) being approx. 33%+.
- **Gradually Increasing Household Debt:** Although this metric is still very low for India, it has been growing gradually since last few years (from 9% to 11.3% in last 6 years). Growth in Household Debt in the last 10 years has been on account of steady growth in availability & penetration of Formal Credit. Factors contributing to increased penetration of formal credit are: (a) Favourable Demographics (Low average age); (b) Changing Consumer Habits (Consumption Oriented Vs Savings Oriented) & (c) Increase in Credit Adoption (Stigma associated with availing credit has reduced).
- **Mix of Secured & Un-secured Credit:** Data published by RBI shows that consumers have been increasingly availing both secured and un-secured credit (both categories have grown by approx. 3x+ in the last 8+ years). For Eg: Secured Credit for buying homes, cars etc. (Rs. 3.97 Lakh Crs in 2011-12 to Rs. 9.74Cr Lakh Crs in 2017-18) & Short Term Unsecured Credit (Rs. 1.59 Lakh Crs in 2011-12 to Rs. 5.08 Lakh Crs in 2017-18).
- **Favourable Overall Savings to Household Debt Ratio:** Despite the decline in Household Savings Rate, the FY2018 household savings rate of 17.2% of GDP (incremental every year) compares very favourably with the overall debt of ~12% of GDP (outstanding at any point in time).

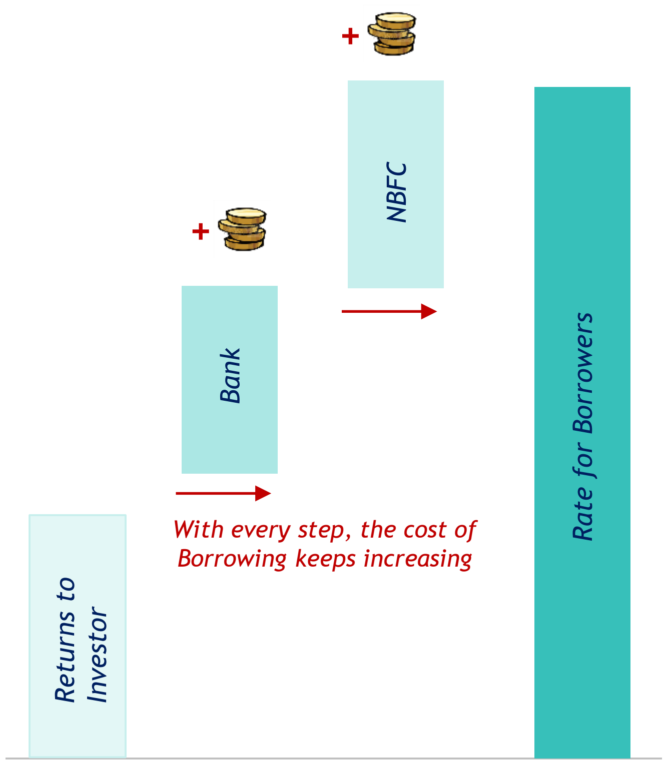
Key Takeaway: Indians have been saving a high percentage of their earnings, but have started warming up to formal credit options to fulfil their growing consumption habits. Large untapped market (low formal debt penetration) combined with increase in credit appetite driven by a fast growing young population; provides for a large opportunity for formal lending companies.

What have we built ?

Prime Retail Debt Investment Product

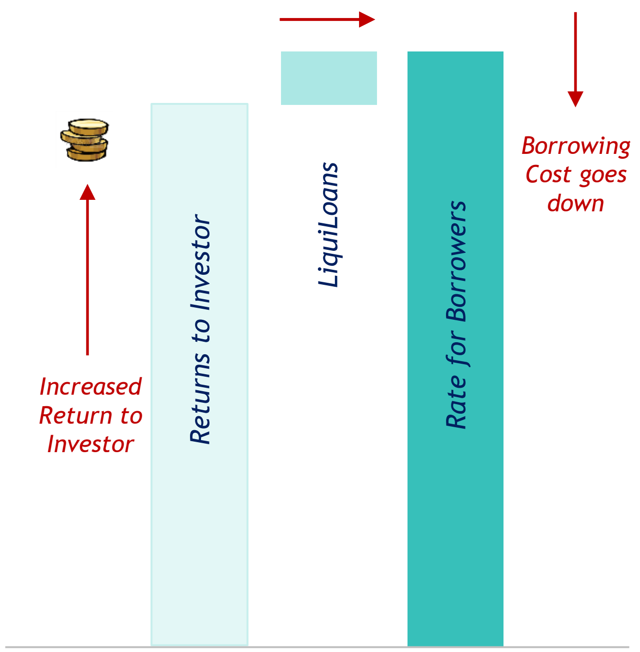
Changing Lending Structure

Traditional Lending Structure:



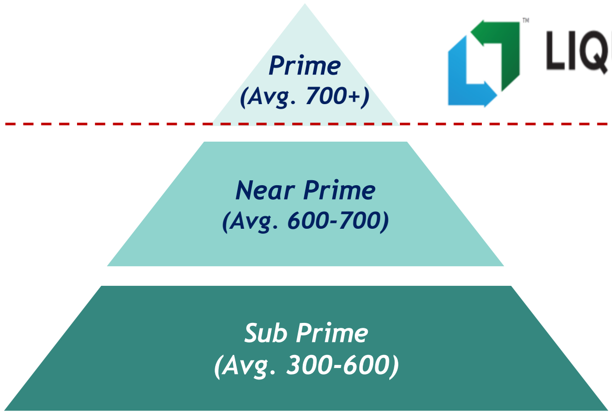
- Returns to end Investor/saver are lower
- Borrowers are charged high interest rates
- Banks and NBFCs add their margin as well as operations and marketing costs to compute lending rate

What are we are doing:



- Increased Returns to Investors
- Reducing the cost for Borrowers
- Sharing value created due to technology-driven efficiencies and disintermediation between borrowers and lenders

Why LiquiLoans?



Borrower Profile

Product Offering:

- **RBI Regulated Entity** providing a **New Asset Class** with Low Risk & High Returns
- **Highly Diversified Portfolio** of Prime Retail Loans
- Returns upto **1.5x-2x of Liquid Debt Mutual Funds**
- High Returns primarily earned through **Zero Cost EMI Consumer Loans vs High Interest Paying Borrowers**

Key Focus Areas to Source Borrowers

1. Upskilling Education Financing
2. Discretionary Healthcare Financing

Select Dealers

How this sets us apart?

- **Zero Cost EMI Loans:** No interest charged to the Customer; income is earned from the Dealers Margin through subvention. Rather than paying the complete amount upfront, customer can pay in average 6-9 months without additional cost
- **Defined end use case:** Focusing mainly on only selected segments - Education and Healthcare which have very strong end use case and lesser chances of default – Funds get disbursed to the dealer and not to the borrower
- **Strong Customer Profiles:** Through our tie-ups we are able to attract quality borrowers who are not credit hungry and thus have a higher intent of repaying the loans
- **Relevant reference through our Partners:** Getting borrowers from select sources gives us better insights for underwriting and pricing them. We are able to assign weightages to demographic, end use case, past repayment history and accordingly rate the borrowers

Transparency to Each Lender via their Dashboard - Sample

<u>Live Online Dashboard:</u> whereby each lender / investor gets transparent insights into their investments & the borrowers allocated to them

TOTAL NO. OF BORROWERS	223
AVERAGE MONIES LENT OUT	RS. 2,977
AVERAGE TENURE OF LOANS	8.71 MONTHS
AVERAGE CREDIT BUREAU SCORE	775

- **High Diversification**
- **Granular Investment**
- **Avg. <12 Month Loans**
- **Prime Borrowers**

SAMPLE BORROWER INFO. CARDS

TCS
42 Yrs, MUMBAI

Credit Score 853

24 Months | Foir 21-40%

Purpose : Education

Monthly Income : Rs. 1,00,000

Rs. 2,13,670 Loan Amount | **Rs. 2,604** Invested Amount

700+ Credit Score Borrower

GOLDMAN SACHS
51 Yrs, BANGALORE

Credit Score 688

24 Months | Foir 0-20%

Purpose : Others

Monthly Income : Rs. 1,06,000

Rs. 1,50,000 Loan Amount | **Rs. 2,606** Invested Amount

>600 Credit Score Borrower

AKASH MEDICAL INSTITUTE
24 Yrs, BANGALORE

Credit Score NTC

9 Months | Foir 0-20%

Purpose : Healthcare

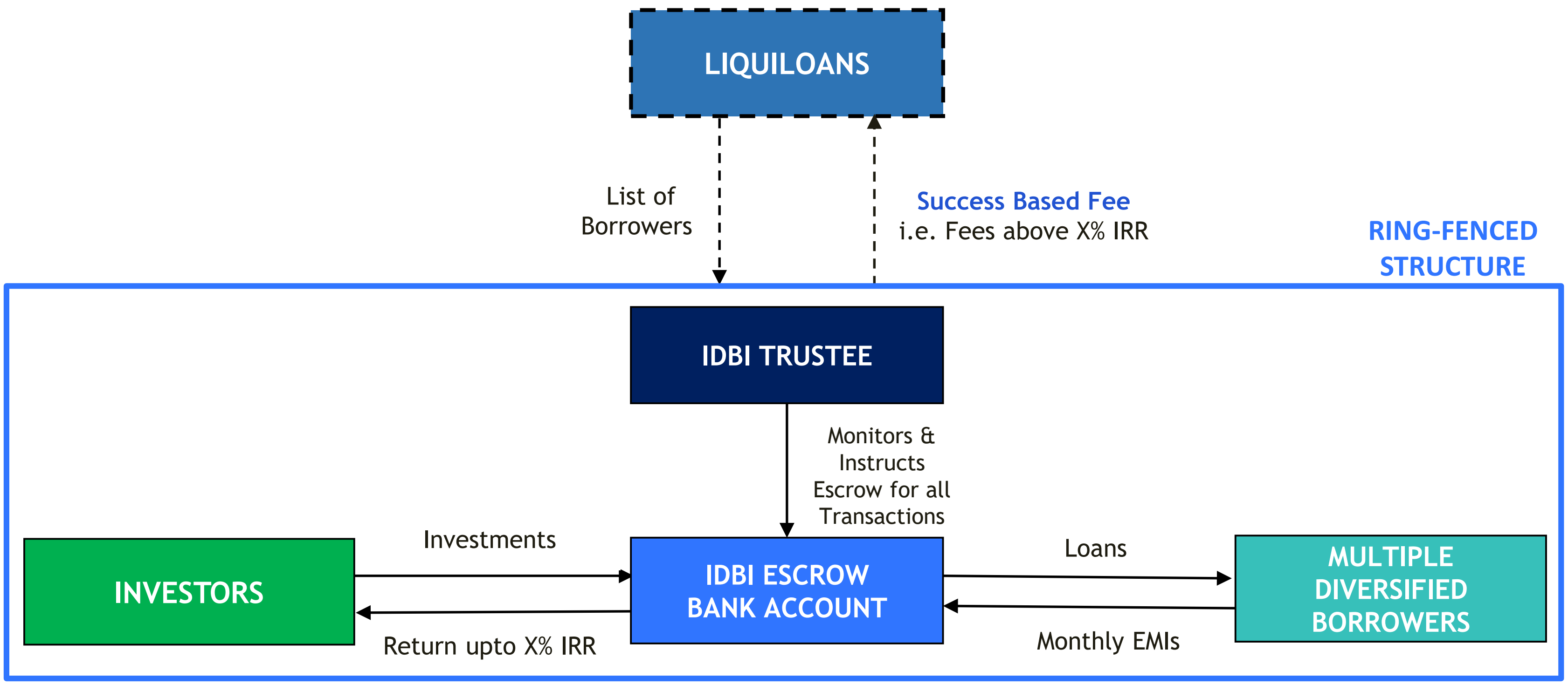
Monthly Income : Rs. 40,000

Rs. 47,008 Loan Amount | **Rs. 1,977** Invested Amount

New to Credit Borrower

Robust Structure – No Counterparty Risk

- **RBI Regulated & Monitored Product:** Funds flow only through an Escrow Account (PSU Bank) & Managed by a Bank Sponsored Trustee.
- **No Counterparty Risk:** Considering all investor funds flow through the escrow bank account; which is completely managed by the PSU Bank trustee (structure similar to that of Mutual Funds); there is **NIL counterparty risk / exposure on LiquiLoans as an entity.**
- **Fund Flow through PSU Trustee:**



Comparison across Debt Investment Products

LiquiLoans as an investment opportunity against the traditional investment products

Parameters	Fixed Deposit	Bonds / NCDs	Debt Funds	LiquiLoans
Returns	Low	Medium – High	Medium	**High**
Liquidity*	Medium	Low	Medium - High	**Medium – High****
Alignment of Interest	NA	NA	Limited / Low	**High**
Diversification	Low	Low	Medium	**High**
Credit Risk	Low	Low-High	Low-High	**Low**
Interest Rate Risk	NIL	Applicable	Applicable	**NIL**
Asset Class Exposure	Mixed	Largely Corporate	Corporate	**Retail**
Asset Class History	High	High	High	**Low**
Indicative Annualised Yields	4.9% - 7.0%	4.0% - 10.0%	3.0% - 7.5%	**Upto 8.0% – 10.0%**
Risk Adjusted Returns	Medium	Medium	Medium	**High**

LiquiLoans, as a P2P Platform, offers a New Asset Class for Investments with Minimum Risk & High Returns

** May be subject to penal charges or exit load*
*** Active Secondary Market*

Key Product Features leading to a Safe Diversified Lending Option Contd.

HIGH QUALITY UNDERLYING ASSET CLASS:

- **Prime Loans:** Investment in High Quality Consumer Loans (Disc. Non Fatal Healthcare, Up-skilling Education & Home Decor) to Creditworthy Borrowers (Primarily Zero Cost EMI Loans)
- **Indicative Borrower Profile:** Primarily Salaried, High Credit Bureau Score Rated Individuals in Largely Tier I & II Cities (Avg. Credit Bureau Score of 700+)
- **Average Loan Tenor:** <12 Months
- **Average Loan Size:** ~INR. 40-50k (Which is an Avg. 15-30% of Borrowers Annual Salary)
- **Granular Diversification:** The investor can select loans and disburse funds via auto invest in a manner that less than Avg. 2% allocation is to one borrower

HIGH RISK ADJUSTED INDICATIVE YIELDS, WITH MULTIPLE PAYOUT OPTIONS:

- **Indicative Yields (XIRR) only above which any fees will be expensed to LiquiLoans**

TRANCHE VALUE	STANDARD / DEFAULT SCHEME (NIL MHP)	3 MONTH MHP	6 MONTH MHP	12 MONTH MHP	24 MONTH MHP
Rs. 50K (MINIMUM) UPTO Rs. 10 LAKHS PER PAN	Upto 8.00% XIRR	Upto 8.80% XIRR	NOT AVAILABE	NOT AVAILABLE	Upto 9.50% XIRR

MHP: Minimum Holding Period

- **Payout Options:** Monthly Interest Payout / Annual Interest Payout / Cumulative Payout at the end of the Pre-defined Minimum Holding Period

Why should You Invest?

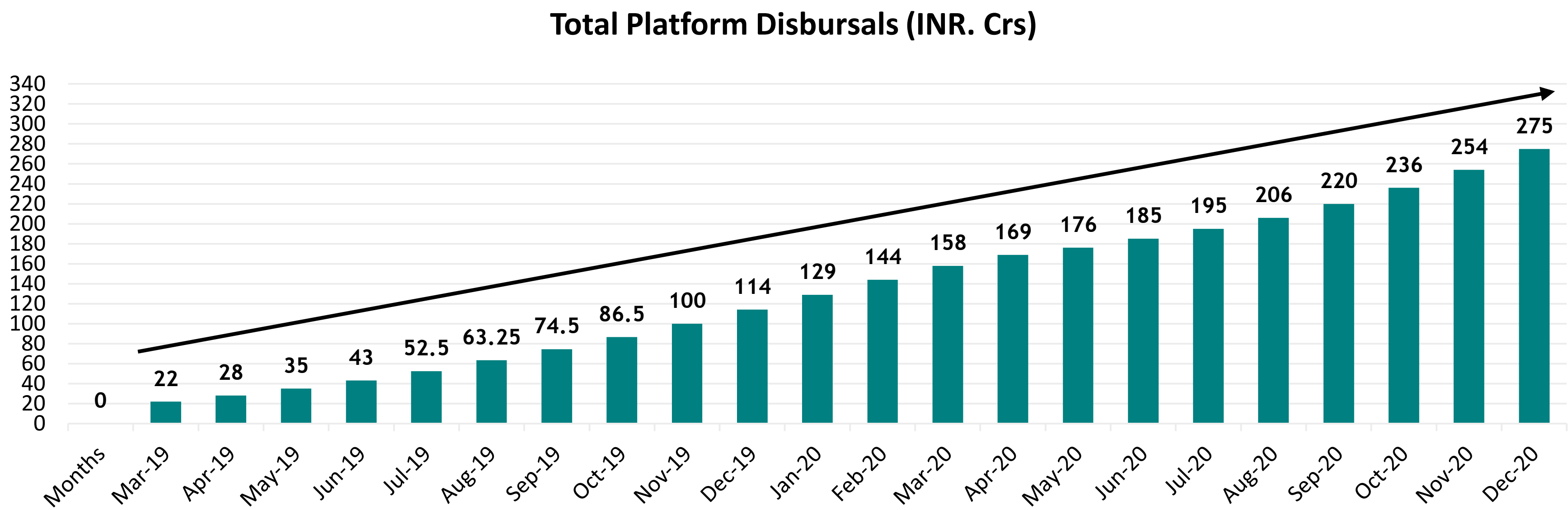
1. **Un-correlated Asset Class:**
   i. Investment opportunity has NIL Correlation to Equities or Debt markets
   ii. Acts as a source of true diversification, reducing overall risk and volatility in each investors portfolio

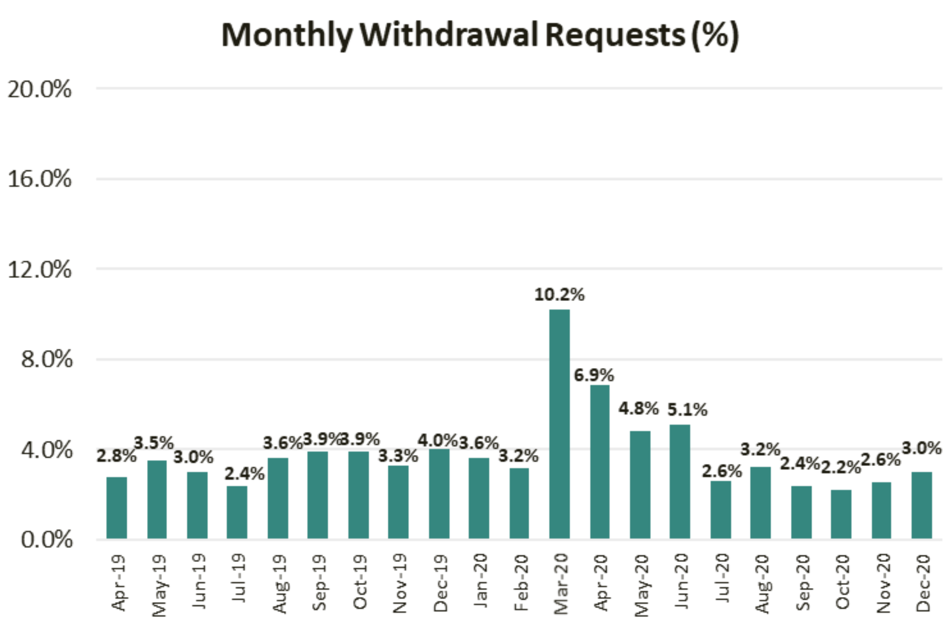
2. **High Quality Portfolio:**
   i. Exposure to Safe Retail Debt Portfolio: Across time frames, prime retail loan books i.e. loans to retail borrowers (Avg. 700+ credit score) have had lower NPAs and better recovery than corporate/wholesale loan books
   ii. Lending to Diversified Sectors via Multiple Partners: Lending to borrowers availing services across different sectors: Healthcare, Upskilling Education, Home Decor etc. Liquiloans has >100+ large partners who provide such services across cities. Key Partners: Upgrad, NMIMS, Morpheus IVF, Lifecell, Mycord, Livspace, Dr. Batra etc.
   iii. Granular Loan Book: Average ticket size per borrower is lower than INR. 50,000 thus ensuring granular exposures; high predictability and stability of underlying performance

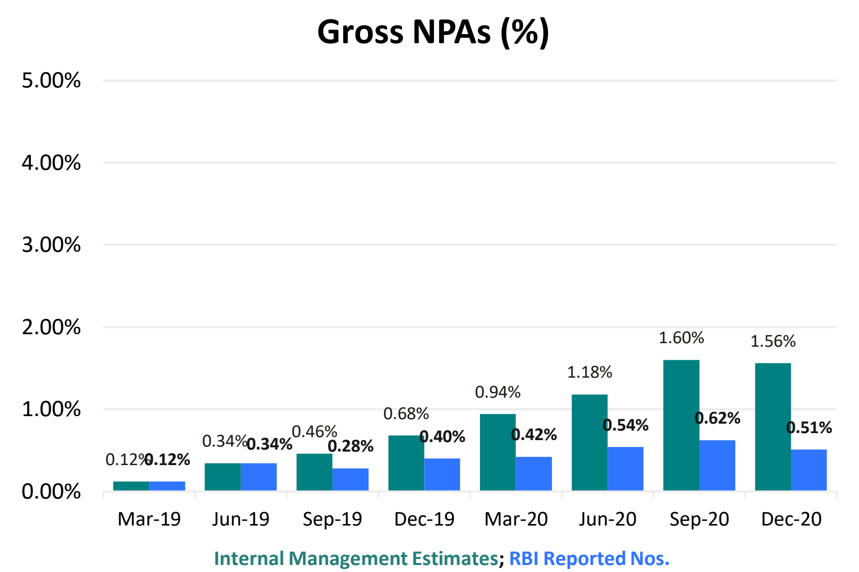
3. **Low Risk:**
   i. No Counter Party Risk: Investor/Lender funds flow through a ring-fenced mechanism via an Escrow account managed by a PSU Bank Trustee ensuring no counterparty risk of LiquiLoans
   ii. No Interest Rate Risk: The investment carries no interest rate risk as borrower ROIs are fixed at the origination of the loans
   iii. Low Concentration Risk: The lender via auto invest criteria can select loans and disburse funds via auto invest in a manner that less than Avg. 2% allocation is to one borrower

4. **High Alignment:**
   i. Complete Alignment: There is very high alignment of interest, since LiquiLoans fee shall be payable only in scenarios where the Investor’s Portfolio Return is Greater than the Indicative Yield. As LiquiLoans fee shall be Zero in scenarios where Investor’s Portfolio Return is Less than the Indicative Yield, there is very strong incentive to collect/recover all EMIs from each borrower
   ii. 100% Success Rate in Meeting Indicated Yields: All investors till date i.e. 6900+ investors have earned the indicated yields (where investment period has been greater than 30 days)

Performance till date







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