

What Was The Rationale Behind Launching NeoGrowth? What Market Gaps Are You Trying To Fill?

In an interview with BW Businessworld, Piyush Khaitan, Founder, Neo Growth, talks about the business model and growth plans



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Prior to NeoGrowth, we had a digital payments processing business - Venture Infotek, which we later sold to a European multinational in 2010. It is during these years, where working closely with retailers, we realized their pain points in terms of accessing finance. More than 50% of these retailers, though credit-worthy, were denied finance based on traditional underwriting methods.

It is this gap that we aim to bridge with NeoGrowth. Our tech & touch model along with our Customer Centric business philosophy are the key attributes which have helped us emerge as market leaders.

What's your business model and who do you see as your major competitors? Have you turned profitable?

NeoGrowth has an innovative business model that operates at the convergence of three ecosystems - lending, urban retail and digital payments, on a platform of technology & innovation. NeoGrowth offers loans to retailers basis the digital spends that happens on POS machine at their outlets.

NBFC's like CapitalFloat, LendingKart are some of our competitors.

The business turned profitable in FY 2016-17. We incurred loss in the subsequent year on account of demonetisation & GST rollout effect, but are on track again.

What's the logic behind using the quantum of PoS machine swipes as a proxy for creditworthiness? How did you chance upon this model?

Basis our experience & learnings during our Venture Infotek days, we realized that POS machines are an ideal source to measure the top line of a business. If looked in the correct manner, the swipes on POS machine can give a sense of the business potential, seasonality changes, customer footfalls, etc. Also, this excludes any individual factor from the equation and focusses at the business potential, in terms of underwriting.

What's your average TAT for loan disbursement, and how do you optimize it?

With the right mix of tech & touch, we are able to keep our loan disbursement TAT under 72 Hours.

How has your experience been with providing unsecured loans to small merchants? What's your delinquency rate?

We understood early on the importance of understanding consumer behaviour. We took that as a guiding light for our product & technology development and that is evident from our product features like the daily repayment facility instead of a monthly EMI. Also, NeoGrowth focusses heavily on customer delight initiatives as they are our true brand ambassadors. We have a healthy renewal rate of around 70%. Our default rates are around 3%.

When you say that you rely on "analytics driven underwriting", do you mean that you employ AI models to ascertain creditworthiness? Can you elaborate a little bit on your underwriting model?

NeoGrowth assesses a borrower basis the digital spends happening on POS machines at his outlet.

The proprietary technology platform of NeoGrowth, helps in analytical underwriting around the digital spends data and other alternate data. We look at the performance of the business rather than the credit score of individual. With its tech enabled underwriting NeoGrowth is able to provide tailor made loans to various merchants as per their industry segments ranging from food& beverage, apparel, Salon, petrol pumps, automobile dealers etc.

NeoGrowth's card statement based scoring algorithms provide a better assessment of credit - worthiness of small businesses as compared to traditional balance sheet based lending.

In short, what's your growth plan for the next five years?

Having pioneered the Digital Lending in India, we are operating as per our Strategy of Deeper, Wider & Newer.

We have offices in top 21 cities of the country, where we envision the best growth for acceptance of Digital payments. We will continue to expand into these markets and keep improvising and will come up with better solutions to help the SME segment.

Also, it is extremely important that the loans we give, cause a positive social impact, helping in job creation, women empowerment, development of SME's, and we measure our success by the Social impact caused by us.

In the next 5 years we aim to cross Rs 7000 Cr in AUM; in other words, build a billion dollar balance sheet.

<http://businessworld.in/article/What-Was-The-Rationale-Behind-Launching-NeoGrowth-What-Market-Gaps-Are-You-Trying-To-Fill-/04-07-2018-153863/>