A NEW APPROACH TO SMALL BUSINESS LENDING IN INDIA
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ADDRESSING A WIDESPREAD CREDIT SHORTAGE

Many small and growing enterprises in India can’t access appropriate debt finance to scale up their operations. Most formal lenders typically engage in traditional collateral-based lending to enterprises operating in established industries, with at least three consecutive years of profitable, audited track record. Other financial institutions capable of lending to small businesses are often slow and complicated to deal with or impose restrictive conditions, making it difficult for time-constrained entrepreneurs to secure a loan when they need it most. IntelleGrow Finance has been established to help those enterprises access loans in an uncomplicated way that supports their growth.

Since 2010 IGF has served customers across a range of subsectors and geographies in India. We are registered as a Non-Banking Finance Company.

IntelleGrow Finance (IGF) provides debt finance and skills support to small and growing businesses in India.

How IGF is different

✓ We offer fully customised products
✓ We provide fast processing times compared to other debt providers
✓ We have a “more than money” approach to lending, providing skills support to our borrowers
✓ We de-commoditise debt through a viability-based approach to lending
✓ Lack of security is not a disqualifier for a loan from IGF

Fast processing times

From the time a potential borrower enters our pipeline, it will take an average of four weeks to provide a yes/no answer, and a further two weeks to disburse the loan (total of six weeks):
1. Referral and initial screening
2. Documents received and reviewed
3. Due diligence
4. Credit committee approval
5. Disbursement
This represents an approximate six-month advantage over other formal lenders.
Our vision
To become the first point of contact for debt finance for Small and Growing Businesses (SGBs) in India.

Our mission
To provide accessible and affordable loans to SGBs by continuously adapting to their changing needs through field-level knowledge and innovation.

LENDING PRODUCTS TO SUIT YOUR NEEDS

While our lending products are fully customised to fit the cash flows and business requirements of our customers, our loans broadly fall into the following categories:

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>DESCRIPTION</th>
<th>TENURE (TYPICAL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term working capital loan</td>
<td>Used for purchase of raw materials against a delivery order from a reputable buyer(s)</td>
<td>6-18 months</td>
</tr>
<tr>
<td>Term loan</td>
<td>For purchases of cash-generating equipment</td>
<td>18-36 months</td>
</tr>
<tr>
<td>Receivables loan</td>
<td>For expansion purposes. Collection via escrowing future receivables</td>
<td>6-24 months</td>
</tr>
<tr>
<td>Line of credit</td>
<td>Allows borrowers to fulfil orders. Given in the form of invoice discounting, bill discounting or letter of credit</td>
<td>6-12 months</td>
</tr>
</tbody>
</table>

All of our products carry the potential to be revolving in nature.
IGF’s customers are fast growing small businesses (more than 20% annual growth) with at least 12 months of track record, registered as private limited companies in India and with a turnover of less than INR 50 Crore.

### SECTOR FOCUS

<table>
<thead>
<tr>
<th>Energy and Modern Infrastructure Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Distribution and supply of modern energy products and services</td>
</tr>
<tr>
<td>✓ Support services to the energy sector</td>
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<tr>
<td>✓ SME logistics and supply chain</td>
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<tr>
<td>✓ Financial inclusion</td>
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<tr>
<td>✓ Healthcare infrastructure</td>
</tr>
<tr>
<td>✓ Education</td>
</tr>
<tr>
<td>✓ Agriculture products and services</td>
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<tr>
<td>✓ Water and sanitation</td>
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</tbody>
</table>

**Other Sectors**
- In special cases we may lend to enterprises in other sectors

**Excluded Sectors**
- Primary agriculture
- Microfinance
- Real estate

### STAGE

Target enterprises will be at the growth stage (most with at least 12 months of track record)

### LOAN TERMS

Up to 36 months, typically 18 months

### INTEREST RATE

Interest rates are offered at a marginal premium to commercial bank rates and commensurate with the risk of each particular borrower

### LOAN SIZE (TYPICAL)

INR 50 Lakh to INR 3 Crore
Debt and equity are two main instruments to capitalise a business. Deciding which to use at different stages in the lifecycle of a business, depends on the long-term goals of the business and the amount of control managers wish to maintain.

## DEBT OR EQUITY: WHICH IS RIGHT FOR YOU?

Ideally, businesses should use both debt and equity financing in a commercially acceptable ratio. Debt-to-equity ratios vary greatly by industry and company, but a general rule of thumb holds that a reasonable ratio of debt to equity should fall between 1:1 and 2:1.

### DEBT Financing

**Advantages:**
- The fixed loan repayment schedule allows a clear overview of cash flows
- Loans can create a tax advantage because the interest paid is generally tax-deductible
- The ownership of the company stays with the promoters
- Available over short-term (less than one year) or long-term (more than one year)

**Disadvantages:**
- The fixed loan repayment schedule can become a burden to companies that have irregular cash flows
- Increased exposure to economic downturns or interest rate fluctuations
- Too much debt increases the perceived risk of a company, making it unattractive to investors, thus reducing the ability to raise capital

### EQUITY Financing

**Advantages:**
- The company does not have to repay the money received in the same fashion as the loans (with a preset schedule)
- A strong business can raise capital through equity even in the early stage

**Disadvantages:**
- The company’s future profits are shared with the investors
- Investors become part-owners of the business and thus have a right to participate in business decisions
- An excessive reliance on equity financing may indicate that a business is not capitalised efficiently
Customer Case Study: Shree Kamdhenu Electronics

IGF structured our loan to suit our repayment capacity and indeed that helped us to bridge the gap.

Ujval Parghi, co-founder and Director

Shree Kamdhenu Electronics Pvt. Ltd. (SKEPL) provides automated solutions for the dairy industry.

Company profile
The company was founded to improve the efficiency in collection of milk from farmers. Traditionally, milk collection involved manual processes for measuring milk volume and calculating payments for farmers. These manual methods were prone to error and manipulation. Sulax Shah, the originator of the concept, developed a microprocessor-based application for an associate in the dairy industry that received enthusiastic interest from dairy farmers. Shah’s co-founders were attracted to the prototype product because they believed the concept would be broadly applicable within the Indian dairy industry. The group quickly developed its first product, a microprocessor-based milk collection system that won the first prize at an agricultural fair. This system was referred to as an automatic milk collection system (AMCS).

Loan requirements
With increasing sales and demand from corporate customers the company was looking at tripling its sales in the next three years. The company needed financial support, mainly to meet working capital requirements for the orders received from various milk unions.

What other sources of finance has the company tried to access?
The company focused initial efforts at getting loans from private sector banks. Their stringent conditions did not allow the company to get the loans in a timely manner to cover the working capital requirements. This constraint was crucial for a small and growing company that had to service orders on time to gain customer traction.

How an Intellegrow loan helped
Besides a fast processing time and flexible process, through its innovative viability-based approach to lending, IGF customised the structure of the loan to suit the cash flows of the company and give Kamdhenu the needed flexibility to service the customer demand.
CUSTOMER CASE STUDY: ORB ENERGY

We have approached and received debt as well as equity from other finance providers. But the debt side in India was more tricky – the banks here had very difficult security requirements [...]. IGF structured our loan in a way that met our needs.

Damian Miller, CEO Orb Energy

Orb Energy is India’s largest direct solar sales and service company.

Company profile
Orb’s main activities are product design, manufacturing, sales, installation and servicing of solar photovoltaic systems for reliable power, solar thermal systems for hot water, as well as lights and appliances for greater energy efficiency. Orb provides solar energy systems to both residential and commercial customers looking for an alternative to an unreliable electricity grid, and who want to save money. Orb is unique in establishing a branch network to serve the solar markets. All branches are run according to the same standard operating procedures, to ensure high levels of service.

Loan requirements
Orb Energy needed cash to cover an increased product demand and bridge a working capital gap.

What other sources of finance has the company tried to access?
Given its high-growth profile and the established nature of the business, Orb Energy was able to attract financing from other financial institutions, both in the form of debt and equity.

The stringent conditions imposed by some of the financial institutions for the loans offered to Orb were not suitable for the company to support its cash flows and growth plans.

How an Intellegrow loan helped
Intellegrow structured the loan in a way that suited Orb’s cash flows and supported the company’s growth trajectory and expansion plans. IGF’s flexibility to adapt the repayment of the loan to Orb’s capabilities proved to be a decisive differentiator from the other sources of finance that were available.
CUSTOMER CASE STUDY: VORTEX ENGINEERING

“With the mission of bringing access to banking services to unbanked and under-banked regions, Vortex has designed ATMs which are reliable, rugged, easy to use and eco-friendly.”

Vortex was founded with the focus of improving the quality of life of the rural population by building technology for practical use.

Company profile
With the mission of bringing access to banking services to unbanked and under-banked regions, Vortex has designed ATMs which are reliable, rugged, easy to use and eco-friendly. They consume up to 90% less power and hence can be economically operated using solar power. Vortex ATMs are currently serving some of the remotest parts of rural India - using technology as an enabler to improve quality of life.

Loan requirements
Initially, Vortex needed a working capital loan to cover immediate cash flows and bridge the gap between payables and receivables. Intellegrow structured the loan to match the company's cash flows and timed the repayment schedule to support Vortex’s growth plans. After successfully repaying the first loan, Vortex required an additional loan to cover short-term capital requirements associated with a larger order. The existing relationship with Intellegrow allowed for an even faster completion of the appraisal process and the flexibility of the loan terms supported Vortex once again.

How an Intellegrow loan helped
Through the disciplined repayment of the Intellegrow loan, which was facilitated by our flexible repayment terms, Vortex built its credit history and laid the foundation for other financial institutions to fund the company.
We are a management team of credit experts. The range of backgrounds within our wider team enables our deep understanding of the financial challenges faced by early stage high-growth businesses and allows us to help them achieve their growth ambitions.

Our young and dynamic business development managers have a passion for working with entrepreneurs and combine their outstanding professional experience with their academic track record to help our borrowers grow their businesses. Combined, our management brings close to 40 years of commercial banking experience with a particular focus on small and medium enterprise lending activities across geographies.
GET IN TOUCH

To find out more about IntelleGrow, or to apply for a loan:

visit our website at
www.intellegrow.com

or contact us at
smeloans@intellegrow.com