

Introductory Note: Project Plutus

About Project Plutus:

'Plutus' is building a disruptive Institutional Mortgage Platform focussed on Micro enterprises leveraging proprietary technology for acquisition/underwriting and risk management of mortgage portfolios for institutional lenders.

Plutus has secured commitments of 100 crores from 2 large NBFCs based on its proprietary credit model for micro-mortgage lending. **The loan amounts range from INR 0.3 million to INR 1.5 million against self-occupied residential property for the borrowers.**

Even during the pandemic Plutus had Net NPA below 1.5% while the average ROI on the existing portfolio is approximately 20% with average Loan to Value ("LTV" of 30%)

Plutus also has its own category II Non-Banking financing company (NBFC)

Business plan for the next 5 years:



~INR 10 billion
AUM by FY-26



~15,000
Micro-entrepreneurs
impacted



~INR 2 billion
Financial savings
for the unbanked



~INR 1 billion
Cumulative profit

The Target Market

- The World bank estimates the **current credit gap** of MSME in India at **USD 267 billion¹**
- According to the FY20 MSME Annual report, there are ~63 million micro enterprises in India, of which ~12.3 million micro enterprises are present in the company's targeted geographical market viz., Delhi, Uttar Pradesh, Haryana, and Punjab.
- Average size of micro mortgage loan is INR 0.6 million.
- Thus, the total addressable market for the company translates to **US\$ 100 billion.**

Plutus currently operates in 5 cities around NCR and plans to expand further in the targeted geographies

The Target Market – Issues and Opportunities

In spite of micro-mortgage lending being a largely underserved market, incumbents are unable to effectively serve this market using traditional channels for acquisition and underwriting ("feet on street") approach due to small ticket size and mortgage complexities. The customer profile and the traditional methods of acquiring and underwriting customers makes it highly inefficient and unprofitable for existing players to serve the market.

The market can only be effectively served through **technology** and **data first approach**.

Proprietary Technology

- Built best-in class underwriting (100+ parameters with use of traditional as well as surrogate data) which predicts the risk of every loan in real-time.
- Built digital acquisition channels with significantly lower CAC compared to industry.

This technology superiority will enable Plutus to scale up its business exponentially.

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Business Model

Pre COVID-19

- The company incorporated its own NBFC and achieved operational breakeven through efficiency and proprietary technology.
- Due to exogenous factors in the financial sector, rather than focusing on balance sheet growth, the company chose to focus on development of technology and risk management to ensure collection efficiencies and operational break even with low delinquencies.

Post COVID-19

- Plutus has pivoted the business model to Institutional platform where-in it has partnered with co-lenders who will contribute to ~55% of the loan book. Plutus would judiciously use its own balance sheet (~45%) through its NBFC.

The model is extremely capital efficient and massively profitable.

Founding Team & Investors:

Founder: The company's founder is an IIT-Delhi alumnus and Mathematical Finance scholar from Courant Institute, New York University (USA). He has over 15 years of experience in structured, high yield credit and mortgage lending in US and Indian markets. Starting his career with Lehman/Barclays in New York, he has led more than US\$ 1 billion structured finance transactions across residential and commercial mortgages.

Management: Plutus has an experienced management team with a combined experience of more than 65+ years in mortgage lending across NCR.

Investors: Plutus has raised US\$ 1 million from marquee angel Investors and large family office for its own NBFC.

Differentiation with Other Landscape Players

- Efficient digitized workflows from acquisition to disbursements enabling co-lending for micro-mortgage loans.
- Profitable, frugal operations – Lowest acquisition and processing costs - Plutus is achieving breakeven with AUM of 5 crores and would scale profitably.
- High ROE - Every INR 10 million of equity can be used for INR 80 million of incremental lending. **5:1 leverage through co-lending model.**
- No ALM mismatch

Transaction Brief:

The company is looking to raise fresh equity capital up to INR 280 million (US\$ 4.0 million) with expected first close of INR 150 million of which around 50% has already been committed.

Key Investment Rationale:

- Huge upside – Proven profitable model, non-dilutive scale
- Limited risks – Digital secured lending model
- Pioneer in the NCR region

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