

Sumit Maniyar, founder and CEO of Rupeek, on India's unique relationship with gold and the scale of the opportunity.

We also sat down with Sumit Maniyar, founder and CEO of Rupeek, India's fastest-growing digital platform for secured lending and our most recent addition to the portfolio. At VEF we are big fans of digital, asset-backed lending given Creditas' success and see many parallels. Apart from being an amazing team, Rupeek have identified a very local solution to bridging the credit gap in India with their gold loan solution.

Tell us how it all began and the idea behind Rupeek.

While working for my family business and scaling it from being just a trading unit to a full-stack producer and marketer of agricultural seeds, I applied for a loan against property. The loan was rejected by a large non-banking lender. While it came as a real shock to me that even a well-run family business of over 10+ years could have difficulties accessing credit, the experience made me understand how difficult it was for a regular customer to access credit, and how broken the credit delivery system in the country is. That rejection sowed the seed for the genesis of Rupeek in 2015. It made me realise that getting access to convenient and cost-efficient credit was truly a privilege for Indian consumers.

Today Rupeek is India's fastest-growing asset-backed digital lending platform. We are transforming the way gold loans are disbursed in India. Our mission is to bring financial inclusion to the masses by making credit accessible to Indians in a convenient and cost-efficient way. Rupeek offers gold loan solutions in a fair, fast, and flexible manner.

Powered by state-of-the-art technology and an automated asset-light supply chain, we are giving the centuries-old business a much-needed technology makeover.

Could you provide our investors with a bit of colour on India's unique relationship with gold and the scale of the opportunity?

Indians have a profound emotional connection with gold and its purchase is deeply embedded in our culture. We are one of the largest consumers of gold in the world. Indian families purchase as well as gift gold at every significant life event. From the birth of a child to marriage and memorable family events. Historically, it served the purpose of a store of value to hedge against agricultural failures, while for modern Indians, it is an inflation hedge. It remains a preferred investment asset because it is considered equivalent to liquid cash. It is an asset class which has consistently increased in value and is considered safe. Indians rarely sell gold to meet financial needs, but it is always the first asset to be pledged to secure a loan.

In India, c. 70% of transactions are done in cash. Credit cards are used by less than 3% of the population. With the advent of the India stack, basic KYC information exists on every Indian, but the lack of digital transactions means most of them do not have reliable credit scores. This hampers the ability to underwrite credit and denies millions access to credit.

At the same time, Indian households have over 25,000 tonnes of gold holdings. For credit-starved middle-income Indians, this could be a perfect asset to pledge for credit. Monetising it has met with limited success so far and therein lies a huge opportunity. India's formal gold-



Sumit Maniyar (Photo: Rupeek)

loan market is worth c. USD 70 bln (book size), growing at 10-15% per annum.

Gold-backed lending currently faces several challenges in the country - high interest rates, social stigma and friction. None of the existing players have solved all these challenges. Gold loans are a perfect tool to monetise idle gold assets in the country and our offerings solve all the gold-backed lending challenges. We are building a differentiated business model from the ground up, powered by state-of-the-art technology and an automated, asset-light supply chain.

How would you define the culture and what drives the team at Rupeek?

At Rupeek, we are driven by our mission to bring financial inclusion to the masses - to make credit accessible to Indians in a convenient and cost-efficient way. We live by our values of customer obsession, ownership, integrity, fairness and frugality. We have an inclusive, fast-paced, collaborative work culture with high levels of ownership. We are a diverse and innovative team who like to solve for scale and have the hunger and the drive to build a large and systemically relevant business in India.

The most exciting part about leading Rupeek is that we get to work with exceptionally talented and passionate colleagues on a variety of challenging problems and see the visible impact of our work. We are a young, motivated team, proud of the impact we are making on the lending ecosystem.

What are the achievements you are most proud of at Rupeek?

Over the last few years, Rupeek has transitioned from a startup trying to perfect its product-market fit to a company which has deep-rooted moats and is ready to scale 100x. We focused on a few critical elements to get there.

Robust growth engine

Rupeek currently disburses USD 800 mln annually and is growing 15% month-on-month. The company has created a new category, 'Doorstep Gold Loans',- with an estimated market potential of USD 20 bln (annual disbursements), largely attracting first-time gold loan borrowers. Success of this category has even forced multiple offline incumbent players to start learning and adopting this new technology-led business model.

Deep-rooted consumer empathy

We have created a customer-focused brand in a sector which is traditionally known for less than transparent policies and pricing and cumbersome operational practices. Our doorstep convenience, digital payment and easy jewel release features have meant that we have sustained very high levels of repeat transactions through our hyper-growth phase. We have also sustained high customer centricity with a consumer NPS being >65 and a high Google Play Store rating of 4.8 out of 5.0.

Unique capital supply strategy

In the lending industry, banks have the lowest cost of capital but lack product and operational focus, which is why consumers prefer specialised gold loan NBFCs, despite their high interest rates. We felt the right way to win was by making the big banks our ally and not competition. We partner with banks for access to their balance sheet while giving them access to our 'plug-and-play' gold loan stack which essentially allows them to enjoy handsome ROAs and see their gold loan portfolio grow, while we do the heavy lifting. As a result of the asset-light business model, despite us enjoying strong unit economics, we are able to deliver 30-40% lower interest rates to the consumers.

Innovative distribution model, powered by technology

Moving three tonnes of gold every month and growing at 15% month-on-month meant we also had to create an innovative distribution network which was both secure and asset-light while delivering the right customer experience. We built a robust technology stack capable of supporting complex transactions in the field, deep integrations with multiple partner banks and their core systems for a seamless experience and enhanced gold assessment capabilities via AI-based computer vision algorithms. We have made large investments in our logistics platform wherein we partner with vault service providers for temporary storage, utilise partner bank branches to store the consumer's gold and run a safety and security org within Rupeek to ensure secure movement of the collateral. All these capabilities were first-of-its-kind not only in the gold loan industry, but in the entire financial services and fintech ecosystem at large.

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What are the biggest opportunities and challenges faced by a business like yours in India?

Opportunities

Large, growing, under-penetrated market

The current gold loan market in India is a USD 200 bln market (book size) with only c. 35% of the market being organised right now. This formal market is growing at c. 10-15% YoY. This translates to a low penetration of c. 5.5% for the formal market on the base of India's 25,000 tonne household gold holdings. Both the under-penetration of the category as a whole (meaning a large head room for growth) and migration of consumers from unorganised to organised sectors are driving the growth of the organised gold loans category and can become huge tailwinds which we can ride on, if we truly understand the reasons for the same and build insight-led products that address deep consumer needs.

We have noticed that despite the presence of strong incumbent brands, more than 50% of Rupeek's new loan customers are first-time borrowers. This is because they love the simplicity with which they can get a gold loan while sitting at home. Our estimates now put doorstep gold

loans, which did not even exist before us, to be an USD 20 bln opportunity (annual disbursements) and is seeing increasing interest even from incumbents. Apart from doubling down on this opportunity, we plan to cultivate products which can help monetise the idle gold and organise the USD 130 bln (book size) informal gold loan market.

Further, in the current post COVID-19 scenario, non-asset-backed forms of credit have become much harder to avail of, and we see consumers migrating to asset-backed loans and thereby expanding the existing potential of the opportunity. Most of these potential customers are first-time borrowers of gold loans, and see a significant advantage with Rupeek's offerings compared to the traditional way of getting gold loans. Therefore, despite COVID-19, we have grown significantly, ending the year with a 2.5x growth in monthly new disbursements compared to last year.

Increased digitisation and consumer needs

Increased smartphone penetration and adoption of e-commerce is changing the mindset of the Indian consumer towards consuming best-in-class products and services online and moving towards convenience. This is a unique opportunity for tech-savvy players like us who understand the consumer deeply and combine it with the tech capabilities to bring in superior propositions to categories which operated very traditionally until now.

“The biggest paradox facing the Indian household balance sheets is that 95% of the assets held by Indian households are physical assets whereas 57% of their debt is unsecured.”



Photo: Rupeek

We have also launched our second product called Rupeek Quick, which is seeing strong early adoption with customers. It is a gold-backed overdraft facility which offers consumers the freedom to come out of the “loan” mindset, consume the credit line at their convenience and pay interest only on how much they consume. This has opened a set of high-frequency use cases which we have never seen before, e.g., utility bill payments, short-term advances to friends, businesses and suppliers, etc. We are also in the advanced stage of launching gold-backed cards to make consumption of credit even more seamless for the end consumer. Ultimately, our vision is to lay the rails on top of which asset-backed credit can be made accessible seamlessly to the middle-of-the-pyramid Indian consumer.

Multi-asset opportunity

The biggest paradox facing the Indian household balance sheets is that 95% of the assets held by Indian households are physical assets whereas 57% of their debt is unsecured. Rupeek has created the base rails to

solve this uniquely Indian problem with three key foundational capabilities:

1. Low-cost capital enabled by deep proprietary integration with banks with low-cost deposits.
2. Innovative credit products developed on the bedrock of secured lending to keep interest rates lower than NBFCs and the informal sector.
3. Wide and low-cost distribution, which is asset-light and technology-driven.

While these capabilities were leveraged to create the doorstep gold loan opportunity, our vision is to leverage the synergies and use the same infrastructure to create other similar asset-backed categories including loan against property, used vehicle finance etc. By doing this, we hope to empower the next billion and make fair and fast credit accessible to 120 mln households and 60 mln MSMEs in India.

Challenges

Winning consumer trust

For Indian households, gold is insurance against emergencies; however, they are wary of pawning it. There is a deep emotional connection, as gold is often inherited and is a symbol of financial and social status. Hence if you run a gold business, trustworthiness is a fundamental requirement. It gets even more challenging in the gold loan sector where incumbents in the organised and unorganised space have often resorted to non-transparent and excessive penalties. Such practices have created fear in the minds of consumers that they would lose the gold if they borrow against it.

Hence the consumer is extra cautious and would rather forgo a few benefits if required but choose a trustworthy player. We have repeatedly overcome trust barriers, be it via our well-trained and patient staff or our lender partnerships, and lately by showcasing that Rupeek is a brand

loved and trusted by thousands of consumers across geographies. We have plans to significantly invest in building our credibility and trust in the minds of customers.

Overcoming social stigma

Gold is treated as family wealth, and hence taking it out to pledge it for credit is considered inauspicious. These deeply-held beliefs around gold are the primary reason for lower penetration of the category, despite it being a financially attractive option for many people. While there has been a reduction in this sentiment over the years, especially among the younger generation, there is still some resistance. We are looking at actively solving this through consumer education, positioning our brand appropriately by building trust and providing alternate ways of gold monetisation. If done right, this can unlock steep growth in gold-backed products in the country.