

Capital Float: Offering Financial Wings to Small Businesses

Written by Pooja Agarwal

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Raising capital for business expansion and running day to day operations is the biggest challenge for Indian SMEs. In its quest to offer Indian SMEs an easy source of funding, a digital financing company named Capital Float is offering collateral free loans as easy as online shopping. Founded by Sashank Rishyasringa and Gaurav Hinduja, Capital Float is the country's first technology platform for lending SMEs. Capital Float offers flexible short tenure loans for SMEs in India and has been the preferred lending partner for companies like Flipkart and Zovi in the past.

The journey of Capital Float: Capital Float (CF) is the trade name of Zen Lefin Pvt. Ltd., which is a Non-Banking Finance Company registered with the Reserve Bank. The company was founded in September 2013 with a mission to close the gap in the Indian market with innovative and flexible credit products for SMEs especially online portals. Capital Float provides funds against invoices, purchase orders as well as unsecured loans to SMEs. An average loan amount is Rs 25 Lakhs and the average tenure is 60 to 90 days.

A brief about the founding members: Gaurav Hinduja and Sashank Rishyasringa were classmates at Stanford Business School. Prior to Stanford, Sashank was a strategy consultant and investor at McKinsey & Company, while Gaurav was COO at Gokaldas, India's largest apparel manufacturer employing 40,000 people with \$250 million in revenues.

Business model overview: Capital Float provides short-term working capital loans to SMEs, across three sectors, namely, B2B service providers, small manufacturers and e-commerce merchants selling on online marketplaces. In the worlds of Sashank Rishyasringa, "Technology lies at the core of everything we do. A completely online application process, algorithmic

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underwriting and streamlined documentation, much of which can be submitted online, ensures we can deliver a best-in-class user experience to our clients”.

About 80% of all loans we have made have been to vendors in the ecommerce space. “Realizing the tremendous opportunity that lies in ecommerce vendor financing and after an in-depth market study, we came up with products specifically tailored to vendor needs”, reveals Sashank. Recently the company has started diversifying their loan book and now are increasingly lending to more traditional brick-and-mortar SMEs.

The USP of Capital Float: While innovative products, affordable interest rates and quick turnaround times are strong differentiators of our offering, the whole borrowing experience we deliver to our clients is what we believe is our strongest USP reveal founders Sashank and Gaurav. Capital Float's loan application form has built into it a fair amount of intelligence allowing many fields to be pre-populated through back-end integration with several governmental and other databases that we are able to query in real-time. This minimizes inputs which applicants need to fill, and thus on average the application form takes less than 9 minutes on average to complete making it a safe, secure, fast and transparent system.

Branches and Franchisee: Headquartered in Bangalore, CF has offices in New Delhi, Mumbai, Chennai and Ahmedabad. In the coming months we expect to expand our national footprint and expect to have satellite offices in an additional 5 cities reveal Gaurav and Sashank.

“Our expansion strategy is based on SME concentration across various regions. We seek to have on the ground presence across all major SME hubs in the country so as to be able to engage with them better”, say the founder duo.

Funding and Finances: The founding duos are confident about their company funding and reveal that they well funded to meet any expansion plans. In the past 9 months, CF has raised INR 100 crores from blue-chip investors namely Sequoia Capital, SAIF Partners and Soros Economic Development Fund.

Marketing strategies adopted by Capital Float- “The marketing strategy of Capital Float has mainly channelized primarily through new age online media platforms. This is in sync with our

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technology-focused DNA,” say Gaurav and Sashank. We have had reasonable success through these strategies which is clearly reflected in the number of direct loan signups we have seen in recent months. It is reflective of more and more people hearing about Capital Float and applying directly on our website. In the coming months, we will rollout a more aggressive customer outreach plan incorporating an omni-channel approach” reveals the dynamic duo.

Challenges and Roadblocks: Lending to SMEs in the country has always been challenging due to lack of reliable information generally sought by lenders for underwriting businesses. Lack of proper accounting systems, delayed regulatory filings and significant cash transactions means critical inputs to traditional lending models are missing and hence low loan approval rates. “In coming months, we are confident of further improving on our model and coming closer to overcoming the biggest challenge which lenders have historically faced in making loans to SMEs” say the founders with a confident smile.

Future Plans and the Road Ahead: “We have aggressive future expansion plans”, say Gaurav and Sashank. Their future plans include expanding their existing product offering, entering new asset classes and reaching out to more SMEs with customized financing options best suited to their individual needs. This will be achieved through scaling up both personnel and our technology platform and also our geographical footprint” reveal the founding members of Capital Float.

Capital Float and Creative Satisfaction: Capital Float is an enormously fulfilling venture for both Gaurav and Sashank. “The ability to have an impact on SMEs across the country and accelerate their growth trajectory and contributions to the economy is what drives us both on a day-to-day and macro level”, sign off both the founders with a wry smile.