

## The Investor

MULTIPLES

Multiples is an India-focused private equity platform that was founded in 2009. Since then, it has backed 24 Indian businesses. The firm manages three funds that focus on four core sectors: financial services, pharma and healthcare, consumer and consumer-technology, and technology. Some of Multiples' investment partnerships include PVR, Delhivery, India Energy Exchange, Encube, DreamSports, Quantiphi, Licious and Vastu Housing Finance.

### FUND NAME

Multiples Private Equity Fund II; Plenty Private Equity Fund I; Plenty CI Fund

### FUND SIZE

USD555 million (Multiples PE Fund II and Plenty PE Fund I combined); USD135 million (Plenty CI Fund)

### TOTAL AUM

USD1.7 billion

## The Company



Vastu is an Indian housing finance-led consumer lending company that provides housing loans to low- and middle-income families that typically have an annual income between USD4,000 and USD25,000. The company recently incorporated Vastu Finserve to expand its product portfolio for the same customer segment. As of September 2021, Vastu has an AUM of approximately USD400 million, employs 1,146 employees and serves customers across 13 states through 103 branches.

### WEBSITE

[www.vastuhfc.com](http://www.vastuhfc.com)

### INDUSTRY / SECTOR

Financial Services

### LOCATION

India

## DATES OF INVESTMENT

**MARCH 2015**

(with subsequent investments through 2019)

## AMOUNT

**USD 7.5 MILLION**

(initial investment)

**USD 110 MILLION**

(cumulative investment)

## STAKE

**94%**

(initial)

**65%**

(current)

**INDIA'S HOUSING FINANCE SECTOR** got a boost in 2015 when the government launched an initiative to enable housing for all by 2022, targeting construction of 50 million new housing units. Income levels had been steadily rising across the country and an increasing number of low- and middle-income families were keen to purchase their own homes. With India's large mortgage lenders and financial institutions focusing predominantly on the salaried segment, there was a white space in the market for lending to self-employed and non-salaried households. Multiples Alternate Asset Management recognized the growth potential in affordable housing and began looking for investment opportunities.

The Multiples team was introduced to Founder Sandeep Menon and Co-founder Sujay Patil – two entrepreneurs with a long track record in retail finance and a vision of building a technology-enabled housing finance institution that would provide mortgage, new construction and home improvement loans to the underserved. Multiples partnered with Menon and Patil to build Vastu Housing Finance. Multiples disbursed its initial USD7.5 million investment in milestone-based tranches and eventually grew its total commitment to Vastu to USD110 million by 2021.

## The Deal

**VASTU'S FOUNDERS** and the Multiples team knew that a successful lending platform would require strong cash flow assessment skills, high customer engagement and a low-cost operating model due to its small average loan size. From the beginning, Vastu invested in technology to drive all aspects of the business, including sales, underwriting, monitoring, financial controls, human resources and collections. Vastu's proprietary technology platform PULSE allows its customers to estimate their total income through

a 100% paperless approach until the loan is approved – a policy that Vastu adopted from inception, making it the first affordable housing company to do so in India.

Vastu requires its 1,146 employees to embrace a technology-first culture to drive productivity and reduce operating costs. By leveraging technology, the average number of loans underwritten by a credit manager has increased threefold, while leads generated

per sourcing manager have grown by 2.5 times. In addition, the average assets under management (AUM) held by a central team employee has tripled from fiscal year 2018 to 2021.

Turnaround time has been reduced as Vastu's customized loan underwriting models can assess over 1,300 datapoints per customer and calculate a decision in less than five seconds. Developing Vastu's technology platform in-house has created a competitive advantage in capturing new information, making improvements and analyzing data compared to companies reliant on an out-sourced technology vendor.



## Outlook

**IN OCTOBER 2021**, Vastu inducted three new investors in the cap table – Norwest Venture Partners, Creation Investments and IIFL – and raised a total of USD125 million as a primary investment in the company. The transaction also provided partial liquidity of USD62 million to Multiples and other early investors. Vastu was valued at USD784 million in this financing round.

Going forward, the Multiples team believes that as Vastu expands, it is an ideal candidate to become a housing finance-led consumer lending franchise and a publicly listed company in India. Given that Vastu's housing finance customers are often owners of small businesses such as retail shops, car repair garages and textile operations, the company believes it can further help them by providing commercial vehicle loans, unsecured working capital loans and additional products that will continue to be underpinned by a strong technology and data analytics platform.

As the controlling shareholder in Vastu, Multiples was the company's thought partner in crafting a long-term strategy and identifying critical risks. Multiples also closely collaborated in strengthening the talent pool, enhancing board and governance standards, and raising external bank funding for the company. As of September 2021, Vastu has a diversified borrower base of over 30 lenders and its collective AUM has grown nearly 400 times between fiscal year 2015 and 2021. The strength and credibility of the platform has led to eminent individuals like Shyamala Gopinath, former Deputy Governor of the Reserve Bank of India and former non-executive Chairman of HDFC Bank, joining the Board of the company as an Independent Director – one of two women on the seven-member Board alongside Multiples' Founder and CEO Renuka Ramnath.

Vastu has grown sustainably, expanding to 103 branches in 13 states while meeting the credit needs of over 30,000 customers at an average loan size of approximately USD16,000 as of September 2021. This growth has been coupled with strong financial performance – Vastu's after-tax profit for fiscal year 2021 was USD13 million with a return on assets of 4%. Robust risk monitoring practices have resulted in the company's gross non-performing assets standing at 0.41% as of March 2021.

## Reaching India's underserved communities

**VASTU'S PRODUCTS** are reaching credit-worthy individuals who have previously struggled to secure financing due to a lack of adequate documentation – 60% of customers are from households with an annual income of less than USD8,100, with the majority being first-time borrowers. Vastu's fees are on par with market rates, with its floating interest rate ranging from 12.5% to 17.5% per annum.

Of note, women are listed as either the borrower or co-borrower on 99% of the loans extended by Vastu, which is unique in India where only 22% of married women own property. While property ownership can empower women economically and play an important role in bridging social inequalities, Vastu also believes it makes commercial sense. The company has found that having a woman signatory on a loan increases the sense of family responsibility, improves repayment behavior and reduces fraud.

One way in which Vastu is successfully engaging women customers is by striving to hire more female employees in frontline sales and credit positions. Two of Vastu's branches are run entirely by women. In August 2021, Vastu was awarded Best Women Customer Engagement Initiative by Banking Frontiers at the DNA-Distinguished NBFC Awards.