



# UGRO Capital Limited

## Q2'FY24

**EMPOWERING MSME ECOSYSTEM**

NSE: UGROCAP | BSE: 511742

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# Performance Highlights for Q2'FY24 and H1'FY24

	Q2FY23	Q2FY24		H1'FY23	H1'FY24	
AUM (INR Cr)	4,375	7,592	↑ 74%	4,375	7,592	↑ 74%
Net Disbursement (INR Cr)*	1,100	1,476	↑ 34%	2,017	2,760	↑ 37%
Off-book AUM	29%	45%	↑ 55%	29%	45%	↑ 55%
Pre-Tax Profit (INR Cr)	17.6	40.8	↑ 132%	27.9	76.4	↑ 174%
PAT (INR Cr)	5.3	28.9	↑ 448%	12.6	54.1	↑ 329%
Net Total Income % <sup>§</sup>	11.3%	13.6%	↑ 20%	10.9%	12.9%	↑ 19%
Cost to Income Ratio	64%	56%	↓ 13%	68%	55%	↓ 19%
ROA <sup>1</sup>	0.6%	2.3%	↑ 280%	0.8%	2.2%	↑ 195%
ROE <sup>1,2</sup>	2.2%	8.5%	↑ 290%	2.6%	9.2%	↑ 250%

Annualized EPS on current rate  
**INR 12.46 per share**  
for H1'FY24

Book Value per Share  
**INR 150.2**  
as on Sep'23

Price to Earning Ratio (P/E)  
**23.9x**  
as on Sep'23  
\* Price as on 26 Oct 2023

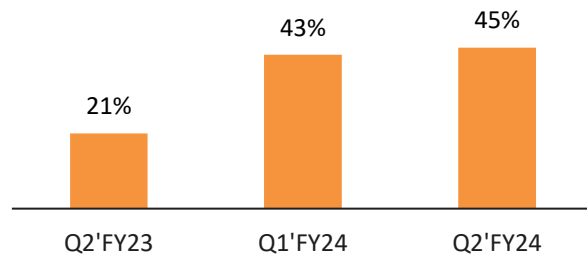
\*Gross Disbursements – Repayment received in Supply Chain Financing during the period

<sup>§</sup>On Average Gross on-books AUM

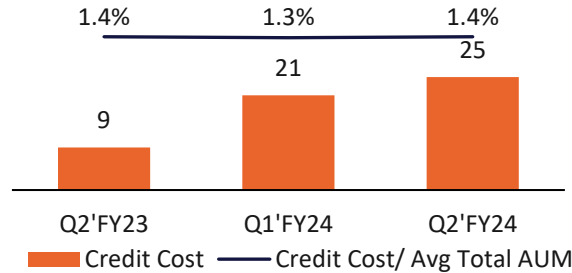
<sup>1</sup>Post factoring impact of deferred tax reversal (~INR 7.2 Cr) adjusted PAT of ~ 12.5 Cr, for Q2'23; (~INR 7.2 Cr) adjusted PAT of ~19.8 Cr, for H1'23)

# Business Metrics in line with long term goal

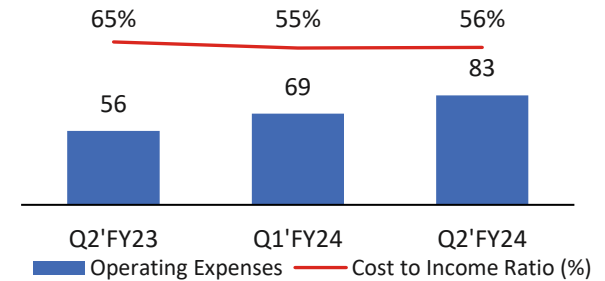
## Increasing Off Book Aum Mix



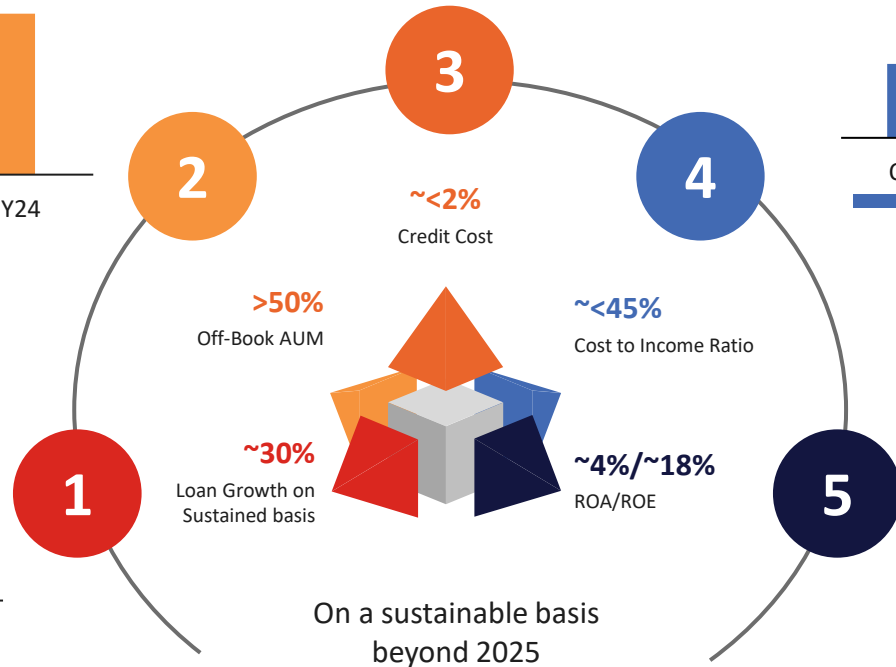
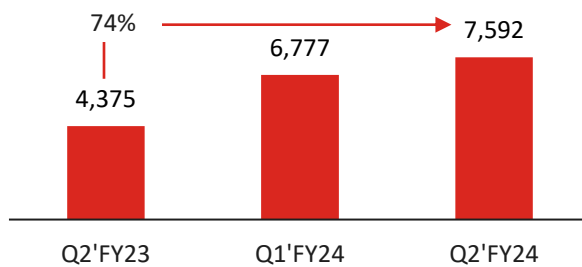
## Credit Cost has been stable



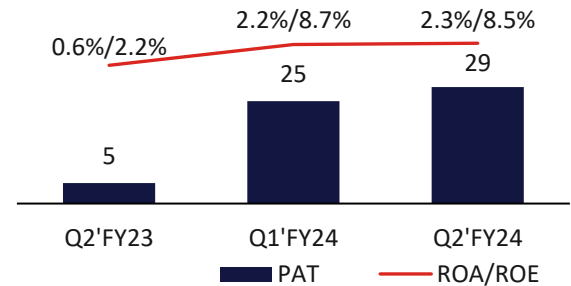
## Cost To Income Ratio decreasing Y-o-Y



## Strong AUM growth continues



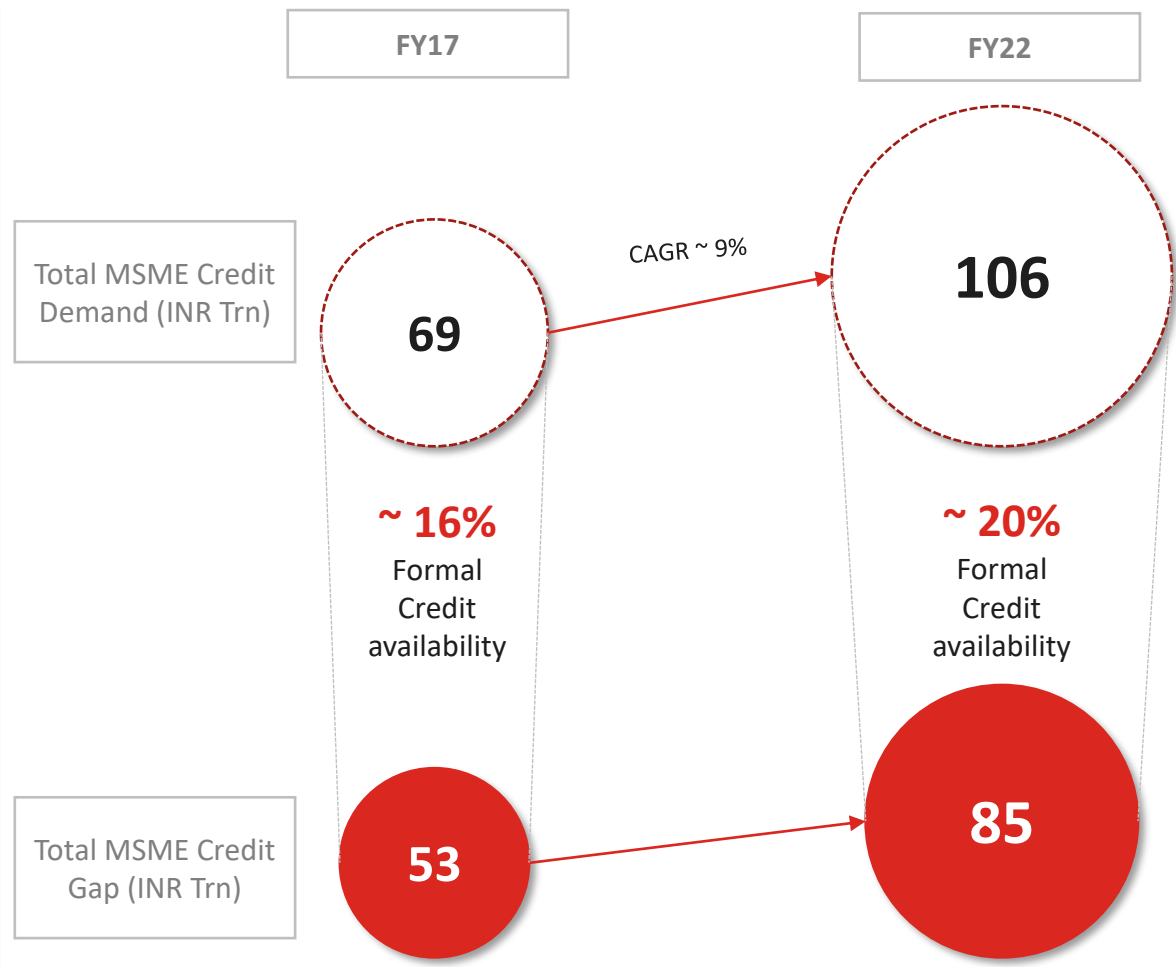
## Increasing ROA/ROE



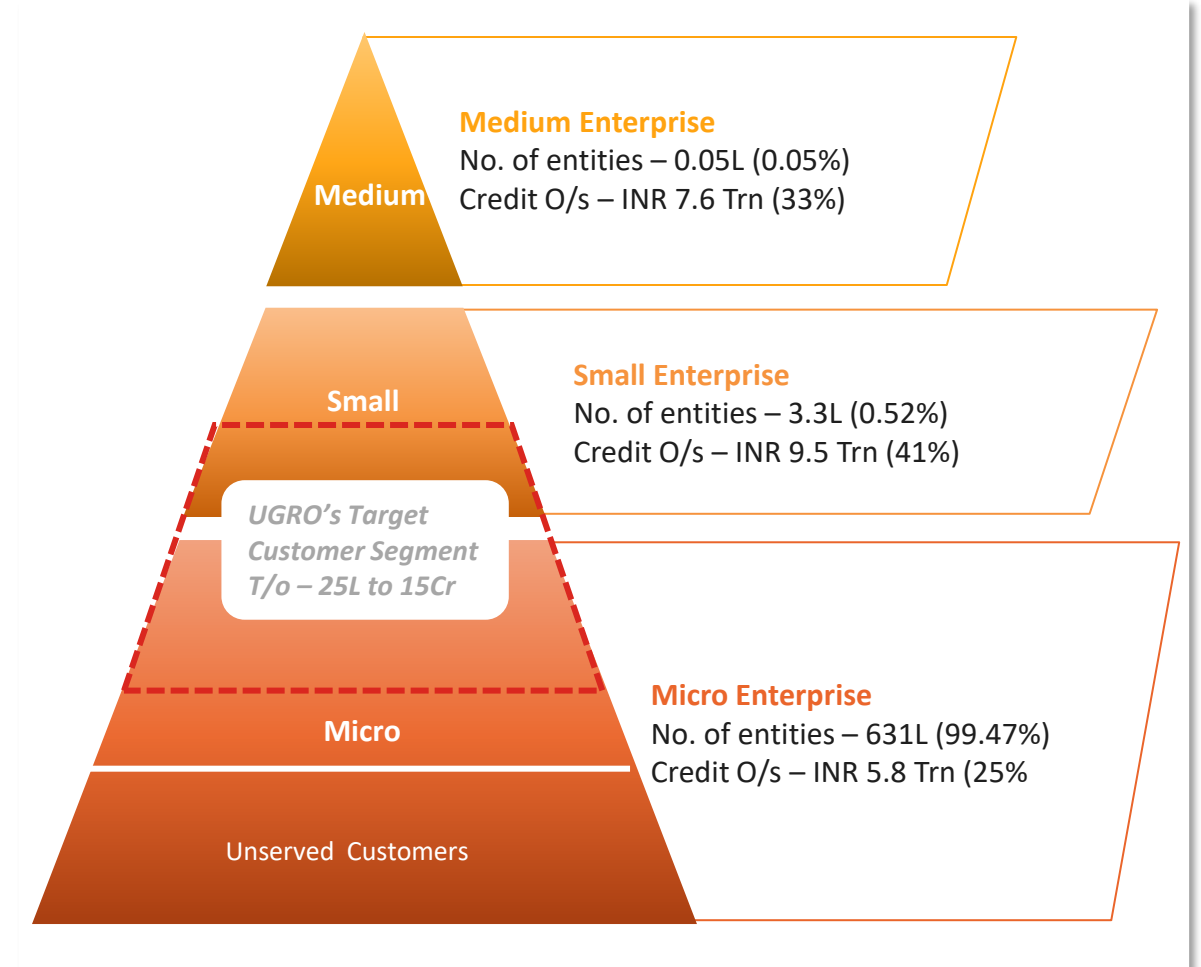
# Building a large institution for small business financing is a real possibility

Explosion of Credit in MSME Segment: INR 85 Trn MSME Credit Gap Presents a large Market Opportunity

## Total MSME Credit gap is Rs 85 trn



## Credit Gap of our customer segment constitutes 95%



Source: IFC report on Financing India's MSME dated November 2018;Crisil Report

# Of our addressable market, we serve a diverse set of customers



## Prime: Metro & Tier 1/2 Branches

**Collateral:** Prime Property (For Sec.)  
**Cashflow:** GST, Banking & Liquid income assessment

**Rs 1cr – 15cr**  
Customer Turnover

**Secured: Rs 70L**  
**Unsecured: Rs 16L**  
Average ticket size

**AUM Mix: 60%**  
Sec/Unsec: 29%/31%



## Ecosystem (SCF & Machinery)

**Collateral:** Prime Machinery & receivables  
**Cashflow:** GST & Banking

**Rs 1cr – 10cr**  
Customer Turnover

**SCF: Rs 49L**  
**Machine: Rs 36L**  
Average ticket size

**AUM Mix**  
SCF/Machine: 9%/12%



## Micro: Tier 3-6 Branches

**Collateral:** Standard Property  
**Cashflow:** Liquid income assessment

**<Rs 1cr**  
Customer Turnover

**Rs 8L**  
Average ticket size

**AUM Mix: 8%**



## Partnership & Alliances

**Collateral:** FLDG from partner  
**Cashflow:** Banking & liquid income assessment

**<Rs 50L**  
Customer Turnover

**Rs 5L**  
Average ticket size

**AUM Mix: 11%**



## Direct Digital

**Cashflow:** Banking

**<Rs 20L**  
Customer Turnover

**Rs 70K**  
Average ticket size

**AUM Mix: <1%**

# Through our multi-pronged distribution channels



## Branch-Led Channel – Catering through 95+ branches

- **Prime Loan Branches** : 23 branches with origination through intermediated channel
- **Micro Loan Branches** : 81 branches across 7 states, loans directly sourced by sales executives (FOS)

Product	Prime Loan Branches			Micro Loan Branches		
	Avg. Ticket	Yield %	Tenor	Avg. Ticket	Yield %	Tenor
Secured Biz. Loan	70L	13.8%	11 yrs	9L	20.6%	8 yrs
Biz. Loan	16L	19.6%	3 yrs	3L	25.3%	3 yrs



## Eco-System Channel - Catering through Anchors and OEM partners

- **Supply Chain Financing** : Anchor and its ecosystem financing of Supply Chain
- **Machinery Finance** : Secured loans to machine buyers with a charge on machines

Product	Avg. Ticket	Yield %	Tenor
Machinery Finance	36L	13.4%	4 yrs
Supply Chain Finance	49L	13.3% (Net)	0.24 yrs



## Partnership & Alliances Channel - Catering through Fintech Partners

- **Joint lending partnerships** with NBFCs/Fintech (downstream).
- These partners originate loans and provide 5% - 15% FLDG cover

Product	Avg. Ticket	Yield %	Tenor
Secured/Unsecured Loans	5L	14.8% (Net)	4 yrs



## Direct Digital Channel – D2C 100% Digital sourcing

- On tap merchant financing through mobile application
- Ability to dispense credit through UPI and other forms of payment

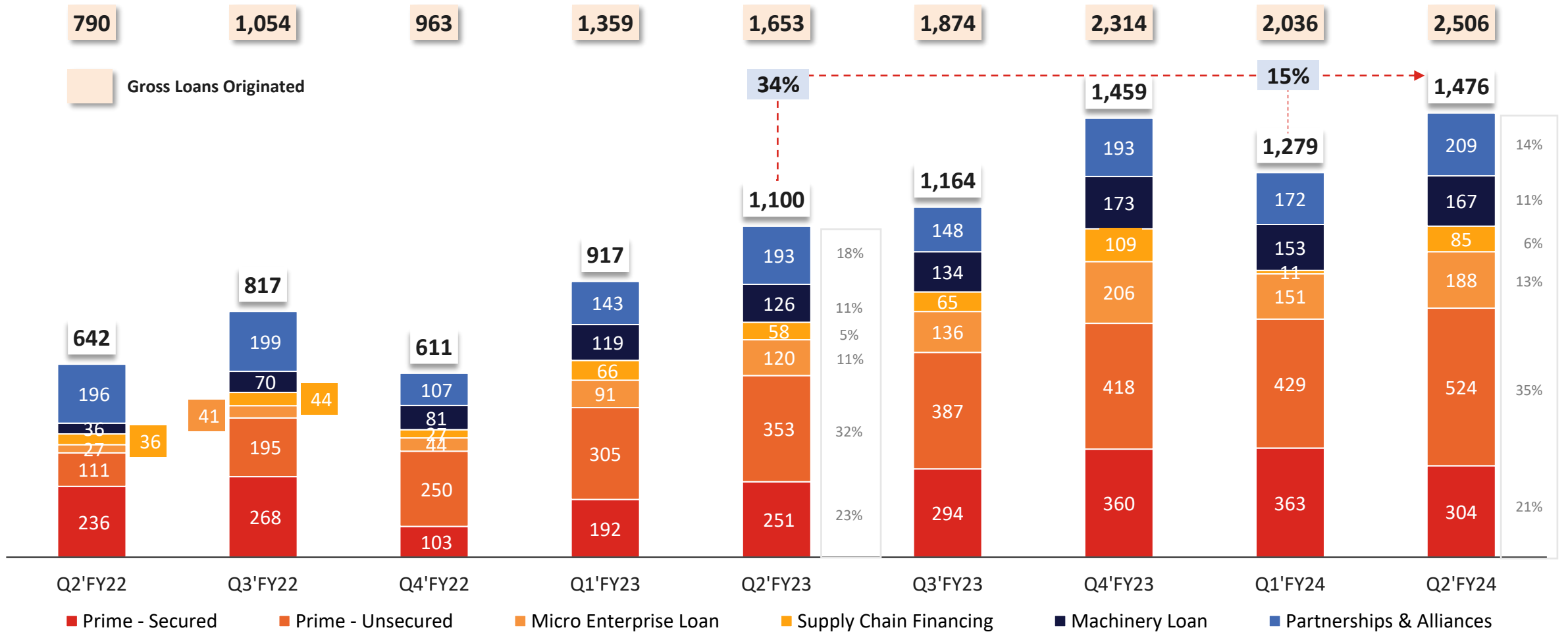


Product	Avg. Ticket	Yield %	Tenor
Unsecured Merchant Financing	70K	24%	1 yr

# This has led to strong Net Loan Origination

Amount in INR Cr

Net loans originated increased to INR 1,476 Cr in Q2'FY24 from INR 1,459 Cr in Q1'FY24 (+15%) and INR 1,100 Cr in Q2'FY23 (+34%).



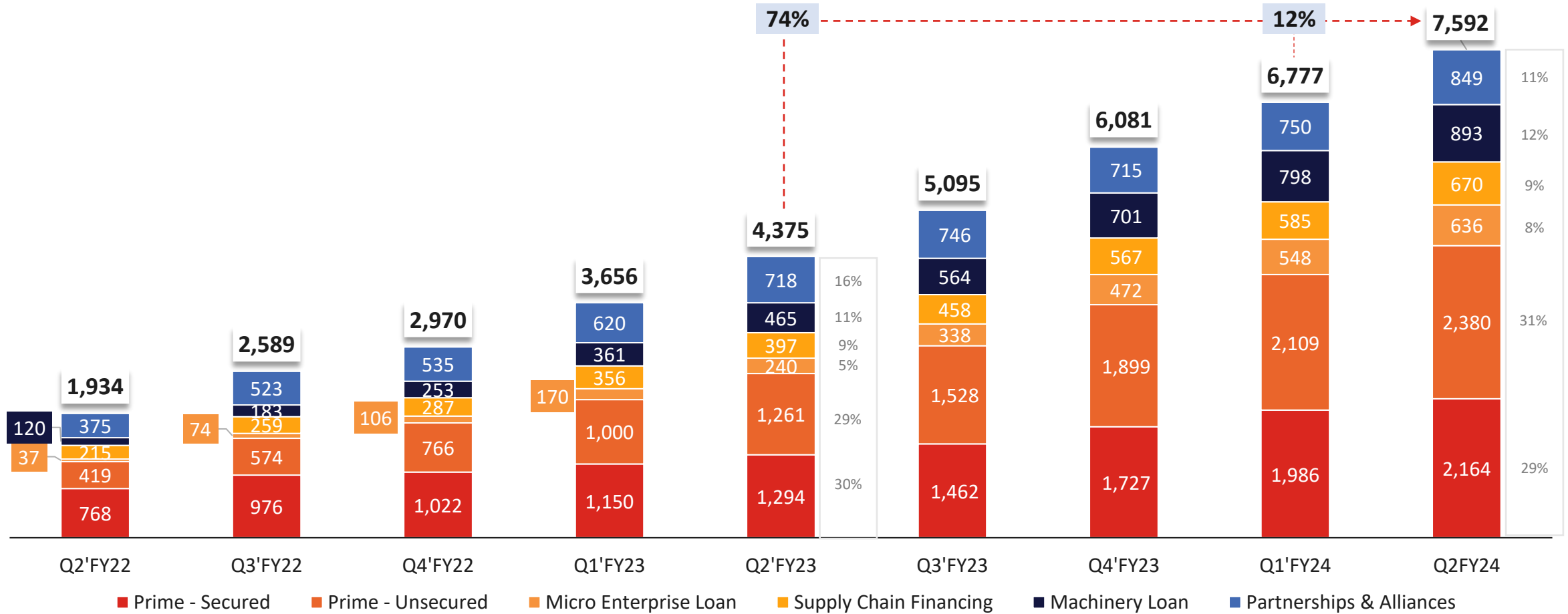
\*Percentages represent product wise portfolio mix



# And strong AUM

Amount in INR Cr

AUM increased to INR 7,592 Cr as on Sep'23 from INR 6,794 Cr as on Jun'23 (+12%) and INR 4,375 Cr as on Sep'22 (+74%).



\*Percentages represent product wise portfolio mix

# Our Distribution continues to be powered by our GRO Score

## Ability to capture alternate data from banking and bureau...



Machine generates 25,000+ data features from an applicant's bureau record and bank statement

### Across Multiple parameters

Turnover and transaction intensity

Borrowing mix and nature

Cheque bounces & bank charges

Frequency and magnitude of defaults

Payment cycles

History of high-cost debt/credit card usage

Obligations as % of turnover

Balances and withdrawals

Counterparties & relative strengths

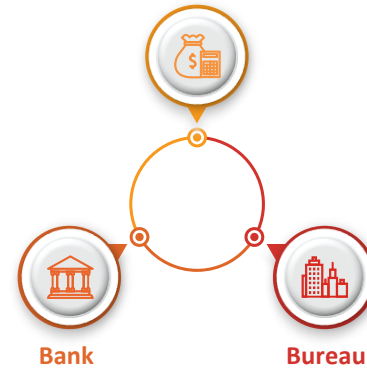
Pace of borrowing

## ...to draw meaningful insights out of unorganized data...

GRO 2.0  
Credit Bureau Data + Banking Data

GRO 3.0  
Credit Bureau Data + Banking Data + GST

GST



Matches Banking & Bureau Scorecards to generate one single score which further gets augmented with GST data as an external input



**Artificial Intelligence**  
Engineering of making Intelligent Machines and Programs



**Machine Learning**  
Ability to learn without being explicitly programmed



**Deep Learning**  
Learning based on Deep Neural Network

**Historical aggregation** – several pages of statement going back 12 months can be summarized instantly

**Normalization** – convert absolute values to scale, for even comparison

**Trending** – changes over time, create standardized measure of comparison across diverse nature of entities, sectors, geographies

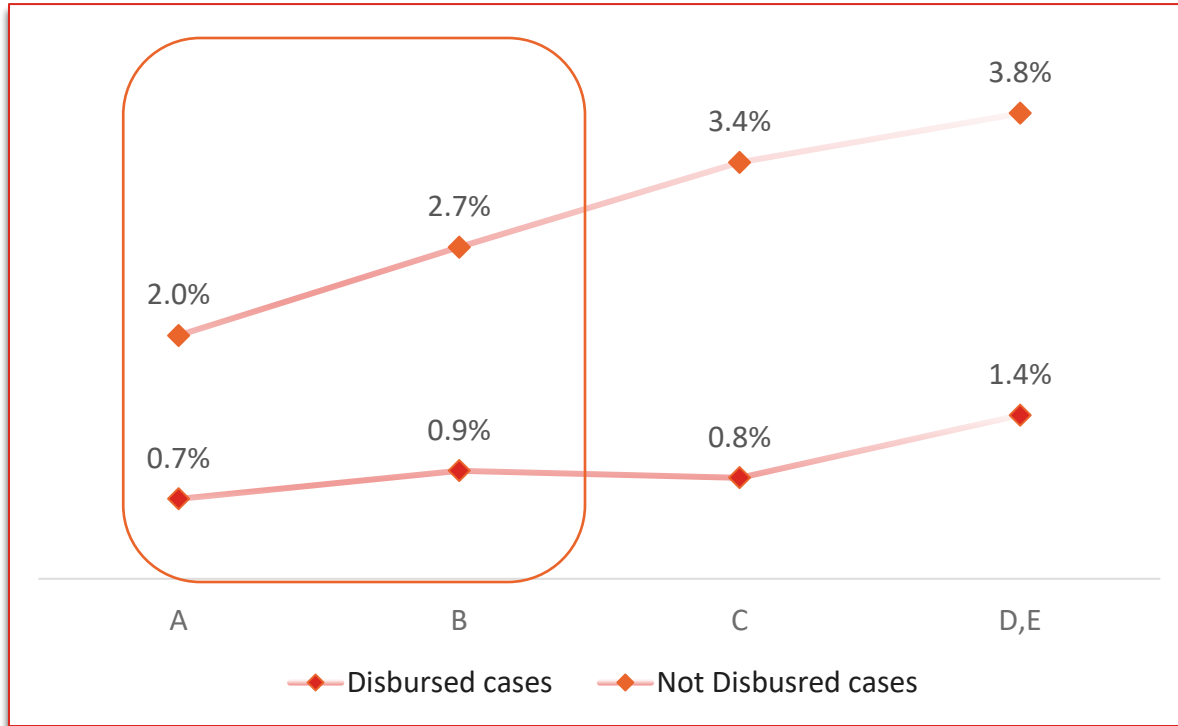
**Scoring of each case into one of the five bands of A – E with A being the best and E being the worst**



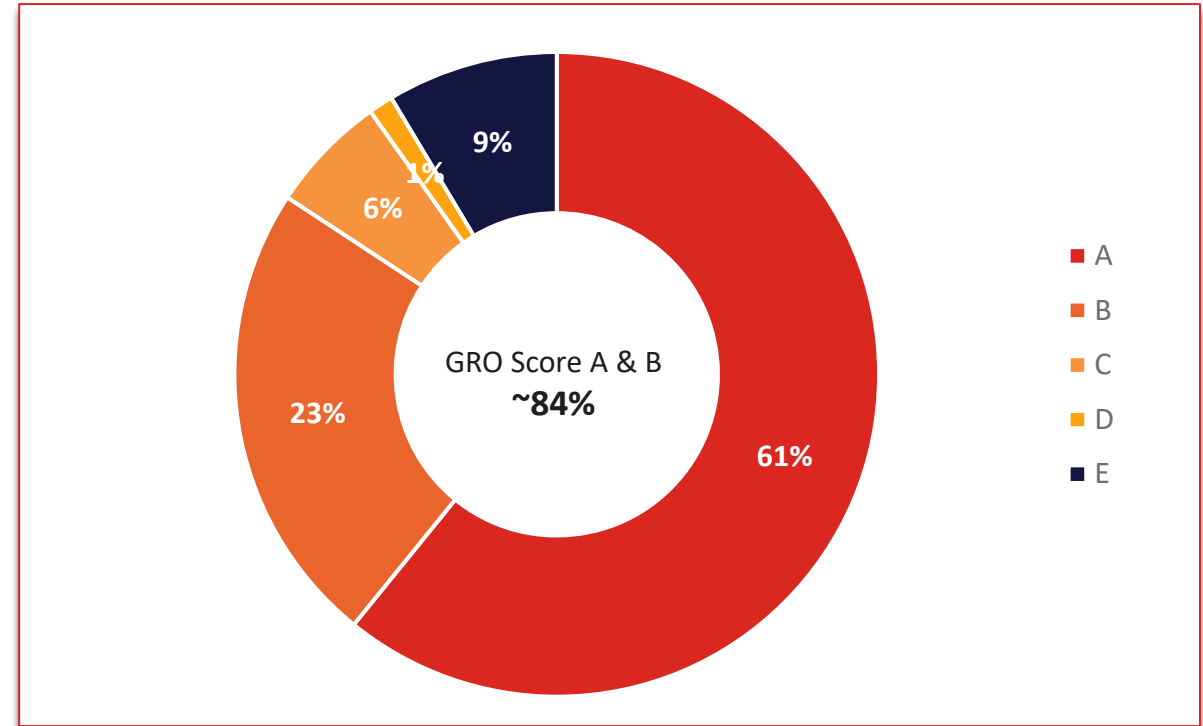
... and decide whether to disburse or not disburse the loan within 60 minutes.

# GRO Score – Risk Bands Stacking up on Historical Portfolio

Default rates across score bands – All customers assessed Since Inception



Score Band wise break up of recent disbursals (Jan 22 – Jun 23)



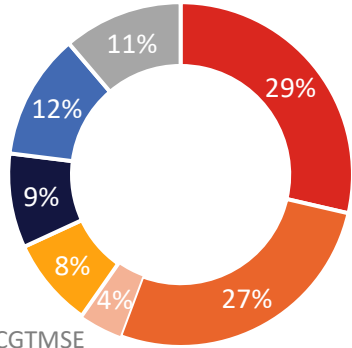
Segments A, B – contributing to majority share of disbursals and lever for calibrated increase of throughput

To that effect we have analysed both sets of data i.e. cases disbursed and rejected by UGRO. Performance across risk bands was observed to be stacking up for both sets of data

Explanation note : Scores are computed based on repayment track record of loan applicants and submitted bank statements. Default rate tracking is done based on quarter-end credit bureau data; “default” represents incidence of 90 dpd in any business purpose credit facility reported in bureau during a period of six months from the point of assessment at UGRO Capital

# Resulting in a well diversified, granular and stable portfolio quality

## Product Mix (AUM)



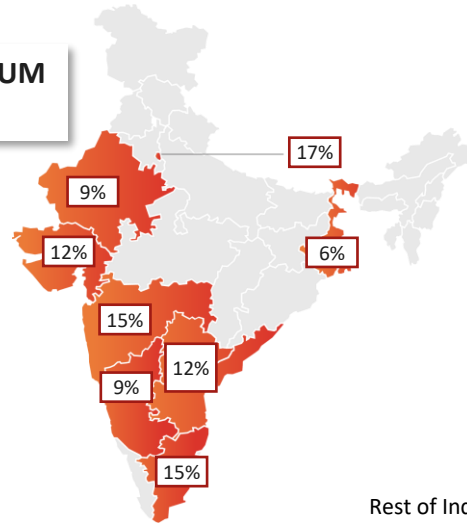
Guaranteed by CGTMSE

- Prime - Secured Loans
- Prime - Unsecured Loans
- Micro Enterprise Loan
- Supply Chain Financing
- Machinery Loan
- Partnerships & Alliances

Product category	AUM (Cr)	ROI (%)	Ticket size (Lakh)
Prime - Secured Loans	2,164	13.8%	70
Prime - Unsecured Loans	2,380	19.6%	16
Micro Enterprise Loan	636	20.9%	8
Supply Chain Financing	670	13.3%	49
Machinery Loan	893	13.4%	37
Partnerships & Alliances	849	14.8%	5
<b>Grand Total</b>	<b>7,592</b>	<b>16.2%</b>	<b>16</b>

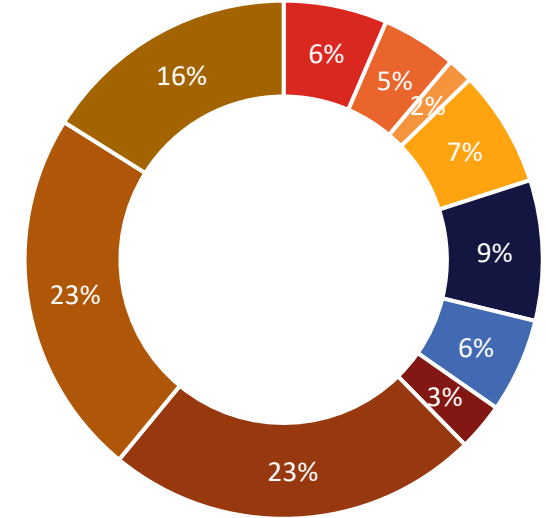
## Portfolio Concentration in key geographical areas

State wise AUM coverage\*



State wise branches	Micro	Prime	Total
Tamil Nadu	20	1	21
Rajasthan	15	2	17
Gujarat	15	1	16
Karnataka	15	1	16
Telangana	10	1	11
Maharashtra		6	6
West Bengal		4	4
Andhra Pradesh	2	2	4
Other States	4	5	9
<b>Total</b>	<b>81</b>	<b>23</b>	<b>104</b>

## Sector Mix\*

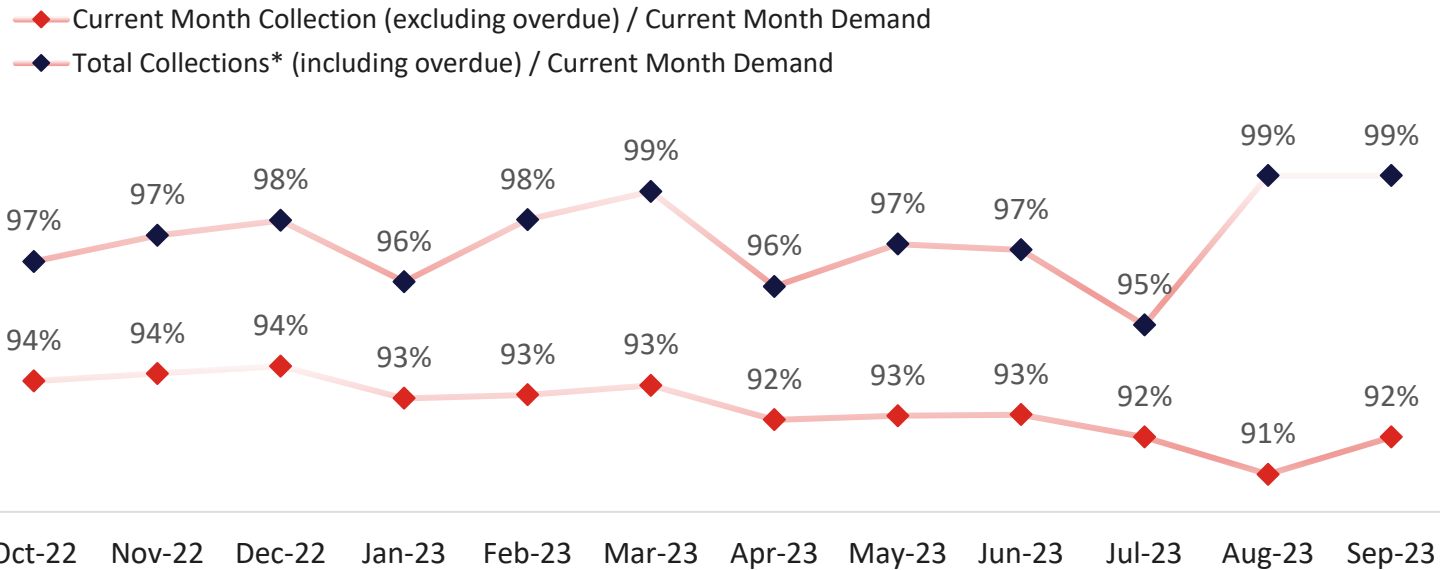


- Auto Components
- Chemicals
- Education
- Electrical Equipment
- Food Processing
- HealthCare
- Hospitality
- Light Engineering
- Micro Enterprises
- Other MSME

\* Includes Prime – Secured Loans, Prime – Unsecured Loans, Micro Enterprise Loan, Supply Chain Financing, Machinery Loan and Co-lending

# Collection Efficiencies, Portfolio provisioning (1/2)

## Current Month and Overall Collection Efficiency remains robust



### Key highlights:

- **GNPA / NNPA as a % of Total AUM stood at 1.9% / 1.1% as of Sep'23**
- **Stage 3 provisioning coverage stood at ~49% (on-book AUM)**
- Total Restructured portfolio stood at 0.6% of Total AUM
- Total provisions as of Sep'23 stood at ~ ₹104.3 Cr (1.4% of Total AUM)

\*Excluding foreclosures

## ECL Data (Sep'23)

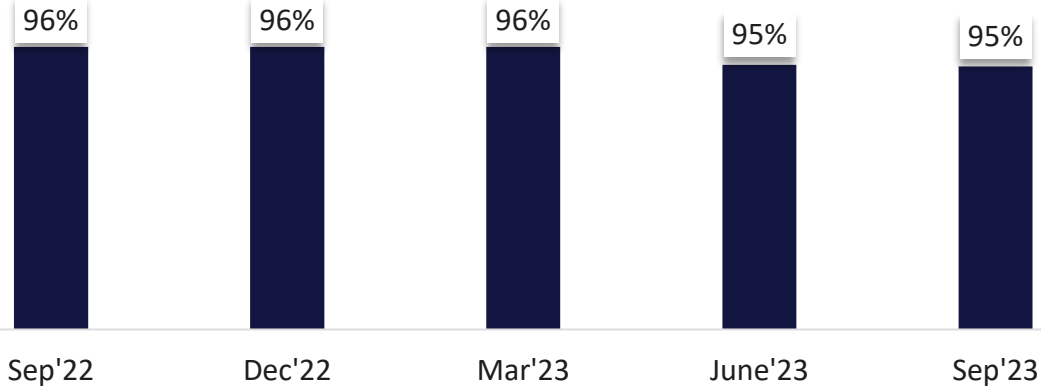
(In Cr)	Loan Exposure	Loan Exposure (%)
Stage 1	7,208	95%
Stage 2	238	3%
Stage 3	146	2%
<b>Total</b>	<b>7,592</b>	<b>100.0%</b>

## Product wise GNPA

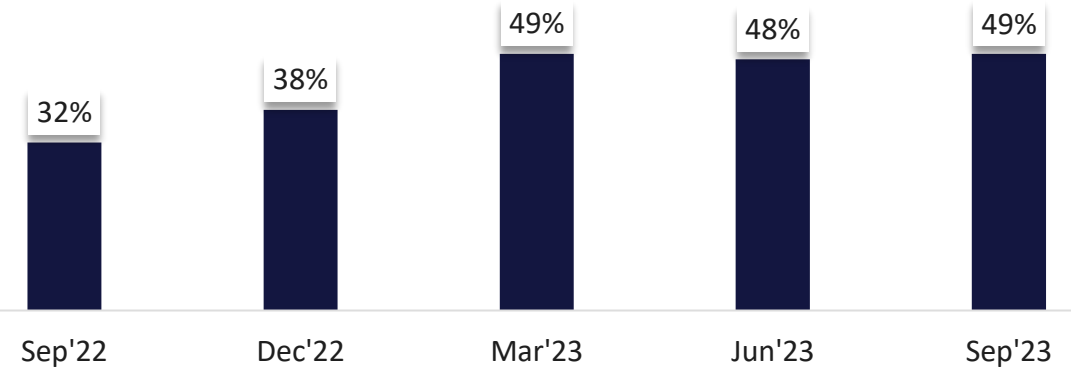
Product Category	AUM (INR Cr)	GNPA(%)
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Prime - Unsecured Loans	2,380	3.5%
Micro Enterprise Loan	636	1.7%
Supply Chain Financing	670	2.6%
Machinery Loan	893	0.5%
Partnerships & Alliances	849	0.0%
<b>Grand Total</b>	<b>7,592</b>	<b>1.9%</b>

# Collection Efficiencies, Portfolio provisioning (2/2)

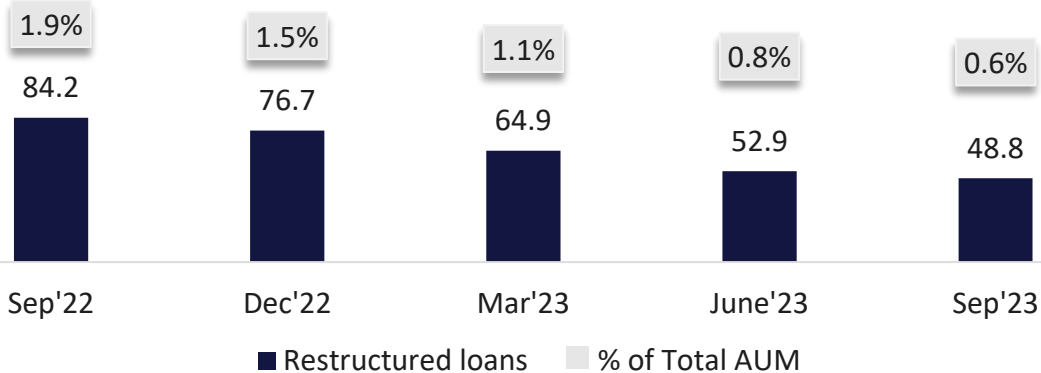
## Stage 1 has remained stable over last 5 quarters



## Provision Coverage Ratio



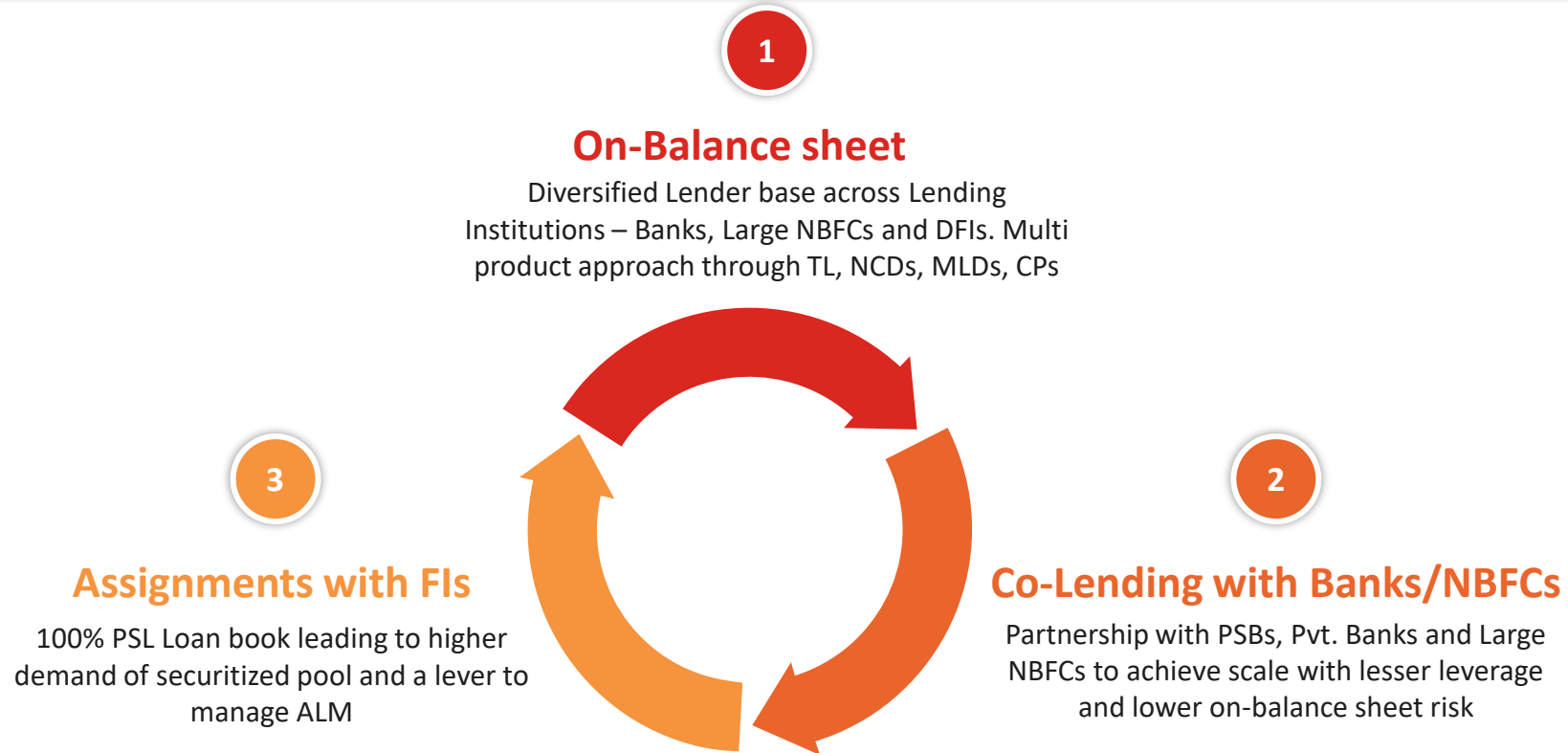
## Restructured Loans (standard portfolio)



- Stage 1 assets have been around ~95% over past 4 quarters
- Restructured loans have decreased from INR 84.2 Cr (1.9% of Total AUM) as on Sept'22 to INR 48.8 Cr (0.6% of Total AUM) as on Sep'23.
- Stage 3 PCR has improved from 32% as on Sep'22 to 49% as on Sep'23

# Tri-pronged liability strategy – on-balance sheet, co-lending and assignment

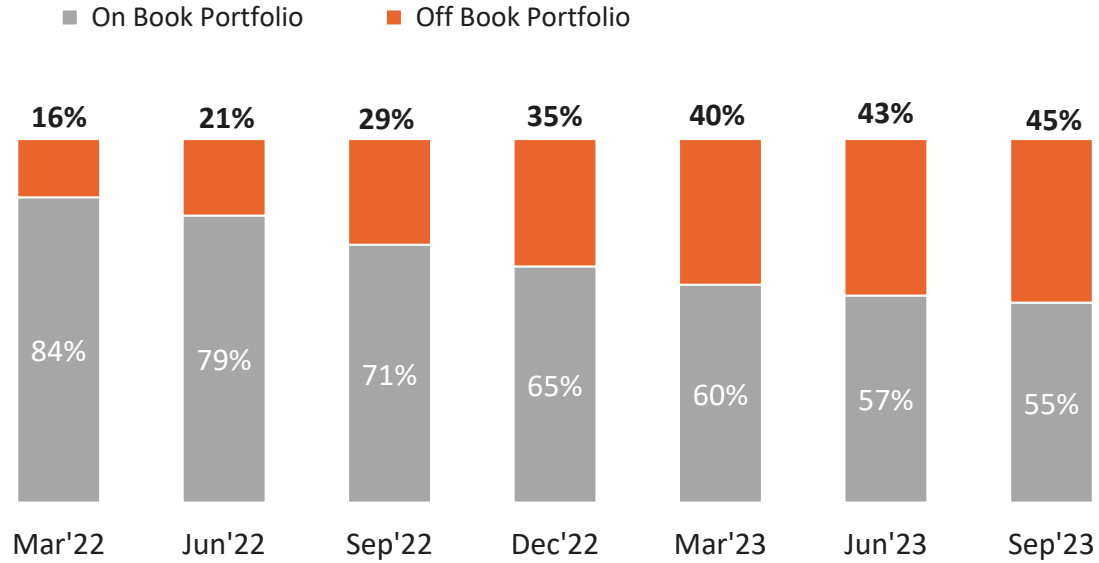
Demonstrated ability to manage a prudent mix of on-balance sheet and off-balance sheet approach



Actively partnering with liability providers and focus on building a long-term relationship

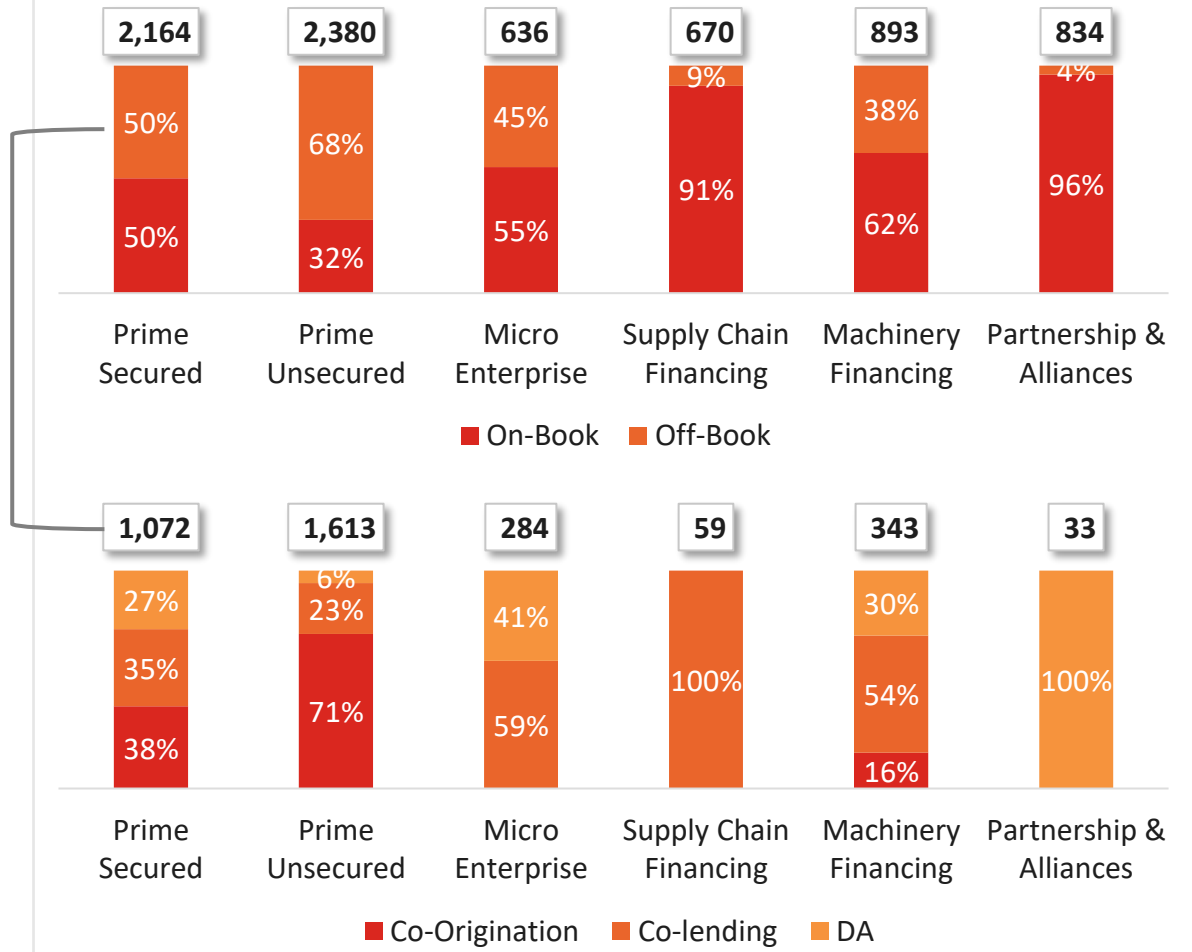
# Lending as a Service (L-a-a-S) platform

## Increasing Mix of off - Book AUM



	Mar'22	Jun'22	Sep'22	Dec'22	Mar'23	Jun'23	Sep'23
Off Book AUM	478	782	1,272	1,775	2,442	2,929	3,405
Co-Origination	144	304	619	915	1,181	1,457	1,604
Co-lending	101	215	332	505	773	943	1,166
DA	233	263	322	355	488	530	635

## Product wise Mix of off - Book AUM (Sep'23)

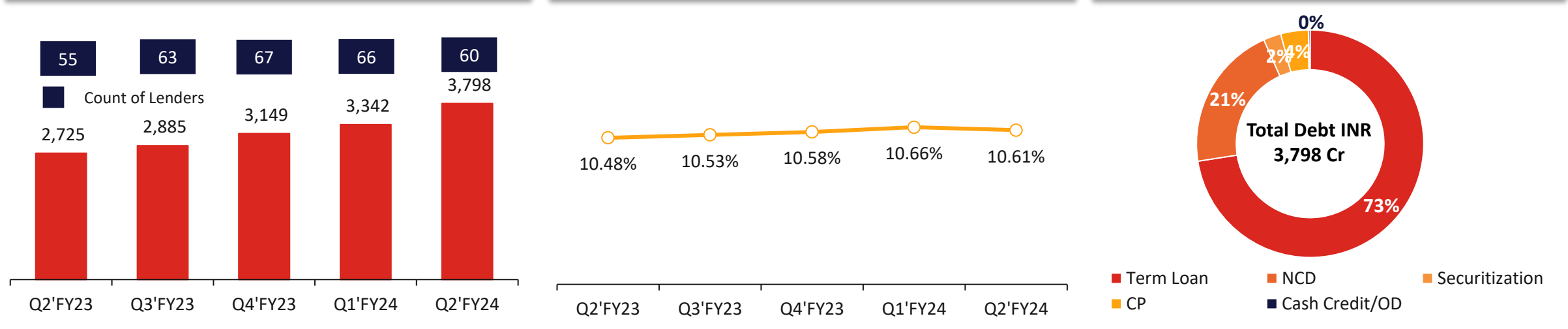


Co-lending Partnership with 7 Banks and 6 NBFC's



# Diversified Lender base and continued build-out of liability book

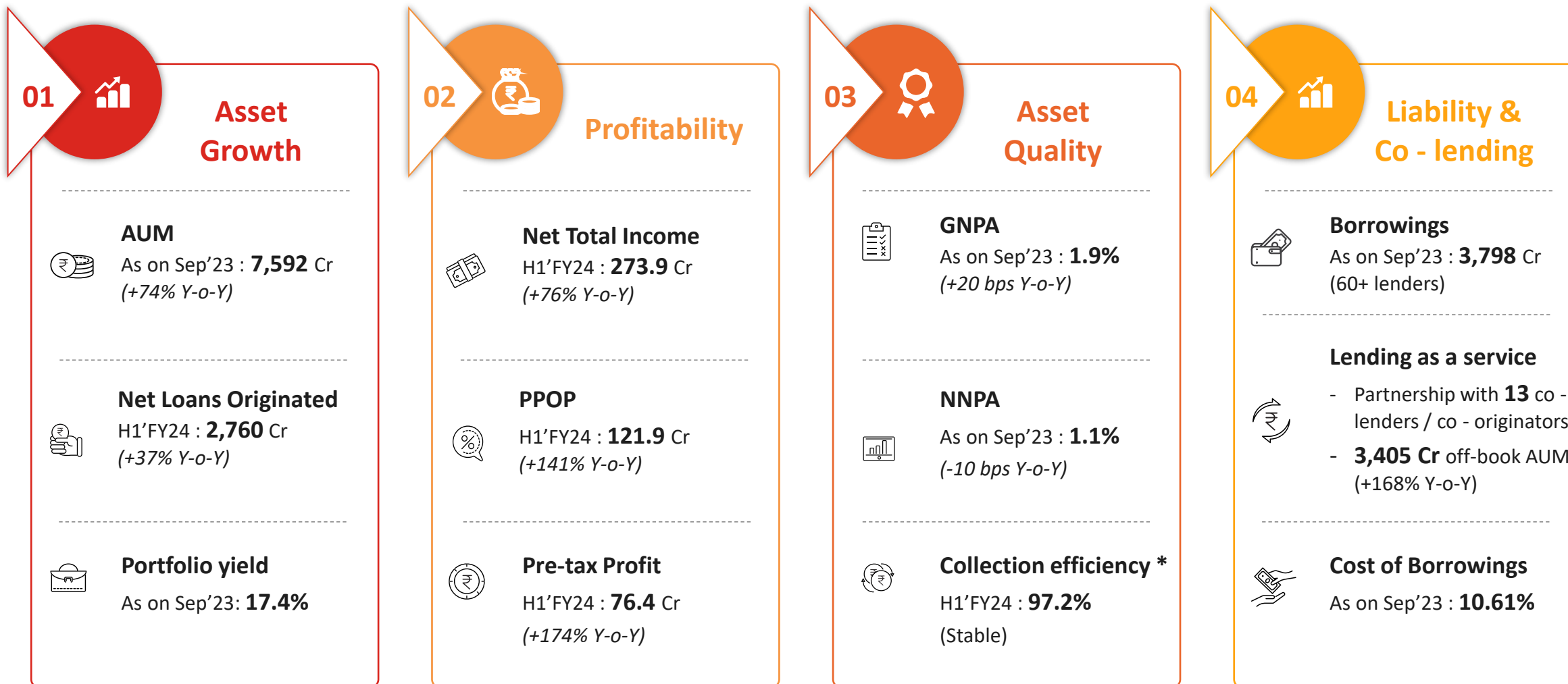
## Total Debt (INR Cr) and No. of Active Lenders | Cost of Borrowing | Liability Mix



## Our liability sanctions have been raised from a diverse set of lenders

Public Sector Banks	Private Sector Banks	Other Institutions	DFI	SFBs and NBFCs

# Summarizing our performance highlights for H1'FY24



\* Total Collections (including overdue) / Current month demand

# Finance | Income Statement

Income Statement (₹ Cr)	Q2FY23	Q2FY24	Y-o-Y	Q1FY24	Q-o-Q
Interest Income	115.7	171.9	49%	161.5	6%
Income on Co-Lending / Direct Assignment	28.4	64.8	129%	43.8	48%
Other Income	11.2	17.0	51%	13.0	30%
<b>Total Income</b>	<b>155.3</b>	<b>253.6</b>	<b>63%</b>	<b>218.3</b>	<b>16%</b>
Interest Expenses	68.5	105.4	54%	92.7	14%
<b>Net Total Income</b>	<b>86.8</b>	<b>148.2</b>	<b>71%</b>	<b>125.7</b>	<b>18%</b>
Employee Cost	30.9	46.0	49%	36.9	25%
Other Expenses	25.0	36.8	47%	32.2	15%
<b>PPOP</b>	<b>30.8</b>	<b>65.4</b>	<b>112%</b>	<b>56.6</b>	<b>16%</b>
Credit Cost	13.3	24.6	85%	20.9	17%
<b>PBT</b>	<b>17.6</b>	<b>40.8</b>	<b>132%</b>	<b>35.6</b>	<b>14%</b>
Tax	12.3	11.9	(3%)	10.4	14%
<b>PAT</b>	<b>5.3</b>	<b>28.9</b>	<b>448%</b>	<b>25.2</b>	<b>14%</b>
<i>ROA %</i>	<i>0.6%</i>	<i>2.3%</i>	-	<i>2.2%</i>	-

# Finance | Income Statement & ROA Tree

Income Statement (₹ Cr)	H1Y23	H1FY24	Y-o-Y	FY23
Interest Income	208.7	333.4	60%	482.9
Income on Co-Lending / Direct Assignment	48.8	108.6	123%	154.1
Other Income	19.5	30.0	54%	46.8
<b>Total Income</b>	<b>277.0</b>	<b>472.0</b>	<b>70%</b>	<b>683.8</b>
Interest Expenses	121.3	198.1	63%	293.3
<b>Net Total Income</b>	<b>155.7</b>	<b>273.9</b>	<b>76%</b>	<b>390.5</b>
Employee Cost	60.1	83.0	38%	140.7
Other Expenses	45.0	69.0	53%	109.1
<b>PPOP</b>	<b>50.6</b>	<b>121.9</b>	<b>141%</b>	<b>140.6</b>
Credit Cost	22.6	45.5	101%	56.8
<b>PBT</b>	<b>27.9</b>	<b>76.4</b>	<b>174%</b>	<b>83.8</b>
Tax	15.3	22.3	46%	44.1
<b>PAT</b>	<b>12.6</b>	<b>54.1</b>	<b>329%</b>	<b>39.8</b>

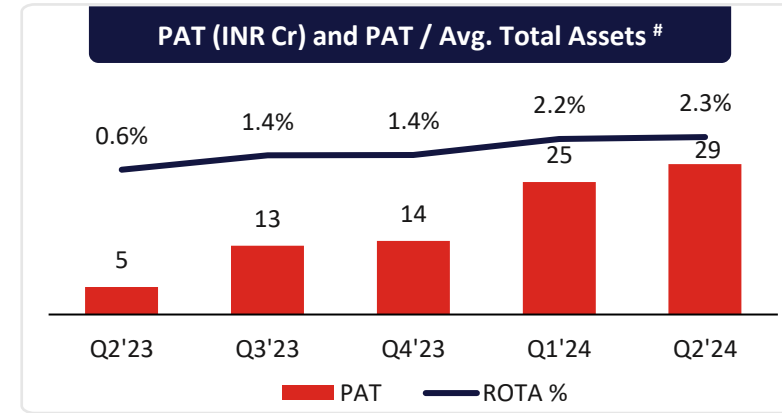
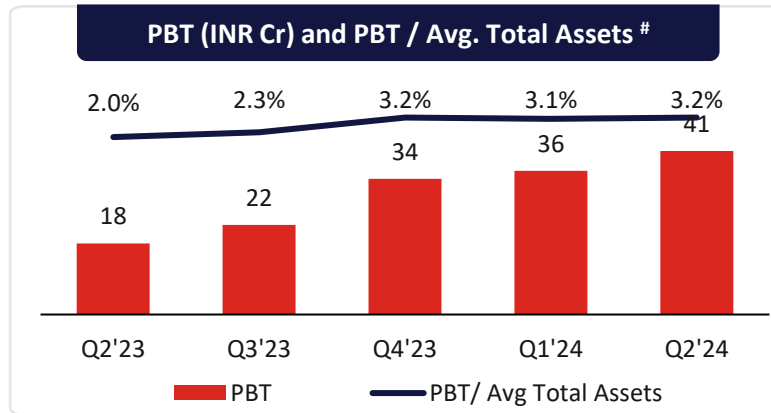
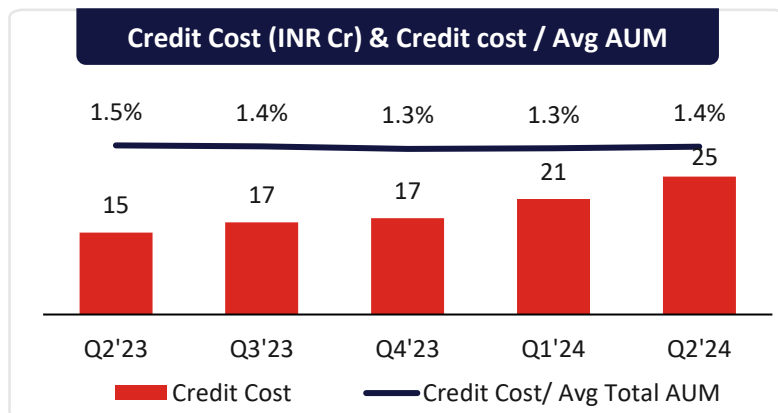
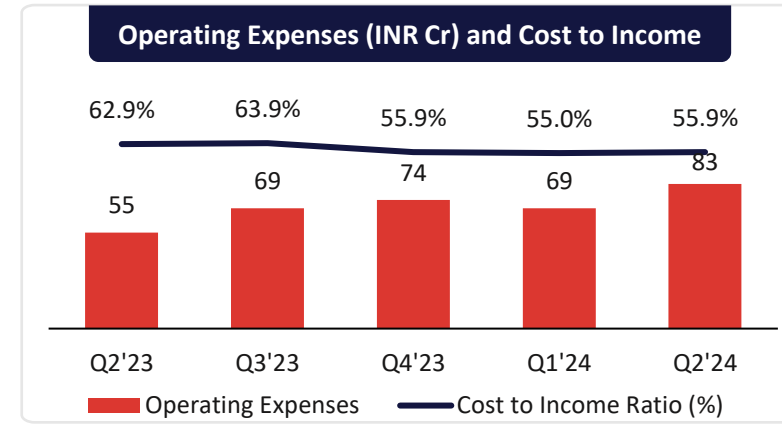
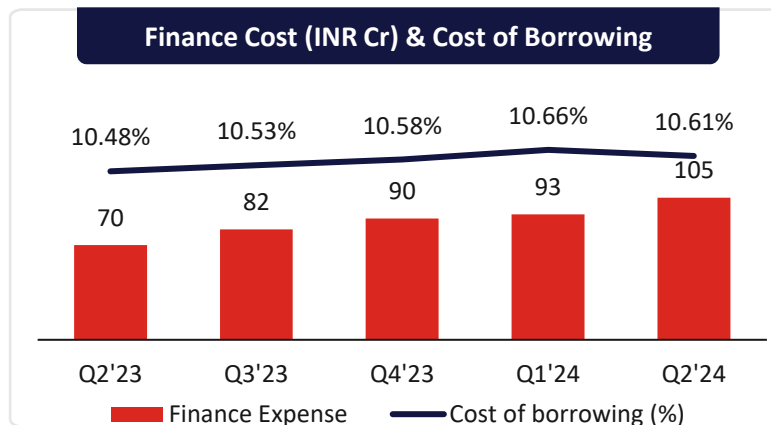
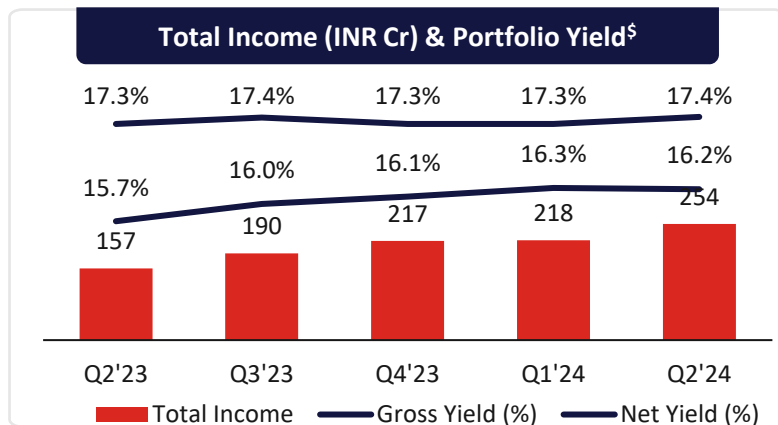
ROA Tree	H1Y23	H1FY24
<i>As a % of Gross On Book AUM</i>		
Total Income	19.4%	22.3%
Interest Expenses	8.5%	9.4%
Net Total Income	10.9%	12.9%
Opex	7.4%	7.2%
Credit cost	1.6%	2.1%
PBT	2.0%	3.6%
PAT	0.9%	2.6%
Key Ratios (Annualized)	H1Y23	H1FY24
ROA (% Avg. Total Assets)	0.8%	2.2%
Leverage	2.9x	2.8x
RoE	2.6%	9.2%

# Finance | Balance Sheet

Balance Sheet (₹ Cr)	Mar-23	Sep-23
<b>Assets</b>		
Cash and Bank Balance	212	548
Loans	3,806	4,458
Investments	60	59
Other financial assets	25	18
<b>Financial Assets</b>	<b>4,104</b>	<b>5,083</b>
PPE, Intangible assets, ROU etc	66	73
Current and Deferred tax assets (net)	28	22
Other non-financial assets	109	153
<b>Non-Financial Assets</b>	<b>202</b>	<b>249</b>
<b>Total Assets</b>	<b>4,306</b>	<b>5,331</b>

Balance Sheet (₹ Cr)	Mar-23	Sep-23
<b>Liabilities</b>		
Trade payables	14	3
Debt securities	1,144	1,036
Borrowings (other than debt securities)	2,005	2,762
Other financial liabilities	77	73
<b>Financial liabilities</b>	<b>3,240</b>	<b>3,875</b>
<b>Non-financial liabilities</b>	<b>81</b>	<b>85</b>
Equity share capital	69	91
Other equity	915	1,280
<b>Equity</b>	<b>984</b>	<b>1,371</b>
<b>Total Liabilities &amp; Equity</b>	<b>4,306</b>	<b>5,331</b>

# Operating & Financial Metrics



**1,371**  
Net Worth

**7,592**  
AUM

**45%**  
Off book %

**3,798 / 24.8%**  
Total Debt / CRAR

**1.9% / 1.1%**  
GNPA / NNPA (Total AUM)

**104/2,225+**  
Branch/ Employees<sup>1</sup>

**59,000+**  
Active Borrowers

<sup>\$</sup> Weighted Average AUM yield as on Period End

\* Restated cost of debt from weighted average costing to IRR based costing

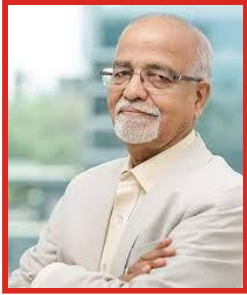
# Annualized ratio based on quarterly average of total assets

1 Employees include on-roll employees and dedicated off-roll employees



# Board, Management and Shareholding

# Independently Supervised : Eminent Board of Directors



**Satyananda Mishra –  
Non-Executive Chairman**

Ex-Chairman, MCX, Ex-CIC, GOI,  
Ex-Director - SIDBI



**S. Karuppasamy -  
Independent Director**

Ex-Executive Director, RBI



**Karnam Sekar –  
Independent Director**

Ex - MD & CEO of Indian  
Overseas Bank



**Hemant Bhargava –  
Independent Director**

Ex-Chairman in charge and MD  
of LIC



**Rajeev K. Agarwal -  
Independent Director**

Ex-Whole Time Member, SEBI



**Tabassum Inamdar  
Independent Director**

Ex Goldman Sachs, UBS  
Securities, Kotak Securities



**Amit Gupta  
(New Quest Nominee)**

Founding Partner of New Quest



**Chetan Gupta  
(Samena Nominee)**

Managing Director at Samena  
Capital



**Manoj Sehrawat  
(ADV Nominee)**

Partner at ADV



**Deepa Hingorani  
(IFU Nominee)**

Senior VP at IFU

**Legend: Independent Directors, Non-executive Directors**



# Professionally Managed : 190+ years of cumulative experience



**Shachindra Nath -  
Vice Chairman & Managing  
Director**  
25+ Years of Experience



**Amit Mande -  
Chief Revenue Officer**  
20+ Years of Experience



**Anuj Pandey -  
Chief Risk Officer**  
20+ Years of Experience



**Kishore Lodha -  
Chief Financial Officer**  
20+ Years of Experience



**Sunil Lotke –  
Chief Legal & Compliance  
Officer**  
19+ Years of Experience



**J Sathiyam -  
Chief Business Officer**  
25+ Years of Experience



**Pia Shome -  
Chief People Officer**  
15+ Years of Experience



**Rishabh Garg -  
Chief Technology Officer**  
17+ Years of Experience



**Om Sharma-  
Chief Operating Officer**  
20+ Years of Experience

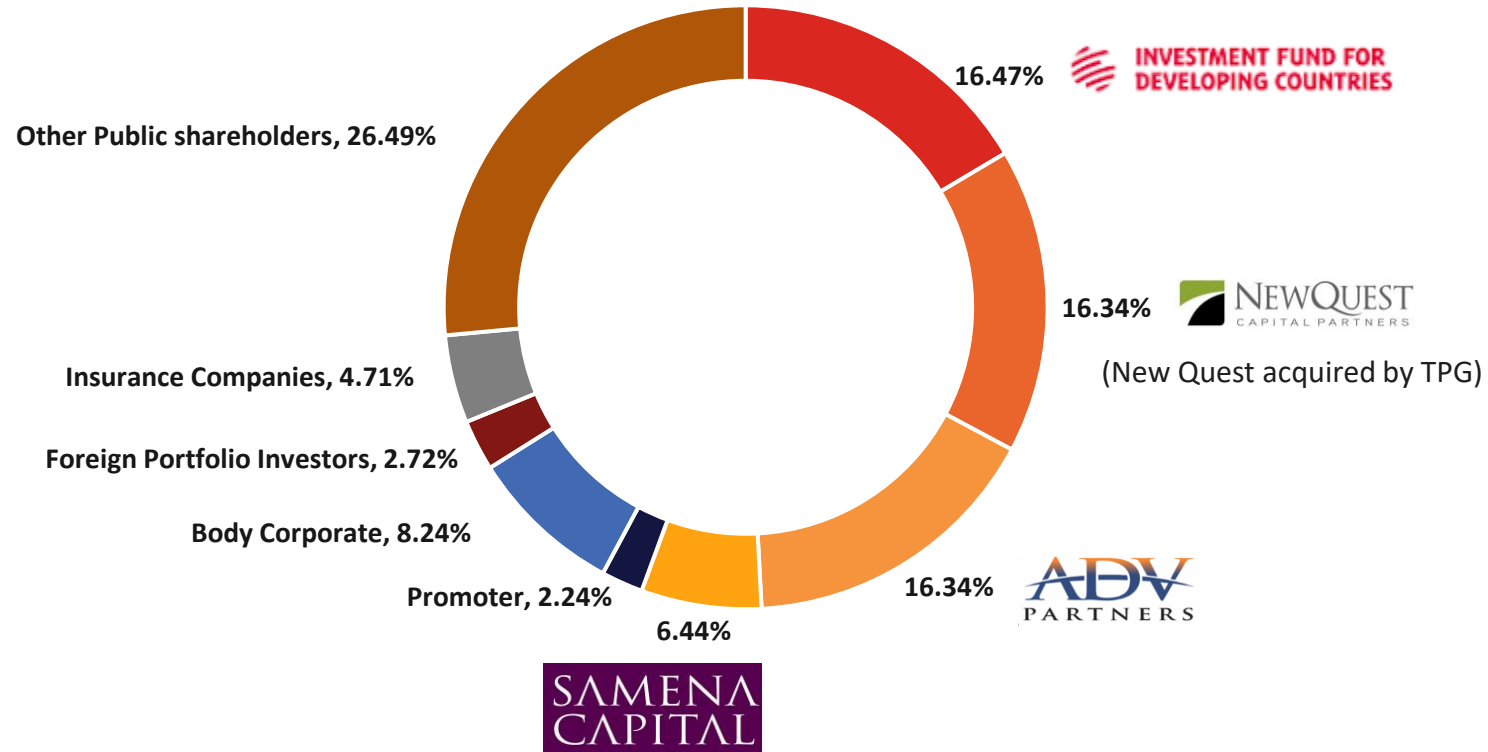


**Subrata Das -  
Chief Innovation Officer**  
17+ Years of Experience

***Management to potentially own 7.7% equity stake on fully diluted basis; vesting conditions linked to share price performance (ranging between Rs 261-538) over next 3 years, thereby aligning management's goals towards company's performance and ultimately shareholder returns***

# Institutionally Owned : Majority held by Institutional Investors

## Shareholding Pattern

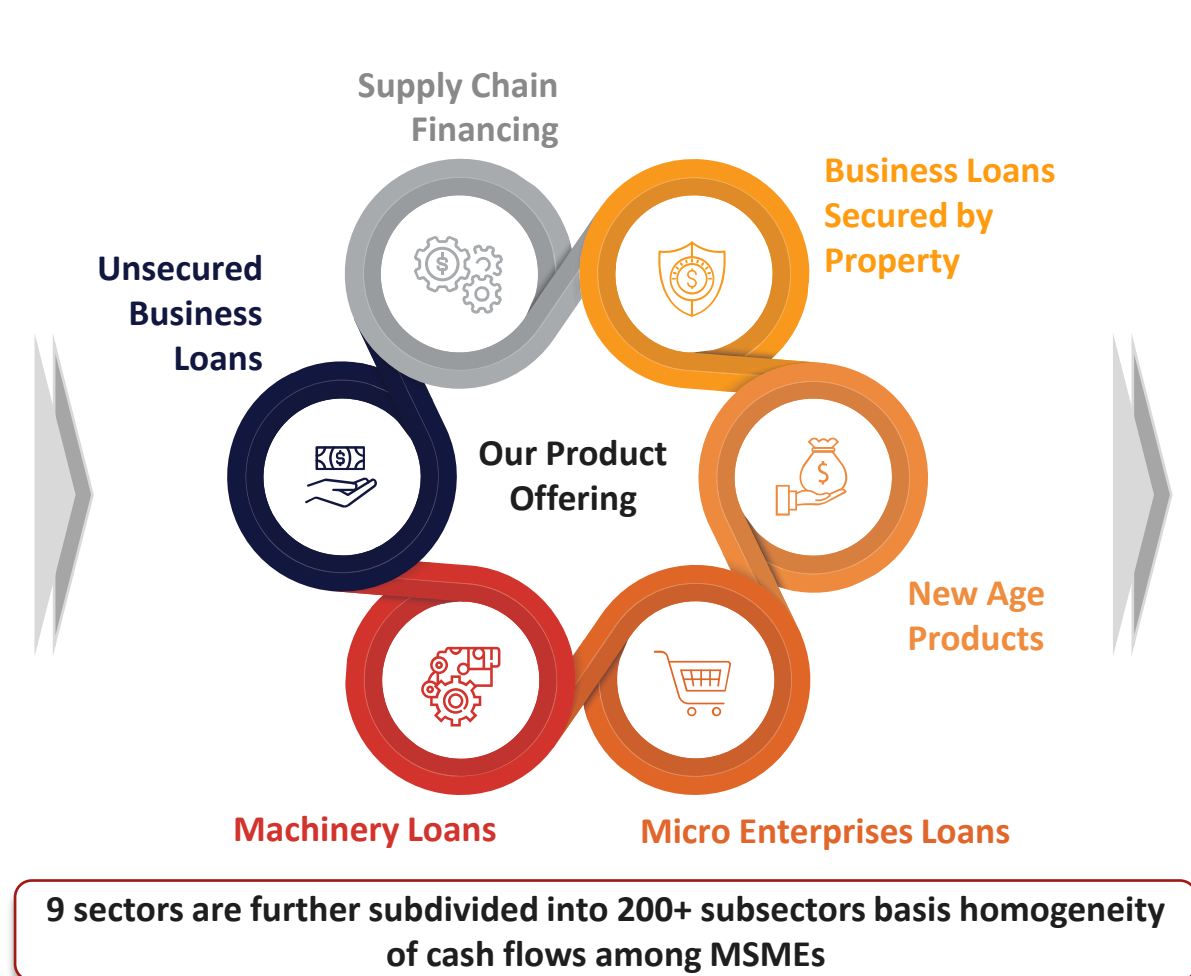




# Annexure

# Sector Focused Approach, Multiple Products and Large Distribution Strength

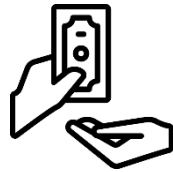
	Hospitality
	Light Engineering
	Auto Components
	Chemicals
	Food Processing
	Education
	Healthcare
	Electrical Equipment & Components
	Micro Enterprises



	<b>23</b> Prime Branches
	<b>81</b> Micro Branches
	<b>500+</b> GRO Partners
	<b>65+</b> Anchors
	<b>50+</b> OEMs
	<b>45+</b> Fintech Partners
	<b>1100+</b> Sales Employees

## Co-Lending is a value accretive model

### Example of 80:20 Co-Lending Partnership Model



Customer ROI of 14.5% (assumption) on INR 1 Lakh Loan



#### UGRO Earns

- On Book (20% of the loan – INR 20 K) : **ROI of 14.5%**
- Off Book (80% of the loan – INR 80 K) : **5.5% Spread** (14.5% ROI minus 9.0% Co-lending rate)

#### Co-lending bank Earns

- **ROI of 9.0%** on INR 80 K

*Note : Numbers are provided only for illustrative purpose*

### Benefits to UGRO

- Higher ROA & ROE on account of
  - Better leverage and
  - Higher spread compared to on - balance sheet lending
- High Growth with lower equity capital
- Sizeable sanction and on tap availability of capital
- Testimony of the credit scoring model
- Pari passu risk sharing with the partner

### Benefits to Partner Institution

- Risk weight lower in case of Co-lending vis – a – vis lending directly to NBFCs
- Cost of Capital advantage combined with no operating cost leading to higher returns on risk adjusted basis
- Granular build-out of Portfolio
- Build-out of PSL portfolio
- End use visibility of funds disbursed

# Lending as a Service (L-a-a-S) is a highly profitable model

## Sample Illustration

Particulars (INR Cr)	Normal Scenario On Balance Sheet	Co-lending Model		
		On Book – 20%	Off Book – 80%	Total
Loan Amount	1,00,000	20,000	80,000	1,00,000
Equity Capital Deployed	20,000	4,000	-	4,000
Interest Income	14,500	2,900	-	2,900
Co-lending spread income	-	-	3,200	3,200
Interest Expense	8,400	1,680	-	1,680
<b>Net interest Income</b>	<b>6,100</b>	<b>1,220</b>	<b>3,200</b>	<b>4,420</b>
Other Income	1,500	300	1,200	1,500
<b>Net Total Income</b>	<b>7,600</b>	<b>1,520</b>	<b>4,400</b>	<b>5,920</b>
Operating Expenses	3,420	684	2,736	3,420
Credit Cost	1,500	300	-	300
<b>PBT</b>	<b>2,680</b>	<b>536</b>	<b>1,664</b>	<b>2,200</b>
Tax	804	161	499	660
<b>PAT</b>	<b>1,876</b>	<b>375</b>	<b>1,165</b>	<b>1,540</b>
<b>ROA</b>	<b>1.88%</b>			<b>7.70%</b>
<b>ROE</b>	<b>9.38%</b>			<b>38.50%</b>

## Assumptions for Calculation

Particulars	Ratios
Yield	14.5%
Cost of Borrowing	10.5%
Spread - On Book Lending	4.0%
Spread - Co-lending	4.0%
Fee Income	1.5%
Co-lending - On Book Share	20%
D/E	4.0x
Cost to Income Ratio	45%
Credit cost	1.5%
Tax Rate	30%

Thank You