9th August 2023

BSE Limited **Phiroze Jeejeebhoy Towers** **Dalal Street, Mumbai 400 001** **Scrip Code: 511742**	**National Stock Exchange of India Limited** **Exchange Plaza, 5th Floor, Plot No. C/1,** **G Block, Bandra - Kurla Complex,** **Bandra (E), Mumbai - 400 051** **NSE Symbol: UGROCAP**

Sub: Transcript of the Earnings Call with Analysts/Investors held on 2nd August 2023

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings call held on 2nd August 2023 to discuss the unaudited financial results of the Company for the quarter ended on 30th June 2023.

The said transcript is also being uploaded on the website of the Company.

This is for your information and records.

Thanking You,

Yours Faithfully,

For UGRO Capital Limited,

NAMRATA SAJNANI Digitally signed by NAMRATA SAJNANI Date: 2023.08.09 11:36:30 +05'30'

Namrata Sajnani
Company Secretary and Compliance Officer
Encl: a/a

"UGRO Capital Limited Q1'FY '24 Earnings Conference Call"

August 02, 2023

MANAGEMENT: **MR. SHACHINDRA NATH – VICE CHAIRMAN AND MANAGING DIRECTOR – UGRO CAPITAL LIMITED**
MR. AMIT MANDE – CHIEF REVENUE OFFICER – UGRO CAPITAL LIMITED
MR. ANUJ PANDEY – CHIEF RISK OFFICER – UGRO CAPITAL LIMITED
MR. KISHORE LODHA – CHIEF FINANCIAL OFFICER – UGRO CAPITAL LIMITED

MODERATOR: **MR. VINAY PANDIT – KAPTIFY CONSULTING**

Moderator: Ladies and gentlemen, good day and welcome to the UGRO Capital Limited Q1'FY24 Earnings Call. At this moment, all participants are in the listen only mode. Later, we will conduct a question and answer session. At that time, you may click on the raise hand icon to ask a live question. Please note that this conference is being recorded. I now hand the conference over to Mr. Vinay Pandit from Kaptify Consulting. Thank you and over to you.

Vinay Pandit: Thank you. Ladies and gentlemen, I welcome you all to the Q1'FY24 post-earnings conference call of UGRO Capital. Today on the call from the management we have with us Mr. Shachindra Nath, Vice Chairman and Managing Director, Mr. Anuj Pandey, Chief Risk Officer, Mr. Amit Mande, Chief Revenue Officer and Mr. Kishore Lodha, Chief Financial Officer. As a disclaimer I would like to inform all of you that this call may contain forward looking statements which may involve risk and uncertainties and also it's a reminder that this call is being recorded. I would now request the management to detail us about the business, the performance highlights for the quarter that went by, the growth plan and the vision for the coming years, post which we will open the floor for Q&A. Over to you, sir.

Shachindra Nath: Thank you, Vinay. Good evening, everyone. I'm Shachindra Nath. This is a Q1'FY24 post earnings conference but for me personally and for UGRO team what is most exciting is that we are demonstrating our capabilities to be the India's largest small business financing platform, which is in making. Small business financing, which has been an excluded segment from the mainline credit industry is becoming the mainline. The growth, the explosion of credit, which you have seen in consumer financing business which was backed bythe power of data and support of technology is similarly on the verge of an explosion in terms of the credit for small business financing as well.

Before we dive into the financial numbers and what we have done in this quarter, as business builders, we always look at businesses from a five-year and 10-year view. But for all of you, it is important to understand that why this segment of the market is at an inflection point for this explosion of credit which we are talking about. When we were building our investor relations presentation, rather than going straight to our numbers, we always like to reassess every quarter the market and where we are and when we prepared this, we ourselves were extremely surprised.

If you look at the expansion of credit, which has happened between FY22 to FY23 for MSME, it was 52,800 crores and the negative expansion, which is the reduction of the credit, which happened in FY21, FY22 was 61,000 crores, which means that we have still not reached to the level of pre-COVID time when it comes to MSME. That is just one part of it. But what is more stark is that if you look at the FY17 data and FY22 data, I think so during this period of time, large number of new MSME financing players have emerged.

Banks have refocused in India on MSME credit from a wholesale credit everyone is going to retail. But the gap of the formal credit availability have grown. In FY17, the gap, the total MSME credit demand and this is the data which comes from IFC and few other public sources was 69 trillion rupees, which means that if you reduce by the credit which was made available, it was 53 million of the credit gap. And in FY22, it has moved to 106 trillion, which is an 85 trillion gap. We view this, that the opportunity and the need is for not just one UGRO, but hundreds of UGROs' to emerge to fulfil this gap, because existing credit system of the India is completely undercapitalized and insufficient to fulfil this gap.

And why we think that this would accelerate now, I keep saying that there was a point in time when consumer financing in India was similar to what the MSME financing is today. 10 years or 15 years back, if you want to go and buy a car or a fridge or a TV, you know, the credit was, it's actually coming in 30 days' time but today it comes on tap. This has happened because some of the large players emerged and also the data around CIBIL and the personal data of consumer behaviour the repayment capability got established starting between 2008 to 2012. The same exactrevolution in terms of data repository is happening in India. The number of GST payer in last five years have increased by 50%. The UPI volume which is also a demonstrator of the repayment capability and cash flow assessment has gone up 12x. The UDYAM registration, which we still feel is one single data repository, which you catapult the MSME credit has gone up by 13x. Then the formalization of the economy is happening at an accelerated pace. So total ITR filed has gone up by 37% and large number of that new, you know, income tax returns is around MSME business.

The MSME registration, which we think is also a sign of formalization of economy has gone up by 80% and linked account, which is one single method through which credit underwriting and cash flow underwriting would be possible. So on account aggregation through which you can fetch the financial data has in a very short period of time has gone up to 4.1 million, linked data accounts. From there, we, in our last conversation, explained you around our capability of what we are doing around data and technology, how our GRO Score is designed and run, how our GRO Score has an ability to say both yes and no to the customer.

And why we think that we have a superior capability offiguring both improving turnaround time for the customer and maintain credit cost. And before it goes to the funnel of what can be understood is the conventional underwriting funnel, which is the credit officer, how he does it, where we have his own specialization. All of that was explained in great detail in our last quarterly result. Those who are joining us for the first time, the recording of that is still available on YouTube. You can go and look at it. But I will request Anuj to now take you through that, how the engine is extremely superior because that engine has been built on capability of machine learning.

Anuj Pandey: Yes, thank you, Shachin. Good evening, everyone. So as Shachin was saying, we have been demonstrating the effectiveness of our internally developed underwriting scoring model based on GST, banking and bureau for some time now and we have been presenting the risk ranking which is coming out of that. Today in this slide, we wanted to take you to a little more detail on what all the backend work and investment which has happened, which has resulted in this and also during the course, we would like to give you a glimpse of what all is possible in future.

We have already seen the kind of evolution of data ecosystem and some of the numbers in the previous slide, they're literally quite large and amazingand we all are very clear on what the potential is. To encash that potential, from day one, we were very clear that the platform has to be cutting edge and the machine learning platform which we have built, we are very proud of that. Just to take you through the platform itself and our approach in a little more detail, you would see there are four modules of our machine learning platform.

The first one is data ingestion. It is primarily a design of the system where the input data itself is in digital form. It is a very logical and intuitive thing, but for legacy large banks and other financial institutions, this is the biggest problem they are facing at this point in time and when we were designing the system, we were very cognizant of that. We have designed a system where all the critical data is sourced through APIs from validated outside sources and we host all that data in a cloud infrastructure where it is very easy to deposit and retrieve.

Our data ingestion module is by far one of the most modern modules in very similar industries. Then comes the second module, which is the feature engineering. The most critical part of this is to store data in a format where the machine learning codes can derive features in a centralized process data layer and that data layer then pulls out a feature library, which is quite proprietary in nature. This has been designed keeping in mind our end target segment and all the data features are extremely relevant to the GST returns, the banking behaviour, and the repayment behaviour for small and medium enterprises. Also, there is a very large integrated network of this with other applications so that real-time information is exchanged.

For this, we are on AWS platform, and the idea is to use the most modern databases and the most modern infrastructure which is available. So, this we have done right from the design stage. On the most critical model development stage today we have more than 10 models inventory. We use not only the traditional predictive modelling and machine learning algorithms, but we have started using the natural language processing codes as well.

In addition, the time series analysis and forecasting which has features are being used and we use all the leading modern development languages for machine learning, including Python, SaaS and SQL. This is the area where we have done the most investment. The talent acquisition and the people who are required for this have been taken from the most premium institutes and now we have created a separate office for them so that there is less distraction. So, this is going to be the intellectual property builder for the company in years to come.

Last but not the least, is the capability to deploy the models including BAU and running businesses. Here also, we have internally developed the central rule engine, which can be configured, and the models can be deployed in real time. So, overall, in all the four modules during the course of last four years, five years, there have been tremendous insights. Going forward, we will not only use this as a credit underwriting tool, which is the GRO Score, which is our flagship GRO Score, but in other facets of business as well.

For example, applying network science analytics for our supply chain business, or for trigger-based questions to be asked when we meet the customer, etcetera. We have also made available our flagship GRO Score on our website for small businesses to apply and see for themselves where they stand and what are their insights on how to make it better. So, I would encourage you and your known people and other MSMEs to come to our website and see for themselves.

This is a standard feature now which we have been covering for last many quarters. Here, what we do is we check the efficacy of the internally developed GRO Score on how it is doing. Just to recap, what we do is out of approximately every 100 cases which apply for a loan, we end up giving loans to about 30. But our proprietary GRO Score is run for all 100 people and we keep going back and seeing how they're performing, even when they have not got the loan for us.

So, there are two lines on the graph which you can see. The lower ones are the ones, the performance of customers whom we have disbursed and the higher ones are the performance of the customers whom we couldn't disburse. But we keep checking whether their repayment behaviour was in line with what our internal GRO Score had defined for them. And so far for last more than two years, the risk ranking of our classification has been steady and this result is very encouraging. This helps us to increase the width and to keep checking whether the GRO Score is directionally working well or not. I'm very happy to share with you, it is working quite well.

On the right hand side, you can see a pie chart. This is the composition of our overall portfolio. You could recall GRO Score gives risk classification in five bands, A, B, C, D, E. A being the best and E being the worst. Today in our portfolio, A and B combined is about 86% of the portfolio, which is where we want it to be. This is the top quartile customers from everyone who have applied with us. Now I will invite Amit to take you through on what all this holds in near future and how the business parameters are likely to be impacted and give some direction.

Amit Mande: So, all of you who would have been tracking us over the last few quarters, you would have seen we've been tracking against a milestone goal in 2025. We've been giving guidance, we've been wanting to get to a particular number and so, and the results have been encouraging, we've been tracking absolutely as per plan. As we continue, we will keep strengthening or rather we are very strong pillars and we'll keep strengthening our three pillars essentially that will help us get to our plan.

First of course is our data tech based risk assessment, which was explained. Second, which is a core to our organization is the lending against service model. So, we will continue to do an on-book and off-book kind of a hybrid AUM, and we are tracking well on that as well and third of course is a well-diversified product portfolio and distribution, where we actually service every need for every MSME, which means by 2025, we will want to get to about a 30% loan growth on a sustainable basis.

Our off-book AUM on back of co-origination and co-lending will be at about 50%. The cost to income ratio, and I will comment a little more on this when we come to the next slide. We want to get to a 45% cost-to-income ratio. Credit costs, thanks to our very robust risk models, currently are far lower, and we want to even keep it below this 2% mark thereby, delivering to the investors and the stakeholders an ROA of 4% and ROE or Return on Equity of 18%. How are we actually doing this? So, we've kind of tried to plot this over the last few quarters and firstly our disbursements.

There has been a steady growth on disbursements quarter-on-quarter. Currently we are disbursing about INR 1,200 to INR 1,400 crores or INR 1,300 crores to INR 1,500 crores in a quarter and this we will continue to grow steadily. Look at our off-book AUM mix. We have given a guidance of about 50% on our last slide by 2025, we are already at 43%, we will end this year close to 47%. So, that helps us sweat our capital better. Current cost of course are in control at 1.3% quarter-on-quarter.

Coming to the cost to income ratio, sometime last year when we were at 72%, we explained that we put in a lot of infra during the post COVID times to really build our optimization to scale. Now that this whole infra and the machinery has started delivering on our AUMs, on our revenues and on the controlled credit costs we are seeing a steady decline on our cost-to-income ratio. We are already at 55%. Our aim is to be at 45% by 2025. In my judgment, we should get there even before that. But at this point in time, we are tracking very well on our positive income ratios.

All this has only led to a better ROA this quarter. We are at a ROA of 2.2%. So having said this, overall the business metrices look very encouraging and quarter-on-quarter, we will be only getting better. To give you a quick brief of the performance highlights, I invite Kishore to do this. Kishore our CFO, who obviously has been here for the last three quarters, will take you through this, Kishore.

Kishore Lodha: Thank you, Amit. So, as far as the asset under management is concerned, we have closed this quarter at INR 6,777 crores, which is 85% growth compared to last year on the same period, and 11% growth compared to the previous quarter. Gross loan originated is about INR 2,036 crores during the quarter, which includes a supply chain financing and if we exclude that, then we are closer to INR 1,284 crores, which is a 50% year-on-year growth. Compared to last quarter, it is like there is a slight dip, however, we are quite confident that as the time progresses, so we will surely catch on that.

Portfolio yield is 17.3%, it has slightly increased over the last few quarters and it is consistently increasing because of our focus on high yielding products as well as increasing some amount of yield on the existing products. On profitability side, total net income during the quarter is INR125.6 crores which is 82% Y-o-Y. Pre-operating, pre-provisioning profit is INR 56.6 crores, which is 187% Y-o-Y and 11%Q-o-Q. Pre-tax profit is INR 35.6 crores during the quarter. On the same quarter last year, we were closer to INR 10 crores, so it is almost 143% of the last comparable period. Last quarter we are closer to INR 33 crores, so that is 6% Q-o-Q increase as far as pre-tax profit is concerned.

On the asset quality side asset as Anuj and Amit have explained that we have a very robust underwriting mechanism which is managed by both machine and man. So, we have a hybrid model where our GRO Score does the first level of assessment, then we have credit officers who do the PD and do the physical check on the customers, including the fraud control unit, which is resulting into a robust portfolio. Our gross NPA is closer to 1.8% and net NPA is about 1%. Collection efficiency is hovering around 97%, which is consistent over the last five quarters.

Our total borrowing is about INR 3,342 crores during the period period ended 30 June. Total net worth is INR 1,337 crores, so our leverage is close to 2.5 times as of now, which has steadily increased as we have increased our total book during the year. Cost of borrowing is over 10.66% during the quarter, which has marginally gone up compared to the previous quarter. So, for these numbers actually we have already explained that AUM has gone up by 85% compared to the previous period. Net disbursement has gone up from INR 917 crores to INR 1,284 crores during that quarter, which is 40% growth.

Off book, as Amit explained, that has almost doubled compared to the last year. So, it was, we were at 21% and now we are at 43% of the total book and our targeted off book is about 50% in next six quarters. –Our net total income is about 12.5%, which is 22% growth over the corresponding period. Cost-to-income ratio has steadily gone down. By the year end, we should achieve over 47%. As of now, we are closer to 55%. Adjusted return on total asset is about 2.2%, which was about 1%, so we have done significantly well here and return-on-equity is about 8.7%, which was 3% last year and capital adequacy is about 27%. Out of this 27%, primarily it is coming out of Tier 1 capital. There is hardly any Tier 2 capital, so we are well capitalized at this moment and total leverage is about 2.5 times.

This quarter our EPS was closer to INR 3 per share. So, if we just, though, this is not totally comparable as we progress our profitability will increase, but based on the current quarter profitability, our EPS, annualized EPS would be roughly around INR 11.34. Our book value is INR 145. At many places we observe that post our equity incision, it has been stated as INR 110 because people have added the number of shares that we have issued during the quarter, but not added the quantum of money that has come into the equity.

So, at many places, you would find that our book value is being reflected as INR 110 but actually, it is INR 145. Our price-to-earnings ratio based on the current quarter earnings is about roughly about 24 times based on yesterday's price.

Shachindra Nath: So, we will stop here because our investor presentation is quite extensive. It covers portfolio quality, it covers our shareholding structure, it covers our management, it covers our board. In fact, we have just before we invite for questions, we have just added a new board member. Our previous board member, Smita Aggarwal have been appointed as Director United Nations for global financial inclusion and that's why in her full-time capacity to United Nations have to move off of a board.

Given that over the last two years, we have seen a large number of public market shareholders coming into the company and some of the new institution have come and some of the public market investors have also come. We wanted to add as you know in terms of the governance, our articles provide that the majority of this company's board would be independent that’s why we call, we are independently supervised, we are professionally managed and we are institutionally owned.

So a large portion of our ownership is in the hands of private equity, which is now getting in the hands of much broader population. In order to make sure that the company and its management delivers to what is comparable to the market, we added a capability or a person who has been tracking financial services industry for very long.

So Tabassum Inamdar, who was the head of financial services and BFSI research for Asia Pac of Goldman Sachs, have joined our Board as an Independent Director. All of these details are in our further annexure, but I welcome participants to ask questions and management will be happy to answer. Thank you, over to you, Vinay.

Vinay Pandit: Thank you sir. We can begin the Q&A.

Moderator: Certainly. Thank you very much. We have a first question from Anil Tulsiram from Contrarian Value Edge. Please go ahead.

Anil Tulsiram: Yes, thanks. Thanks a lot, sir. Sir, my first question is on Prime Unsecured Book. I understand that the ticket size is 17 lakhs and the interest is around 19%. So I had interacted on this question earlier and I was told the customer was same as the Prime Secured customers with turnover of INR 200 crores and healthy banking habits and new residence, etcetera.

What I'm unable to understand is why these customers are willing to pay 19%, 20% just because it's a short-term loan and faster processing time, will the customer pay such higher interest rate? And the related question on this is what exactly do we mean, when we say prime customers? Thank you.

Anuj Pandey: So I will answer the second part of the question first and then come to the first question, which is an age old question. The way we have defined prime customers is through three parameters. One is the quality of cash flow, second is the quality of repayment behaviour and third is quality of product. So if the quality of and by quality of cash flow in MSME terms basically we mean whether all the cash flow can be evidenced in the reports, which customer files. For example, in GST or in banking, etcetera.

If there are some cash businesses, which are not in GST or banking, then the quality of cash flow is not prime as per our definition. Quality of repayment behaviour is defined by our proprietary GRO Score. So if the customer is the top two quartile of repayment behaviour, we consider him prime otherwise not. And for secured loans, if the quality of collateral is a prime property with a very clear and marketable title, then it is a prime property. So depending on these three, we classify our customers in within degree of primeness.

For unsecured loans, we only do prime customers, which basically means the cash flow is prime and the repayment behaviour is prime. Now coming to your first part of the question, yes, there is a clear premium to command, if one is able to give loans to customers within a stipulated short period of time for MSME customers. And typically, our set of MSME customers, which are micro and small, time is of essence. And most of them, because they have smaller turnovers and don't have too much collateral to offer, only can avail unsecured loans.

There have been many large success stories in India, who have built their businesses, lending businesses in this field. Bajaj is the prime example. Unsecured loans pricing has been pretty inelastic. The amount of demand doesn't go up or down with change in interest rate. This has been pretty set up historically. So yes, there's a very large market of MSMEs in India, who pay unsecured loan for a short tenure between two to three years at 19% or more rate.

Anil Tulsiram: Yes, so actually I was told, these customers have turnover of up to INR 200 crores and that caused the confusion. Can you describe your customers in more detail? What is the profile of these customers? Their typical turnover, loan limit, etcetera?

Anuj Pandey: Our sweet spot of customers is micro and small and within that, more than 80% of the customers in our portfolio would have turnovers between INR 50 lakhs and INR 10 crores. So this is our target profile.

Anil Tulsiram: Got it. And sir, one last question if I can. Last part of our AUM is again focused on ticket sizes of INR 30 lakhs and more. And we are focusing, the way we underwrite is, we use the digital stack in GST and banking, which is like entirely can be digitized. So what I want to ask is, if we look at the majority of the NBFCs, they are focusing on lower ticket size and difficult to underwrite segment, like where cash flows are not very visible in the banks and you have to do surrogate and other. So why have we chosen this strategy, where banks can compete very easily rather than the strategy where banks are finding it difficult to compete. So can you explain the rationale?

Anuj Pandey: Okay, so I will and this is also an age-old question. In theory, yes, all of this data is pretty democratized and everyone has access to that. But the trick is to apply it smartly to the target segment, which gives a demonstrable result. We have chosen to be in underserved segment, not un-served, because our way of underwriting relies a lot on statistical platform-templated underwriting. For that, you need some history of repayment behaviour and banking behaviour.

But that doesn't mean that these people have many choices today. So the way this is operated is, people who have been able to apply these models and are able to give a constructive solution or a loan to the customer with a very reasonable turnaround time, there is very large market still to capture.

Shachindra Nath: And I would add, Anil ji, there are other things to consider that, what you are seeing today is not what you see, in two years or three years of time. We, through four of our channels, services all type of customer profiles. So we also focus on microenterprises customer, where the GST and the banking data is thin, where you have to build massive physical infrastructure, you have to underwrite manually, and where we are seeing the improvement in the data capture in terms of the banking behaviour and GST behaviour is coming up. But that's a slow build.

In last two years, we went to five states, we opened 75 branches, those 75 branches are delivering us a roughly around INR 70 crores, INR 75 crores per month, and we don't want to increase the office, we are seeing the maturity of that. Over a period of time, the main line banks to break through that segment of market continues to be difficult.

So we will keep expanding that. So the colour of this would change. But as I said, that even in the segment where you think the data is available to everyone, first the gap which I showed you on the first slide itself is widening. So there is an opportunity for everyone. Generally banks like to do even much bigger ticket size.

Second, the five year of journey and the hard effort we have put for any financial institution to catch up there would take few years. And by the time we will again, go ahead by a few years. And that is also one of the reasons why largest financial institution of this country partner with us and do co-lending because we have created a moat which people realize that the moat is difficult to, replicate immediately. Some of them would, which is okay, but otherwise they are partnering with us.

Anil Tulsiram: Thanks a lot, sir. Thanks a lot for a very detailed answer. Understood, thank you.

Moderator: Thank you. We have a next question from Chinmaya Bhargava from Badrinath Family Office. Please go ahead.

Chinmaya Bhargava: Hi, thanks for the opportunity. I have a couple of short questions. The first is in our quarterly disclosures, there's a hit of about INR 6 crores under cash flow hedging losses. Could you just say a little bit about what this is and the nature of these losses?

Kishore Lodha: So actually it is not a P&L hit. So whatever ECB borrowings that we do, these are fully hedged, but technically you have to report it this way that, whatever is the rupee differentiation come between the quarter, you have to disclose it this way, but there is no P&L hit for it. So entire principles plus interest, we hedge fully.

Chinmaya Bhargava: Okay, thank you. The second question is looking at the annual report in FY‘23, in your breakup of your segment under machinery finance loans, it looked like 59% of your AUM, there was to the hospitality segment. Could you describe a little bit about why the breakup was this concentrated?

Anuj Pandey: No, I think there's some confusion. Most of our machinery loan portfolio would be under light engineering and not hospitality.

Chinmaya Bhargava: My last question then here before I jump back onto the queue is, if you could share a little bit about, GRO X since we launched, how many users we've managed to on-board there, what we've disbursed under that platform and how it's going at the moment?

Shachindra Nath: Yes, so on the GRO X, we are not yet disclosing numbers. The reason for that, that you know, it's still what we call is the beta test one version. We expected, we don't want to grow exponentially, while the total number of downloads, that is spawned, the approval rate has been exponentially high. But we've given the nature and the type of the customer, we are controlling the total portfolio, which we generate over there.

We are also testing, and as the credit was on the UPI. RBI is supposed to come back with their regulation on the UPI, so we are waiting for that to happen. Now, as we have said, at the beginning of the launch that this is a demonstration of our data plus tech capability, but over a period of one year, the total book we want to create is not more than INR 100 crores in the initial period of time, till the time, we fully test it out, the credit behaviour of that. We achieved around 5% of that target.

Chinmaya Bhargava: Okay, thank you. I'll get back into the queue.

Moderator: Thank you. We have our next question from Rucheeta Kadge from Iwealth LLP. Please go ahead.

Rucheeta Kadge: Hello. Good evening, sir. And congratulations for a good set of numbers. So, my question was regarding your income on co-lending, which has kind of gone down from what it was last quarter. So if we look at the yield on that book, that has also gone down as a percentage. So if you could just explain on that a little bit.

Kishore Lodha: So last quarter we have done that the volumes on co-lending as well as DA was significantly higher compared to this quarter. That is why you would see that last quarter our total co-lending plus DA-affirmed income are closer to INR 63 crores, which has come down to closer to INR 43 crores this quarter. Its sheer factor of volume that we have done. There is no change perse on the rate side because these are all pre-negotiated rates that we agree on co-lending side for most of the bank.

And on DA side rates don't vary quarter-on-quarter that much. So it is a factor of volume. We have done large volume of DA and co-lending in the previous quarter, especially in the end of the last quarter. This quarter typically, we can pick up from the quarter one and then gradually build up till quarter four. So this quarter, the volumes were significantly lower compared to the previous one.

Shachindra Nath: Also just as a market construct, Rucheeta, as you know that 100% of our asset is priority sector asset. Generally, the banks are always in dire need of adding more private sector asset by end of the financial year. And so, as you know, there is a lot of, customers who want to borrow close to the financial year. So, you will see this in cycle that in Q4, lenders likely would ramp up and in Q1 it would be a little lower. But on an ongoing approach, we would achieve what we have targeted for the year. At the same time, you should appreciate the fact that, despite having an upfronted income lower by almost INR 20 crores, our PBT has gone up.

Rucheeta Kadge: Yes. Thank you, sir. One more question that I had was on the AUM. So earlier your target was around INR 20,000 crores AUM by FY25, right?

Shachindra Nath: Yes.

Rucheeta Kadge: By FY 25 end. So are you like going to trim the guidance or how do we look ahead?

Shachindra Nath: Ma'am, look we give guidance for ourselves and to the market, right. This guidance are based on what we want to achieve. This guidance, I think so AUM actually for shareholders and investors, more than AUM it is the bottom-line performance which actually delivers the value. But AUM give you a sense of the kind of institution that is getting created. Where we are right now, if you look at our average monthly AUM increase of by INR 500 crores, or a disbursement run rate of INR 500 crores, half of that we will achieve this year.

And by the time we will be ending the year, our exit run rate should be around double of what we are doing right now. So that's the way the capacity would get built. Which means FY 24-25, we should add another INR 12,000-odd crores. So last year's AUM of INR 6,000 crores, and for this year roughly around INR 10,000 crores and then incremental to INR 10,000-odd crores. If we will be, you know, God willing we should be at INR 20,000 crores or INR 18,000 crores, we really don't know. It's too difficult in our markets to predict that. But all said and done, we will deliver the bottom-line performance of what we have showed in our first few slides, in terms of return on asset, return on equity, cost to income ratio and sustainable growth rate.

Rucheeta Kadge: Okay, sir. Understood. Thank you so much.

Moderator: Thank you. We have a next question from Vijay Chauhan from RH PMS. Please go ahead.

Vijay Chauhan: Yes, thank you for the opportunity. I just had one question regarding the asset quality. So there is some marginal increase on Q-o-Q basis. So if you can shade some light that will be helpful. And also like, we have done fantastic execution and we have been tracking this business for a long period of time, almost since the re-jigging from the older days. And the execution has been fantastic. So we also would like to understand what are the risk measures that we are applying additionally once we hit the let say, INR 10,000 crores, INR 20,000 crores mark, because now our execution engine has robustly shown the successful execution in terms of loan book growth. So how we will do on the asset quality side?

Shachindra Nath: The question is that why there is a marginal deterioration in asset quality. Second question, I would take that, that what additional risk measure will apply once you reach this scale, because your execution trend has been good. I think you had those two questions, right?

Vijay Chauhan: Yes.

Anuj Pandey: Okay. So on the marginal deterioration of asset quality, so we were, and if you're referring to gross NPAs, etcetera, we were at around 1.6% to 1.7% in last two quarters, three quarters. In this quarter, it is 1.8%. The plan which we had for the year, we had projected that we will end the year at around 1.9%. This is for the very statistical exercise which we have done, which takes into account the seasoning of the book. In the long term, the budgeted losses and gross NPAs by products are pretty well defined.

As the seasoning of the book grows and its contribution in the overall portfolio grows, it is likely to go up a little. So this is very well calibrated and we had forecasted internally, we have been estimating this. In steady state by end of the year, the idea is to be around 1.9% or lower. This has primarily happened because the greater than 12 MOB contribution in overall portfolio is steadily increasing and which is very well planned. So there is no need to worry, we keep observing this in very great detail and this is as per plan.

On the second question on what are the additional things which we are doing once we reach the large scale of INR 10,000 crores or INR 20,000 crores, I must tell you, we came up with an ICAP guideline for NBFCs to be implemented by September of 2022. We were among one of the first NBFCs to have a very, very robust framework on internal capital adequacy by clearly quantifying both Pillar 1 and Pillar 2 risks. So we have done a very exhaustive exercise. We all know that credit risk is the primary risk in NBFC business, but around that from governance perspective and operation perspective, we have pretty well-defined large risk areas and have tried to quantify them for next three years to five years period and that all has been documented formally. This is one of the primary steps as a large NBFC we have taken.

Shachindra Nath: I would like to add in addition to what Anuj has said. In my 25 years, 27 years' experience in financial services industry, and creation of an institution, which started in 2018 with a listed NBFC with only INR 40 crores of total capital and on day one without having any business raised roughly, around INR 940 crores capital from four of the largest Asian private equity institution, set up a governance framework, where its article provided that the majority of the board would be independent, the company would not lend more than 1% of its network and any shareholder which is more than 10% through primary route would get a representation on the board. Now, you know, I as the founder have relinquished my right in terms of the governance, how people will be hired, how people will be terminated and also lot many other thing in terms of the policy and formulation is the first step.

In India lending businesses whether banks or NBFC have not failed because of the underlying size of the customer type. They have failed because of the governance itself. You can have cyclical risk, but you cannot have a failure risk. So that was the first step.

Second, this is the first company which heavily invested in its people infrastructure. Where an 8% of equity was given to a management team, which came from diversified background. When we were only INR 1,000 crores of AUM, it's management team was fully capacitized. You know, so five senior CXOs having 25 years-plus experience, almost 25 people reporting into them. They all have 20 years-plus experience and physical branch infrastructure, multi-layer credit infrastructure and data analytics and technology which is around 275 people. We are designing to build the scale.

And last but not least, we have been conscious that this is a business of credit and capital and that's why at the appropriate time, we have raised capital. So if you look at our last capital raise, which was done on 11th of April, while we were at the lowest point of our share price point, which means that there was always a temptation to wait out and raise capital when the price improves, which then from there improved from almost INR 158 to INR 250, INR 260, I don't know but given that we said that we are nearing to a capital base, which was going around 20%, we avoided the temptation to wait, but raise our capital from some of the finest institution in the world.

Denmark government put in INR 240 crores, we did a QIP and we brought some of the long-only investors. So I think so we are in making of an institution and they buy their, the design itself, make sure that they pre-invest when the scale comes up.

Moderator: Mr. Chauhan, does that answer your question?

Vijay Chauhan: Yes. Thank you for the detailed explanation and congrats for again executing on the benchmark that you yourself led. Yes, and best of luck for the future. Thank you very much.

Moderator: Thank you. We have a next question from Omkar Salgaonkar from Vasuki India Fund. Please go ahead.

Omkar Salgaonkar: Sir my first question is on the co-lending income. So if I see for FY23, as a percentage of off-book AUM, this was around 6.3%. So how do you see this going ahead? And what should be the sustainable rate?

Kishore Lodha: It is a factor of volumes and rates. So as the volumes would go up, the total income would go up. But our margins would remain stable in this portfolio. Because as I explained in earlier question, that our rates with most of the bankers from whom we do co-lending are pre-fixed and it varies only when benchmark rates vary. So there our margins on the overall co-lending will remain almost similar what we have delivered last year and on direct assignment side, I mean it is expected to be similar.

So it is a function of volume, that how much volume we will do during the period and as we have given a guidance to the market in the first quarter that we will touch INR 10,000 crores of the AUM and certainly will have almost 3.1% of ROA and 10% of ROE. It is an important cog in the wheel to achieve those numbers. On the broad line numbers, we expect that last year to this year, co-lending and DA the income put together should remain flattish. This is what we have presented to our internal board.

Omkar Salgaonkar: Okay, and my second question is on the credit cost. So for this quarter, it is around 1.3%. But so this credit cost we calculate as a percentage of total AUM, right?

Anuj Pandey: Yes.

Omkar Salgaonkar: But if my understanding is correct, we don't have any credit cost on the off book part because that is taken up by the bank.

Shachindra Nath: There are two parts of off balance sheet, one is co-origination, another is co-lending. And in our presentation, we have bifurcated. Co-origination till recently was only with the large NBFC, where we cover a certain percentage of the credit cost in form of first loss cover. And that's why for that portfolio, we provision for the entire credit cost. We are gradually, also moving in the hands of the bank. It would take time, I think so by end of this year, banks would start taking all form of products, unsecured business loan, secured business loan, machinery, supply chain financing. So of our co-lended book, co-originated book 50% is in the hands of the NBFC and that we cover the credit cost and that's why the provision also covers for that.

Omkar Salgaonkar: Okay. But also going ahead, would it be more appropriate to calculate this as a percentage of the on-book AUM? Is that understanding correct?

Kishore Lodha: Not exactly. So, in the correct way of probably looking at it is the balance sheet AUM, plus co-originated book, plus 20% of the assigned book which we have done in co-lending and DA, 10% of the DA. So, if you put together, then the real credit cost should be a good measure to have a complete picture of the percentage of the book.

Omkar Salgaonkar: Okay, thank you that is very helpful.

Moderator: Thank you. We have a next question from Nirvana Laha, an individual investor. Please go ahead.

Nirvana Laha: Hi, thanks for the opportunity. First of all, one request, if you could please start sharing ALM data from the next quarterly presentation, because that is something that we like to track. So if possible, please, thank you. And…

Shachindra Nath: So that is your question, we are positive in all ALM market. And that is also because, why we do long-tenure product as well, so secure loans up to 10 years, 12 years, but most of our long-tenure product actually get to down-sell in our co-lending book actually. So suppose I've given somebody one loan, INR 1 crores piece of loan and it is for 10 years, T-plus 10 days, 80% of that will go to the bank and only 20% of that would be held in our books for the long-tenure and we match that to our equity capital.

Now, total tenure or average tenure of our book should not cross our equity capital, but thank you for the suggestion. We'll see how best we can present that. Because the regulatory reporting structure and this whole co-lending and how it impacts the entire ALM as it has to be looked, is to be something to be deliberated, we will surely come back and try to find a way to best represent it to you.

Nirvana Laha: Okay, sure, thanks. So in the annual report, I saw that there was about, you know, INR 51 crores worth of contingent liabilities, which was sort of marked against FLDG guarantees for co-origination. This is from the annual report. But now I just heard you say that it's provisioned and therefore part of the credit costs. So if it's in contingent liability, then it's not part of credit costs, right?

Anuj Pandey: So we do both, sir. So it is a contingent liability and because of it is contingent, we are also in our expected credit loss provision, we are provisioning it, am I right? Yes.

Nirvana Laha: Okay, so the ratio that I saw was around 10%, so around INR 51 crores on a co-origination book of INR 488 crores, that was the contingent liability, and including credit costs. So is it fair to say that this number is somewhere between like around 10% to 15% is the kind of guarantee that we are right now having to give on our co-origination book?

Anuj Pandey: The ECL provision is an internal thing, and the FLDG is external. So it is just that we are a little conservative on this that's about it. But yes, your math is more or less right so 10-plus about 1.5

Shachindra Nath: Yes so I think your math is right that for last year's annual report which you are seeing because these were mostly new relationship with large lending institution. The total contingent liability against an outstanding portfolio is in the range of 10%. With every passing time it is coming down. But the credit cost of that which can come to us against that contingent liability we are probably seeing simultaneously.

Nirvana Laha: Got it, but you see it coming down, right? From this 10%.

Shachindra Nath: Yes, as I said that we would endeavour, I mean, that is the endeavour which is happening. So one of the second largest public sector bank in India, we have gone live on what we call option one, fully digitally integrated system for a business loan where a 20% would, on the point of origination, underwriting and disbursement is happening from us, then 80% is coming from the bank. And once that happens, then this contingency would keep coming down. Obviously, the difference would be adjusted in price.

So think of this way, I go to a very large AAA NBFC, I originate a business loan with them, they give me a price of say 10.5% and, I give them a 5% first-loss cover when the credit cost is expected to be 1.5%. I take the provision of that 1.5%in my ECL. But if I go to a large public sector bank, which I cannot give any first-loss cover, the price would go up from 10.5% to 11.5% but it will release our both contingent liability as well as the ECL provision.

Nirvana Laha: Got it. Thanks for the explanation. So on opex cost this quarter, I think we have done very well. We are flat Q-o-Q even though there's been a lot of growth. So do you see this run rate maintaining over the next few quarters? And there's been a INR 3.2 crores employee cost reduction quarter-on-quarter, how is that?

Kishore Lodha: So it is, as we have given the guidance at the beginning of the year that we are tapping on our overall opex. So it is likely that it could go up slightly from where we are because the inflationary factors keep on pushing it up a little. So probably on a holistic basis we may not be significantly higher compared to what we have spent during the quarter, but it is not static. It will not be going in all the four quarters during the year. And this reduction in employee costs is the factor that whatever we have done our PMS during the first quarter of the year and whatever incentive, etcetera, we have factored in probably the outflow was lesser compared to what we have budgeted for, hence, there is a reduction but as we progress it will catch up.

Nirvana Laha: Okay thanks and last if I may squeeze in, Anuj what you described about the model was very interesting we would like to hear more about the model in the next calls and presentations. If I can ask just a couple of questions on that. So every loan application right now in UGRO, does it go through the GRO Score 3.0 process?

Anuj Pandey: Okay. Every loan except for micro loans, because in micro enterprises, there is not enough data to analyse. So the platform requires a bank statement, GST and repayment behaviour. But for very small customers, sometimes we don't get bank statements or if we get the number of line, it's a very thin bank statement. But other than micro enterprises loans, everyone else goes through the GRO Score.

Nirvana Laha: Okay, and for micro enterprises, you would have manual scorecards.

Anuj Pandey: So we have an abridged version of the same GRO Score, which only takes into account the repayment behaviour.

Nirvana Laha: Okay, and is there a manual override to a GRO Score? Like, if GRO Score 3 says that the Score is good, you can lend it's A, B, C or whatever the band that you classify in is there a manual layer of override after that or is it…

Anuj Pandey: So the GRO Score gives a probability of default so A, B, C, D, E. each against each there is a probability of default which is getting estimated so depending on what kind of product we are doing we have internally made a cut off of what should be a straight reject. So typically, a GRO Score of D and E under most circumstances would be a straight reject. Unless, we find that there has been an error in reporting in Bureau. This can happen but also very rarely, but this can happen. Sometimes there's an error in reporting and that's why the machine has read it wrong.

But other than that, there are very clear guidelines on which are to be straight rejects, depending on which products we are applying into. But credit officers have authority that for a A scored customer, if he has found something which is not comfortable with or our sector and templated underwriting scorecard is not stacking up or suppose our FCU and fraud control unit has red flag something or the collateral quality is not as it is expected, credit officers can say no.

Nirvana Laha: Okay, do we have data on like what percentage of A or B there is a manual override where we don't lend like what percentage would?

Anuj Pandey: The approval rates in GRO Score A and B are in the vicinity of 50%. So 50% of GRO Score A and B are still getting declined by underwriters for various reasons. It could be reference related, it could be collateral related or it could be something else. And again please bridge this gap over a period of time.

Nirvana Laha: Right, got it. Thank you so much guys for patiently answering and Anuj we would like to hear more about the model from you each time. Thank you.

Moderator: Thank you. We have our next question from Pruthul Shah from Anubhuti Advisors. Please go ahead. We have a question from Rucheeta Kadge from Iwealth LLP. Please go ahead.

Rucheeta Kadge: So, my question was on the ROE that you have guided for which is 18%, so is this without the capital infusion that you will have to do by the end of the year or with that, that you are guiding 18% ROE?

Shachindra Nath: With the capital infusion.

Kishore Lodha: And this ROE is not the guidance for this year, this guidance is for next year.

Rucheeta Kadge: I know, I know, I know.

Shachindra Nath: It is what we want to achieve on a sustainable basis.

Rucheeta Kadge: Okay.

Shachindra Nath: But target is to get there by 25 and maintain that thereafter.

Rucheeta Kadge: Understood sir, understood. And this year ROA would be 3.5%, is what you are expecting?

Kishore Lodha: So ROE would be closer to 10%. ROA would be 3.1%.

Rucheeta Kadge: 3.1% okay and the tax rate would be?

Kishore Lodha: 29%.

Rucheeta Kadge: Understood, understood. Thank you.

Moderator: Thank you. We have a text question from Mr. Tushar Malhotra from Advaita Advisors.

Tushar Malhotra: What is the difference between return ratios that is ROE and ROA of co-lending side and co-origination and the second question is what is the percentage of customers we fund without GST data both amount of AUM and number of customers?

Kishore Lodha: So, co-lending returns look superior if you have gone through our investor presentation. It is likely because we earn same amount of income, almost same amount of income by deploying much lesser capital. So, in co-lending 80% of the exposure is being taken by the banks, and 20% exposure remains with us and the margins are almost similar. So, our capital attachment to servicing the same kind of exposure is much less. Hence, the returns are far superior compared to on balance sheet lending. There was another question on…

Shachindra Nath: What is the percentage of AUM and number of customers which are without GST?

Anuj Pandey: So, roughly about 20% of AUM, 10% is close to micro enterprises division and 10% of partnership and alliances. These are typically customers which are very small in size and GST is not applicable to them yet. But I would point out that these are all secured either by a property collateral or by FLDG.

Moderator: Thank you. We have a question from Pruthul Shah from Anubhuti Advisors. Please go ahead. Meanwhile, we will take the next question from Anil Tulsiram from Contrarian Value Edge. Please go ahead.

Anil Tulsiram: Yes, thank you for opportunity once again. Sir, can you describe how has been the journey of your microloan branches and what has worked and what has not worked well and how sooner can we scale this particular segment?

Shachindra Nath: Yes, just I want to make a clarification so that people don't get confused. Our microloan means micro enterprises loan. We are not in micro finance this is where a lot of people get confused. Yes, our average ticket size is around INR 7 lakh INR 8 lakh, it's largely secured business. If you want to take that?

Amit Mande: For everybody's reference, we set up our 75 branches by Q4 of last year. So, we have this one full year to do the proof of concept. All our branches have now broken even effective quarter one of this year, which means our hypothesis that a branch will take about anywhere between 15 months to 18 months to break even has been proven right. So, that's number one. Number two, the branches have now started delivering about market or about peer and disbursement month-on-month. So, we've about between INR 85 lakh to INR 90 lakh of disbursement on these branches month-on-month. And you people should compare this with the peer sets where the micro enterprises business happens. So, it's at least 20 to 22% up above the market average.

Having seen this very encouraging trend, I think by end of this year, we will take or the end of quarter three, we will take our decision between end of quarter two and quarter three, to enhance this distribution so that when we enter the FY 24-25, we will have large set of these distributions ready to deliver throughout the year and therefore delivering to the bottom line.

Shachindra Nath: Anilji as entrepreneurs, we would like to continue building and expand. We get very motivated when we travel to Tier 2, Tier 3 towns, we see the untapped market opportunity. And we think we have so much to do and that's why we are not doing so quickly. But the fact is that we are compared to 15 year, 20 year old established NBFC an organization, capital being precious to us and we need to attract capital all the time, you have to sometimes take a haul in terms of what more, how much more you can build up.

So, we are in that place. But as we do the first stock of delivery, performance on our bottom line, I assume we have said that we have identified 280 plus location within the five state itself and once we are nearer to our current year of financial target, we will trigger the expansion on that because that is not only very profitable business, which can enhance our ROEs and we'll actually achieve those ROEs because of that. But also it serves the purpose of solving the real problem of credit into Bharat, not in India.

Anil Tulsiram: Sir, the second question is regarding the prime secured loan. Can you help me understand the profile of these customers and you have said the average ticket size is 70 lakhs. Can you give a range figure where exactly the maximum lies in? So, that's it.

Amit Mande: So, the average profile of a prime secured customer is typically the sweet spot is between INR 5 crores to INR 10 crores of turnover. He is typically a manufacturer or from a service industry. More importantly, he has a very strong financial discipline which means there are strong banking habits, there is a regular discipline on the GST, because of which we are able to evaluate him basis our GRO Score model. So that's first, so that's the profile of between the turnover range and what kind of business does he do.

Secondly, when we talk about 70 lakh to 80 lakhs of average ticket size, when we go across Tier 1 and across the metros and Tier ones, what we are talking is about a 70% average loan to LTV ratio and therefore a property of anywhere between INR 1.2 crores to INR 1.5 crores is an average collateral value. So, that is the customer whom we are talking about, INR 5 crores to INR 15 crores of turnover and a property of INR 1.5 crores that he can mortgage to us.

Anil Tulsiram: Yes, so sir, is my understanding right the maximum of your customer's turnover is around say max INR 10 crores to INR 20 crores and not beyond that?

Amit Mande: Yes, in fact, let's say around INR10 crores is where the sweet spot is max not even 20.

Anil Tulsiram: Thank you. Sir in the last question, any update on what is the development on the OCEN and by when it is expected to, you have any insights on that, by when it will get implemented, Open Credit Enablement Network OCEN?

Anuj Pandey: So, OCEN is already live. The financing options in OCEN is currently what the government is working upon. But OCEN as a concept is already live.

Shachindra Nath: We were the first implementation of OCEN, so the government e Marketplace GeM and its financing platform called GeM Sahay is on the OCEN concept, and we were not only the integrator for that, we were creator of that, we hosted it in the UGRO Cloud. So, all of that was done.

Anil Tulsiram: No, what I meant is it was expected that this protocol will be adopted by mass like say Swiggy, Zomato, Uber and everyone will join this segment and there will be distribution of this loan?

Shachindra Nath: No sir definitely the concept is there. So there are multiple elements of that, right? What is OCEN is that your account aggregation is part of OCEN, which means that you can fetch the banking data. Now, GST has been made part of this, which means on the account aggregation system. So, you're seeing the OTP, you can now fetch the GST, you can fetch the banking. And then on such platforms, lenders can come.

Now, the loan service providers like Swiggy, Zomato, etc large corporate has to also come. OCEN is a concept, there is no physical platform for it. Now the infrastructure is ready. So on a platform, on account aggregation, your bank and GST has come, and then if somebody develops a protocol, GeM decided to do GeM Sahay. For example, GST Sahay SIDBI he is doing that. So, you will see over a period of time, the uses of OCEN as a concept would be increased and that is happening over a period of time.

Anil Tulsiram: Thanks a lot, sir. Thanks a lot and all the best.

Moderator: Thank you. We have a text question from Mr. Prasad Deshpande, an individual investor.

Prasad Deshpande: While FY25 off-book AUM target is 50%, theoretically, one can do 80% off-book. What range do you see the off- book AUM mix settling down in steady state in a few years from now?

Shachindra Nath: Ideally for now what we can perceive is that 50% we would like to maintain simply for two reasons. One, we are a principal partners to lending institutions and I think the rule of principal or this parity comes when we are equal partners. We keep increasing that and which is economically and return perspective is very attractive. Then we lose the confidence of the banking institution which are partnering with us.

Number two, on the ground, we are innovators of multiple types of loan products or multiple types of customer profiles. Banking systems adopt them with lag effect of seeing the performance of that in our own book. So, for example, if we created GRO X, where it is a credit for a small merchant, which has very high tenacity, we can give a loan in 10 minutes time, it comes back every day. If I take on the day one, this to a large public sector or private sector bank, it will be very hard for them to adapt. But if we do that for a period of time of 6 months to one year on my balance sheet, show its performance, then the bank comes to us. Micro enterprises loans is an example

Management: So, in micro enterprises loan now is when we started tasting success with our co-lending partners. However, go back 15 months ago, I think they were still trying to understand the segment sceptical. So, for that reason, we will have to build our own books and because of they are very profitable businesses, it is good to have them on your books as well.

Moderator: We have a text question. Should I go to the next one, sir?

Shachindra Nath: Yes, please go ahead.

Moderator: We have a question from Mr. Pruthul Shah from Anubhuti Advisors.

Pruthul Shah: The first question is AUM for FY24, INR 10,000 crores, FY25 INR 20,000 crores, and beyond that 30% CAGR in AUM. Is this understanding correct given the guidance on slide 7 in recent presentation? And the second question is in slide 14 what is the difference between gross yield and net yield? Is it the commission paid to partners?

Shachindra Nath: On the first one, yes you are right. But with this disclaimer these are aspiration numbers which we would like to achieve. But whenever it comes to the arbitrage between delivering the bottom line performance by sacrificing a thousand crores AUM, we would prefer and choose the bottom line performance. Yes, be cognizant and don't punish us if we are not at INR 20,000 crores, but INR 19,000 or INR 18,000 crores, but we are at 18.5% of ROE because we choose to stay at 18.5% ROE versus INR10,000 crores of AUM and this is a culture which we are building…

Kishore Lodha: Yes, you are right that the difference between the gross yield and the net yield is the difference between the two partners.

Shachindra Nath: Yes, it's not commission, it is a partner. So, in our P&A channel, the partner may be doing the at X% and because he covers our losses and he services, originate and co-underwrite with us, that difference goes to him for that.

Moderator: As there are no further questions, I would now like to hand the conference over to management for closing comments.

Shachindra Nath: Thank you very much for spending the time. And also we have seen for first time, we are seeing UGRO really as a public company. We are seeing increased number of retail shareholders. We are seeing increased number of high net worth investor. We are seeing institutions, PMF, AIF, participating in that. Successes of companies like ours, whether it's an HDFC, the ICICI of the world is dependent upon the support from shareholders across the board.

We were successful in getting large marquee PE investors to support us. And we expect in next five years to seven years broad based shareholders to support us in terms of making UGRO as India's largest financial institution around small businesses. Because we think India belongs to Bharat and Bharat belongs to SMEs. And besides delivering profit and returns, we are doing good to the society by creating businesses. Thank you very much. We will see you again.

Moderator: On behalf of UGRO Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.