



U GRO Capital

Q3 FY21 Earnings Update



Agenda

01	About UGRO Capital
02	Our Journey so far
03	Business Update
04	Technology Update
06	Financial Statements



A highly specialized, technology enabled small business lending platform

Knowledge

Deep domain expertise of target segments to better understand the customer

Technology

A scalable, data driven approach to ensure dissemination of knowledge

Experienced Management Team
250+ Years of Experience

Strong Corporate Governance
Board Controlled, Management Run

Large Institutional Capital
~\$130M Of Equity Raised

U GRO Capital

A technology enabled, highly specialized, small business lending platform

Management team with a collective experience of **150+ years**

INR 920+ Cr of equity raised from marquee investors
– A systemically important NBFC (NBFC-NDSI)

Secured Business Loans

Interest Rate – ~12% | Ticket Size: 0.25-5.0 Cr

Unsecured Business Loans

Interest Rate - ~19% | Ticket Size: 0.05-0.5 Cr

Microenterprise Loans

Interest Rate - 18-28% | Ticket Size: 0.01-0.75 Cr

Supply Chain Financing

Interest Rate – ~13.5% | Ticket Size: 0.1-2.0 Cr

Product Offerings



Sector Specialization

- Healthcare
- Educational Services
- Food Processing
- Hospitality
- Chemicals
- Auto Components
- Light Engineering
- Electrical Equipment & Components
- Microenterprises

Shortlisted from 180 sectors through an extensive study of macro-economic and sector specific data

9 Sectors

Sector Specific Statistical Scorecards

Traditional Channel

GRO Partners
(operating in target segments in Tier I geographies)

U GRO Sales
(operating in target segments in Tier II/III geographies)

New Age Channels

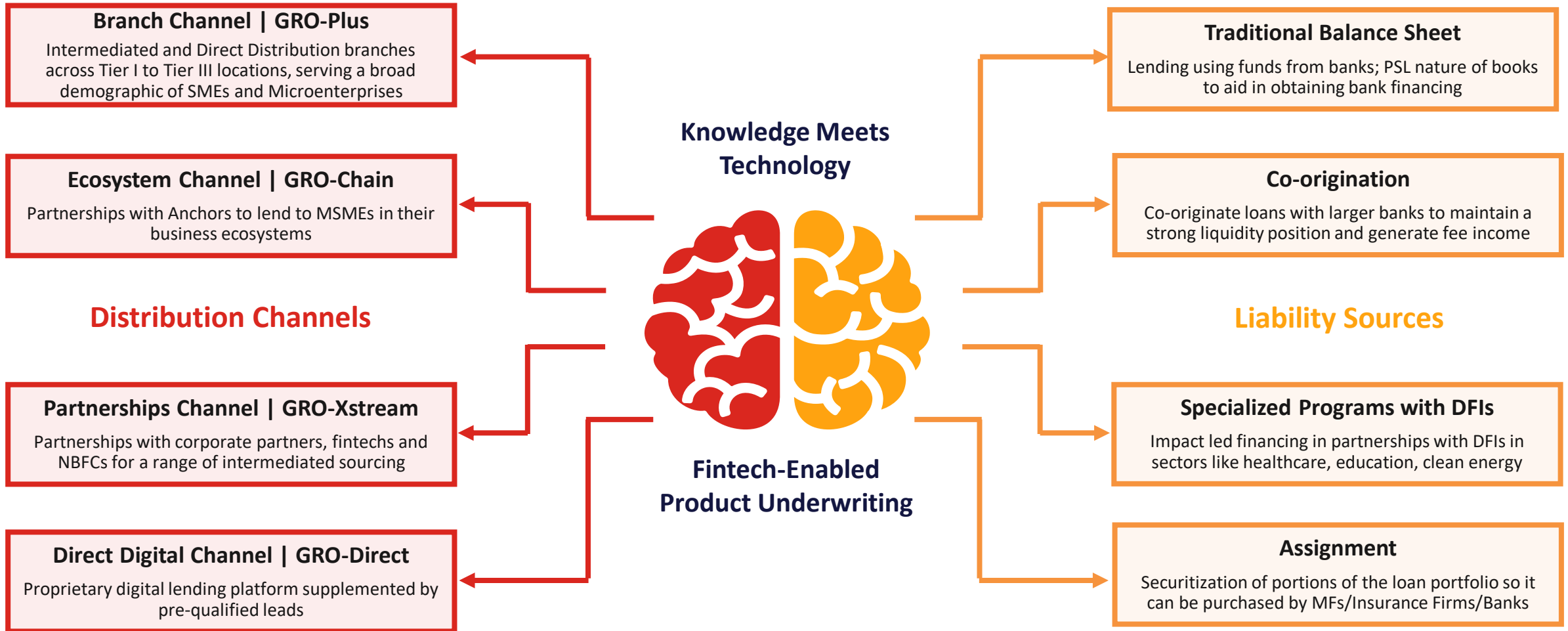
Digital Channels
(leverage 3rd party and own platforms for lead sourcing)

Ecosystem Led
(prioritized segments)

Corporate and BFSI Partnerships

Distribution Strategy

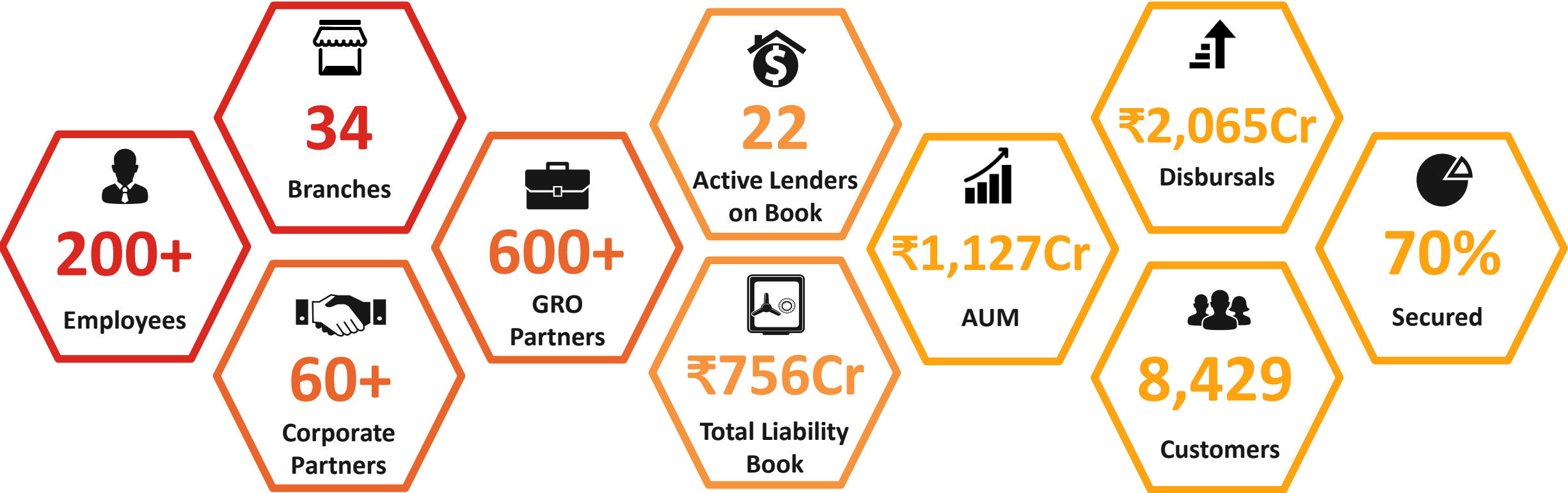
Our Business Model



U GRO's distribution and liability strategies are both powered by proprietary technology modules



Our Journey So Far

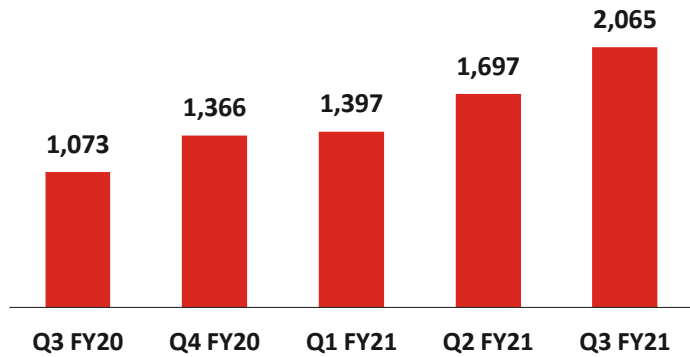


Our Q3 focus has been on establishing our GRO Micro branches while concurrently continuing to grow our other business verticals

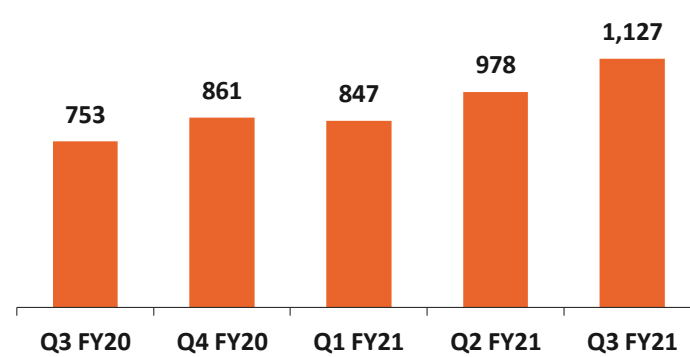
Data as of 31 December 2020 aside from Liability book data which is as of 31 January 2021

Q3 FY21 Business Overview

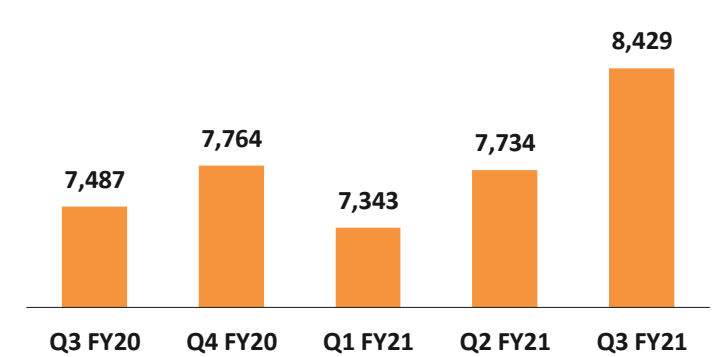
Cumulative Disbursals (₹ Cr)



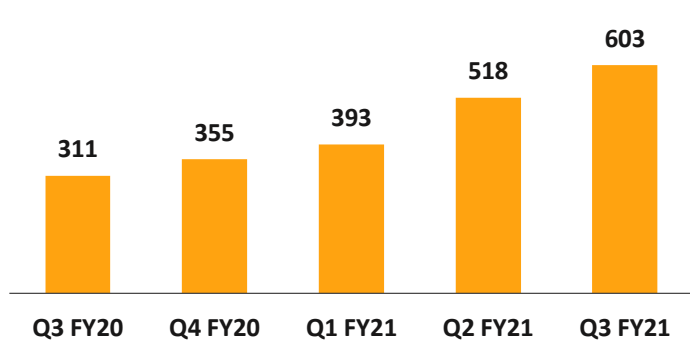
AUM (₹ Cr)



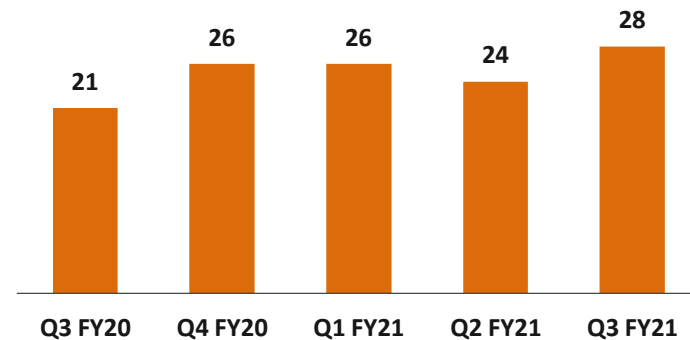
Number of Customers



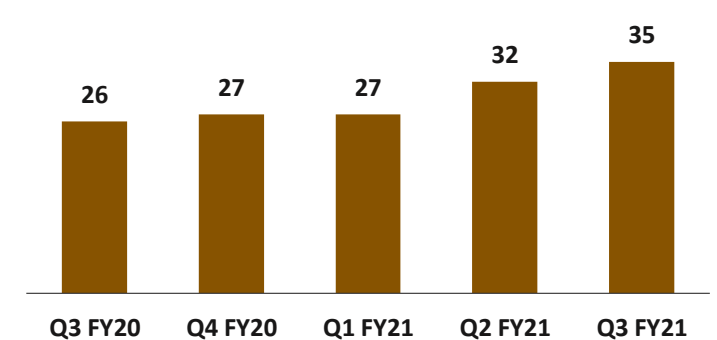
GRO Partners



Ecosystem Partners



Partnerships & Alliances





Business Update

Business

- Reached ₹2,065Cr in cumulative disburseals as of the end of Q3 FY21
- Q3 saw **disburseals return to pre-COVID levels**, we expect this upwards trend to continue in the coming months
- 34 branches across key Indian MSME Tier I-Tier III clusters; **number of employees has crossed 200**
- GRO Partner network expanded by **16.4% QoQ** to a total of **603** spread across key SME clusters

Direct Distribution Channel Launch

- **Direct distribution** channel commenced with the **opening of 25 'GRO Micro'** branches pan-India, across Karnataka, Tamil Nadu, Gujarat, Telangana and Rajasthan through mid-January 2021
- Broad spectrum **hiring completed** for the Direct Distribution channel, with further additions projected for Q4

Technology Development

- Integration with the Government's **GeM Sahay platform** (providing access to over **2.4 lakh sole proprietorships** that supply a cumulative value of ₹18,935Cr) completed, planned launch in Feb-21 basis Government go-forward
- **Technology architecture** for GRO Micro branches expected to be finalized for Go-Live by **mid-March 2021**
- Phases 1 & 2 of Digital **SCF FinAgg** platform expected to go live in **Feb-2021**

Collections

- **Collection efficiencies** are broadly recovering and stabilizing, with secured at **96%** and unsecured at **92%** respectively (on a monthly basis) for Dec-20
- We restructured **3.9%** of our portfolio, however, around **90%** of the restructured loan accounts were **standard**
- Our **cheque bounce rates** stabilized in Q3 with secured at **14.9%** and unsecured at **20.0%** for Dec-20

Portfolio

- Outstanding portfolio of **₹1,127Cr as of end Q3 FY21**, which is **70% secured** and diversified by sector and geography
- After COVID-led disruptions, portfolio growth is back on track with **AUM having increased by 15.2% Q-o-Q**
- Portfolio quality remains strong, with our loan book having a **GNPA of 2.3% and an NNPA of 1.4%** respectively
- U GRO has made **₹21.43Cr of total cumulative provisions (1.9% of AUM)**, of which **₹0.54Cr is additional provisions for COVID-19**. No separate COVID provisioning has been taken for NPA accounts

Liability

- A cumulative **₹978Cr of sanctioned liability** has been raised till date at a blended average of **10.1%** as of end Q3 FY21
- U GRO's liability book comprises **22 diverse and marquee lenders**, including **PSU/Private/Foreign banks and other FIs**
- Incremental liability sanction pipeline of **INR 600 Cr+**
- The Company maintains **liquidity of over INR 297 Cr** on balance sheet, excluding sanctioned liability not drawn down

Financial

- The Company's **total income stands at ₹39.1 crores** for Q3 FY21 with a **PAT of ₹6.3 crores**
- **CRAR** as of end Q3 FY21 stands at **77.9%**
- The net worth of the Company stands at **₹950.5 crores** as of 31 December 2020 with **book value per share being ₹134.76**

Awards & Recognition

U GRO has won multiple awards for innovation in FY21:

- **Best Tech Platform Award** (Fintech Category at the Internet Entrepreneur Awards)
- **Best Lending Tech of the Year Award** (National Awards for Excellence in Financial Services Marketing)
- **Quick Loan Approval Award** (National Awards for Excellence in Financial Services Marketing)

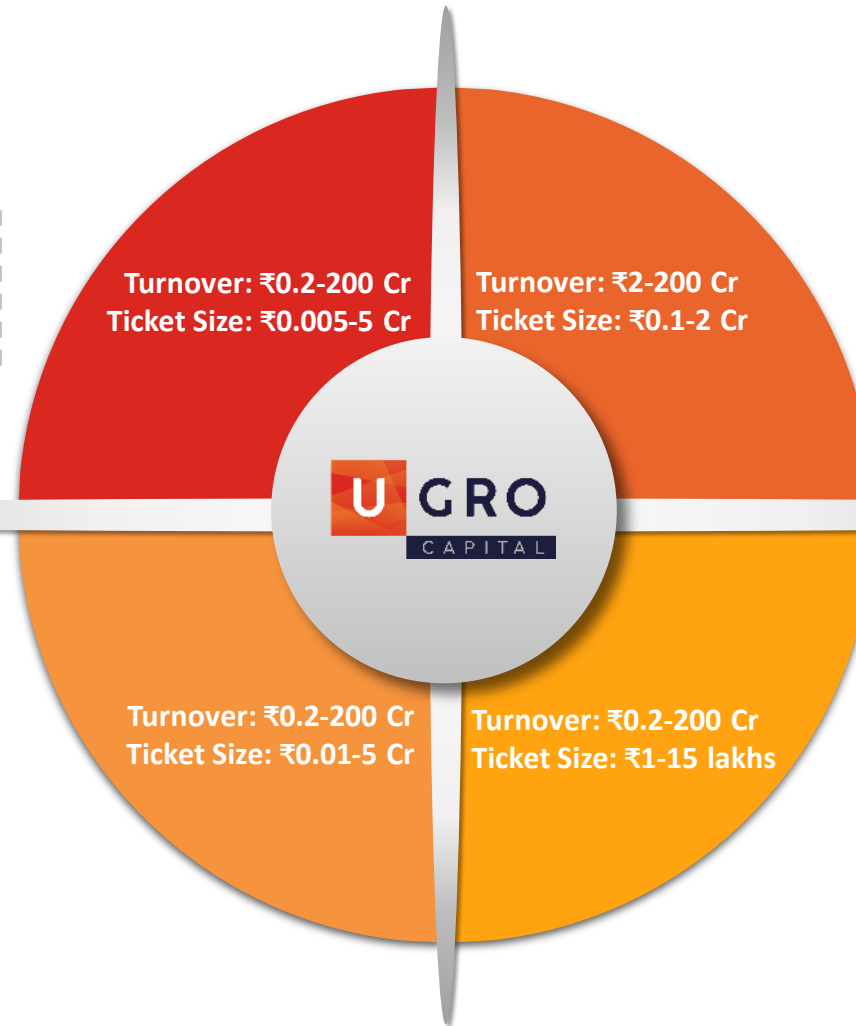
Four Distribution Channels that Drive Our Asset Engine

Traditional Channel | GRO-Plus

- 603 intermediary GRO-Partners onboarded in 9 branches across key SME clusters in India
- Direct distribution channel commenced with launch of 25 new GRO Micro Branches across Karnataka, Tamil Nadu, Gujarat, Telangana and Rajasthan in Q3

Ecosystem Channel | GRO-Chain

- Partnerships with Anchor companies to gain access to their ecosystems of vendors, dealers and distributors
- Credit provision to vendors, dealers, distributors and tier 2 suppliers not eligible for traditional financing



Partnerships & Alliances | GRO-XStream

- BFSI partnerships spanning co-lending and securitization. Partnerships with 30 BFSIs to best serve 'bottom of the pyramid' SMEs
- Digital alliances with fintech marketplaces, service providers and aggregators
- Machinery loan alliances forged to disburse term loans against hypothecation of machinery purchased

Direct Digital Channel | GRO-Direct

- Digital Lending Platform GRO-Direct allows MSMEs to directly apply for credit, increasing borrowing ease and further reducing TATs
- GRO-Direct launched in beta phase in December 2019 across two sub-sectors; to be scaled to cater all U GRO specialized sectors in future

U GRO's distribution model is geared towards catering SMEs across all geographies and ticket sizes
Tailored products allow for highly structured deployment of capital – optimized for both the distribution channel and customer

Direct Distribution to serve Microenterprises

Based on our assessment of peers & market, entering the microenterprise segment will be highly advantageous

- **Improvement in Yield:** Yields in the 18-25% range
- **Shorter Tenor Products:** Secured loans capped at 5 years tenor
- **Strong profitability:** High margins lead to early profitability
- **Less Saturated Market:** ME lending space is of a fragmented nature

Significant Impact to be Created in 'Solving the Unsolved', increasing our scope of collaborating with DFIs

U GRO's mission is to 'Solve the Unsolved' – India's \$300B MSME Credit gap. Our new direct distribution channel aligns perfectly with this goal

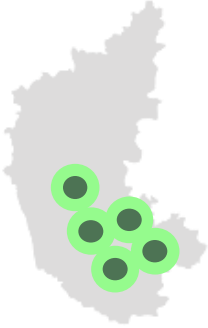
- **Deeper penetrance:** Diversifying from Tier I to sub-urban locations
- **Sizable share of NTCs:** Competitive edge through specialized underwriting to NTC customers
- **Granularity of Loans:** Low ticket sizes to allow expansion of reach

Projected 75 branches across 15 states after 6 months				States Selected	Target Customers	Product & Customer Profile
Scale-up Plan	Branches/state	Phase 1 5	→	Phase 2 15	<ul style="list-style-type: none"> ▪ Self-employed individuals/ firms ▪ Family run businesses ▪ First generation Entrepreneurs 	SBL & UBL for: <ul style="list-style-type: none"> ▪ NTC with Banking ▪ Credit-tested with Banking ▪ NTC without Banking ▪ Credit-tested without Banking
	Branches pan India	25	→	75		
				<ul style="list-style-type: none"> ▪ Karnataka ▪ Tamil Nadu ▪ Gujarat ▪ Telangana ▪ Rajasthan 		

Phase-1 plan

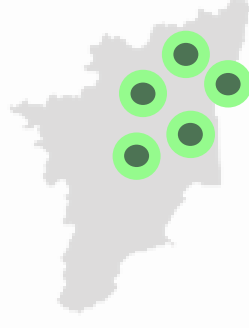
All 25 GRO Micro branches launched as of Jan-21

Karnataka



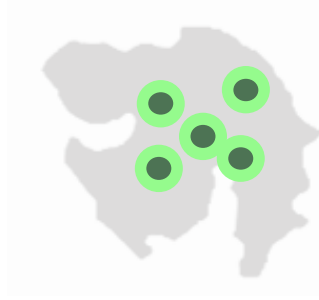
- Bommasandra
- Peenya
- Mysore
- RR Nagar
- Mahadevpura

Tamil Nadu



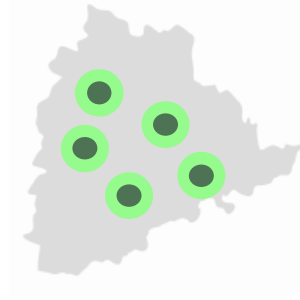
- Mangadu
- Tambaram
- Thiruvallur
- Vellore
- Kancheepuram

Gujarat



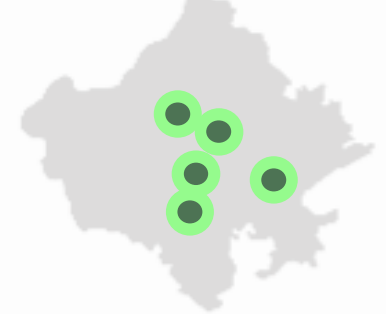
- Odhav
- Himatnagar
- Baroda
- Nadiad
- Mehsana

Telangana

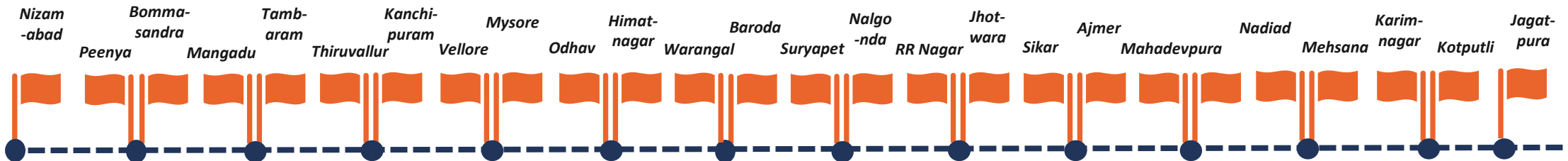


- Nizamabad
- Suryapet
- Nalgonda
- Warangal
- Karimnagar

Rajasthan



- Ajmer
- Kotputli
- Sikar
- Jhotwara
- Jagatpura



All 25 branches

Successfully Entered into the Microenterprise Segment in Q3

'Saathi' is a line of secured products aimed specifically at microenterprises

New branches will cater high yield, shorter tenor and smaller ticket loans

Features	Saathi	
	Plus	Prime
Ticket Size	15 - 25 L	25.1 - 50 L
Sector	Sector Agnostic	Ecosystem Approach
Tenor	60 – 96* months	
Latest Sales Deed	Yes	No
Pre-Approved Legal	Yes	No
Single Technical Valuation	Yes	Yes
Target Segment	Micro SENP/SEP individuals and firms Includes: All manufacturers, traders, services	
Minimum Turnover	None	>100 lakhs p.a.

Product	Unsecured Business Loans	Secured Business Loans
Ticket Size	≤ ₹5 lakhs	≤ ₹15 lakhs
Sourcing Mode	Direct	Direct
Average ROI	~24%	~20%
Tenor	1-3 years	1-10 years

- U GRO has launched new branches across **Tier II/III locations** in five states: **Tamil Nadu, Rajasthan, Karnataka, Gujarat and Telangana**
- These 'GRO Micro' branches will **cater to microenterprises**, including **bottom-of-the-pyramid enterprises** and new-to-credit customers
- The new branches feature **U GRO sales executives directly originating loans**, unlike extant branches which leverage GRO Partners
- The underwriting for this new segment will leverage **an in-house rule engine** implementing **machine learning-driven banking segmentation**

The full 25 planned branches have been launched as of mid January 2021

Inauguration of GRO Micro Branches

Tamil Nadu



Rajasthan



Karnataka



Gujarat

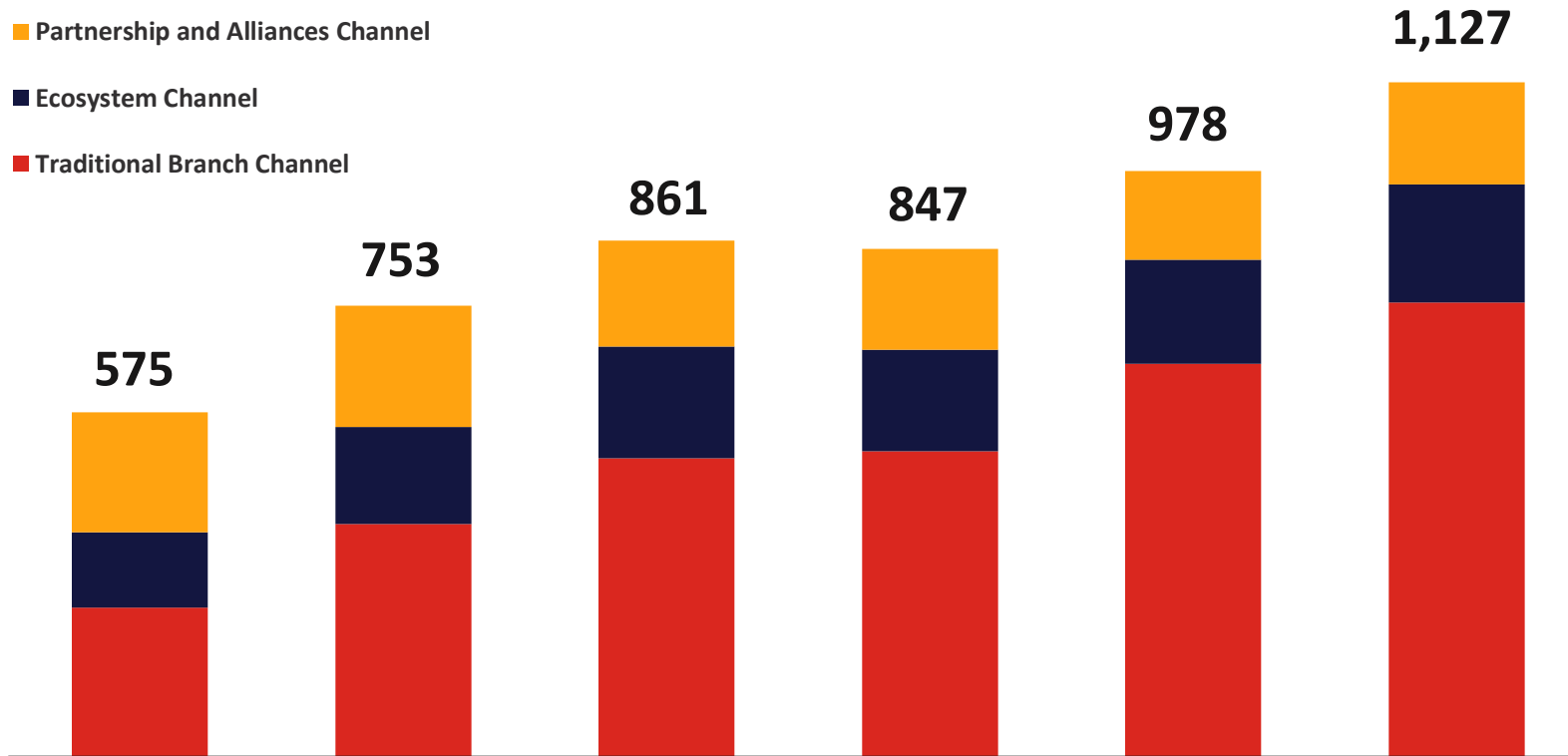


Telangana



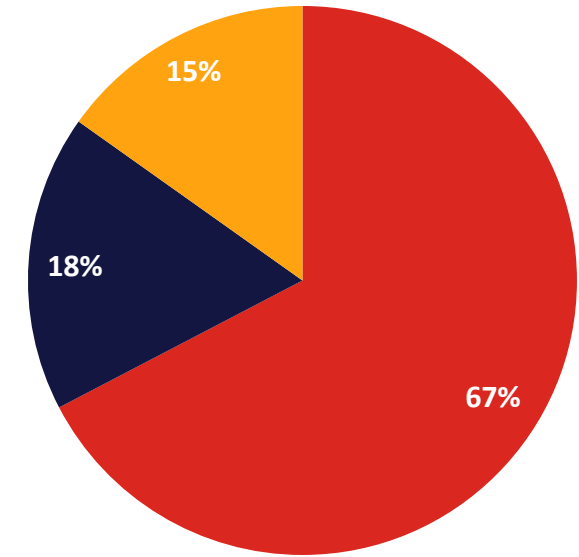
Channel-wise evolution of AUM

- Partnership and Alliances Channel
- Ecosystem Channel
- Traditional Branch Channel



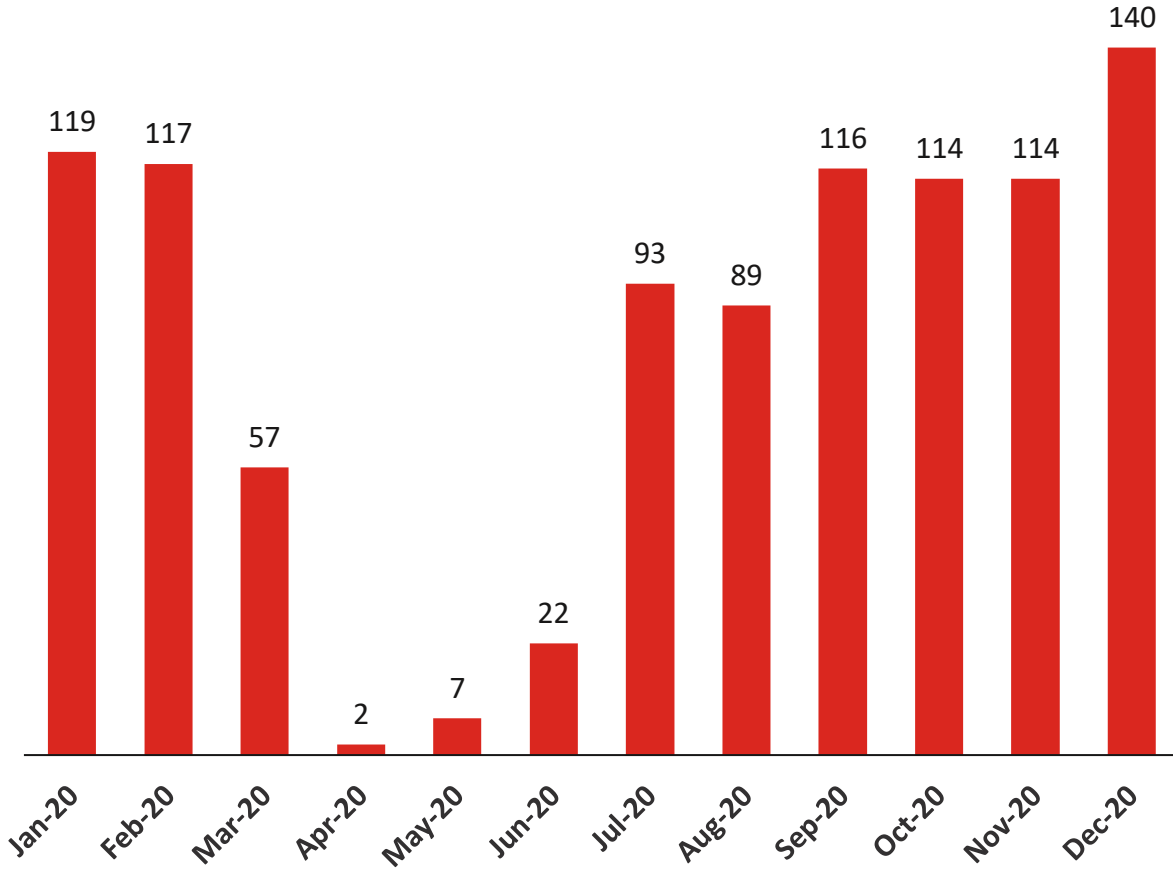
Channel	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
Traditional Branch Channel	249	388	498	510	656	759
Ecosystem Channel	125	162	187	170	174	197
Partnerships & Alliances Channel	201	203	177	168	148	171

Channel Mix



In Q3, we registered good growth in our AUM primarily due to strong momentum in our self sourced book

Disbursal Recovery in the COVID-19 Era (₹ Cr)



	Secured	Unsecured	SCF	Overall
AUM	₹570Cr	₹361Cr	₹197Cr	₹1,127Cr
Avg Ticket Size*	₹38.1 lakhs	₹5.4 lakhs	₹105.0 lakhs	₹15.0 lakhs
Avg Yield	12.1%	19.6%	13.2%	14.8%

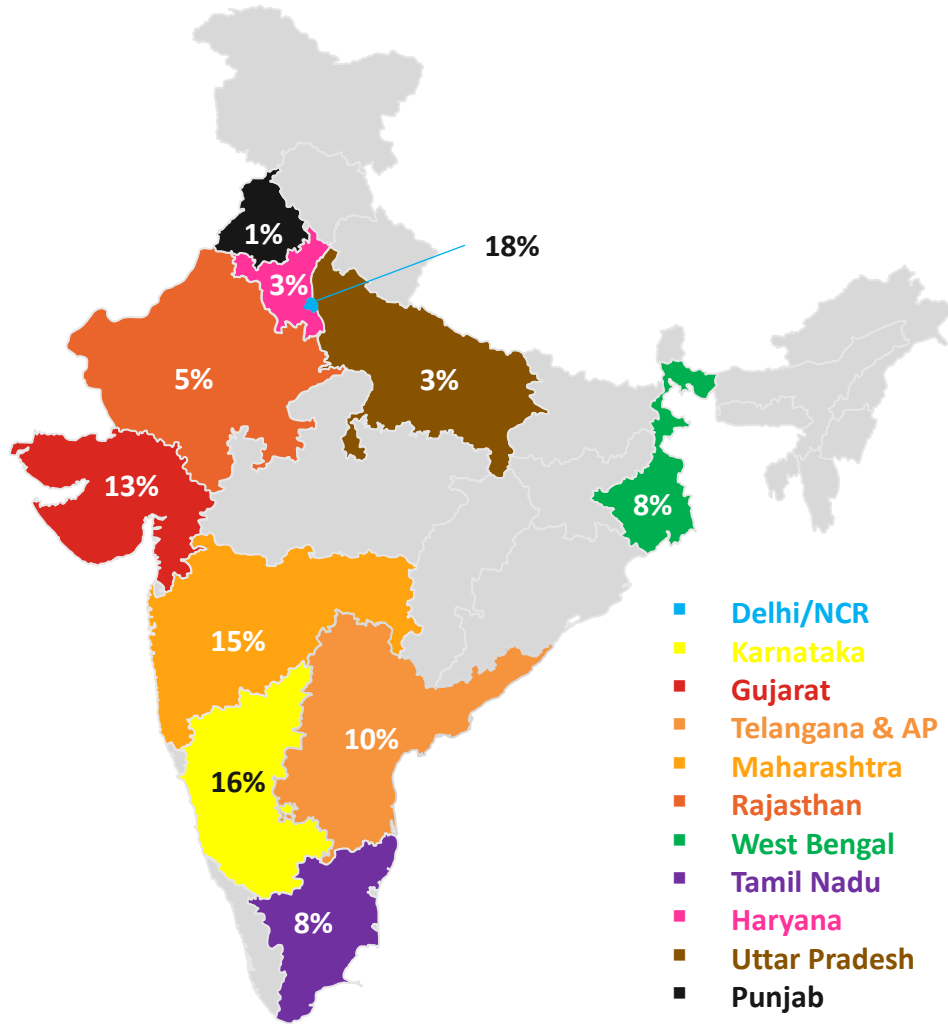
*Average ticket size on book

Focus on high-risk thresholds and building a secure, granular and high-quality book

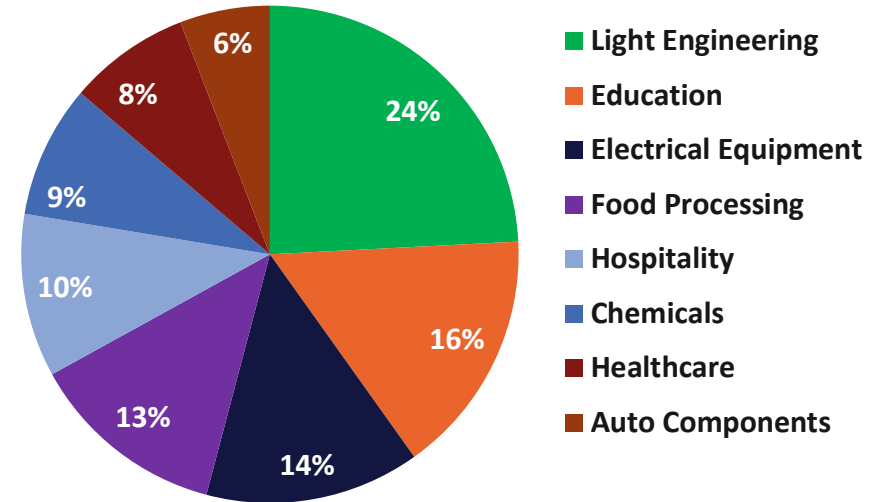
**Q3 FY21 saw our asset engine surpass pre-COVID disbursal levels, led by our branch and ecosystem channels
Strong launches of our ‘Sanjeevani’ and ‘Saathi’ programs have put us in good stead for future disbursements**

Portfolio Snapshot (As on December 31, 2020)

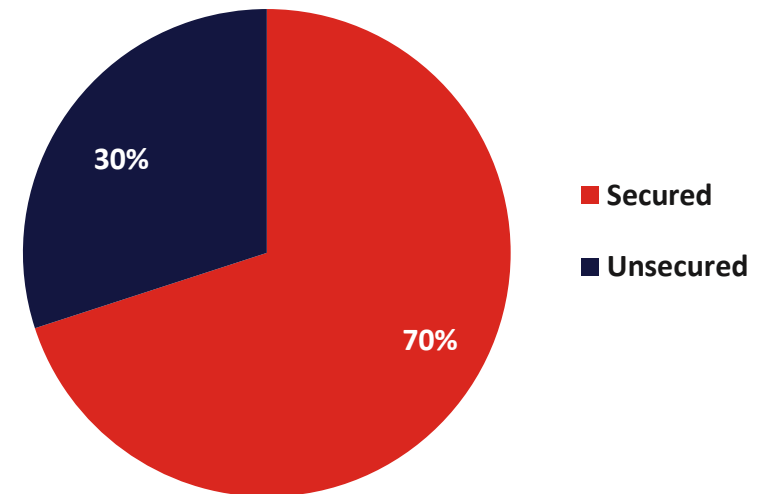
Geographical Mix*



Sectoral Mix*



Secured Mix



*Does not include Onward Lending or Portfolio Buyouts

Our portfolio remains well diversified by geography and sector, with a higher secured split as compared to Q2

Portfolio & restructuring highlights

Portfolio split by Channel and ECL Data

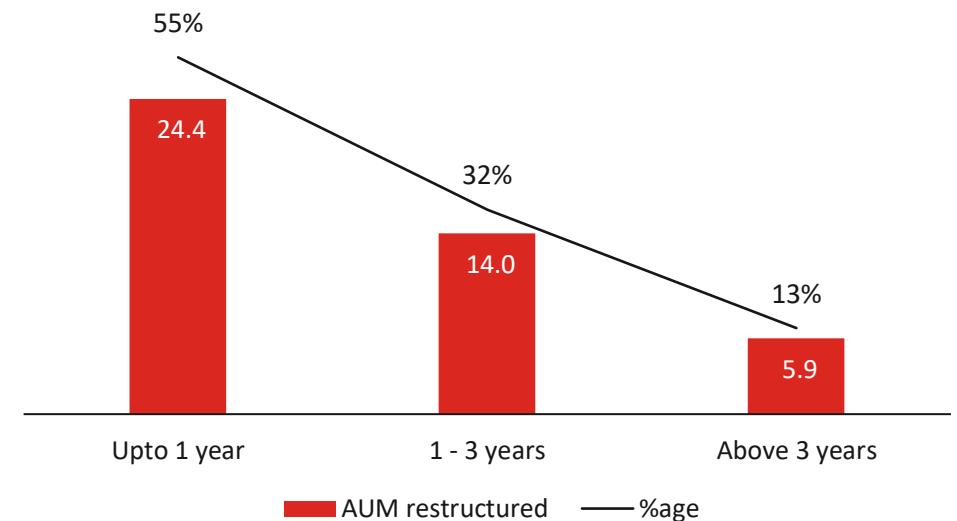
Product category	POS (Cr)	ROI (%)	Ticket size (Cr)
Branch Channel	759	14.8%	0.41
Ecosystem Channel	197	13.2%	1.05
Partnerships and Alliances	171	16.4%	0.05
Grand Total	1,127	14.8%	0.15

All figures in ₹ Cr	Loan Exposure	Loan Exposure (%)
Stage 1	1050.57	93.20%
Stage 2	47.35	4.20%
Stage 3	29.30	2.60%
Total	1127.22	100.00%

We restructured **3.9% (44.2 Cr)** of our portfolio, however, around **90%** of the restructured loan accounts were **standard**. **55%** of the restructured accounts had an increase in tenor by 1 year.

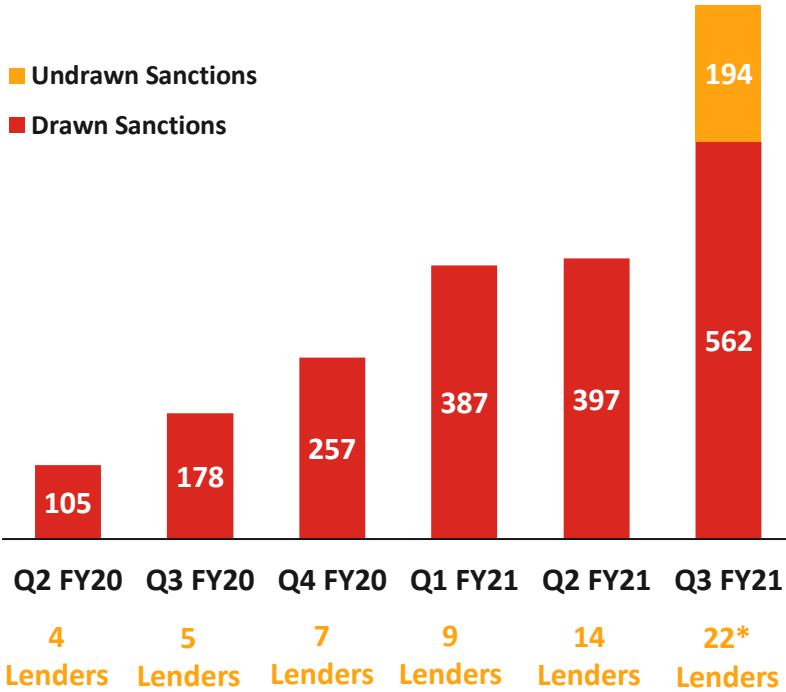
Sector	Dec-20 (in Cr)
Auto Component	0.35
Chemical	3.73
Education	3.95
Electrical Equipment	1.27
Food Processing	2.47
Healthcare	1.71
Hospitality	11.26
Light Engineering	5.56
MSME	0.08
SCF	13.83
Total	44.20

Restructuring of Portfolio Tenor-wise

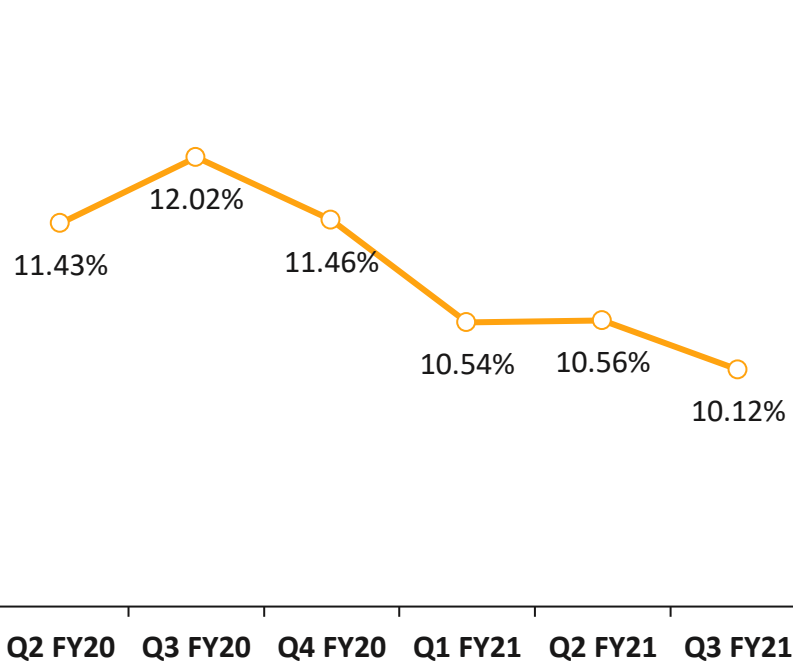


Expanded lender universe from 14 to 22; Borrowing costs also trending downwards

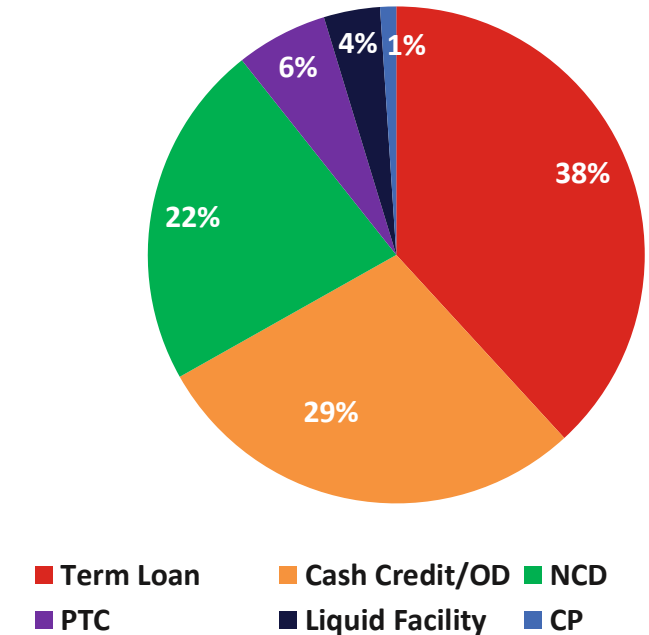
EOP Sanctioned Liability on Book (INR Cr)



Weighted Borrowing Cost (% , papm)



Liability Type by Sanctions (Q3 FY21, INR Cr)



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

Public Sector Banks



Private Sector Banks



Other Institutions



DFB



SFBs and NBFCs

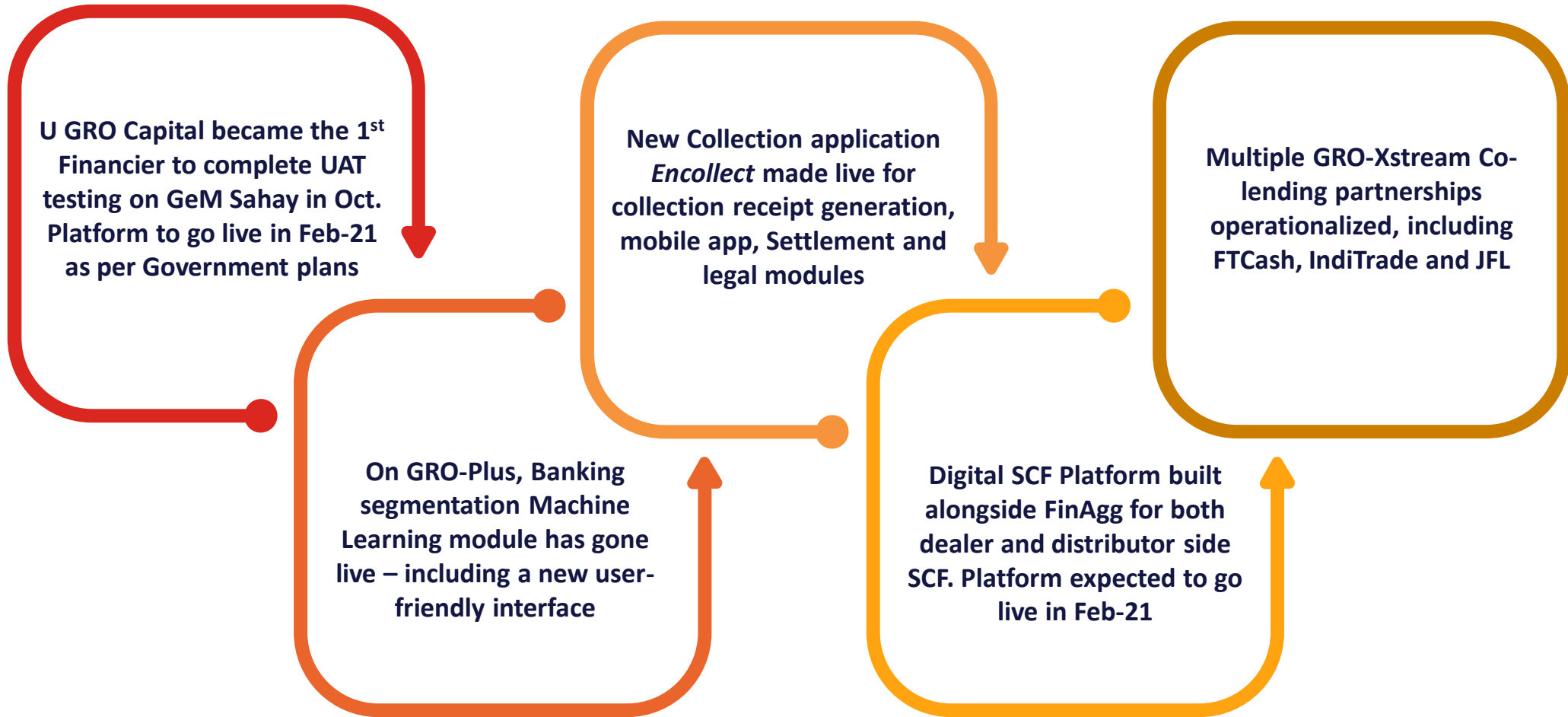


* Includes lenders added in Jan'21



Technology Update

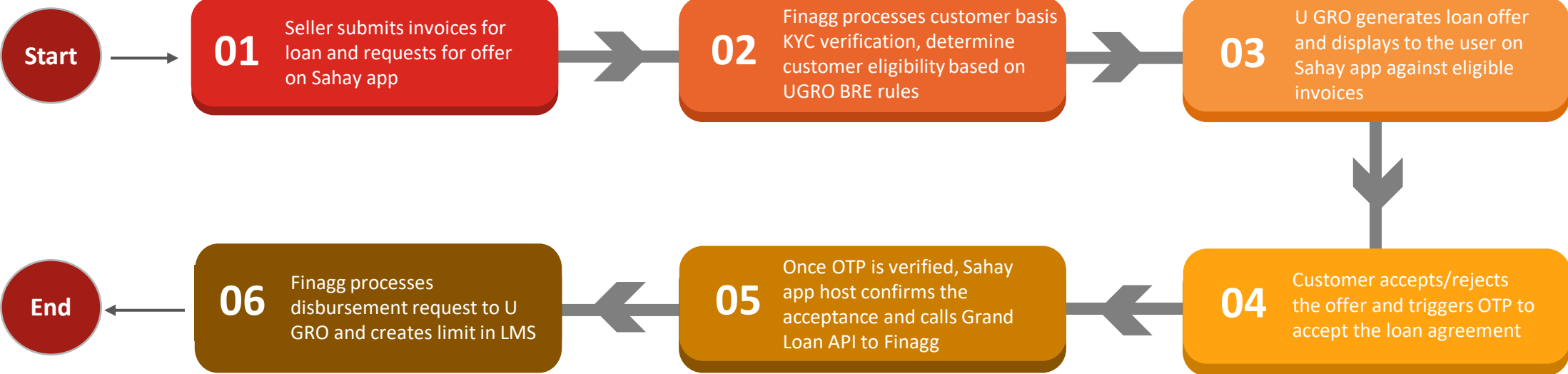
Significant Technology Developments in Recent Months



U GRO has invested heavily in cutting edge technology, particularly in the COVID-19 period, with large-scale improvements having been made

GeM Sahay Platform for Proprietorships | To be Launched in Feb-21

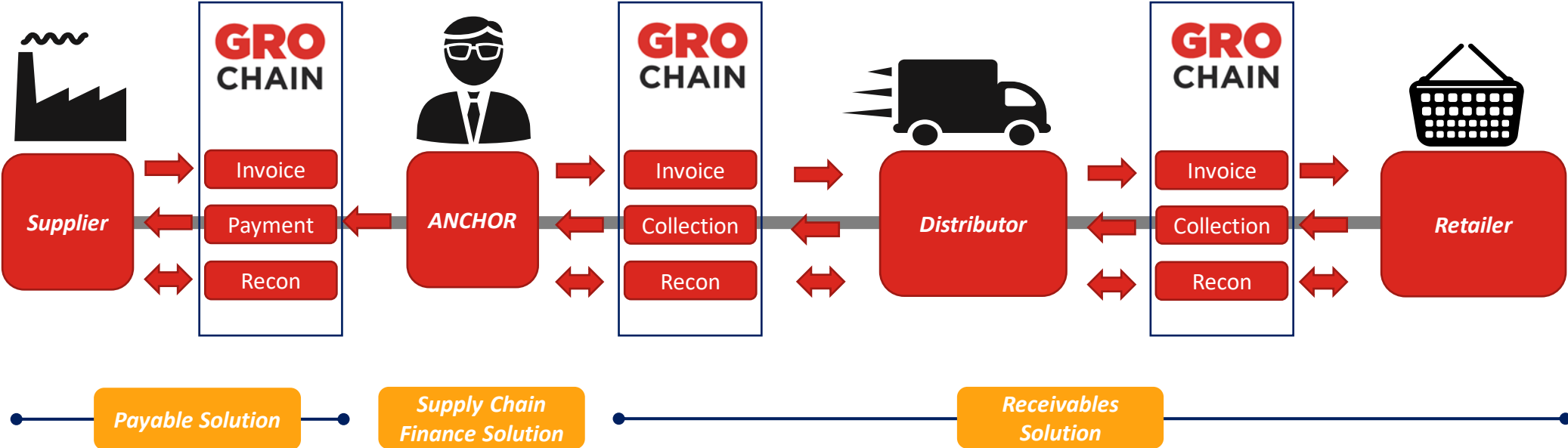
Process Flow for customers interfacing with U GRO through GeM Sahay



Progress Update and Launch Date



Digital SCF End-to-End LOS Platform – GRO Chain | To be Launched in Feb-21



Progress Update and Launch Date

GRO Chain Platform
Phase 1 Onboarding
Completed



Go-live expected in
early Feb-21 for both
dealer/distributor side

Phase 2 Invoice Creation under final testing



Financial Statements

Balance Sheet

Balance Sheet (₹ Lakhs)	Q2 FY21	Q3 FY21
Financial Assets	129,099	144,509
Loans	96,032	110,516
Cash and Investments	28,854	29,747
Other Financial Assets	4,213	4,247
Non-Financial Assets	8,691	9,608
Total Assets	137,790	154,117
Financial Liabilities	42,991	58,542
Trade/Other Payables	943	734
Borrowings & Debt Securities	38,417	55,092
Other Financial Liabilities	3,631	2,716
Non-Financial Liabilities	408	530
Total Equity	94,392	95,046
Equity Share Capital	7,053	7,053
Other Equity	87,339	87,993
Total Liabilities + Equity	137,790	154,117

- Remain liquid with nearly ₹300 crores of immediate liquidity on the balance sheet along with ₹194 crores of undrawn sanctions
- **CRAR: 77.9%**
- **GNPA: 2.3%**
- **NNPA: 1.4%**
- **Book Value per Share (BVPS): ₹134.76**

Income Statement

Income Statement (₹ Lakhs)	Q2 FY21	Q3 FY21
Interest Income	3,408	3,877
Other Operating Income	74	32
Financing Costs	964	1,178
Net Income	2,518	2,730
Operating Expenses	1,851	1,857
Provisions	393	586
Profit Before Tax	274	287
Tax	(1,444)	(340)
Profit/(Loss) for the period	1,718	627

- Financing costs have gone up despite weighted average **borrowing costs reducing** due to a significant build out of our liability book from INR 578 Cr to INR 756 Cr
- Absolute value of **provisioning expense has increased** in Q3 as we are taking a conservative approach when assessing **portfolio impacts from COVID-19**

Thank you