



U GRO Capital | Presentation

Tech focused Small Business Lending Platform

UGROCAP | 511742

March 10th, 2021



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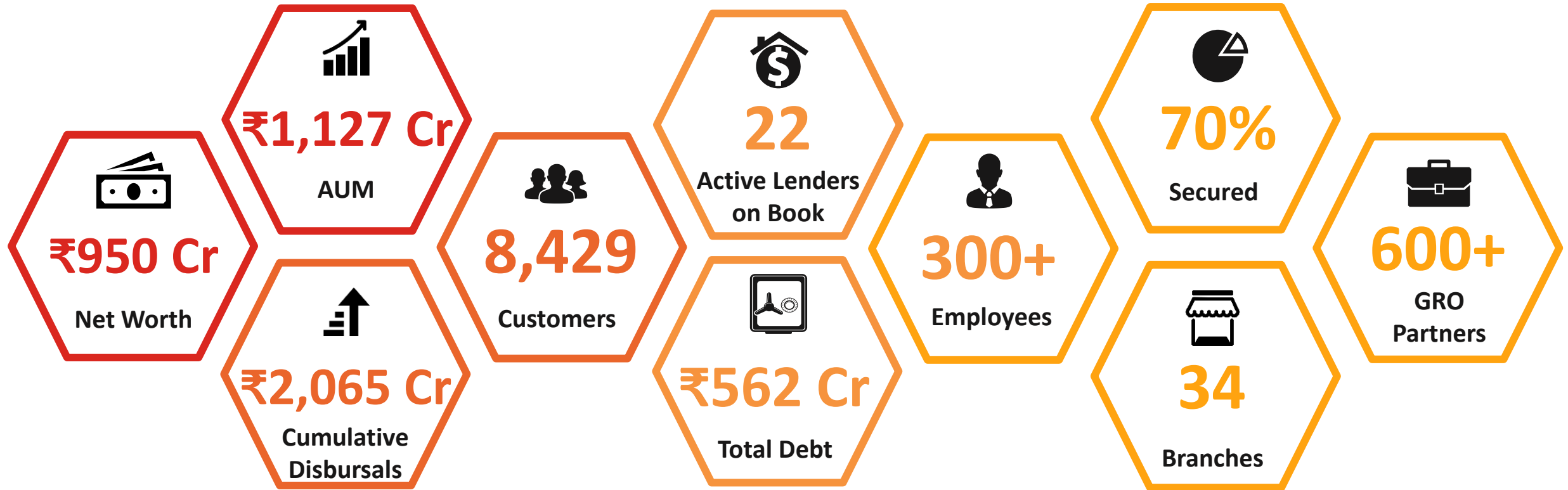
Our Long Term Goals





Executive Summary

Where we stand now



Focus in the current quarter has been on operationalising 25 Micro Branches and Disbursement through our distribution channels

Data as of 31 December 2020 aside from Total Branch & Active Lenders which are as of 31 January 2021

Uptick in Disbursals

- Disbursals back to **pre-COVID levels** as we saw strong momentum in branch led channel
- **Growth** in Partnerships & Alliances channel through focus on **operationalization of existing partnerships**
- Focus on adding more anchors in the ecosystem channel

Strengthened Liability Position

- Continue to expand our relationships with lenders, and now have **22 active lenders** – including PSU/Pvt Banks, SFBs, DFIs, foreign banks & other FIs
- Borrowing rates have been on a downtrend & the liability pipeline is strong and includes **INR 194 Cr** of undrawn sanctions (as on Dec' 20)



Launch of Micro Branches

- All **25 GRO Micro branches** across Tamil Nadu, Karnataka, Gujarat, Telangana and Rajasthan have been **inaugurated**
- These branches shall provide lower ticket, higher yield products to Micro Enterprise segment in vicinity of our branches
- **Disbursals** commenced in Feb'21

Technology Advancements

- We continue to enhance & invest in our tech capabilities in line with our vision to become an end-to-end tech-driven firm
- First lender to complete UAT testing on the Government's **GeM Sahay** platform
- Our **GRO Line**, digital supply chain financing platform has completed its first two phases of development & now fully deployed.

1) AUM & Disbursements

- Cumulative Disbursements crossed ₹2,000 Cr milestone in Q3FY21
- AUM stood at ₹1,127 Cr as on Dec'20 (₹978 Cr as on Sep'20), ~15% increase on Q-o-Q basis
- **Blended portfolio yield** was at ~14.8% in Q3FY21 up from 14.4% in Q2 FY21

2) Net Interest Income (NII)

- NII was ₹27.1 Cr for Q3 FY21 compared to ₹24.4 Cr for Q2 FY21
- Net Interest Margin (NIM) stood at ~10.3%. As we further leverage our balance sheet, NIMs will eventually stabilise

3) Liability Management

- Diversified lender base of 22 active lenders, up from 14 in the previous quarter
- Borrowing costs on a sequential downtrend; average cost of debt stood at ~10.1% in Q3 FY21 compared to ~12.0% in Q3 FY20

4) Opex Management

- Cost to income ratio has been trending downwards, stood at 68% in Q3
- Management implemented measures to save cost during COVID period and redeployed saving in expansion.

5) Credit Costs

- Proforma 90+ DPD stood at 2.3% and NNPA stood at 1.4% (Proforma without taking the benefit of Supreme Court suspension on NPA classification).
- Maintained conservative stance to provisioning with stage 3 PCR at 38%
- Cheque bounce rates on a downtrend & collections efficiencies remain high at 96% for secured loans and 92% for unsecured loans in Dec'20
- Selectively restructured around 3.9% of our portfolio for fundamentally sound businesses with short term cash flow issues

6) Profitability

- Continue to remain profitable in spite of conservation approach to provisioning and early build out of our growth stage.

7) Net Worth

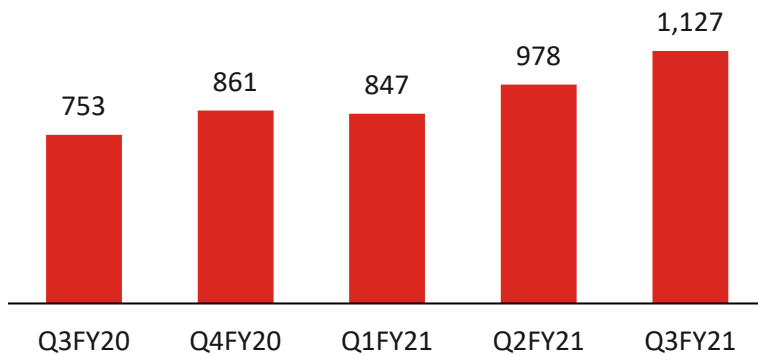
- Net worth stood at ₹950 Cr in Dec'20 and CRAR was 78% far above industry average
- Debt-to-equity ratio stood at 0.59x indicating a long runway for growth as we leverage our balance sheet



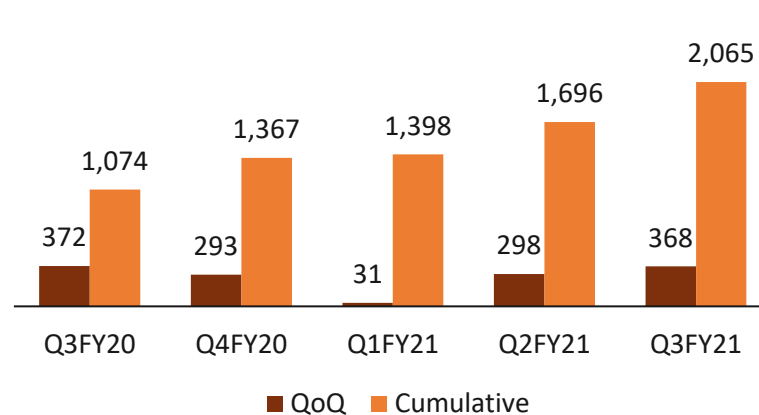
Financial and Operating performance

We have been consistently expanding our AUM with strong Equity & Debt support

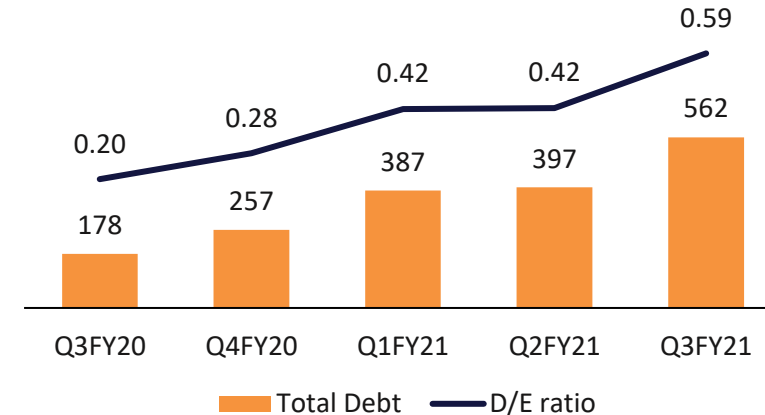
AUM (in ₹ Cr)



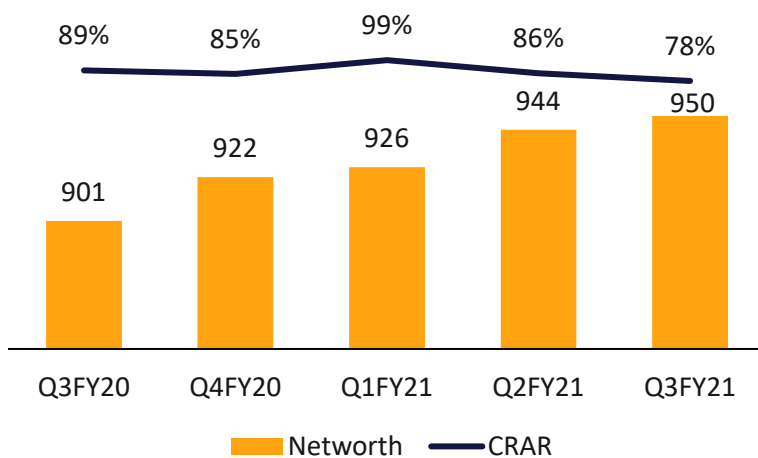
Disbursals (in ₹ Cr)



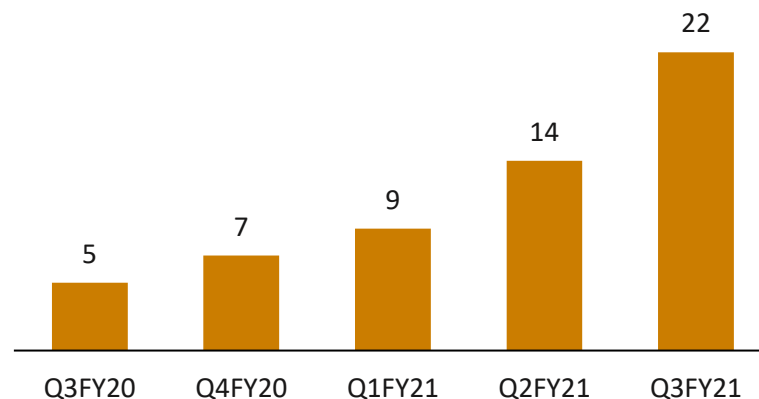
Debt (in ₹ Cr) & Leverage Ratio



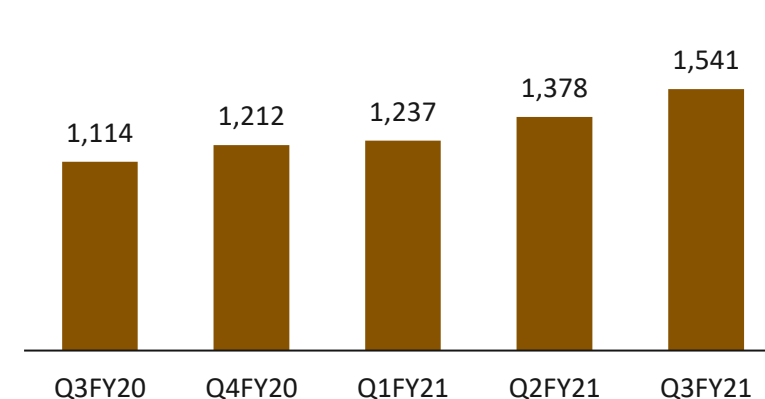
Net Worth (in ₹ Cr) & CRAR (%)



Number of Lenders

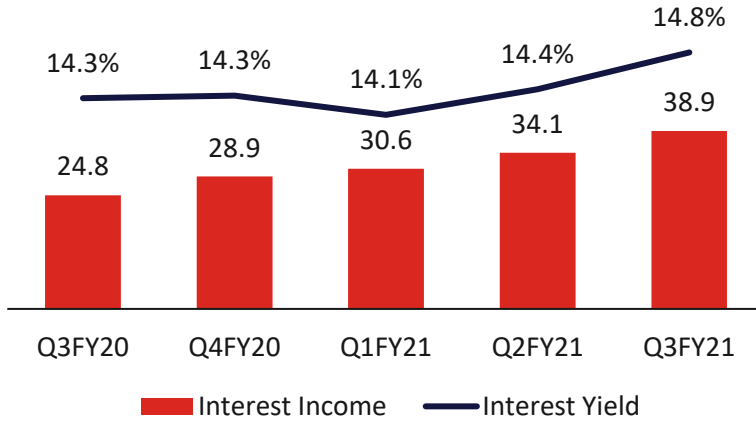


Total Assets (in ₹ Cr)

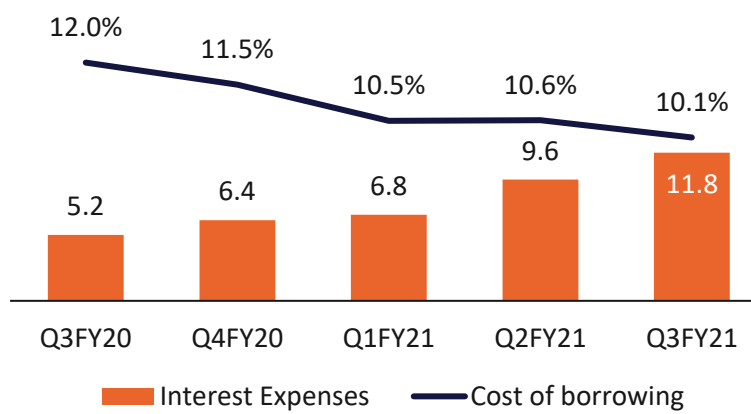


Our operating & financials ratios continue to improve as we scale up

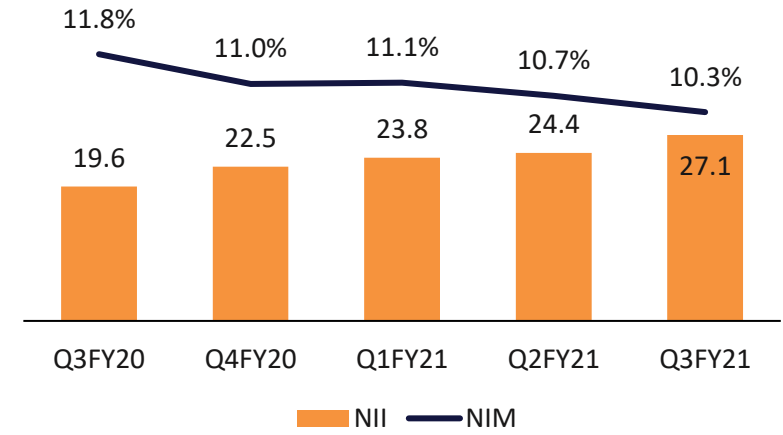
Interest Income (in ₹ Cr) & Yield



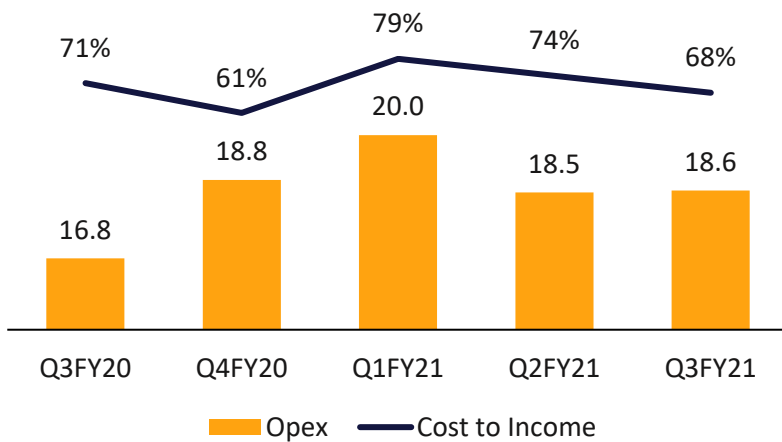
Finance Cost (in ₹ Cr) & Cost of debt



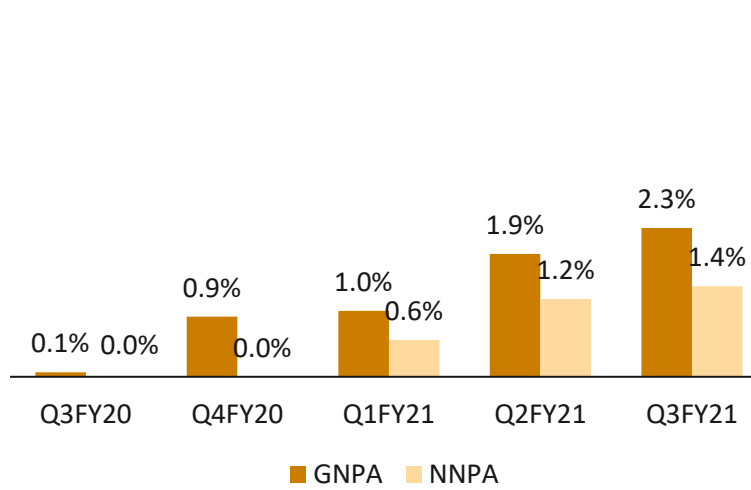
NII (in ₹Cr) and NIM%



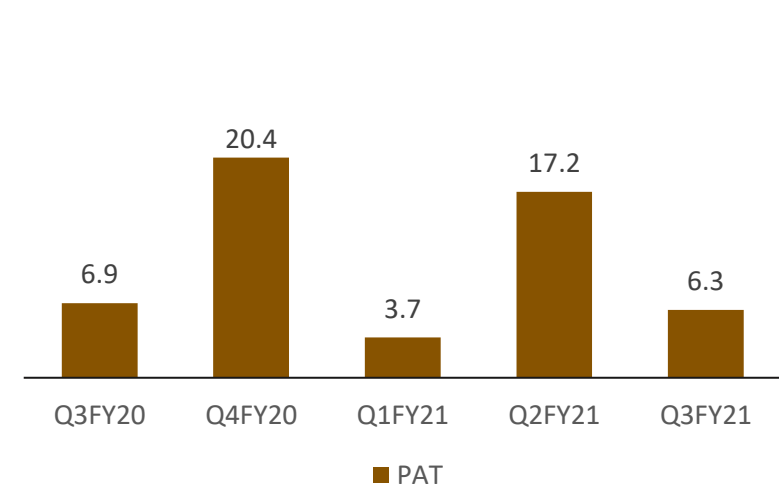
Opex (in ₹ Cr) & Cost to Income Ratio



GNPA (90+ DPD) and NNPA (in %)

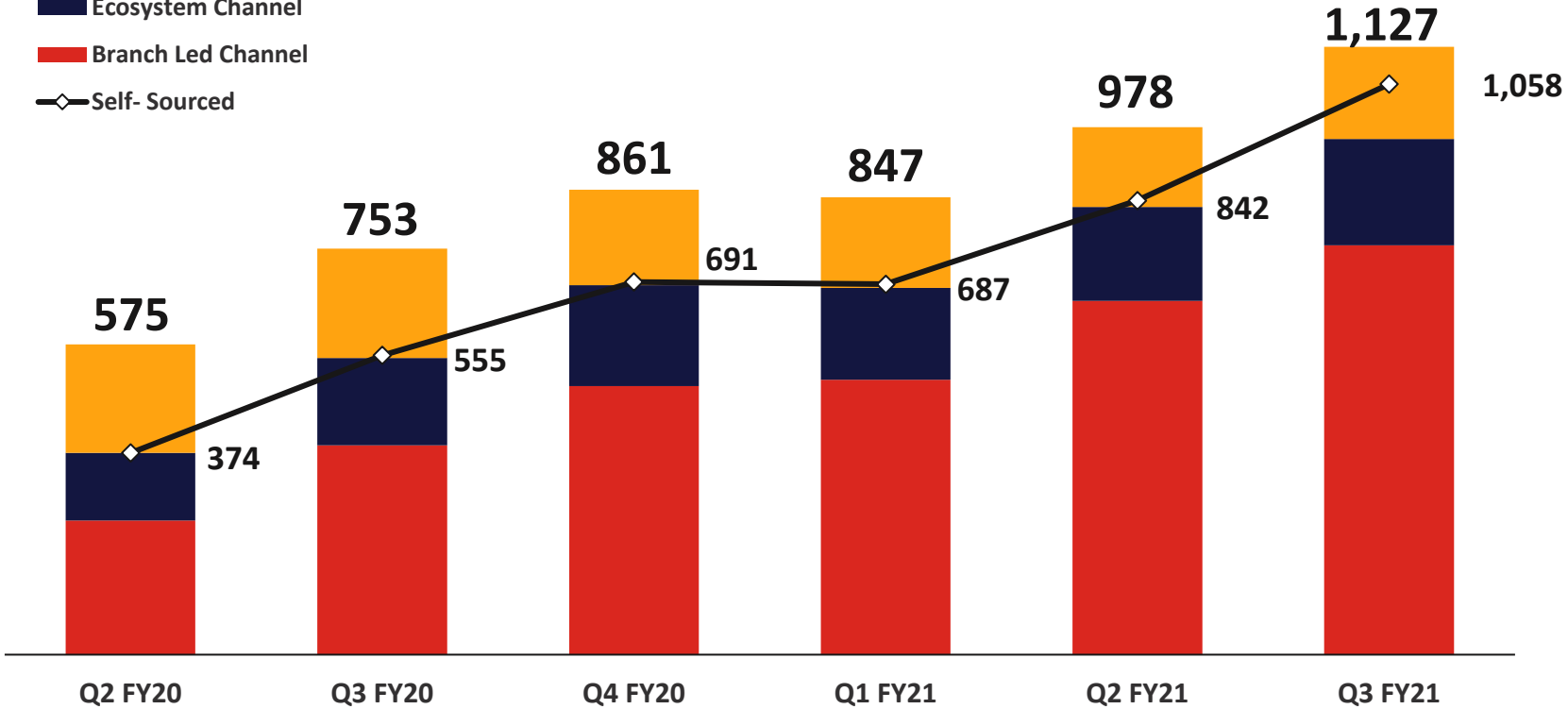


Profit After Tax (in ₹ Cr)

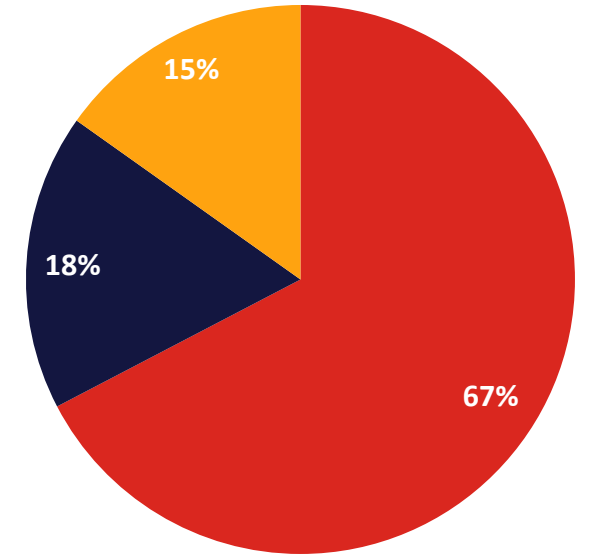


Channel-wise evolution of AUM

- Partnership and Alliances Channel
- Ecosystem Channel
- Branch Led Channel
- ◆ Self- Sourced



Channel Mix

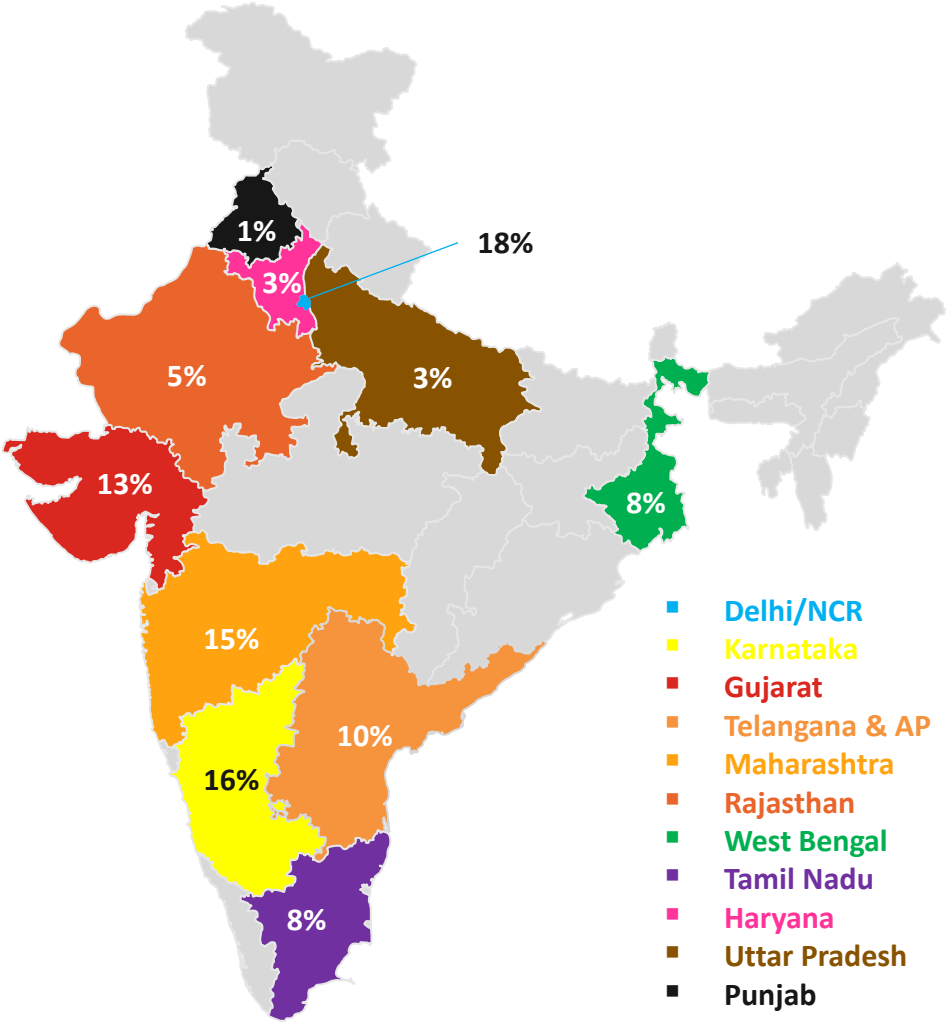


Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	
249	388	498	510	656	759	Branch Led Channel
125	162	187	170	174	197	Ecosystem Channel
201	203	177	168	148	171	Partnerships & Alliances Channel

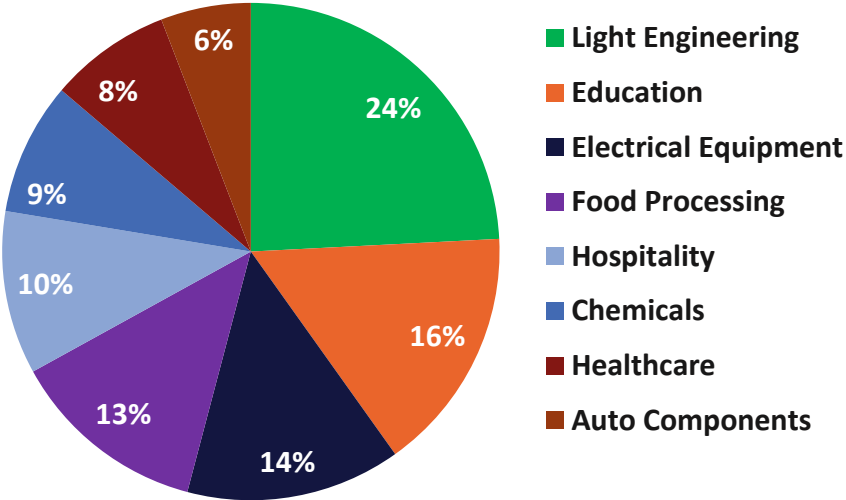
We have put the direct digital channel on hold and are focussing on the launch of our Direct Distribution branches

Our portfolio remains well diversified by Geography and Sector

Geographical Mix*



Sectoral Mix*



*Excluding Partnership & Alliances

Portfolio & restructuring highlights

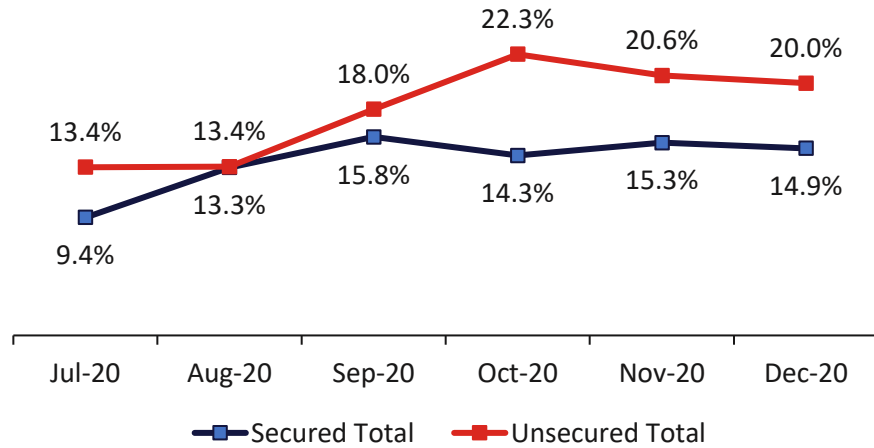
Portfolio split by Channel and ECL Data

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	1,050.57	93.20%
Stage 2	47.35	4.20%
Stage 3	29.30	2.60%
Total	1,127.22	100.00%

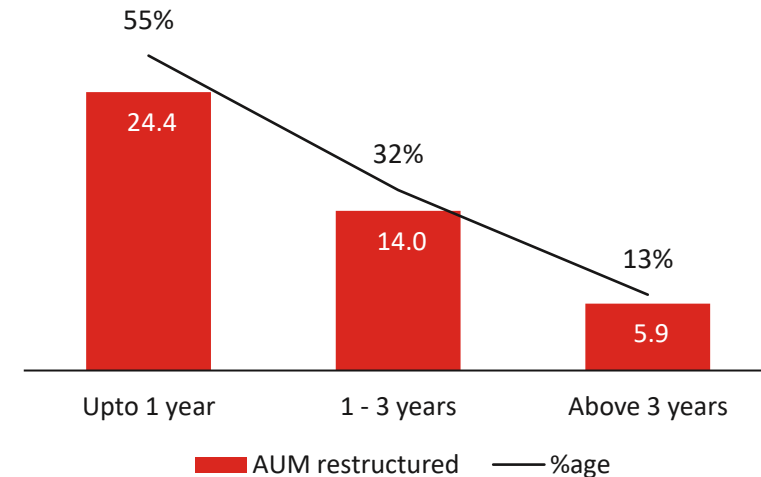
We restructured 3.9% (44.2 Cr) of our portfolio, however, around 90% of the restructured loan accounts were standard. Only 55% of the restructured accounts had an increase in tenor by 1 year.

% Bounce for overall Secured and Unsecured



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



Income Statement

Income Statement (₹ Cr)	Q3 FY21	Q2 FY21	Q3 FY20	9M FY21	9M FY20
Income					
Interest Income	35.07	30.32	23.89	92.87	43.84
Interest from investments	3.70	4.17	4.45	11.17	20.83
Sale of Services	0.02	0.00	0.40	0.02	2.90
Other operating revenue	0.30	0.33	0.16	0.63	0.42
Total Income (A)	39.08	34.82	28.89	104.68	68.00
Expenses					
Finance Costs	11.78	9.64	5.23	28.26	7.25
Employee Benefits Expenses	10.56	10.75	10.07	32.41	35.24
Depreciation, amortization and impairment	3.01	2.88	2.26	8.60	5.27
Other expenses	10.85	8.80	5.55	25.66	22.78
<i>Provision for loan loss*</i>	5.86	3.93	1.04	10.94	4.21
<i>IT and communication expenses</i>	0.94	1.03	0.43	2.88	3.79
<i>Travelling expenses</i>	0.12	0.02	0.33	0.18	1.39
<i>Legal, Professional and other expenses</i>	3.93	3.83	3.75	11.66	13.40
Total Expenses (B)	36.21	32.08	23.10	94.94	70.54
Profit Before Tax (C) = (A-B)	2.87	2.74	5.79	9.75	(2.54)
Tax Expenses (D)	(3.40)	(14.44)	(1.11)	(17.43)	(1.71)
Profit After Tax (E) = (C-D)	6.27	17.18	6.89	27.18	(0.83)

*Including loan loss from COVID-19



U GRO Capital - Overview



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

We aspire to capture 1% market share of the total MSME lending market by 2025

‘To Solve the Unsolved’

**India’s \$600B+
SME Credit Availability Problem**



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
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Traditional Channel	New Age Channels
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GRO Partners
(operating in target segments in Tier I geographies)

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

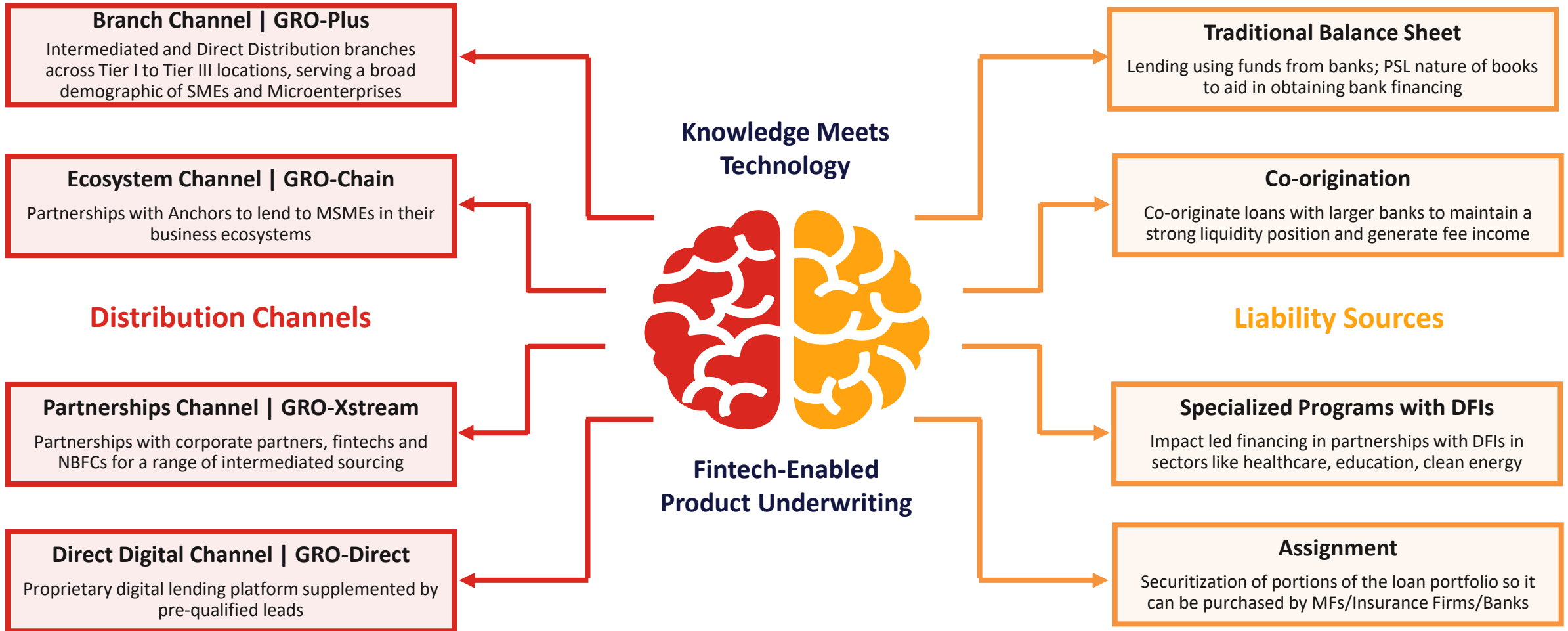
Digital Channels
(leverage 3rd party and own platforms for lead sourcing)

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



Mr. Shachindra Nath

Executive Chairman and Managing Director

26 years of experience in providing strategic direction to institutions across the financial services domain

Lending

SME Lending

Saw the evolution of India's 4th largest Non-Banking Finance business, focused on SMEs with a **book size of over USD 2.3 billion**

Housing Finance

Started the housing finance arm focused on funding the **affordable housing segment**

Capital Markets

Retail Broking

Created a platform with over **1,350 points of presence across India**

Wealth Management

JV with Macquarie providing wealth management solutions to ultra HNI clients

Investment Banking

Mid-market focused institutional equities and investment banking platform with **presence in 8 countries**

Asset Management

Asset Management

Largest alternative asset management out of India : **Over \$ 21 B of AUM** with presence across the US, Europe, Asia and Africa

Marquee funds included **Northgate, IBOF, Landmark Partners and Quadria Capital**

Insurance

Life Insurance

Life insurance JV with AEGON NV of the Netherlands

Health Insurance

One of India's first specialized health insurance companies which achieved scale and significant value creation.

- Born in a small town – worked first 10 Years in rural market outside financial services.
- Worked 15 Years in Financial Services across different segments.
- Worked in leadership role for 5 Years and was presented the “CEO of the Year” award at the Asia Banking, Financial Services & Insurance Excellence Awards in August 2015
- Exited on misalignment on governance and dedicated himself to build a institutional platform.
- Started his entrepreneurial journey in 2016.

As entrepreneur in financial services realise that focus on governance and the desire to create impact on social ecosystem are the best way to create institution – which created UGRO : An Institutional platform dedicated to small businesses.

...supported by a Leadership Team with a strong track record of execution...



Abhijit Ghosh
CEO and Whole Time Director



Anuj Pandey
Chief Operating Officer



Sandeep Zanvar
Chief Financial Officer



J Sathiyam
Chief Business Officer



Manish Agarwal
Chief Risk Officer



Amit Gupta
Chief Treasury Officer



Sunil Lotke
Chief Officer - Legal & Compliance



Nirav Shah
Head of Strategy & IR



300+
employee
count

**Fully
formed
team**

**4/5
Rated
employees**

**Deep and large ESOP
Pool which vest basis RoA
and AuM Performance**

...supervised by an Independent Board comprising of Industry luminaries (1/2)



Shachindra Nath – Executive Chairman and Managing Director

- 26 years of experience in creating institutions across the financial services domain
- 6-year stint as the Group-CEO of Religare Enterprise
- Qualified lawyer and a University Rank holder from the Banaras Hindu University (India)



Satyananda Mishra - Chairman, CSR Committee

- Ex-Chairman, MCX, Ex-CIC, GoI, Ex-Director - SIDBI
- Over 40 years with the Indian Administrative Services
- Indian Administrative Services (Batch of 1973)
- M.A., Utkal University, M.Sc., London School of Economics

Specialization:
Personnel Mgmt



NK Maini - Chairman, Risk Management Committee

- Ex – DMD, SIDBI
- Over 38 years with experience with SIDBI, UCO Bank and IDBI
- PGDM from MDI
- Currently a director with MUDRA, MFIN, NSCCL, Aye Finance, member of the advisory committee at Ivy Cap and Lok Capital

Specialization:
Credit, SME



Abhijit Sen - Chairman, Audit Committee

- Ex-CFO, Citi-India
- Over 40 years of experience with Citi, CEAT, Tata
- PGDM from IIM Kolkata and B. Tech from IIT Kharagpur
- Advisor to EY, Independent Director at Trent, Cashpor Microcredit, Kalyani Forge, India First Life Insurance

Specialization:
Finance Function



Ranjana Agarwal - Chairman, NRC Committee

- Board Member – ICRA, Ex-Senior Partner, Deloitte
- Over 30 years of experience with Deloitte, Vaish and Associates
- CA from ICAI and a BA from Delhi University
- Currently an independent director at ICRA, Shubham Housing, Indo Ram Synthetics, Joyville Shaapoorji Housing

Specialization:
Audit, Tax



S. Karuppasamy - Chairman, Compliance Committee

- Ex-Executive Director, RBI
- Over 40 years of experience with the RBI
- PG Diploma in Bank Management, Indian Institute of Banking & Finance, CAIIB (Honorary Fellow) & MA (Economics)
- Currently a member of the RBI services board, and a director at ARCIL and Vidharan (MFI)

Specialization:
RBI Regulations

Legend: Independent Directors, Non-executive Directors

Board members selected for the specific skillsets they bring to the table

...supervised by an Independent Board comprising of Industry luminaries (2/2)



Navin Puri

- Ex-Head of Branch Banking, HDFC Bank
- Over 30 years of experience at HDFC Bank and ANZ Grindlays Bank
- B. Com from St. Xavier's College Calcutta, MBA from Texas Christian University and CA from ICAI
- Currently a member of the Equitas Small Finance Bank board

Specialization:
Retail Banking



Rajeev K. Agarwal - Chairman, Stakeholder Committee

- Ex-Whole Time Member, SEBI
- Over 30 years with experience with SEBI, FMC, IRS
- Indian Revenue Service (Batch of 1983)
- B. Tech, IIT Roorkee

Specialization:
SEBI Regulations



Chetan Gupta

- Managing Director at Samena Capital
- Chartered Financial Analyst (AIMR), Chartered Alternative Investment Analyst and holds a master's in management (Finance) from the University of Mumbai.



Manoj Sehrawat

- Partner at ADV
- 22 years of experience in financial services across private equity investments, structured finance, distress debt acquisition & resolution, corporate and financial restructurings in India
- Chartered Accountant (C.A.) from Institute of Chartered Accountants of India. B. Com (Hons) from Delhi University



Kanak Kapur

- Partner and PM at PAG
- 27 years of experience in financial services across investment banking, trading and distressed asset investment.
- MBA from NYU Stern School of Business



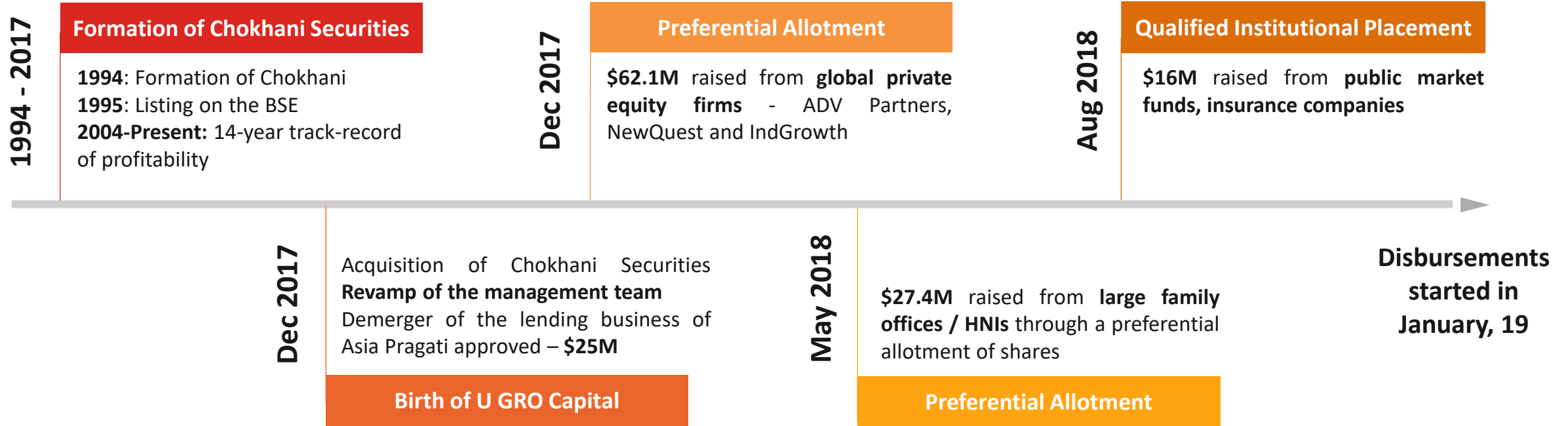
Amit Gupta

- Founding Partner of NewQuest
- B.Tech. from Regional Engineering College, Kurukshetra University, Haryana. PGDM from Indian Institute of Management (IIM), Bengaluru, Karnataka.
- Was the Non-Executive Director of Ujjivan Financial Services Limited

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

U GRO's Board also includes CEO Abhijit Ghosh as an Executive Director

Backed by Diverse and Marquee Shareholders



Private Equity Funds



Public Market Funds



Chhattisgarh Investments

Insurance Firms



Family Offices



Famy Care Ltd.
Taparia family

Himatsingka family

Gaurav Dalmia
Chairman, Dalmia Group Holding



Specialization & Technology

Specialized SME Lenders are better positioned to bridge the MSME Credit Gap

	Specialized SME Lenders	Traditional NBFCs	Banks
Product	Customized products based on the nature of business, non-financial parameters, end use, payment capacity/ frequency of underlying customer	Loans against property, supply chain financing, unsecured loans	Loans against property, supply chain financing
Distribution	Omnichannel Ecosystem based lending	Branch/DSA led	Branch/DSA led
Credit Appraisal	Sector specific approach, Cash Flow Based Automated Review	One size fits all Collateral/Bureau score	One size fits all Collateral/Bureau score
Turn-Around Time	4-5 days	15-20 days	30-45 days
Documentation	Combining traditional and non-traditional sources. Use of information available in public and private domains. Digital document submission	Financial Statements, P&L Account, Balance Sheets, Bank Statements	Project Reports. Projected financials, Bank Statements.

Technology is essential to achieve a Specialized Model at Scale



DISTRIBUTION

- Quick and easy **integration with distribution partners**
- **Paperless login** enabled by API integrations and OCR
- Lower **turn-around time**
- Faster **product launches** and **process iterations**
- **Direct to customer** interface and **pre-approved programs**



CREDIT UNDERWRITING

- Access and process the large trove of **private and public data**
- **Centralize underwriting** knowledge
- Customized **scorecards**
- **Automate processes** to reduce errors and increase throughput
- Access and analyze **surrogate data**




OPERATIONS

- Comprehensive notification/trigger mechanism for best-in-class **client servicing**
- Banking integration for **automated disbursement, deductions**
- Digital **self service** and support
- Digital process enablers such as eSign, eKYC, eStamping
- **Processing at scale**



COLLECTIONS

- Automated, analytics led **early warning systems**
- **Cash less** EMI collections
- **Geo-tagging** of customers



| **Better Assessment**
| **Shorter TAT** |
Personalized
Customer Journeys |

Technology has created a new breed of fin-tech lenders in India | Digital lending to increase 10-15 times by 2023, scaling up to ~\$100B in annual disbursements

U GRO Lies at the intersection of Specialized NBFCs and FinTechs

Specialized NBFCs

Fintech Platforms

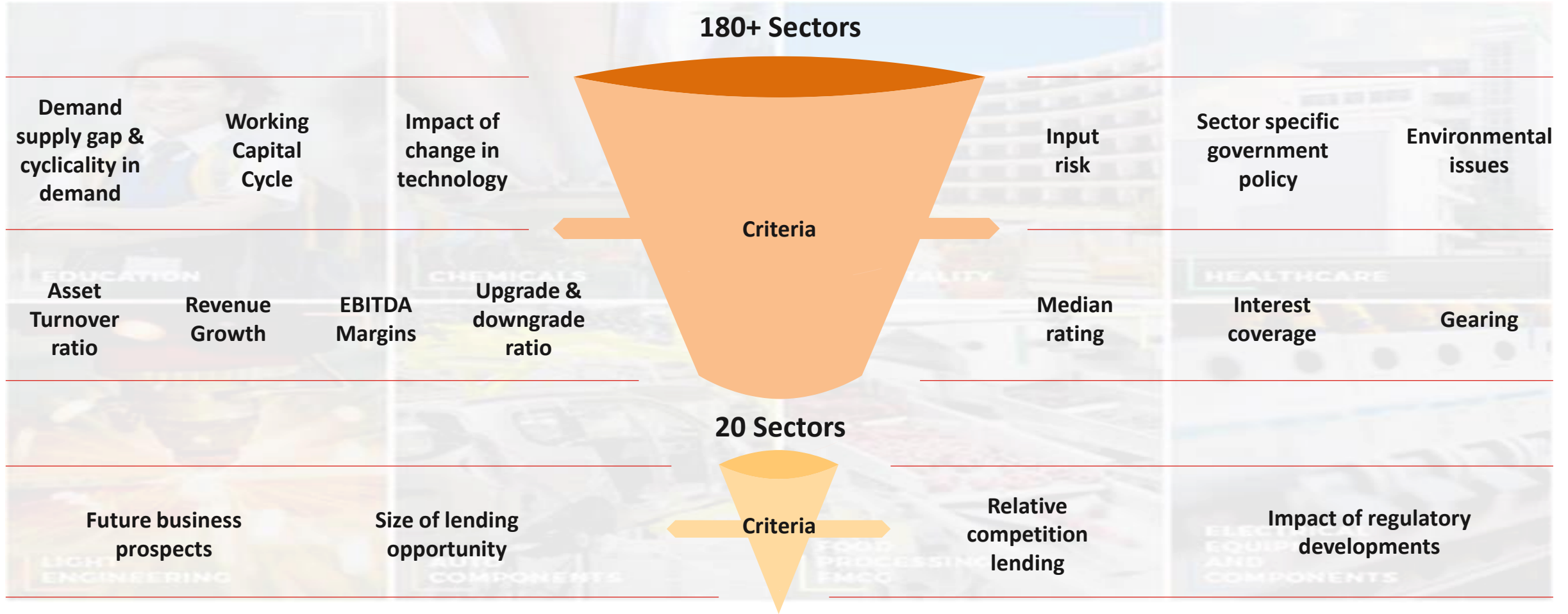


U GRO intends to create a specialized, scalable platform optimized for end-to-end lending



Building deep sector expertise

Deep analysis of Macro and Micro Economic Factors...



Reached Targeted 8 Sectors

An 18-month process involving extensive study of macro and micro economic parameters carried out in conjunction with market experts like CRISIL

...to arrive at a set of Specialized Sectors

8 sectors & Micro Enterprises and their allied 200+ ecosystems

Focus on **Micro & Small Businesses clusters** in India

~50% - Contribution of the 8 sectors to the overall MSME lending market in India

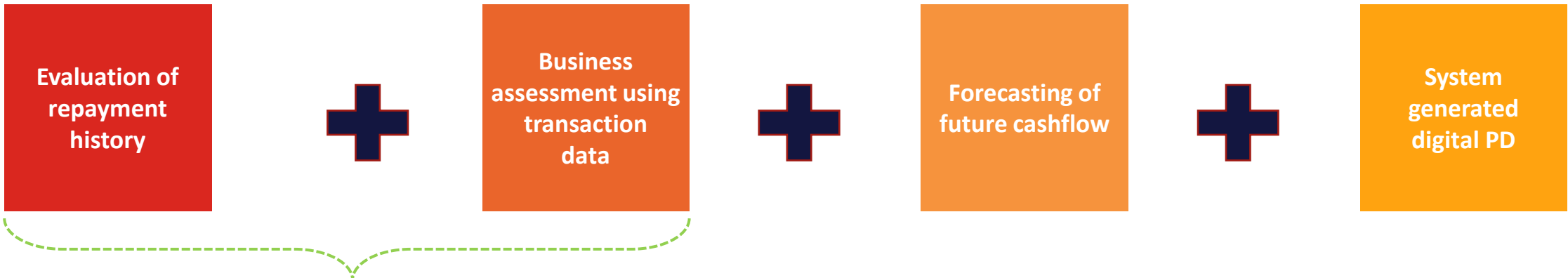
Partnership with CRISIL to deep dive into sub-sectoral developments on a monthly and quarterly basis

Keen focus on lending to MSMEs



GRO Score, a superior underwriting framework, launched to make our selection sharper

We are on track to achieve 100% digital underwriting in SME lending



Gro Score 2.0 - first credit score combining commercial and consumer bureau with bank statement now in place

First in-house prototype is ready

First prototype coming by March 2021

GRO 2.0 combines credit bureau & banking data into one model

Credit bureau		Banking	
Pace of borrowing	History of raising costly debt	Transaction intensity	Balances and utilization
Product mix	Default with prime lenders	Turnover	Cash withdrawals and deposits
Overdues	Business activity under individual	Purchases	Cheque bounces & bank charges
Frequency of default	Credit card usage	Counterparties & relative strengths	Ecommerce
Nature of past borrowers	NBFC/ PSU relative contribution	Payment cycles	Utility payments

GRO Score combines Credit Bureau Data & Banking Data and provides superior performance through use of ML models

- Combines entity + individual + banking into **ONE model**
- Trained on own data – eliminates “**look-alike**” sector definition bias
- **No** specific bureau **dependency**
- Potentially **28% higher** approval rates with similar or lesser risk

Supplemented by Industry First ‘Expert Scorecards’ for all Sub-sectors

Education | K-12 Schools

Parameter	Factor	Weightage
Entity related	Vintage of the school	30%
	School Principal’s Experience	25%
	Association with any reputed brand/group	25%
	Exam Board with which the school is affiliated	10%
	Typical income profile of students’ families	10%
Service related	Sources of non-fee income	30%
	Provision of transport facilities	45%
	Availability of Smart Boards and Robotics Lab	25%
Staff related	Average overall experience of teachers	20%
	Teacher attrition rate	20%
	Average student to teacher ratio	35%
	Pass rate of students in board exams	25%
Revenue related	Number of Students	25%
	Capacity utilization	20%
	Number of operational shifts	15%
	Average fees relative to other schools of the same exam board	10%
	Proportion of students who delay fee payment	10%
	Frequency of fee payment	10%
	Average annual tuition fee increase	10%
Cost related	Average annual increase in teachers’ salary	40%
	Employee costs as a proportion of revenue	60%

Light Engineering | Medical Equipment Manufacturers

Parameter	Factor	Weightage
Entity related	Vintage of the entity	25%
	Experience of Promoter	25%
	Category of equipment manufactured by the firm	50%
Revenue related	Share of revenues from exports	25%
	Share of bidding versus regular orders	30%
	Client concentration (of top 3 customers)	15%
	Average length of relationship with top 3 customers	10%
	Concentration of top 3 vendors/raw material suppliers	10%
	Average length of relationship with top 3 suppliers	10%
	Receivable days	50%
Cost & Efficiency	Certification and awards (related to quality)	35%
	Rejection rate	15%

- The parameters and their associated weightages **vary widely across sectors and subsectors**, and can **vary within subsectors** too (e.g. traders of medical equipment as compared to manufacturers of the same)
- The efficacy of parameters, factors and weightages are **monitored and back-tested** at regular intervals. Adjustments can be informed by **market changes or accrual of incremental subsector specific knowledge**



Creating multi line distribution

Distribution Channels | Multi pronged approach led by Offline presence and Tech capabilities

a Branch Led Channel | GRO-Plus

- **9 intermediated Branches** with loans sourced by DSAs – onboarded 603 intermediary GRO-Partners 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

b Ecosystem Channel | GRO-Chain

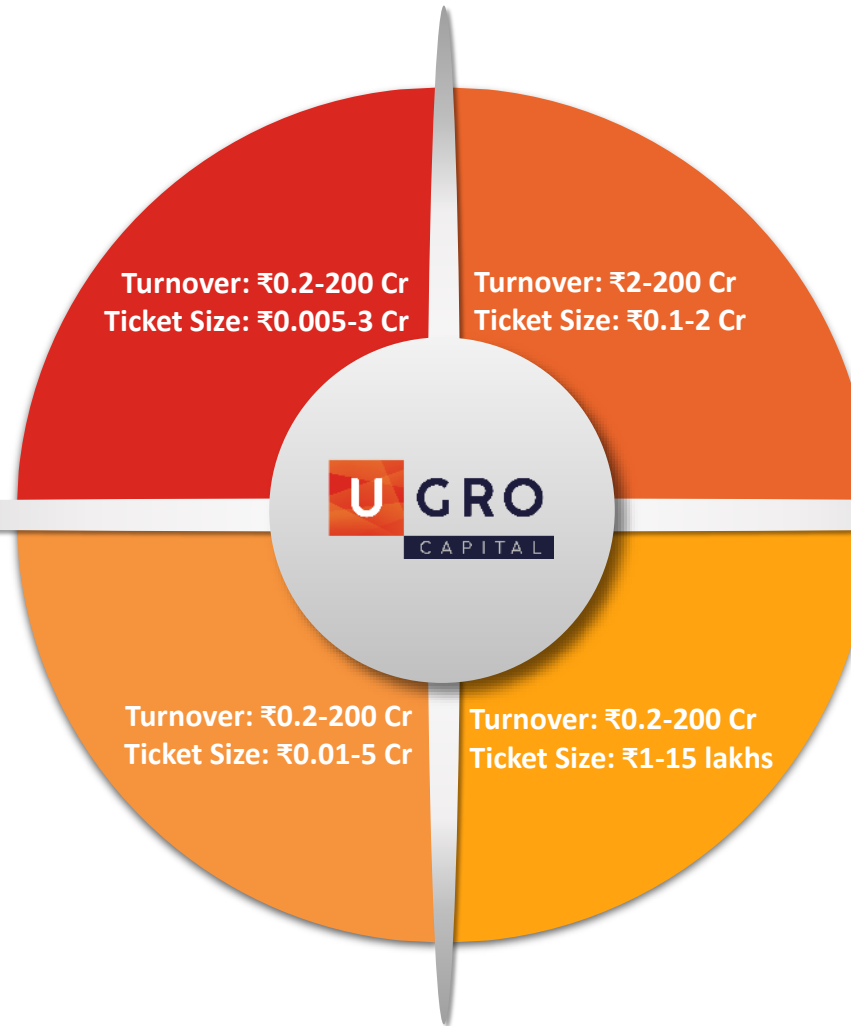
- **Supply Chain Financing** by partnering with anchor companies to gain access to their ecosystems of **vendors, dealers and distributors**
- Credit provision to **vendors, dealers, distributors and tier 2 suppliers** not eligible for traditional financing means

c 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**

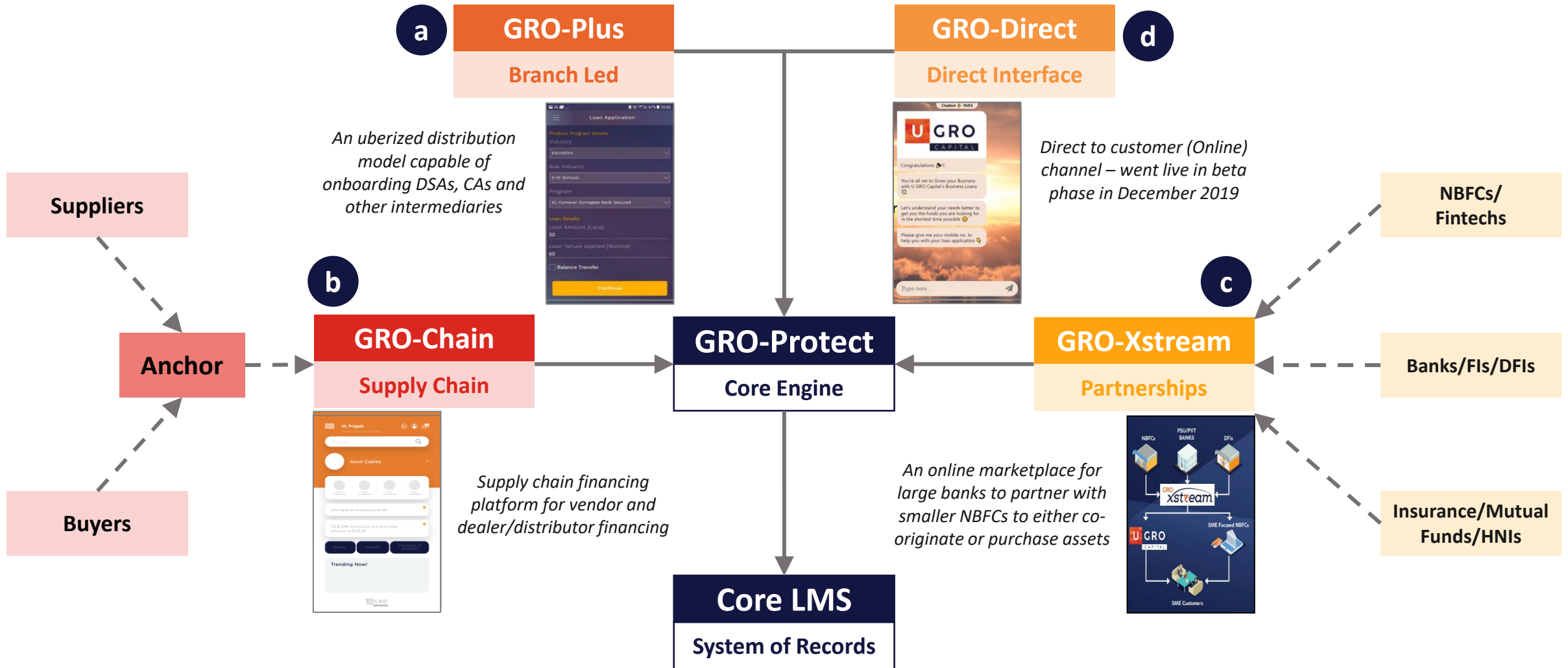
d Direct Digital Channel | GRO-Direct

- 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 launched to cater all U GRO specialized sectors in future



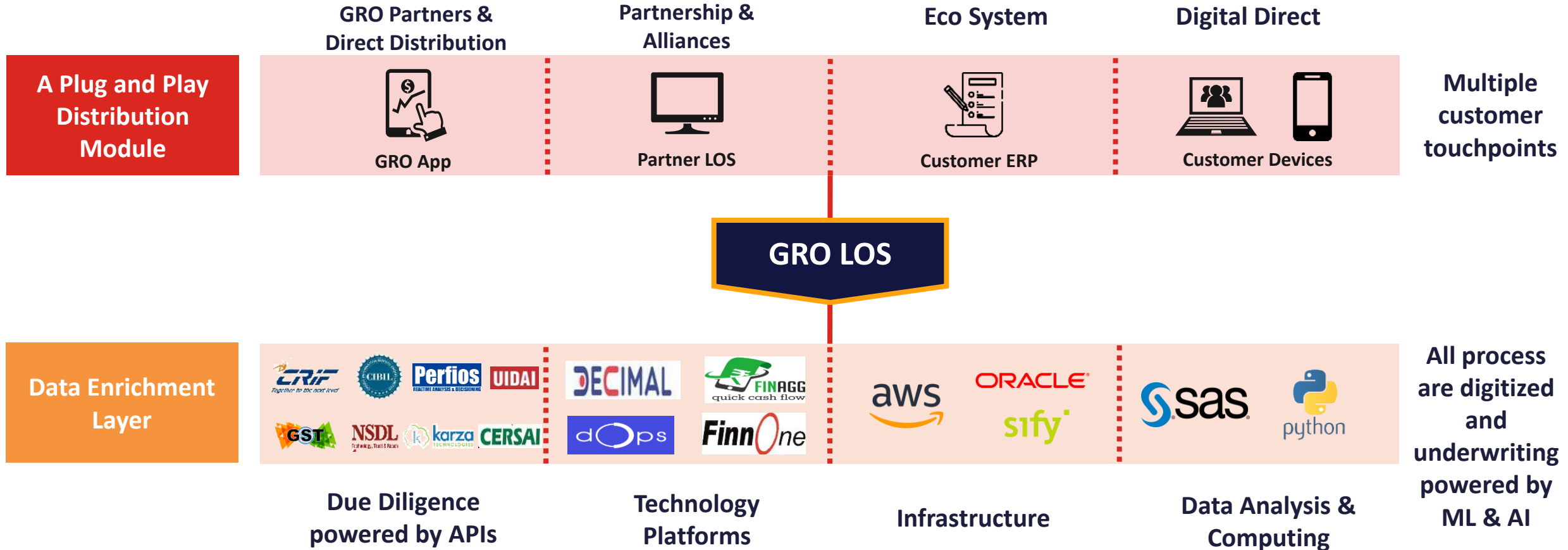
**U GRO's distribution model is geared towards catering SMEs across all geographies and ticket sizes
Tailored products allow for highly structured deployment of capital – optimized for both the distribution channel and customer**

These distribution engines are powered by proprietary technology platforms



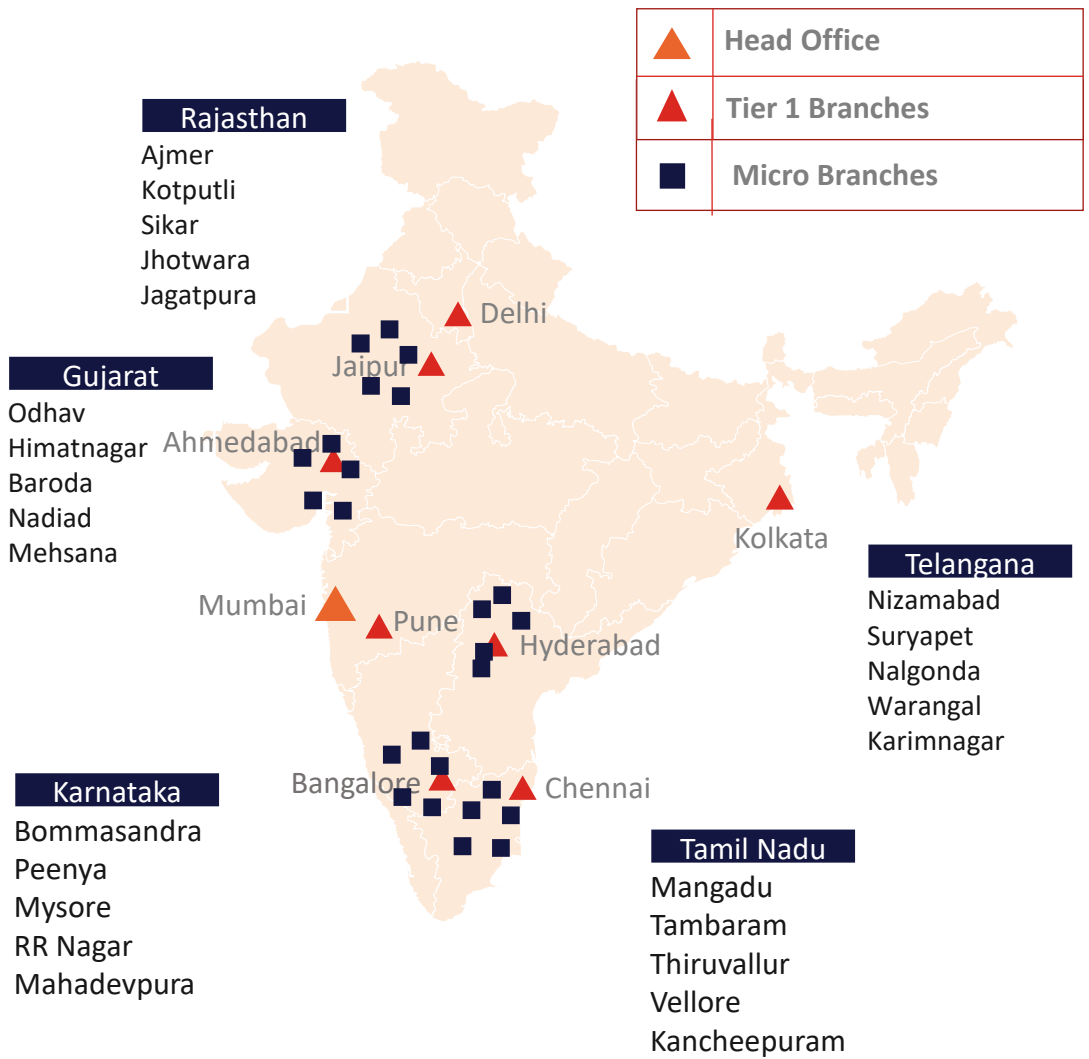
Building a partnership driven approach to both assets and liabilities

Our platforms are integrated with rich data enrichment layer



A paperless, and seamless customer onboarding & underwriting process supplemented by physical underwriting

Total 34 Branches identified through rigorous SME cluster analysis & portfolio benchmarking



Tier 1 Branches

Partner Selection Criteria	Value Proposition for Channel Partners
<ul style="list-style-type: none"> Rigorous vetting of 1,200+ partners to reach an initial list of 100 channel partners for Prime Business Selection criteria: <ul style="list-style-type: none"> Track-record of 3+ years Infrastructure Readiness Portfolio performance Currently, we have 603 GRO Partners fueling our disbursement engine 	<ul style="list-style-type: none"> Lower TAT : In principal approval in 1 hour Higher productivity: High conversion (~60%) post the in-principle approval Analytics-driven opportunity to cross-sell/top-up within their customer bases U GRO co-lends with larger banks, allowing partners to originate larger ticket sizes Payment within 7 days resulting in improved working capital management

Micro Branches

- Branch Selection:** Areas with high catchment POS & low delinquencies identified for set up branches
- Target Customers:** Micro Enterprises operating in tier 2/3/4 cities
- Target Yield:** 20%+ with a ticket size of max 5 lacs for unsecured & 25 lacs for secured
- Scale up plan:** Currently have 25 branches, plan to scale it up to 75 branches in FY22
- Expected to significantly ramp up our distribution capability & serve the underserved Micro Enterprises

We made a strategic pivot to enter the Microenterprises Segment with launch of our direct distribution Branches.

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’

- **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				
Scale-up Plan		Phase 1	Phase 2	
	Branches/state	5	→	15
	Branches pan India	25	→	75

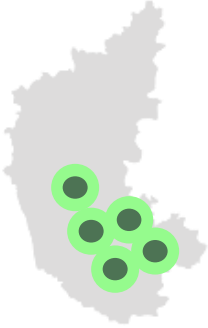
Phase-1 plan

States Selected	Target Customers	Product & Customer Profile
<ul style="list-style-type: none"> ▪ Karnataka ▪ Tamil Nadu ▪ Gujarat ▪ Telangana ▪ Rajasthan 	<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

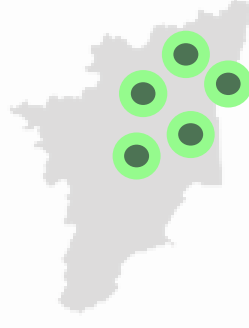
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We launched 25 new GRO-Micro Branches to serve the micro-enterprises

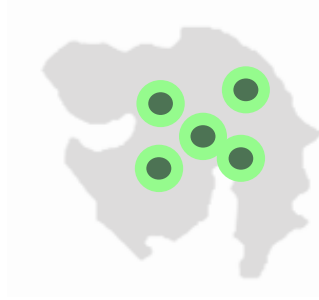
Karnataka



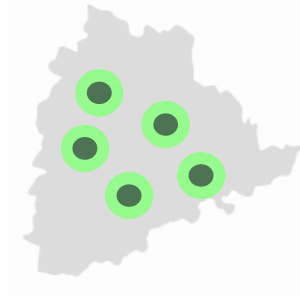
Tamil Nadu



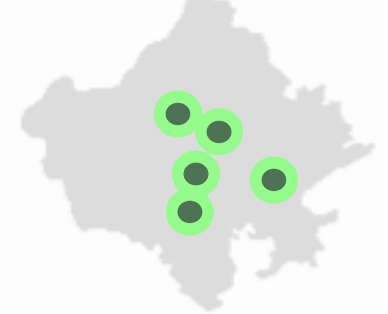
Gujarat



Telangana



Rajasthan



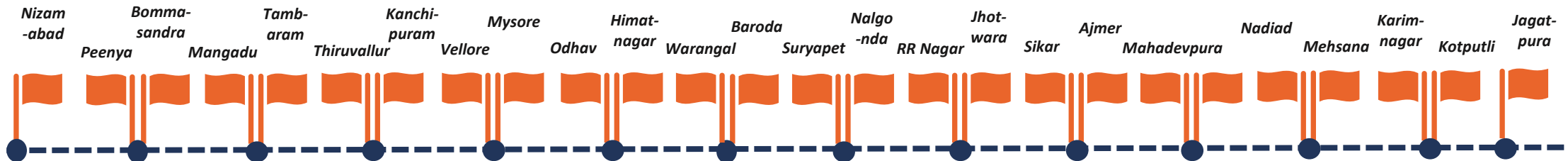
- Bommasandra
- Peenya
- Mysore
- RR Nagar
- Mahadevpura

- Mangadu
- Tambaram
- Thiruvallur
- Vellore
- Kancheepuram

- Odhav
- Himatnagar
- Baroda
- Nadiad
- Mehsana

- Nizamabad
- Suryapet
- Nalgonda
- Warangal
- Karimnagar

- Ajmer
- Kotputli
- Sikar
- Jhotwara
- Jagatpura



All 25 branches

a

We distribute products through these branches with different ticket sizes that serve the entire spectrum of MSMEs tailored to their needs

Segment

Prime

Medium Prime

Low Prime

Emerging

Fulfilment

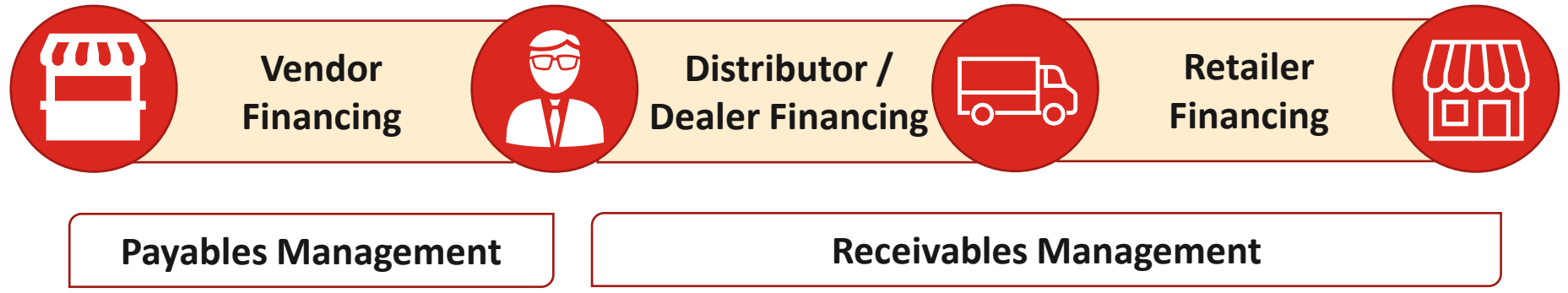
Product	Type	Avg. Ticket	Yield
Pratham	Secured	25-250 lacs	8.15-9.75%
	Unsecured	10-25 lacs	18.5-19.5%
Sanjeevani	Secured	75-300 lacs	12.0-13.0%
	Unsecured	15-50 lacs	15.0-17.5%
Saathi	Secured	15-75 lacs	15.0-17.5%
	Unsecured	1-5 lacs	25.0-27.0%
Micro Enterprises	Secured	1-25 lacs	22.0-25.0%
	Unsecured	1-5 lacs	25.0-27.0%

Co-lending with large banks & NBFCs

Distribution through large tier 1 branches formats through own Balance Sheet.

Distribution through micro tier 2/3/4 branches through own Balance Sheet

i Anchor Led



Vendor

- Receives **faster payment**
- Reduces** cost of capital by leveraging **anchor's credit rating**
- Liberty to choose** when to use

Anchor

- Minimises** WC investment
- Off-balance sheet funding
- Lower** financing cost
- Reap early payment **discount**

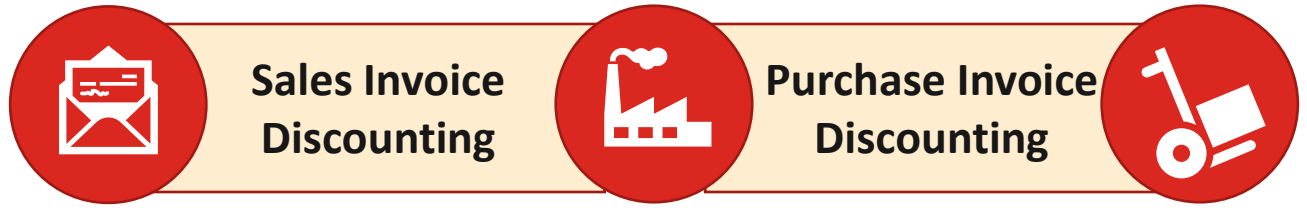
Dealer

- Provides much needed WC for purchase of inventory
- Lower** cost of funds than other WC loans
- Avail cash **discount** from vendor

Anchors



ii Non-Anchor Led

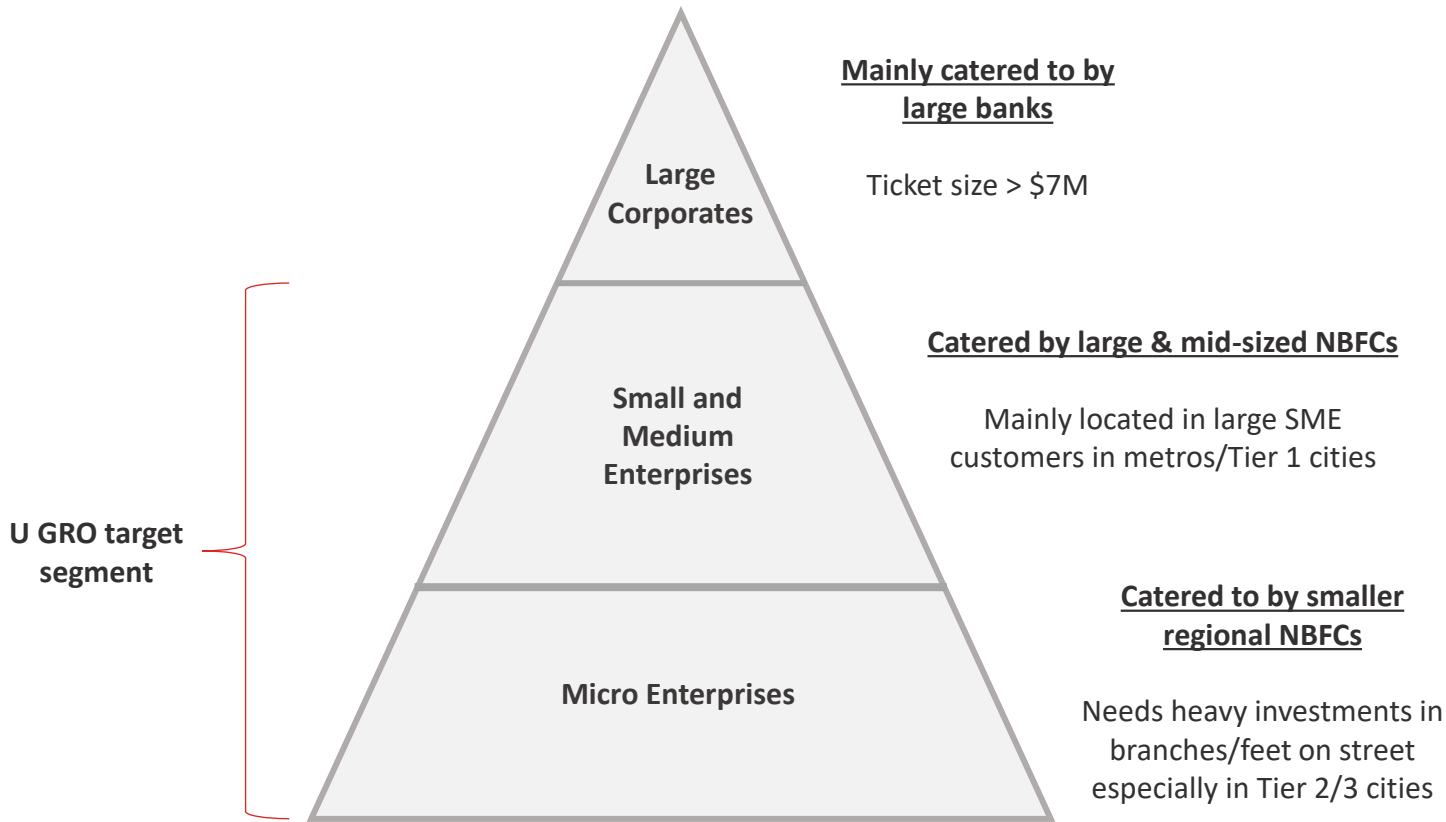


Key Features

- No corporate acceptance required
- Downloadable app for invoice level management
- Seamless virtual escrow account repayments
- Automated limit updation and settlement



Anchor led models based on bill discounting from corporates and delivery confirmation



Symbiotic partnerships to cater to the MEL segment

Challenges faced by NBFCs

- Given scale of NBFCs, their regional concentration and the target segment, **access to credit for such NBFCs is limited**

U GRO Solution:

- Create a **steady liability solution** for such NBFCs through multiple modes including **direct lending, on tap assignment, co-lending and debt syndication**
- Joint under-writing** by U GRO and the partner NBFC

Advantage to U GRO

- Ability to create a **large, granular micro-enterprise book** without incurring significant opex
- First loss credit enhancement** from the Partner

U GRO can create a customised plan for DFI to channel their debt to partners that lend to Micro Enterprises.

The BFSI partnership channel is U GRO’s strategy to cater to the micro-enterprise segment without incurring high Opex costs

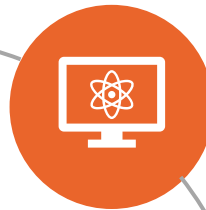
Neo Banks

Financial technology firms that offer internet-only financial services and lack physical branches



Online Aggregators

2 sided marketplaces that connect a range of service providers with customers



POS / Wallets / Payment Gateways

Online & Offline Payment Gateway providers that facilitate cashless transfer of money during purchase



E-commerce Market Places

Online E-commerce websites that allows small business to sell their products online



Offline Aggregators

Establishments that provide turnkey solutions to customers and help them ease planning and procurement



B2B Market Place

Aggregators of B2B products and services provider that simplify procurement needs of businesses



Our Existing Partners



Customer Service

Chatbot based, integrated with popular message apps (proposed)

- **Completely Digital** Customer Servicing
- No reliance on human intervention
- Web-service based APIs for **instant query/request handing** over app/web or IVR call

Sector-Focused Partnerships

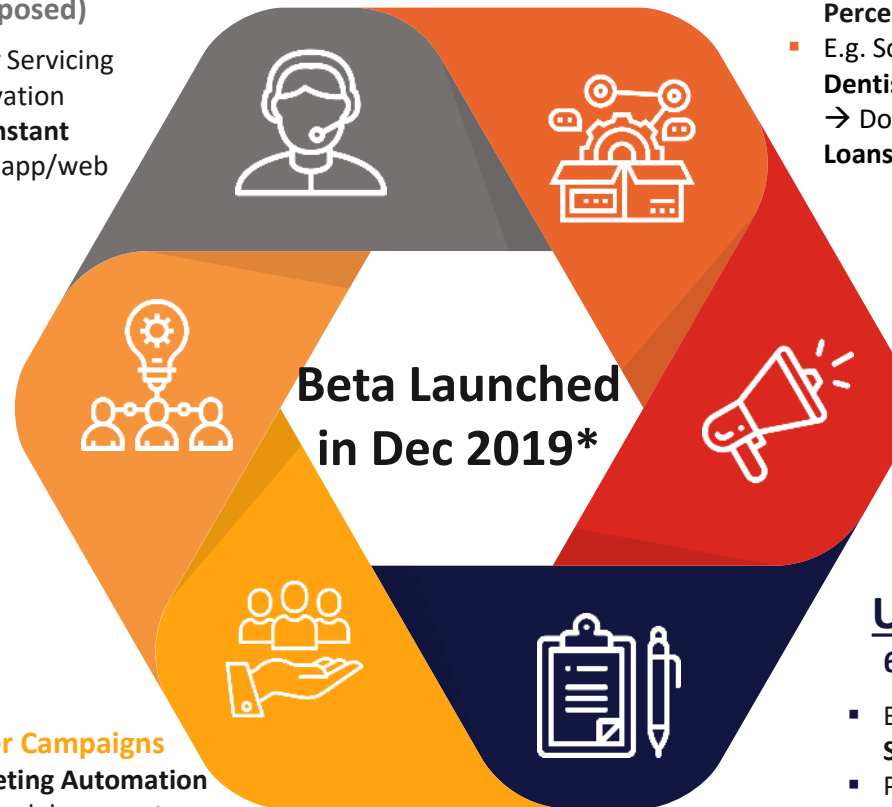
- **Ecosystem Players**
- Aggregators
- Web Portals Listings
- Payment Gateways
- **Marketplaces**
- Industry Bodies/Associations

Acquisition

Micro-targeting of customer and partner audiences for onboarding

Direct To Customer Campaigns

- Integrated **Marketing Automation Tool** for campaign deployment
- Medium: **SMS/Flash Message/WhatsApp/Voice Blasts/Email**
- **Outbound Calling** with loan solutions to optimise conversion



Product Development

- **Sectoral Need Gap Identification** based on **Perception Maps**
- E.g. Solutions available for **Dentists Loan** (Healthcare → Doctors) & **Kirana Shop Loans** (FMCG → Trading)

Product and Marketing

Innovation driven by Micro-Level Focus within Sub-sectors

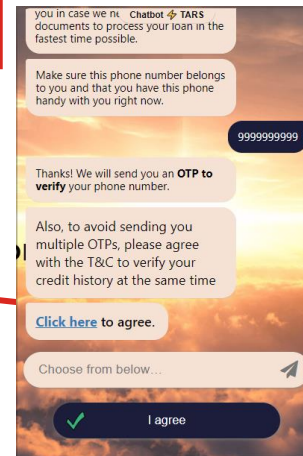
Marketing

- Customer Data Identification
- **Push & Pull Marketing Campaigns**
- Personalised Communication
- Personalised on-boarding journey (**ChatBots**)

Underwriting/Fulfilment

60 Mins Decisioning – 100% Digital

- Based on **Industry First Sector Specific Scorecards**
- Pings other Tech Platforms for information gathering and validation via customized APIs
- Assisted models (Outbound Calling) to induce customers to convert
- Outsourced partners to collect documents and meet regulatory compliance





Building diverse set of liability providers

Liability is an 'Art' – U GRO is designed to perfect this Art..

U GRO's asset strategy would lead to a low cost of capital

Key tenets of our liability strategy

Liability led asset strategy

- Build a **diversified, granular book catering to prime/near prime customers**
- Start with a primarily secured book and slowly build the unsecured part
- **95% of the book to be Priority sector/Impact lending**
- **Minimal asset-liability mismatch**

Active engagement with stakeholders

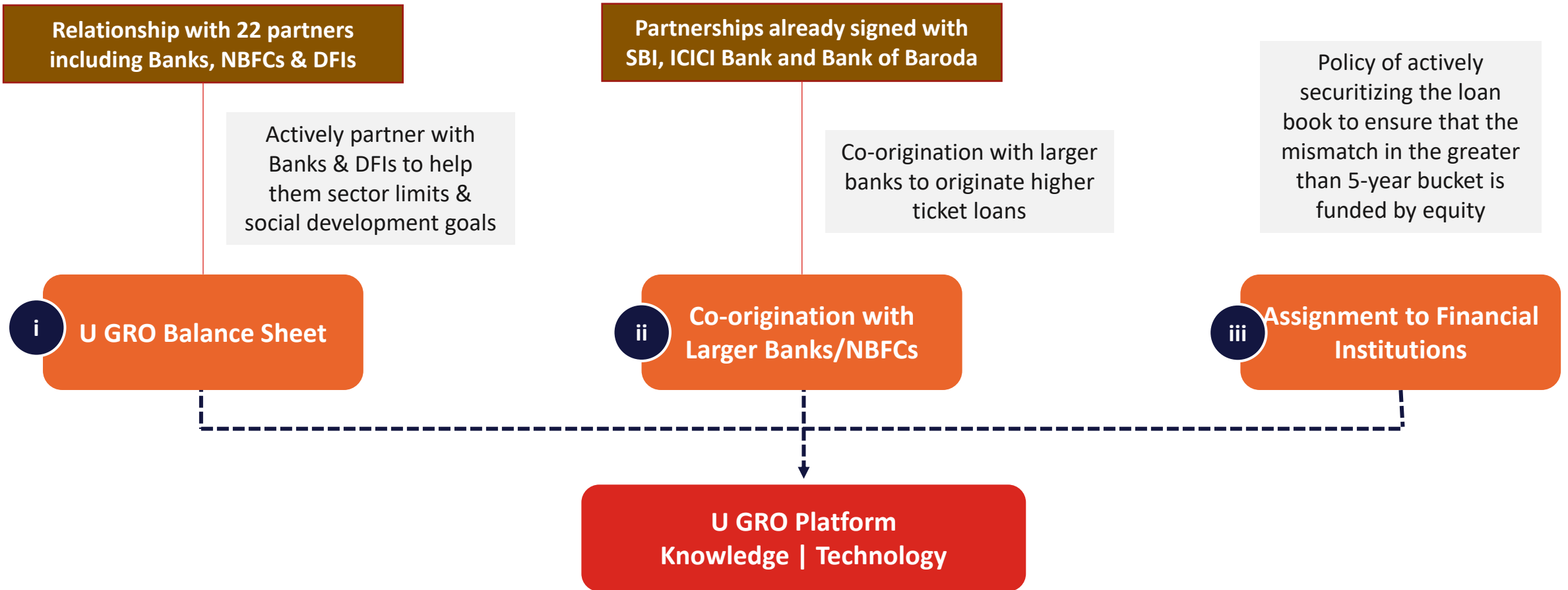
- Enhance ratings through **close partnerships with rating agencies** and by creating a diverse and secure lending book
- **Early conversations with banks** to secure debt and co-lending partnerships

Diversified Liability Base

- **Diverse liability mix to include** – all major banks, debentures, capital market and insurance companies
- Access funding from new sources of funding such as **multilateral agencies, impact funds, development bank etc.**
- **A mix of on and off-balance sheet assets**

| Build loan book starting from high equity/low leverage to higher leverage over a period of time | Achieve low cost of borrowing basis high credit rating over a period of time |

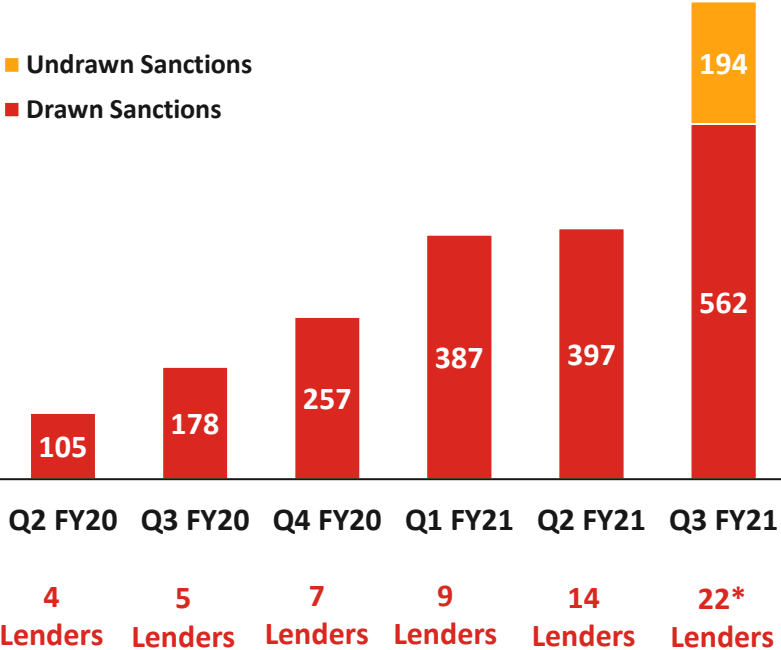
Our Liability Strategy | A Tri-Pronged Approach



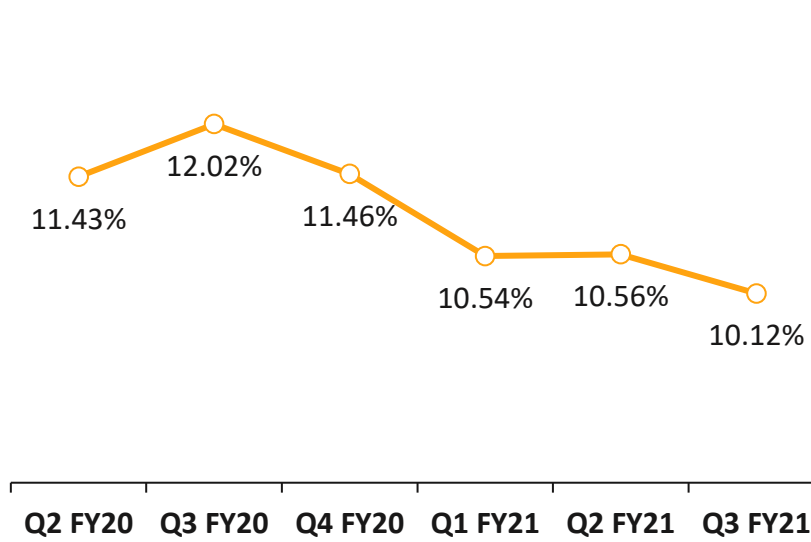
| Ability to generate significant fee income | More competitive interest rates | Ability to cater to customers of all risk profiles | Increased scale | Minimize ALM mismatch |

i We are expanding our liability book & have 22 active lenders

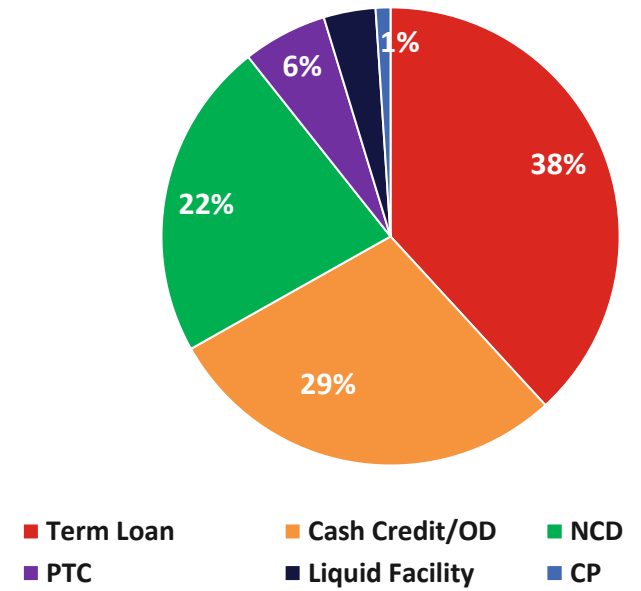
EOP Sanctioned Liability on Book (INR Cr)



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

DFI

SFBs, NBFCs & other institutions



* Includes lenders added in Jan'21



Bank of Baroda

(Loan Book: \$67B)

Secured Business Loans
Signed October 5, 2019 – **Going live under the revised RBI Guidelines for Pratham.**



State Bank of India

(Loan Book: \$312B)

Small Ticket SBL & UBL
Signed November 8, 2019



ICICI Bank

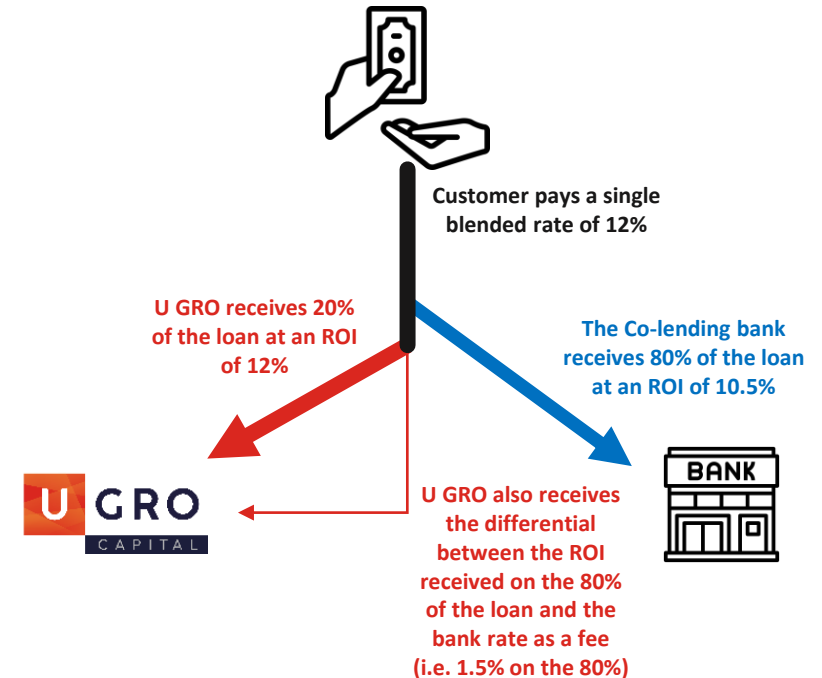
(Loan Book: \$84B)

Secured Business Loans
Signed December 13, 2019

Co-origination is a value accretive strategy

Numbers provided are for illustrative purposes only

Example of Co-origination Model



- U GRO achieves a high total income per loan with this model, leading to a **higher ROE**
- Co-origination provides a channel for **quasi-liability** at an attractive cost of debt
- U GRO's income from 80% of the loan is classified as fee income, for which there are **no capital adequacy** requirements
- The full responsibility for **origination, underwriting and collections** (if required) lie with U GRO Capital
- Co-lending model allows U GRO to better cater to **varying risk classes**



Our long term goals

Where we want to be in next 5 years



{	16.3%	}	Interest Yield
{	9.5%	}	Borrowing Costs
{	8.5%	}	Net Interest Margin (NIM)
{	4.2%	}	Return on Assets
{	18.8%	}	Return on Equity
{	3.8x	}	Debt/Equity Ratio

ROA Tree (Projected)	FY25P
Interest Income	16-17%
Cross-sell	0.2-0.5%
Co-lending/Assignment Income	0.4-0.6%
Other income	0.5-1%
Interest on cash	0.5-1%
Total Income	17.5-19.5%
Borrowing Costs	7.5-9%
Employee Expenses	2-3%
Provisions	0.4-0.8%
Other operating expenses	1.4-1.6%
Total Expenses	12-14%
PBT	~5.5%
Tax	~1-2%
PAT	~4-5%
ROE	~18.8%

Thank you

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