

UGRO Capital Limited

Q3'FY23

Investor Presentation

NSE: UGROCAP | BSE: 511742

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About UGRO

Catalyzing the future of credit access for MSMEs

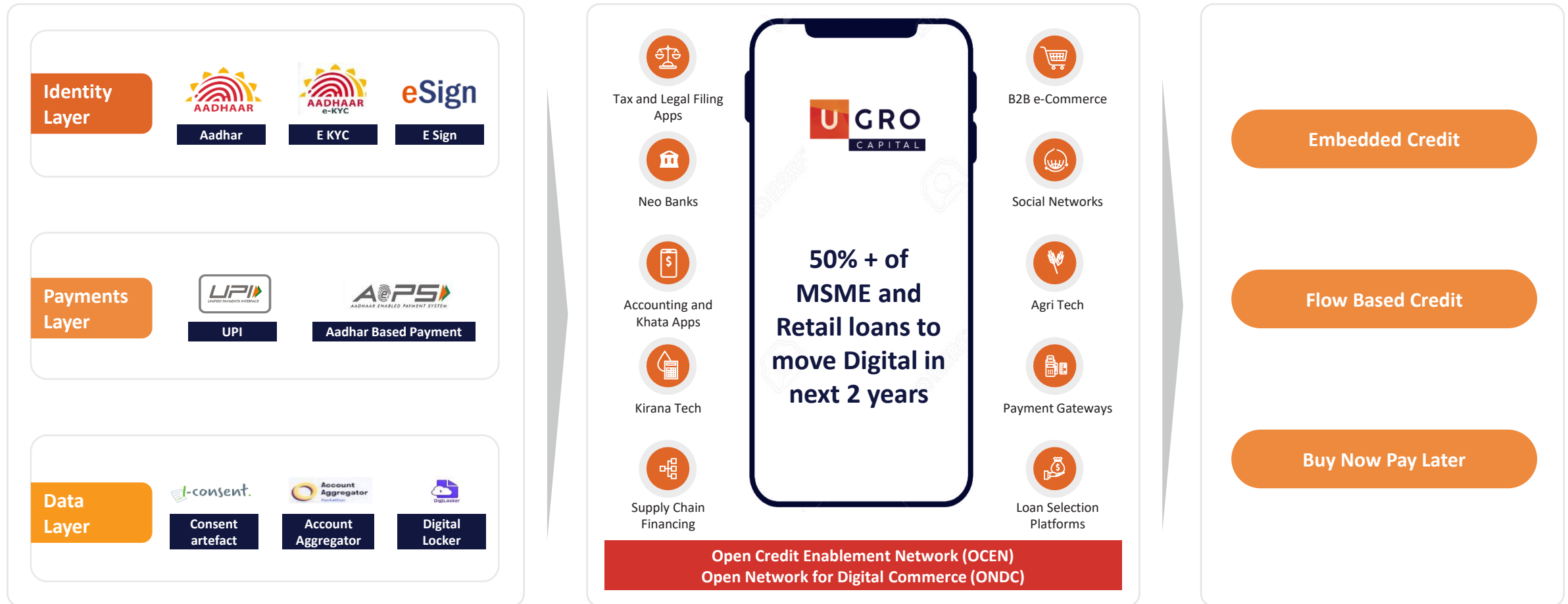
Striking success
with another achievement

₹ **5000** CRORE
AUM

**5,000 Crore
Milestone
Achieved**

It has been proven that Data + Technology is the engine for MSME Credit in India

End to End MSME Digital Lending is now a reality



UGRO Capital - Overview

About UGRO

- U GRO Capital limited is a BSE and NSE listed, technology focused, small business lending platform.
- Built on 5-pillars of Data, Technology, Strong Corporate Governance, Experienced Management Team and Large Institutional Capital
- The company was formed in FY18 by raising ~INR 920 cr capital from marquee Private Equity Players like ADV, New Quest, PAG, Samena Capital
- As on Dec'22, it has scaled its operations to an AUM of INR 5,095 Cr with a Net worth of INR 969 Cr.



The Company envisions to spearhead India's transition of MSME Lending to the new age of 'on-tap financing'

Vision / Mission

Mission:
'To Solve the Unsolved'



India's \$600B+ SME Credit Availability Problem

We aspire to capture 1% market share (INR 20,000 Cr) of the total MSME lending market by 2025

Our Thesis

Problem of MSMEs can be solved by

- Bringing homogeneity to a non-homogeneous Sector
- Building deep expertise around core sectors with a data centric, technology-enabled approach



180+ Sectors Screened



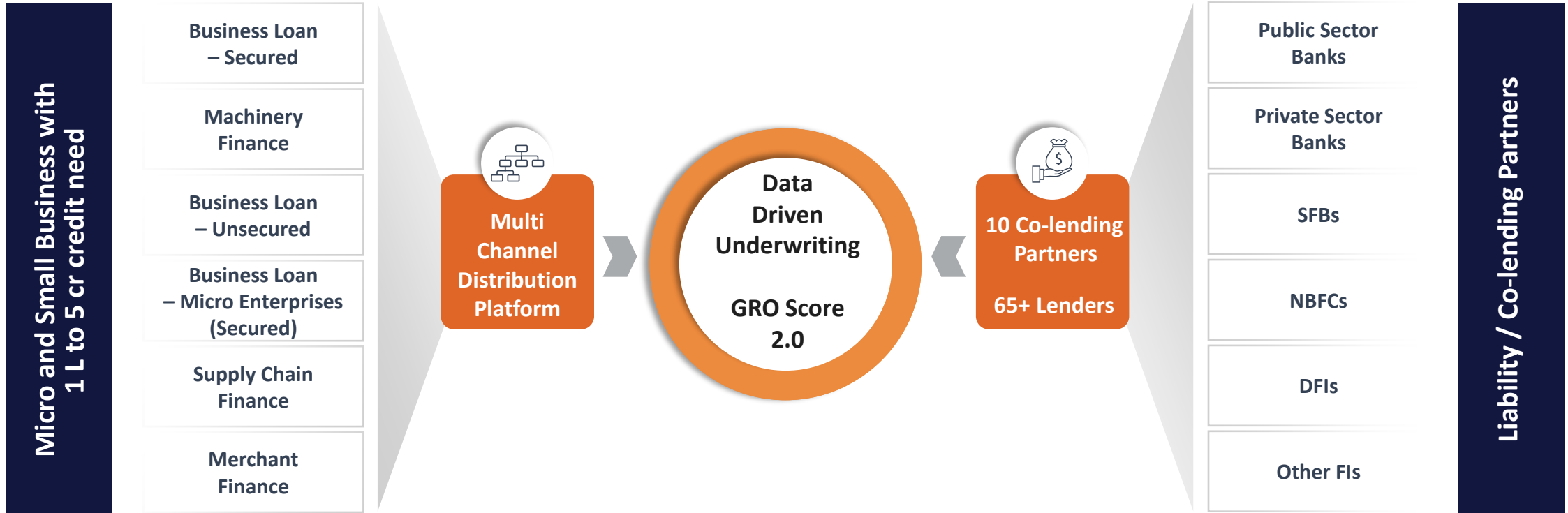
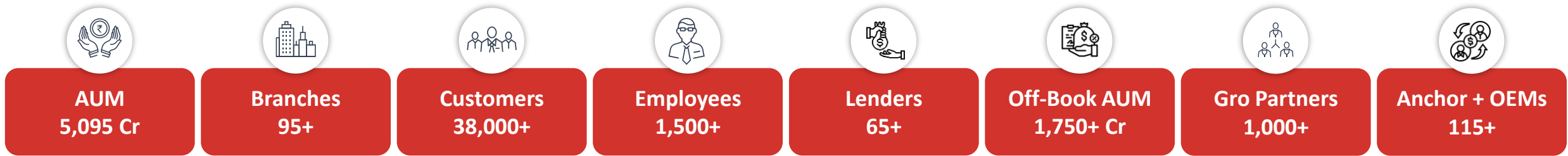
20 Sectors drilled



9 Sectors

Shortlisted 8 sectors from 180+ sectors in an extensive study carried out alongside CRISIL

India's First fully data driven Lending as a Service (LaaS) Company



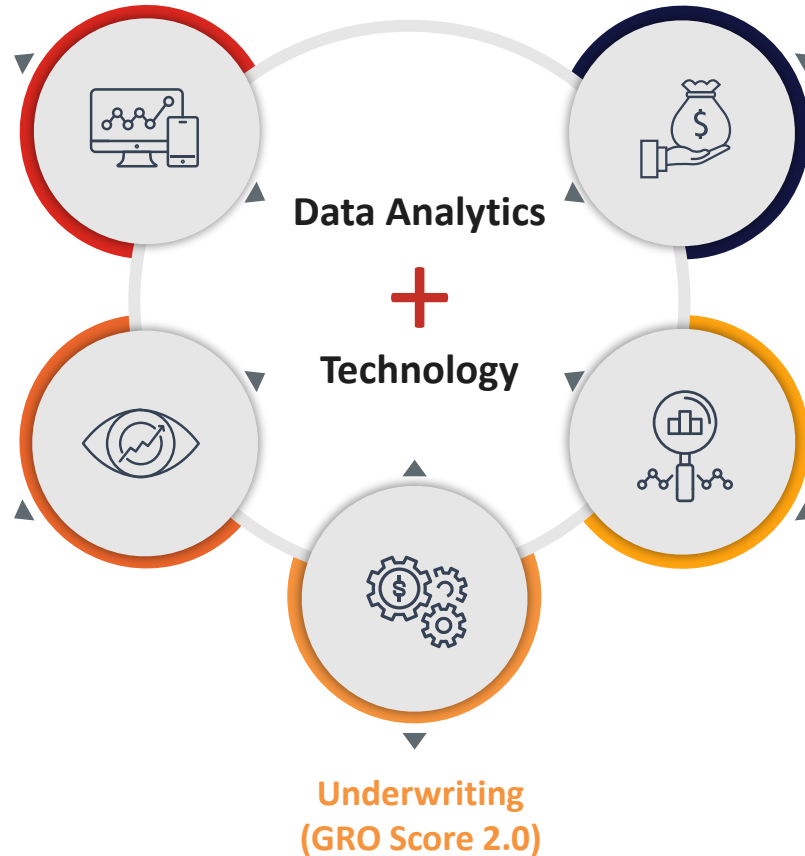
Evolved to a Data Tech Company within 3 years of inception

Technology Platforms

- Web & Mobile based applications for each business channel integrating on one common business platform

Origination

- Mapping of new locations for expansion
- Use of satellite imagery and heat maps to identify active clusters
- Field tracking and sales incentivization



Operations and Collections

- E-Sign Application, E-Agreement, Customer WhatsApp bot, E-NACH
- Payment gateway integration

Portfolio Monitoring (Early Warning signals)

- First generation trigger ruleset for tracking portfolio performance
- Portfolio loss forecasting using borrower level assessment

- Machine learning algorithms to synthesize large volume of information
- In house business rule engine enabling faster rollout of newer models

Powered by Data & Tech

- Leading NBFC transition to "Lending as a service"
- Faster customer TAT and credit decisioning
- Robust underwriting using alternate data
- Higher adaptability to market changes
- Industry pioneers in Co-lending

Data driven proprietary scoring model powered by AI / ML Models

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



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

Across Multiple parameters

Turnover and transaction intensity

Borrowing mix and nature

Cheque bounces & bank charges

Frequency and magnitude of defaults

Payment cycles

History of high-cost debt/credit card usage

Obligations as % of turnover

Balances and withdrawals

Counterparties & relative strengths

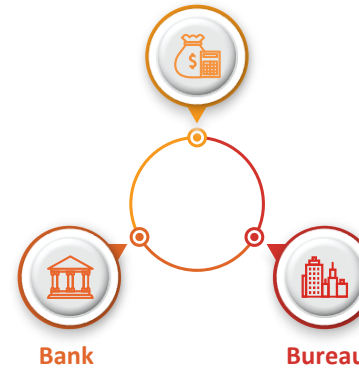
Pace of borrowing

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

GRO 2.0
Credit Bureau Data + Banking Data

GRO 3.0
Credit Bureau Data + Banking Data + GST

GST



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



Artificial Intelligence
Engineering of making Intelligent Machines and Programs



Machine Learning
Ability to learn without being explicitly programmed



Deep Learning
Learning based on Deep Neural Network

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

Normalization – convert absolute values to scale, for even comparison

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

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



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

Deep analysis of Macro and Micro Economic Factors to develop sector focus

Sector focused approach with ability to address all credit needs of MSMEs

-  Hospitality

-  Light Engineering

-  Auto Components

-  Chemicals

-  Food Processing

-  Education

-  Healthcare

-  Electrical Equipment & Components

-  Micro Enterprises



9 sectors are further subdivided into 200+ subsectors basis homogeneity of cash flows among MSMEs

-  **23** Prime Branches

-  **75** Micro Branches

-  **1,000+** GRO Partners

-  **75+** Anchors

-  **40+** OEMs

-  **25+** Fintech Partners

-  **750+** Sales Employees

Multi pronged Distribution led by Tech Capabilities



Branch-Led Channel – Catering through 95+ branches

- **Prime Loan Branches** : 23 branches with origination through intermediated channel
- **Micro Loan Branches** : 75 branches across 5 states, loans directly sourced by sales executives (FOS)

	Prime Loan Branches		Micro Loan Branches	
	Ticket Size	ROI	Ticket Size	ROI
LAP	50L-500L	12%-12.5%	0.5L - 25L	18% - 23%
Affordable LAP	10L-150L	14%-18%	-	-
Unsecured	1L-35L	14%-26%	0.5L - 5L	25% - 28%



Eco-System Channel - Catering through Anchors and OEM partners

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

	Ticket Size	ROI
Machinery Finance	10L – 300L	13% - 15%
Supply Chain Finance	10L – 300L	13% - 14%



Partnership & Alliances Channel - Catering through Fintech Partners

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

	Ticket Size	ROI
Secured/Unsecured Loans	0.5L – 30L	18% - 28%



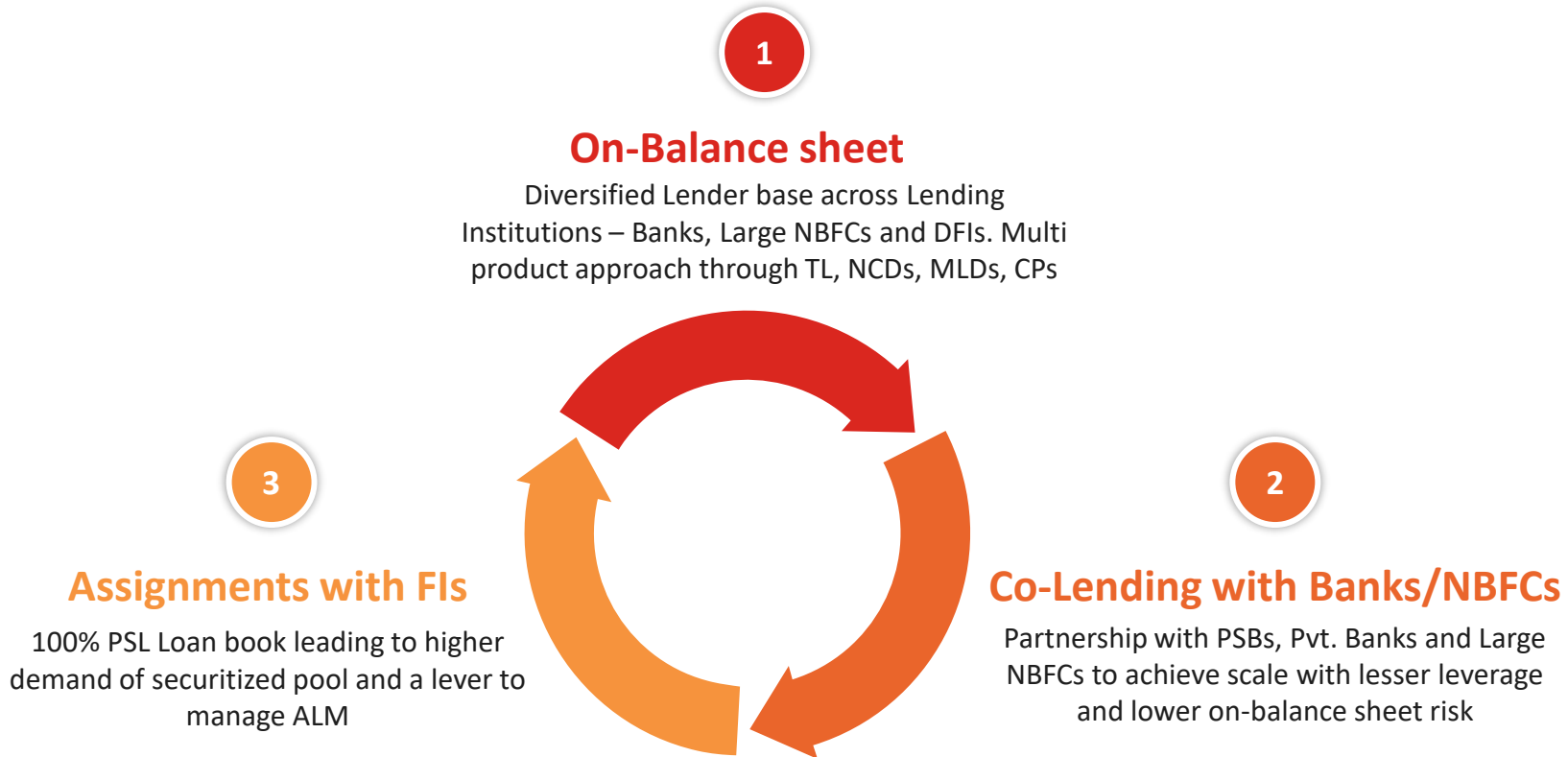
Direct Digital Channel – D2C 100% Digital sourcing

- MSMEs can directly apply for credit and further reducing TATs

- **Ticket Size** - INR 1 L to 15 L

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

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



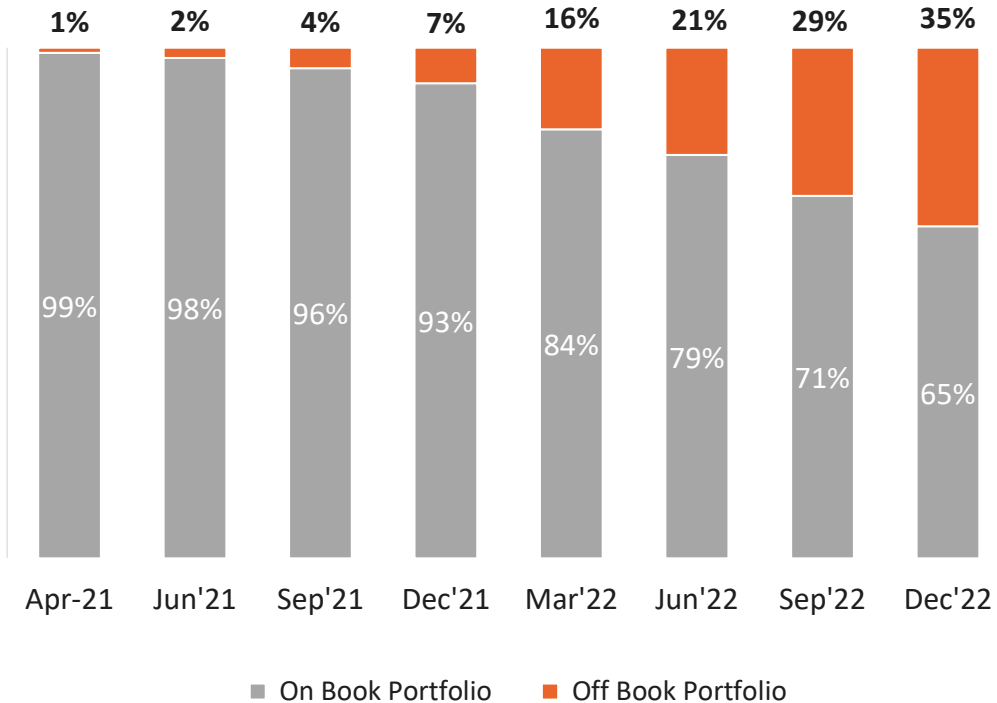
Actively partnering with liability providers and focus on building a long-term relationship

Lending as a Service (L-a-a-S) - Building India's largest Co-Lending platform

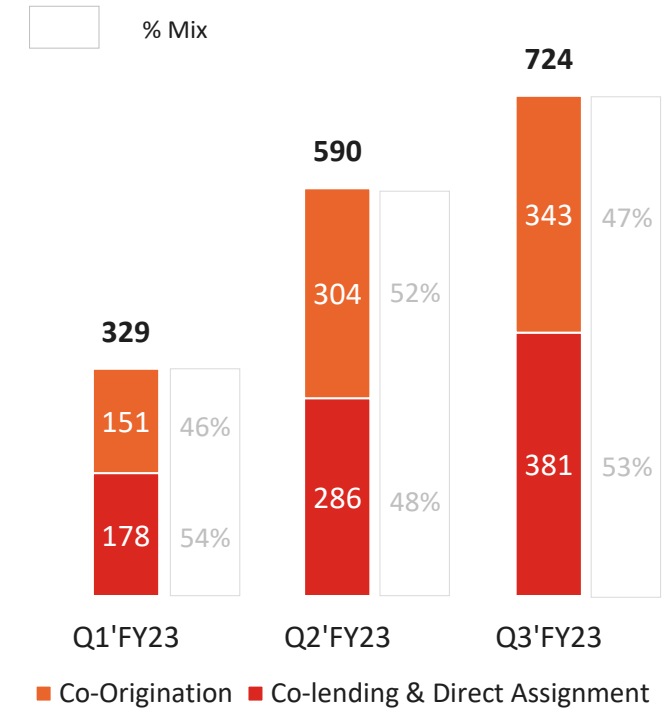


+ 4 NBFCs

Increasing Mix of off - Book AUM



Off - Book Volumes (INR Cr)

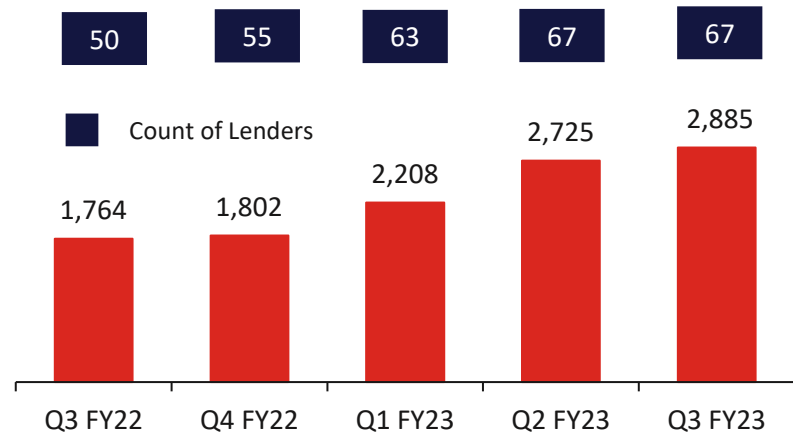


Maintaining a healthy mix of :

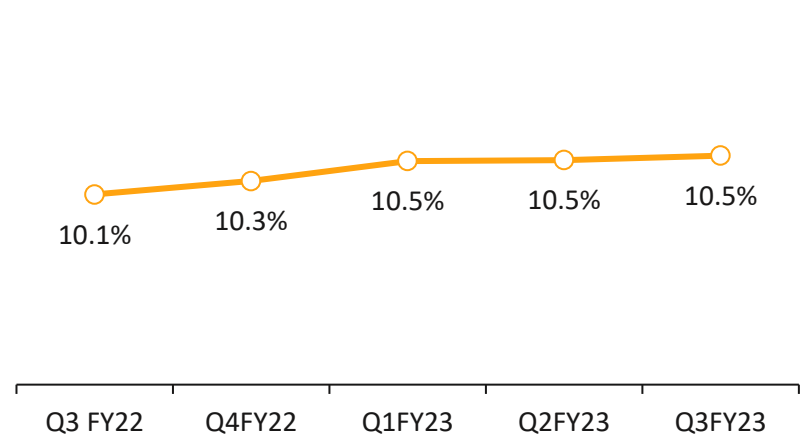
- (A) Transferring Risk (Co-lending / DA)
- (B) Recognising Risk (to the extent of FLDG in Co-origination)
- (C) Annuity Income (On – book and Co-origination AUM)

Diversified Lender base and continued build-out of liability book

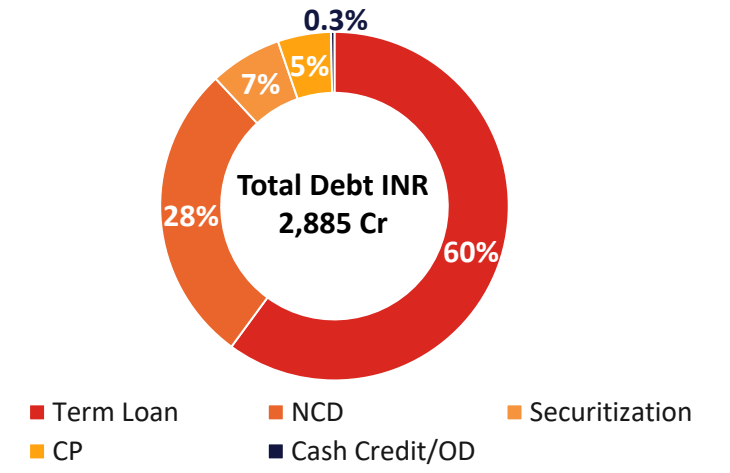
Total Debt (INR Cr) and No. of Active Lenders



Cost of Borrowing



Liability Mix



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

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



Key Highlights for Q3'FY23

Performance Highlights for Q2'FY23

01 **Asset Growth**

AUM
 As on Dec'22 : **5,095 Cr**
 (+16% Q-o-Q)
 (+97% Y-o-Y)

Gross Loans Originated
 Q3'FY23 : **1,874 Cr**
 (+13% Q-o-Q)
 (+78% Y-o-Y)

Portfolio yield
 As on Dec'22 : **17.4%**
 (+10 bps Q-o-Q)
 (+140 bps Y-o-Y)

02 **Profitability**

Net Total Income
 Q3'FY23 : **108.0 Cr**
 (+24% Q-o-Q)
 (+131% Y-o-Y)

Cost to Income ratio
 Q3'FY23 : **63.9%**
 (62.7% in Q2'23)

Pre-tax Profit
 Q3'FY23 : **22.2 Cr**
 (+27% Q-o-Q)
 (+338% Y-o-Y)

03 **Asset Quality**

GNPA
 As on Dec'22 : **1.7%**
 (stable Q-o-Q)

NNPA
 As on Dec'22 : **1.1%**
 (1.2% as on Sep'22)

Collection efficiency *
 For Dec'22 : **93.9%**
 (93.8% for Sep'22)

Restructured book
 As on Dec'22 : **1.5%**
 (% Total AUM)

04 **Liability & Co - lending**

Borrowings
 As on Dec'22 : **2,885 Cr**
 (65+ lenders)

Lending as a service

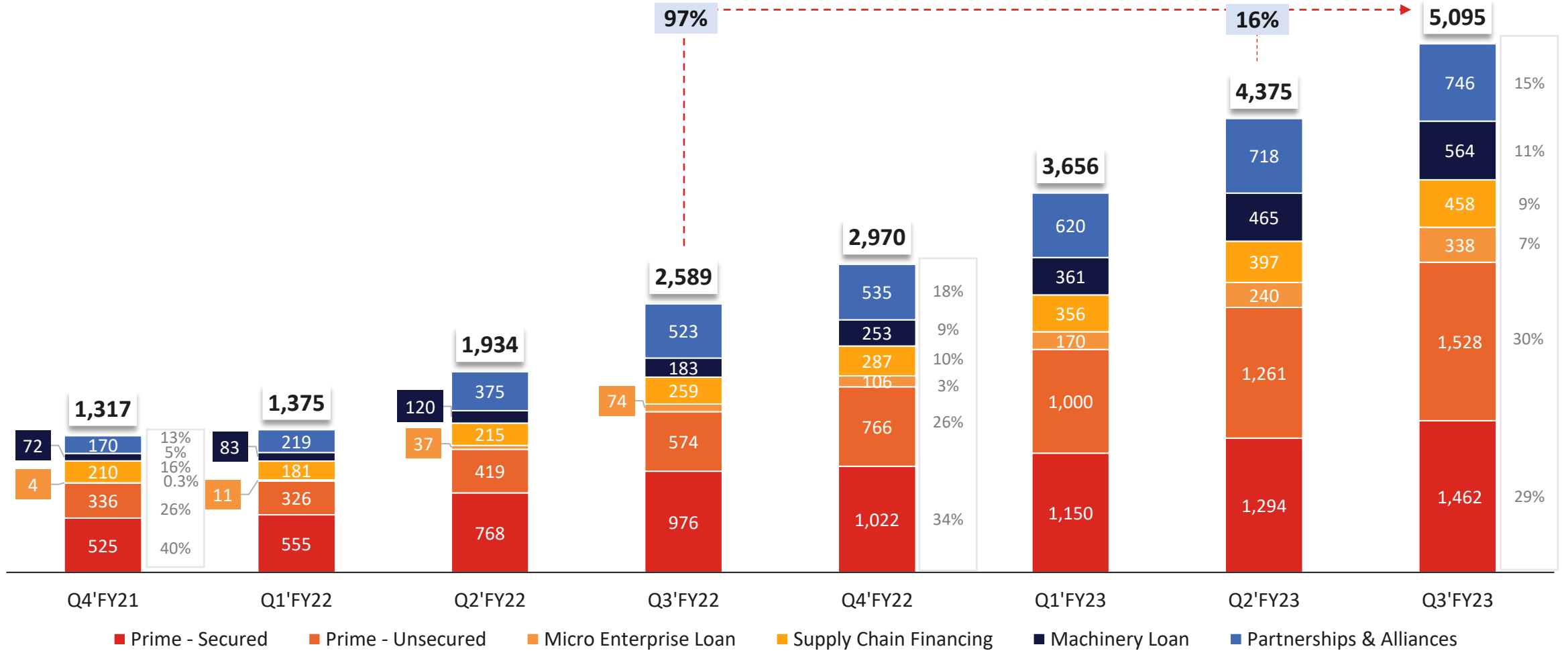
- Partnership with **10** co - lenders / co - originators
- **1,775 cr** off-book AUM (+39% Q-o-Q)
- **35%** off-book AUM (29% as on Sep'22)

Leverage
 As on Dec'22 : **3.0x**
 (2.9x as on Sep'22)

* Current month (Collections / Current month demand) excluding overdue and foreclosure collections

AUM Trend (Product wise Q-o-Q)

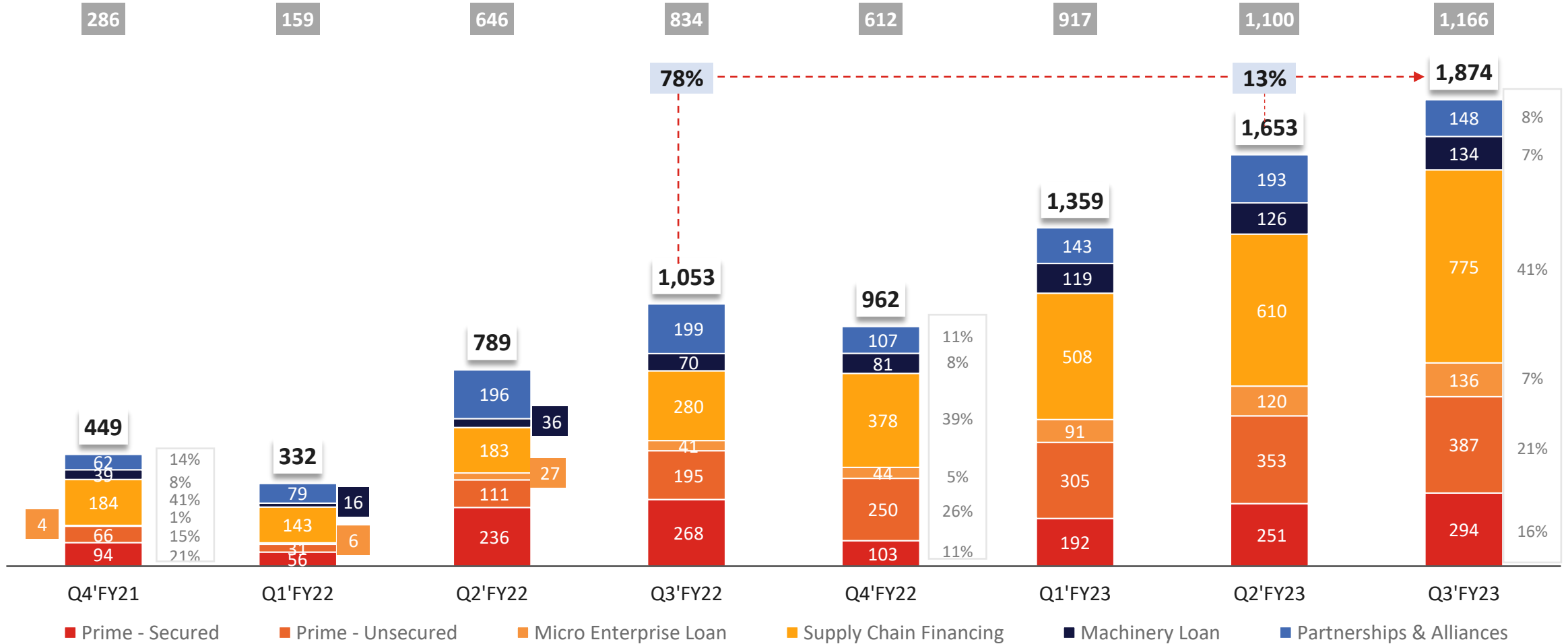
AUM increased to INR 5,095 Cr as on Dec'22 from INR 4,375 as on Sep'22 (+16%) and INR 2,589 Cr as on Dec'21 (+97%)



*Percentages represent product wise portfolio mix

Loan Origination (Product wise Q-o-Q)

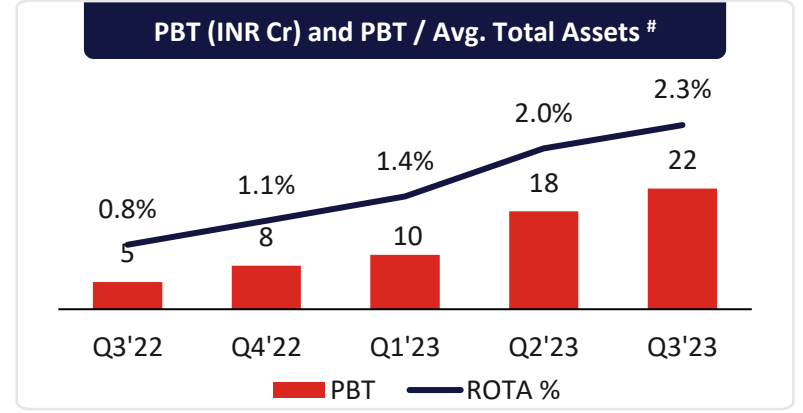
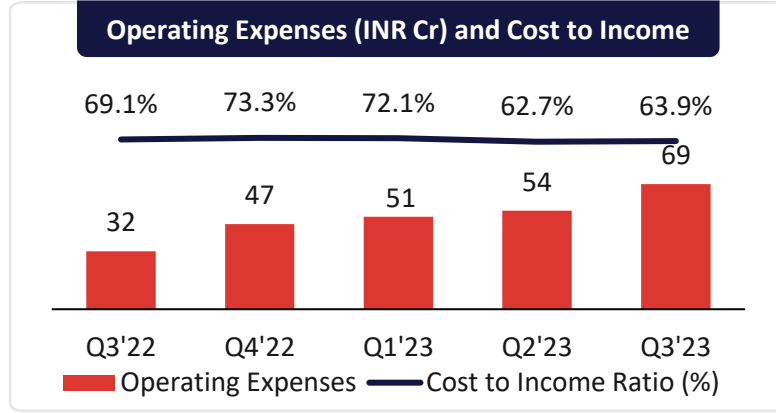
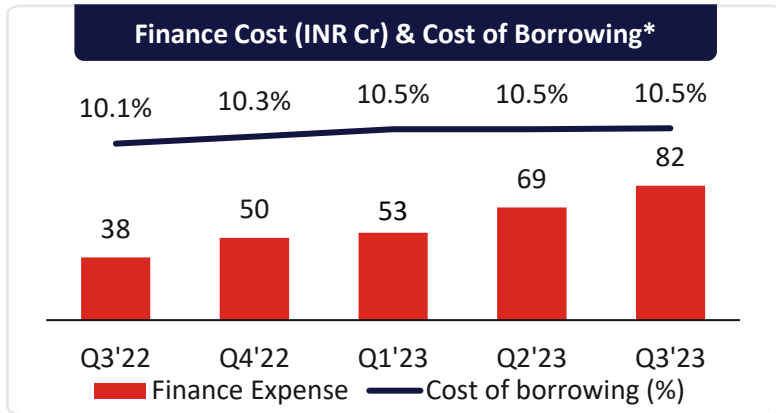
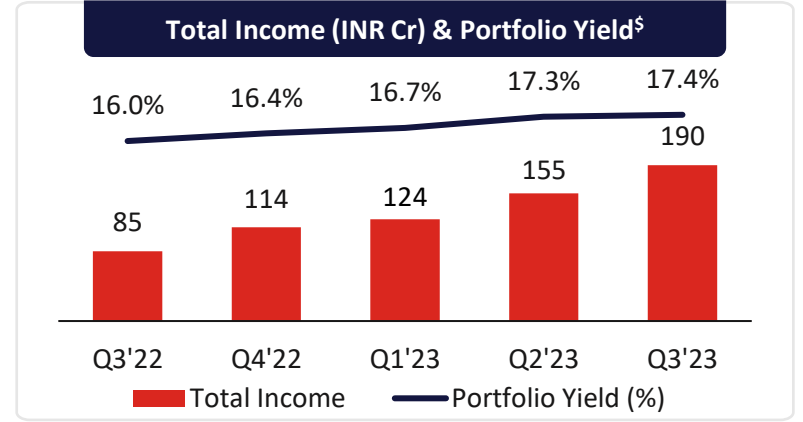
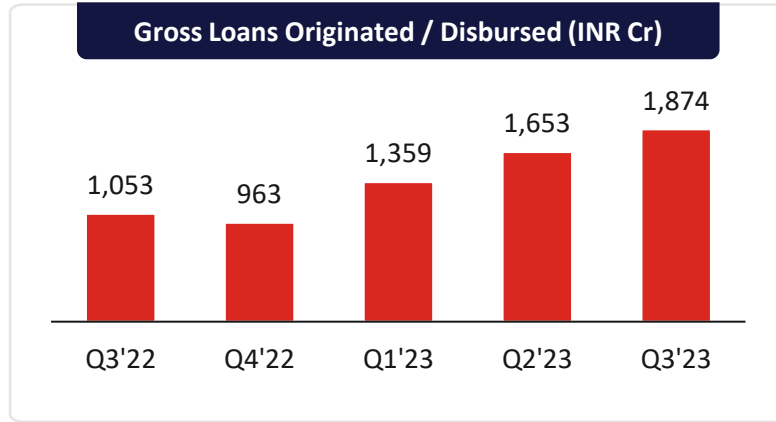
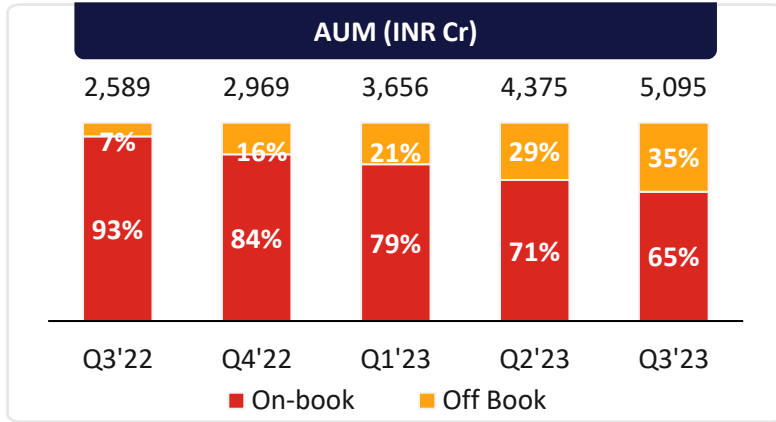
Gross loans originated increased to INR 1,874 Cr in Q3'FY23 from INR 1,653 Cr in Q2'FY23 (+13%) and INR 1,053 Cr in Q3'FY22(+78%)



*Percentages represent product wise portfolio mix

Net Disbursement

Operating & Financial Metrics



969
Net Worth

2,,885 / 3.0x
Total Debt / Leverage

67
Lenders (Count)

1.7% / 1.1%
GNPA / NNPA (Total AUM)

98
Branches

1,590+
Employees

38,000+
Active Borrowers

^{\$} Weighted Average AUM yield as on Period End

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

Annualized ratio based on quarterly average of total assets

Numbers for Q2'23 adjusted for regrouping during Q3'23

Roadmap to FY25 - Business Model evolving to generate significant Cashflows

	Q1FY23*	Q2FY23 ^{3*}	Q3FY23*	FY23P	FY25P
AUM (INR Cr)	3,656	4,375	5,095	7,000+	20,000+
Off Book AUM %	21%	29%	35%	35%	50%
Net Total Income % ⁴	10.5% ⁴	11.3% ⁴	12.9% ⁴	13.0%	15.0%
Cost to Income Ratio %	72.1%	62.7%	63.9%	60.0%	45.0%
Credit Cost/ Avg Total AUM	1.1%	1.5%	1.4%	1.5%	1.5%
PBT / Avg. TA	1.5%	2.0%	2.3%	2.5%	5.5%
PAT / Avg. TA	1.0%	0.6% ¹	1.4%	2.0%	4.5%
ROE % (Avg.)	3.0%	2.2% ^{1,2}	5.5%	6.0% - 8.0%	18.0%
Leverage	2.3x	2.9x	3.0x	2.4x [^]	3.8x [^]

* Annualized ratios

[^] Presumed infusion of equity capital

¹ Post factoring impact of deferred tax reversal (~INR 7.2 Cr), adjusted PAT of ~ 12.5, for Q2'23

² Reduction in Net worth on account of accounting adjustment for implementing ESOP scheme through Trust route

³ Post accounting for regroupings of current quarter

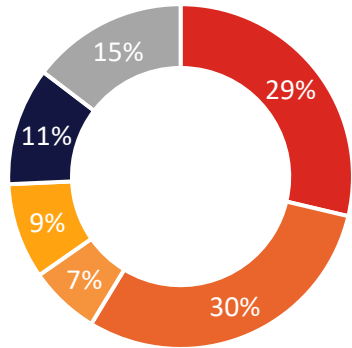
⁴ As a % of Gross On Book AUIM



Portfolio Performance

Well Diversified and Granular Portfolio

Product Mix (AUM)

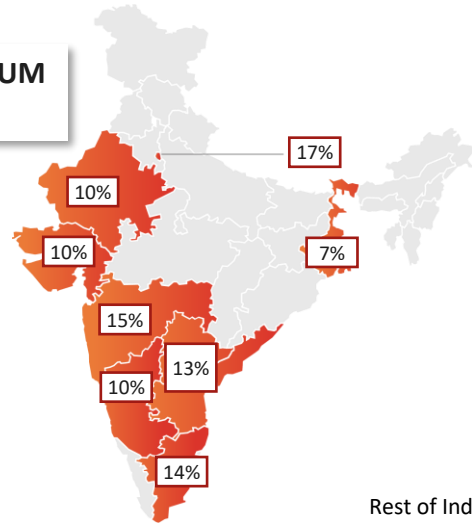


- Prime - Secured Loans
- Prime - Unsecured Loans
- Micro Enterprise Loan
- Supply Chain Financing
- Machinery Loan
- Partnerships & Alliances

Product category	AUM (Cr)	ROI (%)	Ticket size (Lakh)
Prime - Secured Loans	1,462	13.8%	115
Prime - Unsecured Loans	1,528	19.3%	17
Micro Enterprise Loan	338	22.1%	7
Supply Chain Financing	458	16.0%	84
Machinery Loan	564	13.4%	38
Partnerships & Alliances	746	22.9%	6
Grand Total	5,095	17.4%	19

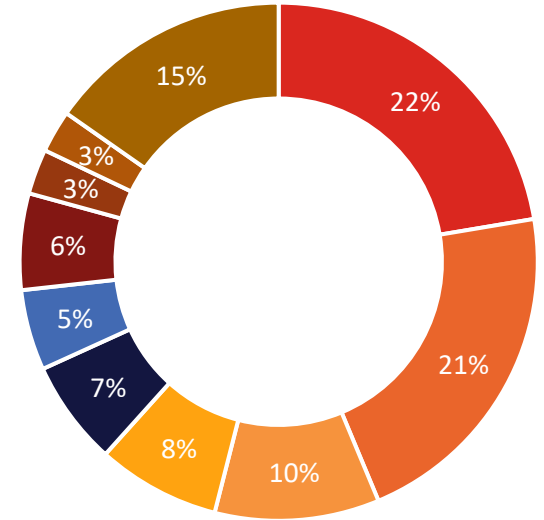
Portfolio Concentration in key geographical areas

State wise AUM coverage¹



State wise branches	Micro	Prime	Total
Tamil Nadu	19	1	20
Rajasthan	15	2	17
Gujarat	15	1	16
Karnataka	15	1	16
Telangana	10	1	11
Maharashtra		6	6
West Bengal		4	4
Andhra Pradesh		2	2
Others States	1	5	6
Total	75	23	98

Sector Mix*



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

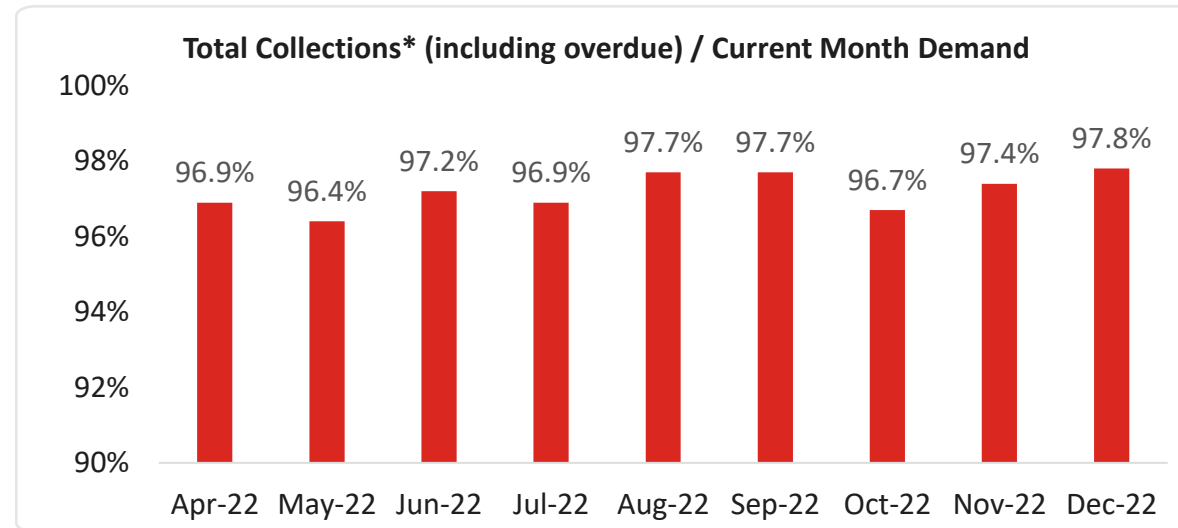
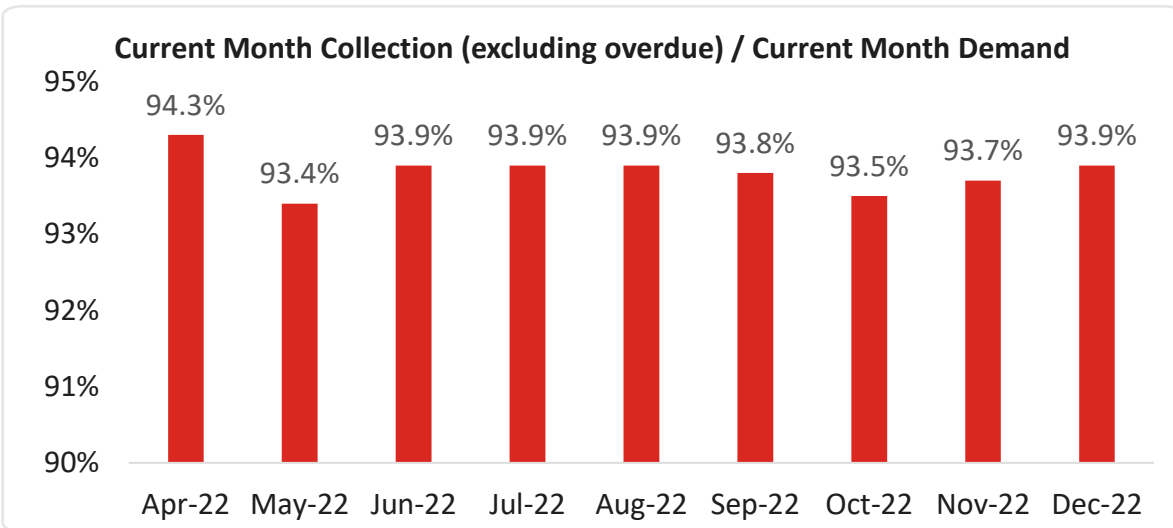
* Includes Prime – Secured Loans, Prime – Unsecured Loans, Micro Enterprise Loan, Supply Chain Financing, Machinery Loan and Co-lending

¹ Includes Prime – Secured Loans, Prime – Unsecured Loans, Micro Enterprise Loan, Supply Chain Financing, Machinery Loan and Co-lending

^ Includes allied subsectors of our core sectors

Collection Efficiencies, Portfolio provisioning

Current Month and Overall Collection Efficiency remains robust



ECL Data (Dec'22) (In Cr)	Loan Exposure	Loan Exposure (%)
Stage 1	4,901	96.2%
Stage 2	106	2.1%
Stage 3	88	1.7%
Total	5,095	100.0%

Key highlights:

- **GNPA / NNPA as a % of Total AUM stood at 1.7% / 1.1% as of Dec'22**
- **Stage 3 provisioning coverage stood at ~38% (on-book AUM)**
- Total Restructured portfolio stood at 1.5% of Total AUM
- Total provisions as of Dec'22 stood at ~ ₹74.4 Cr (1.5% of Total AUM)

*Excluding foreclosures



Operating and Financial Performance

Finance | Income Statement & ROA Tree

Income Statement (₹ Cr)	Q3FY22	Q3FY23	Y-o-Y	Q2FY23	Q-o-Q	Key Ratios (Annualized)	Q3FY22	Q2FY23	Q3FY23
Interest Income	73.4	133.1	81%	115.7	15%	As a % of Gross On Book AUM			
Income on Co-Lending / Direct Assignment	6.2	42.9	587%	28.4	51%	Total Income	16.3%	21.7%	22.6%
Other Income	5.6	13.6	144%	11.2	21%	Net Total Income	8.9%	12.1%	12.9%
Total Income	85.2	189.6	123%	155.3	22%	PPOP	2.8%	4.5%	4.6%
Interest Expenses	38.3	81.6	113%	68.5	19%	PAT	0.6%	0.7%	1.6%
Net Total Income	46.8	108.0	131%	86.8	24%				
Employee Cost	13.4	28.6	113%	23.5	22%				
Other Expenses	18.9	40.5	114%	30.9	31%				
PPOP	14.5	38.9	169%	32.4	20%				
Credit Cost	9.4	16.7	78%	14.9	13%				
PBT	5.1	22.2	338%	17.6	27%				
Tax	1.7	9.1	440%	12.3	-26%				
PAT	3.4	13.1	287%	5.3	149%				
ROA %	0.6%	1.4%	-	0.6%	-				

Finance | Income Statement & ROA Tree

Income Statement (₹ Cr)	9MFY22	9MFY23	Y-o-Y	FY22
Interest Income	178.1	341.8	92%	272.2
Income on Co-Lending / Direct Assignment	12.3	91.7	644%	28.5
Other Income	8.8	33.1	275%	12.9
Total Income	199.3	466.6	134%	313.6
Interest Expenses	87.6	202.9	132%	137.4
Net Total Income	111.6	263.7	136%	176.2
Employee Cost	34.3	72.0	110%	72.9
Other Expenses	44.9	100.6	124%	53.5
PPOP	32.4	91.1	181%	49.8
Credit Cost	20.3	40.9	102%	29.6
PBT	12.1	50.2	313%	20.2
Tax	3.7	24.4	564%	5.6
PAT	8.5	25.7	204%	14.6
<i>ROA %</i>	<i>0.5%</i>	<i>0.8%</i>		<i>0.6%</i>

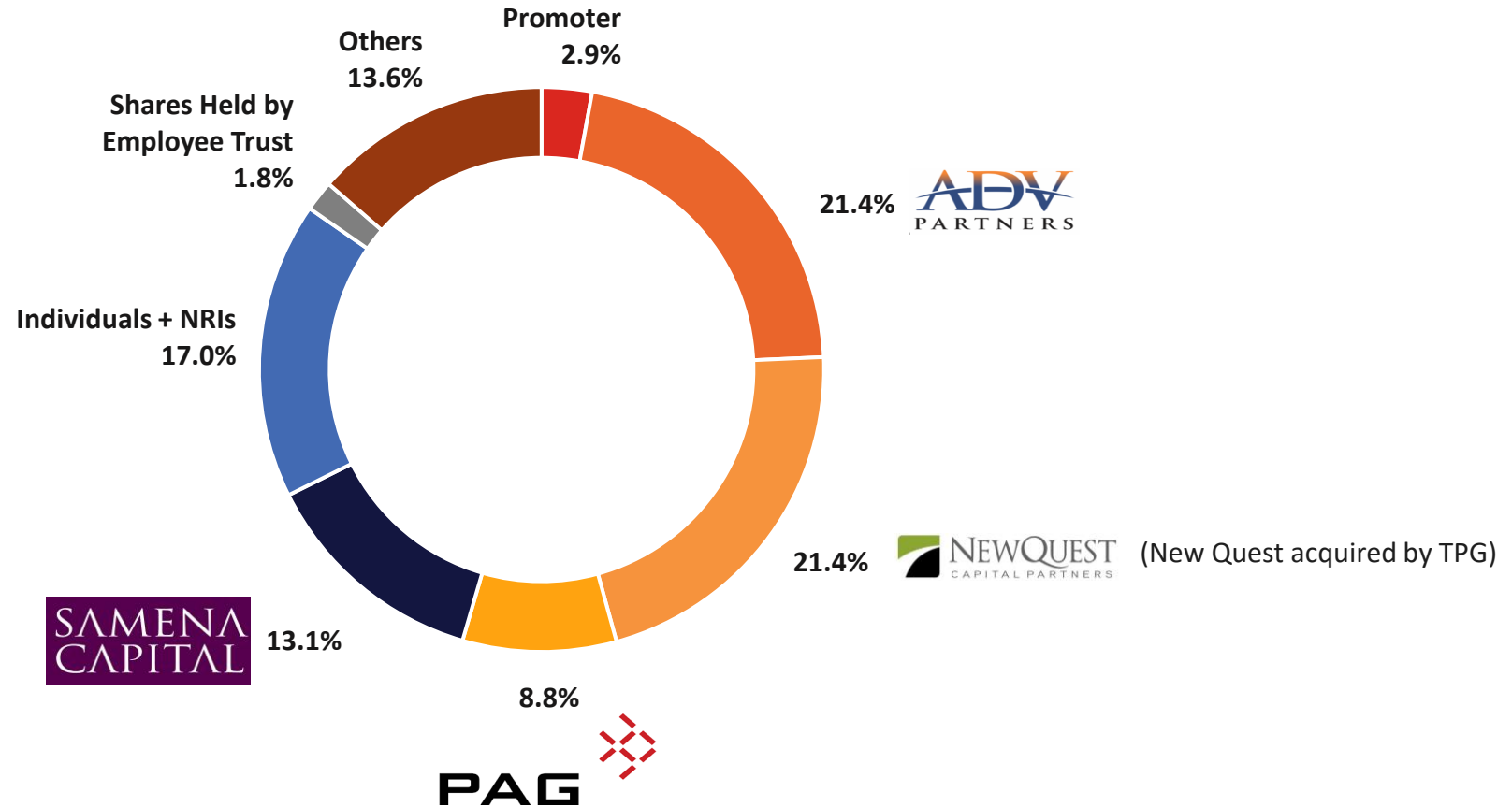
Key Ratios (Annualized)	9MFY22	9MFY23
<i>As a % of Gross On Book AUM</i>		
Total Income	14.4%	20.8%
Net Total Income	8.1%	11.8%
PPOP	2.3%	4.1%
PAT	0.6%	1.1%



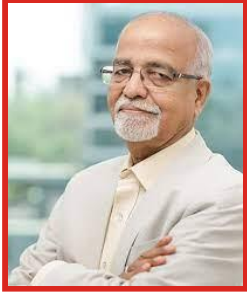
Board and Management Team

Institutionally Owned : Majority held by institutional investors

Shareholding Pattern (Dec-22)



Independently Supervised : Eminent Board of Directors



**Satyananda Mishra –
Non-Executive Chairman**
Ex-Chairman, MCX, Ex-CIC, GOI,
Ex-Director - SIDBI



**S. Karuppasamy -
Chairman, Compliance
Committee**
Ex-Executive Director, RBI



**Abhijit Sen -
Chairman, Audit Committee**
Ex-CFO, Citi-India



**Karnam Sekar –
Independent Director**
Ex - MD & CEO of Indian
Overseas Bank



**Hemant Bhargava –
Independent Director**
Ex-Chairman in charge and MD
of LIC



**Rajeev K. Agarwal -
Chairman, Stakeholder
Committee**
Ex-Whole Time Member, SEBI



**Smita Aggarwal –
Independent Director**
Global Investment Advisor at
Flourish Ventures



**Amit Gupta
(New Quest Nominee)**
Founding Partner of New Quest



**Chetan Gupta
(Samena Nominee)**
Managing Director at Samena
Capital



**Manoj Sehrawat
(ADV Nominee)**
Partner at ADV

Legend: Independent Directors, Non-executive Directors

Professionally Managed : 190+ years of cumulative experience



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



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



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



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



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



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



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



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



**Nirav Shah -
Chief Strategy Officer &
Head of IR**
17+ Years of Experience



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



Annexure

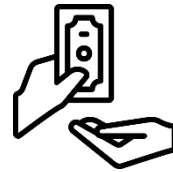


Co-lending (LaaS)

win-win situation for UGRO and its Partners

Co-Lending is a value accretive model

Example of 80:20 Co-Lending Partnership Model



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



UGRO Earns

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

Co-lending bank Earns

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

Note : Numbers are provided only for illustrative purpose

Benefits to UGRO

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

Benefits to Partner Institution

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

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

Sample Illustration

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

Assumptions for Calculation

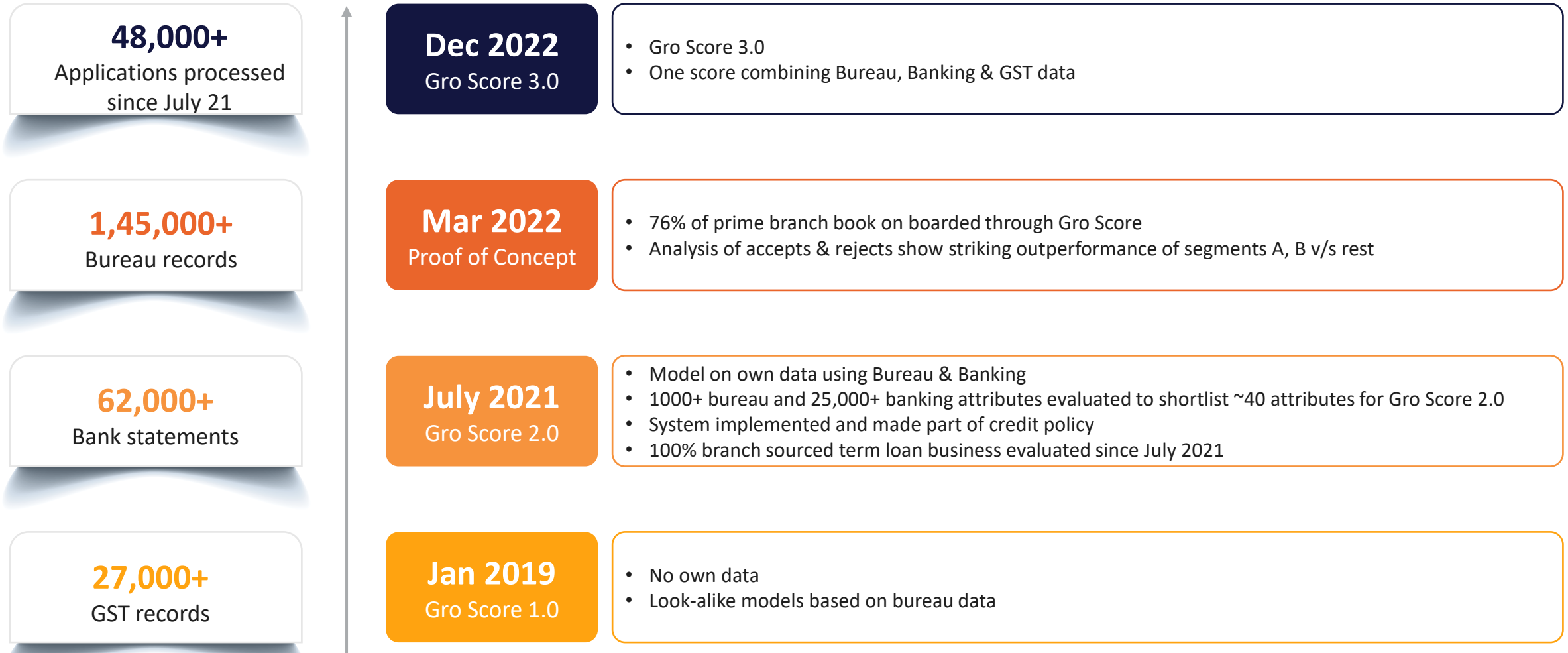
Particulars	Ratios
Yield	14.5%
Cost of Borrowing	10.5%
Spread - On Book Lending	4.0%
Spread - Co-lending	4.0%
Fee Income	1.5%
Co-lending - On Book Share	20%
D/E	4.0x
Cost to Income Ratio	45%
Credit cost	1.5%
Tax Rate	30%



GRO Score 2.0

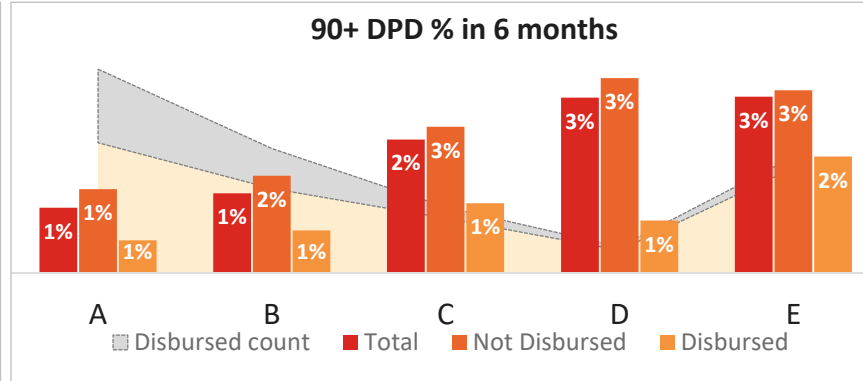
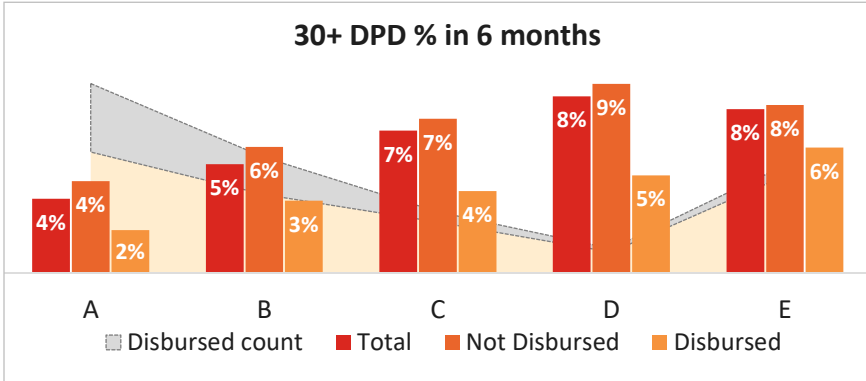
Evolution and Proof of Concept

Revolutionizing credit to MSMEs through data driven underwriting



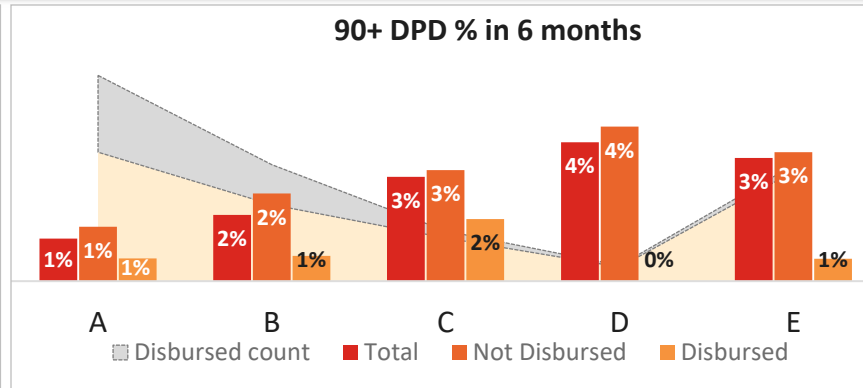
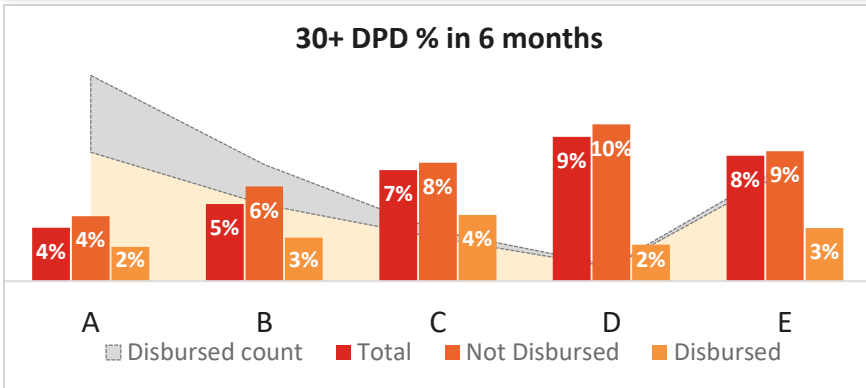
GRO Score 2.0 – Analysis of accepts and rejects

Portfolio Performance across time horizon



Score band	Not Disbursed count	Disbursed count	Write rate%	Disbursal Mix
A	11,582	6,547	36.1%	52.8%
B	7,508	3,554	32.1%	28.7%
C	4,888	967	16.5%	7.8%
D	2,020	321	13.7%	2.6%
E	9,326	1,015	9.8%	8.2%

Portfolio Performance of Recent Logins (Jan-22 to Jun-22)



Score band	Not Disbursed count	Disbursed count	Write rate%	Disbursal Mix
A	3,378	2,018	37.4%	58.2%
B	2,000	1,054	34.5%	30.4%
C	1,134	184	14.0%	5.3%
D	370	42	10.2%	1.2%
E	2,866	172	5.7%	5.0%

Market performance of cases withing 6 months of Disbursements – A to C scored cases show striking outperformance



UGRO CAPITAL LIMITED

Registered Office Address: Equinox Business Park, Tower 3, 4th Floor,
LBS Road, Kurla (West), Mumbai - 400070

CIN: L67120MH1993PLC070739

E-mail: investorrelations@ugrocapital.com | Website: www.ugrocapital.com