



U GRO Capital | Q1 FY22 Earnings Presentation

Tech focused Small Business Lending Platform

NSE: UGROCAP | BSE: 511742

Aug 12th, 2021

‘To Solve the Unsolved’

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

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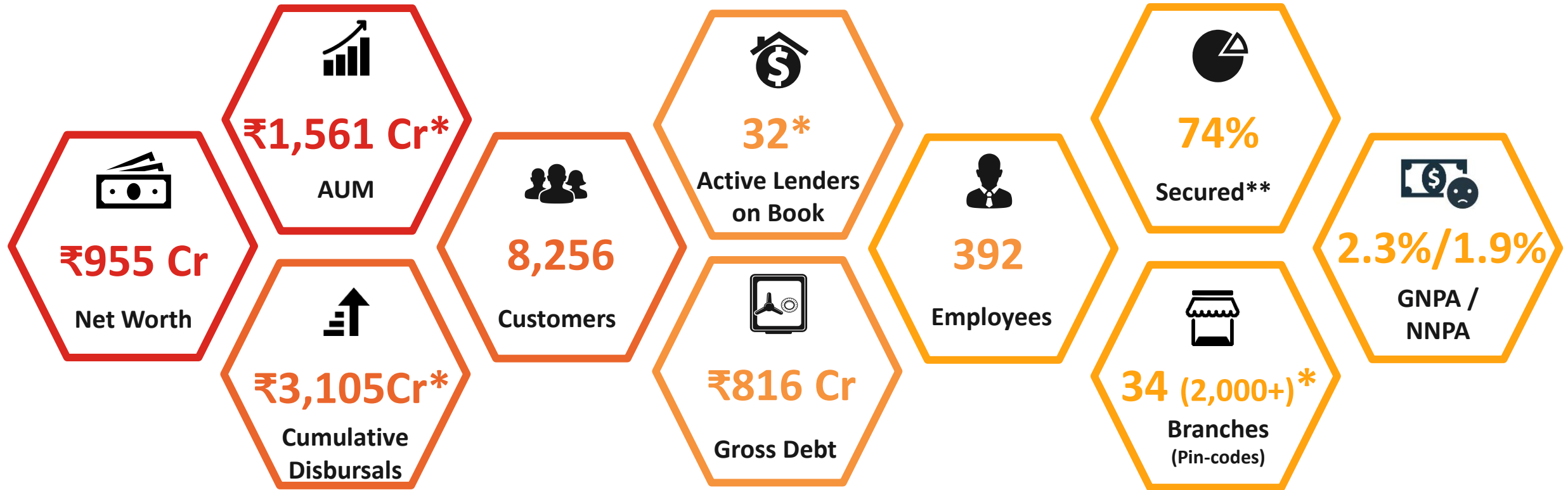


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Executive Summary

Where we stand now



Demonstrated growth on all fronts despite the disruption caused by COVID 2nd Wave

Data as of 30th Jun 2021

*Data as of 31st July 2021

**Includes quasi-secured portfolio

Executive Summary

All Fig in ₹ Cr	Q1FY22	Q4FY21	Q1FY21	FY21
AUM	1,375	1,317	847	1,317
Net worth	955	952	926	952
Branches	34	34	9	34
Lenders	32	29	9	29
Employees	392	361	175+	361
Interest Income	49.8	43.8	30.6	147.4
Interest Expense	22.4	16.3	6.8	44.6
NII	27.4	27.5	23.8	102.8
Operating Expense	21.6	21.3	18.7	77.0
Credit Cost	4.9	8.7	1.2	19.6
PBT	2.4	2.4	4.1	12.1
Portfolio Yield ²	15.8%	15.5%	14.1%	15.5%
Borrowing Cost	10.6%	10.4%	11.2%	10.4%

¹ Supply Chain Financing

² Weighted average interest rate on AUM as on 30th Jun 2021

AUM and Disbursement

- AUM stood at ₹1,375 Cr as on Jun'21 (₹847 Cr as on Jun'20). ~62% increase on Y-o-Y basis
- Total Gross Disbursement for Q1FY22 was ₹311 Cr and Disbursements (considering only incremental AUM in SCF¹) was ₹159 Cr

Net Interest Income

- NII for the year Q1FY22 stood at ₹27.4 Cr compared to ₹23.8 Cr in Q1FY21. ~15% increase on Y-o-Y basis

Liability Management

- Diversified lender base of 32 active lenders with addition of 23 new lenders in last 12 months
- Borrowing costs on a sequential downtrend; average cost of debt stood at ~10.5% in Q1FY22 compared to ~11.2% in Q1FY21

Operating Expense

- Cost to Income ratio saw a marginal increase in Q1FY22 rising to 75% compared 74% in Q1FY21
- Opex has risen by 16% but the interest income has risen by 63% on a Y-o-Y basis

Credit Costs

- GNPA stood at 2.3% and NNPA stood at 1.9%
- Collection efficiencies was at 96% in Branch-led channel, 95% in Machinery Finance and 92% for Partnership & Alliances channel in Jun-21
- Selectively restructured around 7.5% of our portfolio for fundamentally sound businesses with short term cash flow issues

Profitability

- PBT stood at ₹2.4 Cr in Q1FY22 compared to ₹4.1 Cr in Q1FY21 falling on account of higher provisions

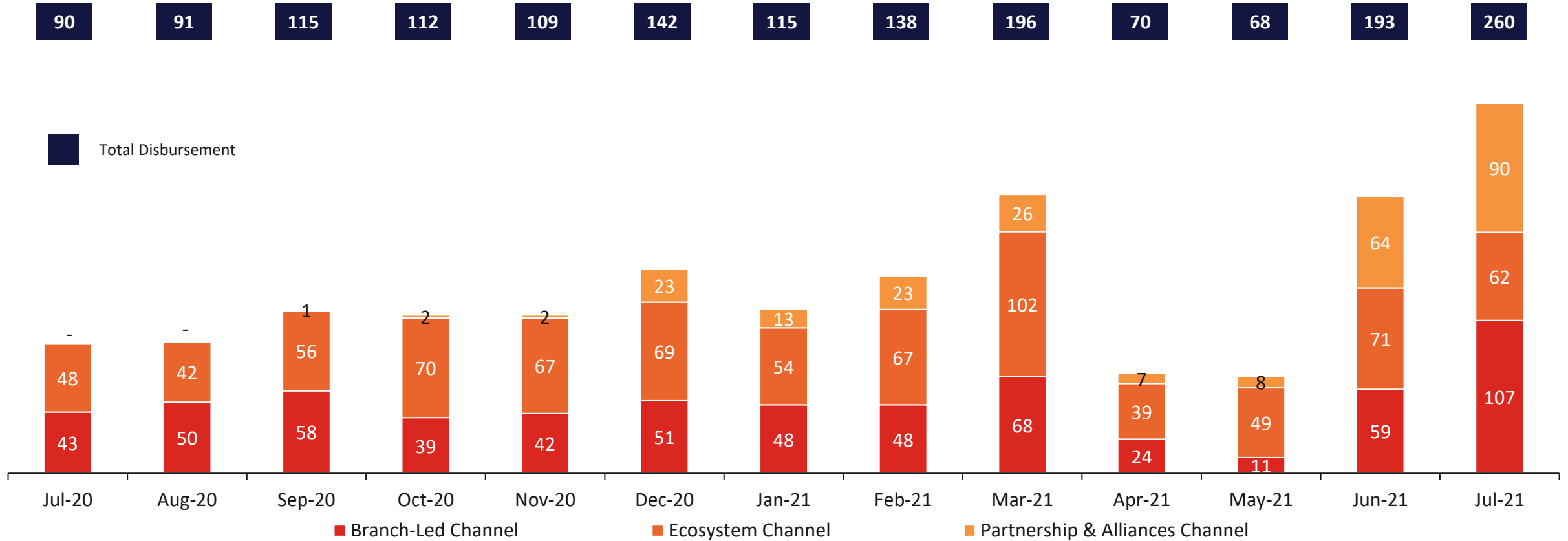
Net Worth

- Net worth stood at ₹955 Cr in Mar-21 and CRAR was ~62%
- Debt-to-equity ratio stood at 0.84x indicating a long runway for growth as we leverage our balance sheet

Disbursement Trend (M-o-M)

Momentum in disbursement picked up in Jun & Jul-21

Disbursement M-o-M Trend till Jul-21 (in ₹Cr)

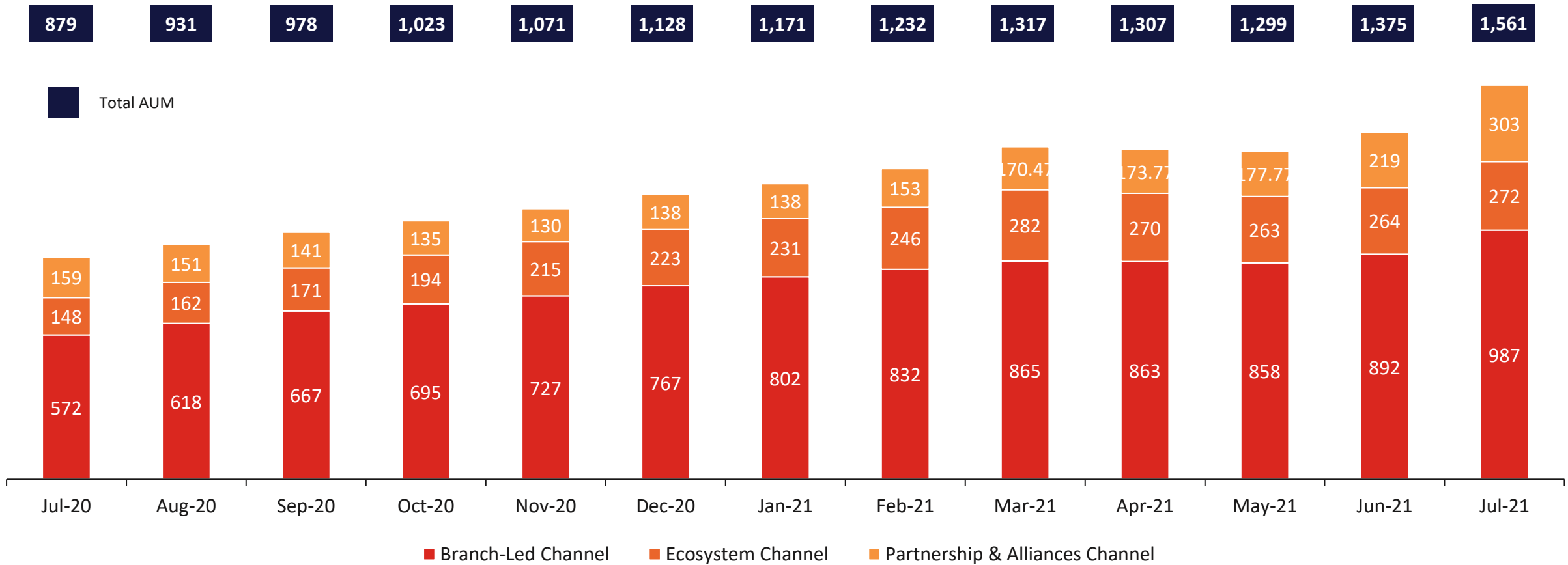


Disbursement momentum picked up in Jul-21 with disbursement of over 250 Cr

AUM Trend (Segment-wise MoM)

Strong revival in AUM figures on account of good disbursement momentum observed in Jul-21

AUM M-o-M Trend till Jul-21 (in ₹Cr)



Strong revival in AUM growth in Jul-21 on account of record disbursement

A decorative graphic on the left side of the slide, consisting of overlapping, semi-transparent orange and red geometric shapes, primarily triangles and polygons, creating a layered, abstract effect.

U GRO Capital - Overview



A highly specialized, technology enabled small business lending platform

a

Strong Corporate Governance
Board Controlled, Management Run

b

Experienced Management Team
250+ Years of Experience

c

Large Institutional Capital
~\$130M Of Equity Raised

d

Knowledge
Deep domain expertise

e

Technology
Data driven approach

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

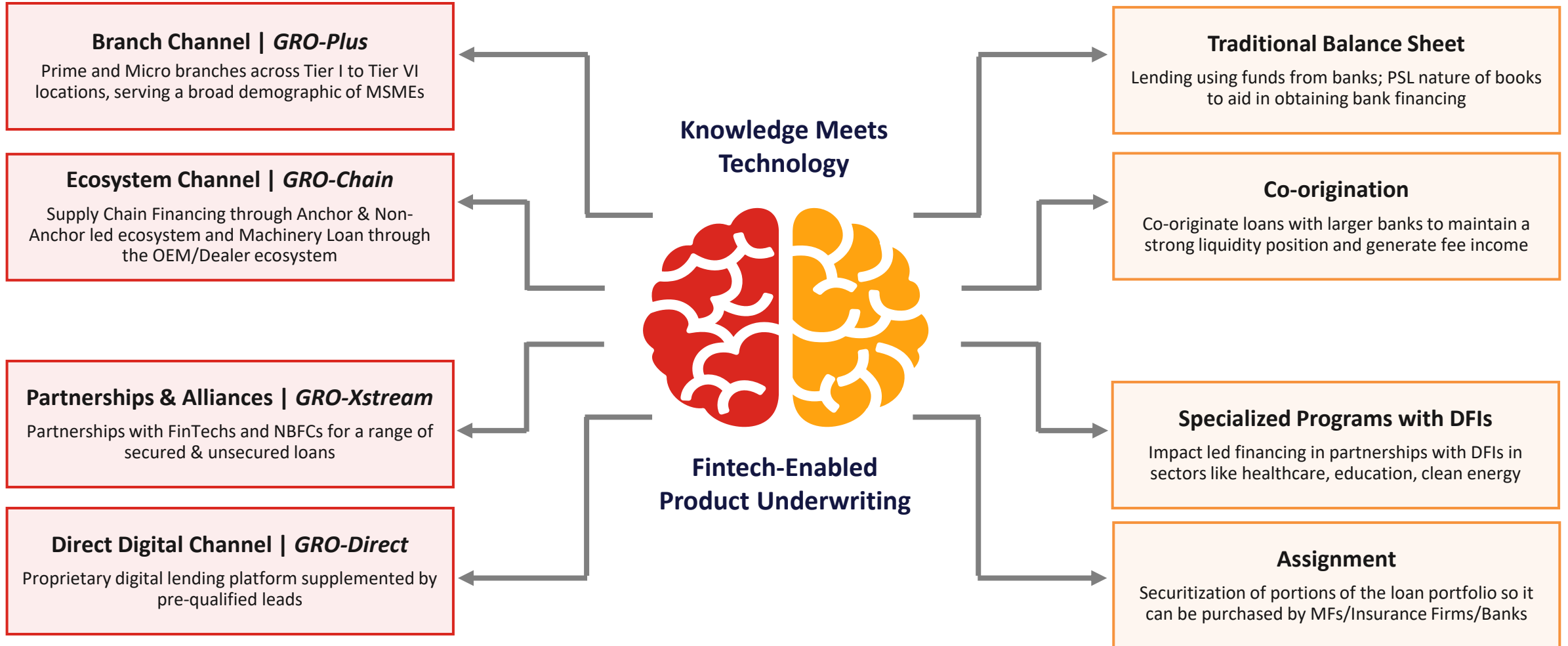
‘To Solve the Unsolved’

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



Distribution Channels

Liability Sources



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



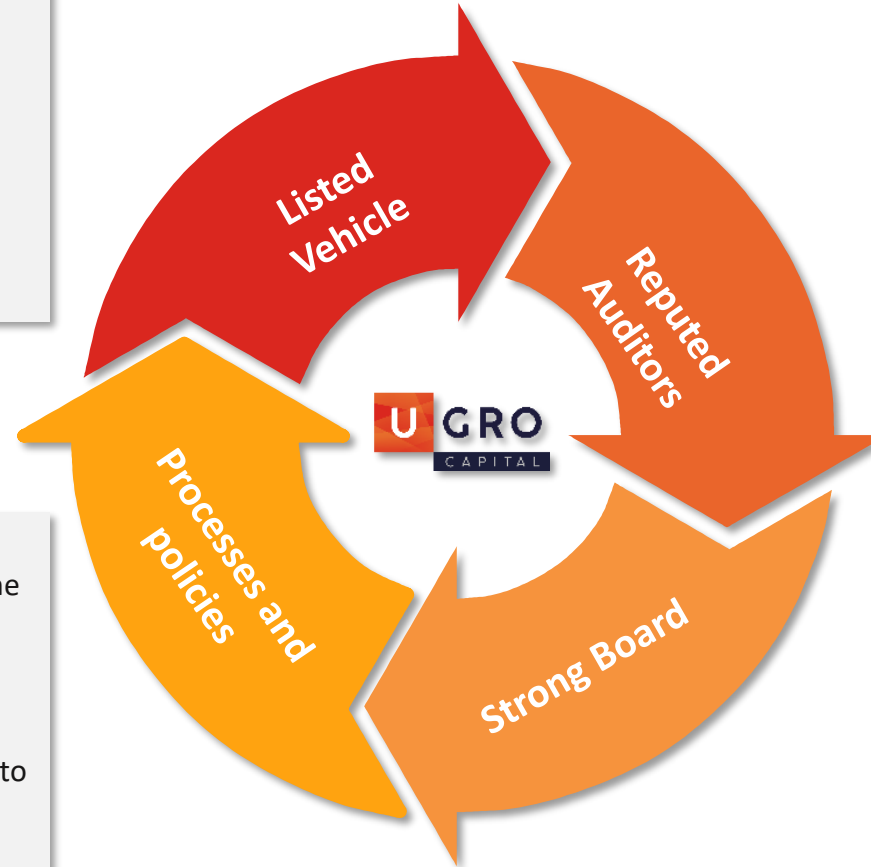
Strong Corporate Governance

Board led Management run Institution

Strong Corporate Governance framework enshrined in the Articles...

- High degree of **regulatory oversight and transparency**
- An institution created with a **long-term view**, designed for continued operational efficiency
- Access to **permanent capital**
- Over **80%** owned by **Institutional Investors**

BOM: 511742



- As per our AoA & MoA, we shall appoint a **Statutory Auditor with good reputation, and preferably having international affiliates.**
- **MSKA & Associates** appointed as the **statutory auditor** and **Deloitte** appointed as the **internal auditor**



- Any proposed loan **>1% of net worth or to a related party** to require unanimous approval of ALCO and the Board
- Board approved **multi-layer credit authority delegation**
- **Removal of key management (including CRO, CFO)** to require 3/4th board approval
- Any significant action by the Company to need **3/4th approval of the Board**

- **Independent directors** to comprise majority for perpetuity
- Any shareholder holding **>10%** to **qualify for a board seat**
- Key committees to be headed by an independent member with required credentials
- **The majority of the NRC, ALCO and Audit Committees** to comprise of **independent directors**

**Special Resolution of Shareholders required for effecting any changes to the AoA
Promoters/Management do not have unfettered rights to divert business strategy**

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



Shachindra Nath – Executive Chairman and MD

- 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 BHU (India)



Satyananda Mishra - Chairman, CSR Committee

- Ex-Chairman, MCX, Ex-CIC, GoI, Ex-Director - SIDBI
- Over 40 years with the IAS (Batch of 1973)
- Director at Pradeep Phosphates, Invesco Trustee, SME Mavens
- 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
- Currently a director with Capital Small Finance Bank, Aye Finance, Ananya Finance, NSE Clearing Ltd & member of the advisory committee at Ivy Cap and Lok Capital
- PGDM from MDI

Specialization:
Credit, SME



Abhijit Sen - Chairman, Audit Committee

- Ex-CFO, Citi-India
- Over 40 years of experience with Citi, CEAT, Tata
- Advisor to EY, Independent Director at Trent, Cashpor Microcredit, Kalyani Forge, Manappuram, Ujjivan Financial Services
- PGDM from IIM Calcutta; B. Tech from IIT Kharagpur

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
- Currently an independent director at ICRA, Indo Rama Synthetics, Joyville Shaapoorji Housing, RBL Bank
- Chartered Accountant; BA from Delhi University

Specialization:
Audit, Tax



S. Karupphasamy - Chairman, Compliance Committee

- Ex-Executive Director, RBI
- Over 40 years of experience with RBI
- Member of the RBI services board, & director ARCIL & Vivardhana (MFI)
- PGD in Bank Mgmt; IIBF; CAIIB (Honorary Fellow) & MA (Economics)

Specialization:
RBI Regulations



...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
- Currently a Board Member of the Equitas Small Finance Bank board, Aditya Birla Sun Life AMC, Aditya Birla Health Insurance
- CA, B. Com – St. Xavier’s Calcutta; MBA - Texas Christian University

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
- Currently a Board member at Trust Asset Management & Star Health

Specialization:
SEBI Regulations



Chetan Gupta

- Managing Director at Samena Capital
- Board Member of RAK Logistics, Softlogic Holding & Tejas Networks
- CFA, CAIA; Master’s in Mgmt (Finance) from Univ of Mumbai



Manoj Sehrawat

- Partner at ADV
- 22 years of exp in FS across PE investments, structured finance, distress debt acquisition & resolution, corporate & financial restructurings
- Chartered Accountant; B.Com (Hons) – Delhi University



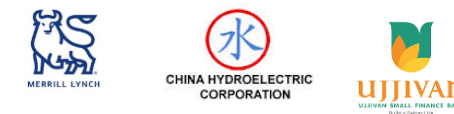
Kanak Kapur

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



Amit Gupta

- Founding Partner of NewQuest
- Was the Non-Executive Director of Ujjivan Financial Services Limited
- B.Tech. - REC, Kurukshetra University. PGDM – IIM Bengaluru, Karnataka





Experienced Management

Over 250+ years of combined experience

Founder & Leadership Team have execution expertise of setting-up large institution



Shachindra Nath
 Executive Chairman & Managing Director
 Experience – ~26 years



Anuj Pandey
 Chief Risk Officer
 Experience – ~22 years



Sandeep Zanvar
 Chief Financial & Operations Officer
 Experience – ~20 years



J Sathiayan
 Chief Business Officer
 Experience – ~29 years



Pia Shome
 Chief People Officer
 Experience – ~15 years



Amit Gupta
 Chief Treasury Officer
 Experience – ~18 years



Sunil Lotke
 Chief – Legal & Compliance
 Experience – ~18 years



Nirav Shah
 Chief Strategy Officer
 Experience – ~16 years



350+
 employee
 count

Fully formed
 team

4/5
 Rated
 employees

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



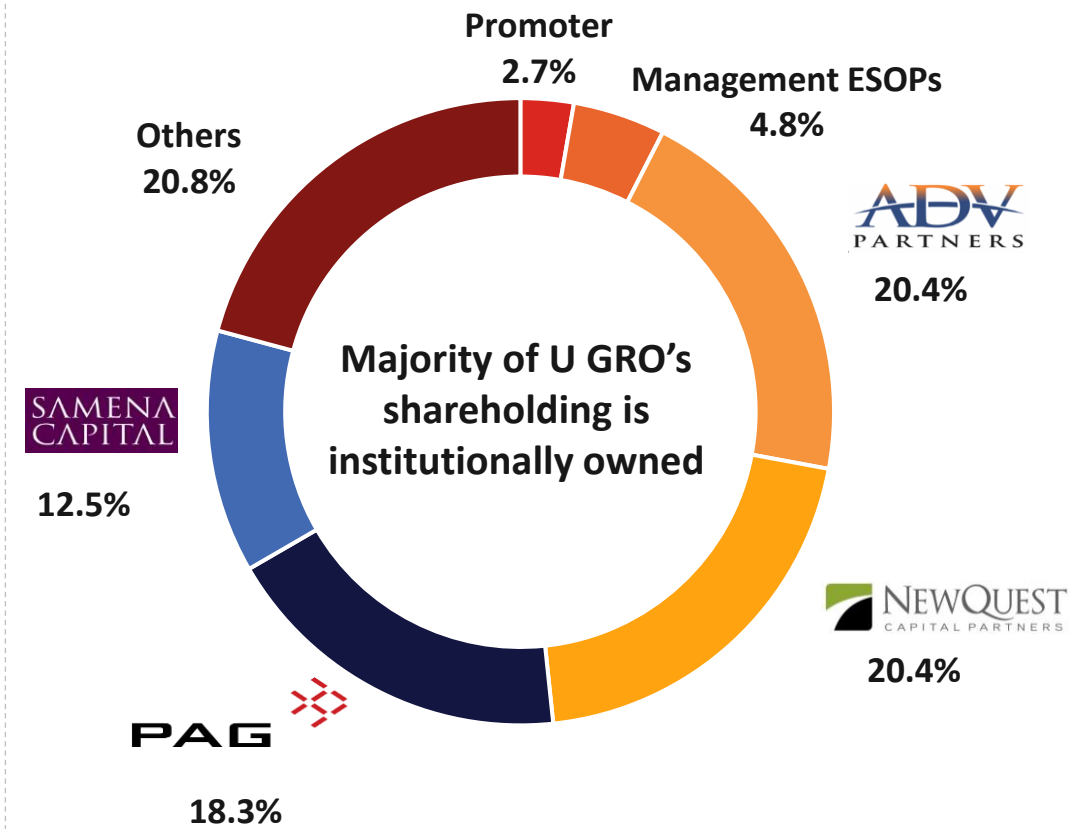
Large Institutional Capital

Backed by Marquee Institutions & reputed lenders

Backed by Marquee Private Equity Funds, U GRO has demonstrated a robust growth since its inception



Shareholding Pattern on a Fully Diluted basis (March-21)



- pnb MetLife
- INDGROWTH CAPITAL
- SAR
- Chhattisgarh Investments
- Himatsingka
- Famy Care Ltd.
- Jaspal Bindra



Knowledge

Sector based approach to specialization

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

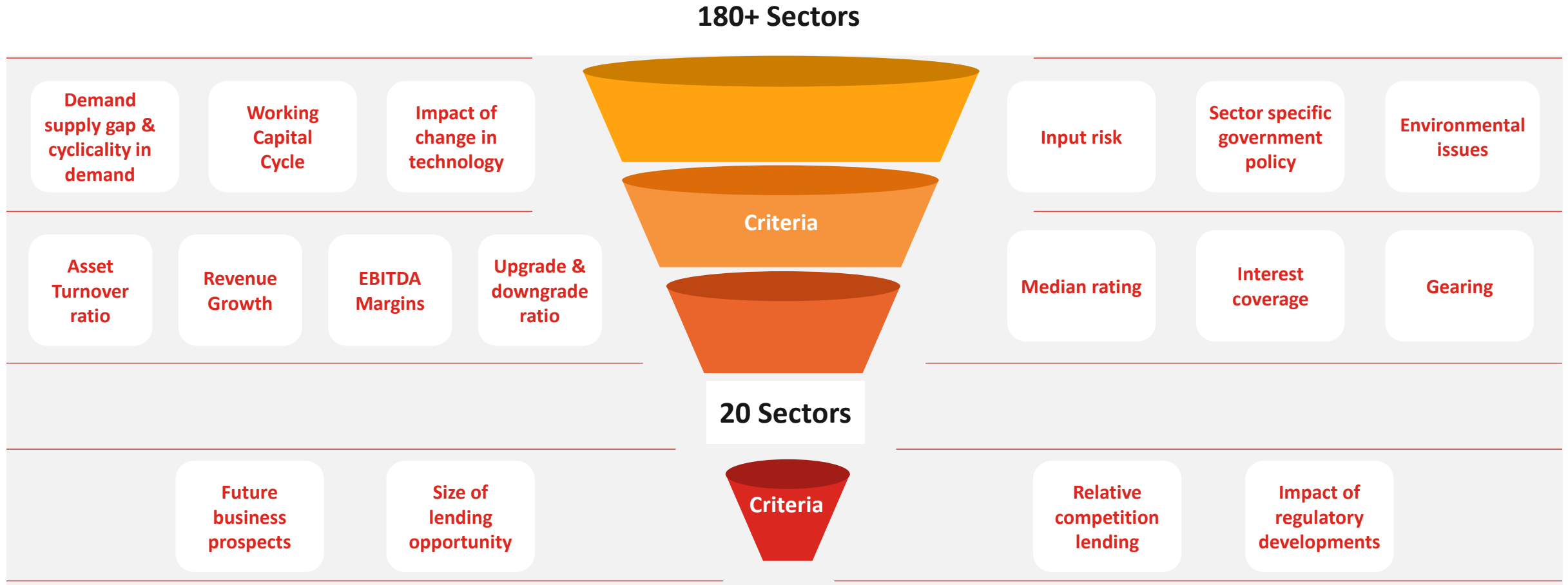
	Specialized MSME Lenders	Traditional NBFCs	Banks
Product	Customized products based on the nature of business, non-financial parameters, end use, payment capacity/ frequency of underlying customer	Loans against property, supply chain financing, unsecured loans	Loans against property, supply chain financing
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.

U GRO Lies at the intersection of Specialized NBFCs and FinTechs



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

Deep analysis of Macro and Micro Economic Factors...

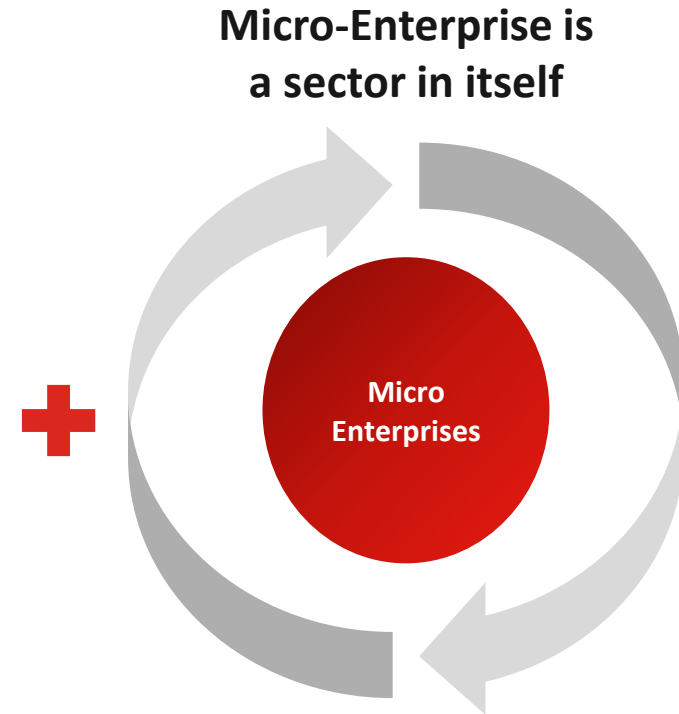


Reached Targeted 8 Sectors + Micro Enterprise

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



These sectors were further narrowed down based on their ecosystems



Healthcare

Key sub-sectors: General nursing homes, eye clinics, dental clinics, diagnostic labs, radiology/pathology labs, pharma retailers
Key clusters: NCR, Mumbai, Bengaluru, Hyderabad and Chennai



Education

Key sub-sectors: K-12 schools, play schools
Key clusters: NCR, Mumbai, Coimbatore, Chennai, Hyderabad and Pune



Chemicals

Key sub-sectors: Dyes and pigments, bulk and polymers, agrochemicals
Key clusters: Mumbai, NCR, Ahmedabad, Vadodara and Surat



Hospitality

Key sub-sectors: Fine dining (standalone), QSRs, fine dining chains, manpower agencies, boutique hotels, guest houses
Key clusters: NA



Electrical Equipment and Components

Key sub-sectors: B2B, B2C
Key clusters: NCR, Pune, Bengaluru, Chennai, Aurangabad and Rajkot



Microenterprises

Key sub-sectors: Kirana stores, family run businesses, first generation entrepreneurs
Key clusters: Mumbai, Kolkata, NCR, Hyderabad, Bengaluru and numerous Tier II and Tier III locations



Food Processing/FMCG

Key sub-sectors: Dairy and dairy products, non-alcoholic beverages, consumer foods, poultry, sea food, food and beverage traders
Key clusters: NCR, Mumbai, Chennai, Hyderabad and Pune



Auto & Light Engineering

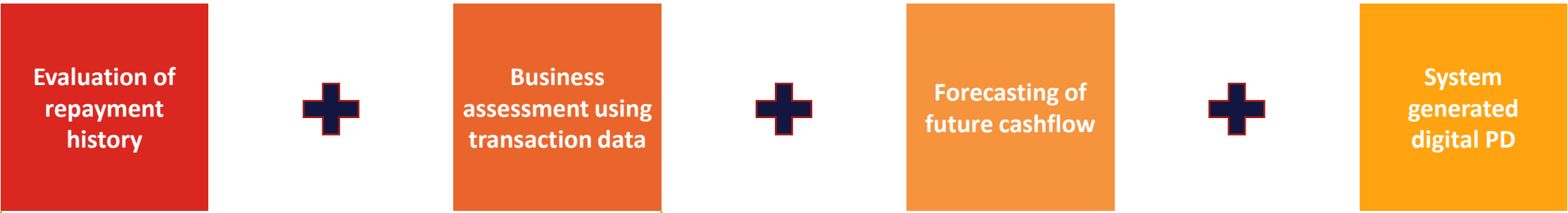
Key sub-sectors: Casting and forging, medical equipment and devices, engine parts, drive transmissions etc.
Key clusters: NCR, Chennai, Pune, Kolkata, Ludhiana, Bengaluru, Ahmedabad and Rajkot

Sub-sectors selected basis the contribution to the overall sector credit demand and risk profiles

GRO Score 2.0, 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 ready

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

“Risk Management” through ‘Expert Scorecards’ for all Sub-sectors (1/2)

- Post filtering out the various sub-sectors, its very important to scale the risk associated with an entity present in the sub-sector
- The entity is observed through various parameters and their associated weightages
- 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

Case Study 1: 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%
Cost & Efficiency	Receivable days	50%
	Certification and awards (related to quality)	35%
	Rejection rate	15%

“Risk Management” through ‘Expert Scorecards’ for all Sub-sectors (2/2)

Case Study 2: Education K-12 Schools

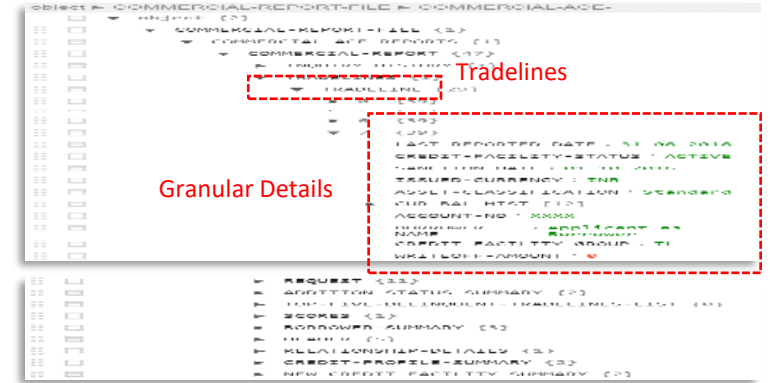
Parameter	Factor	Weightage
Entity related	Vintage of the school	30%
	School Principal’s Experience	25%
	Association with any reputed brand/group	25%
	Exam Board with which the school is affiliated	10%
	Typical income profile of students’ families	10%
Service related	Sources of non-fee income	30%
	Provision 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%
Cost related	Average annual tuition fee increase	10%
	Average annual increase in teachers’ salary	40%
	Employee costs as a proportion of revenue	60%

Advanced Bank, GST and Bureau Analyzers to Size Up the Customer's Cash Flows, Ability to Repay, Risk-Return Metrics and Estimate Loan Exposure

- 400+ data parameters
- Validate monthly sales, expenses, gross margins
- Insight into borrower's business network and concentration
- Digitization of sector identification
- State-wise break up providing information on operating markets



GST Statement Analysis



Bank Statement Analysis

Bureau Record Analysis



- Information related to bank statement analysis obtained from Perfios through an API integration customized to U GRO requirements
- Ability to validate business transaction trends (sales, expenses, margins), cheque bounce patterns, loan/EMI details, supplier & vendor identification and concentration

- ~ 100 different product variants basis bureau standard definitions classified into ROI/tenor buckets
- Product level ROI, tenor assumptions to compute obligations
- Product specific obligations computation encoded
- Process replicated for all financial applicants for footprint across both Commercial and Consumer bureaus



Technology

Credit Process Enabled by Integrated Technology

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



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

Technology platform to power the multi-pronged distribution channels

Technology Platforms

Platform

New Technology Initiatives

a

GRO-Plus
Branch Led

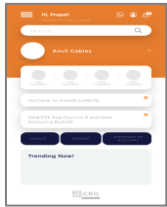


An uberized distribution model capable of onboarding DSAs, CAs and other intermediaries

- Web-portal for DSAs (Onboarding, Servicing & Training)
- APIs & Portal for Affiliates (Lead Collection, Management & Affiliate Servicing)
- Revamped Gro-Micro Application

b

GRO-Chain
Supply Chain



Supply chain financing platform for vendor and dealer/distributor financing

- API Framework for partner integration
- Stand-alone LMS
- Web Version of Onboarding app to be developed

c

GRO-Xstream
Partnerships

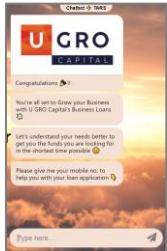


An online marketplace for large banks to partner with smaller NBFCs to either co-originate or purchase assets

- New Self Service portal (Upload & Manage)
- API Infrastructure for partners

d

GRO-Direct
Direct Interface



Direct to customer (Online) channel – went live in beta phase in December 2019

- Customer Direct Channel
- Self- Service Portal for Direct & Branch customers (View, Service Loans & Payments)



Platforms further integrated with rich data enrichment layer



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



Distribution Network

Creating multi-channel distribution

Multi pronged approach led by Offline presence and Tech capabilities

a Branch Led Channel | GRO-Plus

- **Tier 1-2 Branches** – 9 Branches with loans largely sourced by DSAs
- **Tier 3-6 Branches** - Launched 25 new branches across 5 states. Loans to be directly sourced by FOS.

b Ecosystem Channel | GRO-Chain

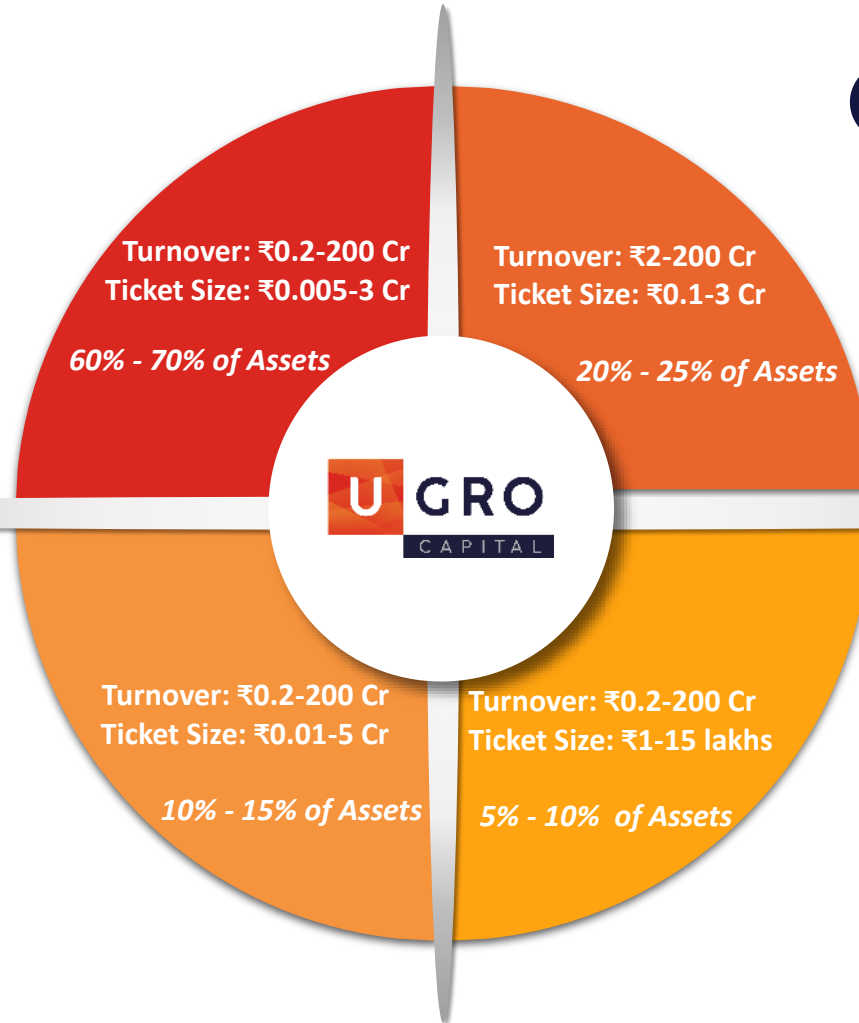
- **Supply Chain Financing** – Anchor and its ecosystem financing of Supply Chain
- **Machinery Finance** – Secured Loans to machine buyers with a charge on machines

c Partnerships & Alliances | GRO-XStream

- **Co-lending** – Joint lending partnerships with NBFCs on the downstream
- **FinTech Partnerships** – Partnership with FinTechs to originate loans. Loans quasi secured with FLDG.
- **Direct Assignment & Portfolio Acquisition** – Upstream or downstream direct assignment to Banks & NBFCs respectively

d Direct Digital Channel | GRO-Direct

- **Digital Lending Platform** – Allows MSMEs to directly apply for credit further reducing TATs
- **Beta Phase launched in Dec'19** – Full scale roll out to happen in 2022



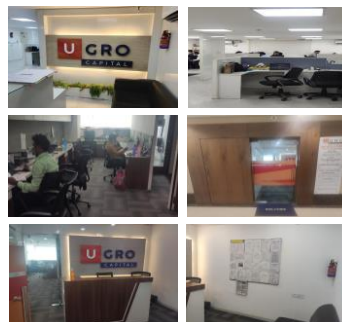
**U GRO's distribution model is geared towards catering MSMEs across all geographies and ticket sizes
Tailored products allow for highly structured deployment of capital – optimized for both the distribution channel and customer**

Branch Led | Network of 34 Branches spread across the country



Tier 1-2 Branches

- 9 Branches across 8 states in top metro cities
- Locations identified through SME cluster analysis and portfolio benchmarking
- Distribution led by DSAs

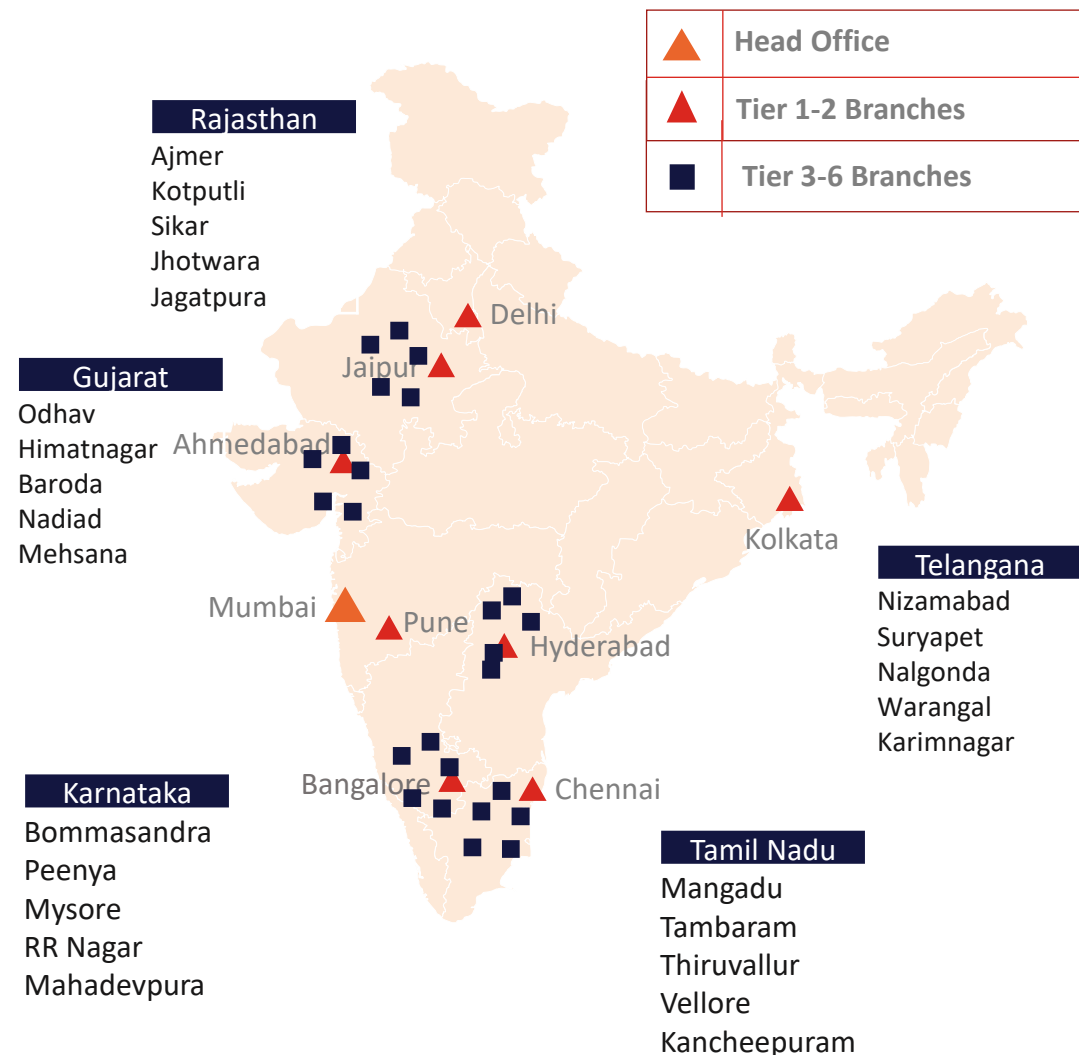


Tier 3-6 Micro Branches

- 25 Branches commissioned in Jan'21 – spread across 5 states
- Top locations with history of low delinquency & high loan demand identified
- Distribution through Feet on Street manpower employed on U GRO rolls

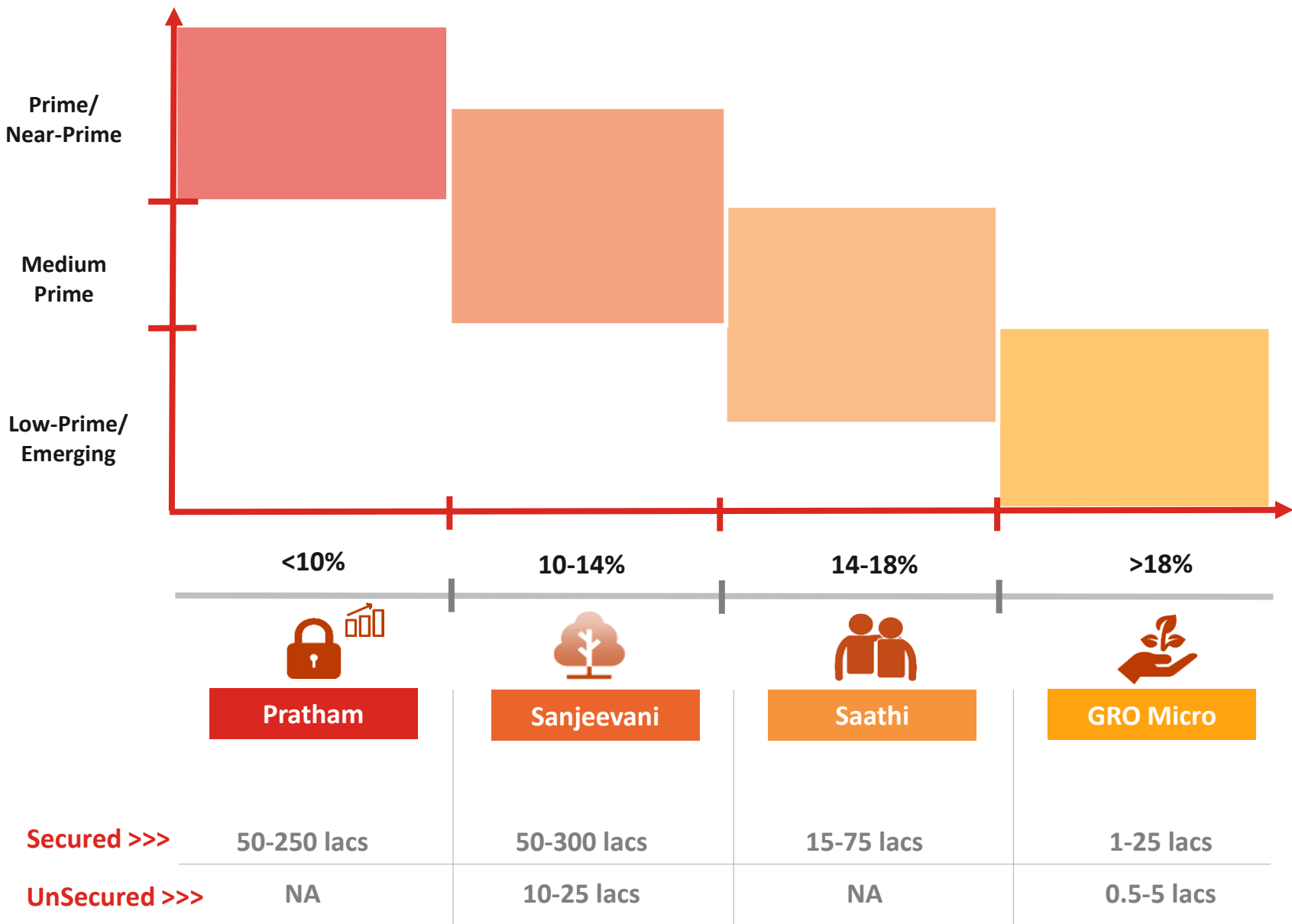


Total 34 Branches

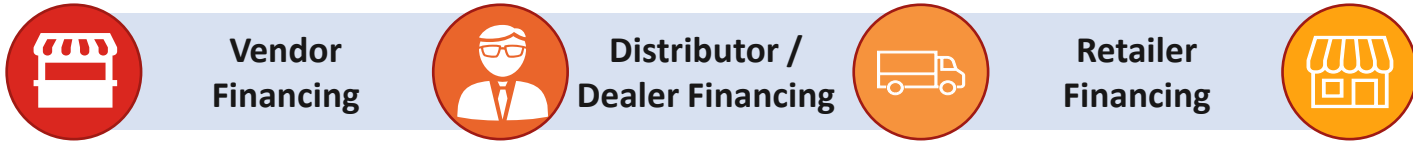


a

Branch Led | Loan Products curated to cater to the entire pyramid of borrowers



1 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

2 Non-Anchor Led



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

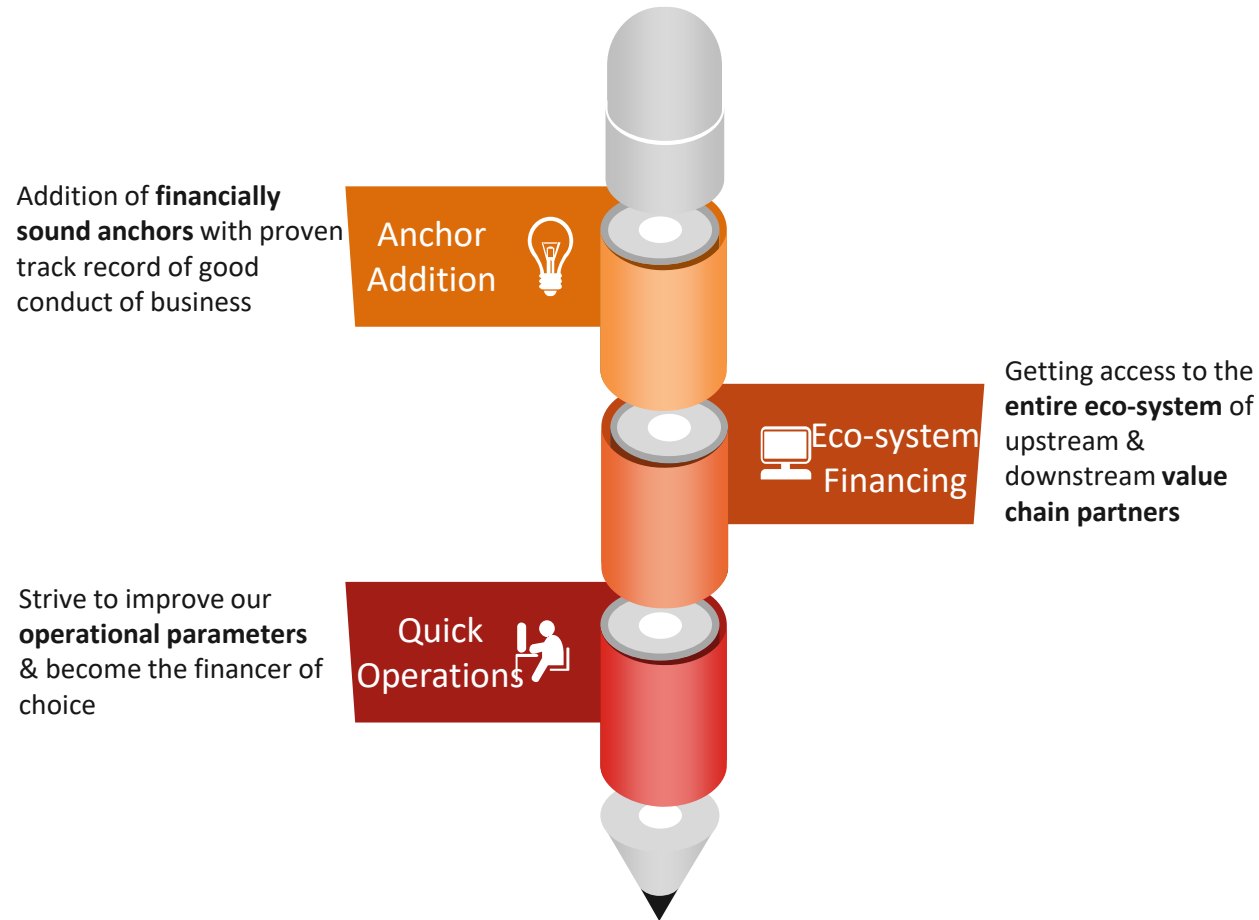
Additional Product Offering



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

Supply financing across the ecosystem value chain of the Anchor i.e. right from supplier of raw materials to the retailer

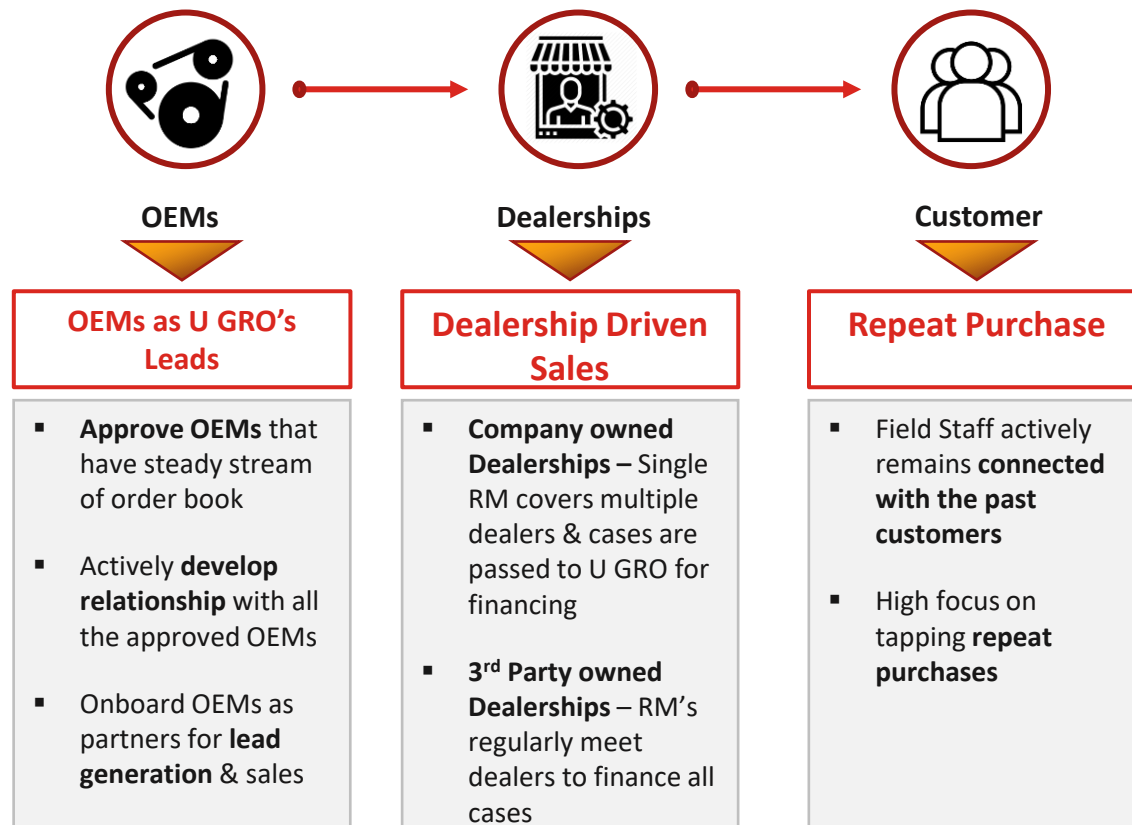
Approach to supply chain financing



We have a diverse pool of Anchors & FinTech Partners

--- and many more

Holistic approach to Machinery Finance to tap all the aspects of the Machinery Finance value chain



Approved List of Machinery that we Finance

- Plastic/injection molding
- Light Engineering
- Pharma
- Medical Equipment
- Allied sector – Printing, Packaging & Gensets, Stabilizer, Scissors, compressors

Product Details



Loan Ticket Size

10 lacs to 300 lacs



Product Yield Band

12% - 14%



Loan to Value Ratio

70 – 80% depending on customer & asset categorisation



Tenor

12 months to 60 months



Collateral

First charge on Machinery



... and another 150 pre-approved OEMs

Partnership Channel | Actively partner with FinTechs/NBFCs to improve distribution reach



We continue to forge partnerships with different FinTechs & NBFCs

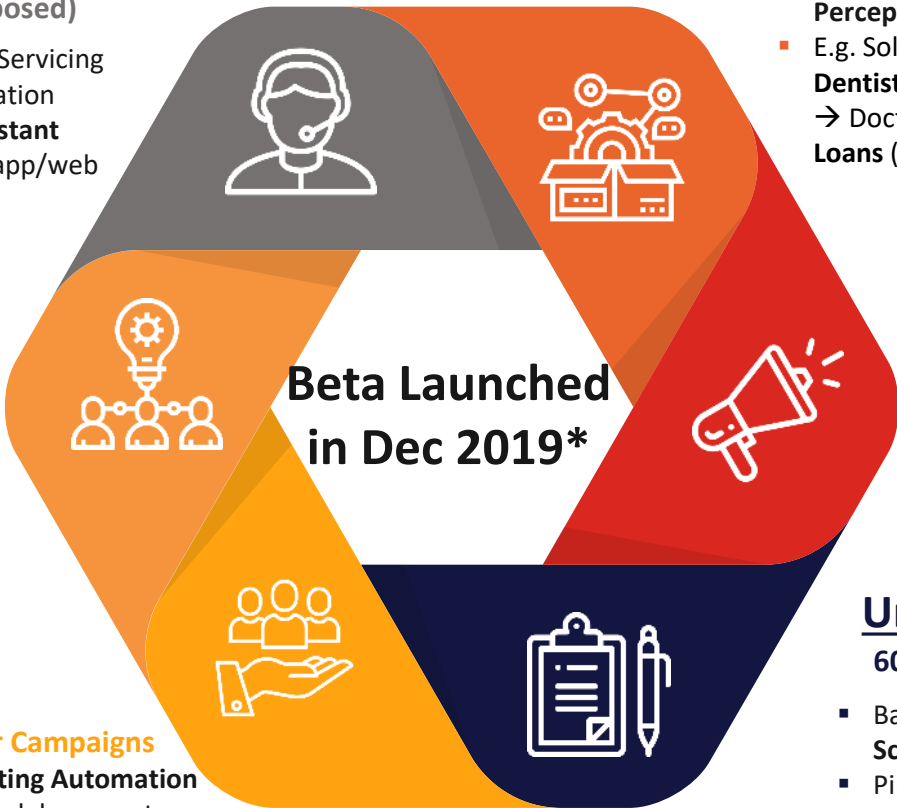


Feature	Particulars
Type of co-lending	Asset Side downstream co-lending with FinTech/ NBFCs
Customer Profile	MSMEs pan India
Sourcing of Loan	Partner/ U GRO Underwriting policy
Products	Small Ticket, Higher yield secured & unsecured loans
Share of Loan for U GRO	80:20/ 90:10 with 5-15% FLDG cover
Typical Yield	14-15%

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



Product Development

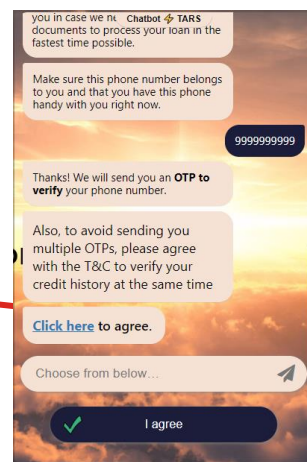
- **Sectoral Need Gap Identification** based on **Perception Maps**
- E.g. Solutions available for **Dentists Loan** (Healthcare → Doctors) & **Kirana Shop Loans** (FMCG → Trading)

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**)



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

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

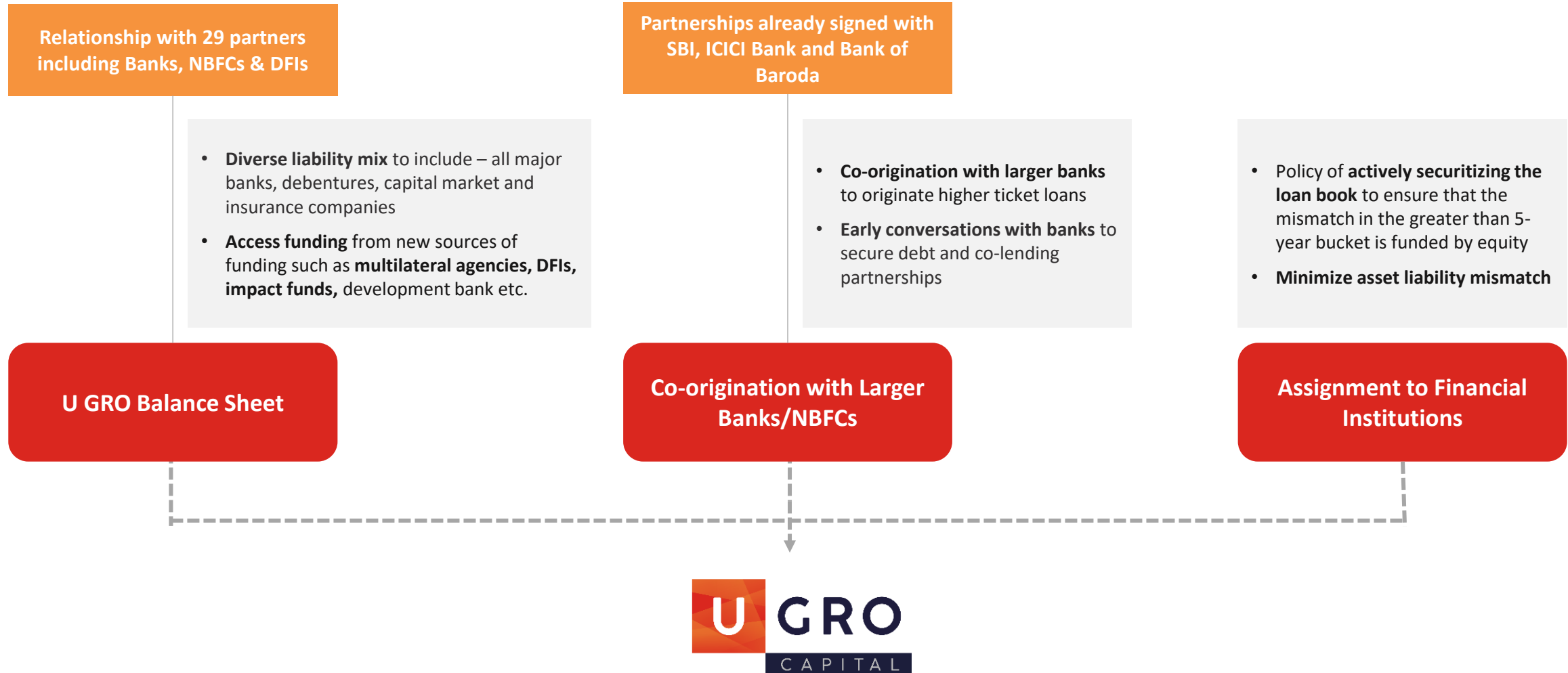
*Beta testing done, to be launched in FY 2021-22



Liability Management

Backed by a diverse base of Lenders

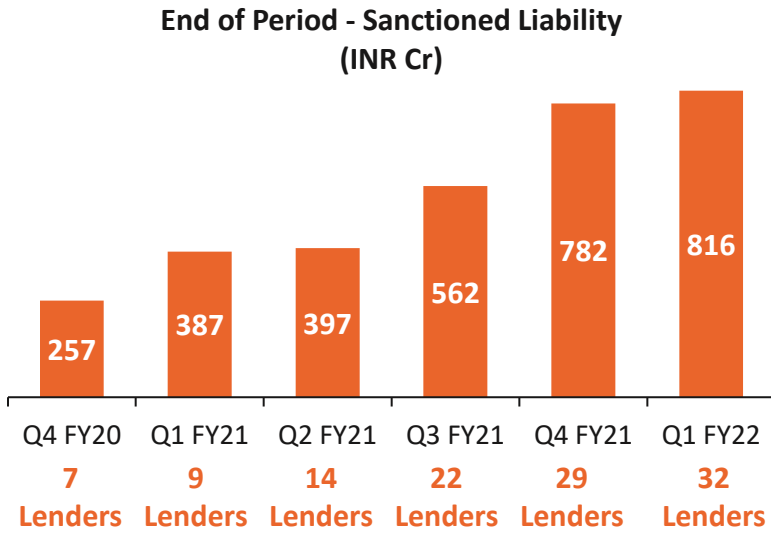
Our Liability Strategy | A Tri-Pronged Approach



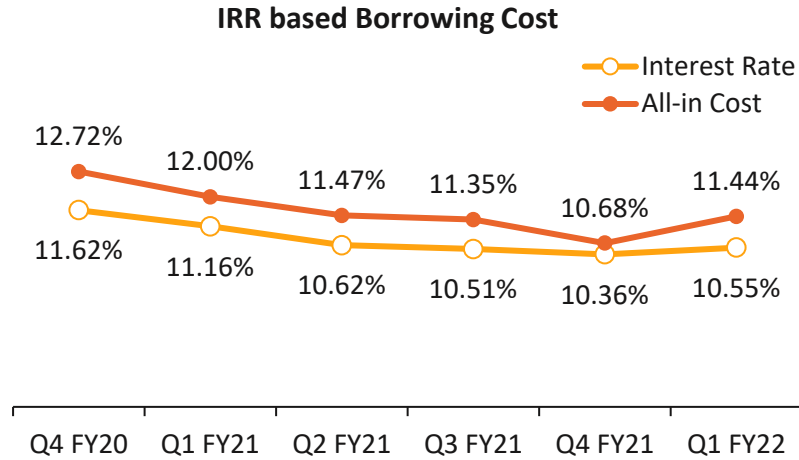
| Ability to generate significant fee income | More competitive interest rates | Ability to cater to customers of all risk profiles | Increased scale | Minimize ALM mismatch |

Expanded the lender universe to 32; continued build-out of liability book

Total Sanctions

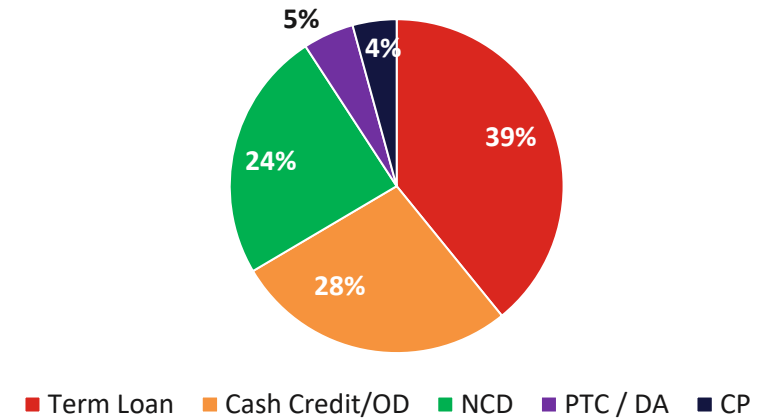


Cost of Borrowing



Liability Mix

Liability Type by Sanctions as on Jun 21 (INR Cr)



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

Public Sector Banks



Private Sector Banks



SFBs and NBFCs



DFB



Other Institutions



Co-origination Partnerships with Three of the Largest Banks in India

Business Commenced



Bank of Baroda

Secured Business Loans

Original Agreement Signed – Oct'19

Agreement under new co-lending regulation – Jun'21



State Bank of India

Small Ticket SBL & UBL

Original Agreement Signed – Nov'19

Agreement under new co-lending regulation – Q2 (Expected)



ICICI Bank

Secured Business Loans

Original Agreement Signed – Dec'19

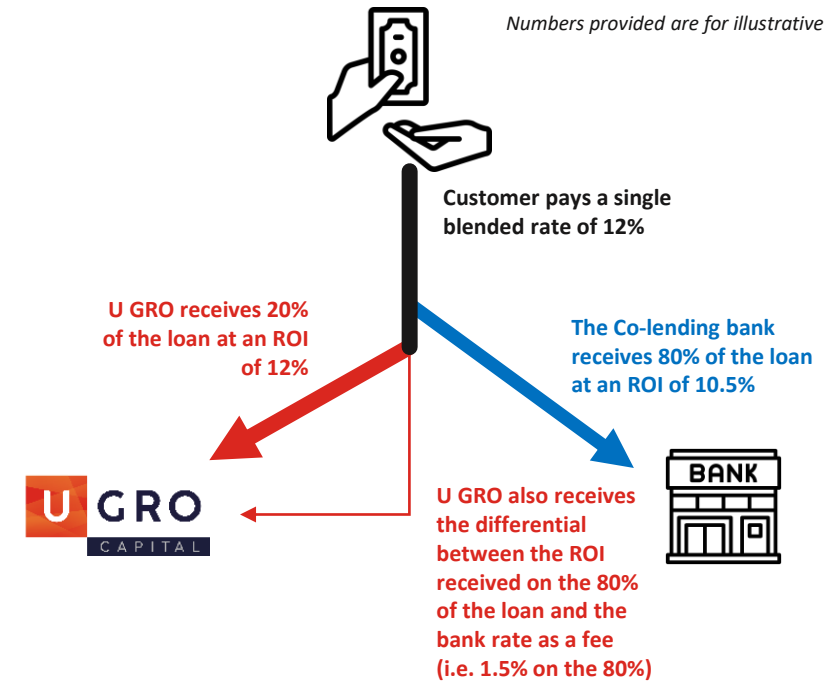
Agreement under new co-lending regulation – Q3 (expected)



Co-origination is a value accretive strategy

Example of Co-origination Model

Numbers provided are for illustrative purposes only



- 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**



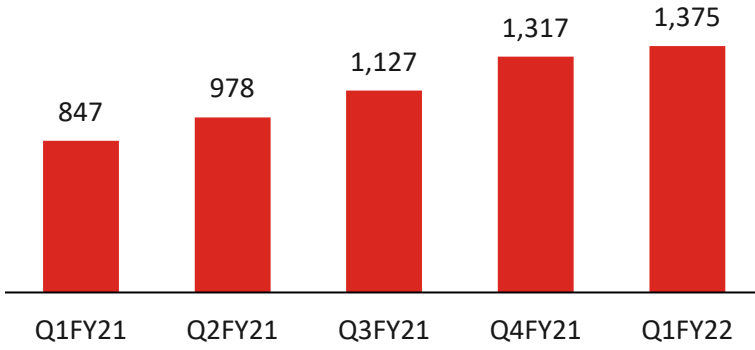
Financial & Operating Metrics

As of Q1 FY22

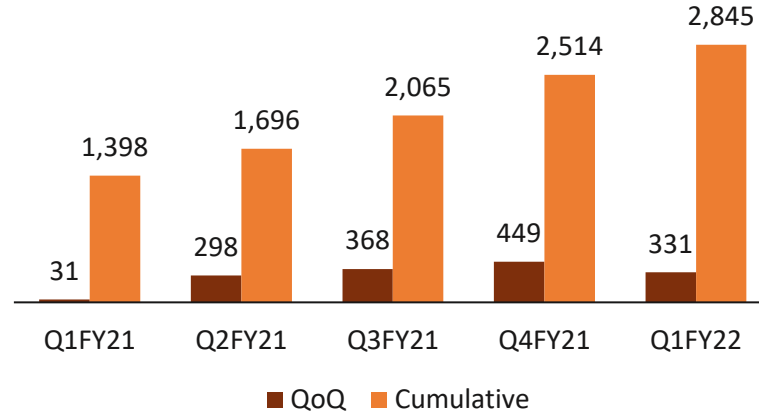
Operating & Financial Metrics (1/2)

Consistent expansion of AUM with strong Equity & Debt support

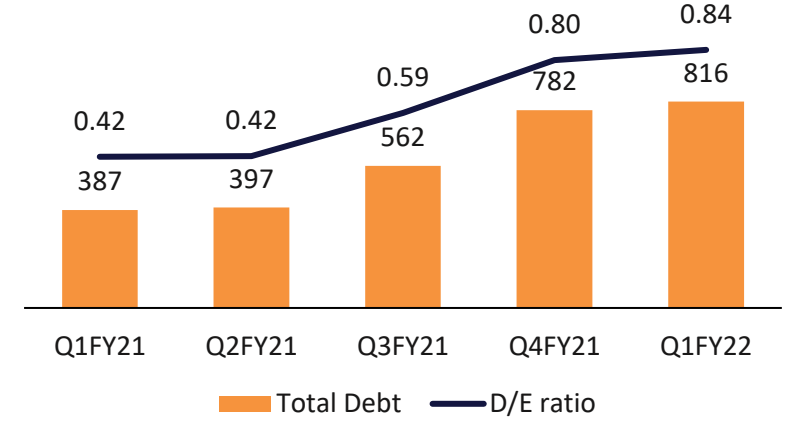
AUM (₹ Cr)



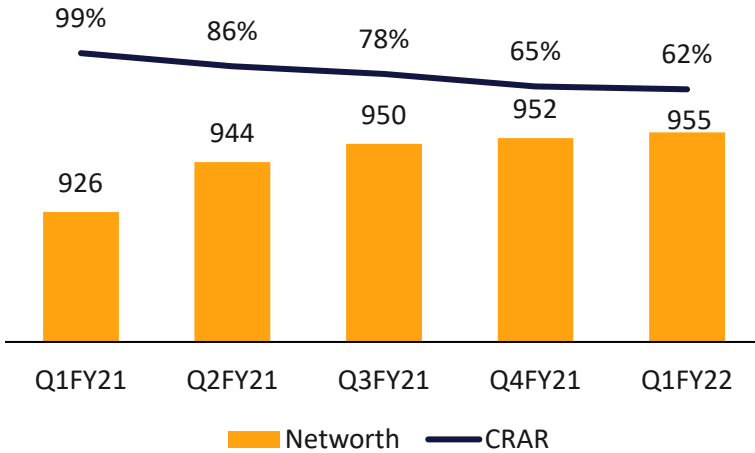
Disbursals (₹ Cr)



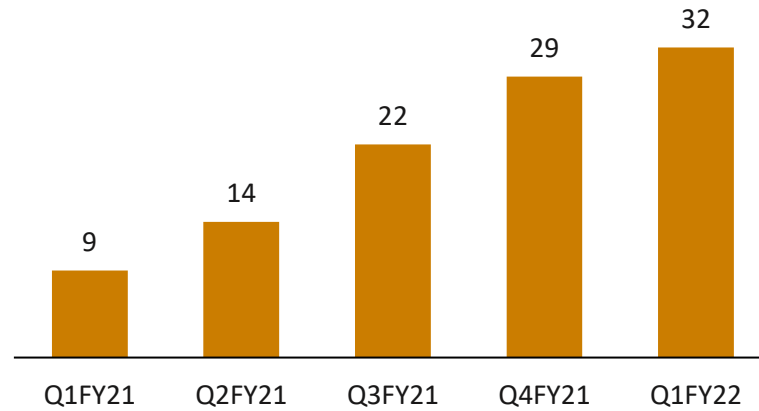
Debt (₹ Cr) & Leverage Ratio



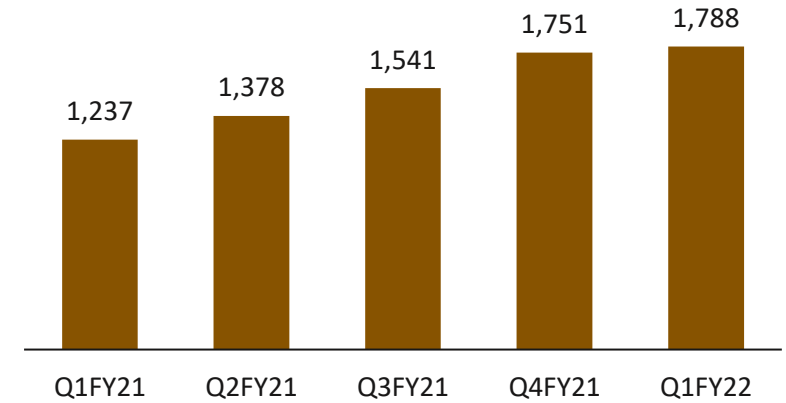
Net Worth (₹ Cr) & CRAR (%)



Number of Lenders



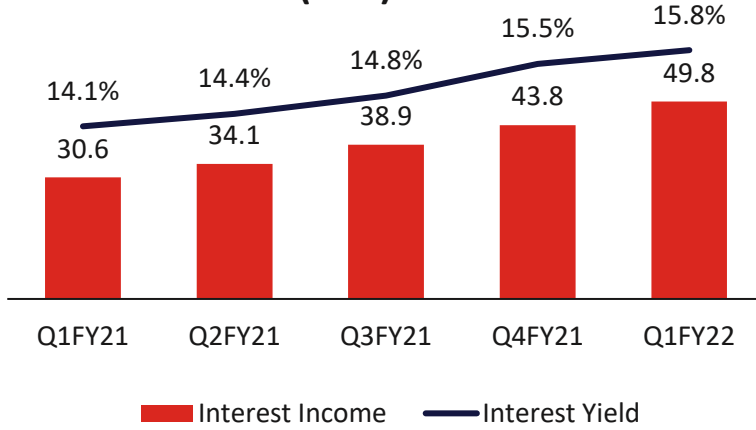
Total Assets (₹ Cr)



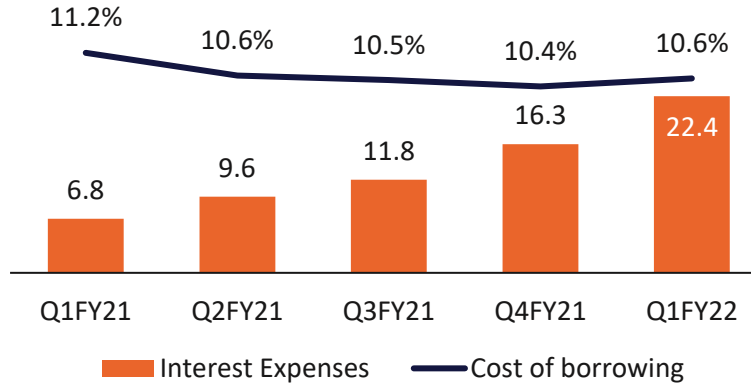
Operating & Financial Metrics (2/2)

Operating & financials ratios continue to improve as with scale

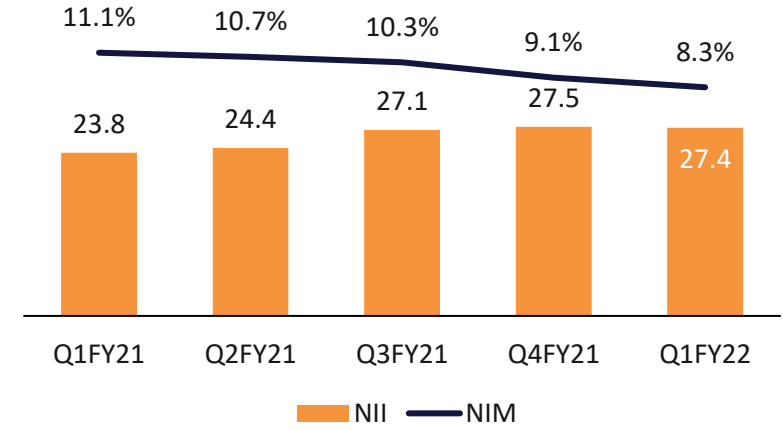
Interest Inc. (₹ Cr) & Portfolio Yield



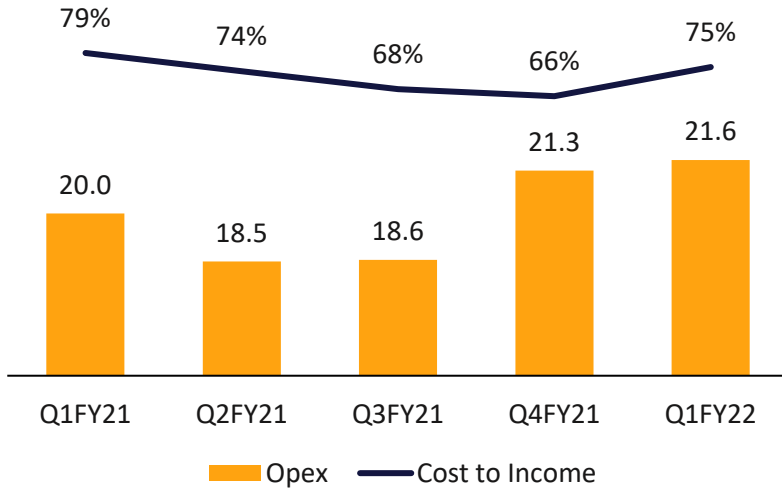
Finance Cost (₹ Cr) & Cost of debt*



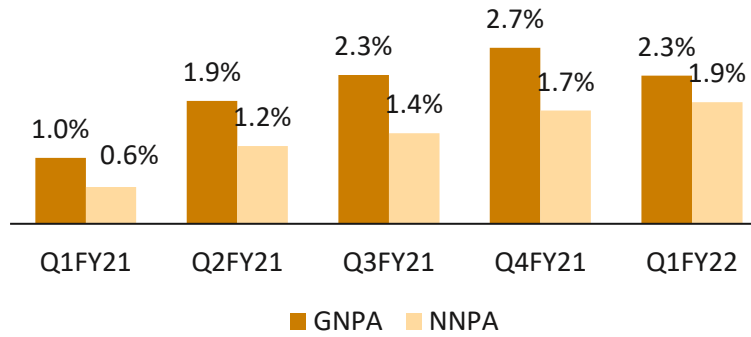
NII (₹Cr) and NIM%



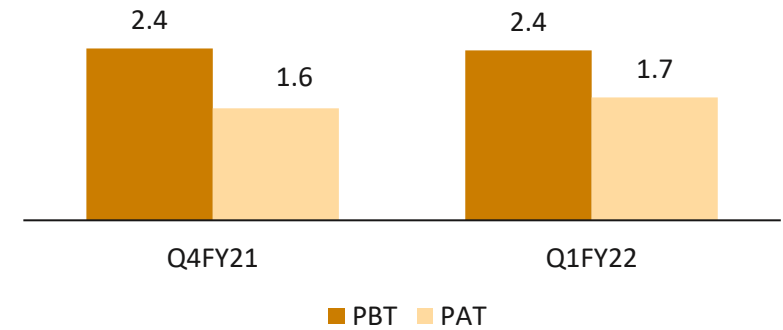
Opex (₹ Cr) & Cost to Income Ratio



GNPA and NNPA (in %)



PBT and PAT (₹Cr)



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

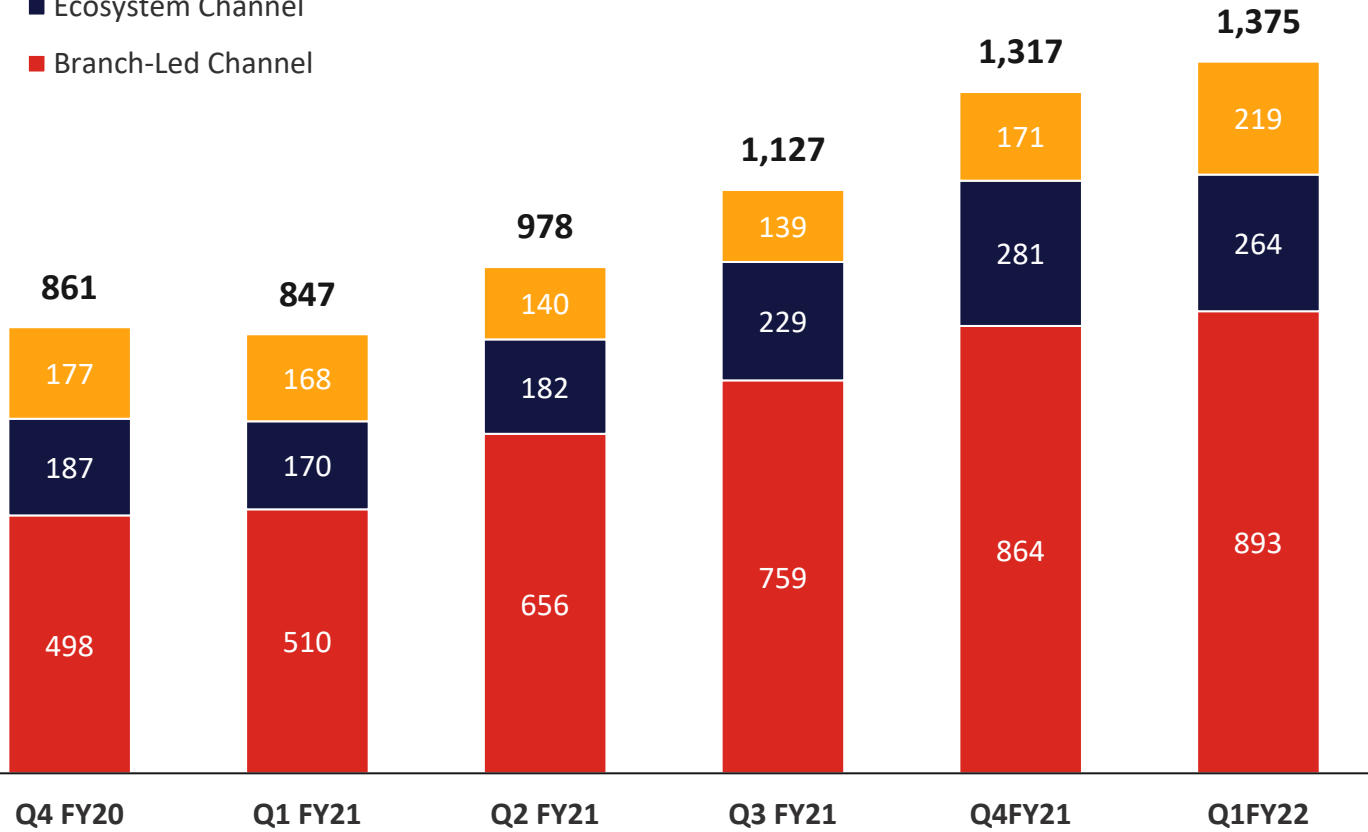


Portfolio Overview

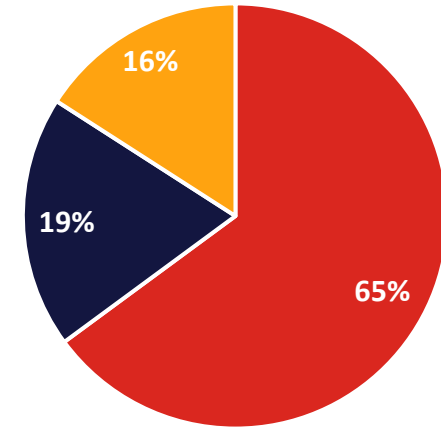
AUM Growth Channel Wise

AUM growth subdued in Q1 on account of disruption in our operations due to COVID 2nd wave

- Partnership and Alliances Channel
- Ecosystem Channel
- Branch-Led Channel



Channel Mix

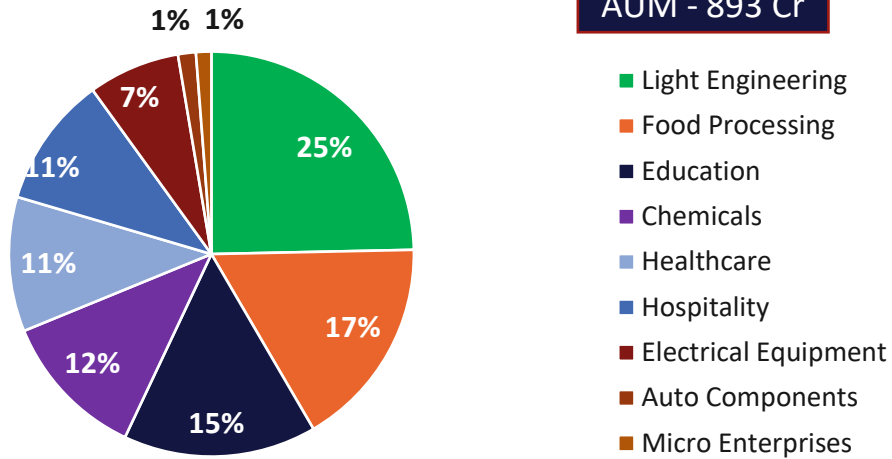


Product category	POS (Cr)	ROI (%)	Ticket size (Cr)
Branch Channel	893	15.0%	0.33
Ecosystem Channel	264	13.2%	0.76
Partnerships and Alliances	219	21.1%	0.07
Grand Total	1,375	15.8%	0.21

■ Due to the impact of second wave, Portfolio growth was subdued Q1FY22

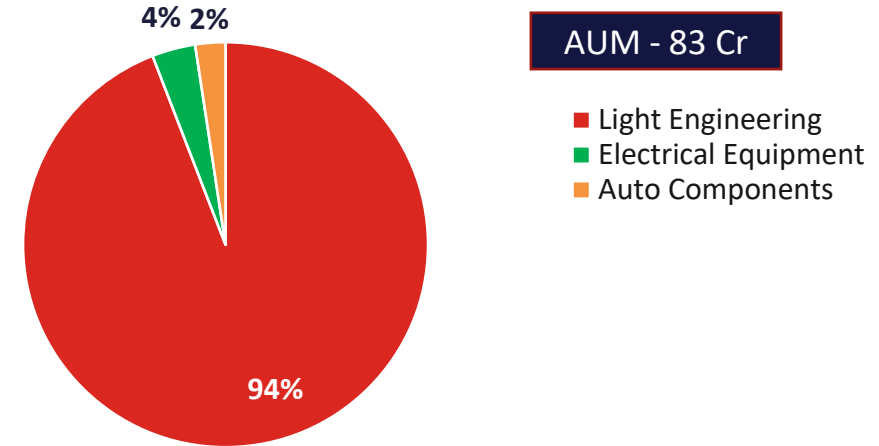
Branch-led Sectoral Mix

AUM - 893 Cr



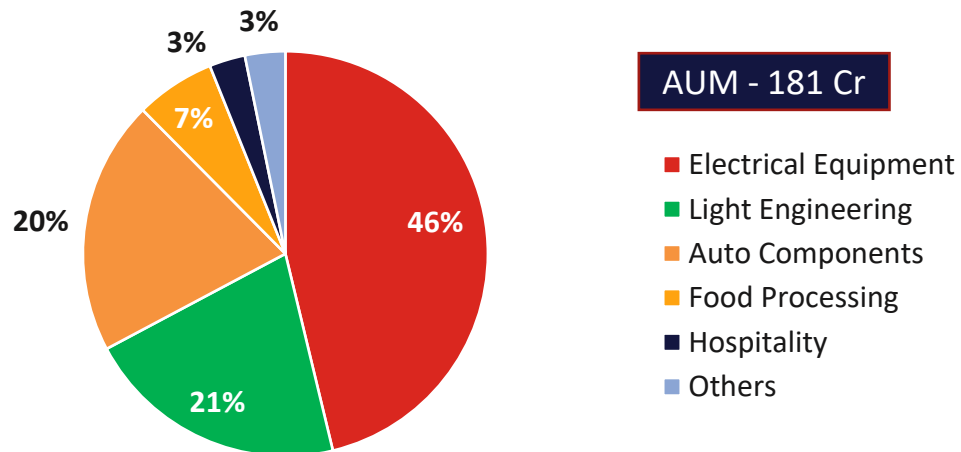
Machinery Finance Sectoral Mix

AUM - 83 Cr



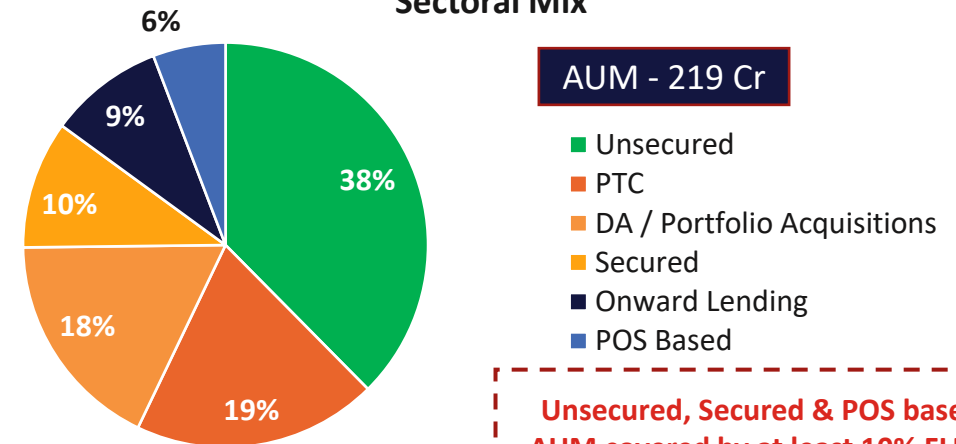
Supply Chain Finance Sectoral Mix

AUM - 181 Cr



Partnerships & Alliances (Micro Enterprises) Sectoral Mix

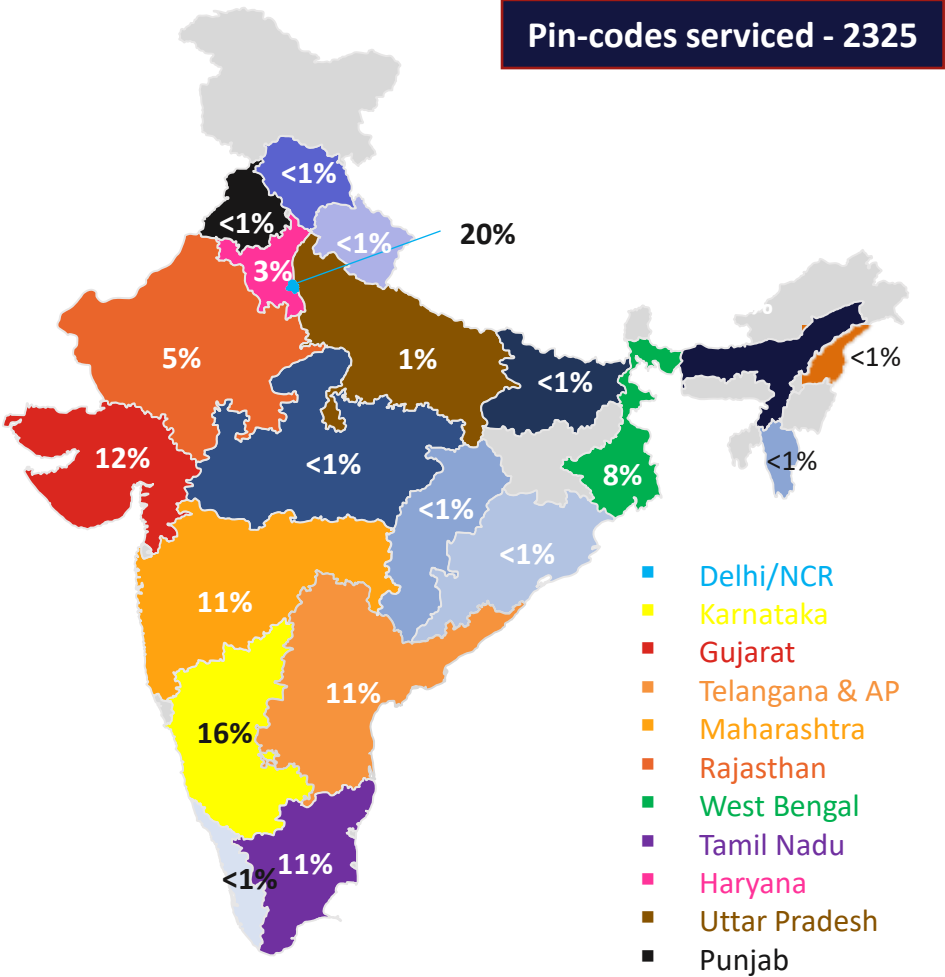
AUM - 219 Cr



Unsecured, Secured & POS based AUM covered by at least 10% FLDG

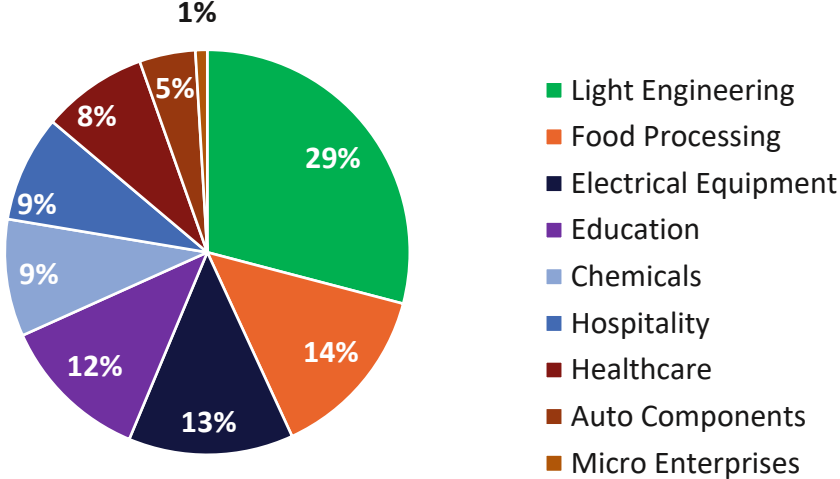
Portfolio Region Snapshot | AUM

Geographical Mix*

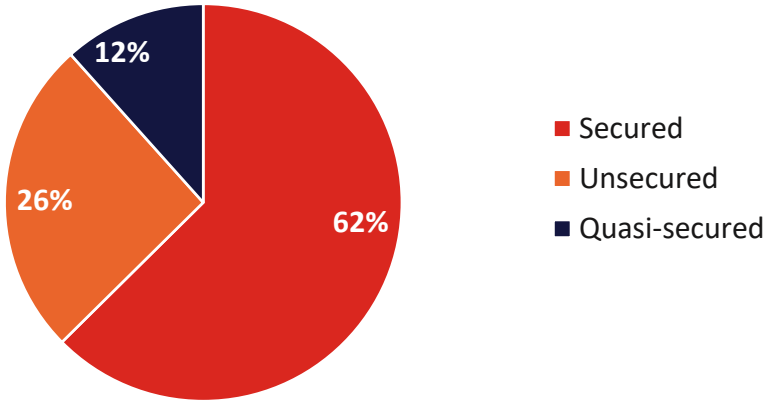


*Includes Sec, Unsec, Gro micro, SCF and Machinery

Sectoral Mix*



Secured Mix



Portfolio Provisioning, Collection Efficiency & Restructuring Highlights

Collection Efficiency and Bounce rates

Jun-21 Figures	Collection Efficiency	Bounce Rate
Branch Led Channel	91.0%	24.3%
Eco-System (Machinery Only)	95.0%	11.3%
Partnerships & Alliances	92.0%	19.0%

ECL Data

All figures in ₹ Cr	Loan Exposure	Loan Exposure (%)
Stage 1	1,274	92.6%
Stage 2	75	5.4%
Stage 3	27	1.9%
Total	1,375	100.0%

- Total provisions as of Jun-21 stood at ₹20.6 Cr (1.5% of the AUM). ~89% above the provision prescribed by IRACP and RBI
- GNPA stood at 2.29% and NNPA stood at 1.88% as of Jun-21

Restructuring Highlights

- Restructured 7.5% (103.2 Cr) of our portfolio as on Jun-21. 67% of the restructured pool was current as of Jun-21
- Majority of the restructuring was done in the Hospitality sector in line with the trend in the broader economy
- Hospitality & Education were the most affected part of our portfolio

Channel	Sector	Restructured	% of Total Restructured	% of AUM restructured
Branch-Led	Auto Components	0.5	0.5%	3.9%
	Chemicals	5.4	5.2%	5.2%
	Education	16.1	15.7%	11.9%
	Electrical Equipment	2.5	2.4%	3.9%
	Food Processing	6.8	6.6%	4.6%
	Healthcare	2.5	2.4%	2.6%
	Hospitality	20.3	19.7%	22.1%
	Light Engineering	24.1	23.3%	11.1%
	MSME	0.1	0.0%	0.2%
	Eco-system Channel	Supply Chain Finance – Auto Components**	13.0	12.6%
Supply Chain Finance – Electrical Equipment		3.6	3.4%	4.3%
Machinery – Light Engineering		0.5	0.5%	0.7%
Partnerships & Alliances	Onward Lending	5.0	4.8%	24.8%
	DA & Portfolio Acquisition*	2.9	2.8%	3.5%
Total		103.2	100.0%	7.5%

Financials | Income Statement & Balance Sheet

Income Statement (₹ Cr)	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	FY21
Income					
Interest Income & Income from Investments	34.49	38.77	44.44	50.72	148.48
Sale of Services	0.00	0.02	3.51	-	3.53
Other operating revenue	0.33	0.30	0.71	0.56	1.34
Total Income (A)	34.82	39.08	48.64	51.28	153.32
Expenses					
Finance Costs	9.64	11.78	16.30	22.37	44.56
Employee Benefits Expenses	10.75	10.56	12.91	12.29	45.33
Depreciation, amortization and impairment	2.88	3.01	3.14	2.60	11.74
Provision for loan loss	3.93	5.86	8.67	4.92	19.62
Other expenses	4.87	4.99	5.25	6.74	19.96
Total Expenses (B)	32.08	36.21	46.27	48.92	141.21
Profit Before Tax (C) = (A-B)	2.74	2.87	2.37	2.36	12.12
Tax Expenses (D)	(14.44)	(3.40)	0.83	0.66	(16.6)
Profit After Tax (E) = (C-D)	17.18	6.27	1.54	1.70	28.71

Balance Sheet (₹ Cr)	FY20	FY21
Financial Assets	1,144.33	1,656.89
Loans	832.30	1,278.81
Cash and Investments	222.17	371.27
Other Financial Assets	89.86	6.81
Non-Financial Assets	68.05	94.01
Total Assets	1,212.38	1,750.89
Financial Liabilities	287.37	793.22
Trade/Other Payables	14.20	10.23
Borrowings & Debt Securities	254.54	765.69
Other Financial Liabilities	18.62	17.29
Non-Financial Liabilities	3.49	5.24
Total Equity	921.52	952.44
Equity Share Capital	70.53	70.53
Other Equity	850.99	881.91
Total Liabilities + Equity	1,212.38	1,750.89



Strategy and Long-Term Goals

Growth & ROE focus

We have a clearly articulated vision to achieve our goals

Asset Side Strategy

- Opening of new branches in line with our plans and training & specializing frontline sales to achieve growth targets
- Rapid build out of partnerships to steadily ramp up our partnership channel
- Addition of financially sound anchors & improve from our experiences

Organizational Build-up

- Become an employer of choice by groom internal talent for leadership roles
- Hire the right talent and cross train manpower to assume bigger roles
- Focus on training and development to ensure continuous upskilling of manpower



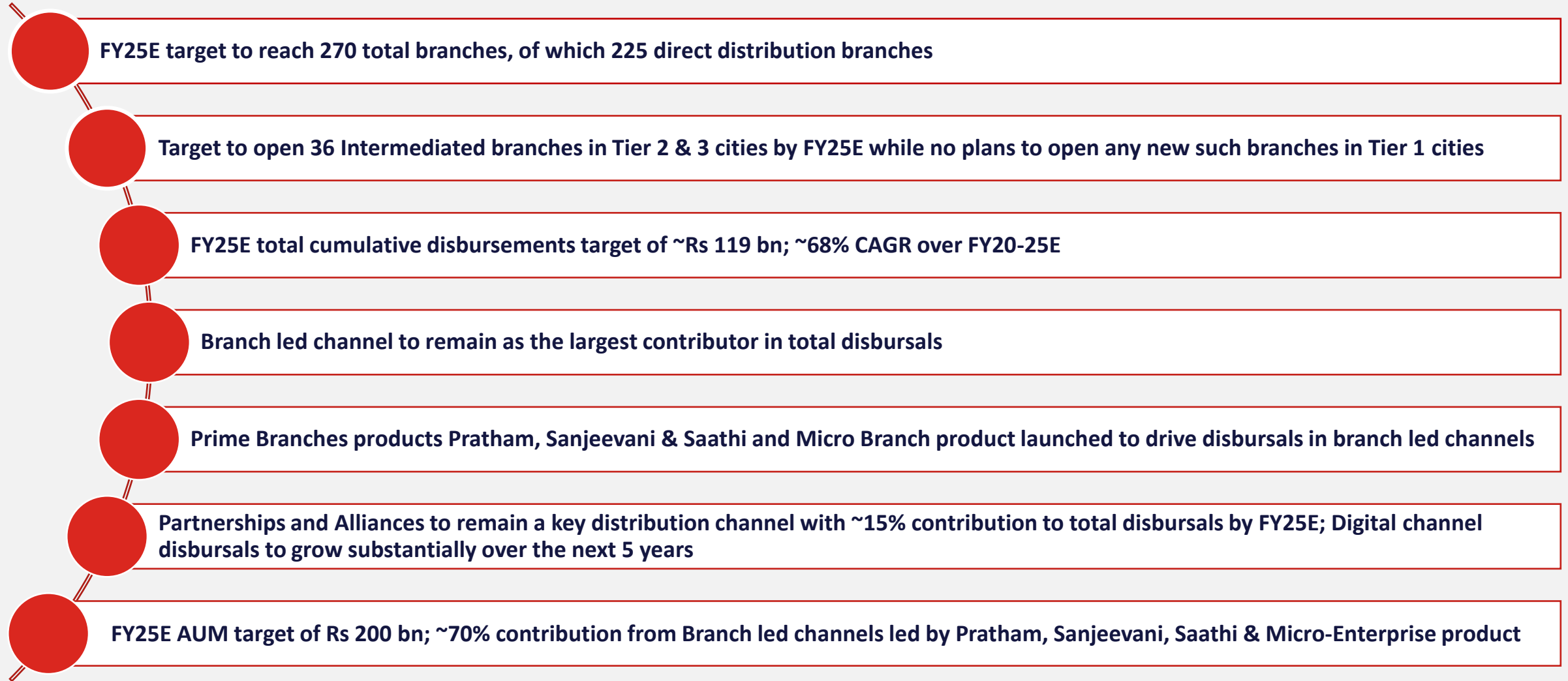
Liability Side Strategy

- Adequately raise debt to fuel the build out of asset
- Raise long term, low-cost debt from DFIs & large banks
- Achieve high credit rating through build-out of quality portfolio
- Lower the cost of debt
- Maintain focus on ALM

Technology Vision

- Consistent Improvement through upgradation to latest cutting-edge technology
- Capture customer data point at every touch point & improve our forecasting algorithm through AI/ML models

Way forward



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)

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%
<hr/>	
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%
<hr/>	
PBT	~5.5%
Tax	~1-2%
PAT	~4-5%
ROE	~18.8%

Company :



Ugro Capital Ltd.

CIN: L67120MH1993PLC070739

Mr. Nirav Shah
Chief Strategy Officer & Head of Investor Relations
nirav.shah1@ugrocapital.com

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Investor Relations Advisors :



Strategic Growth Advisors Private Limited

CIN: U74140MH2010PTC204285

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Appendix

Narrowed down Sub-sectors/ecosystem across our focus sectors

	Sector	Sub-Sectors	Key Clusters
1	Healthcare	General nursing homes, eye clinics, dental clinics, diagnostic labs, radiology/pathology labs, pharma retailers	NCR, Mumbai, Bengaluru, Hyderabad and Chennai
2	Education	K-12 schools, play schools	NCR, Mumbai, Coimbatore, Chennai, Hyderabad and Pune
3	Chemicals	Dyes and pigments, bulk and polymers, agrochemicals	Mumbai, NCR, Ahmedabad, Vadodara and Surat
4	Hospitality	Fine dining (standalone), QSRs, fine dining chains, manpower agencies, boutique hotels, guest houses	NA
5	Electrical equipments & Components	B2B, B2C	NCR, Pune, Bengaluru, Chennai, Aurangabad and Rajkot
6	Microenterprises	Kirana stores, family run businesses, first generation entrepreneurs	Mumbai, Kolkata, NCR, Hyderabad, Bengaluru and numerous Tier II and Tier III locations
7	Food Processing/FMCG	Dairy and dairy products, non-alcoholic beverages, consumer foods, poultry, sea food, food and beverage traders	NCR, Mumbai, Chennai, Hyderabad and Pune
8	Auto & Light Engineering	Casting and forging, medical equipment and devices, engine parts, drive transmissions etc.	NCR, Chennai, Pune, Kolkata, Ludhiana, Bengaluru, Ahmedabad and Rajkot

Sub-sectors selected based on its contribution to the overall sector credit demand and risk profiles



Healthcare (Nursing Homes, Diagnostic Labs, Eye/Dental Clinics, Retail Pharmacy)

- Sector growing at 22% CAGR & expected to see sustainable growth of 14-15% over long term
- Significant healthcare shortfall in India (0.7 hospital beds/1000 vs global avg 2.7)
- Demand-Supply gap, inadequate infra will drive private investments
- Increasing lifestyle diseases, rising affordability & awareness provide sustainable growth prospects for new general nursing homes, new clinics for eye & dental and new retail pharmacy operators
- Indian diagnostics expected to see 11-12% CAGR over the medium to long term
- Pathology (58% of total diagnostics market) is highly fragmented and offers high Free Cash Flow and better Return on Investments of 45-50% on limited capex



Education (K-12 schools, Playschools)

- Inadequate education infra in India presents huge capital investment opportunity
- With over 15 crore children in 0-6 years age group, India has the largest population of children in world
- Demand for early education and care have led the Indian education sector on a brisk growth track
- The preschool education industry itself in India is currently valued at more than Rs 150 bn, growing at 23% CAGR
- The unorganized sector, which is made up of local home-grown preschools and constitutes around 70-80% of the market, shows huge growth opportunity
- Secondary school enrollment rate at only 54% & 37% of schools not having toilet facilities



Chemicals (Bulk Chemicals, Polymers, Agrochemicals, Dyes & Pigments)

- India Chemical Industry grown at ~11% CAGR over the last decade. Per capita consumption in India is 1/10th of the world's average; presents huge capex opportunity
- Bulk chemicals (~40% of the world's chemical market) expected to grow at ~8% CAGR in next 5 years
- Increasing focus on domestic production of chemicals would entail large investments from private players
- Dyes & Pigments – Highly fragmented industry. India accounts for ~16% of the world production. Demand from textile & associated sectors is the key growth driver
- Agro chemicals industry expected to grow at 8% CAGR till FY25. Increase in awareness level of farmers, improvement in rural income and the pressure for improving productivity are the key drivers



Hospitality (Fine Dining Restaurants, QSRs, Manpower Agencies, Boutique & Guest Hotels)

- India Restaurant industry growing at ~7% led by rising disposable income, nuclear family structure, increasing working population and rapid urbanization and consumerism
- India QSR sector is ~4% of total food service market (vs 20% global avg); presents huge capex opportunity
- Over FY20-25, the QSR market is estimated to be the highest growing sub-segment at 23% CAGR
- Manpower/Security Solutions - India has the lowest per capita spend among most countries. Faster urbanization & inadequate police infra are key growth drivers
- Increasing desire for experiential travel across different segments continues to increase the growing popularity of Boutique Hotels along with Guest Houses in the country



Electrical Equipment and Components (B2B, B2C)

- Govt's focus on infra expansion to create substantial demand for electrical equipment & components
- Favorable demographics (Urbanization, increase in disposable income level, aspiration for good quality products, nuclear families etc.) would catalyze the growth in mid-to long term horizon
- Govt initiatives - Metering of houses and focus on reducing transmission loss of electricity are creating many opportunities in new geographies for supply of electrical products
- Demand for electrical equipment & components for renewables industry shows huge potential considering the focus on changing India's energy profile to a greener one



Food processing (Dairy/Dairy Products, non-alcoholic beverages, consumer foods, poultry, sea food, food and beverage traders)

- 2025 target of doubling milk processing capacity would entail huge private capex
- Growing consumer preference for branded/value-added milk products and increased awareness of nutrition would continue to drive the demand
- Per capita milk consumption is increasing at 3% CAGR (vs 1% CAGR globally)
- Non-Alcoholic beverage consumption on a steady growth trajectory; Rising young population, improving retail penetration across semi-urban and rural markets shows huge potential in sector
- With long coastline, India is best placed for seafood industry developments; shows huge growth potential



Auto and Light Engineering (Casting and forging, medical equipment and devices, engine parts, drive transmissions etc.)

- Auto & Light engineering is a sector that enables other sectors. Industrial Consumables are an integral sub-segment of this industry (mainly consist of products replaced regularly due to wear and tear)
- Focus on manufacturing sector would entail huge capital expenditure in Engineering/Auto sectors
- Moving towards a greener future, Auto Industry's focus on clean vehicle initiatives would propel demand for Industrial products
- 'Make in India' driving local manufacturing of engineering products (currently imported from China)
- 100% electrification of Railways to drive demand of engine parts, drive transmissions & other equipment



Microenterprises (Kirana stores, family run businesses, first generation entrepreneurs)

- Microenterprise segment accounts for over ~97% of the MSME total, particularly important in Lower Income States such as Uttar Pradesh, Bihar, Chhattisgarh
- Kirana stores contribute 11% to India's GDP & 8% of total workforce. MSME employees in sector at 110 million. 85% of country's retail trade is unorganized; supported by small traders, retailers & Kirana stores
- In the food and grocery segment, more than 95% of the business is in the hands of traditional retailers.
- Over 100 million households will be added to the high & upper middle classes by 2030; will drive 60% of consumer spending
- Digitalization/modernization makes Kirana stores an irreplaceable part of the consumer's daily life

THANK YOU



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