



# U GRO Capital | Q4 FY21 & Full year FY21 Earnings Presentation

## Tech focused Small Business Lending Platform

UGROCAP | 511742

*June 30<sup>th</sup>, 2021*

***‘To Solve the Unsolved’***

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

This presentation has been prepared by UGRO Capital Limited (the “Company”) solely for your information. By accessing this presentation, you are agreeing to be bound by the trailing restrictions.

This presentation is for information purposes only and should not be deemed to constitute or form part of any offer or invitation or inducement to sell or issue any securities, or any solicitation of any offer to purchase or subscribe for, any securities of the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied upon in connection with, any contract or commitment therefor.

In particular, this presentation is not intended to be a prospectus or offer document under the applicable laws of any jurisdiction, including India.

There is no obligation to update, modify or amend this communication or to otherwise notify the recipient if information, opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. However, the Company may alter, modify or otherwise change in any manner the content of this presentation, without obligation to notify any person of such change or changes

The financial information in this presentation may have been reclassified and reformatted for the purposes of this presentation. You may also refer to the financial statements of the Company available at [www.ugrocapital.com](http://www.ugrocapital.com) before making any decision on the basis of this information.

Certain statements contained in this presentation that are not statements of historical fact constitute forward- looking statements. These forward- looking statements include descriptions regarding the intent, belief or current expectations of the Company or its directors and officers with respect to the results of operations and financial condition of the Company. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors and assumptions which the Company presently believes to be reasonable in light of its operating experience in recent years but these assumptions may prove to be incorrect.

Potential investors must make their own assessment of the relevance, accuracy and adequacy of the information contained in this presentation and must make such independent investigation as they may consider necessary or appropriate for such purpose.

This presentation and its contents are for general information purposes only, without regard to any specific objectives, financial situations or informational needs of any particular person and should not be distributed, published or reproduced, in whole or part, or disclosed by recipients directly or indirectly to any other person.

# Table of Contents

01

Executive Summary

02

U GRO Capital - Overview

03

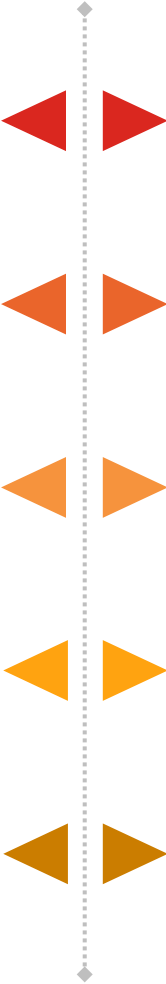
Strong Corporate Governance

04

Experienced Management

05

Large Institutional Capital



06

Knowledge

07

Technology

08

Multi-pronged Distribution

09

Financial & Operating Metrics and Portfolio Overview

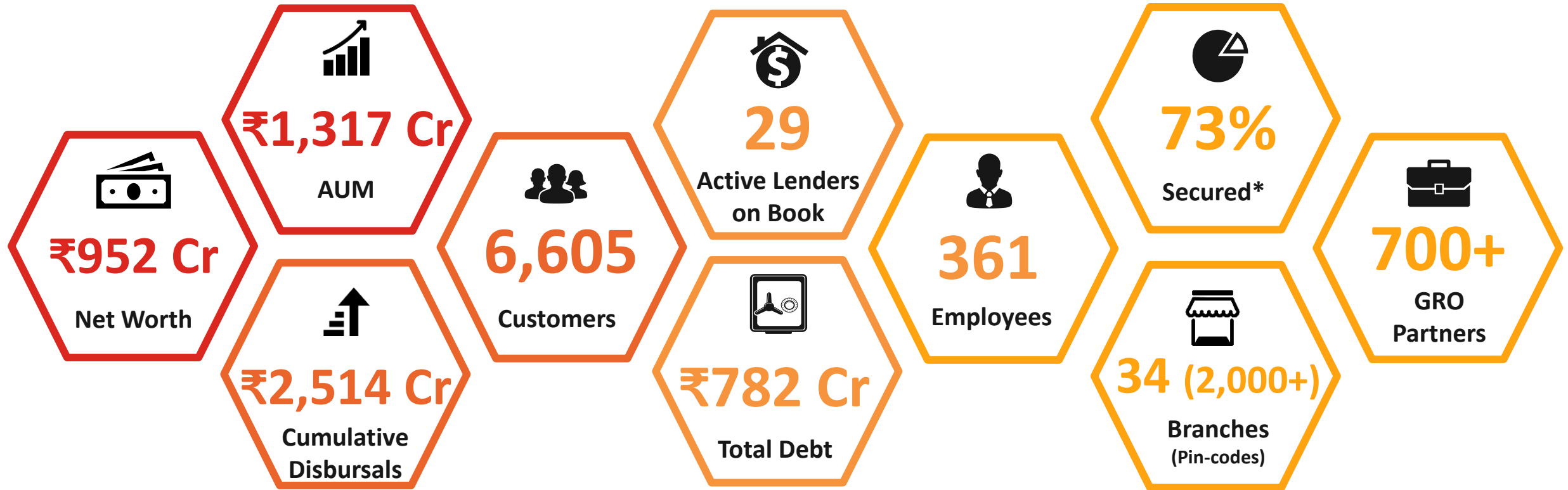
10

Strategy & Long-Term Goals



# Executive Summary

# Where we stand now



Focus in the Q4 was on operationalising 25 Micro Branches and scaling disbursement through our distribution channels

Data as of 31<sup>st</sup> March 2021  
\*Includes quasi-secured portfolio

# Executive Summary

All Fig in ₹ Cr	FY20	FY21
AUM	861	1,317
Net worth	921.5	952.4
Branches	9	34
Lenders	7	29
Employees	165	361
Interest Income	78.9	147.4
Interest Expense	13.7	44.6
NII	65.2	102.8
Operating Expense	77.9	77.0
Credit Cost	10.2	19.6
PBT	3.3	12.1
Portfolio Yield	14.3%	15.5%
Borrowing Cost	11.6%	10.4%

## AUM and Disbursement

- AUM stood at ₹1,317 Cr as on Mar'21 (₹861 Cr as on Mar'20). ~53% increase on Y-o-Y basis
- Total Gross Disbursement for FY21 was ₹1,147 Cr and Disbursements (considering only incremental AUM in SCF<sup>1</sup>) was ₹639 Cr

## Net Interest Income

- NII for the year FY21 stood at ₹102.8 Cr in FY21 compared to ₹65.2 Cr in FY20. ~58% increase on Y-o-Y basis
- NII was ₹27.5 Cr in Q4 FY21 (₹22.5 Cr in Q4 FY20). ~22% on a Y-o-Y basis

## Liability Management

- Diversified lender base of 29 active lenders with addition of 22 new lenders in FY21
- Borrowing costs on a sequential downtrend; average cost of debt stood at ~10.4% in Q4 FY21 compared to ~11.6% in Q4 FY20

## Operating Expense

- Cost to Income ratio has been trending downwards, stood at 71% in FY21 compared to 85% in FY20
- Leadership functions combined & optimized to bring in cost and operating synergies

## Credit Costs

- GNPA stood at 2.72% and NNPA stood at 1.75%
- Collection efficiencies was at 93% in Branch-led channel, 100% in Machinery Finance and 97% for Partnership & Alliances channel in Mar'21.
- Selectively restructured around 6.0% of our portfolio for fundamentally sound businesses with short term cash flow issues

## Profitability

- PBT stood at ₹12.1 Cr in FY21 compared to ₹3.3 Cr in FY20. ~266% increase on a Y-o-Y basis
- PAT stood at ₹28.7 Cr in FY21 compared to ₹19.5 Cr in FY20. ~47% increase on a Y-o-Y basis
- Remained profitable in all the four quarters of FY21 despite COVID impact

## Net Worth

- Net worth stood at ₹952 Cr in Mar-21 and CRAR was ~65%
- Debt-to-equity ratio stood at 0.80x indicating a long runway for growth as we leverage our balance sheet

<sup>1</sup> Supply Chain Financing



# **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**



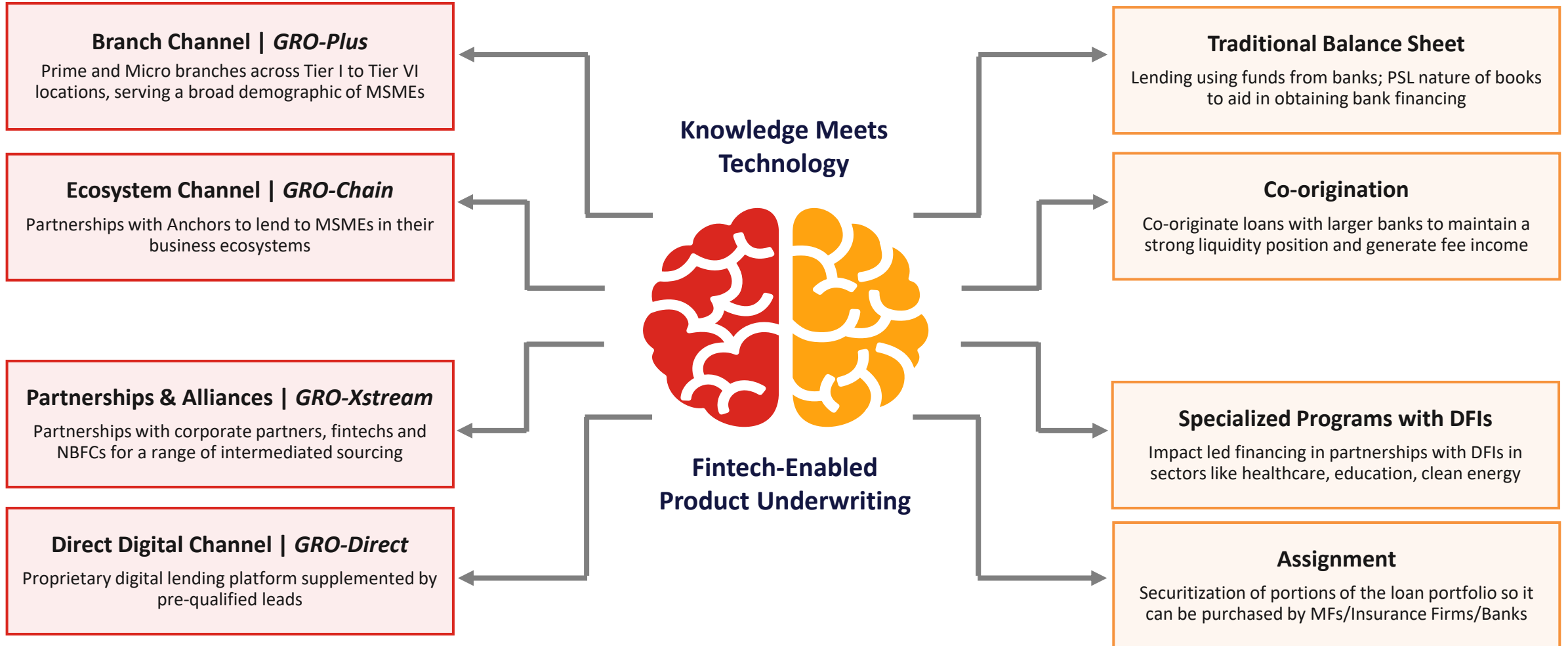
***‘To Solve the Unsolved’***

**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**



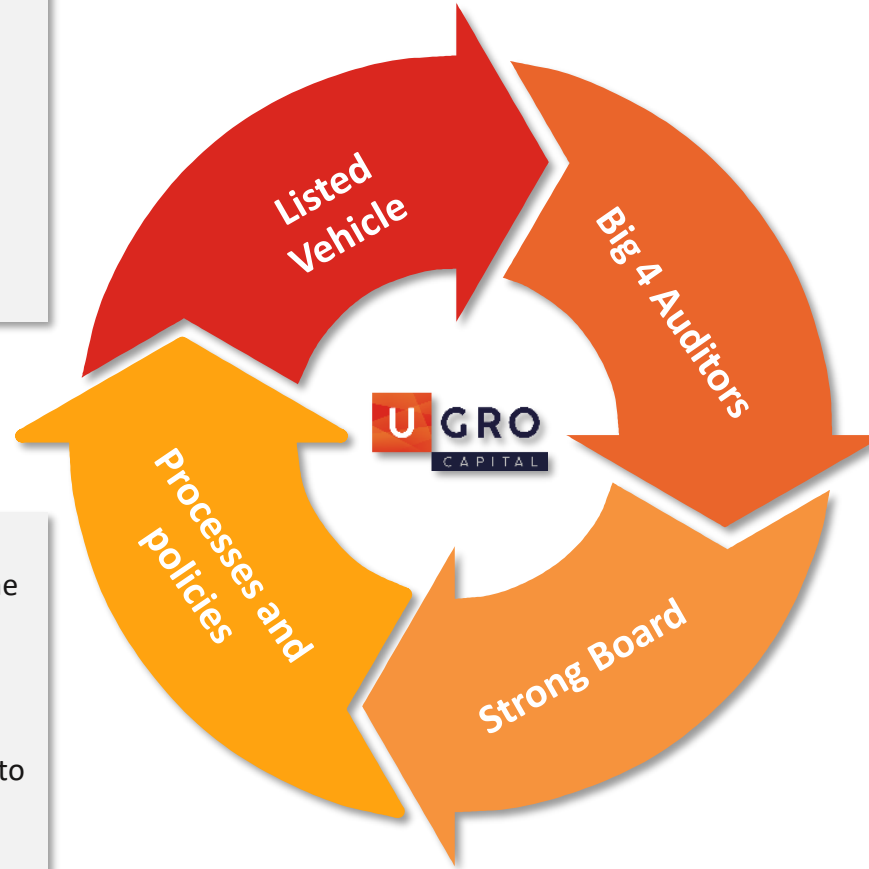
# **Strong Corporate Governance**

*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 **3/4<sup>th</sup> 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)
- 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 MUDRA, MFIN, NSCCL, Aye Finance, 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, India First Life Insurance
- 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, Shubham Housing, Indo Ram Synthetics, Joyville Shaapoorji Housing
- 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 & Vidharan (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 member of the Equitas Small Finance Bank board
- 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

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



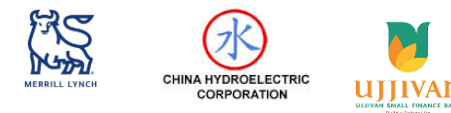
## Kanak Kapur

- 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

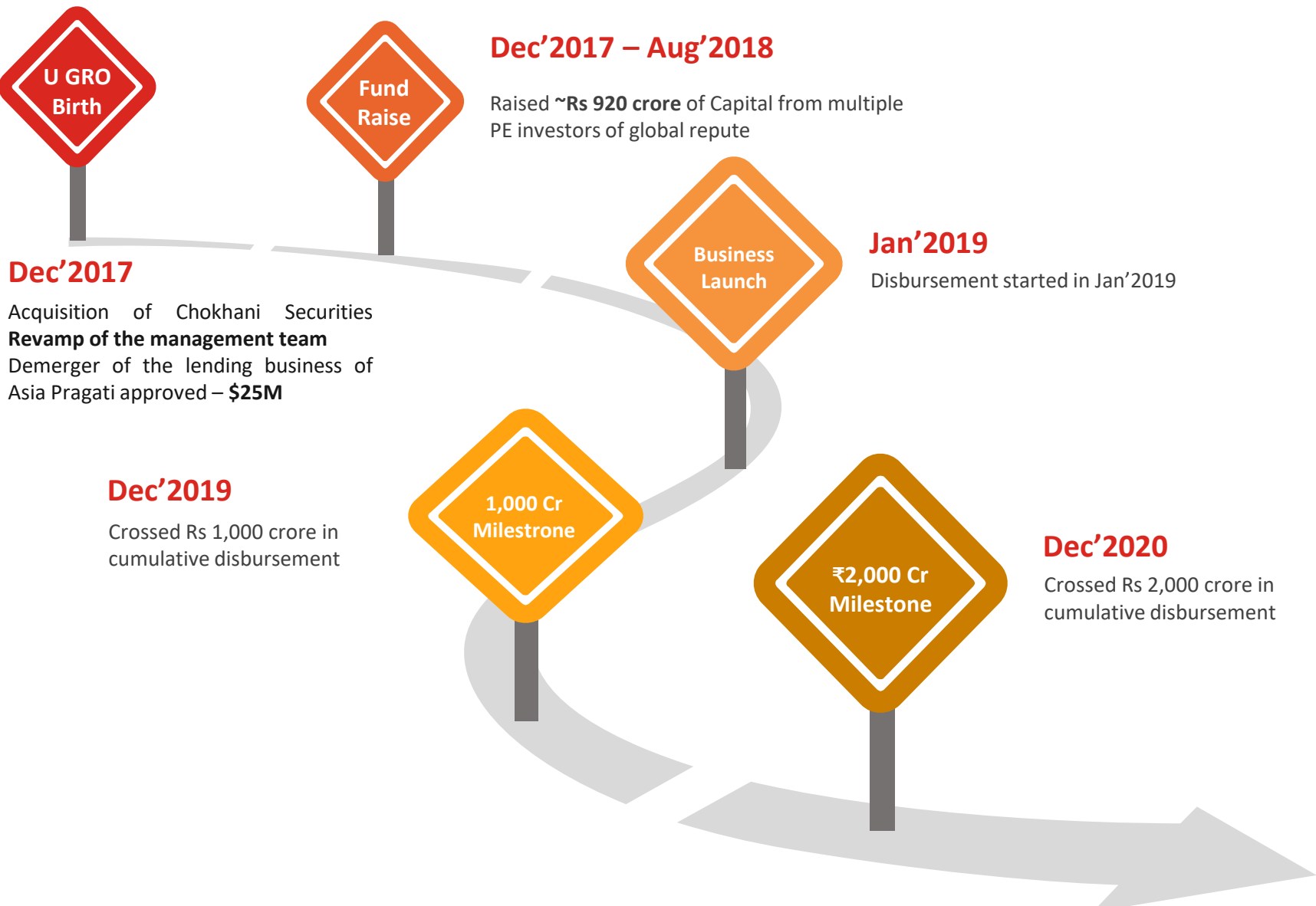




## **Large Institutional Capital**

*Backed by Marquee Institutions & reputed lenders*

# Inspite of several headwinds, U GRO has demonstrated a robust growth trajectory



## Private Equity Funds



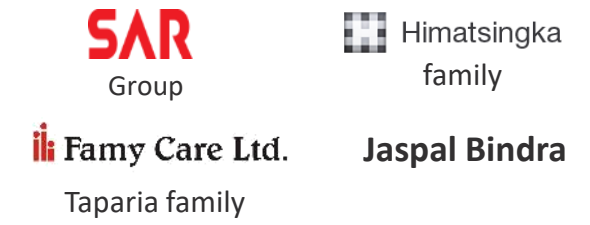
## Public Market Funds



## Insurance Firms

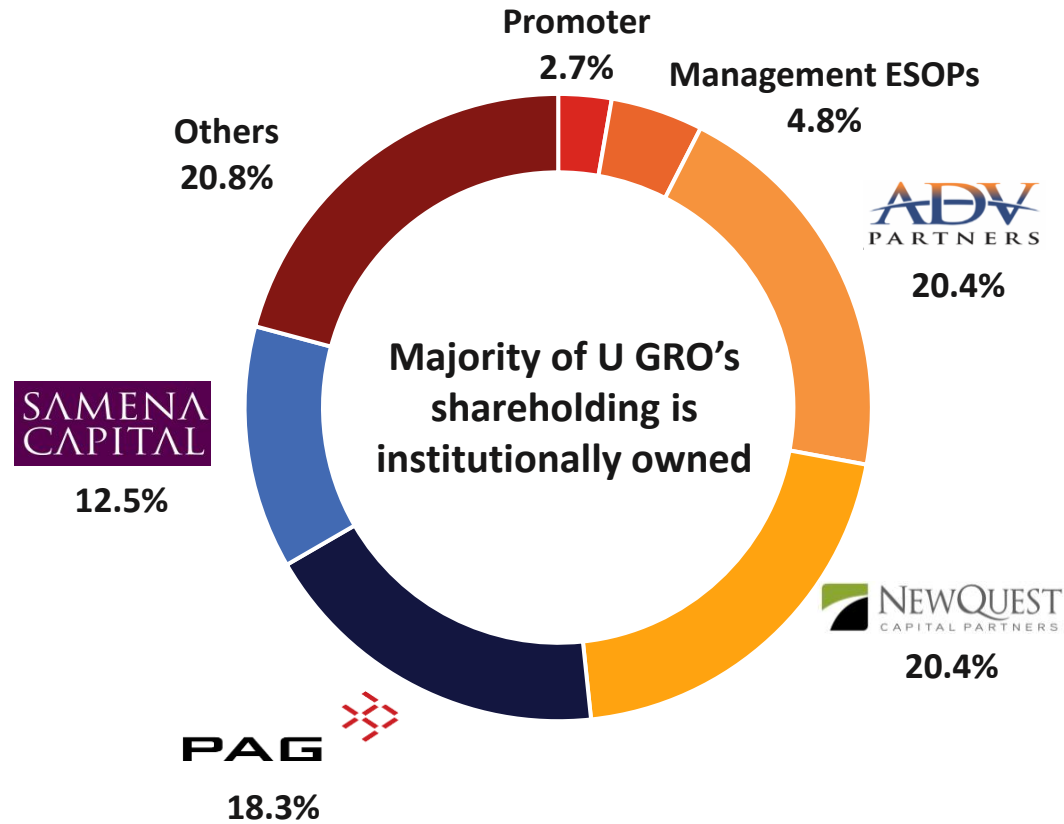


## Family Offices



# Backed by strong Equity and Debt Partners

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



## Liability Backed by Top Banks & Financial Institutions

### Public Sector Banks



### Private Sector Banks



### DFI



### SFBs and NBFCs and others





# Knowledge

*Sector based approach to specialization*

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

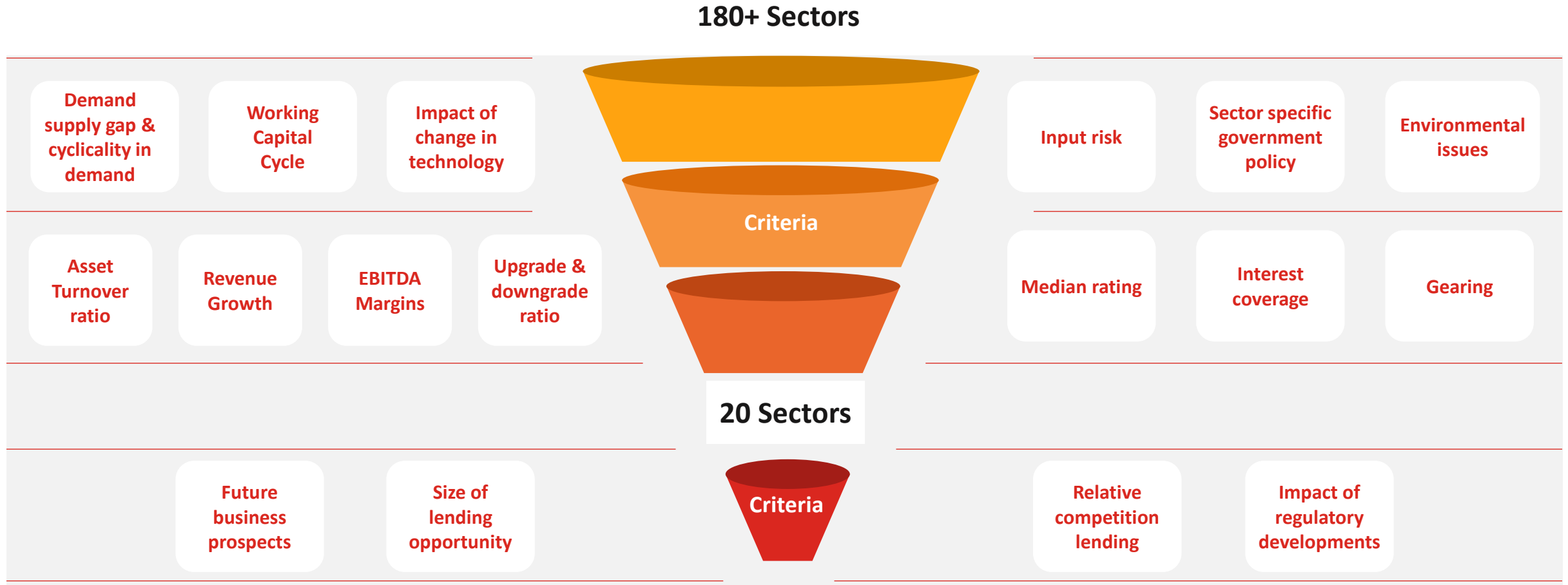
	Specialized MSME Lenders	Traditional NBFCs	Banks
<b>Product</b>	Customized products based on the nature of business, non-financial parameters, end use, payment capacity/ frequency of underlying customer	Loans against property, supply chain financing, unsecured loans	Loans against property, supply chain financing
<b>Distribution</b>	Omnichannel Ecosystem based lending	Branch/DSA led	Branch/DSA led
<b>Credit Appraisal</b>	Sector specific approach, Cash Flow Based Automated Review	One size fits all Collateral/Bureau score	One size fits all Collateral/Bureau score
<b>Turn-Around Time</b>	4-5 days	15-20 days	30-45 days
<b>Documentation</b>	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...

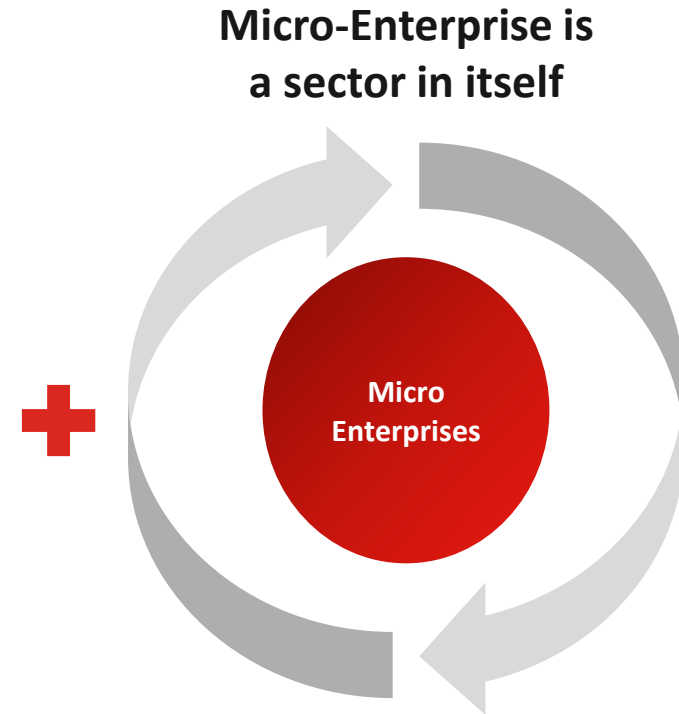


**Reached Targeted 8 Sectors + Micro Enterprise**

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**

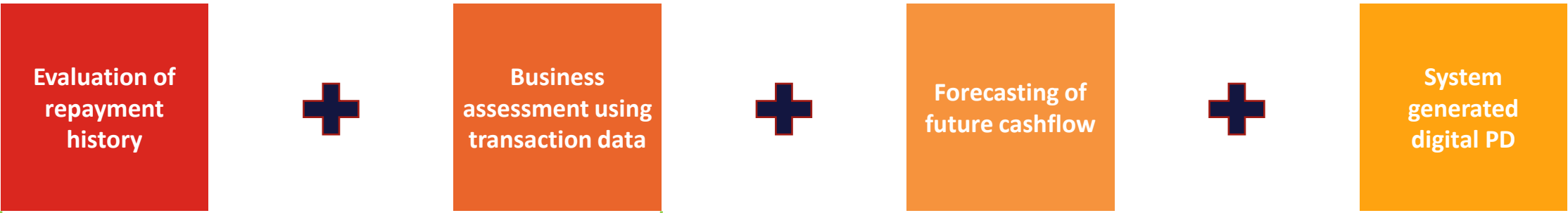
**Key sub-sectors:** Casting and forging, medical equipment and devices, engine parts, drive transmissions etc.  
**Key clusters:** NCR, Chennai, Pune, Kolkata, Ludhiana, Bengaluru, Ahmedabad and Rajkot

**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%





# 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



| **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**



# Technology platform to power the multi-pronged distribution channels

Technology Platforms

## Platform

## New Technology Initiatives

a

**GRO-Plus**  
Branch Led

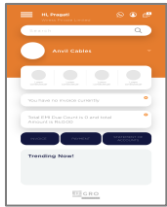


An uberized distribution model capable of onboarding DSAs, CAs and other intermediaries

- 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

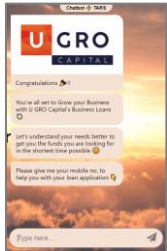


An online marketplace for large banks to partner with smaller NBFCs to either co-originate or purchase assets

- 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

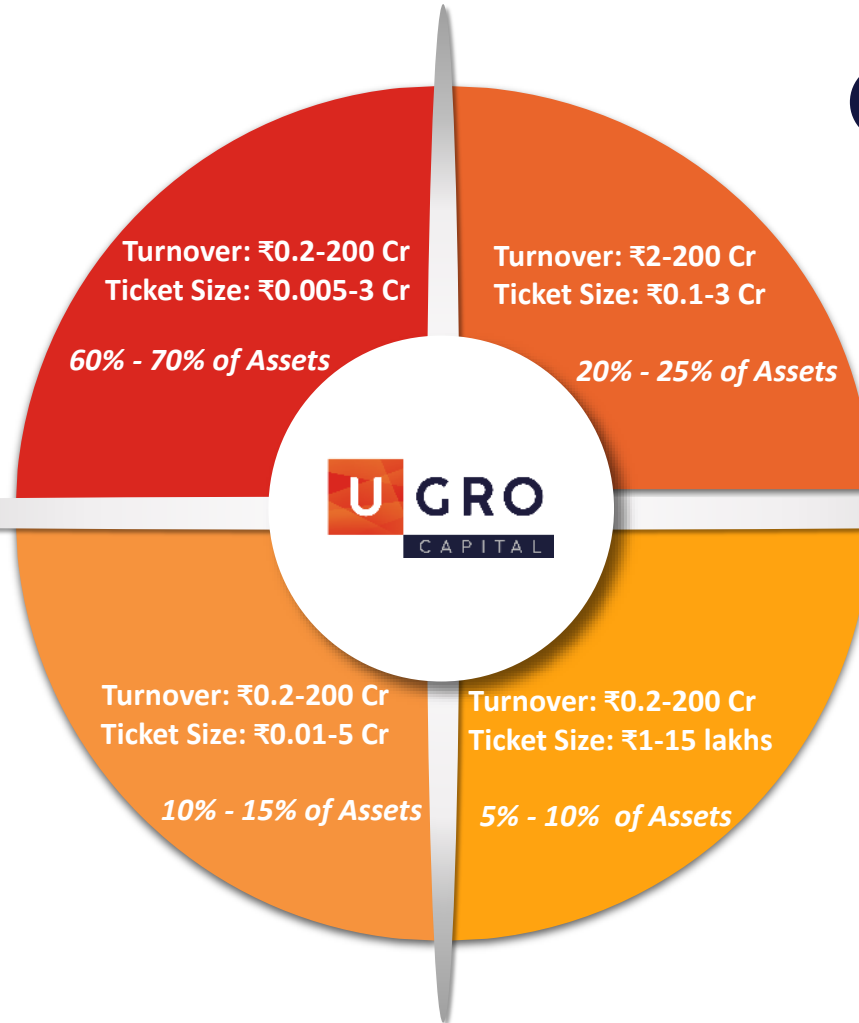
- **Supply Chain Financing** – Anchor and its ecosystem financing of Supply Chain
- **Machinery Finance** – Secured Loans to machine buyers with a charge on machines

## 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**



## 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

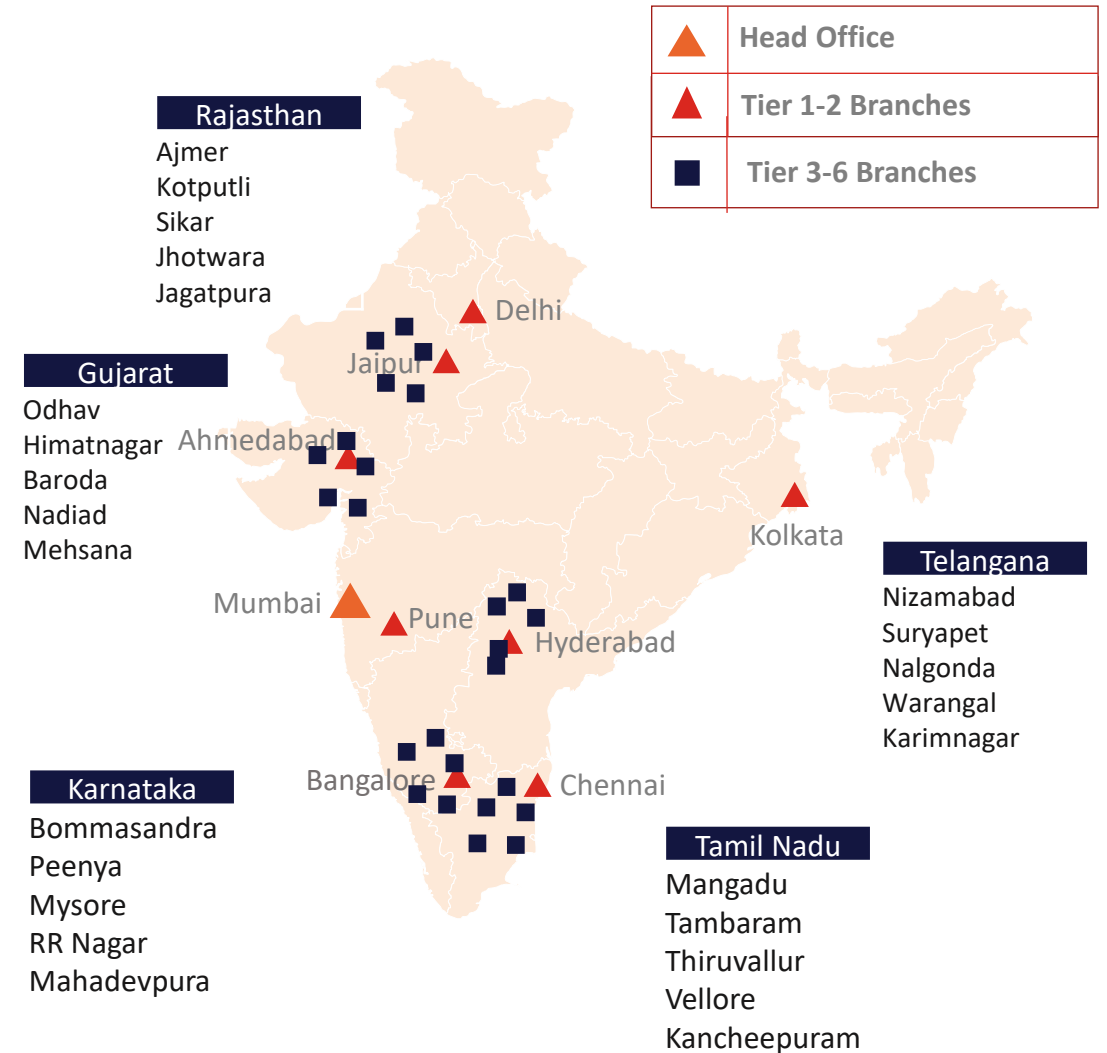


## Tier 3-6 Micro Branches

- 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

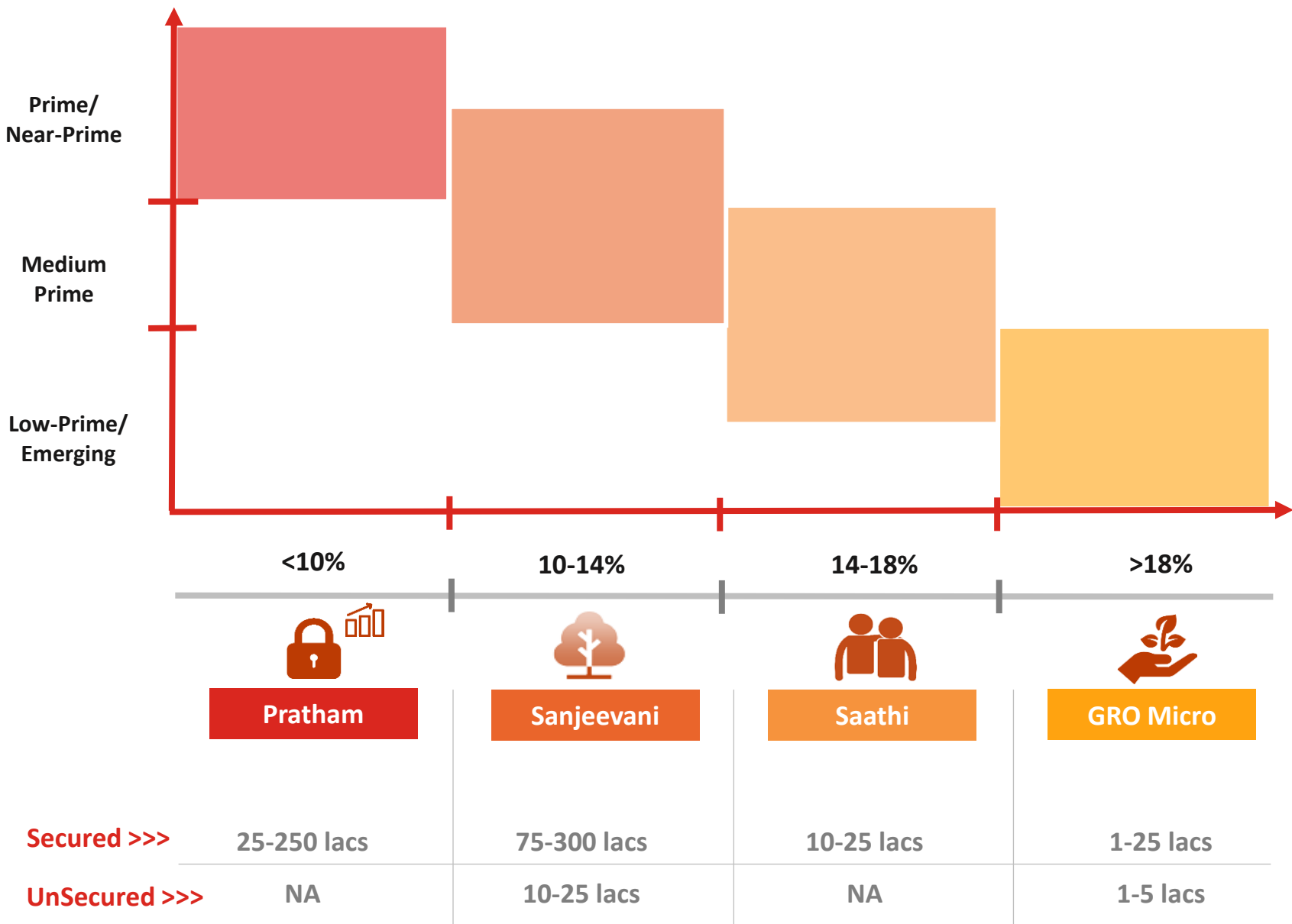


## Total 34 Branches

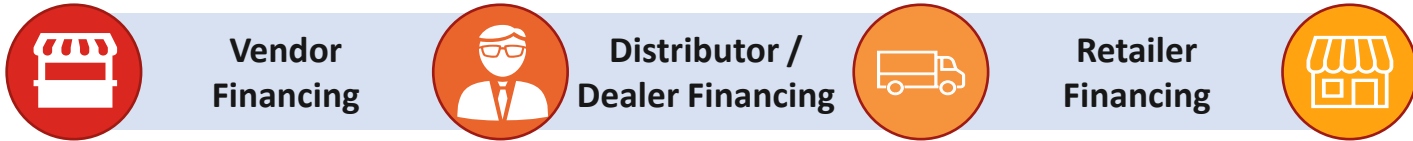


a

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



## 1 Anchor Led



Vendor
<ul style="list-style-type: none"> <li>Receives <b>faster payment</b></li> <li><b>Reduces</b> cost of capital by leveraging <b>anchor's credit rating</b></li> <li><b>Liberty to choose</b> when to use</li> </ul>

Anchor
<ul style="list-style-type: none"> <li><b>Minimises</b> WC investment</li> <li>Off-balance sheet funding</li> <li><b>Lower</b> financing cost</li> <li>Reap early payment <b>discount</b></li> </ul>

Dealer
<ul style="list-style-type: none"> <li>Provides much needed WC for purchase of inventory</li> <li><b>Lower</b> cost of funds than other WC loans</li> <li>Avail cash <b>discount</b> from vendor</li> </ul>

## 2 Non-Anchor Led



<ul style="list-style-type: none"> <li>No corporate acceptance required</li> <li>Downloadable app for invoice level management</li> <li>Seamless virtual escrow account repayments</li> <li>Automated limit updation and settlement</li> </ul>
--

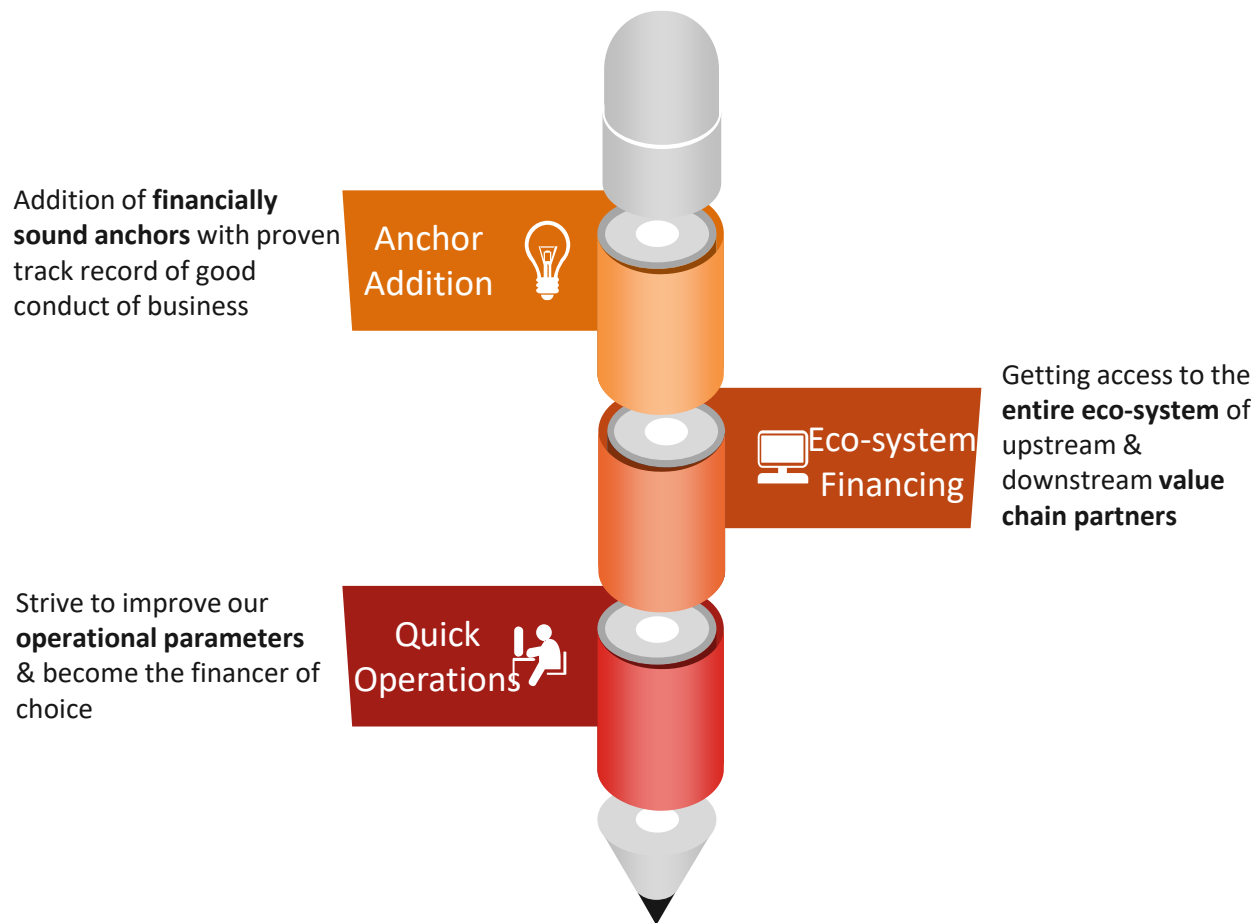
### Additional Product Offering



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

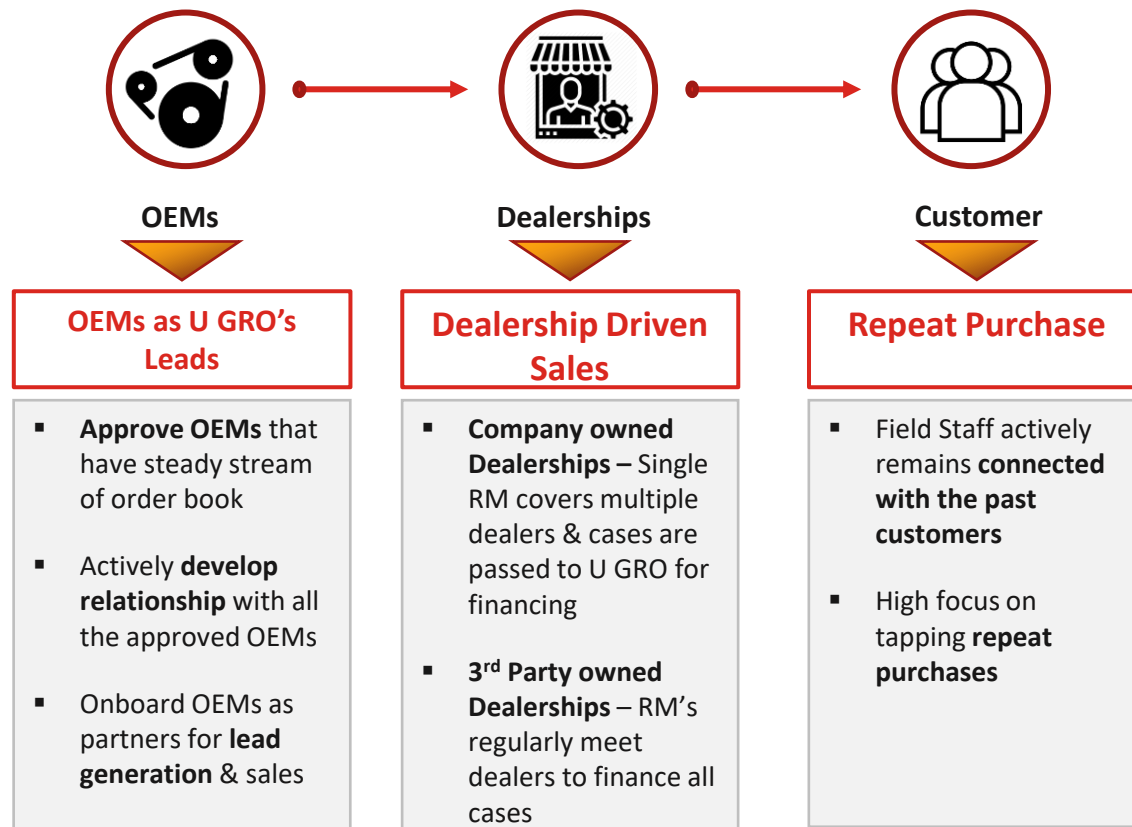
### Approach to supply chain financing



### We have a diverse pool of anchors

--- 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

## Sector-Focused Partnerships

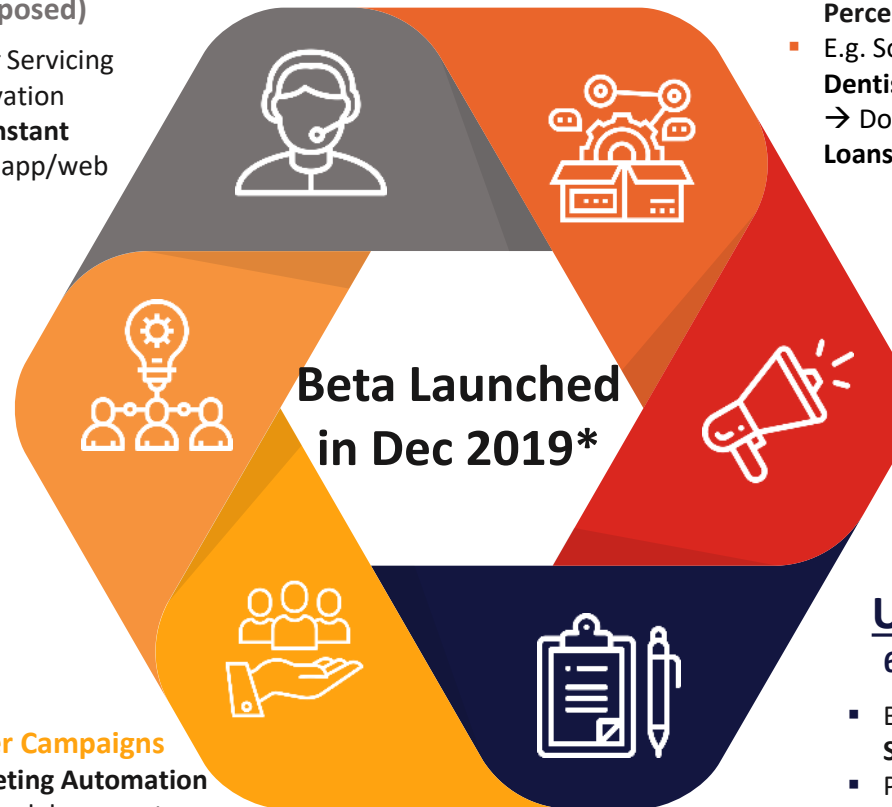
- **Ecosystem Players**
- Aggregators
- Web Portals Listings
- Payment Gateways
- **Marketplaces**
- Industry Bodies/Associations

## 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

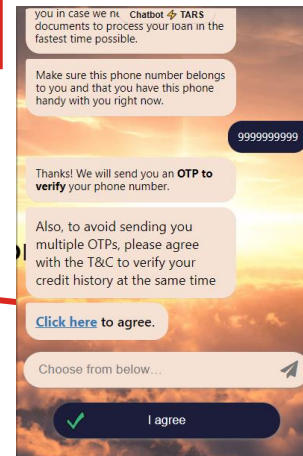
## Marketing

- 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

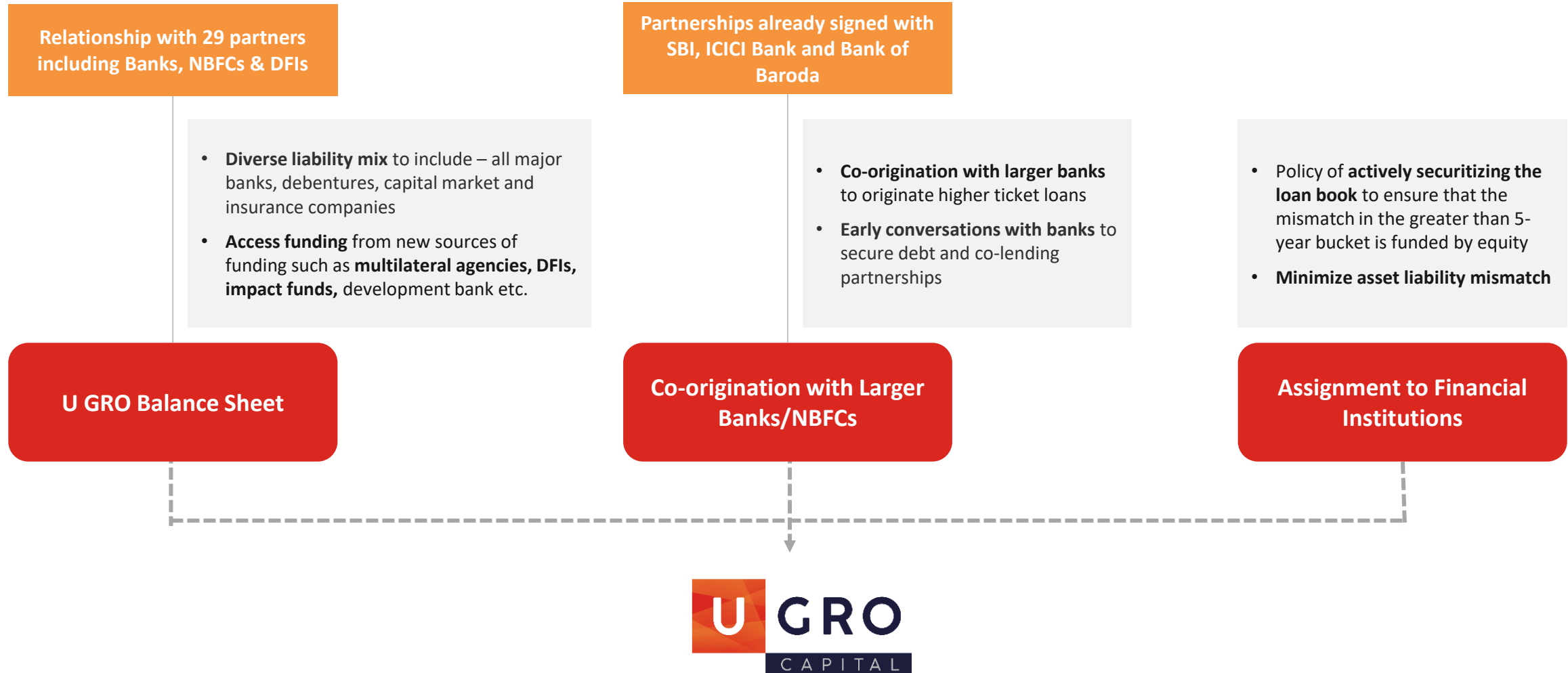




# **Liability Management**

*Backed by a diverse base of Lenders*

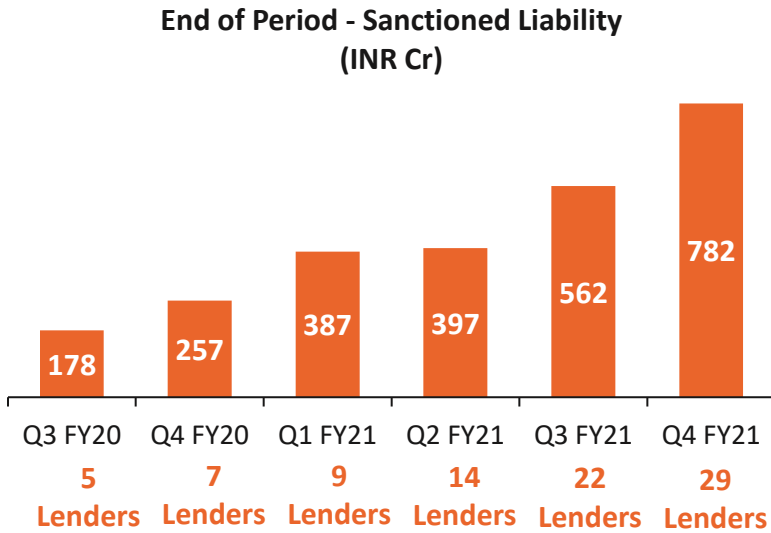
# Our Liability Strategy | A Tri-Pronged Approach



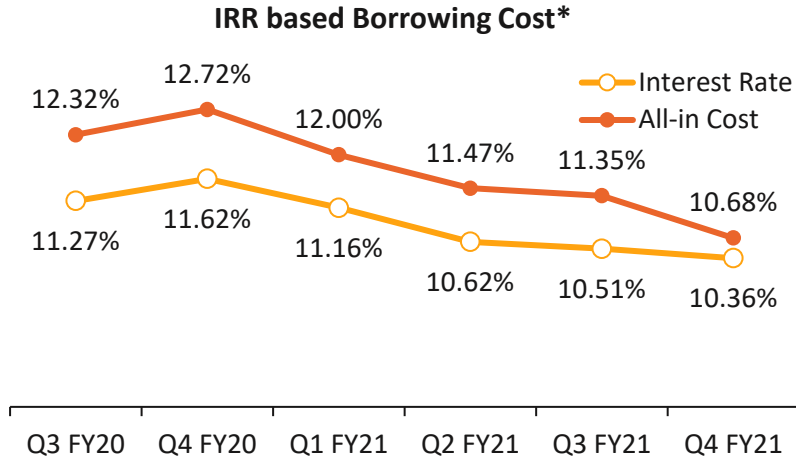
| Ability to generate significant fee income | More competitive interest rates | Ability to cater to customers of all risk profiles | Increased scale | Minimize ALM mismatch |

# Expanded the lender universe to 29; continued build-out of liability book

## Total Sanctions

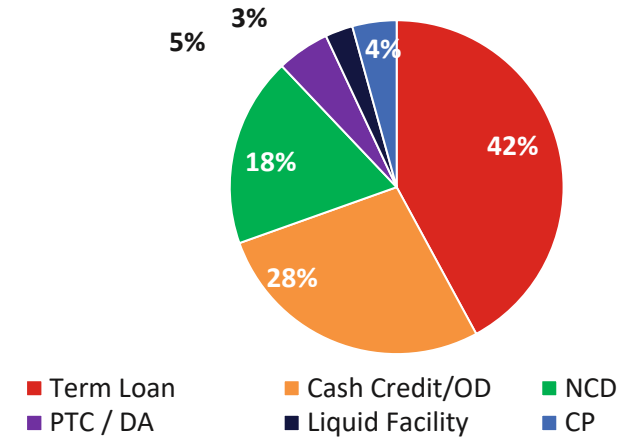


## Cost of Borrowing



## Liability Mix

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



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

### Public Sector Banks



### Private Sector Banks



### Other Institutions



### DFB



### SFBs and NBFCs



Lenders added since end of Q3

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

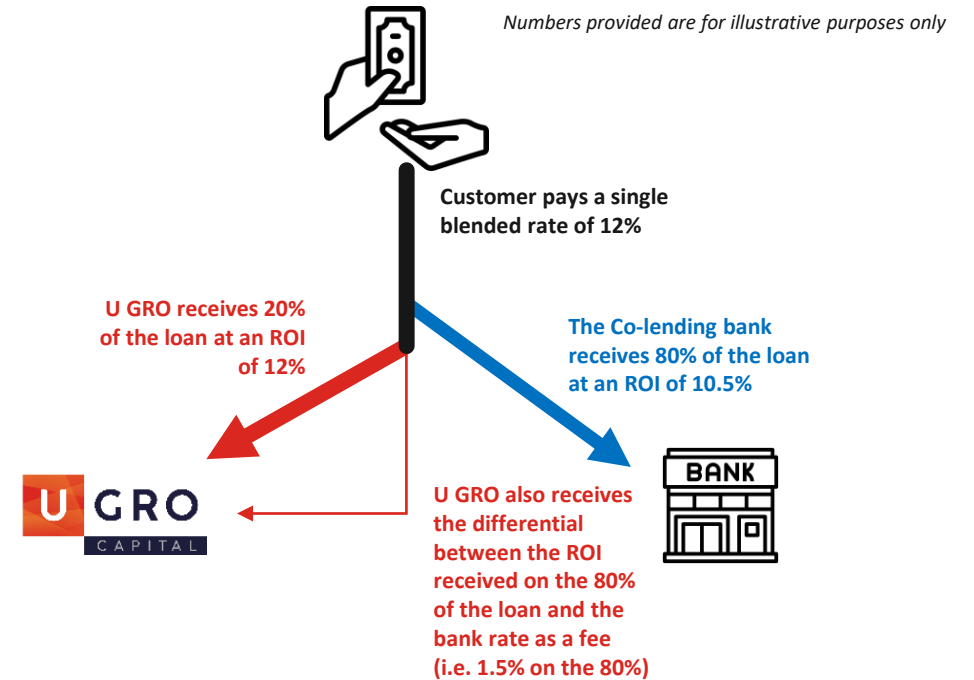
**Bank of Baroda**  
Secured Business Loans  
Original Agreement Signed – Oct'19  
Agreement under new co-lending regulation – Jun'21

**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



- 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 Q4-FY21 and Full Year FY21*

# Quick update - Q4 FY21 & Full Year FY21

## Disbursements

- **Prime Branches** – Good momentum seen in disbursement in Mar-21
- **Micro Branches** – All branches operationalized by March
- **Supply Chain Finance** – Significant momentum seen in Q4 with addition of new anchors
- **Machinery Finance** – Momentum in disbursement achieved in Q3 continued in Q4
- **Partnerships/ Alliances** – Significant traction in co-lending achieved in Q4 with higher utilisation of sanctioned limits per partner

## Liability Position

- **Signed Co-lending Partnership** with Bank of Baroda
- Raised funds through **innovative debt instruments (MLD)** – over 3,000 investors subscribed to our issue
- **Strong addition of Lenders** with expansion of lender universe to 29 – including PSU/Pvt Banks, SFBs, DFIs, foreign banks & other FIs
- **Borrowing rates trending downwards** & with strong pipeline of Liability providers – adequately covered



## Technology

- **End-to-end digitalization** of Supply Chain Financing implemented
- Closely working with co-lending partners to achieve **straight through processing** of loans
- **TAT and Operational issues** being fixed by closer review, monitoring & digitalization of processes
- Building an **in-house technology team** to become more agile in implementation of change/ feature

## Leadership Structure

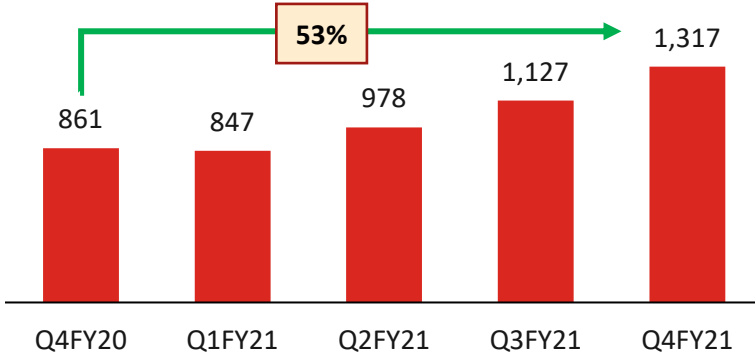
- Leadership Functions combined to bring operational & cost synergies
- **Risk & Analytics** have been combined
- **Finance & Operations** have been combined
- **Treasury** have been combined with **Co-Lending**
- **Partnership & Alliances** have been **beefed up**



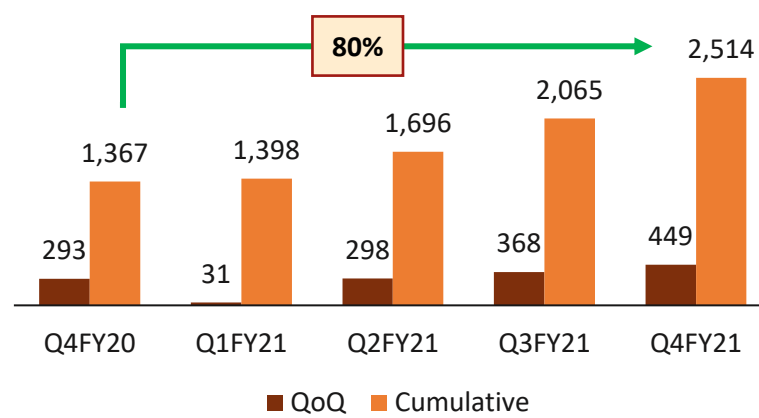
# Portfolio Trend (1/2)

Consistent expansion of AUM with strong Equity & Debt support

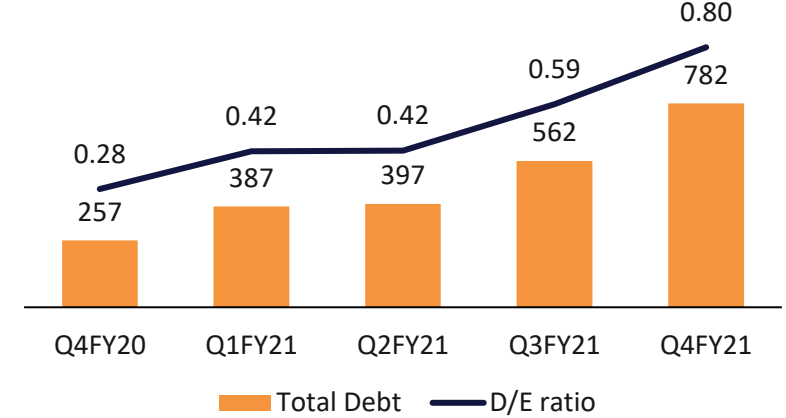
### AUM (₹ Cr)



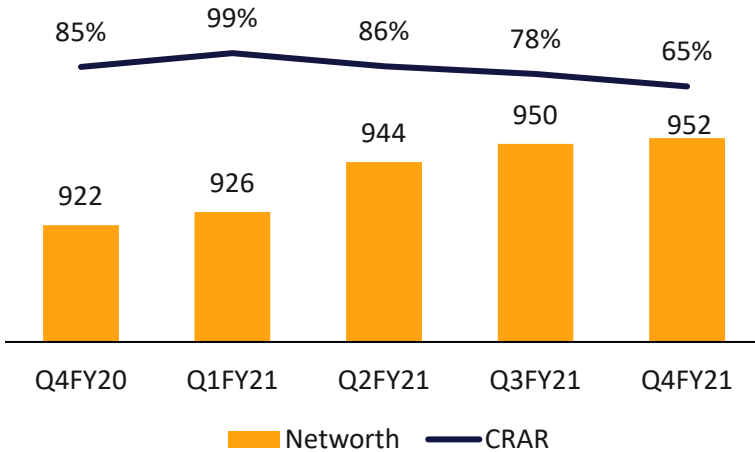
### Disbursals (₹ Cr)



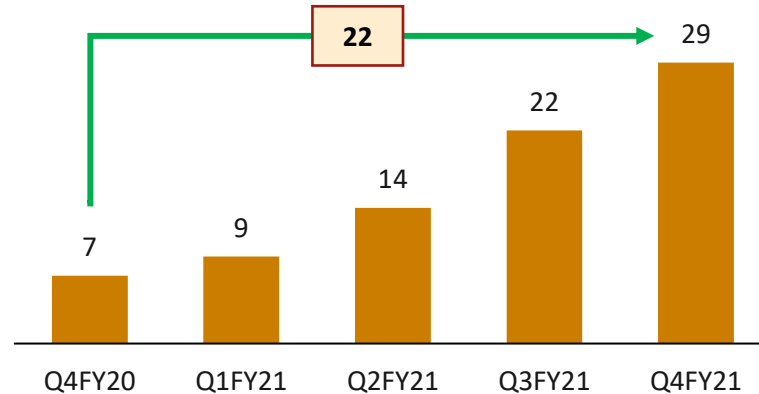
### Debt (₹ Cr) & Leverage Ratio



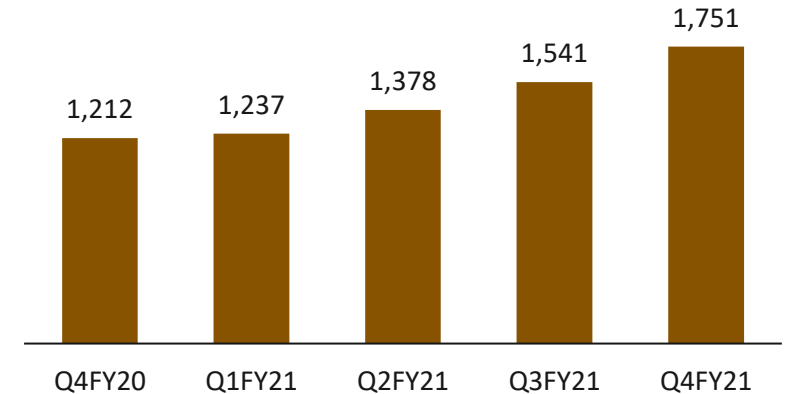
### Net Worth (₹ Cr) & CRAR (%)



### Number of Lenders



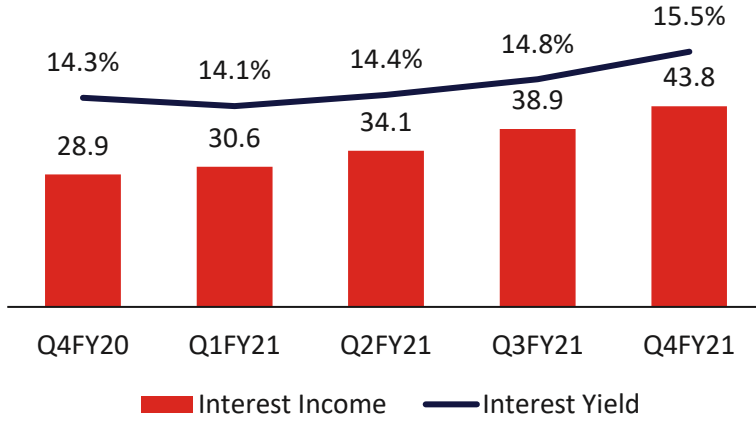
### Total Assets (₹ Cr)



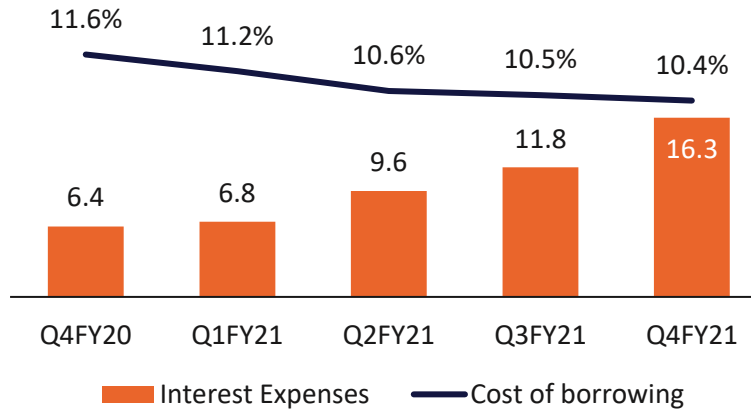
# Portfolio Trend (2/2)

Operating & financials ratios continue to improve as with scale

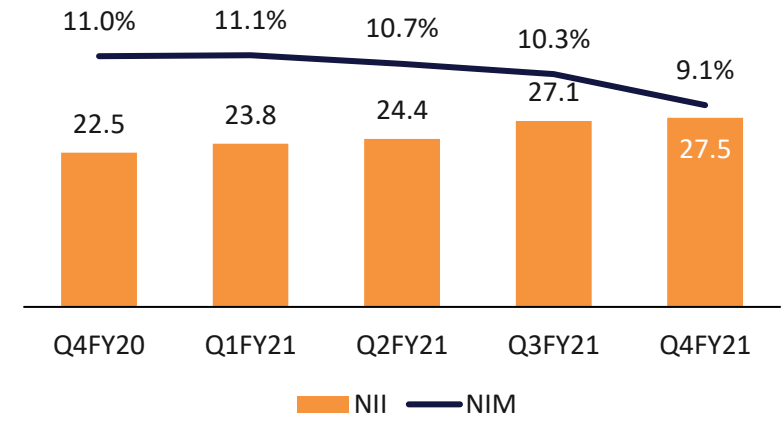
## Interest Inc. (₹ Cr) & Portfolio Yield



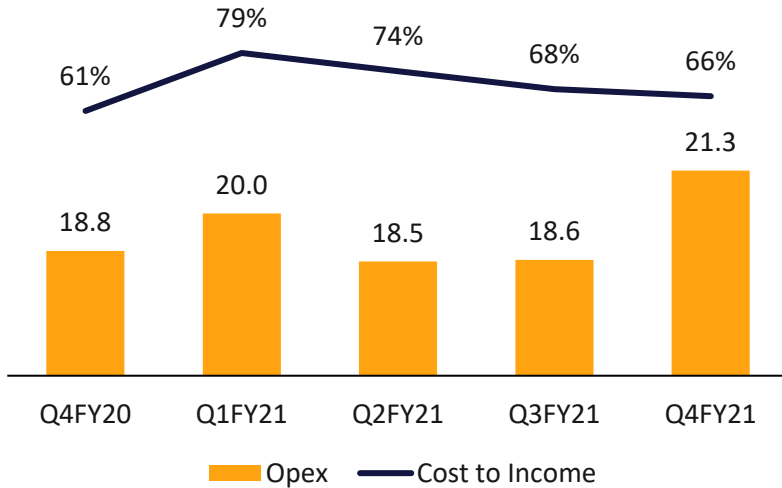
## Finance Cost (₹ Cr) & Cost of debt\*



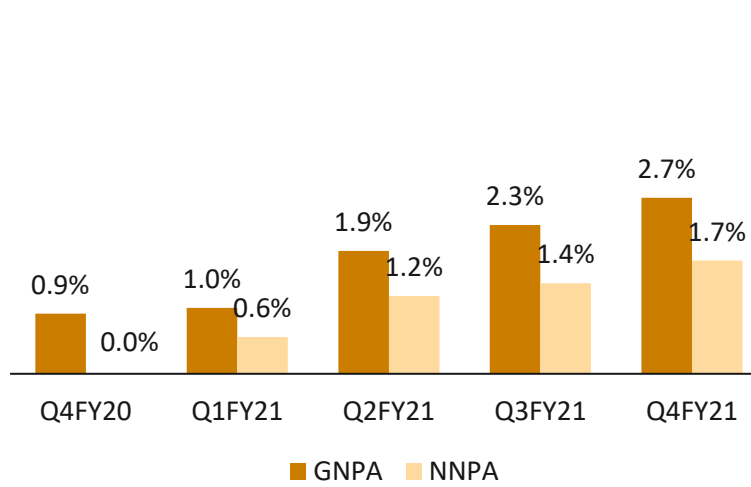
## NII (₹Cr) and NIM%



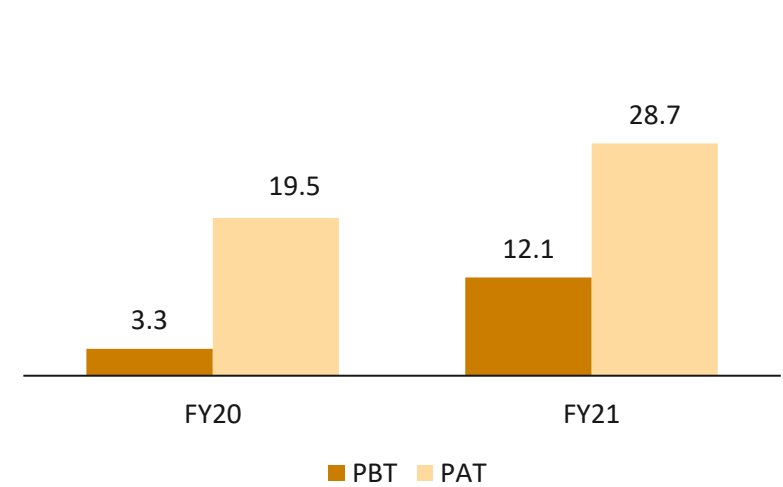
## Opex (₹ Cr) & Cost to Income Ratio




## GNPA and NNPA (in %)



## PBT and PAT (₹Cr)



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

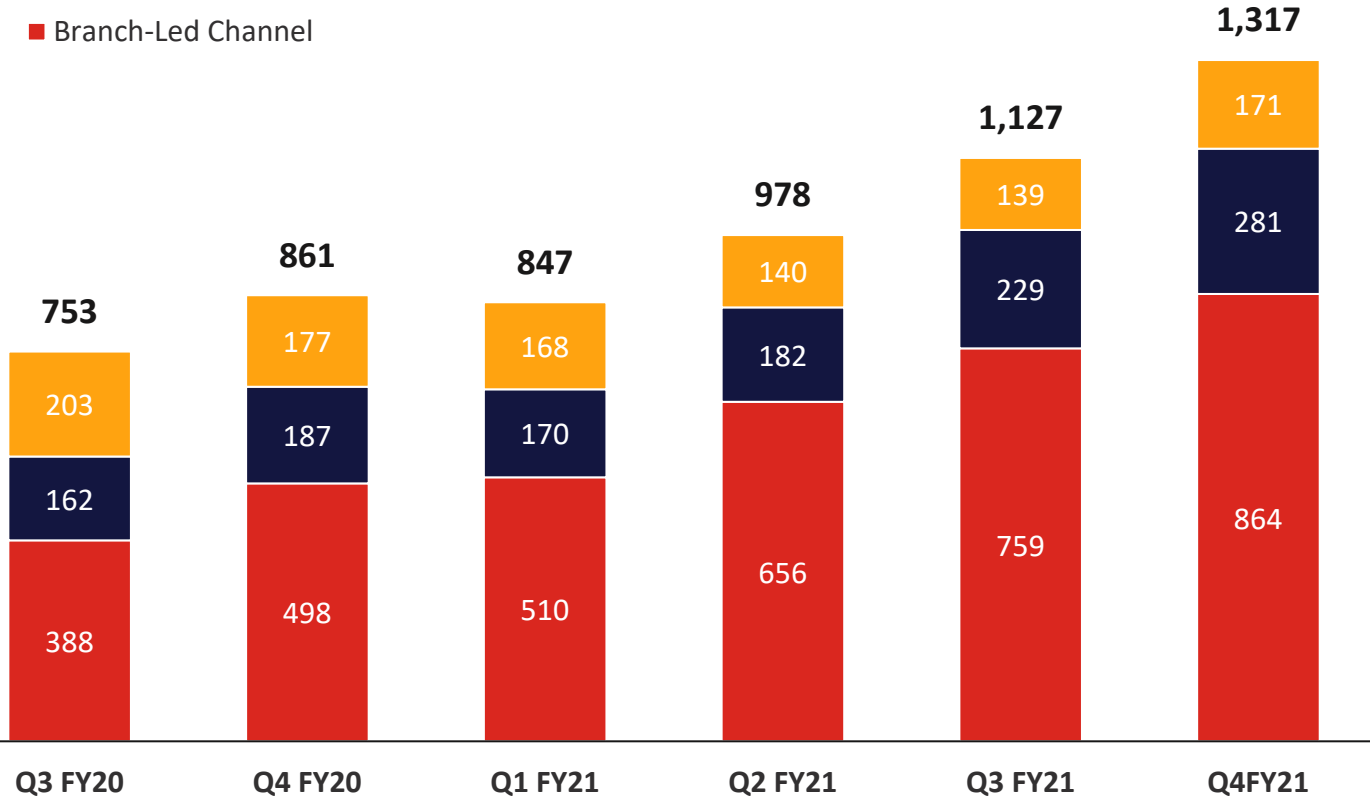


# Portfolio Overview

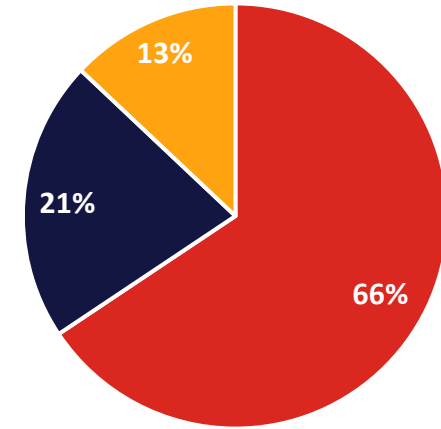
# AUM Growth Channel Wise

During the year AUM increased by 52% contributed by all our distribution channel

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



Channel Mix



Product category	POS (Cr)	ROI (%)	Ticket size (Cr)
Branch Channel	864	15.0%	0.34
Ecosystem Channel	281	13.2%	0.55
Partnerships and Alliances	171	19.5%	0.08
<b>Grand Total</b>	<b>1,317</b>	<b>15.5%</b>	<b>0.23</b>

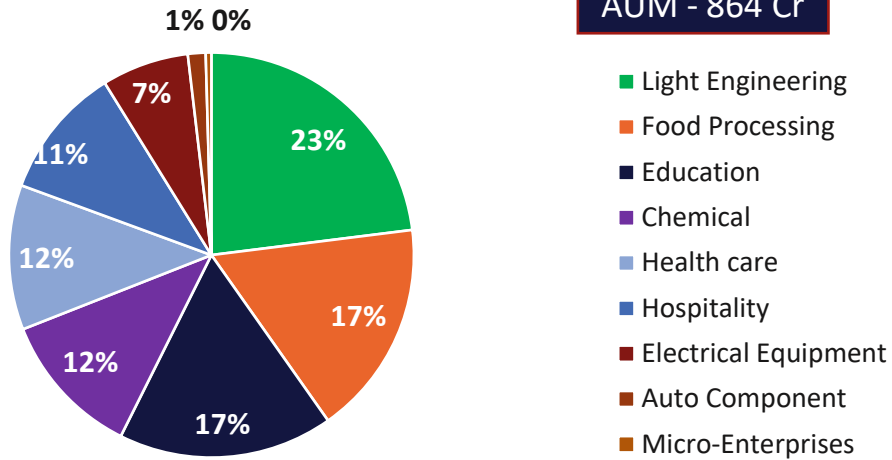
■ In Q4, we registered healthy growth in Branch Channel & Partnerships & Alliances Channel

# Portfolio Split (1/2)

Diversified across sectors within each channel

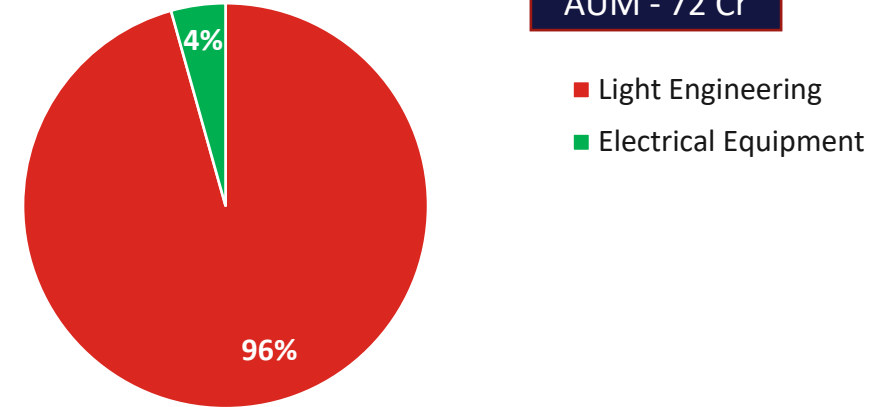
### Branch-led Sectoral Mix

AUM - 864 Cr



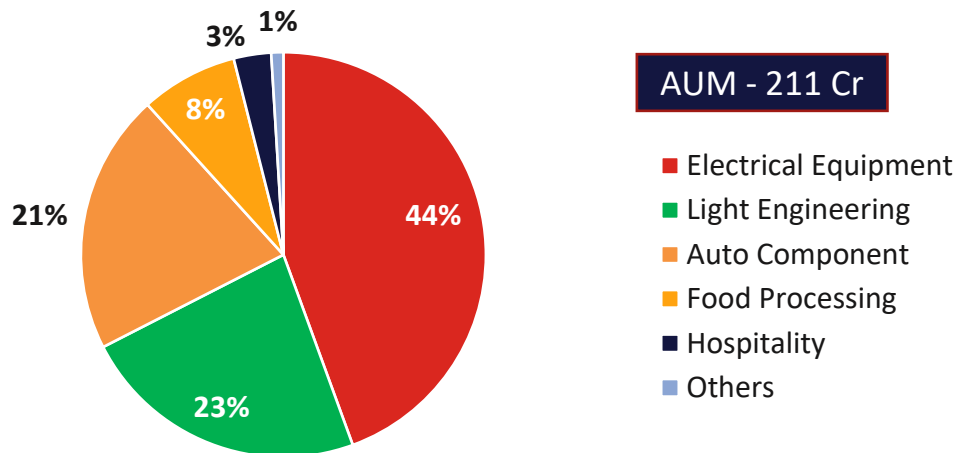
### Machinery Finance Sectoral Mix

AUM - 72 Cr



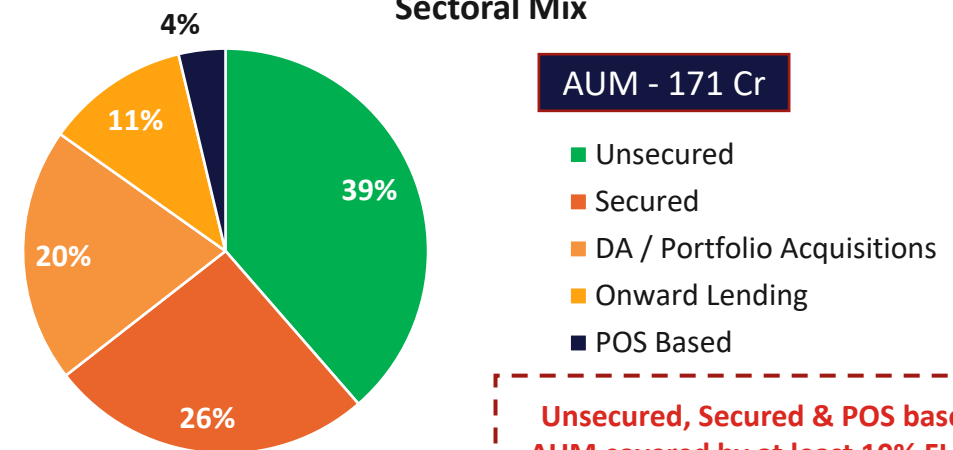
### Supply Chain Finance Sectoral Mix

AUM - 211 Cr



### Partnerships & Alliances (Micro Enterprises) Sectoral Mix

AUM - 171 Cr



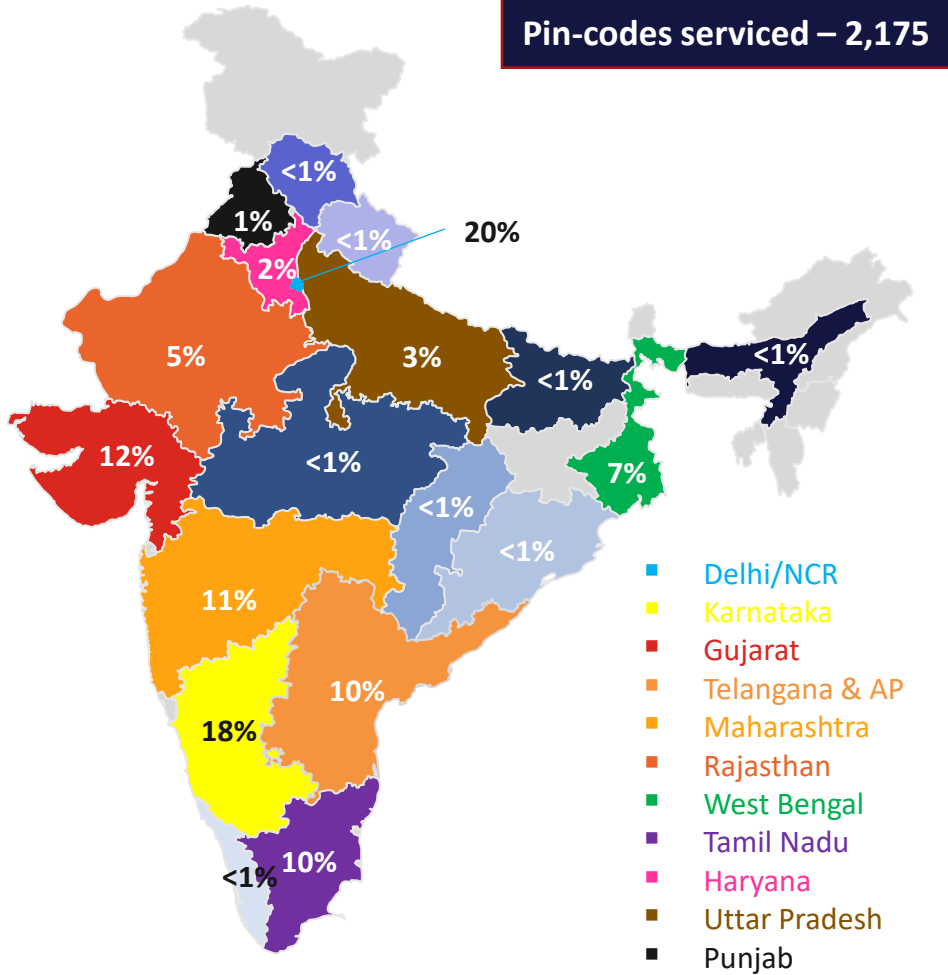
Unsecured, Secured & POS based AUM covered by at least 10% FLDG

# Portfolio Split (2/2)

Book diversified across geography, sectors & secured

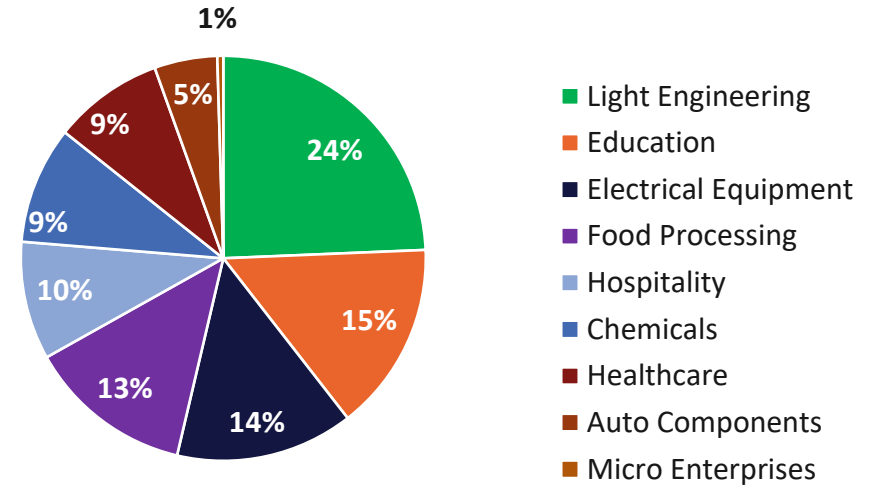
## Geographical Mix\*

Pin-codes serviced – 2,175

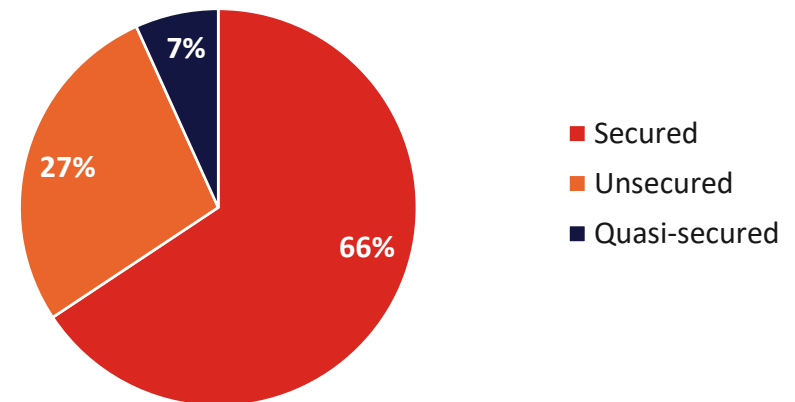


\*Includes Sec, Unsec, Gro micro, SCF and Machinery

## Sectoral Mix\*



## Secured Mix



# Portfolio Provisioning, Collection Efficiency & Restructuring Highlights

## Collection Efficiency and Bounce rates

Mar-21 Figures	Collection Efficiency	Bounce Rate
Branch Led Channel	93.0%	20.7%
Eco-System (Machinery Only)	100.0%	9.2%
Partnerships & Alliances	97.0%	19.8%

## ECL Data

All figures in ₹ Cr	Loan Exposure	Loan Exposure (%)
Stage 1	1,249.7	94.9%
Stage 2	36.9	2.8%
Stage 3	30.3	2.3%
<b>Total</b>	<b>1,316.9</b>	<b>100.0%</b>

- Cumulative provisions as of Mar-21 stood at ₹25.6 Cr (1.9% of the AUM). ~38% above the provision prescribed by IRACP and RBI
- An additional Portfolio Level provision of ₹2.7 Cr was provided over and above the normal provisions in Q4FY20
- GNPA stood at 2.72% and NNPA stood at 1.75% as of Mar-21

## Restructuring Highlights

- Restructured 6.0% (79.5 Cr) of our portfolio as on Mar-21
- Majority of the restructuring was done in the Hospitality sector in line with the trend in the broader economy
- Restructuring in the Supply Chain channel is primarily on account of delinquencies in one of our anchor accounts
- ~87% of the restructured portfolio is current as of Mar-21

Channel	Sector	Restructured	% of Total Restructured	% of AUM restructured
Branch-Led	Auto Components	0.6	0.8%	4.9%
	Chemicals	4.8	6.0%	4.8%
	Education	10.0	12.5%	6.8%
	Electrical Equipment	2.3	2.9%	3.8%
	Food Processing	6.0	7.5%	4.0%
	Healthcare	2.0	2.5%	2.0%
	Hospitality	20.2	25.3%	22.1%
	Light Engineering	11.3	14.2%	5.7%
	MSME	0.1	0.1%	3.2%
	Eco-system Channel	Supply Chain Finance – Auto Components	13.9	17.5%
Machinery – Light Engineering		0.5	0.7%	0.7%
Partnerships & Alliances	Onward Lending	5.0	6.2%	17.0%
	DA & Portfolio Acquisition	2.9	3.6%	5.6%
<b>Total</b>		<b>79.5</b>	<b>100.0%</b>	<b>6.0%</b>

# Income Statement

Income Statement (₹ Cr)	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	FY20	FY21
<b>Income</b>						
Interest Income & Income from Investments	30.78	34.49	38.77	44.44	96.00	148.48
Sale of Services	0.00	0.00	0.02	3.51	8.45	3.53
Other operating revenue	0.00	0.33	0.30	0.71	0.69	1.34
<b>Total Income (A)</b>	<b>30.79</b>	<b>34.82</b>	<b>39.08</b>	<b>48.66</b>	<b>105.14</b>	<b>153.34</b>
<b>Expenses</b>						
Finance Costs	6.84	9.64	11.78	16.30	13.67	44.56
Employee Benefits Expenses	11.10	10.75	10.56	12.91	47.15	45.33
Depreciation, amortization and impairment	2.71	2.88	3.01	3.14	7.39	11.74
Provision for loan loss	1.15	3.93	5.86	8.67	10.23	19.62
Other expenses	4.86	4.87	4.99	5.25	23.38	19.96
<b>Total Expenses (B)</b>	<b>26.65</b>	<b>32.08</b>	<b>36.21</b>	<b>46.27</b>	<b>101.83</b>	<b>141.21</b>
<b>Profit Before Tax (C) = (A-B)</b>	<b>4.13</b>	<b>2.74</b>	<b>2.87</b>	<b>2.38</b>	<b>3.32</b>	<b>12.13</b>
Tax Expenses (D)	0.40	(14.44)	(3.40)	0.83	(16.2)	(16.6)
<b>Profit After Tax (E) = (C-D)</b>	<b>3.73</b>	<b>17.18</b>	<b>6.27</b>	<b>1.54</b>	<b>19.52</b>	<b>28.73</b>





# 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



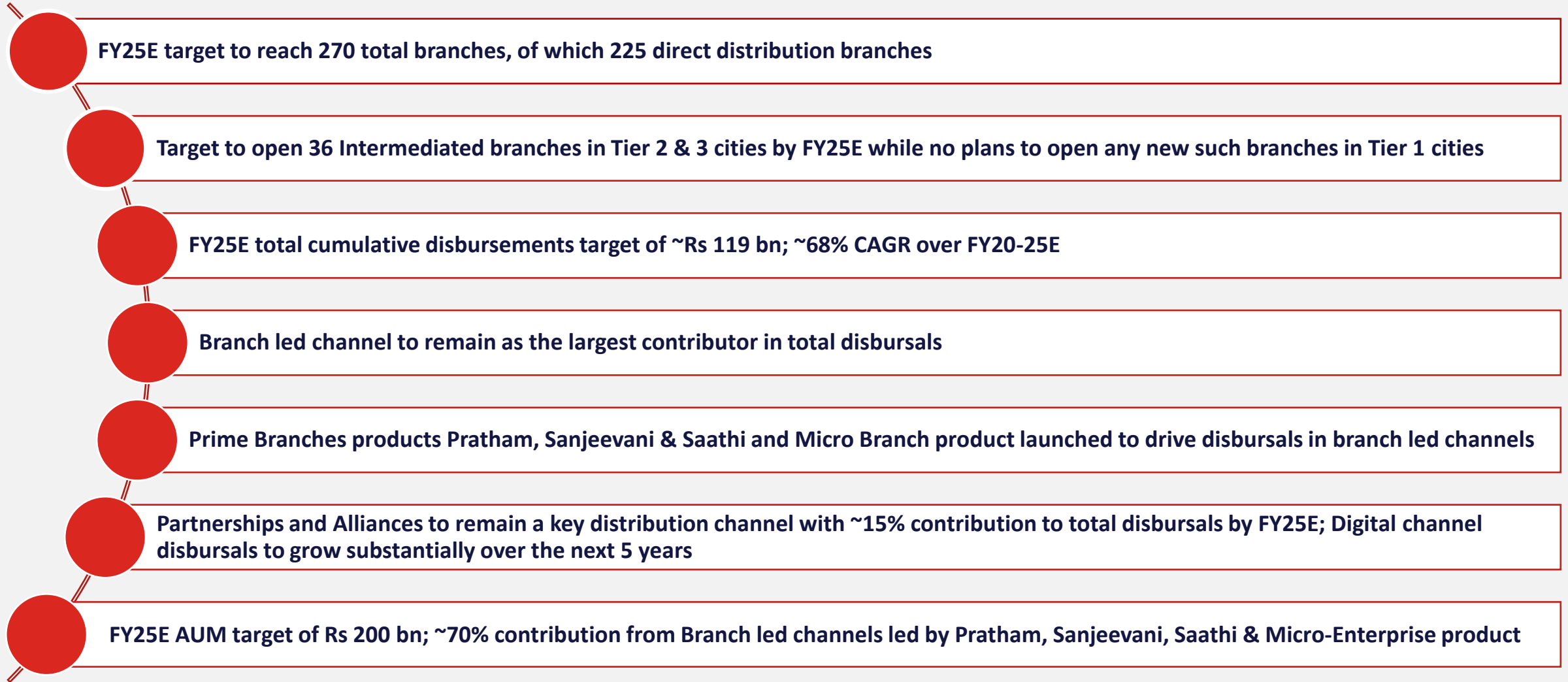
## Liability Side Strategy

- 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



{	<b>16.3%</b>	}	Interest Yield
{	<b>9.5%</b>	}	Borrowing Costs
{	<b>8.5%</b>	}	Net Interest Margin (NIM)
{	<b>4.2%</b>	}	Return on Assets
{	<b>18.8%</b>	}	Return on Equity
{	<b>3.8x</b>	}	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%
<b>Total Income</b>	<b>17.5-19.5%</b>
<hr/>	
Borrowing Costs	7.5-9%
Employee Expenses	2-3%
Provisions	0.4-0.8%
Other operating expenses	1.4-1.6%
<b>Total Expenses</b>	<b>12-14%</b>
<hr/>	
<b>PBT</b>	<b>~5.5%</b>
Tax	~1-2%
<b>PAT</b>	<b>~4-5%</b>
<b>ROE</b>	<b>~18.8%</b>

---

**Company :**



**Ugro Capital Ltd.**

CIN: L67120MH1993PLC070739

Mr. Nirav Shah  
Head of Strategy & IR  
[nirav.shah1@ugrocapital.com](mailto:nirav.shah1@ugrocapital.com)

[www.ugrocapital.com](http://www.ugrocapital.com)

---

**Investor Relations Advisors :**



**Strategic Growth Advisors Private Limited**

CIN: U74140MH2010PTC204285

Rahul Agarwal / Vijay Goel  
[rahul.agarwal@sgapl.net](mailto:rahul.agarwal@sgapl.net) / [vijay.goel@sgapl.net](mailto:vijay.goel@sgapl.net)  
+91 982143 8864 / +91 99201 24357

[www.sgapl.net](http://www.sgapl.net)



# 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 1/10<sup>th</sup> 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



[www.ugrocapital.com](http://www.ugrocapital.com)