# U GRO Capital | Global Fintech Fest 2021

Catalysing the future of Credit Access for MSMEs

Executive Summary

- **U GRO Capital limited is a listed (NSE, BSE), MSME lending fintech platform**.

- **U GRO Capital's mission is 'Solve the Unsolved'** – Solving the credit availability problem for Small Business with its omnichannel distribution model which combines physical and digital journey of the customer.

- The Company envisions to spearhead India's transition of MSME lending market to the new age of **on-tap financing**. It uses the emerging Data Tripod of GST, Banking and Bureau coupled with its sectoral analysis to solve the problem of credit for small businesses.

- U GRO aspires to **serve one million small businesses** with an asset book of 1% of outstanding MSME credit of India as its first milestone.

- **Technology underpins every aspect of U GRO's lending process**, from API integrations, sectoral and sub-sectoral statistical scorecards, state-of-the-art AI/ML credit underwriting engine combining bank, bureau and GST statement analyzers, automated policy approvals, and machine learning OCR technology.

- Company's **GRO Extreme platform empowers fintech and other institutional platforms to deepen their distribution reach through a plug and play API driven seamless integration** with U GRO. The company has developed a full-fledged tech stack to completely automate the entire life cycle of a loan (right from origination to collection).

- **The Company has raised ~₹ 2500 crore of equity & debt capital** from marquee Private Equity Investors, Family Offices, Banks and other Financial Institution over last 3 years.
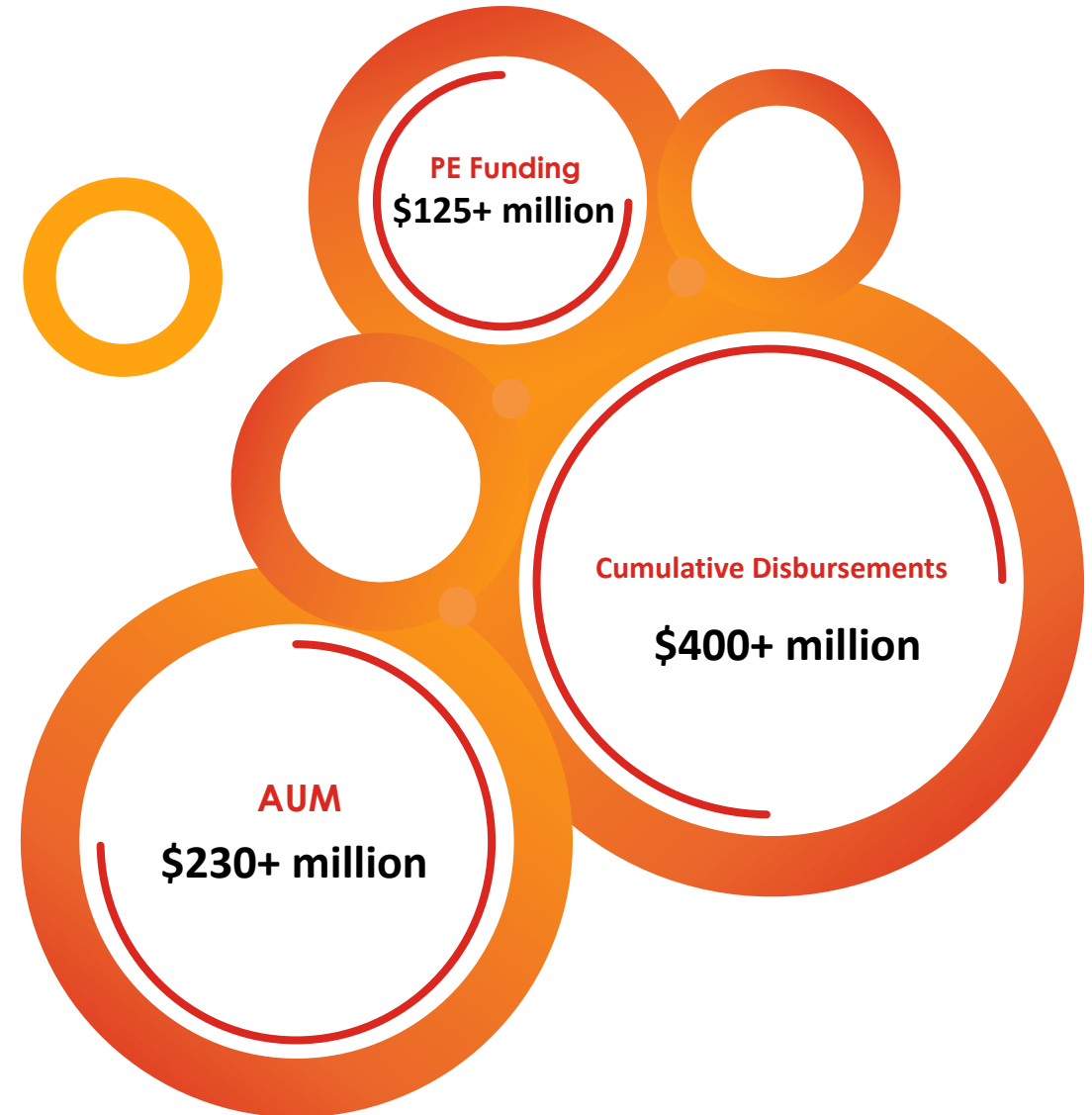
PE Funding
$125+ million

Cumulative Disbursements

$400+ million

AUM
$230+ million

The Indian MSME Lending Market

On tap financing: similar to consumer financing is now within our reach

The Tripod of SME Lending

GST Statement Analysis

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

Bank Statement 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**
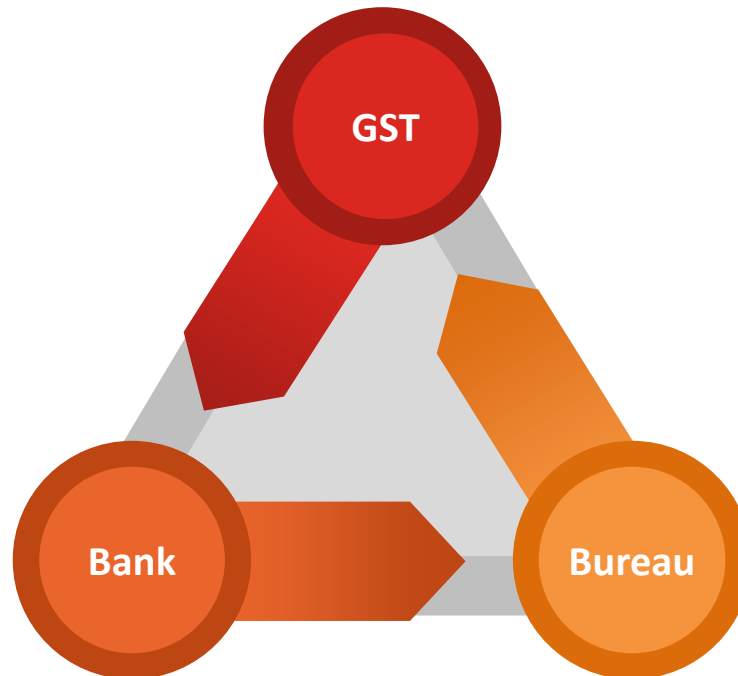
Bureau Statement Analysis

- ~ **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**

GST

Bank

Bureau

India Stack 2.0 : The UPI Moment

OCEN Framework disrupts lending models

Lenders old way		Lenders new way
	Risk Assessment	
Based on balance sheet		Based on cash flow
	Process	
Manual Intervention		100% Digital
	Product	
Vanilla products of similar types		Variety of products: expanded range of the ticket sizes and tenures
	Engagement	
Long periodic gaps (lend and forget)		Continuous (lend and monitor)

The Tripod : Implemented fully for all of UGRO's Lending Product

UGRO's post covid lending approach
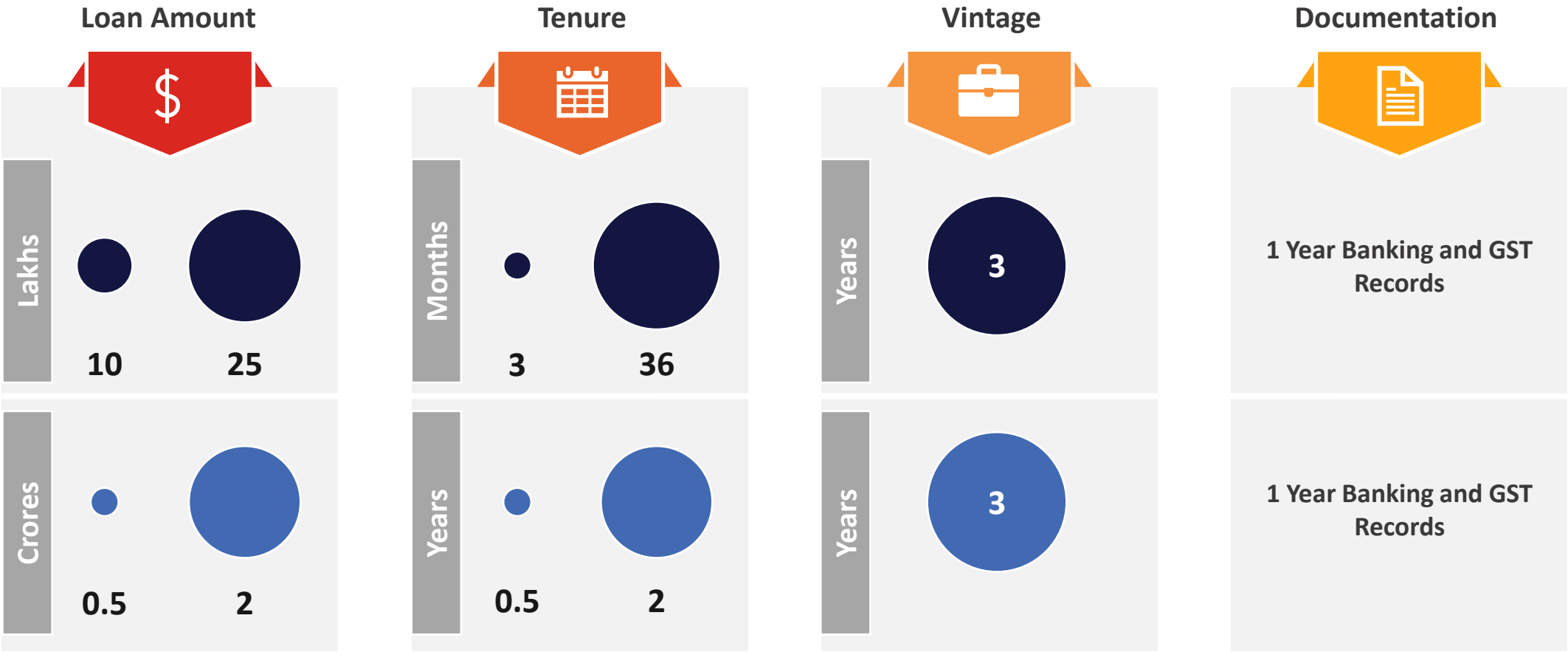
Loan Amount	Tenure	Vintage	Documentation

Lakhs — 10 — 25
Months — 3 — 36
Years — 3
1 Year Banking and GST Records

Crores — 0.5 — 2
Years — 0.5 — 2
Years — 3
1 Year Banking and GST Records

● Secured ● Unsecured

A sector focused approach to lending

Shortlisted 9 sectors after extensive study of their historical performance

Deep analysis of Macro and Micro Economic Factors…

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

180+ Sectors

- Demand supply gap & cyclicality in demand
- Working Capital Cycle
- Impact of change in technology
- Input risk
- Sector specific government policy
- Environmental issues

Drilled to 20 Sectors

- Asset Turnover ratio
- Revenue Growth
- EBITDA Margins
- Upgrade & Downgrade ratio
- Median Rating
- Interest Coverage
- Gearing

Selected 8 Sectors

- Future business prospects
- Size of lending opportunity
- Relative competition lending
- Impact of regulatory developments

…to arrive at a set of Specialized Sectors

8 sectors & 200+ Ecosystem representing ~60% of the total MSME Lending market and **Micro Enterprises** with sector agnostic approach

Chemicals

Electrical Equipment and Components

Education

Hospitality

Auto Components

Light Engineering

Healthcare

Food Processing / FMCG

Micro Enterprises
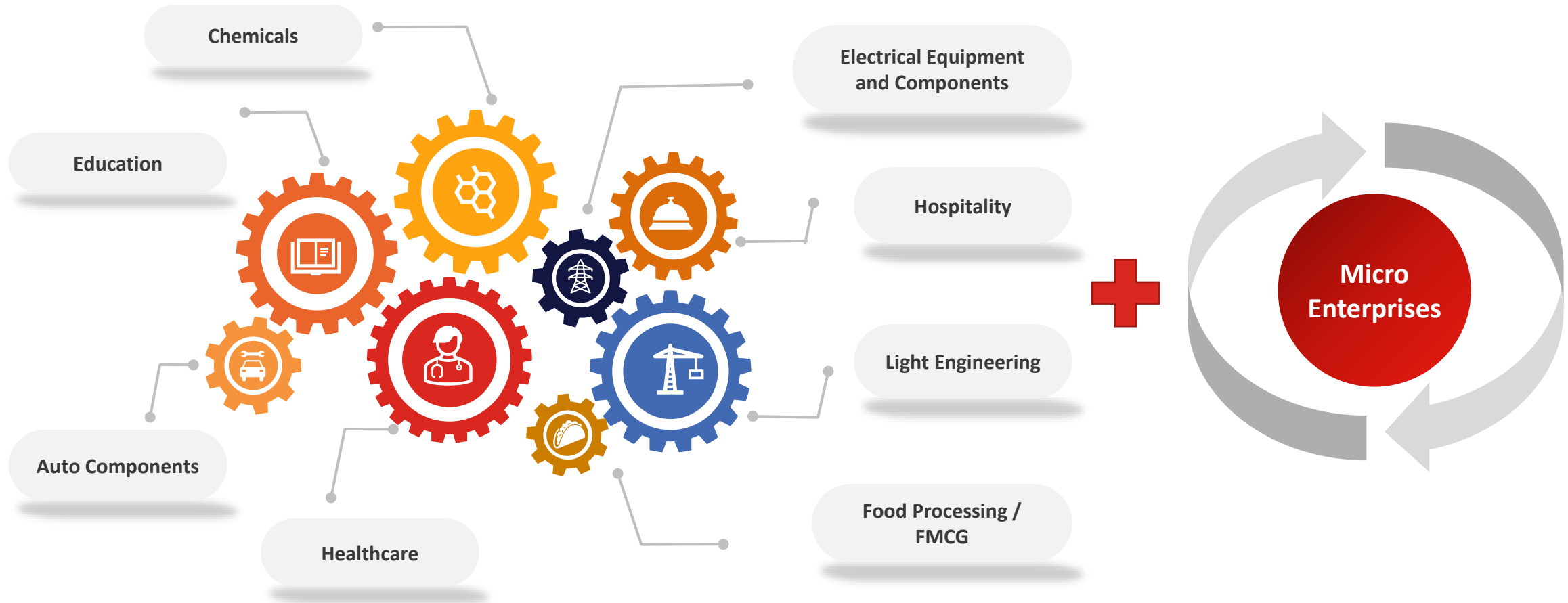
GRO Score 2.0 - A superior underwriting framework
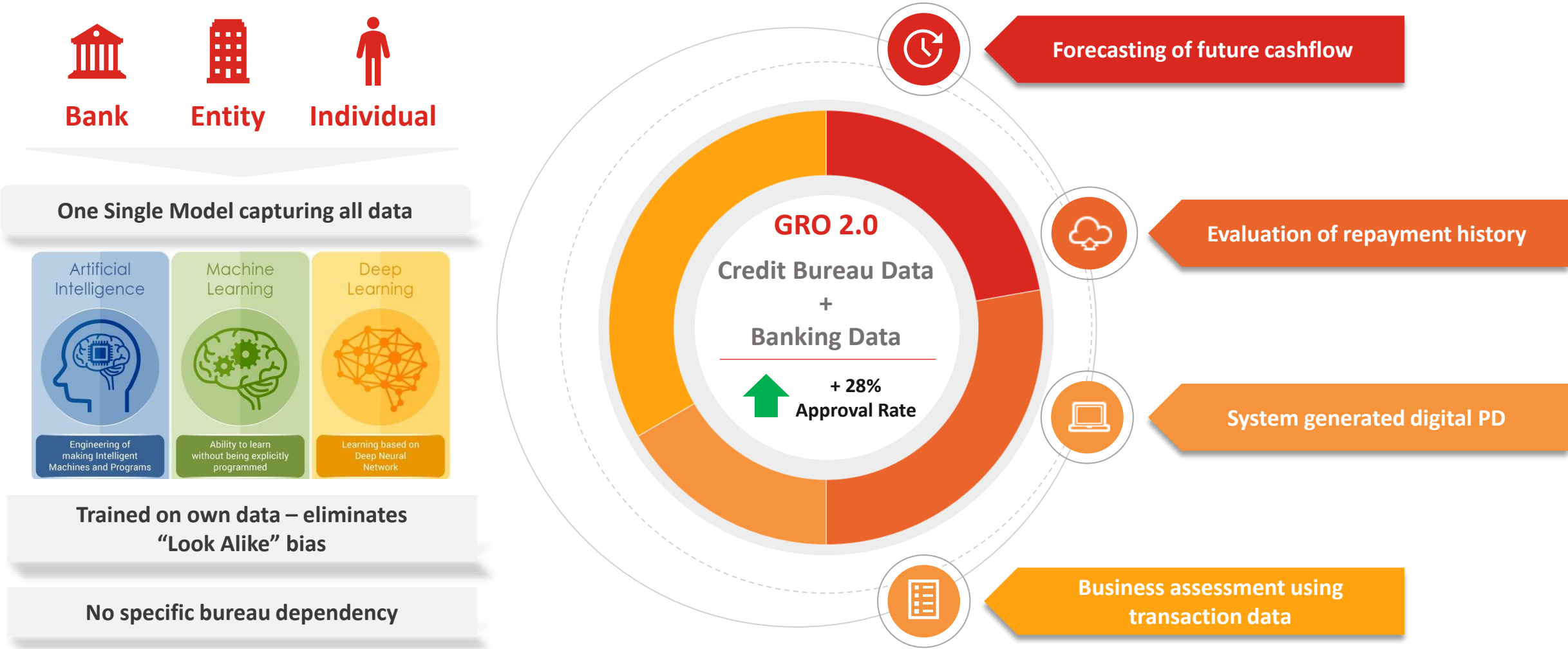
Bank **Entity** **Individual**

One Single Model capturing all data

Artificial Intelligence
Engineering of making Intelligent Machines and Programs

Machine Learning
Ability to learn without being explicitly programmed

Deep Learning
Learning based on Deep Neural Network

Trained on own data – eliminates "Look Alike" bias

No specific bureau dependency

GRO 2.0

Credit Bureau Data
+
Banking Data

+ 28% Approval Rate

Forecasting of future cashflow

Evaluation of repayment history

System generated digital PD

Business assessment using transaction data

Platforms further integrated with rich data enrichment layer

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A paperless, and seamless customer onboarding & underwriting process supplemented by physical underwriting
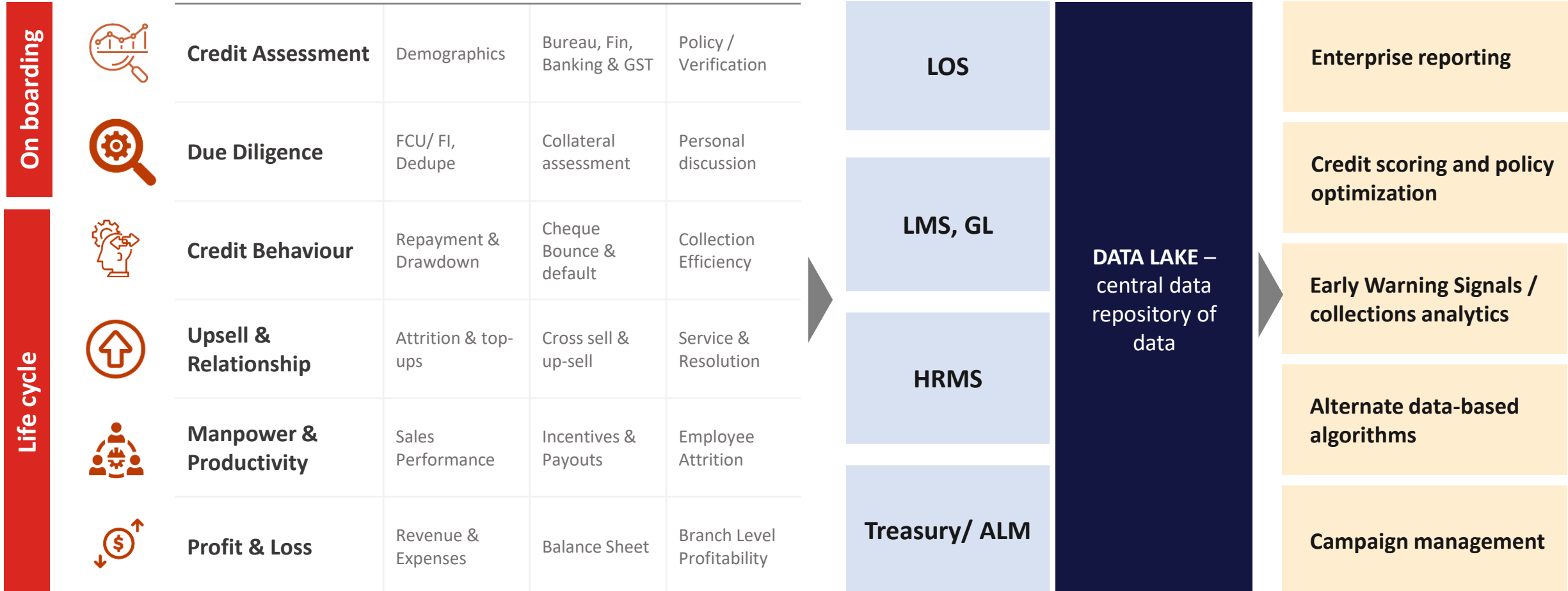
GRO Partners & Direct Distribution	Partnership & Alliances	Eco System	Digital Direct

A Plug and Play Distribution Module

GRO App	Partner LOS	Customer ERP	Customer Devices

Multiple customer touchpoints

GRO LOS

Due Diligence powered by APIs	Technology Platforms	Infrastructure	Data Analysis & Computing

Data Enrichment Layer

CRIF, CIBIL, Perfios, UIDAI, GST, NSDL, karza Technologies, CERSAI	DECIMAL, FINAGG quick cash flow, dOps, FinnOne	aws, ORACLE, sify	sas, python

All process are digitized & underwriting powered by ML & AI

"Zero Data Loss" – Captures end to end data to enable deeper adoption of analytics

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| 360-degree data from all stages of borrower life cycle… | ..ingested through source systems into Data Lake | ..enabling data driven end use |

On boarding

| Credit Assessment | Demographics | Bureau, Fin, Banking & GST | Policy / Verification |
| Due Diligence | FCU/ FI, Dedupe | Collateral assessment | Personal discussion |

Life cycle

Credit Behaviour	Repayment & Drawdown	Cheque Bounce & default	Collection Efficiency
Upsell & Relationship	Attrition & top-ups	Cross sell & up-sell	Service & Resolution
Manpower & Productivity	Sales Performance	Incentives & Payouts	Employee Attrition
Profit & Loss	Revenue & Expenses	Balance Sheet	Branch Level Profitability

LOS

LMS, GL

HRMS

Treasury/ ALM

DATA LAKE – central data repository of data

- Enterprise reporting
- Credit scoring and policy optimization
- Early Warning Signals / collections analytics
- Alternate data-based algorithms
- Campaign management

Building India's largest asset engine for MSME Financing

Multi pronged approach led by Offline presence and Tech capabilities

Distribution model is geared towards catering MSMEs across all geographies and ticket sizes

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.

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

01 Branch Led

02 Ecosystem Channel

04 Partnerships & Alliances

03 Direct Digital

Partnerships & Alliances | GRO-Xtreme

- Partnerships spanning co-lending, BC, lead aggregations with 15+ institutions to best serve 'bottom of the pyramid' SMEs

- Digital alliances with multiple ecosystem players with seamless integration with APIs

Direct Digital Channel | GRO-Direct

- **Digital Lending Platform** – Allows MSMEs to directly apply for credit further reducing TATs

- **60 Mins Decisioning – 100% Digital**

- Beta Phase launched in Dec'19 – Full scale roll out to happen in 2022

Addressing the complete gamut of MSME Lending

Ability to **understand the composite product requirement** of MSMEs and combining that **with comfortable risk of collateral offering**
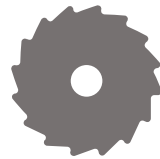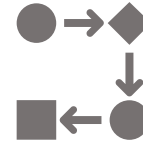
Secured Loan

Unsecured Loans

Working Capital Loans
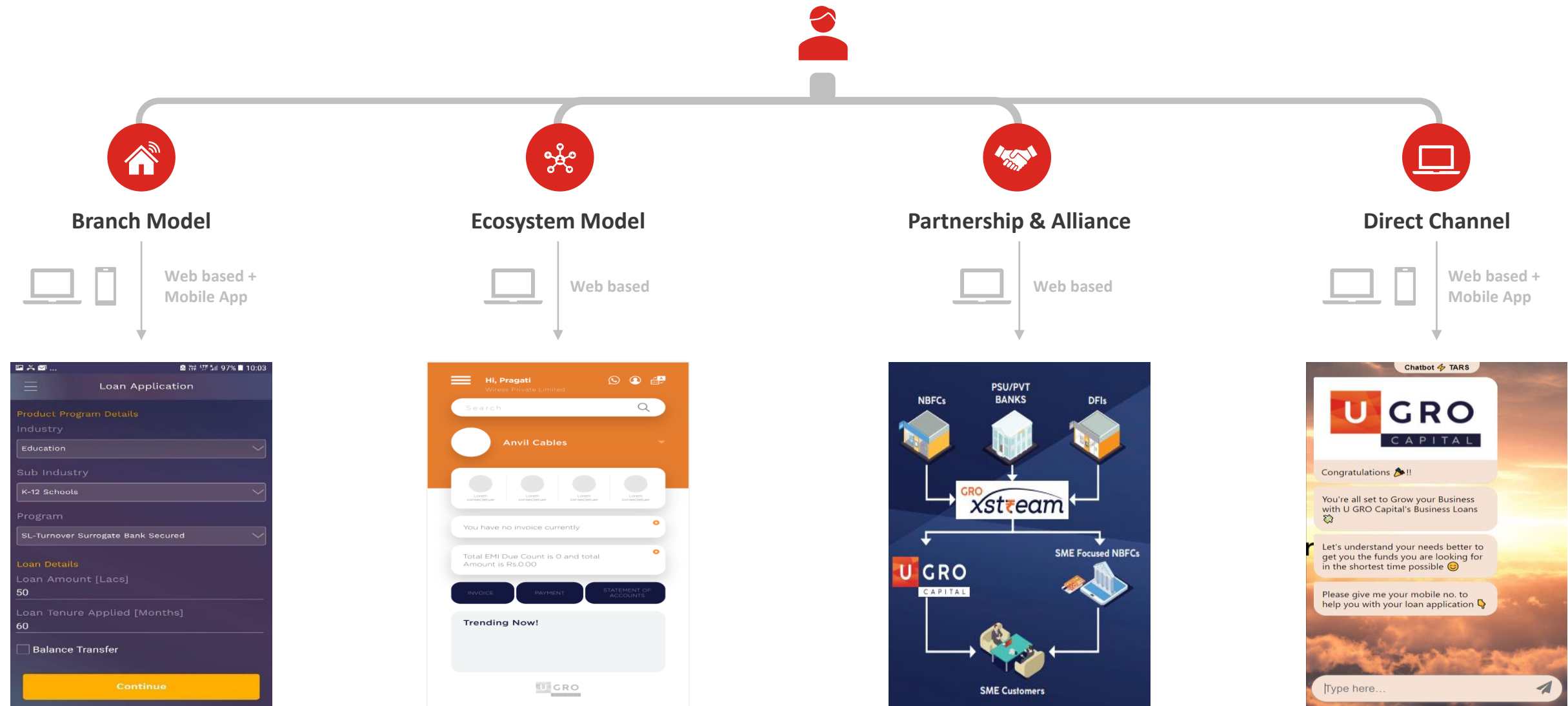
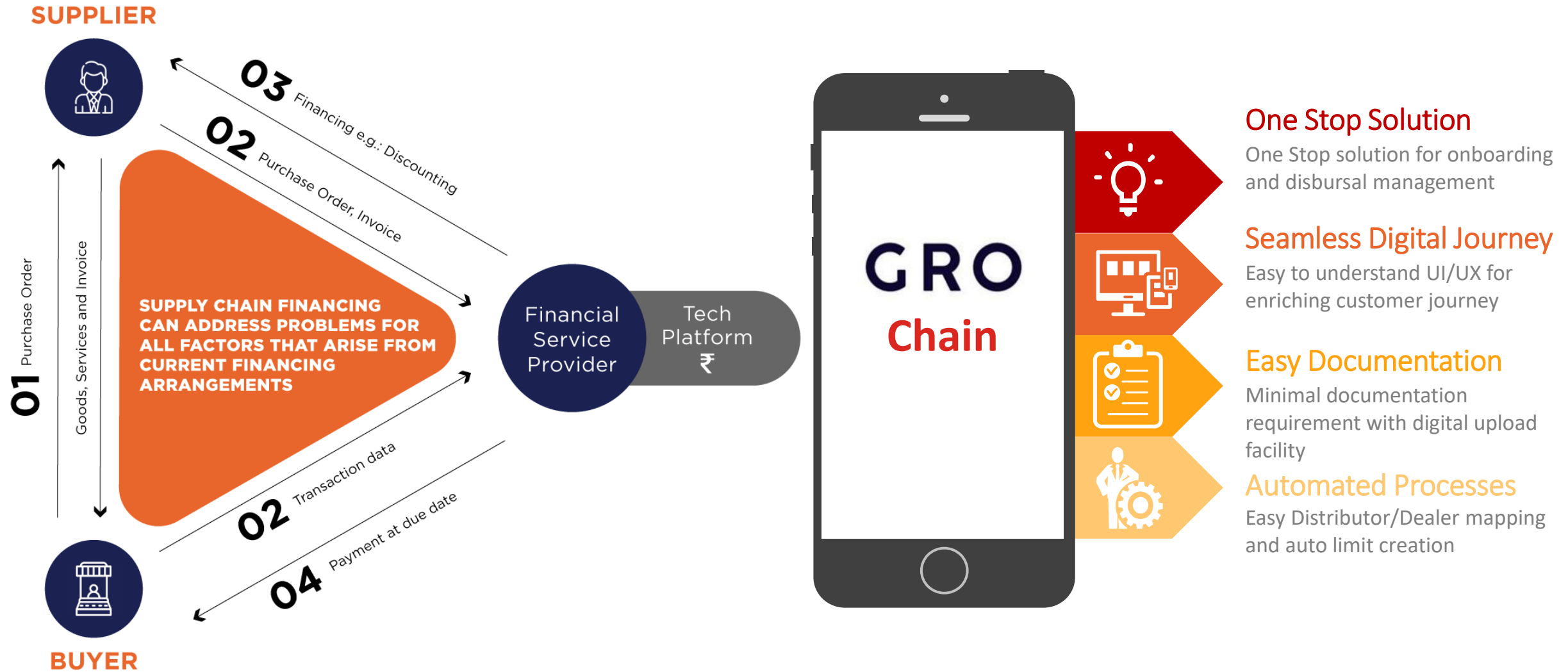**Merchant cash advance/ Flow based Loans**

Machinery/ Equipment Loans

Supply Chain Financing (Vendor/Dealer/ Distributor Financing)

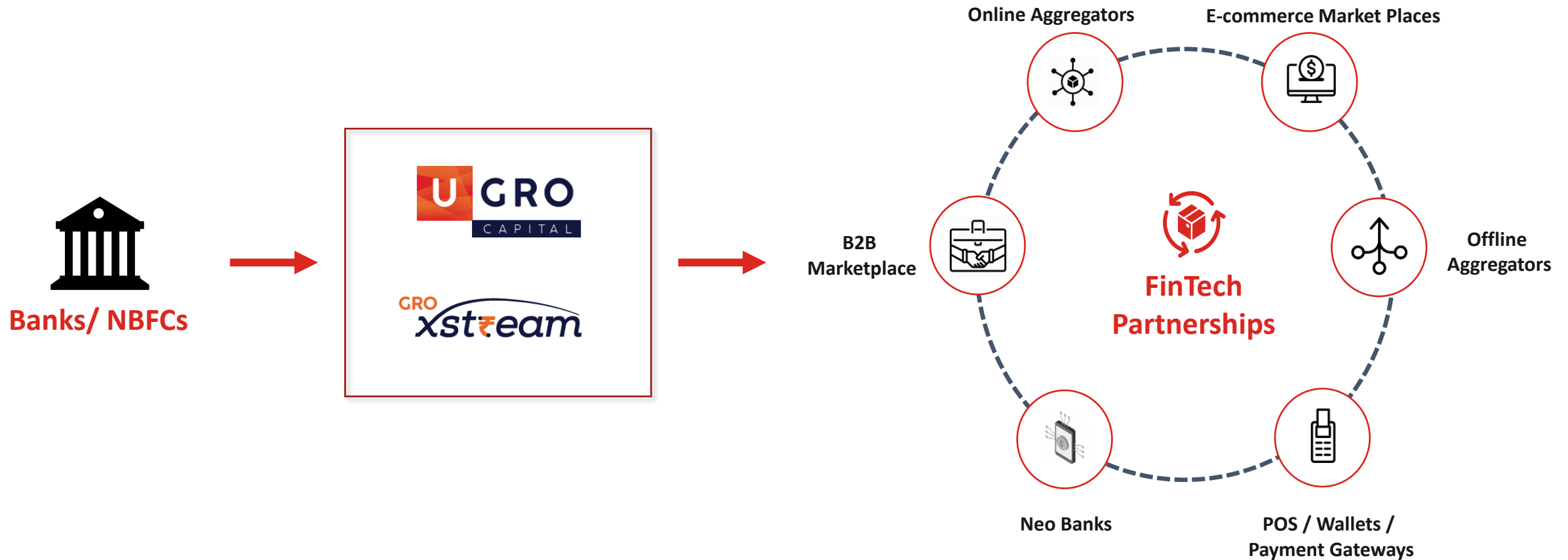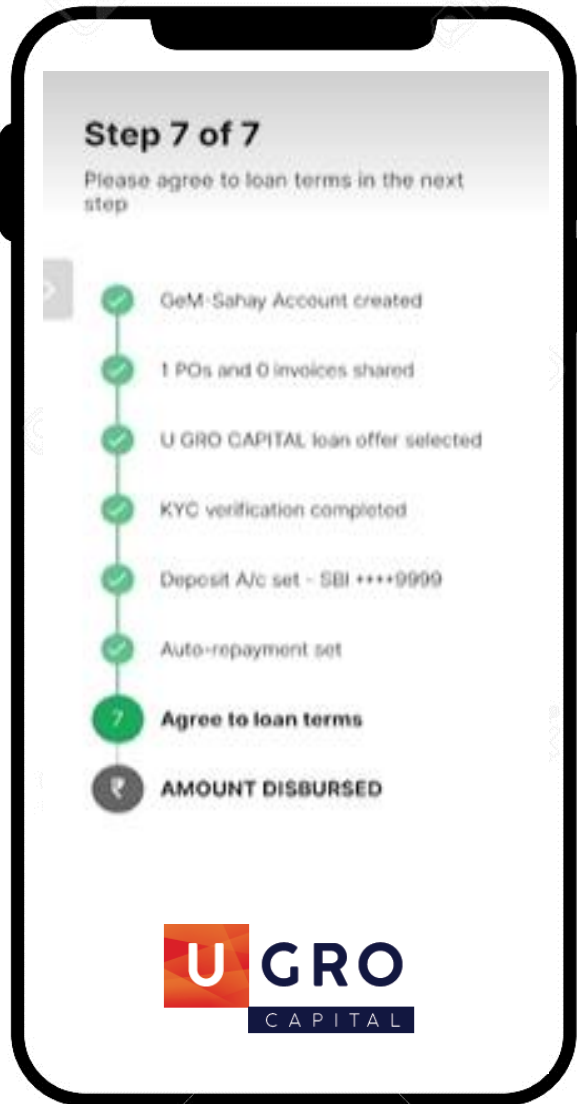# Technology Interface to support multiple sourcing channels

Branch Model — Web based + Mobile App

Ecosystem Model — Web based

Partnership & Alliance — Web based

Direct Channel — Web based + Mobile App

Supply Chain Financing - An effective and automated solution for businesses

SUPPLIER

BUYER

03 Financing e.g.: Discounting

02 Purchase Order, Invoice

01 Purchase Order

Goods, Services and Invoice

SUPPLY CHAIN FINANCING CAN ADDRESS PROBLEMS FOR ALL FACTORS THAT ARISE FROM CURRENT FINANCING ARRANGEMENTS

02 Transaction data

04 Payment at due date

Financial Service Provider

Tech Platform ₹

GRO Chain

One Stop Solution
One Stop solution for onboarding and disbursal management

Seamless Digital Journey
Easy to understand UI/UX for enriching customer journey

Easy Documentation
Minimal documentation requirement with digital upload facility

Automated Processes
Easy Distributor/Dealer mapping and auto limit creation

Collaborating to create 'Xtreme' Impact

Highly customized, **API driven tech platform** for large and emerging lending institutions to collaborate on **upstream and downstream activities** while leveraging GRO score

Ability to build and manage e-market platforms like GeM Sahay

Step 7 of 7
Please agree to loan terms in the next step

- ✓ GeM-Sahay Account created
- ✓ 1 POs and 0 invoices shared
- ✓ U GRO CAPITAL loan offer selected
- ✓ KYC verification completed
- ✓ Deposit A/c set - SBI ++++9999
- ✓ Auto-repayment set
- 7 Agree to loan terms
- ₹ **AMOUNT DISBURSED**

U GRO was the first lender on GeM Sahay platform

Government e-Marketplace (GeM) is the National Public Procurement Portal for an online, end-to-end Marketplace for open, efficient & transparent procurement of goods and services by Central and State Government organisations. It is a **path breaking revolution** in India's public procurement

Number of Seller : **724,381**

Value supplied by Sellers : **INR 140,618 Cr**

Special lending program to maximise credit penetration through GeM-Sahay based on

| Business Vintage | Order history on GeM portal | Seller delivery and reliability rating | Repayment track record | Turnover and consistency |

THANK YOU | **U GRO** CAPITAL

www.ugrocapital.com