



U Gro Capital

Q4 FY19 / FY19 Earnings Update

U GRO Capital

A technology enabled, highly specialized, small business lending platform

Management team with a collective experience of **150+ years**

INR 950+ Cr of equity raised from marquee investors – A systemically important NBFC

Secured Loan

Interest Rate - 11%-13%

(Ticket size - INR 25 lakhs to 5 Crs)

Unsecured Loan

Interest Rate - 17-19%

(Ticket size - INR 10 lakhs to 30 lakhs)

Supply Chain Financing

Interest Rate - 12-15%

(Ticket size - INR 0.3 lakhs to 30 lakhs)

Product Offerings



Sector Specialization

- Healthcare
- Educational Services
- Food processing
- Hotels & resorts
- Chemicals
- Auto components
- Light engineering
- Electrical equipment & components

Shortlisted from 180 sectors through an extensive study of macro-economic and sector specific data

8 Sectors

38 Sub sectors

Traditional Channel

Direct Sales Agents (operating in target segments / geographies)

Branch Sales Team (Customer acquisition through outreach / walk-ins)

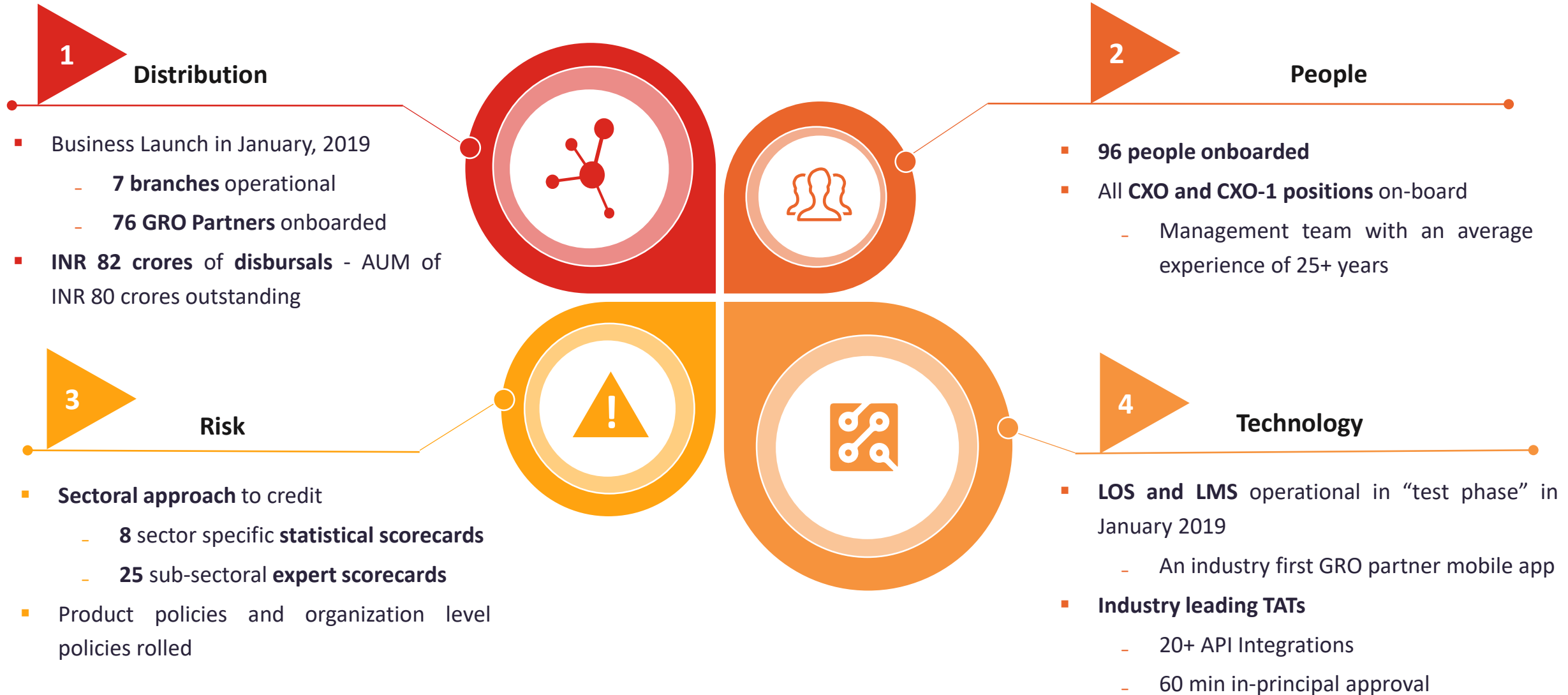
New Age Channels

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

Industry Partnerships (prioritized segments)

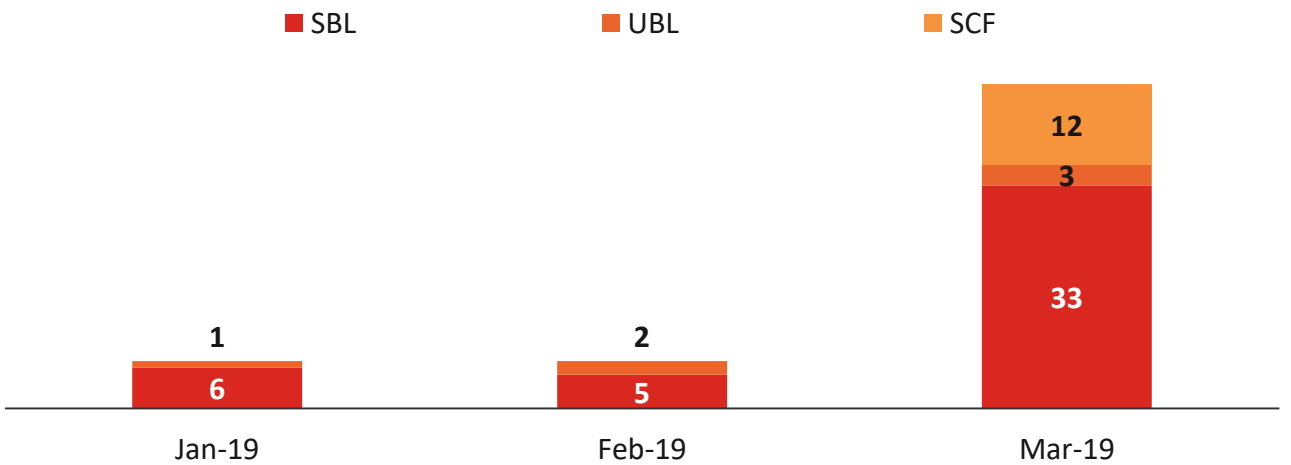
Co-lending with NBFCs

Distribution Strategy



Disbursal and AUM Summary

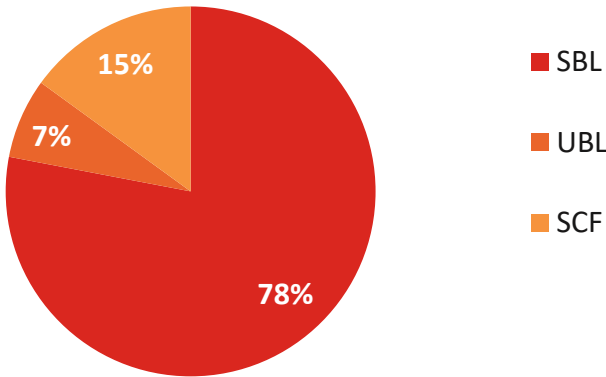
Steady Month on Month Increase in Disbursals



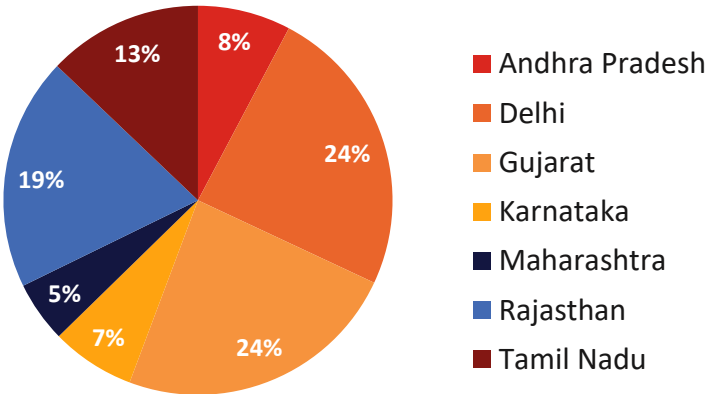
	SBL	UBL	SCF
Avg Ticket Size (INR)	3.6 Crs	0.18 Crs	1.2 Crs
Avg Yield	12.6%	19.3%	13.7%
Approval Rate	13%	30%	39%

Focus on high risk thresholds and building a secure, granular and high quality book

Largely Secure Portfolio



Geographically Diversified Book



Income Statement

INCOME STATEMENT (INR Mn)	Q4 FY19	FY19	Proforma FY19
Operating Income	134.6	368.1	448.8
Less: Interest Expense	0.1	0.1	0.1
Net Income	134.5	368.0	448.7
Fee & Other Income	30.0	50.0	50.0
Total Income	164.5	418.0	498.7
Opex	186.7	367.2	447.9
Provision	2.4	3.2	3.2
Profit Before Tax Before Exceptional Items	(24.6)	47.6	128.3
Exceptional Items relating to the change in control	-	36.7	36.7
Profit Before Tax (PBT)	(24.6)	10.9	91.6
Less: Tax	(3.6)	(3.6)	-
Profit After Tax (PAT)	(21.0)	14.5	-

Pro-forma numbers includes the lending business of Asia Pragati – the scheme of arrangement of the demerger of the lending business of Asia Pragati is pending with the NCLT and is expected to close over the next 3-4 months

Balance Sheet

BALANCE SHEET (INR Mn)	As on March 31, 2019
------------------------	----------------------

SOURCES OF FUNDS

Net Worth	6,377.5
Compulsorily convertible debentures	138.3
Loan Funds	69.4
Other Non-Current Liabilities	6.2
Current Liabilities	112.9
Total	6,704.3

APPLICATION OF FUNDS

Fixed Assets	39.1
Investments	1,067.0
Loan Book	880.3
Other Non-Current Asset	116.1
Other Current Asset	4,601.8
Total	6,704.3

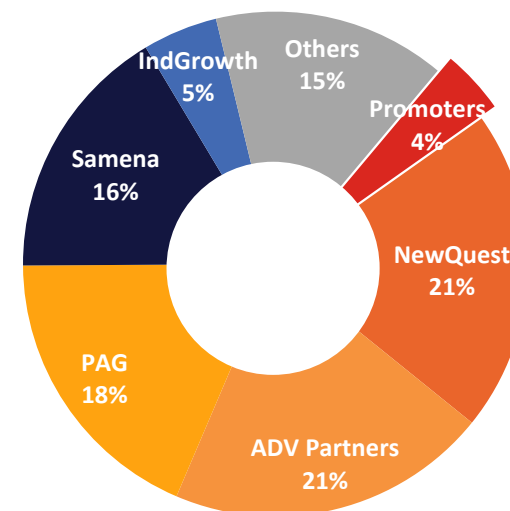
- **INR 98 crores** from conversion of warrants outstanding expected by December, 2019
- Net worth to increase by **INR 175 crores** post the completion of the demerger of the lending business of Asia Pragati

Shareholding Pattern

Calculation of Shares Outstanding

# Shares Issued & Outstanding (as on March 30, 2019)	2,33,31,482
Add: Dilutive Instruments	
Compulsorily Convertible Instruments	2,76,74,420
Warrants	87,83,785
Total Shares Issued & Outstanding (Fully Diluted Basis)	5,97,89,687
Add: Total number of shares to be issued post demerger	1,35,65,892
Total Shares (Fully Diluted Basis)	7,33,55,579

Shareholding Pattern (Fully Diluted Basis, Post the demerger)



Initial fund raise from large PE funds, public market, insurance firms, family offices and HNIs

Illustrative List of Investors

Private Equity Funds



Public Market Funds



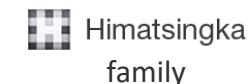
Chhattisgarh Investments

MK Ventures

Insurance Firms



Family Offices



Famy Care Ltd.
Taparia family

Jaspal Bindra

View on market conditions

- **Liability costs will continue to remain high**
 - **Spreads** between AAA rated entities and AA/A rated agencies **have widened** – however, end customer rates have not increased proportionately
- **Rating agencies have become far more conservative** when assigning ratings to NBFCs
- **Asset liability alignment** has become extremely critical
- The **SME customers are under stress** as the availability of credit has reduced



Our Response

- **Reduced ALM mismatch by increasing the mix of shorter tenor products** viz. supply chain financing, loans against machinery
- **Cater to the entire value chain of customers through a co-lending led strategy**
 - Co-lend with smaller NBFCs to cater to the micro-SME segment
 - Co-lend with larger banks to create an alternate liability channel
- **Increased guard on branch led acquisition**
 - Eco-system based lending strategy to augment direct channel

Opportunity for a well capitalized firm, with high corporate governance to gain market share

A square graphic on the left side of the slide, filled with a complex, overlapping geometric pattern of various shades of orange and red, creating a dynamic, low-poly effect.

U GRO | An Introduction

Small Business Lending Isn't A Small Business

50 Mn MSMEs in India

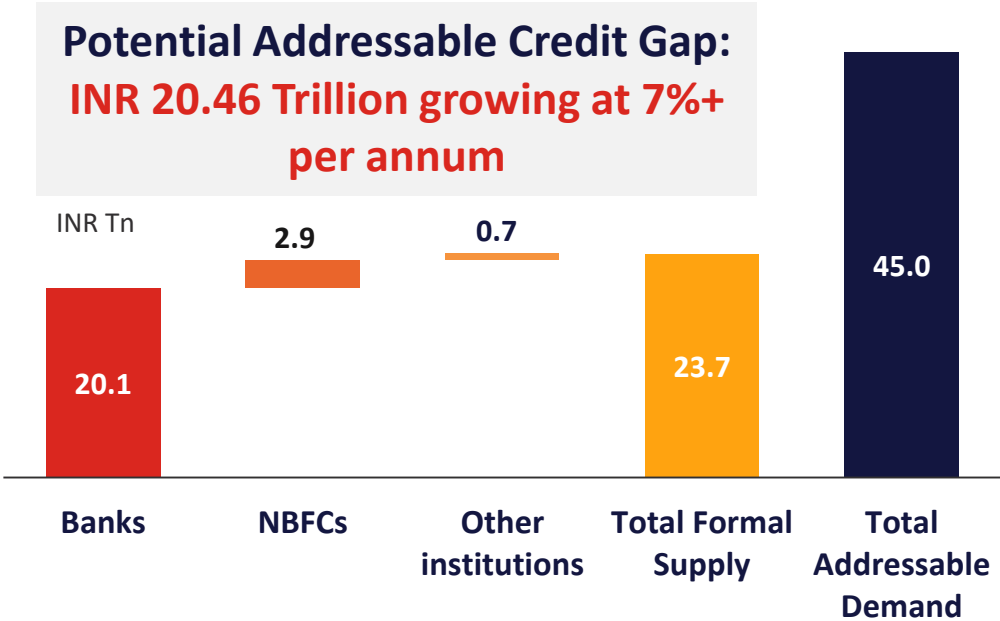
560 Bn Gross Value Add (US\$)

29% Contribution to India's GDP

10% MSMEs with access to credit



US\$300 Bn | SME Credit Gap



Bridging the USD 300 Bn gap will need USD 60-70 Bn in incremental equity capital

Diversity of Small Businesses Creates Challenges for Traditional Lenders

Challenges in lending to the SME segment...



Difficult to understand
businesses/cash flows



Fragmented set of
customers



High cost of customer
acquisition



High dependence on
the ecosystem



Lack of
data



...leading to a Frustrating Borrowing Experience for Small Businesses



Time consuming
offline process



Non-tailored credit
assessment



Rigid collateral
requirements



Product mismatch

New-age, specialized SME lenders better positioned to bridge the SME credit gap

	Specialized SME Lenders	Traditional NBFCs	Banks
Product	Customized products basis nature of business, non financial parameters, end use, paying capacity/ frequency of underlying customer	Loan against property, supply chain financing, unsecured loans	Loan 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	Non-traditional sources. Use of information available from public forums. Digital document submission	Financial statements, P&L Account, Balance Sheets, Bank statements	Project reports . Projected financials , Bank statements.



A highly specialized, technology enabled small business lending platform

Knowledge

Deep domain expertise of target segments to better understand the customer

Technology

A scalable, data driven approach to ensure dissemination of knowledge

Large Institutional Capital

INR 9,530 Mn (~US\$135mn) Of Equity

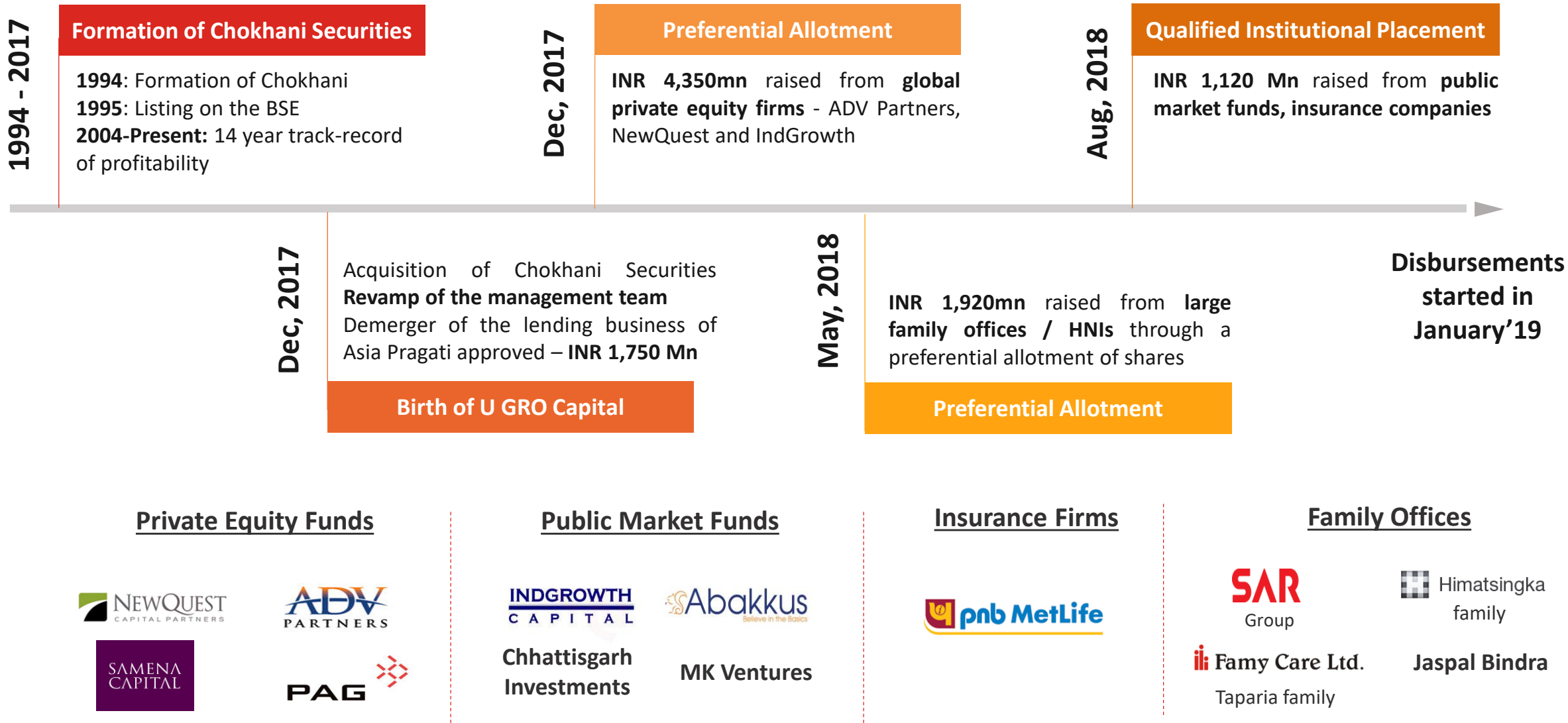
Strong Corporate Governance

Board Controlled, Management Run

Experience Management Team

250+ Years of Combined Experience

One of the only firms in the lending space to start with US\$ 135Mn of capital

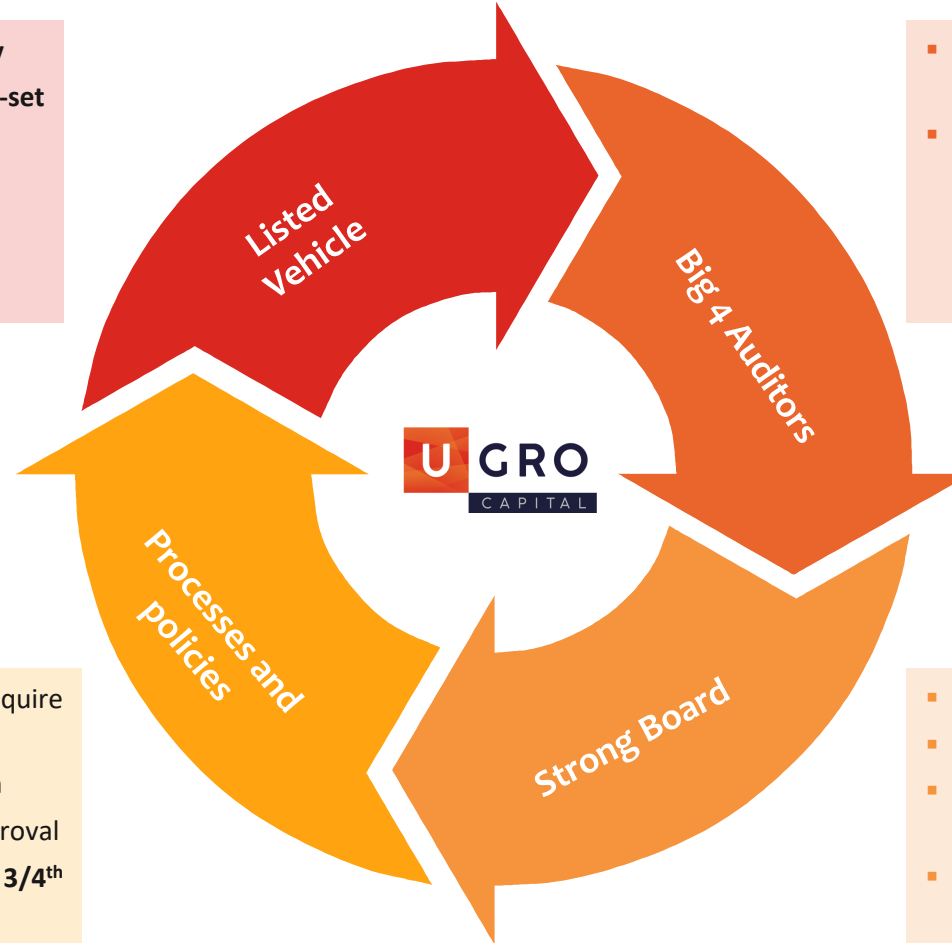


Strong corporate governance framework enshrined in the Articles

Special Resolution of the shareholders required for effecting any changes to the AoA

- High degree of **regulatory oversight and transparency**
- Ability to create an institution with a **long term mind-set** and for perpetuity
- Access to **permanent capital**

- Mandatory requirement for a **Big 4 firm** to be appointed as the statutory and internal auditors
- **Deloitte** appointed as the statutory auditor and **PWC** appointed as the internal auditor



- Any loan > **1% of net worth or to a related party** to require unanimous approval of ALCO and approval of the Board
- Board approved **multi-layer credit authority delegation**
- **Removal of KMP (incl. CRO)** 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 the Audit Committee** to comprise of **independent directors**

A true board controlled, management run company
No unfettered rights to promoters/management to divert strategy or business attention

Independent Members of the Board



Satyananda Mishra - Head, CSR Committee

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

Specialization:
Personnel Management



Rajeev K. Agarwal - Head, 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



NK Maini - Head, Risk Management Committee

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

Specialization:
Credit, SME



Abhijit Sen - Head, Audit Committee

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

Specialization:
Audit, Corp Finance



Ranjana Agarwal - Head, NRC Committee

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

Specialization:
Audit, Tax



S. Karupphasamy - Head, Compliance Committee

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

Specialization:
RBI Regulations

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



Mr. Shachindra Nath
Executive Chairman and Managing Director

- Core pillar of Religare’s successful growth journey
- 6 year stint as the Group-CEO of Religare Enterprise
- Transitioned the company from an operating loss of ~USD 80 million in 2013 to USD 50 million of net profitability in 2016
- Presented the “CEO of the Year” award at the Asia Banking, Financial Services & Insurance Excellence Awards in August 2015
- Started his entrepreneurial journey in 2016.

26 years of experience in creating institutions across the financial services domain

Lending	Capital Markets	Asset Management	Insurance
<p><u>SME Lending</u> Built India’s 4th largest Non-Banking Finance business, focused on SMEs with a book size of over USD 2.3 Bn</p> <p><u>Housing Finance</u> Started the housing finance arm focused on funding the affordable housing segment</p>	<p><u>Retail Broking</u> Created a platform with over 1,350 points of presence across India</p> <p><u>Wealth Management</u> JV with Macquarie providing wealth management solutions to ultra HNI clients</p> <p><u>Investment Banking</u> Mid-market focused institutional equities and investment banking platform with presence in 8 countries</p>	<p><u>Asset Management</u> Largest alternative asset management out of India : Over USD 21 Bn of AUM with presence across the US, Europe, Asia and Africa</p> <div></div>	<p><u>Life Insurance</u> Life insurance JV with AEGON NV of the Netherlands</p> <p><u>Health Insurance</u> One of India’s first specialized health insurance companies</p>

Key Exits: Sale of the life insurance stake to Aegon, sale of the mutual fund business to Invesco, sale of Northgate to TCP, sale of Landmark Partners to the management team

... supported by a team with a strong track record of execution



Abhijit Ghosh

Chief Executive Officer

AUM Managed: **INR 180 Bn**



Anuj Pandey

Chief Operating Officer

AUM Managed: **INR 120 Bn**



Kalpesh Ojha

Chief Financial Officer

Liability Raised: **INR 700 Bn**



J Sathiayan

Chief Business Officer

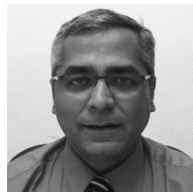
AUM Managed: **INR 80 Bn**



Manish Agarwal

Chief Risk Officer

AUM Managed: **INR 1,200 Bn**



Sandeep Kakkar

Chief Growth Officer

AUM Managed: **INR 150 Bn**



Rajni Khurana

Chief Human Resources Officer

AUM Managed: **NA**



96
employee
count

**Fully
formed
team**

4/5
Rated
employees

**Deep and
large ESOP
pool**



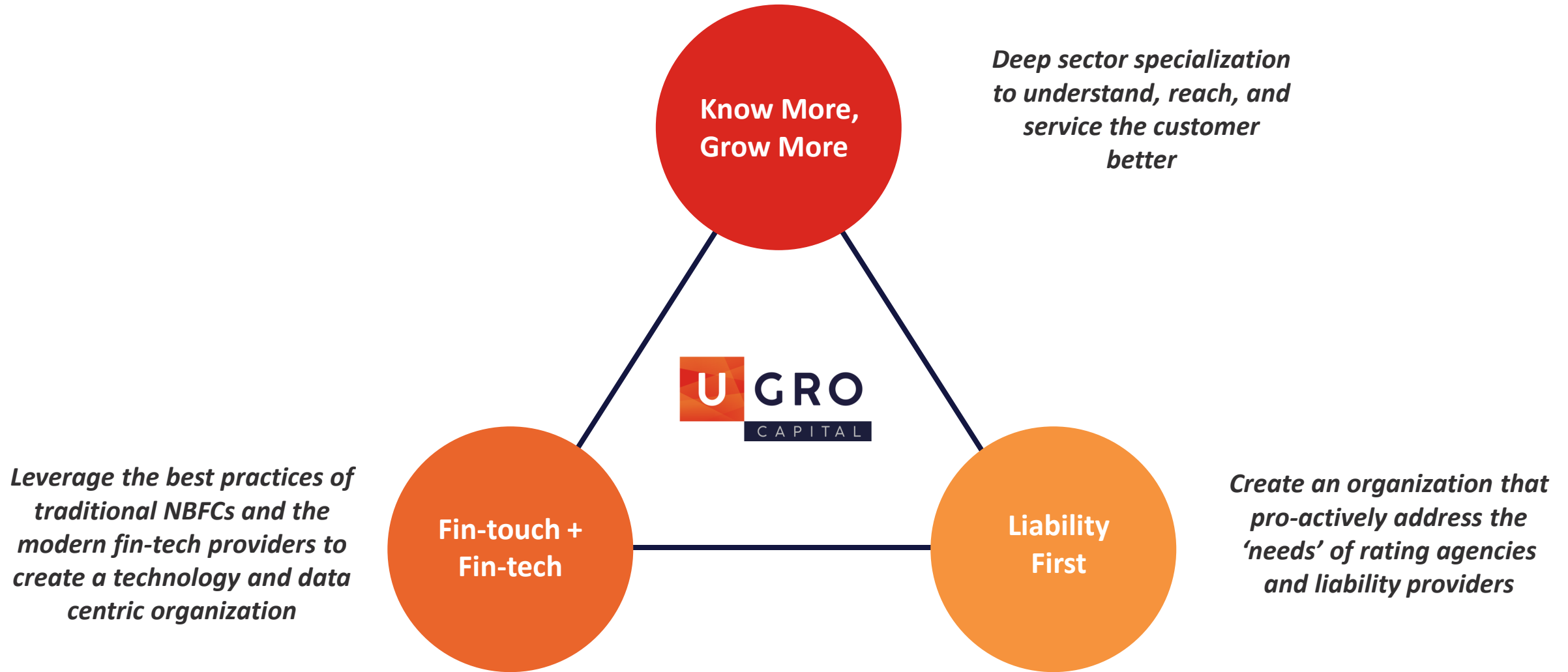
Our Mission

‘To Solve the Unsolved’

**India's US\$ 600Bn+
SME Credit Availability Problem**



How we want to do this



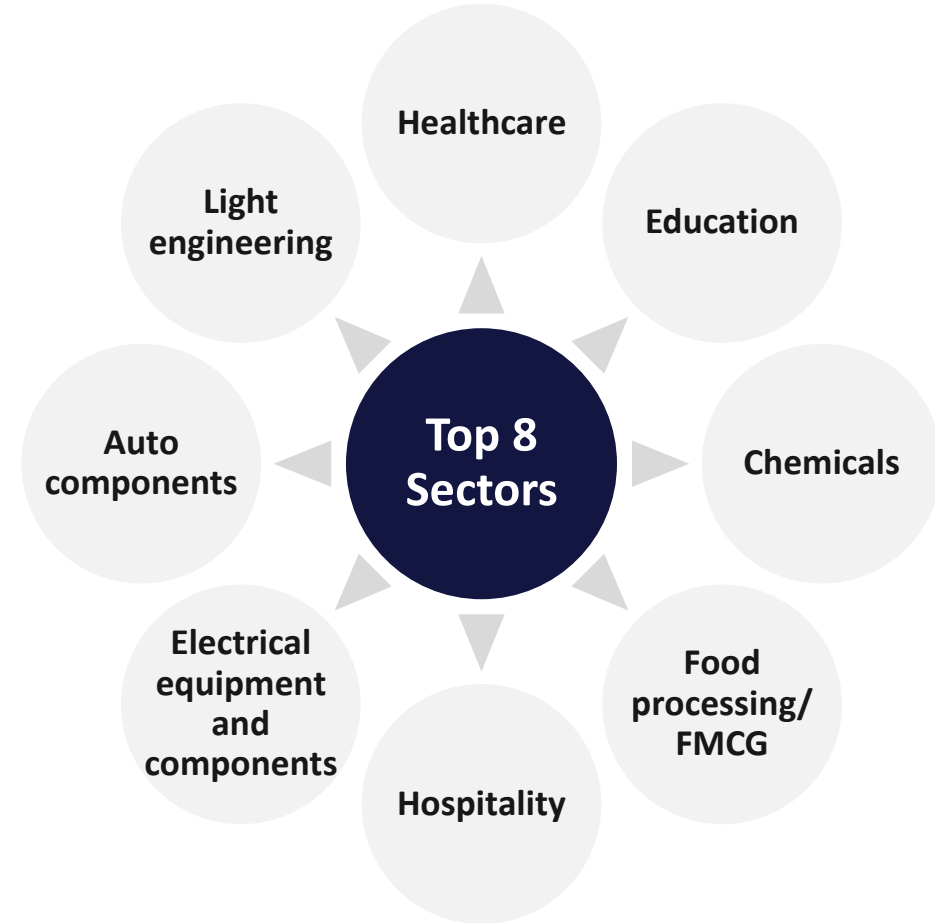
Sector led approach to lending

38 identified sub-sectors within the **8 sectors**

Focus on the **SME clusters** in India

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

Validated independently by CRIF, CRISIL and the company distribution and underwriting teams



Large lending opportunity



Lower impact of regulatory changes



Relatively lesser competition from banks

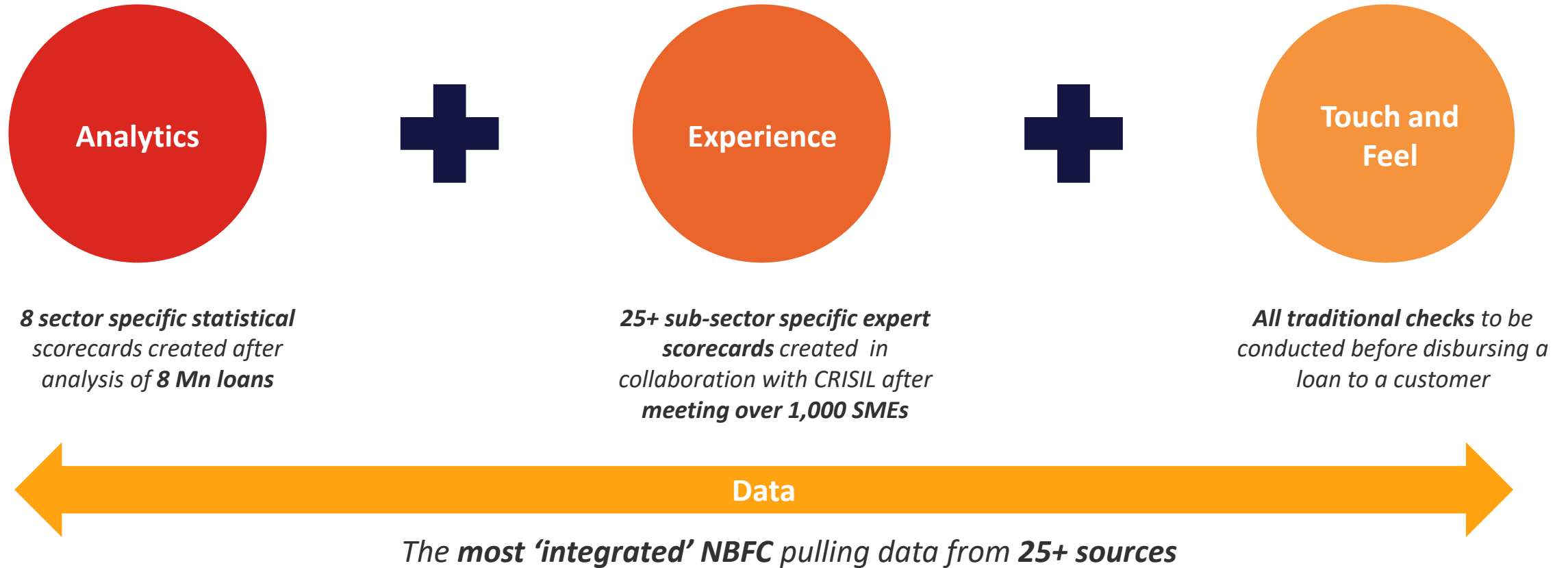


Secular consumption driven growth



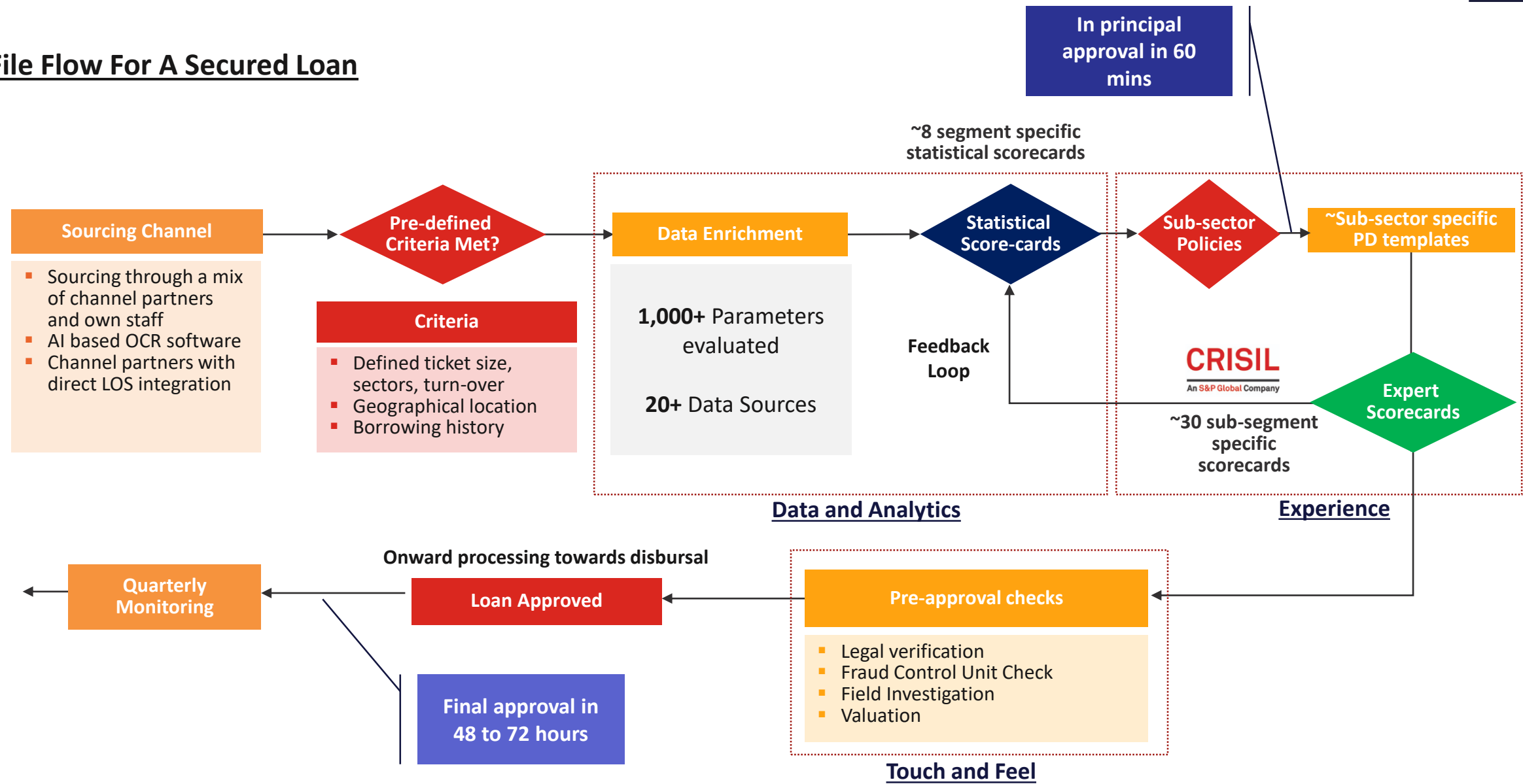
Low geographical concentration

Our Credit Appraisal Philosophy



Credit Appraisal Process | A Three Pronged Approach

File Flow For A Secured Loan



Moving beyond conventional products offered by most NBFCs in the market...

Secured Loans

*Mostly long tenor, loan
against property*

Unsecured Loans

*Short term working
capital loans*

Supply Chain
Financing

*30-90 day loans against
invoices*

To create sub-sector specific products by modulating the following attributes to meet customer requirements...



Collateral



Assessment
Parameters



Tenor



Loan
Structuring



Pricing

Customized solutions to better solve the MSME credit availability problem

Restaurants



Challenges Faced: Cash based collections reducing eligibility, a new restaurant takes time to reach positive cashflows

U GRO Approach

Assessment: A combination of Zomato ratings, seats, cuisine served, price points to arrive at eligibility

Cash Flows: If a franchise, then a 3 tranche disbursal – payment to franchisor, infra development, working capital. Payments to start post commencement of operations

Distribution: Tie ups with food aggregators like Zomato, Swiggy and assess eligibility through transactional data

Pathological lab



Challenges Faced: Heavy investment in equipment, cash based collections reducing eligibility

U GRO Approach

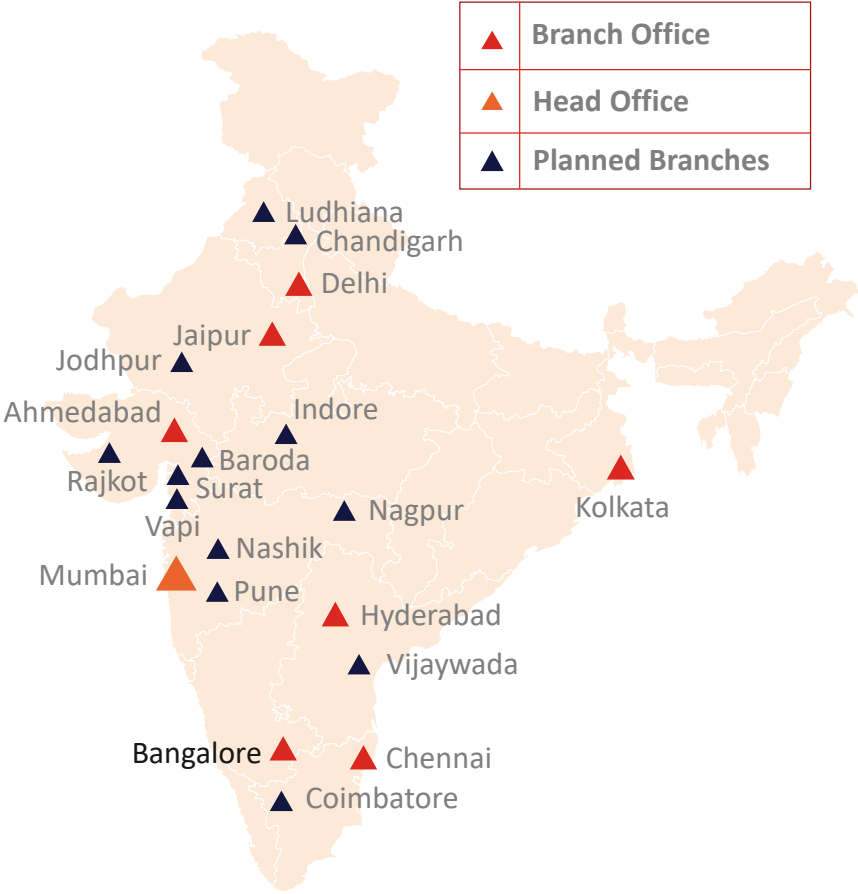
Assessment: Cash flow assessment through footfall, online booking, booking register, price list published on line

Cash Flows: Leasing module used. Disbursal of funds to the manufacturer by UGRO. Path Lab owner to pay only rental per month.

Distribution: Tie ups with leasing agencies and manufacturers of equipment

Traditional Channels | A new approach to the old

A technology led, partnership based approach to GRO Partners



Locations identified through extensive analysis of portfolio and SME cluster performance

Rigorous Partner Selection Criteria

- An initial list of **100+ channel partners** arrived at post rigorous vetting of 1,200+ partners
- **Selection criteria:**
 - Track-record of 3+ years
 - Infrastructure Readiness
 - Portfolio performance
- Partners selected have a track-record of acquiring **INR 50,000+ Mn on a monthly basis**
- An **onboarding fee** charged from each channel partner – **A first in the industry**

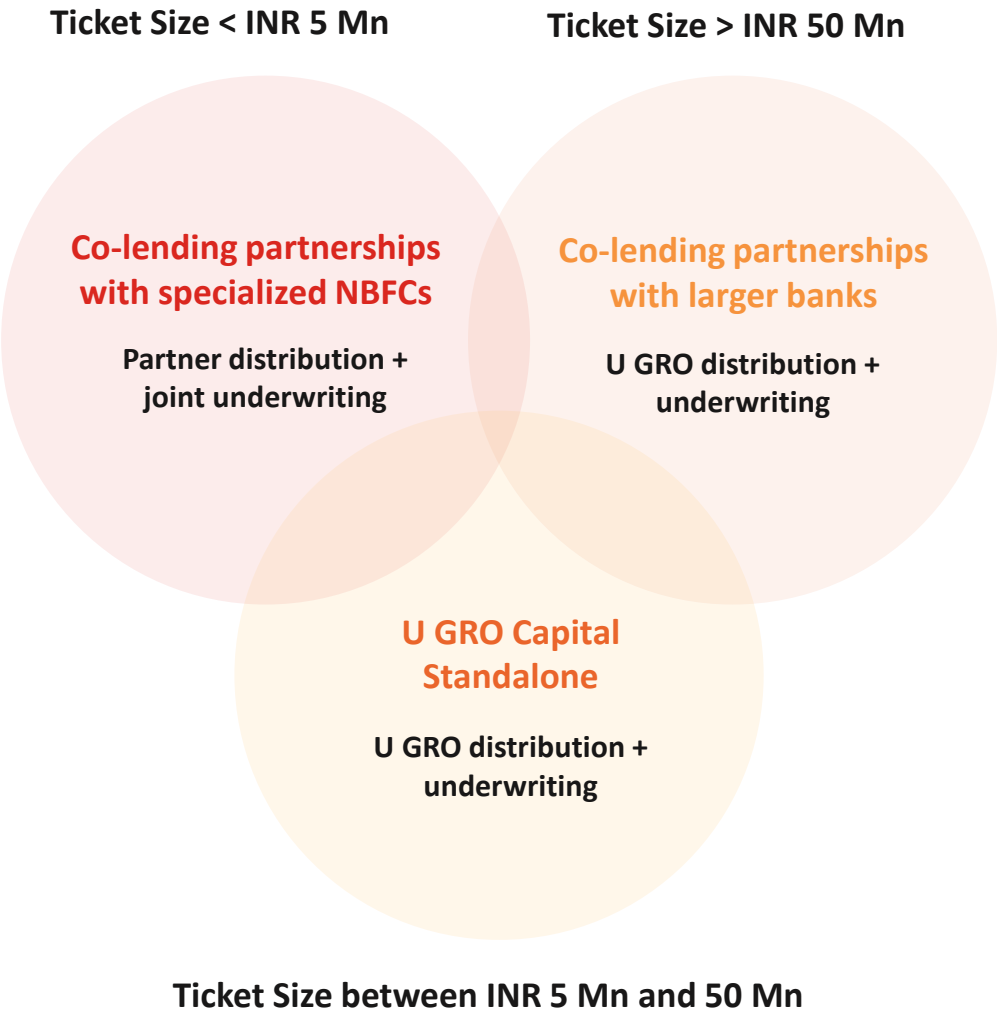
A 60 minute in principal approval significantly improves partner productivity and enhances customer experience

GRO Partner App: An Industry First



Screenshot of the GRO Partner App showing a loan application form. The form includes sections for Product Program Details (Industry, Sub Industry, Program) and Loan Details (Loan Amount, Loan Tenure Applied, Balance Transfer). A Continue button is visible at the bottom.

Symbiotic approach to lending to cater to the value chain



Analytics led sourcing arrangements

Leverage third party origination platforms (traditional/digital) for lead sourcing

- **Analytics led pre qualification** basis data available from partner platform
- Upfront application of underwriting rules using data-driven indicators
- **Partner-led customer campaign** with pre-populated eligibility amount/ rates
- Personal discussion by credit manager to be done before disbursal

One of India's largest online loan broker

One of India's largest DSA

One of India's largest classifieds

Qualified Offers to increase sales productivity

Dedicated “Growth Team” to build industry partnerships

Independent vertical headed by the Chief Growth Officer

- Each sector to be led by a ‘sector head’

Develop partnerships in prioritized segments with key participants e.g. sector specific lenders, industry bodies

- E.g. Anchor led supply chain financing, partnerships with equipment suppliers

Partnership with a large food aggregator

- **Pre-approved program based on data analytics** for Unsecured & Secured Loans to Restaurants
- **Performance data of restaurants** partners with UGRO to be shared by the aggregator
 - Vintage, location, ratings/reviews, transactions
- Pay-outs to restaurants routed through **escrow account** created for the program

Partnership with an auto-comp provider

- **Anchor led Supply chain financing** to vendors, distributors/dealers basis data from the anchor
- Ability to finance the **entire value chain** including Tier 2/3 vendors
- **Cross-sell of secured/unsecured loans** using supply chain financing as a foot in the door strategy

Distribution Network

	Branches
	States
	GRO Partners
	Corporate Partners
	Co-lending Partners

1 st Year
7
7
100
3
3

In 5 Years
27
10-12
350-400
25-30
10-15

Hybrid Lending Model...

Traditional – Fin-Touch



Traditional credit assessment models like CIBIL scores

Physical processes such as visits to customers

Focus on collateral driven lending

Limited to term loans



Adopting a hybrid model comprising best practices of traditional lenders and modern fin-tech companies

Alternative – Fin-Tech



Alternate credit assessment models leveraging analytics + publicly available data

Leverage technology to automate processes thus reducing manual errors

Unsecured credit solutions

Variety in loan products

..to complement traditional “touch and feel” across the value chain

Sourcing

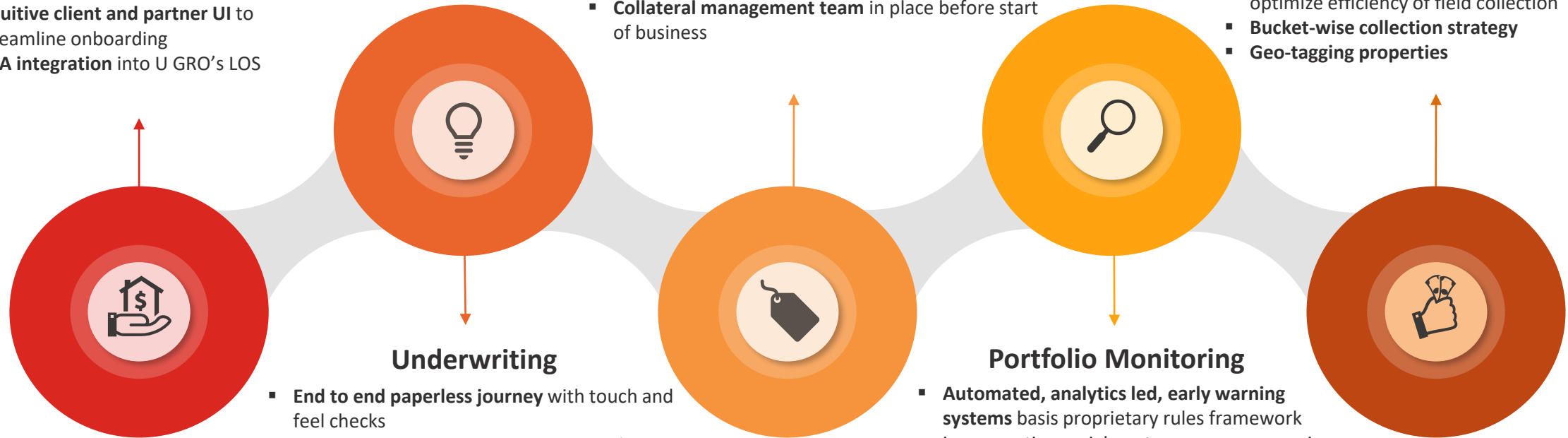
- Partnerships with **traditional/digital marketplaces** to create customized offerings
- **Intuitive client and partner UI** to streamline onboarding
- **DSA integration** into U GRO's LOS

Verification and Disbursal

- Online process to **augment traditional fraud control process**
- **Collateral management team** in place before start of business

Collection and Recovery

- **Collection and litigation team** already in place
- **Analytics led predictive collection model** to optimize efficiency of field collection
- **Bucket-wise collection strategy**
- **Geo-tagging properties**



Underwriting

- **End to end paperless journey** with touch and feel checks
- **API integrations** to pull credit bureau, financials, social, legal and other relevant data
- **Statistically validated automated credit models** through a bureau partnership
- **Expert judgement based sub-sector specific score-cards**

Portfolio Monitoring

- **Automated, analytics led, early warning systems** basis proprietary rules framework incorporating social, sector, macro-economic feeds
- **Quarterly visits** by team members for account review
- **Yearly review** of financials

60 mins

In-principal Loan Approval

40+

API Integrations

1,000+

Parameters assessed

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

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

Key tenets of our liability strategy

Liability led asset strategy

- Build a **diversified, granular book catering to prime/near prime customers**
- Start with a primarily secured book and slowly build the unsecured part
- Unsecured book to not exceed 10% of the overall book in the first year
- **95% of the book to be Priority sector/Impact lending**

Active engagement with stakeholders

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

Diversified Liability Base

- **Diverse liability mix to include** – all major banks, debentures, capital market and insurance companies
- Access funding from new sources of funding such as **multilateral agencies, impact funds (CDC, IFC, DEG), development banks (SIDBI) etc.**

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

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