

# U Gro Capital | An Overview

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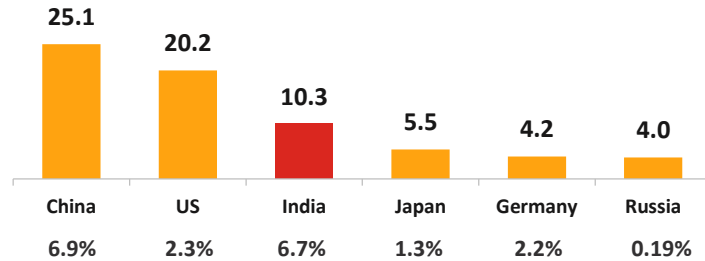
# **The SME Lending Market**

## ***A large yet untapped market opportunity***

# India represents a large, significantly underpenetrated market

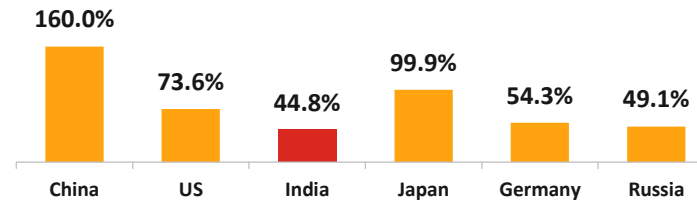
One of the largest and fastest growing economies in the world

GDP PPP – US\$ Tn, Real GDP Growth



However, the credit to GDP ratio is still much lower than other markets

Total credit to non-financial corporations as a % of GDP

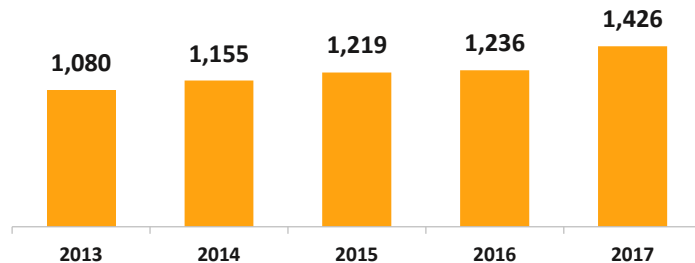


Significant government impetus for the growth of credit

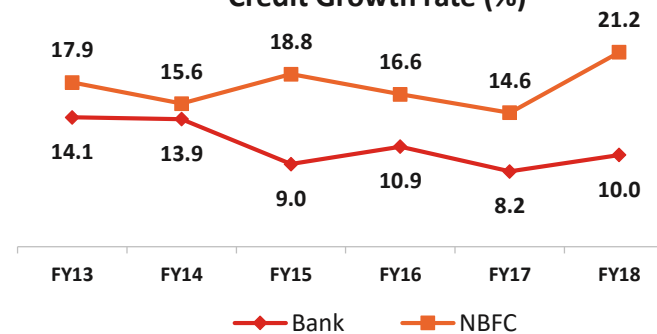
- Grant of universal banking, payment banking and small finance **banking licenses**
- Focus on **financial inclusion** – Jan Dhan Yojna, Pradhan Mantri Awas Yojana
- **India Stack** – Cashless, Paperless, Presence-less
- **Credit guarantee scheme** for MSMEs

Leading to high credit growth in the country led by the NBFC sector

Total credit to the private non-financial sector, US\$ Bn



Credit Growth rate (%)



*The overall lending market in India is expected to grow at 10-11% with NBFCs growing at 15-17% over the next 5 years*

**~US\$1 Tn lending opportunity over the next 5-6 years | Significant head-room for many more banks and NBFCs to emerge !**

# NBFCs have certain structural advantages and disadvantages vis-à-vis banks...



- 100 % FDI ownership permitted
- Ability to be nimble – lesser restrictions on branches, allowed businesses
- No social obligations
- No requirements to maintain a Capital Reserve Ratio

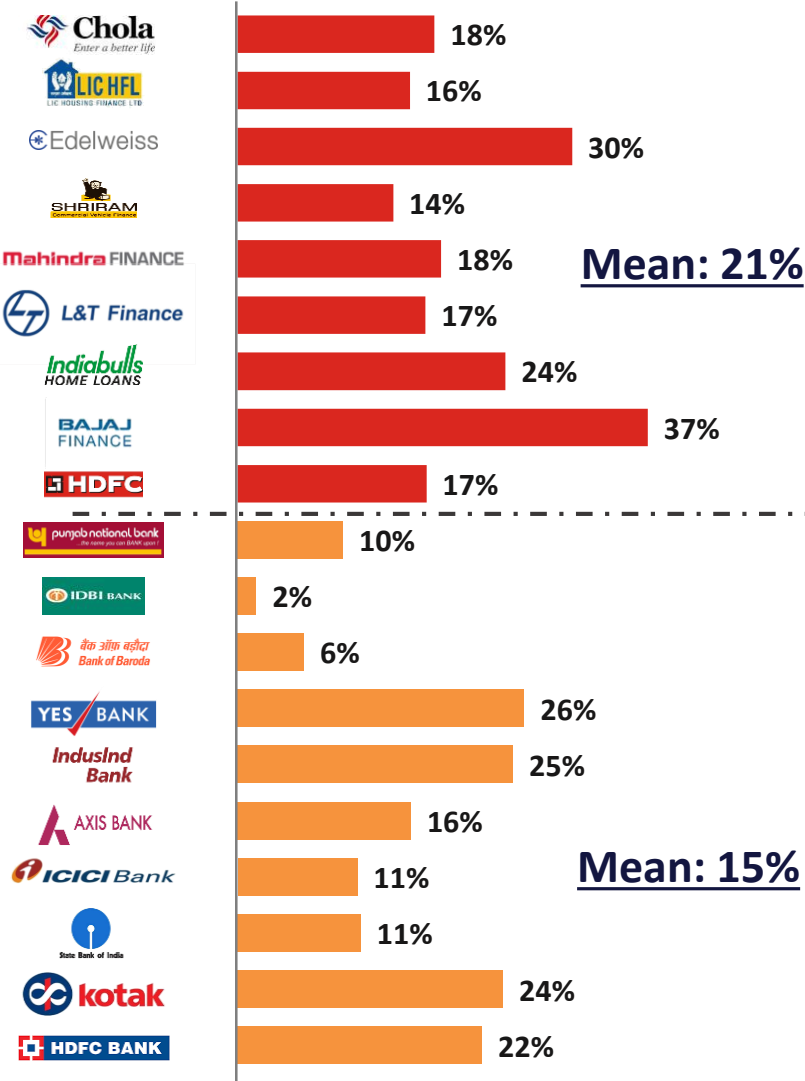


- Still very regulated – NBFC-SI as regulated as a bank
- Cannot offer liability products
- Higher capital adequacy ratios
- Higher cost of funding

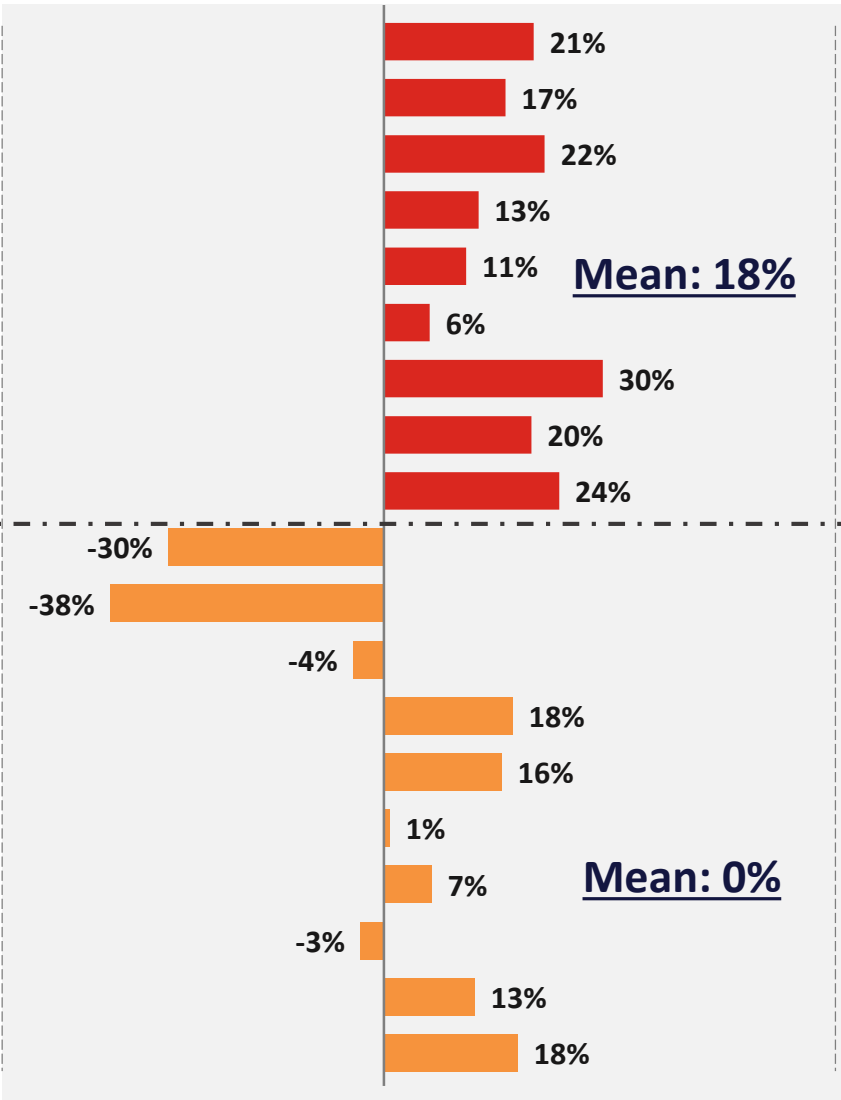
**NBFCs have over the years proved themselves to be more nimble and specialized than traditional banks**

# ...resulting in significantly higher value creation by NBFCs

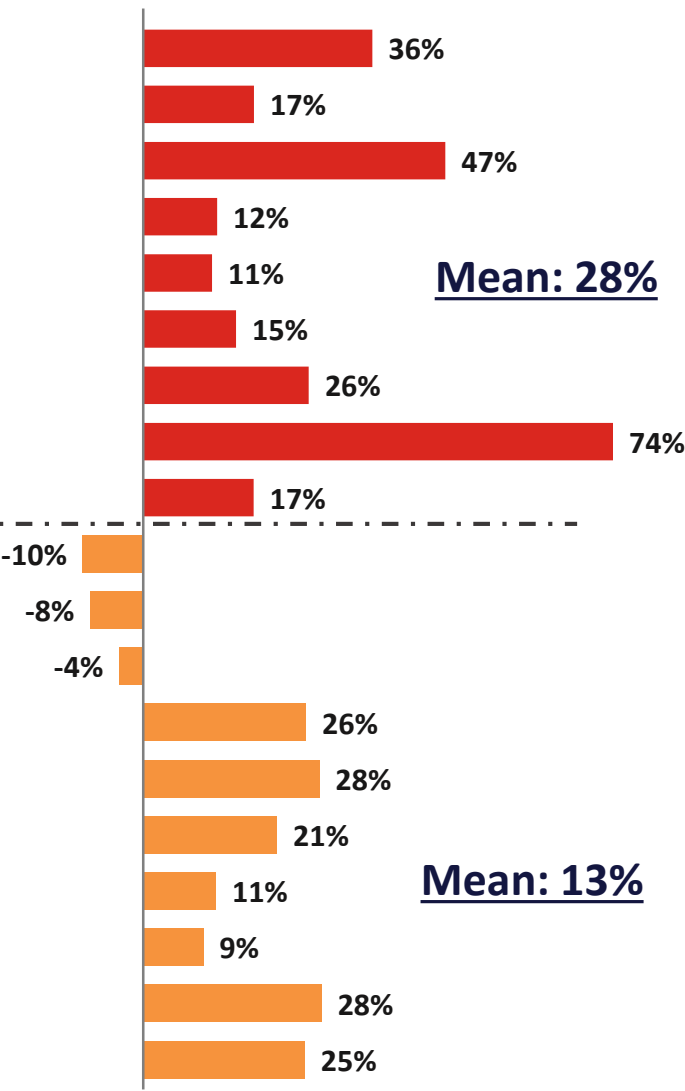
5 year AUM Growth (FY13-18)



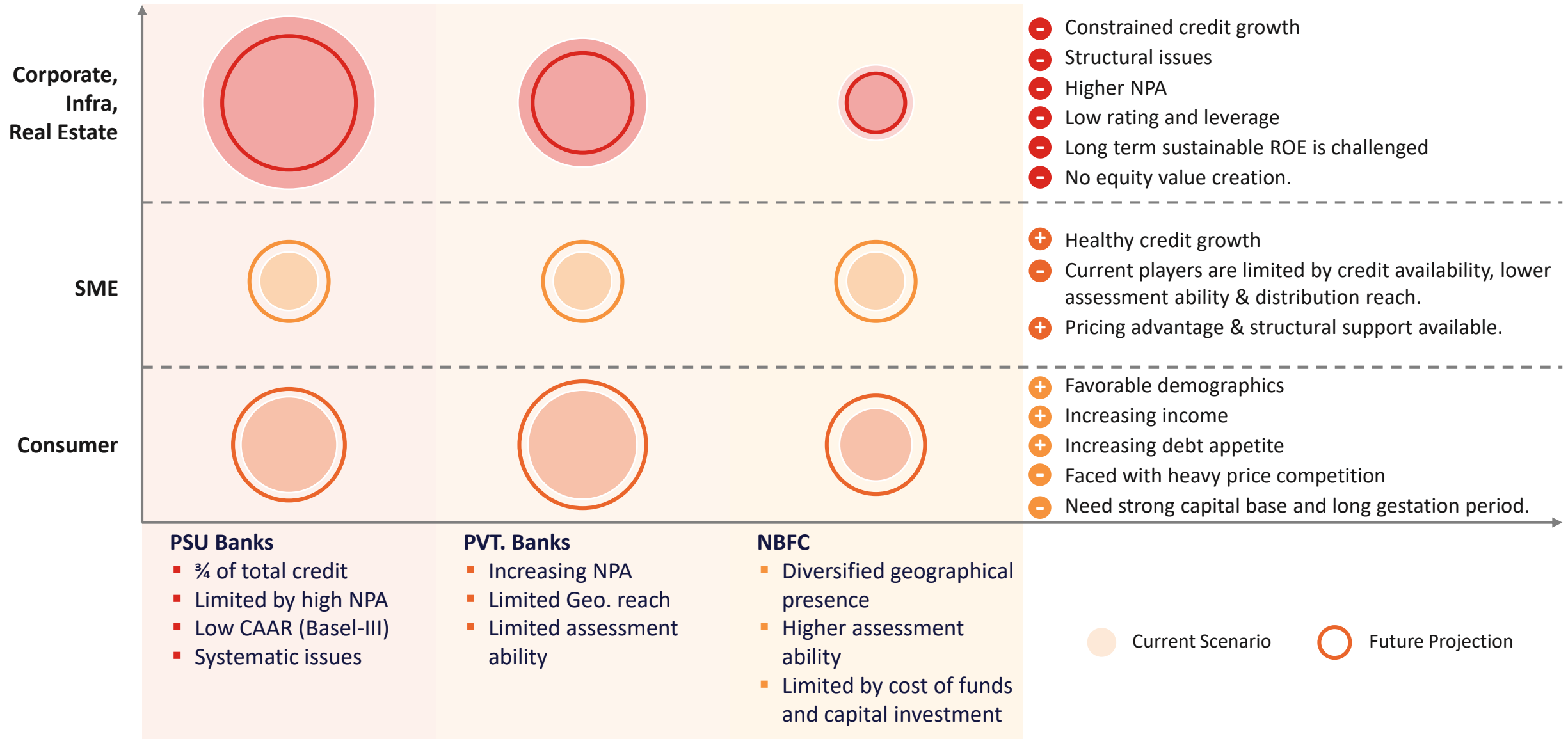
ROE (FY18)



5 year Share Price Growth



# The lending market can be broadly divided into three segments



# Small Business Lending Isn't A Small Business

**50Mn** MSMEs in India

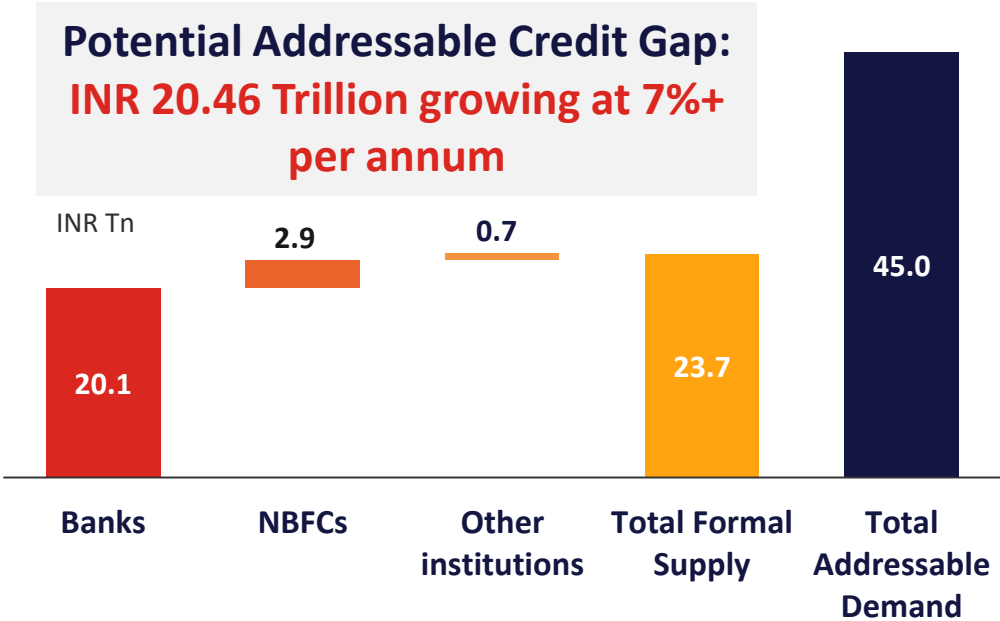
**560Bn** Gross Value Add (US\$)

**29%** Contribution to India's GDP

**10%** MSMEs with access to credit



## US\$300 Bn | SME Credit Gap



Bridging the USD 300bn gap will need USD 60-70bn 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



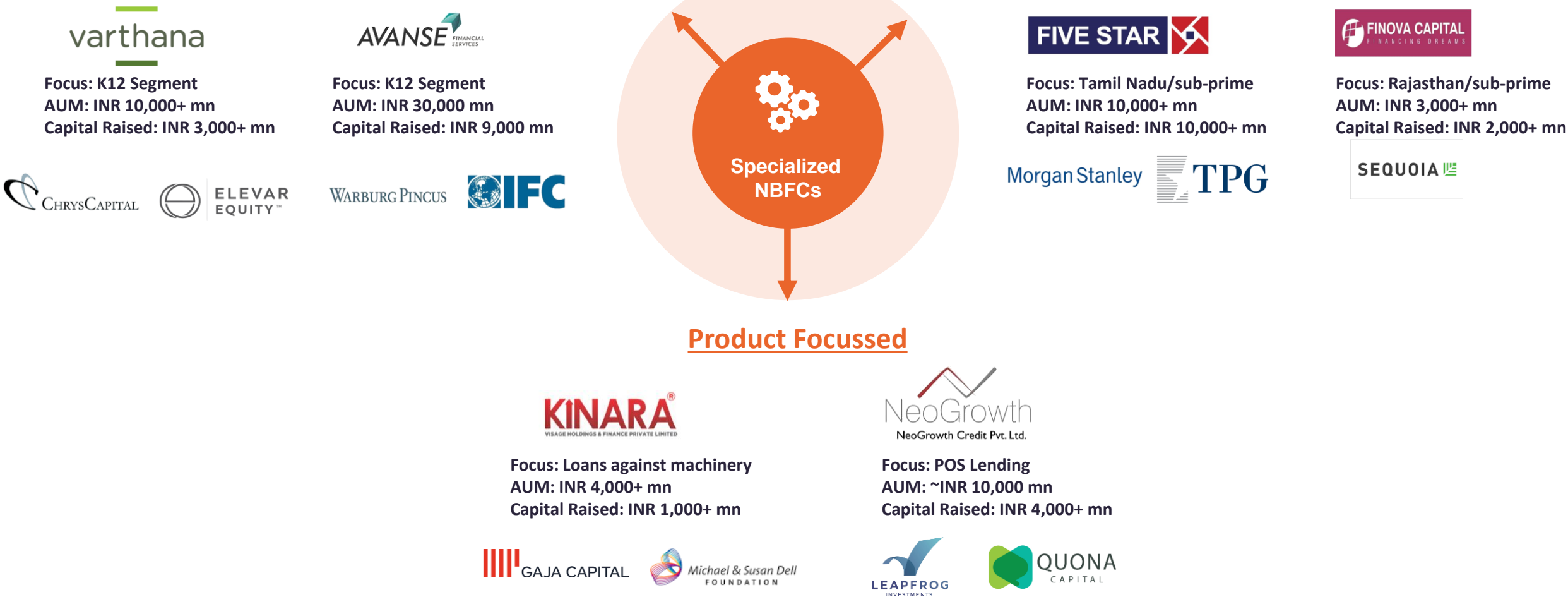
# New-age, specialized SME lenders better positioned to bridge the SME credit gap

	Specialized SME Lenders	Traditional NBFCs	Banks
<b>Product</b>	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
<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>	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.

# ... leading to the emergence of niche, focused lenders in India

## Sector Focused

## Geography/Segment Focused



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# **The U GRO Incarnation**

## ***The Assimilation of Aspirations***



***A highly specialized, technology enabled small business lending platform***

## **Knowledge**

*Deep domain expertise of target segments to better understand the customer*

## **Technology**

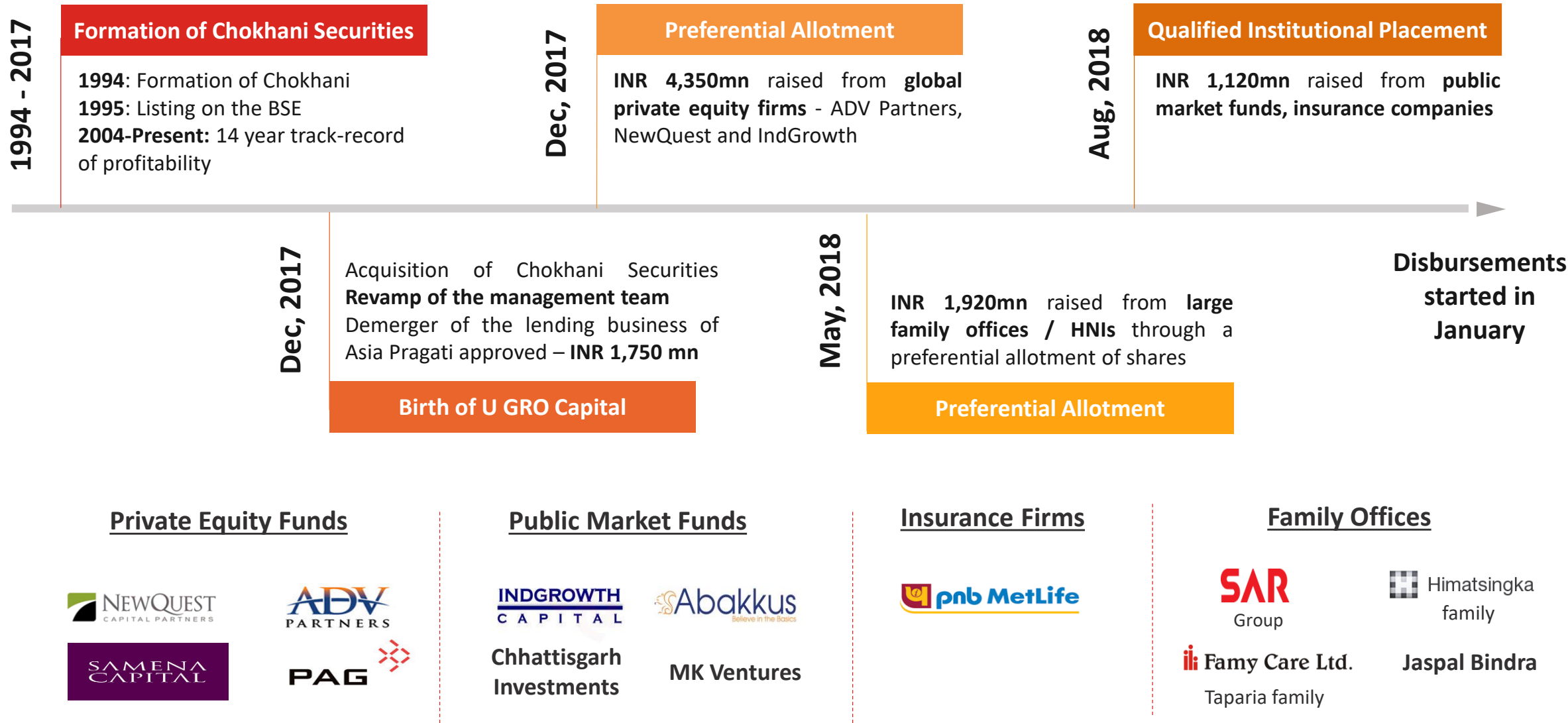
*A scalable, data driven approach to ensure dissemination of knowledge*

**Large Institutional Capital**  
*INR 9,530 Mn (~US\$135mn) Of Equity*

**Strong Corporate Governance**  
*Board Controlled, Management Run*

**Experience Management Team**  
*250+ Years of 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



**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 Mgmt



### **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 Fin



### **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*

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

- 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.

### Lending

#### SME Lending

Built India's 4th largest Non-Banking Finance business, focused on SMEs with a **book size of over USD 2.3 billion**

#### Housing Finance

Started the housing finance arm focused on funding the **affordable housing segment**

### Capital Markets

#### Retail Broking

Created a platform with over **1,350 points of presence across India**

#### Wealth Management

**JV with Macquarie** providing wealth management solutions to ultra HNI clients

#### Investment Banking

Mid-market focused institutional equities and investment banking platform with **presence in 8 countries**

### Asset Management

#### Asset Management

Largest alternative asset management out of India : **Over US\$ 21bn of AUM** with presence across the US, Europe, Asia and Africa



LANDMARK PARTNERS



### Insurance

#### Life Insurance

Life insurance JV with AEGON NV of the Netherlands

#### Health Insurance

One of India's first specialized health insurance companies

**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 180Bn**



**Anuj Pandey**

Chief Operating Officer

AUM Managed: **INR 120Bn**



**Kalpesh Ojha**

Chief Financial Officer

Liability Raised: **INR 700Bn**



**J Sathiayan**

Chief Business Officer

AUM Managed: **INR 80Bn**



**Manish Agarwal**

Chief Risk Officer

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



**Sandeep Kakkar**

Chief Growth Officer

AUM Managed: **INR 150Bn**



**Rajni Khurana**

Chief Human Resources Officer

AUM Managed: **NA**



**86**  
employee  
count

**Fully  
formed  
team**

**4/5**  
Rated  
employees

**Deep and  
large ESOP  
pool**



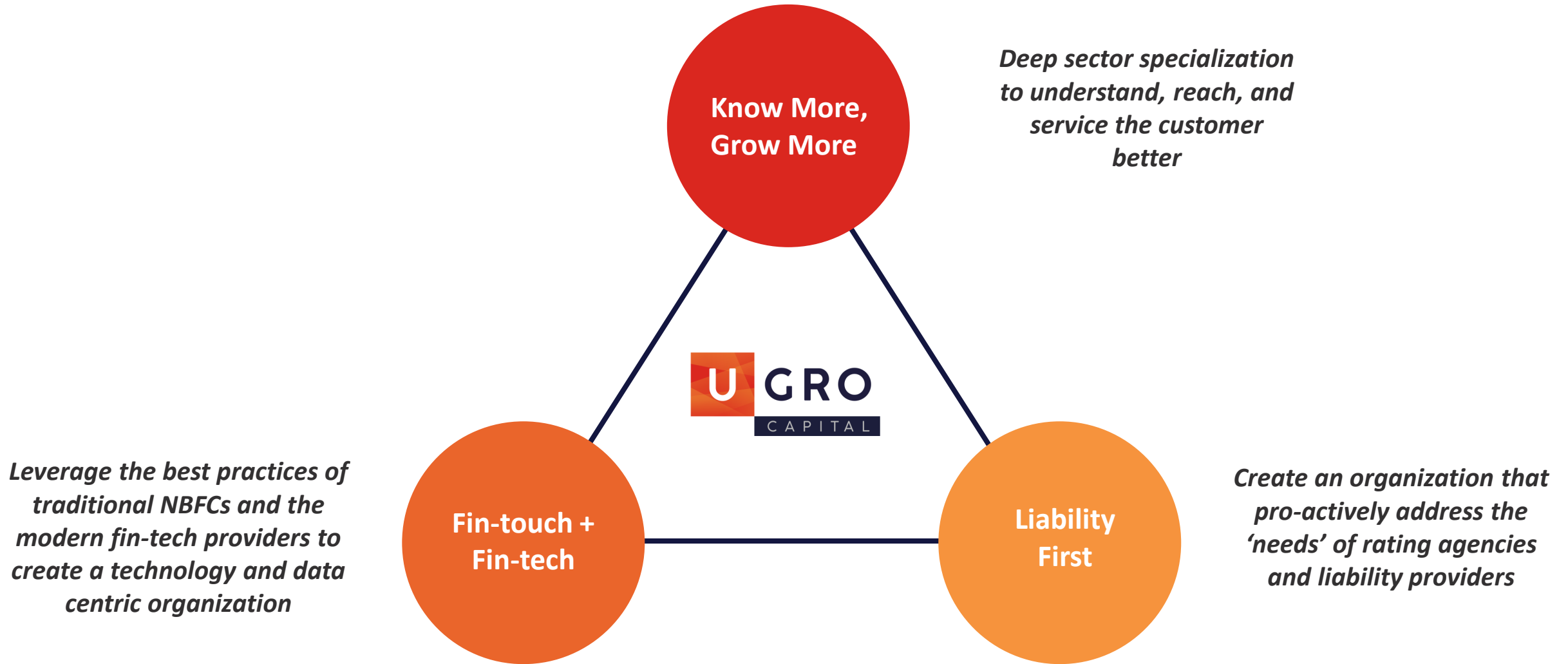
## **Our Mission**

***‘To Solve the Unsolved’***

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



# How we want to do this...

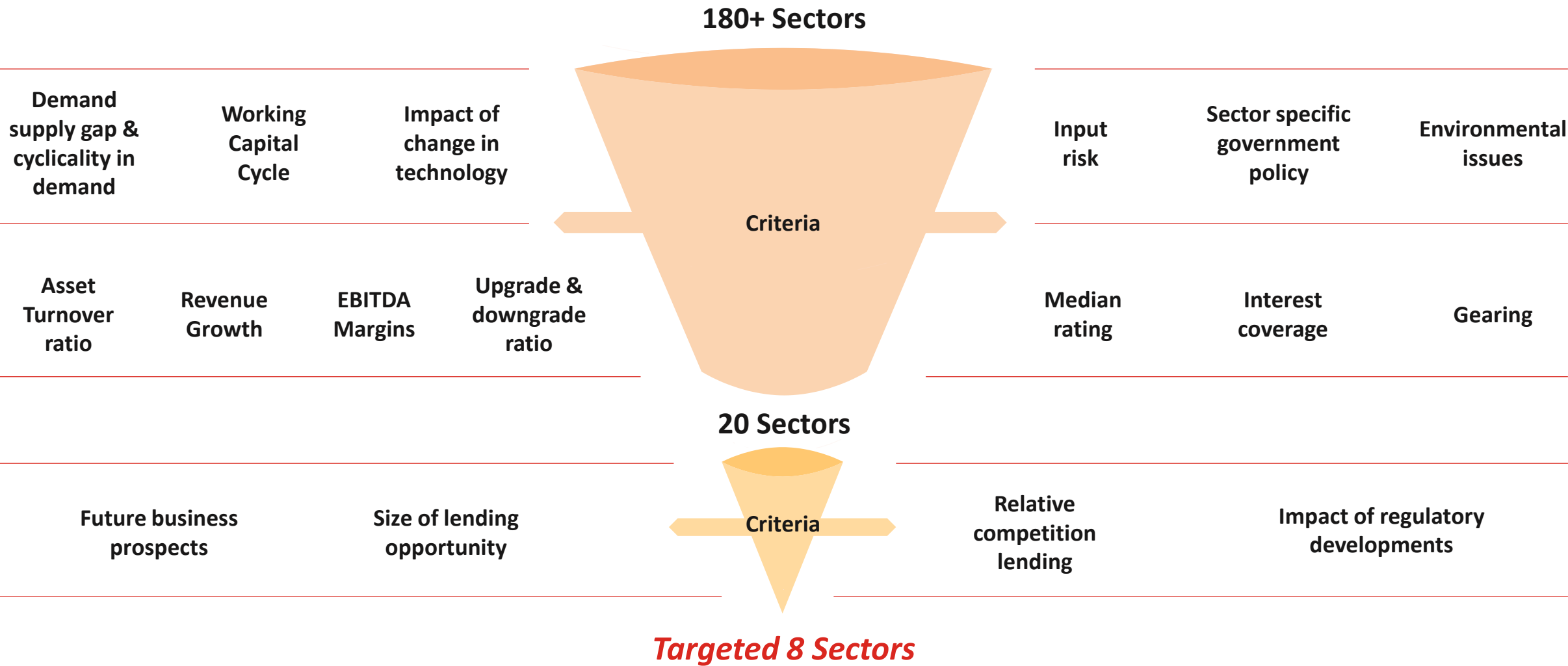


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# **Know More, Grow More**

## ***Sector based approach to specialization***

# 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

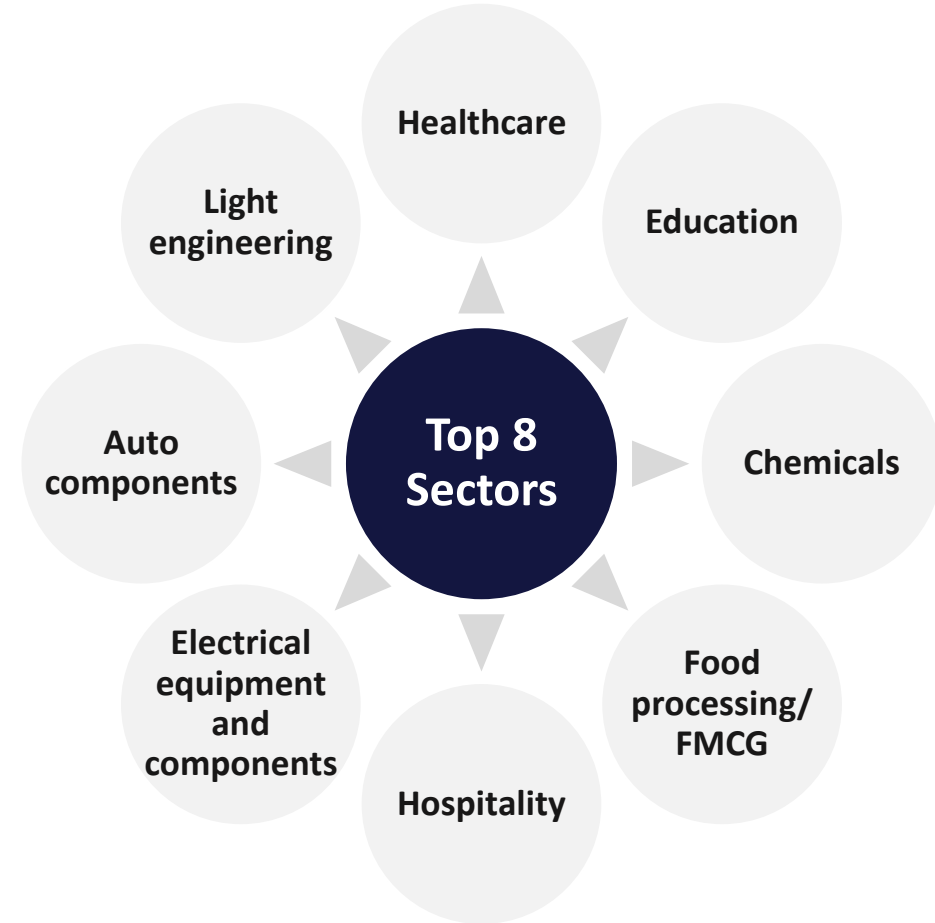
... to arrive at a set of eight sectors...

**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

# ...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.

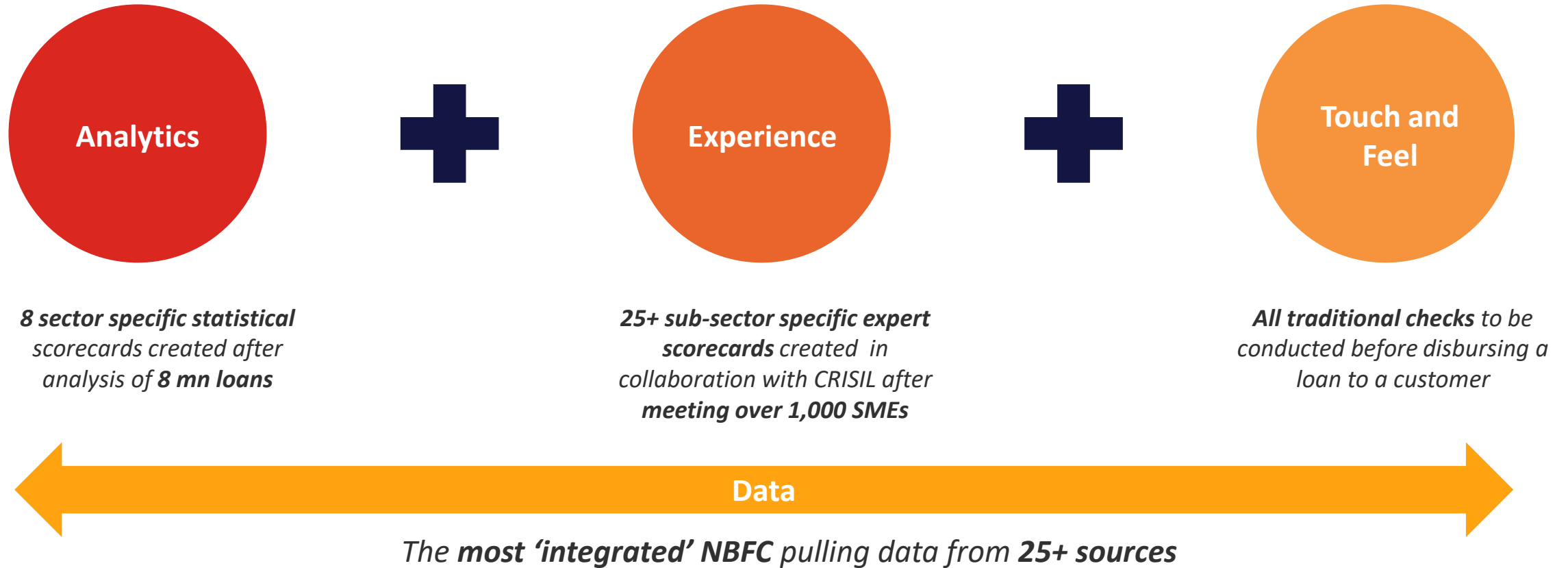
**Distribution:** Tie ups with leasing agencies and manufacturers of equipment



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# **Credit Appraisal and Portfolio Approach – Understand the Customer!!**

# Our Credit Appraisal Philosophy



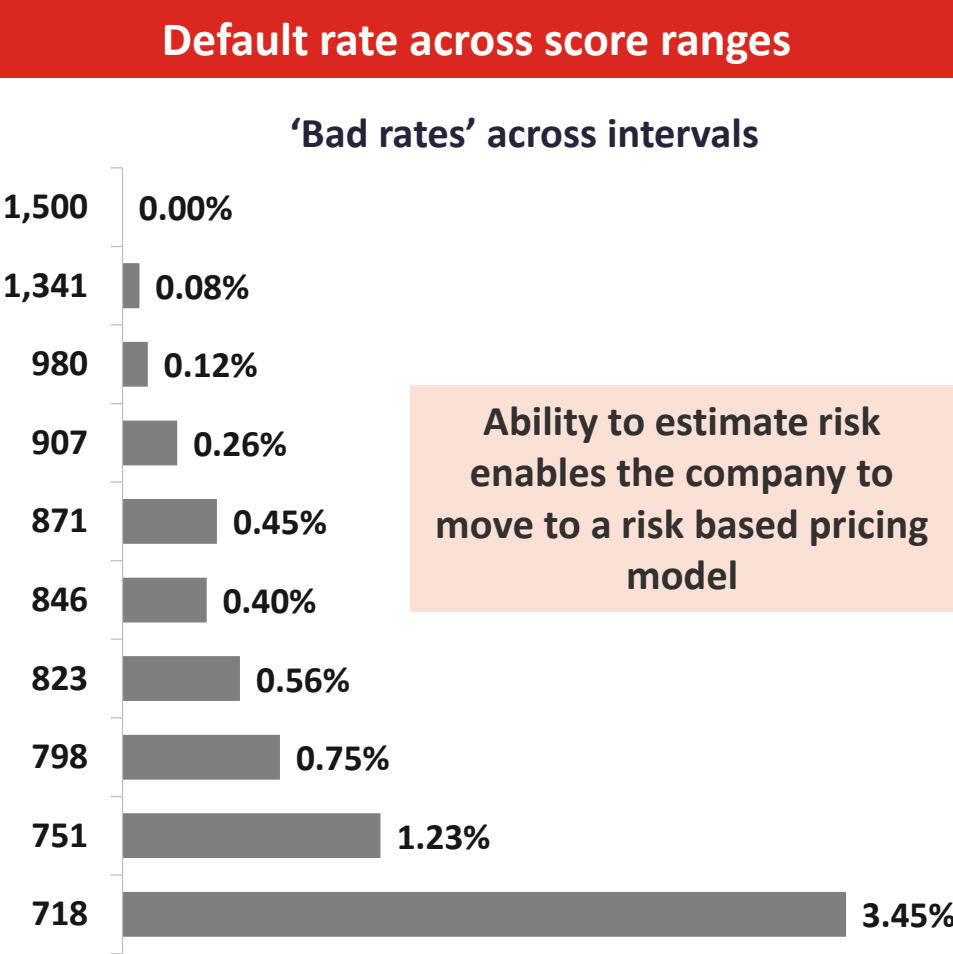
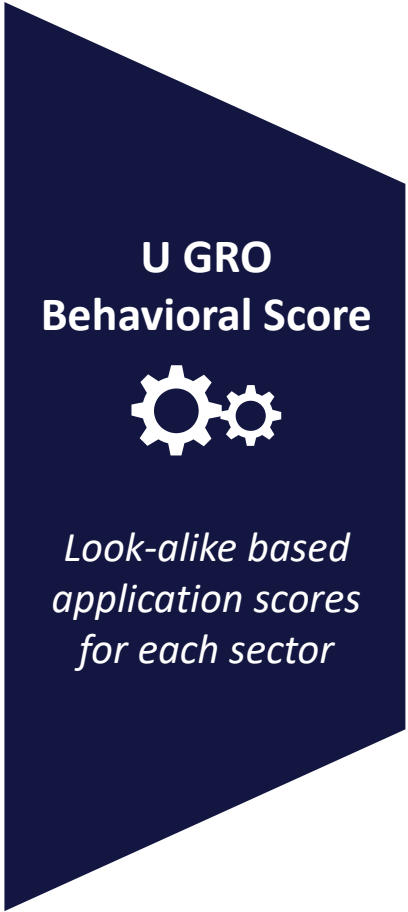
# Data Analysis led to proprietary ‘Statistical Score Cards’

**8 mn+** loan records

**850** parameters per loan

**60%+** GINI coefficient

**70%** ‘bads’ eliminated by removal of bottom 20% by score



# Data integrations & technology to facilitate a 60 minute in principal approval

360 degree view through 30+ API Integrations

Applicant Details

Bureau Details

Product

Co-applicants

Policy Report

Obligations

Financial

Principal Approval

Collaterals

Exceptions

Banking

Dedupe

GST Return

Legal

Technical

FI

CIN KYC

GSTIN KYC

PA Indicators

AML

Applicant Details

LAF\_ID

LUGL003520190111180621

PAN NO

AAKPG3303J

GSTIN Name

SANJIV KUMAR GUPTA

GSTIN

07AAKPG3303J1ZY

CIN

Mobile Number

9811032236

Email ID

accounts@npsolders.com

Business Address

, C-133, , MAYAPURI INDL. AREA, PHASE-2, MAYAPURI, Delhi, pin: 11006

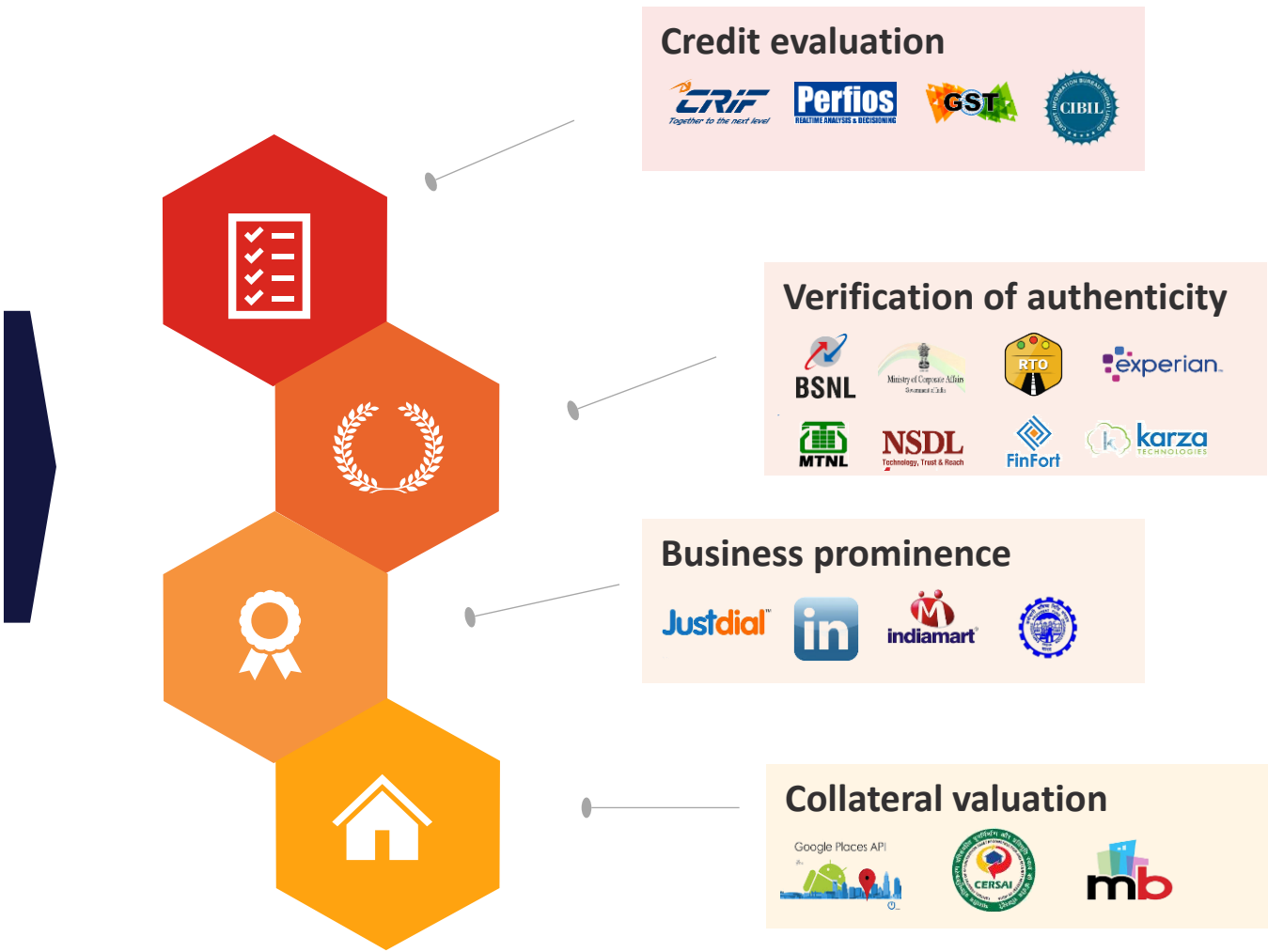
Landline Number

Address Line 1

Address Line 2

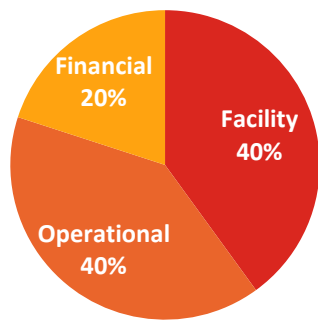
Address Line 3

Ability to front-load the entire credit assessment cycle

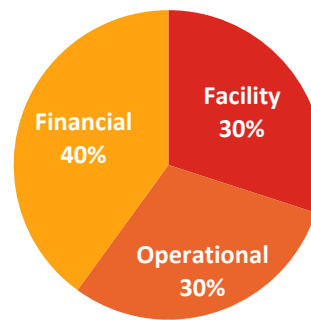


# Supplemented by an Industry First – ‘Expert Scorecards’ – for all sub - sectors

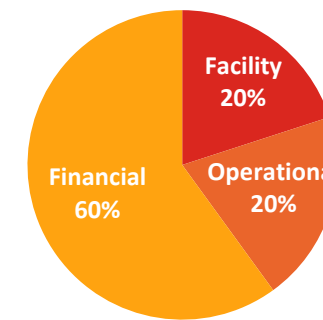
**Case A:** Less than 20 bedded nursing home



**Case B:** 20-50 bedded nursing home



**Case C:** 50-100 bedded nursing home



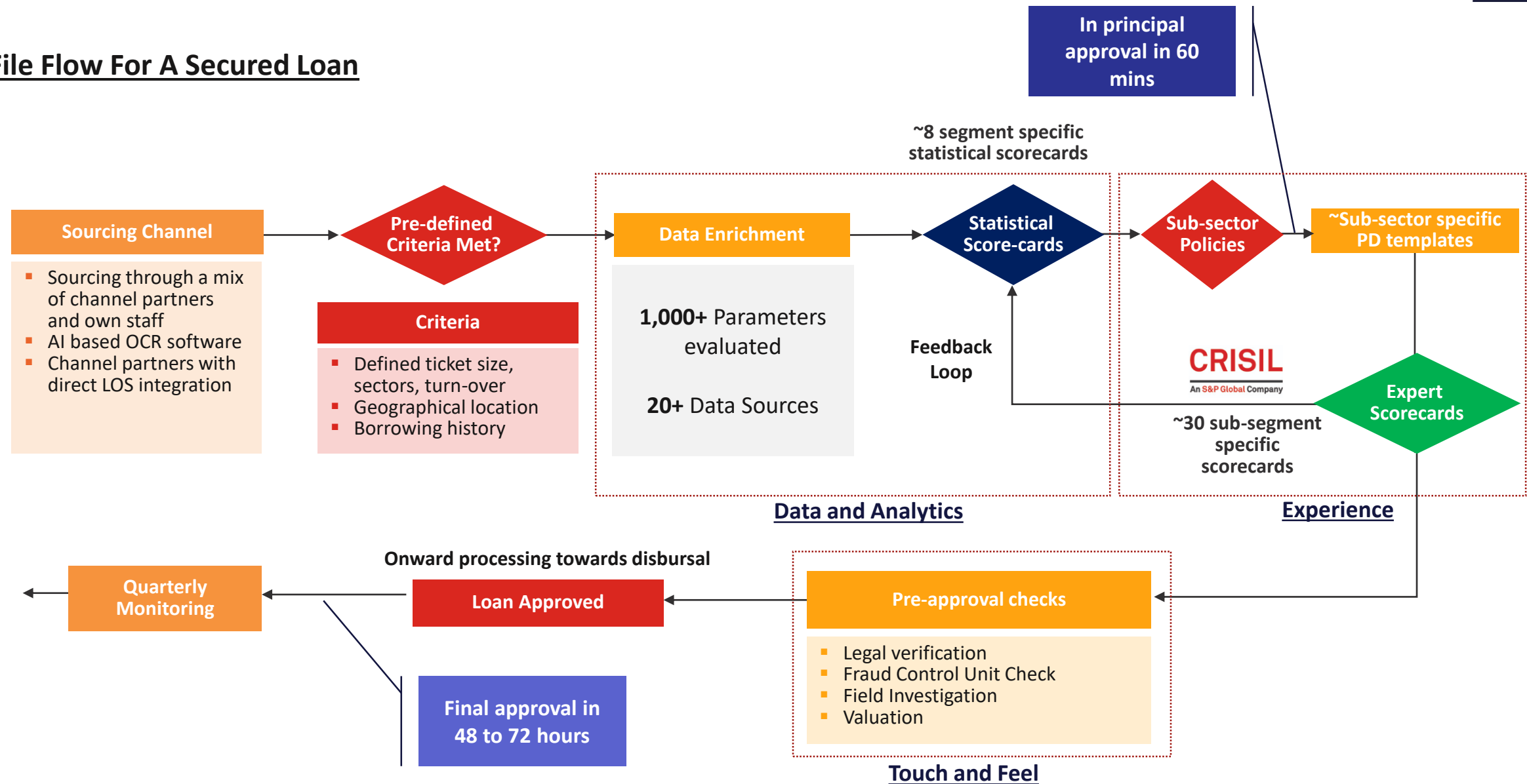
Parameters	Factors	Case A	Case B	Case C
Facility related	Vintage of the entity	20%	15%	10%
	Doctor's Experience	20%	15%	10%
	Arrangement with pharmacy unit	30%	30%	40%
	NAHB accreditation	30%	40%	40%
Operational	Share of IPD revenues in overall nursing home revenue	15%	20%	20%
	Share of insurances cases in overall IPD admissions	15%	20%	20%
	Govt empanelled cases in overall insurance admissions	10%	10%	10%
	Occupancy rate	30%	20%	20%
	Revenue per occupied bed	30%	30%	30%
Financial	Operating margins	15%	15%	15%
	Return on Capital Employed	20%	20%	20%
	Interest coverage	30%	30%	30%
	Asset turnover ratio	20%	20%	20%
	Receivable days	15%	15%	15%

Sector: Healthcare  
Sub Sector: Nursing Homes

- Combination of **operating** and **financial parameters**
- Scorecards developed in consultation with **CRISIL market experts**
- Methodology**
  - 1,000+ personal interviews** across **9 locations**
  - Responses for over **50+ curated questions** for each sub-sector

# Credit Appraisal Process | A Three Pronged Approach

## File Flow For A Secured Loan



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## **Sectoral Credit Understanding: Leading to – tailor made Product Solutions**

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



# Tailored Products for Small Businesses

Based on our sectoral capabilities, we would deliver customized solutions, faster TAT, better yields through a combination of higher loan to value and exposure limits, vis-à-vis being a pure play LAP focused lender

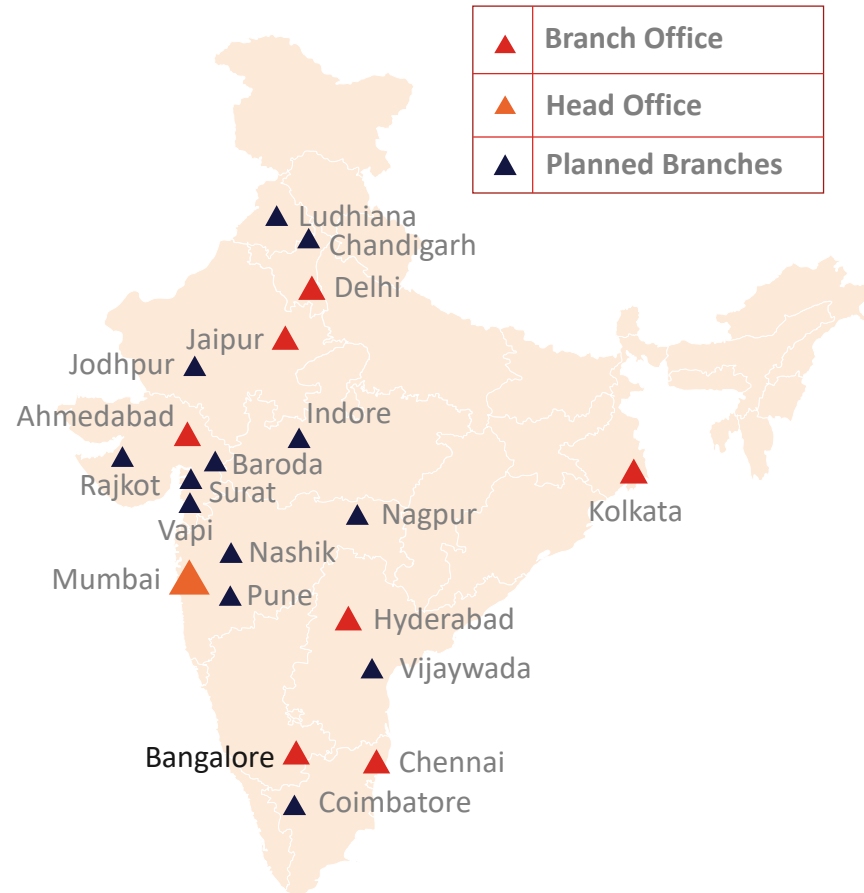
Sector	Sub-sector	Products (basis cash flow)	Assessment Parameters	Collateral
<b>Healthcare</b> 	<b>Hospitals</b>	Term loan for capacity expansion/upgradation. Medical equipment financing Working capital term loans	Number of patients per day, Doctor's experience, Bed capacity, Share of IPD revenues	Combination of property (business + personal), inventory, receivables Medical equipment
	<b>General Practitioners/ Diagnostic labs</b>	Equipment financing, working capital loan	Vintage of practice, Quality of equipment, Degree of practitioner	
	<b>Medical Devices</b>	Receivables discounting, supplier chain finance, working capital loan	Area covered, Client concentration, Length of relationships with customers	
<b>Education</b> 	<b>Schools - K12</b>	Term loan for capacity expansion, working capital loan	Promoter's experience, Number of existing branches, Type of locality	Combination of property, fees receivable
	<b>Vocational Institutes</b>	Primarily working capital loan	Number of branches, premises owned or leased, Increase in salaries	
<b>Auto</b> 	<b>Auto components</b>	Receivable discounting, supply chain finance, term loan, working capital	Ability to pass on price hikes, Average credit period, Discounts offered	Combination of property, inventory, cash flows
	<b>Auto dealers</b>	Primarily work capital loan, working capital term loan	Location of the entity, type of dealer (distributor, stockiest)	
	<b>Auto shop traders</b>	Primarily working capital	Area covered, turnaround time, proportion of slow moving inventory	

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## **Sectoral Understanding – leading to sharper distribution model**

# Traditional Channels | A new approach to the old

## A technology led, partnership based approach to DSAs



Locations identified through extensive analysis of portfolio and SME cluster performance

### Rigorous DSA 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 DSA productivity and enhances customer experience

### A DSA App: An Industry First

Loan Application

Product Program Details

Industry  
Education

Sub Industry  
K-12 Schools

Program  
SL-Turnover Surrogate Bank Secured

Loan Details

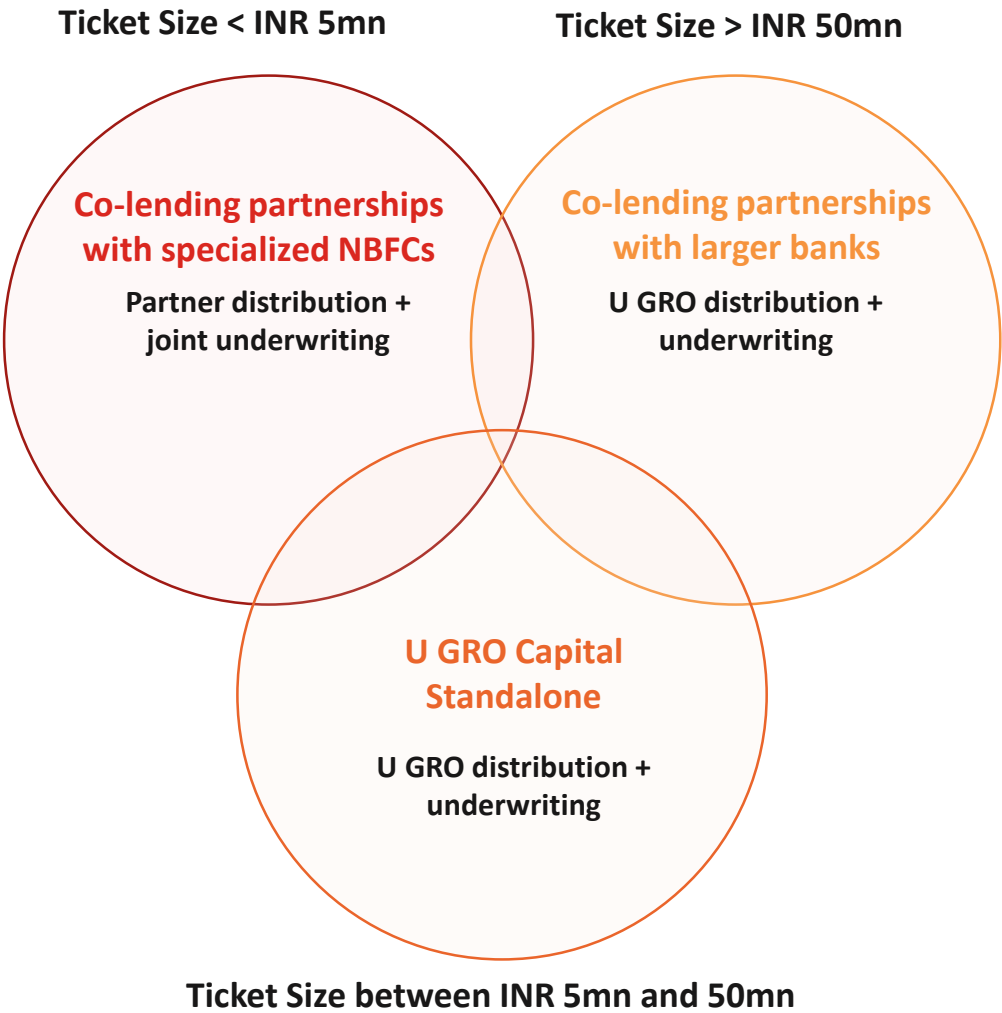
Loan Amount [Lacs]  
50

Loan Tenure Applied [Months]  
60

☐ Balance Transfer

Continue

## 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



India's largest  
online loan broker



India's largest  
DSA



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



Indicative List Of Potential Partners

### 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

	Branches
	States
	Channel Partners
	Corporate Partners
	Co-lending Partners

1 <sup>st</sup> Year
7
7
100
3
3

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



## **Fin-touch + Fin-tech**

***Building a Technology enabled organization***

# 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

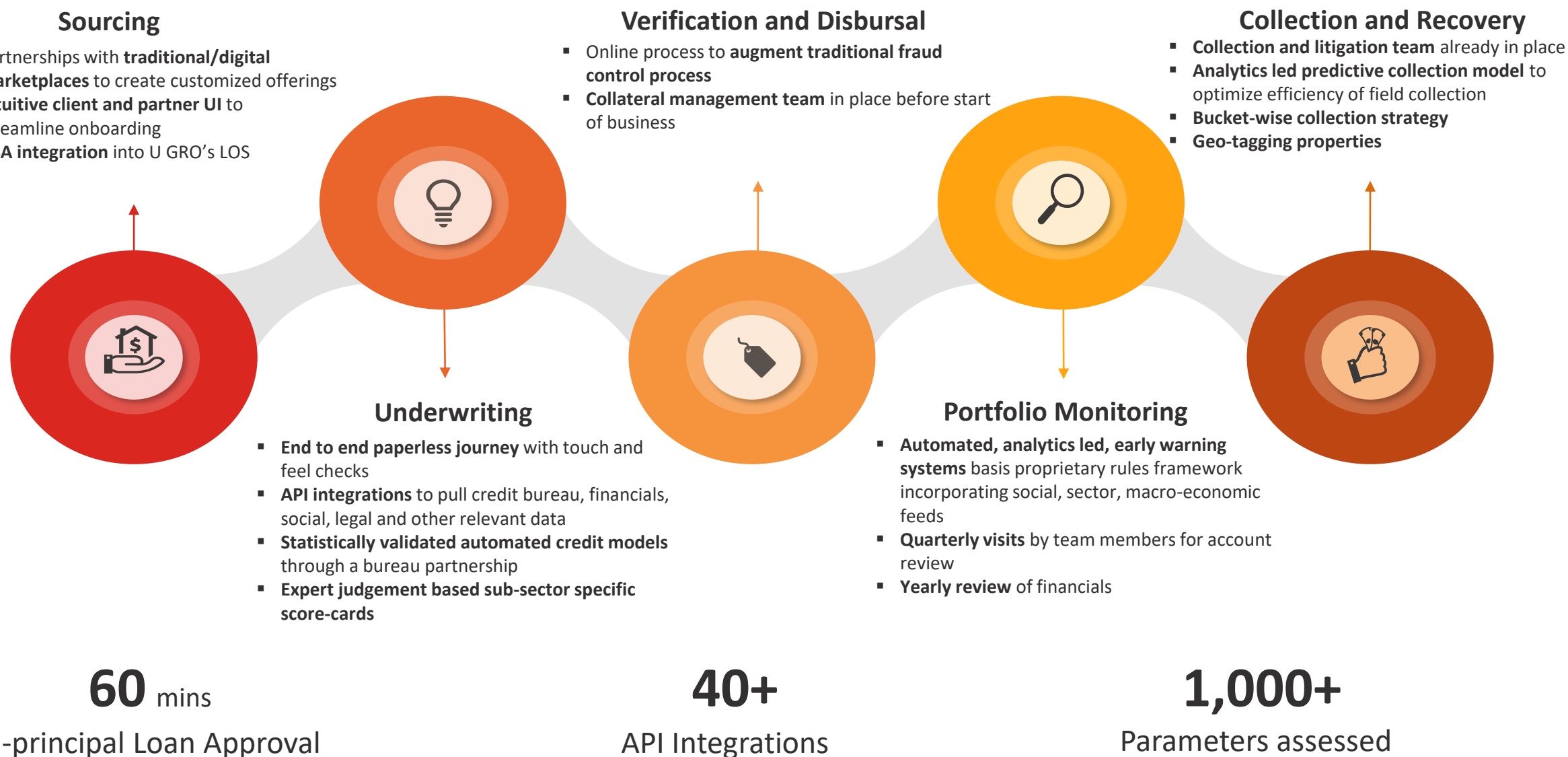
Leverage technology to automate processes thus reducing manual errors

Unsecured credit solutions

Variety in loan products



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



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# **Liability First**

## ***The Missing Link***

# 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 |

# Ability to cater to the needs of all liability providers

Public Sector Banks	   	<ul style="list-style-type: none"> <li>90%+ of the book constitutes priority sector lending</li> <li>10+ year track-record of profitable operations</li> <li>Largely secure book</li> </ul>
Private Sector Banks	   	<ul style="list-style-type: none"> <li>Granular, largely secured book</li> <li>High corporate governance standards</li> <li>Strong credit and risk management</li> </ul>
DFIs/Impact Funds	    	<ul style="list-style-type: none"> <li>Largely impact book – financing SMEs, healthcare, women entrepreneurs, education</li> <li>High corporate governance standards</li> </ul>
Insurance Cos/Mutual Funds	       	<ul style="list-style-type: none"> <li>A certain percentage of the books to be shorter tenor – to match shorter tenor CPs</li> <li>Granular, largely secured book</li> </ul>